



European Union/Council of Europe Horizontal Facility for the Western Balkans and Türkiye, regional “Action against economic crime in the Western Balkans”

TECHNICAL PAPER

Regional review of corruption and money laundering risks associated with environmental crime in the Western Balkans

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The European Union/Council of Europe Joint Programme “Horizontal Facility for the Western Balkans and Türkiye” is a co-operation modality developed by the Council of Europe and the EU to support compliance of Beneficiaries with European standards and the EU acquis in the areas covered by the Facility.

Under the first and second phase of the Horizontal Facility, support was provided to assist the Beneficiaries in bringing their policies, institutions and practices further in line with the recommendations of the Council of Europe monitoring bodies and European standards.

Efforts to further support the Beneficiaries in implementing sufficient reforms towards compliance with European standards and the EU acquis in the areas of rule of law, democracy and human rights, continue under the third phase of the Horizontal Facility which begun on 1 January 2023 and will last until 31 December 2026.

For further information please contact: Economic Crime Cooperation Division Economic Crime and Corruption Department Council of Europe e-mail: contact.econcrime@coe.int www.coe.int/econcrime www.coe.int	Disclaimer: This Technical Paper has been prepared within the framework of the European Union / Council of Europe Horizontal Facility for the Western Balkans and Türkiye, Regional “Action against economic crime in the Western Balkans”. The views and opinions presented herein are those of the main author and should not be taken as to reflect the official position of the European Union and/or the Council of Europe.
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¹ *This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ opinion on the Kosovo Declaration of Independence.



LIST OF ACRONYMS

AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
CITES	The Convention on International Trade in Endangered Species of Wild Fauna and Flora
CRA	Corruption Risk Assessment
DNFBPs	Designated Non-Financial Businesses and Professions
EU	European Union
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
ML	Money Laundering
NGO	Non-Governmental Organisation
NRA	National Risk Assessment
STRs	Suspicious Transaction Reports
TP	Technical Paper
UNCAC	United Nations Convention against Corruption



1 FOREWORD

The last few years has seen a significant increase in the ability of Western Balkan jurisdictions to combat a wide range of transnational and organised crime, from human trafficking and people smuggling to drug trafficking and corruption. This is despite the economic and geopolitical challenges that remain across the region. In terms of environmental crime, the landscape in the Western Balkans remains multifaceted. Despite the significant progresses in the domestic legislations, weak enforcement, economic pressures, and historical challenges in environmental governance contribute to significant risks in each category outlined by the new European Union (EU) Environmental Crime Directive² and other international treaties. While each beneficiary faces its own set of challenges—from illegal waste management in Albania to pervasive illegal logging and timber trafficking in Bosnia and Herzegovina—the overarching trend is one of urgent need for strengthened regulatory frameworks, enhanced cross-border cooperation, and comprehensive enforcement strategies to protect natural resources and public health.

Addressing these issues requires coordinated efforts among governments, regional bodies, international organisations, and EU partners to ensure that environmental crimes are effectively curtailed and that the natural ecosystems across the Western Balkans are preserved for future generations.

Through its Economic Crime and Cooperation Division, the Council of Europe is implementing the Action against economic crime in the Western Balkans within the framework of the European Union and Council of Europe’s joint programme “Horizontal Facility for the Western Balkans and Türkiye”.

One of the key areas of the Action focuses on the money laundering threats associated with environmental crimes, and corruption as an enabling factor and driver of such offences in the region. To enhance understanding of these threats, the Action has carried out a regional review of prevalent forms of environmental crime in the Western Balkans and their links to corruption and money laundering. The findings aim to inform and strengthen targeted policies and institutional responses and foster regional cooperation to more effectively combat these crimes.

² [EU Directive 2024/1203 on the protection of the environment through criminal law](#)



2 INTRODUCTION

Previously considered an emerging threat, environmental crime has now become one of the largest transnational and organised crime sectors taking place across the world, estimated to be as prevalent as drug trafficking, human trafficking and weapons smuggling. Globally, it is now believed to be a multi-billion-dollar business that affects a wide range of activities including wildlife crime, illegal waste management, the environmental destruction of an ecosystem, illegal fishing, illegal logging and timber trafficking, illegal building, illegal mining, land grabbing, pollution of water and fraud in emissions trading.

Environmental crime frequently crosses over into other forms of serious criminality such as corruption, fraud, money laundering, and counterfeiting. Organised criminal networks are moving illicit environmental goods or the proceeds of environmental crime using a variety of smuggling techniques, often by means of existing infrastructures and well-developed routes used for the trafficking of drugs, people, weapons, counterfeit goods, and other forms of contraband. Environmental crime has far-reaching negative consequences that go well beyond the immediate environment, such as undermining economies and livelihoods, good governance and the rule of law, also undermining national security.

Despite the modest increase in the detection and prosecution of environmental crime over the last few years, large gaps exist in the knowledge of the financial flows behind this activity, or the impact corruption and money laundering have on this type of crime. Throughout the Western Balkans region, and indeed globally, there remain insufficient environmental crime investigations or prosecutions. This is due in part to a lack of skills and resources, the prioritising of other predicate crimes such as drug trafficking and corruption, a general lack of awareness of the seriousness of the issue, the absence of an adequate legal framework that provides law enforcement officials, prosecutors and regulators with clear and appropriate powers to effectively combat this type of criminality. Where adequate laws do exist, there is a lack of understanding of those laws.

This review was conducted through desk research of previous studies from official academic, governmental, and non-governmental sources, open-source information, surveys distributed to the authorities, and on-line interviews.

Three different questionnaires were submitted to the agencies engaged in preventing and combating corruption, money laundering and environmental crime. The full list of the relevant agencies can be found in *Annex 3 - List of respondents*.

The report is structured in four main sections. After the introduction, Chapter 2 deals with environmental crimes in Western Balkans, Chapter 3 explores the corruption risks and factors associated with the environmental crime, Chapter 4 analyses the connections between environmental crimes and money laundering. The report concludes with a synthesis of key findings and recommendations aimed at strengthening the fight against environmental offences in the Western Balkans, and addressing their links to corruption and money laundering.



3 ENVIRONMENTAL CRIMES IN WESTERN BALKANS

This section examines traditional environmental crimes in Western Balkans, including illegal logging, illegal waste cycle, pollution, and wildlife crimes. In addition to traditional environmental crimes, the section also analyses the phenomena of land grabbing, water grabbing, and the exploitation of other natural resources such as sand and gravel. These refer to the acquisition of land and water resources by foreign entities, governments or large corporations, often to the detriment of local communities and ecosystems, or to extraction licensing. Not being a criminal offence, the phenomena of land grabbing, water grabbing, and sand and gravel exploitation can cause the depletion of public natural resources and are intrinsically linked to the processes governing the licensing and the control mechanisms on the private exploitation of natural resources, which sometimes hide corrupt behaviours or money laundering schemes.

3.1 Regional overview and environmental crimes in Western Balkans

Environmental crimes (or crimes that affect the environment) are activities that breach environmental legislation and cause significant harm or risk to the environment and human health, causing an impact on the natural environment and damaging ecosystem. The new EU Environmental Crimes Directive lists crimes such as illegal waste cycles, environmental disasters, failure to clean up, offences against fauna, forest fires, illegal logging, timber trafficking, illegal cement cycles, illegal mining, land and water grabbing, fraud in emissions trading, and issues related to energy production. In the Western Balkans, these offences often occur against a backdrop of rapid economic transitions, weak institutional oversight, and legacy environmental problems.

The impact on the region in terms of exploitation of natural resources, damage to the environment and threats to economic and social development have become significant. In terms of the economy alone, countries need to be able to legitimately and ethically make use of natural resources to produce raw materials to help economic growth. The illicit exploitation of natural resources not only undermines the economies of affected countries but leaves in its wake a damaged or destroyed environment with all the associated harm that this brings to local communities. This includes the significant long-term risk of natural resource depletion.

Although environmental crimes in the Western Balkans are a growing phenomenon, research on this type of crime, both at the regional and domestic levels, remains limited.³ Indeed, complaints are on the rise in most jurisdictions, particularly concerning illegal logging, arson, hunting and trafficking of wildlife and protected species, unlawful extraction of natural resources, and the illegal dumping of waste. Western Balkans jurisdictions are strengthening their environmental legislation, due in part to the commitments under the Stabilization and Association Process (SAP) for future EU membership. Despite this, there remains a significant discrepancy between the number of reported cases and actual convictions. Where there are convictions, penalties imposed are often insufficient to deter future violations. Data suggests the need for the implementation of more effective preventive and restorative measures and the reinforcement of monitoring and control mechanisms.

³ Dorđević, S. (2023) *Mind the GAP. Analysis of research on illicit economies in the Western Balkans*. GTOC



3.1.1 *Illegal logging and fires*

The Western Balkan region represents both a source and a transit area for illegal timber within Europe and is particularly vulnerable to wildfires and deforestation.⁴ The consequences of these criminal activities are significant, leading to the degradation of natural resources and ecosystems, soil erosion, landslides, and considerable disruption to the legitimate timber economy. There are certain areas being particularly vulnerable to these issues:

- **Albania** -the north-eastern district of Elbasan and the southern district of Vlora⁵;
- **Kosovo** – the regions of Mitrovica and North Mitrovica
- **Montenegro** - the areas of Berane, Kolašin and Rožaje. Some experts have also pointed to possible illegal logging in the forests of Pljevlja, although no official reports have been issued in this regard⁶;
- **North Macedonia** - the regions of Kumanovo, Kichevo, Bitola, Struga, Tetovo, Skopje, Berovo/Pehchevo and Gostivar⁷;
- **Serbia** - the eastern and southern regions of the beneficiary⁸.

Two main forms of criminal activity related to illegal logging can be identified:

- Poverty-driven illegal logging, involving the harvesting and collection of firewood for personal use.
- Economic-driven illegal logging, conducted by organised crime groups that results in the sale of timber on the black market or in the cross-border transfer of high-value timber towards the European timber market.⁹

Poverty-related logging is generally small-scale and more local, while the second involves large quantities of timber that are felled, loaded, transported and sold at profitable prices. Open-source accounts suggest that illegal logging typically takes the forms presented below.

Types of illegal logging schemes¹⁰:

- ***'The organisation'***
Small groups of offenders (5-10 people) that operate in close coordination with the forest oversight officials, allegedly using corrupt or violent practices. To transport timber safely, law enforcement personnel are reportedly bribed, and the transport is only carried out in the presence of the complicit officials. In addition, illegal donations are alleged to be made to both parties and individual politicians to obtain political protection.
- ***'The institutionalised or intra-institutional'***

⁴ Global Organized (2023) *Crime Index, Profile Albania 2023* <https://ocindex.net/country/albania>

⁵ *Ibidem*

⁶ Cakovic, D. (2023) *Environmental crime in Montenegro*, OSCE

⁷ Stefanovski, I. Danailovska, A. Georgievska, M. (2020) *Logging down our future: models and forms of organized criminal illegal logging in North Macedonia*, Eurothink

⁸ Strahinja, M. (2024) *Environmental Crime in Serbia: Corporate Polluters Exploit Weak Enforcement*, <https://www.europe-solidaire.org/spip.php?article73056>

⁹ Stefanovski, I. Danailovska, A. Georgievska, M. (2020) *Logging down our future: models and forms of organized criminal illegal logging in North Macedonia*, Eurothink

¹⁰ Examples depicted from open sources in the Republic of North Macedonia



The private companies contracted for forest maintenance allegedly obtain cutting permits through bribing forest management officials. Similar to the first type, bribery of law enforcement personnel is reportedly used to avoid problems during the transport of illegally harvested timber.

- **'Stealing to survive'**

This is one of the most prevalent forms of illegal logging. The amounts are usually small, as are the sums of money to bribe local forest oversight personnel. For this form of crime, there is no problem with transportation, as the illegal timber is usually sold among locals or to neighbouring villages and not in urban centres.

- **'Dealers'**

This type of organised crime is an extension of the first: they are groups that purchase illegally harvested timber and deal with its distribution and sale in urban and densely populated areas. They often manage to mislead the population by claiming that the official timber stocks are depleted or priced excessively.

- **'Urban loggers'**

These are reportedly civil servants of local municipalities who cut down old trees without authorisation even though they are in very good condition. The practice appears to take place with the consent of local administrators. The explanation given is that of the distribution of timber to low-income families, however, neither evidence nor lists of beneficiaries are given to this explanation.¹¹

Illegal logging and the destruction of forested areas are widespread phenomena across all the beneficiaries examined.

Case study 1 - Fire

On August 9, 2024, in North Macedonia, three individuals were arrested on charges of having deliberately set fire to a state-owned forest in the village of Patiška Reka. According to witness accounts, the fire was reportedly caused by the spreading of gasoline and oil. Incidents of this nature are widespread in North Macedonia; during the summer of 2024, the beneficiary experienced numerous forest fires. In August alone, 370 fires were extinguished, and more than 1,200 square kilometres of forest are estimated to have been destroyed.

Since the internal forestry authorities have limited capacity to carry out post-fire land restoration activities, these operations are frequently outsourced to private companies. In this phase, damaged trees are felled and subsequently sold as firewood or processed into pallets

Source: [Mladenović Stević, S. Topalova](#) K.(20/09/2024), *Ecocide and nature protection in the Balkans*, Osservatorio Balcani e Caucaso.

Most Western Balkans beneficiaries have incorporated criminal provisions into their legal systems addressing unlawful deforestation and the illegal exploitation of forest resources. In contrast, legal provisions concerning the criminalisation of forest fires—whether caused by negligence, recklessness, or intent—are less consistently present. Overall, data show that, despite the existence of a legal framework addressing forest-related offenses, the number of actual convictions for such violations is much lower than the offences detected.

¹¹*Ibidem*



3.1.2 *Illegal waste cycle and pollution*

Environmental offenses related to waste management may occur at all stages of the waste cycle, including collection, storage, treatment, and disposal. Such unlawful activities are frequently attributable to the absence of the required authorisations, either with respect to the type of waste handled or the quantities transported or stored. The consequences of these activities can be particularly severe, with significant impacts on human health and the environment, especially in cases involving hazardous waste.

The Western Balkan region serves not only as an area of origin and destination for illicit waste flows, but also as a key transit zone in the context of transnational waste trafficking, including waste originating from European Union Member States. Among the beneficiaries most affected by these phenomena are Albania, Bosnia and Herzegovina, and the Republic of North Macedonia.¹² In such cases, various actors, including private companies, corrupt public officials, and organised crime groups, appear to be involved in these illegal activities.¹³

In addition to the issues arising from inadequate waste management, other significant factors contribute to environmental pollution. Among these, the ineffective treatment of urban wastewater plays a crucial role, as the failure to properly treat such wastewater leads to the release of pollutants into water bodies and the soil. Furthermore, the discharge of air and water pollutants from industrial activities, such as factories, mines, and other economic operations, results in the release of toxic substances into the air, water, and soil.

These phenomena not only compromise environmental quality but also have serious implications for public health and biodiversity. All the beneficiaries under analysis include, within their respective legal frameworks, specific criminal provisions related to the unlawful management of waste, as well as the pollution of water, soil, and air. In certain cases, domestic legislation also establishes distinct offenses concerning the contamination of water resources, in addition to aggravating circumstances in instances involving damage to natural habitats or ecologically sensitive and often protected areas.

Available data for the period 2019–2023 indicate a rising trend in environmental violations; however, the overall number of confirmed criminal offenses remains relatively limited in absolute terms, with a significant share of environmental crimes going undetected or unprosecuted.

¹² South, N. Brisman, A. (2022) *Routledge International Handbook of Green Criminology*, Taylor & Francis Ltd

¹³ *Ibidem*



Case study 2 – Illicit waste disposal

Albania has emerged as a destination for hazardous waste originating from certain EU Member States. Available evidence indicates that the transboundary trafficking of such waste remains an ongoing concern. Several notable incidents in 2020 underscore the persistence and complexity of this issue:

- **Port of Ancona, Italy (2020):** Officers from the Italian Carabinieri's Ecological Operations Unit intercepted two trailers destined for Albania. The first vehicle was loaded with Waste Electrical and Electronic Equipment (WEEE), including industrial power transformers, ventilation fans, and convector heaters. The second trailer contained approximately 19 tonnes of domestic and professional WEEE, comprising 205 washing machines and 22 ovens. Both shipments were found to lack documentation attesting to their functional condition and legal provenance, thereby violating relevant regulatory standards.
- **Port of Vlora, Albania (2024):** Police inspected a ferry arriving from Brindisi, Italy and discovered a shipment of hazardous waste. According to official sources, the ferry had reportedly completed more than 15 such trips, transporting materials classified as hazardous—among them, asbestos. These substances were allegedly disposed of through burial, raising significant environmental and public health concerns.
- **Port of Ancona, Italy (“Operation Metal Gate”, 2025):** Italian authorities seized nearly 58 tonnes of toxic waste shipped from Albania and misdeclared as “aluminum scrap.” Laboratory tests revealed dangerous concentrations of heavy metals including zinc, lead, and copper. Two Italian company administrators were charged with environmental crimes, and prosecutors are probing links to wider transnational waste trafficking networks.

Sources:

Ministry of the Environment and Energy Security (25/02/2020) “Waste: Illegal trafficking to Albania, NOE Carabinieri and the Ancona Customs Agency seize 2 tons of WEEE,” Italian Government

Elia, C., Nardacchione, S. (05/04/2024) From “ships to be sunk” to illegal trafficking: the waste business across the Adriatic, IRPI Media

Albanian Times (20/02/2025) [Toxic waste from Albania seized at Ancona port in Italy](#)



Case study 3 - Hazardous waste

In the case concerning hazardous waste in Vukićevica, Municipality of Obrenovac (Serbia), the initial information indicated the presence of a large quantity of hazardous waste buried underground; however, neither the type nor the origin of the waste was known. During the planning phase of the investigation, it was necessary to ensure the presence of all relevant authorities and institutions to guarantee the safe and efficient conduct of operations. This required the participation not only of the public prosecutor and the police but also of several other entities.

The following parties took part in the investigation: the public prosecutor, the defendant, the Ministry of Internal Affairs, the Emergency Situations Department, the Republic Environmental Protection Inspector, a company registered for the transport and treatment of hazardous waste, experts from authorised and accredited institutions for the collection and analysis of waste samples, a company specialising in magneto metric surveying of the terrain, a company equipped with suitable machinery and trained personnel for excavation activities, the emergency medical service, and the fire department.

The waste was contained in damaged drums and containers, leading to the partial leakage of hazardous substances into the soil. Efforts were made to identify the substances present and to classify the waste (hazardous, non-hazardous, or inert); however, identification was not possible due to the lack of documentation regarding the waste's origin and the heterogeneous mixture of different waste types. Consequently, the waste was seized from the defendant by means of an official temporary seizure report.

Subsequent analyses confirmed the hazardous nature of the waste, attributable to its generic form, its origin, and the elevated levels of total hydrocarbons, arsenic, BTEX compounds (benzene, toluene, ethylbenzene, and xylene), and zinc, compared to the reference values established by applicable regulations.

At the conclusion of the investigation, two individuals — owners of the affected plots of land — were each charged with the criminal offense under Article 266, paragraph 1 of the Criminal Code, relating to the unlawful disposal of hazardous substances and waste.

It was established that the defendants lacked the necessary permits for hazardous waste management activities, that the packaging of the waste was inadequate, and that, in one case, the waste had been buried underground, while in the other case it had been abandoned on the surface.

Following the trial, the first-instance court found the defendants guilty:

- The first defendant was sentenced to four years and six months of imprisonment and an additional fine of 600,000 dinars;
- The second defendant was sentenced to one year and six months of imprisonment and an additional fine of 250,000 dinars.

Furthermore, security measures were ordered, resulting in the seizure of:

- 24,672 kilograms of hazardous waste from the first defendant;
- 11,154 kilograms of hazardous waste from the second defendant.

The judgment became final in less than ten months from the initiation of the investigation.

Source: Based on a case reported in the questionnaire completed by the Supreme Public Prosecutor's Office of Serbia.

3.1.3 Wildlife offences

In the region, poaching and the illegal trade of wildlife, particularly birds, brown bears, foxes, deer, hawks, and wolves, remain persistent issues. In certain beneficiaries, the sale of protected species and other wildlife is widespread, both through online platforms and in physical shops.¹⁴ Additionally, some beneficiaries serve as destinations or transit points for illicit exotic fauna, primarily involving protected species such as parrots, reptiles, pythons, lizards, and turtles. Seizures of these trafficked animals have been reported at borders with Hungary, Croatia, and Bulgaria.¹⁵

Hunting tourism, targeting both local and foreign hunters, is also prevalent in the region. Birds are among the most affected species, with many being smuggled into Hungary, Croatia, Slovenia, and Italy. In recent years, authorities uncovered the smuggling of 120,700 dead birds from one of the Western Balkan beneficiaries to another European country. Evidence collected during this investigation suggests that over 2 million birds have been illegally trafficked within a span of just six years.¹⁶

Illegal fishing also remains a significant concern, often conducted on a large scale and without adequate regard for the conservation of habitats and species. Closely linked to the issue of illegal fishing is the serious and persistent trafficking of the European eel (*Anguilla anguilla*), a species classified as endangered and listed under CITES since 2010. Europe remains one of the primary source regions for juvenile eels (glass eels), which are trafficked to Asia by transnational criminal networks. The main spawning and poaching areas are in the river deltas of France, Spain, Portugal, and the United Kingdom. It is estimated that approximately 100 tonnes of glass eels are trafficked annually to Asia, generating illicit profits ranging between EUR 200 and 300 billion. To facilitate international transfers, criminal routes increasingly pass through the Balkans, Eastern Europe, North Africa, and parts of Western Asia. The eels are typically smuggled by air, concealed in water-filled plastic bags stored in passenger luggage. The primary destination countries include China, Vietnam, Japan, South Korea, and Malaysia, where the eels are raised to adulthood in aquaculture facilities. Once matured, they are processed into fillets and fraudulently labelled as non-CITES species to enable their sale on global markets. In addition to illegal fishing, this form of trafficking often involves multiple related offenses, such as fraud, document forgery, money laundering, tax evasion, corruption, and the unauthorized use of banned chemicals and antibiotics during aquaculture practices. Following the COVID-19 pandemic, criminal networks have increasingly turned to alternative transportation methods, notably cargo containers, to avoid enhanced airport security and logistical restrictions on passenger travel¹⁷.

All the beneficiaries under analysis include specific criminal offenses related to illegal hunting and fishing within their respective legal frameworks. Based on the available data, Serbia emerges as the beneficiary with the highest number of recorded offenses in these areas. In addition to such violations, domestic legislations also provide—although not always in a harmonised manner—specific criminal offenses related to the protection of animal welfare. These include crimes involving the killing, torture, and abandonment of animals; liabilities

¹⁴ Global Organized Crime Index (2023), *Profile Albania 2023* <https://ocindex.net/country/albania> (Accessed on 10.06.2025)

¹⁵ *Ibidem*

¹⁶ Strahinja, M. (2024) *Environmental Crime in Serbia: Corporate Polluters Exploit Weak Enforcement*, <https://www.europe-solidaire.org/spip.php?article73056> (Accessed on 10.06.2025)

¹⁷ Europol (2022) *Environmental crime in the age of climate change*



associated with the veterinary profession; as well as unlawful conduct concerning the spread of infectious animal diseases or the contamination of water and food resources intended for wildlife.

Case study 4 - Glass eels

In 2019, the Ministry of the Interior of the Republic of North Macedonia successfully seized seven suitcases containing approximately 40 kg of glass eels (*Anguilla anguilla*), an action that led to the identification of an organized criminal group composed of two Chinese nationals, one Bulgarian national, and two North Macedonians. The individuals involved face charges of smuggling, with the added aggravating factor of participation in a criminal organisation.

The illicit activity was aimed at transporting the glass eels from North Macedonia to Malaysia, where a pre-established network of buyers was prepared to receive the shipment. Initially, the group arranged for transport via van from North Macedonia to Bulgaria. To facilitate a smooth border crossing, they enlisted the assistance of an employee from the Kumanovo Customs Office. Prior to executing the full-scale transport, a trial run was conducted with a smaller quantity of the glass eels, which was successfully completed.

Surveillance footage from the Border Police Station revealed that, despite the scheduled customs inspections, the customs officer failed to carry out the necessary checks, thereby allowing the shipment to cross the border without detection. Subsequently, while en route to Skopje International Airport, the vehicle was intercepted by a police patrol. During a subsequent inspection, it was determined that the cargo contained juvenile glass eels in their metamorphosed larval form, approximately three years old. Laboratory analysis confirmed that each eel weighed approximately 0.2 grams and measured between 5-7 cm in length. One of the plastic bags used for transport, equipped with compressed oxygen, contained approximately 1.5 kg of juvenile eels, or about 7,500 individual specimens. In total, the 42 plastic bags seized contained approximately 60 kg of juvenile glass eels.

An expert examination, conducted by the Faculty of Veterinary Medicine in Skopje, confirmed that the juveniles originated from European coastal areas bordering the Atlantic Ocean, including regions such as Spain, Portugal, France, and Northern Ireland. The market value of these juveniles ranges from 1,500 to 2,000 euros per kilogram, based on prevailing market prices in Asian countries. The intended purposes for these European eel juveniles may include breeding in aquaculture facilities, stocking in natural waters, consumption, or other commercial applications.

Source: Based on a case reported in the questionnaire completed by the Ministry of Interior of North Macedonia.

3.2 Grabbing of natural resources

In Western Balkan beneficiaries, the processes related to concessions, as well as those involving Environmental Impact Assessment (EIA) and Strategic Environmental Assessment (SEA), are identified as emerging issues for the risks of corruption, money laundering connected to public decisions that affect the environment and cause significant harm or risk to the environment and human health.



3.2.1 Land grabbing

"Land grabbing" refers to the unauthorised or non-legitimate acquisition or appropriation of land for private interests. The reasons behind this phenomenon are varied, encompassing industrial and tourism developments, urbanisation projects, as well as intensive agricultural and mining activities. The consequences of this phenomenon are very impactful for the environment and biodiversity as the impacts generated are mostly irreversible.

In the context of the Western Balkans, the construction and real estate sectors warrant particular attention due to their susceptibility to money laundering and corruption. These sectors are characterised by high economic value and insufficient regulatory oversight. As illustrated in Table 1 below, the price per square meter in all beneficiaries of the region increased significantly between 2017 and 2020, in some instances even doubling. Experts have argued that this increase could not be reasonably attributed to higher demand, particularly in light of the region's shrinking economies in those years. These trends may raise concerns about possible irregularities in the real estate market, including potential involvement of organised crime and corruption.¹⁸

Table 1 - Comparative real-estate prices of some cities between 2017 and 2020.

Location	Price and square metre	
	2017	2020
Albania		
Tirana (city centre)	€861	€1.400-€2.000 (prices reach €4.000 in the newly built skyscrapers in the city centre)
Vlora (waterfront)	€700-€800	€1.000-€1.200
Durres (residential complexes)	€850-€900	€850-€900
Bosnia and Herzegovina		
Sarajevo (old town and centre)	€600-€2.250	€575-€2.750
Banja Luka	€750-€1.250	€978-€1.183
Tuzla (city centre)	€1.150	n/a
Kosovo		
Pristina	€600-€2.250	€1.000-€1.100
Peja	n/a	€500-€550
Prizren	n/a	€600-€660
Montenegro		
Podgorica	€1.123	€966
Coastal region	€1.159	€1.401
Northern region	€639	€720

¹⁸ Kemp, W. Amerhauser, K. Scaturro, R. (2021), *Spot Prices. Analysing flows of people, drugs and money in the Western Balkans*, GITOC

North Macedonia		
Skopje (centre)	€887	€973-€1.021
Bitola	€376	€559-€612
Strumica	€500	€472-€534
Serbia		
Stari Grad, Belgrade	€1.878	€2.499
Nis	€794	€914
Novi Sad	€1.007	€1.204

Source: Kemp, W. Amerhauser, K. Scaturro, R. (2021), *Spot Prices. Analysing flows of people, drugs and money in the Western Balkans*, GITOC

In several cities, significant tourism projects and luxury real estate developments are planned. For instance, in Tirana, real estate activity, according to INSTAT (the Albanian Institute of Statistics), in the second quarter of 2020 recorded a historic peak in the total area approved through building permits. In the same year the Albanian economy contracted on average by 10.2% but real estate continued to expand by 5.5%.¹⁹ Similarly, large-scale tourism projects are proliferating along the coast, such as in Vlore. Concurrently, there has been a decline in the extent of protected areas in coastal regions. As of January 2022, Albania designated 34 new protected areas, resulting in 21% overall increase in total protected land. However, this expansion predominantly occurred in inland regions, while coastal protected areas have diminished.²⁰ Other examples of extensive legal construction in coastal areas can be observed across the region. In Montenegro, for instance, the municipality of Budva, a prominent tourist destination, experiences severe challenges during the summer months, including traffic congestion and shortages in water and electricity supplies. These developments highlight the tension between rapid urbanisation for economic purposes and the need for sustainable environmental and infrastructure planning.²¹

Amendments to the laws governing protected areas have been enacted in several Western Balkan beneficiaries, permitting activities such as water extraction for irrigation and the construction of tourist resorts within protected zones. These legislative changes pose significant risks to the biodiversity of these areas.²² A notable example is the construction of a new airport in Vlora, which commenced in late 2021 within the protected Vjosa-Narta region. This development contravenes international biodiversity protection conventions and was initiated without adhering to proper Environmental Impact Assessment (EIA) procedures.²³

Instances of unauthorised construction within protected areas have also been documented, including:

¹⁹ Kemp, W. Amerhauser, K. Scaturro, R. (2021), *Spot Prices. Analysing flows of people, drugs and money in the Western Balkans*, GITOC

²⁰ European Commission (2022) *Albania 2022 Report*

²¹ Caković, D. (2023) *Environmental crime in Montenegro*, OSCE

²² European Commission (2024) *Albania 2022 Report*

²³ *Ibidem*



- **North Macedonia** - Illegal structures in the Ohrid region, such as those in Studenichishko Blato near Lake Ohrid, and unauthorised buildings by Pelagonija Gostivar in Mavrovo National Park.²⁴
- **Montenegro** - unauthorised constructions in Shkodra Lake National Park, Prokletije National Park, and along the banks of the Bojana River.²⁵

In addition to the environmental harm caused by unpermitted construction, these buildings pose severe safety risks both during and after their development. Many do not meet essential modern architectural and construction standards, including those related to seismic safety.²⁶

Case study 5 – Illegal construction permit

In 2022, the Directorate for the Investigation of Serious Crimes of the Kosovo Police, specifically the Unit for the Investigation of Environmental Crimes, launched a probe into the degradation in the Sharri national park in Brezovice, after receiving information from civil society.

Following the initial investigative actions, it was established that the suspects had obtained an illegal construction permit from municipal officials through bribery. They subsequently bribed representatives of the energy utility company KEDS to ensure the connection of the houses and facilities to the energy network. In addition, the suspects felled perennial trees to clear space for construction, altered the course of the river, and built hotel facilities and cottages.

Initially, 23 suspects were arrested for criminal offenses of environmental degradation, misuse of official duties and giving and receiving bribes, but later this number has increased to 97 suspects.

During this action it was possible to seize:

- 75 weekend homes
- 3 residential buildings under construction
- 15 cars
- 200,000 euros in cash
- 4,000,000 euros frozen in bank accounts.

In the investigative procedure, some of the investigated officials offered cooperation with the prosecution and were announced as cooperating witnesses, while some of them admitted their guilt.

The trial has not been fully completed in the Court.

Source: Based on a case reported in the questionnaire completed by the Kosovo Police.

3.2.2 Water grabbing

The Balkan area is also known as the “blue heart of Europe” due to its abundant rivers, many of which retain their untamed and natural courses. This natural asset is exposed to criminal interests due to its high value, lack of enforcement and the legacy of poor environmental management. The EU's energy support package has made available EUR 1 billion to the

²⁴ Dukovska, J. (2020) *Report on environmental corruption in the Republic of North Macedonia*, OSCE

²⁵ Caković, D. (2023) *Environmental crime in Montenegro*, OSCE

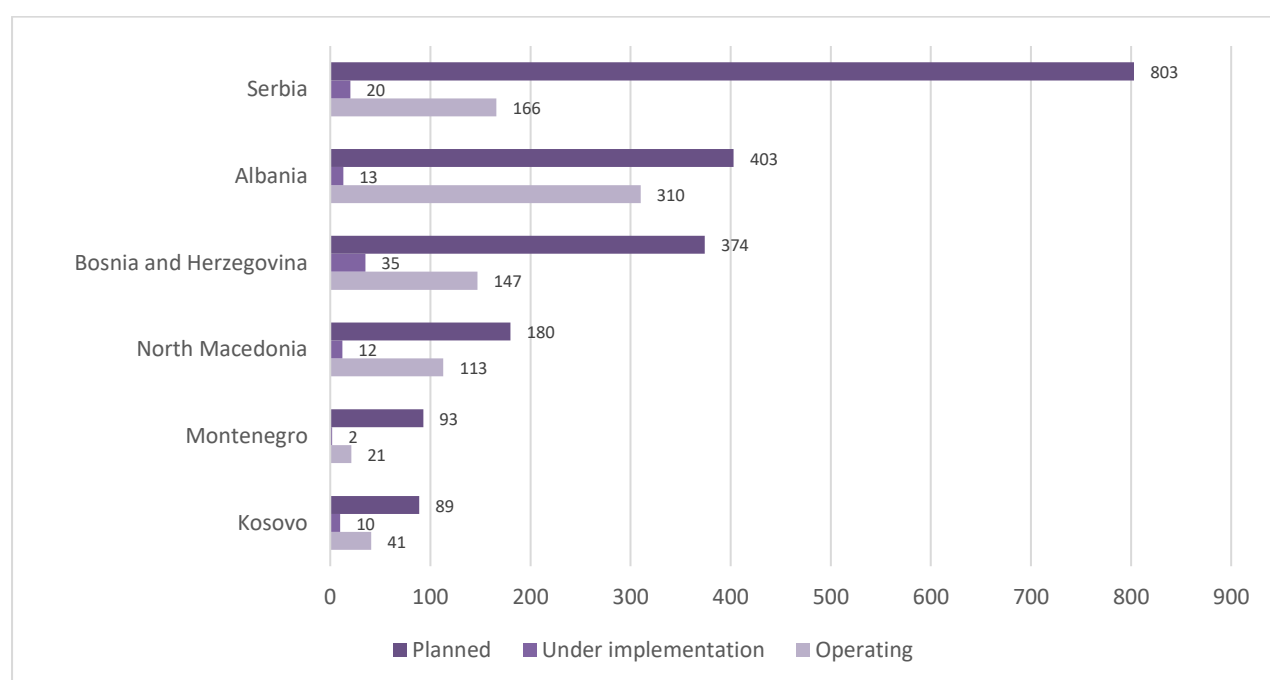
²⁶ *Ibidem*



Western Balkans, with the aim of accelerating the energy transition and energy diversification towards wind, solar and hydroelectric power. As of the most recent data, approximately 1,726 hydropower plants are operational in the Balkan region, with an additional 108 under construction and 3,281 projects planned. Most of these installations are small-scale hydropower plants, with 92% of the planned projects having an installed capacity of less than 10 megawatts (MW).

Between 2015 and 2022, there was a substantial increase in the number of hydropower facilities, rising from 714 to 1,726. Particularly notable is the tripling of small-scale hydropower plants during this period, from 590 to 1,568²⁷.

Chart number 1- Hydropower plants in the Western Balkans by status as of 2022



Source: Euronatur & RiverWatch (2022) Hydropower Projects on Balkan Rivers

Serbia, Albania, and Bosnia and Herzegovina have the highest concentration of planned projects within the region. Rivers and streams, regardless of their size, are highly vulnerable to ecological threats. Excessive exploitation and increasing pressure on these resources have significant implications for the environment, disrupting aquatic ecosystems and reducing biodiversity. Moreover, these issues negatively affect local populations, which often rely directly on river resources for their daily survival. This concern is exacerbated by the fact that 50% of planned or existing hydropower plants are located within established or proposed protected areas.²⁸ Such development exerts immense pressure on the region's river networks, posing significant risks to their ecological integrity and contravening the principles of the EU Water Framework Directive and the objectives outlined in the EU Biodiversity Strategy for 2030.

²⁷ Schwarz, U. Vienna, F. (2022) *Hydropower Projects on Balkan Rivers*, Euronatur & RiverWatch. The numbers refer to Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece (northern part only), Kosovo, Montenegro, North Macedonia, Serbia, Slovenia, Türkiye (European part only).

²⁸ *Ibidem*

3.2.3 *Other resources: sand and gravel*

In the Western Balkans region, the extraction of natural resources - such as sand and gravel - poses a significant threat to river ecosystems, leaving riverbeds barren and accelerating erosion processes. The restoration of these riverbeds can span several decades, and the complete recovery of aquatic fauna may be unattainable, experts say. These environmental impacts extend to local communities, as fish populations serve as vital subsistence and economic resources. Such exploitative practices appear to be aggravated by corruption and political protection, further hindering effective environmental conservation efforts.²⁹

In Kosovo environmental condition of rivers has deteriorated greatly as a result of physical degradation of riverbeds, discharge of used urban and industrial water, erosion and indiscriminate use of land along their beds. Almost, in every river basin there is degradation, with special emphasis on the Drini Bardhë Basin. The exploitation of the rivers has exceeded the chance of a return to their previous state. This over-exploitation and degradation of rivers has also come as a result of the great needs of residential, industrial or road infrastructure. In the last few years, in just eight rivers, degradation of the river surface has been found to extend to 1,762.71 hectares.

²⁹ Caković, D. (2023) *Environmental crime in Montenegro*, OSCE



4 CORRUPTION RISKS AND FACTORS ASSOCIATED WITH THE ENVIRONMENTAL CRIME

This section aims to assess the presence of corruption drivers and manifestations in economic sectors connected to the environment. In doing so, it first presents an overview of corruption in the Western Balkans region and then, analyses the drivers and forms of corruption identified in the selected economic sectors. In the last section, the connections uncovered are matched with environmental crimes to show which drivers and forms of corruption are associated with environmental crimes when and if present in the same economic sector.

4.1 Regional overview

The Western Balkans remain highly vulnerable to corruption, affecting public procurement, law enforcement, public administration, politics, and various economic sectors, including the environmental segment. Although the Western Balkan beneficiaries have brought their domestic legal frameworks closer to international standards for combatting corruption, implementation remains inconsistent. Both grand and petty corruption are rampant, with organised crime playing a significant role in perpetuating corrupt systems. Political elites often collaborate with criminal groups, facilitating a cycle of dependency and patronage that affects democratic governance, public services, and environmental sustainability. High-level corruption includes the sale and purchase of private property by political elites, corrupt tendering for infrastructure projects, and the concealment of assets. Also, public contracts are frequently awarded as political payback,³⁰ while petty corruption³¹ often affects service delivery and public administration. This includes common forms of corruption as abuse of official position, bribery, political influence peddling, and disclosure of classified information for personal gain.

Data on the perception of corruption reflects this picture. Self-reported corruption victimisation of citizens ranged between 20-40% in 2021, and tolerance was similarly high, between 25% and 40%, showing that one-fifth of the population had to pay a bribe of some kind³². In 2024, the Regional Cooperation Council surveyed 1,200 businesses about their opinions on anti-corruption efforts in Western Balkans. Like the victimisation of citizens, 42% of respondent businesses believe that the fight against corruption is ineffective in the economy, with variations between countries. However, corruption is perceived as a moderate obstacle to business growth³³.

Concerning the legislative framework, Western Balkan beneficiaries have established anti-corruption laws and institutions showing different levels of effective and consistent implementation (see Table 2), due to the lack of political support and regular revisions³⁴.

³⁰ Zvekić, U., & Roksandić Vidlička, S. (2020). *The infrastructure of Integrity-Corruption and anti-corruption pledges in the Western Balkan* (Executive Summary). GITOC

³¹ Bisogno, E., Jandl, M., & Reiterer, F. (2011). *Corruption in the Western Balkans: Bribery as experienced by the population*. Vienna, Austria: United Nations Office on Drugs and Crime

³² Southeast European Leadership for Development and Integrity – SELDI (2022) *Geopolitics, state capture and peak corruption. What is next anticorruption in the Western Balkans?* SELDI.net

³³ Regional Cooperation Council (2024) *Balkan barometer 2024 business opinion*, available at the following link: https://www.rcc.int/balkanbarometer/key_findings_2024/1/business (Accessed on 10.06.2025)

³⁴ Zvekić, U., & Roksandić Vidlička, S. (2020). *The infrastructure of Integrity-Corruption and anti-corruption pledges in the Western Balkan* (Executive Summary). GITOC



Domestic legislation in the region generally aligns with United Nations Convention against Corruption (UNCAC) and European standards with variation across countries, although weaknesses persist in transparency, public procurement, anti-money laundering controls, and political party financing³⁵. The latest GRECO Fifth Evaluation Round compliance reports, covering the prevention of corruption and promotion of integrity at central government and law enforcement, identify challenges in areas such as ethical conduct standards, regulation and enforcement of conflicts of interest, post-employment restrictions, lobbying transparency, and integrity checks for appointments to top executive functions. Strengthening legislative frameworks related to conflict of interest, beneficial ownership, and public procurement remains critical for advancing anti-corruption efforts³⁶.

4.1.1 Competencies and functions of anti-corruption institutions in the environmental sector

In the Western Balkans the fight against corruption combines the enforcement of criminal law through the domestic judicial systems with preventive measures implemented by specialised agencies, often with the support of international organisations. In relation to the environmental sector, corruption risks can be assessed by central state-level institutions through Corruption Proofing of environmental Legislation (CPL) or sectorial Corruption Risk Assessment (CRA), depending on internal legislation. Drivers and risk factors can be identified through the Integrity Plans of domestic institutions engaged in environmental governance. Anti-corruption institutions play an important role in analysing the impact of corruption on the environmental economic sectors, and identifying the links between corruption and environmental crimes, drawing on case studies, official statistics, investigations or whistleblower reports, or verification of declarations of assets, as well as conflict of interest disclosures of public officials.

Table 2 Functions and competencies by law of anti-corruption bodies

FUNCTION	Albania	Bosnia and Herzegovina	Kosovo	Montenegro	North Macedonia	Serbia
Design/coordinate development of anti-corruption strategy/plan	✓	✓	X	X	✓	X
Conduct corruption-proofing of domestic legislation/rules and provide opinion	X	✓	✓	X	X	✓
Conduct preliminary assessment of alignment of domestic legislation/rules with international standards and provide opinion	✓	✓	✓	X	X	✓
Conduct sectorial corruption risk assessment	✓	✓	✓	✓	✓	✓
Oversight of anti-corruption activities of single institutions (e.g. Ministries, government branches, state owned companies, local administrations)	✓	✓	✓	✓	✓	✓

³⁵ *Ibidem*

³⁶ Buchner, I. (2024). *Between anti-corruption reform and decline. Examining key actors, strengths, and weaknesses in the Western Balkans and Türkiye's national integrity systems*. Transparency International



Control asset declarations of public officials and/or civil servants	X	✓	✓	✓	✓	✓
Control conflict of interests of public officials and/or civil servants	X	✓	✓	X	✓	✓
Train public employees/civil servants in anti-corruption topics	✓	✓	✓	X	✓	✓
Collect data/statistics on corruption cases	✓	✓	X	X	✓	✓
Protect whistleblowers	X	✓	✓	X	X	X
Oversight of integrity plans	✓	✓	✓	✓	No data	✓
Other functions	✓	✓	✓	No data	X	✓

Source: Based on the questionnaires completed by the domestic anti-corruption bodies.

In general terms, all six domestic specialised anti-corruption bodies in the region have specific function to conduct sectorial corruption risk assessment, but the environmental sector has never been identified as a priority for CRA (see Table 2).

- **Albania** - Based on information provided by the General Directorate of Anti-corruption (GDA), it does not have a mandate to conduct corruption-proofing of domestic legislation, but to perform sectorial corruption risk assessment. No information was reported on environmental legislation having undergone corruption proofing. The internal strategy for the prevention of corruption has addressed other vulnerable sectors than the environmental sector.
- **Bosnia and Herzegovina** - The Agency for the Prevention of Corruption and Coordination of the Fight against Corruption (APIK) has provided an opinion to Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina on “Integrated Energy and Climate Plan of Bosnia and Herzegovina for the period until 2030”.
- **Kosovo** – The Agency for the Prevention of Corruption (APC) performed corruption proofing analysis of draft legislation. Despite the fact the Draft Strategy and Action Plan published on APC website for public consultation does not contain a special section dedicated to environmental sector, in fact the Agency has conducted³⁷ corruption risk assessments according to the APC methodology.
- **Montenegro** - The Agency for the Prevention of Corruption (APC) has no competence on corruption proofing of draft laws, regulations or other domestic norms on the environment, and the Anti-Corruption Strategy 2024-2028 does not prescribe specific

³⁷ Corruption proofing of the following legislative framework was carried out after December 2024: on the following administrative instructions:

- Administrative Instruction on Amendments and Supplements to the Administrative Instruction (MMPHI) on Environmental Permits.
- Administrative Instruction No. 01/2019 on Defining Procedures for Preparation and Review of Requests for Construction Conditions, Building Permits, and Demolition Permits for Category III Buildings.
- Administrative Instruction MMPHI No. 03/2024 on Criteria for Selecting Landfill Locations and Technical Conditions According to Their Purpose.
- Administrative Instruction on the Content and Method of Keeping the Register of Issued Permits.
- Additionally, the Draft Law on Nature Protection is under evaluation (October 2025).

measures related to the environment. The Agency for Prevention of Corruption is actively involved in a three-year regional project analysing the implementation of mechanisms for corruption risk assessment and corruption-proofing of legislation, including within the biodiversity and environmental protection sectors. Preparatory activities have included responding to questionnaires on institutional-level corruption risk assessment through integrity plans. The purpose of these assessments is to identify vulnerable processes, address common risks, and provide guidelines to improve integrity and trust within the sector.

- **North Macedonia** - The State Commission for Prevention of Corruption (SCPC) with the support of Civil Society Organisations (CSOs) has performed a corruption proofing analysis of legislation on environment in recent years, identifying the absence of an integrated system for regional waste management as a driver of corruption and that inconsistent implementation of the waste management law was driven by narrow political interests, contributing to persistent corruption risks.
- **Serbia** - There is no duty of state administration bodies to submit draft environmental laws for corruption proofing to the Agency for the Prevention of Corruption (APC). It was also reported that environmental crime is not foreseen by internal strategic documents for corruption proofing as an area with particular corruption risks. The Serbian Agency for the Prevention of Corruption conducted a corruption-proofing assessment of the Law on Inspection Oversight in 2019. This law is implemented by the relevant ministries within their jurisdictions, including the environmental sector

According to the OECD governance indicator on corruption proofing of legislation³⁸, Western Balkan jurisdictions show moderate capacity in corruption proofing of legislation, scores ranging from 3.0 in North Macedonia to 1.0 in Bosnia and Herzegovina, indicating significant variation across the region. Although these figures do not specifically relate to the environmental sector, they provide relevant context on the overall institutional capacity of jurisdictions to review legislation with a view to preventing corruption risks.

In all jurisdictions, anti-corruption bodies oversee integrity activities of individual institutions with dedicated functions related to the environment (e.g. ministries, government branches, state owned companies, local administrations).

Table 3 Domestic Institutions engaged in environmental governance with integrity plans

Albania	National Inspectorate for Territorial Protection (subordinated to the Ministry of Internal Affairs) Ministry of Tourism and Environment Subordinates: The National Forests Agency The National Sea Agency The National Environment Agency The National Tourism Agency
Bosnia and Herzegovina	Sector for Water Resources, Tourism, and Environmental Protection within the Ministry of Foreign Trade and Economic Relations.
Kosovo	Agency for Environmental Protection

³⁸ OECD, *Western Balkans Competitiveness Indicators: Corruption proofing of legislation (QL03)*, accessed August 2025

	The Independent Commission for Mines and Minerals Forestry Agency Municipalities The Ministry of Environment, Spatial Planning and Infrastructure should also be included.
Montenegro	Ministry of Tourism, Ecology, Sustainable Development, and Development of the North (This ministry was divided into two ministries in 2024. The ministry responsible for the environment – the Ministry of Ecology, Sustainable Development, and Development of the North – has yet to adopt an integrity plan.) Local self-government units (which include secretariats for environmental protection) Environmental Protection Agency LLC "Environmental Protection Fund", Podgorica Public Enterprise National Parks of Montenegro Public Enterprise for Coastal Zone Management of Montenegro LLC Olive House, Bar
North Macedonia	The Ministry of Environment and Physical Planning The State Environmental Inspectorate Ministry of Agriculture, Forestry and Water Economy Ministry of Interior (Police acting on environmental crime reports) Municipalities – manage local environmental protection and waste control through local inspectorates.
Serbia	Ministry of Environmental Protection Ministry of Agriculture, Forestry and Water Management Ministry of Mining and Energy Plant Protection Administration Forest Administration Republic Hydrometeorological Institute Institute for Biocides and Medical Ecology Geological Survey of Serbia Institute for Pesticides and Environmental Protection Institute for Plant Protection and the Environment Institute of Forestry Institute of Mining and Metallurgy Bor Public Water Management Company "Srbijavode" Public Company "Srbijašume" Public Company "Vojvodinašume" Public Company Šume-Goč Public Water Management Company "Vode Vojvodine" Provincial Institute for Nature Protection Provincial Secretariat for urban planning and environmental protection Provincial Secretariat for Agriculture, Water Management and Forestry Public Enterprise Beogradvode Public Enterprise for Production and Distribution of Water and Heat "Jedinstvo" Kladovo

4.2 Corruption drivers per economic sector with an impact on environment

Key drivers of corruption in the Western Balkans exist in some political as well as socio-economic features of the region. The factors enabling corruption could be summarised into the following categories: political drivers, economic drivers and social drivers.

Weak local governance and state institutions, lack of competition and transparency, lack of robust oversight mechanisms, bureaucratic inefficiency and red tape, and exclusive access to information are the most common **political drivers** of corruption risk. Instead, unemployment and income levels, foreign investments and state subsidies, privatisation policies, and the scale of informal economy represent some of the **economic drivers** of corruption. Finally, the presence of organised criminal groups; abundant natural resources; low knowledge and awareness levels; low moral costs of corruption, social tolerance of corruption and, more in general, cultural traditions, are the most frequent **social drivers** of corruption.³⁹

4.2.1 Energy (production, efficiency), renewable energies and hydropower

Economic and political drivers increase the risk of corruption in the energy sector. They appear to favour the occurrence of corruption in the form of bribery, tender corruption, cronyism and crony capitalism, and patronage. All six Western Balkan economies are classified by the World Bank as upper-middle income⁴⁰. Albania, Kosovo, Montenegro and Serbia show strong economic growth, while Bosnia and Herzegovina and North Macedonia account for slower growth.⁴¹ This growth, along with the region's development needs, has attracted foreign public and private investment in the region's economy, including in the energy sector⁴². This sector receives private investments to align with international standards for the transition to a green economy⁴³.

However, weak regulations in the carbon market create opportunities for financial crimes, money laundering, securities, and tax fraud. Particularly, corruption occurs to fraudulently manipulate emission data and fraudulently trade carbon credits.

These investment flows also attract illicit interests and increase the opportunity for criminal networks to engage in corruption, political elites to award contracts to their allies, and private businesses in the environmental industry to receive permits and licenses despite lacking proper qualifications⁴⁴. Despite causing environmental damage and scarce energy production, businesses close to political figures receive amnesty for the environmental crimes they

³⁹ World Bank. *World Bank Country and Lending Groups*. Accessed Aug. 2025.

⁴⁰ Leclerc, G. Stanicek, B. (2024). *EU-Western Balkans relations. Macroeconomic situation and EU financial support*. European Parliament

⁴¹ The World Bank (2024). *Western Balkans Regular Economic Report No. 26. Fall 2024*. The World Bank, Washington

⁴² For instance, the EU established the New Growth Plan for the Western Balkans 2024-2027 to support market integration and remove barriers to financial flows to facilitate trade. Also, the EU invested €1 billion in the energy sector in the Western Balkans, to assist the countries in the energy crises caused by Russia's invasion of Ukraine and facilitate the energy transition and independence, to support renewable energy projects, and to finance energy infrastructures.

⁴³ *Ibidem*

⁴⁴ Southeast European Leadership for Development and Integrity – SELDI (2022) *Geopolitics, state capture and peak corruption. What is next anticorruption in the Western Balkans?* SELDI.net



commit. Consequently, a few construction and engineering firms monopolise the market, reinforcing the patronage and crony capitalism dynamics.⁴⁵

Corruption cases and investigations in the allocation of resources for hydropower projects were recorded in Albania,⁴⁶ Bosnia and Herzegovina,⁴⁷ Montenegro and North Macedonia. In Serbia, investigations have found that the largest share of subsidies for hydropower projects were allocated to private companies connected to a close friend of the former president in 2018.⁴⁸

Also, the process of granting concessions and permits for small hydropower plants is frequently associated with a high risk of corruption. Issues such as inconsistently applied legal frameworks, inadequate public participation, and insufficient Environmental Impact Assessments (EIAs) are prevalent.

4.2.2 *Forests, forestry, timber production and trade*

Political, economic, and social drivers significantly increase the risk of corruption in the forestry sector across the Western Balkans. These risks manifest in various forms, including petty corruption, tender rigging, cronyism, and broader patterns of crony capitalism.

The results of an earlier study (2016) on illegal logging and corruption across Europe show that 36% of respondents in Albania and Kosovo, and 33% in North Macedonia perceive corruption to be very widespread in the forestry sector.⁴⁹ Often, extortion, cronyism, and nepotism are prerequisites to enter the logging market or obtain permits.

More recent comparative policy analysis (2023) covering parts of the Western Balkans conclude that the region continues to be exposed to high corruption risk, with illegal logging, nepotism and favouritism in contracting still seen as “highly relevant and damaging” by stakeholders.⁵⁰ Furthermore, a multi-country stakeholder survey among Western Balkan operators (e.g., Albania, Kosovo, North Macedonia) reflected that 69% considered corruption to be a “fairly” or “very” widespread problem in forestry.⁵¹

Across the Western Balkans, a significant proportion of forest land is under state ownership, which increases the potential for abuse of public office and the misuse of state resources. In North Macedonia, approximately 90% of forests are state-owned, compared to 80% in Bosnia and Herzegovina, 67% in Montenegro, and 53% in Serbia. Kosovo is characterised by a sustainable forest area of approximately 481,000 hectares, covering 45% of Kosovo’s total area, which is considered a sustainable potential for the country’s development. Of this, around

⁴⁵ Duri, J. (2021) *The Western Balkans and Turkey: Overview of corruption in the environment and climate sector*, U4 Anti-Corruption Resource Centre – Transparency International

⁴⁶ Isarin, N., Camargo Baez, C., & Cabrejo le Roux, A. (2023). *Dirty deals. Case studies on corruption in waste management and trade*. Basel Institute of Governance

⁴⁷ Dogmus, Ö. C., & Nielsen, J. Ø. (2020). The on-paper hydropower boom: A case study of corruption in the hydropower sector in Bosnia and Herzegovina. *Ecological Economics*

⁴⁸ Duri, J. (2021) *The Western Balkans and Turkey: Overview of corruption in the environment and climate sector*, U4 Anti-Corruption Resource Centre – Transparency International

⁴⁹ Paradiso, D. Petrowski, S. Segato L. Yanev, N. (2016) TREES Project. Timber Regulation Enforcement to protect European wood Sector from criminal infiltration, Conlegno, CNVP, RISSC, RiskMonitor

⁵⁰ Radosavljević et al. (2023) – Alignment of National Forest Policy Frameworks with the EU Timber Regulation.

⁵¹ Regional Action for Combating Forest Crime & Corruption – “Survey on Corruption and Illegal Activities in Forestry” (FEA, CNVP, Green Home, 2020–2021).



62% are public forests while approximately 38% are considered private forests. The volume of forests used in socially owned plots is 84,908.49 m³, while the volume used in privately-owned plots is 192,000.00 m³. In total, the two sectors have a volume of 276,908.49 m³.⁵² Although exact figures for Albania are less certain, most forest areas in Albania are managed or owned by public authorities or municipalities.⁵³

State-owned forests are particularly vulnerable to corruption when government officials, such as those responsible for allocating logging permits, overseeing forest enterprises, or managing land transactions, abuse their discretion to authorise illegal logging or transfer state assets into private hands.⁵⁴ This often involves politically exposed persons (PEPs) or private companies operating through opaque or fraudulent procedures, such as:

- the manipulation of public tenders or auctions,
- the issuance of falsified permits or volume declarations, or
- informal arrangements that bypass environmental regulations or sustainability controls.

These vulnerabilities are exacerbated by weak institutional oversight, insufficient transparency in licensing and enforcement, and the continued economic reliance on forestry in rural areas.

In some cases, political elites use forestry concessions as tools for political patronage, rewarding loyal supporters or allies with land and forestry concessions.⁵⁵ For instance, a lack of effective oversight over tender procedures allows political elites to favour specific candidates and wood assortments.⁵⁶ Also, inefficient timber regulations allow corruption in the form of crony capitalism, enabling private companies to gain access to forests and wood resources through questionable land concessions. At the operational level, petty corruption and extortion of border police and customs officers facilitate the transit of trucks carrying logs and timber certificates that are 'whitewashed' to hide illegally sourced logs⁵⁷, for instance documented cases from Bosnia and Herzegovina and Kosovo.⁵⁸

Poverty, poor living standards, and ineffective law enforcement further contribute to the prevalence of petty corruption of forest police officers. The absence of strong ethical norms among employees, the lack of public awareness about the importance of resource preservation, perpetuates corrupt practices among public officials. Cultural traditions, such as viewing illegal wood harvesting as a non-corrupt activity, further undermine efforts to promote sustainable management of forests.⁵⁹

⁵² [Kosovo, Annual Report on the State of the Environment 2023](#)

⁵³ Source for North Macedonia: [lfmwb.net](#); Bosnia and Herzegovina: [mvteo.gov.ba](#); Montenegro: [climatechange.org](#); Serbia: [china-ceecforestry.org](#)

⁵⁴ See TREES Final Report (2016), available at the following link: https://globaltimbertrackingnetwork.org/wp-content/uploads/2017/12/TREES_2016_Final-report.pdf (Accessed on 10/06/2025)

⁵⁵ Duri, J. (2021) *The Western Balkans and Turkey: Overview of corruption in the environment and climate sector*, U4 Anti-Corruption Resource Centre – Transparency International

⁵⁶ Regional Action for Combating Forest crime and corruption, (2020) *The survey on Corruption and Illegal activities in forestry*

⁵⁷ Paradiso, D. Petrowski, S. Segato L. Yanev, N. (2016) TREES Project. Timber Regulation Enforcement to protect European wood Sector from criminal infiltration, Conlegno, CNVP, RISSC, RiskMonitor

⁵⁸ Duri, J. (2021) *The Western Balkans and Turkey: Overview of corruption in the environment and climate sector*, U4 Anti-Corruption Resource Centre – Transparency International

⁵⁹ Regional Action for Combating Forest crime and corruption, (2020) *The survey on Corruption and Illegal activities in forestry*



Case study 6 - Corruption in the forest sector in North Macedonia

Acting on a criminal complaint filed by the Ministry of Interior, the public prosecutor from the Specialized Department for the Prosecution of Criminal Offenses Committed by Persons with Police Authorizations and Members of the Prison Police has issued an order to initiate an investigative procedure against 15 individuals.

The suspects are charged with the criminal offenses of Criminal Association and Destruction of Forests. In addition, six of them are charged with Abuse of Official Position and Authority, the first suspect with Giving a Bribe, and another suspect with Receiving a Bribe.

According to the investigation, during 2025, two employees of the suspected legal entity and a police officer formed a group with the intent to obtain unlawful material gain through abuse of office, bribery, and illegal logging. They were joined by other suspects—employees of various institutions, including the Ministry of Internal Affairs, the PE “National Forests” Branch Maleshevo, the Ministry of Agriculture, Forestry and Water Management, as well as unemployed individuals—who participated in illegal activities that resulted in the devastation of approximately 6,000 hectares of forest owned by PE National Forests – PSS Maleshevo.

As a result of their actions, 1,500,000 cubic meters of timber, valued at 6,405,000,000 denars, were illegally cut. The organizers of the group arranged for the unlawful logging, transportation, and sale of the timber as though it had been legally harvested, thereby gaining significant illegal profits.

Their activities were facilitated by certain police officers who failed to act and informed the organizers about police patrols, enabling the continuation of the illegal operations. Two high ranking public officials (serving at the PE National Forests – PO Maleshevo and the Delchevo Internal Affairs Directorate) concealed both the perpetrators and the means used to commit the crimes. It is further alleged that the first suspect, acting on behalf of the suspected legal entity, gave the public official of PE National Forests a total of €6,100 in August and September 2025, to allow the illegal logging prior to the official public call for burnt timber.

On the eve of the planned police operation to uncover the criminal activities, the suspected police chief allegedly informed a member of the group about the impending action. That member then alerted the organizer, who in turn warned the individuals engaged in the illegal logging in the village of Dvorishte to “clean” the terrain and remove traces of the crime. Shortly afterward, the organizer went to the site, where he was intercepted and caught in the act.

Considering that the legal conditions for detention have been met, the public prosecutor submitted a proposal to the judge of the preliminary procedure at the Basic Criminal Court in Skopje to impose a detention measure on all suspects pending proof of guilt.

Source: Based on a case reported by the Ministry of Interior of North Macedonia, September 2025



4.2.3 Land use or privatisation, exploitation of natural resources and materials

Economic drivers impact the risk of corruption in the mining sector, where corruption manifests as patronage, crony capitalism, kickbacks and tender corruption.

Mining often occurs without the necessary extraction permits, or acquired through tender rigging and kickbacks as payment for political favouritism. Corrupted and non-transparent deals between international enterprises and political elites can enable investment in natural resource extraction projects in protected land.

4.2.4 Construction and real estate

The real estate sector is also affected by corruption, as constructions are often illegal, built in natural areas disregarding the environmental effects.

The literature identifies economic features as the most common drivers of corruption in the construction and real estate sector. Kickback, regulatory corruption, crony capitalism are present in the sector.

Corruption can emerge in procedures for obtaining building permits, permits that are usually issued by municipalities. In addition, there are difficulties with the documents related to building permits: it is not uncommon for documentation to contain errors and incomplete information, and municipalities often lack monitoring tools.⁶⁰

Officials involved in municipal and provincial administration, revenue management, and customs may sometimes engage in practices that involve the improper transfer of state-owned land to local authorities, which can then be sold to private entities. Certain characteristics of these practices resemble those observed in the energy sector, particularly in the development of infrastructure such as hydropower facilities and waste management plants.

4.2.5 Waste and recycling

Several political drivers, and a few economic and social drivers, facilitate corruption in the waste management sector. Corruption in the waste management sector occurs in the form of patronage, bribery, and collusive corruption.

From a political perspective, the waste management sector is affected by complex multi-level bureaucracy, creating a significant barrier to proper oversight and transparency in administrative and criminal proceedings. Also, prosecutors and judges often lack an understanding of the sector⁶¹.

Undue political influence and state capture permeate the designing of procedures and policies. Bribery, nepotism, and favouritism inhibit the transparent and lawful public procurement process. Evidence shows that collusion and bribery impede objective inspections of waste management procedures.⁶² A notable example of political interference in the waste management sector refers to the scandal of the Fieri waste incinerator in Albania. In that case,

⁶⁰ Kemp, W. Amerhauser K. Scaturro R. (2021), *Spot Prices. Analysing flows of people, drugs and money in the Western Balkans*, GITOC

⁶¹ Isarin, N., Camargo Baez, C., & Cabrejo le Roux, A. (2023). *Dirty deals. Case studies on corruption in waste management and trade*. Basel Institute of Governance

⁶² *Ibidem*



a former minister and several other officials and businessmen were sentenced to six years and eight months on corruption charges for having awarded an agreement to a private company to build a waste plant that was never completed⁶³.

Finally, foreign investment for building waste management plants and the limited resources available impact the occurrence of corruption, as in other economic sectors above mentioned.

4.3 Enabling factors of the risk of corruption in the environment sector

Several factors enable the risk of corruption in the environment sector. For this report, they have been grouped in four descending categories: external factors, organisational factors, operational factors, and individual factors.

4.3.1 Systemic/external corruption risk factors

The most relevant factors that increase the likelihood of corruption in environmental sector identified by anti-corruption institutions in the Western Balkans for this report are presented in the following chart:

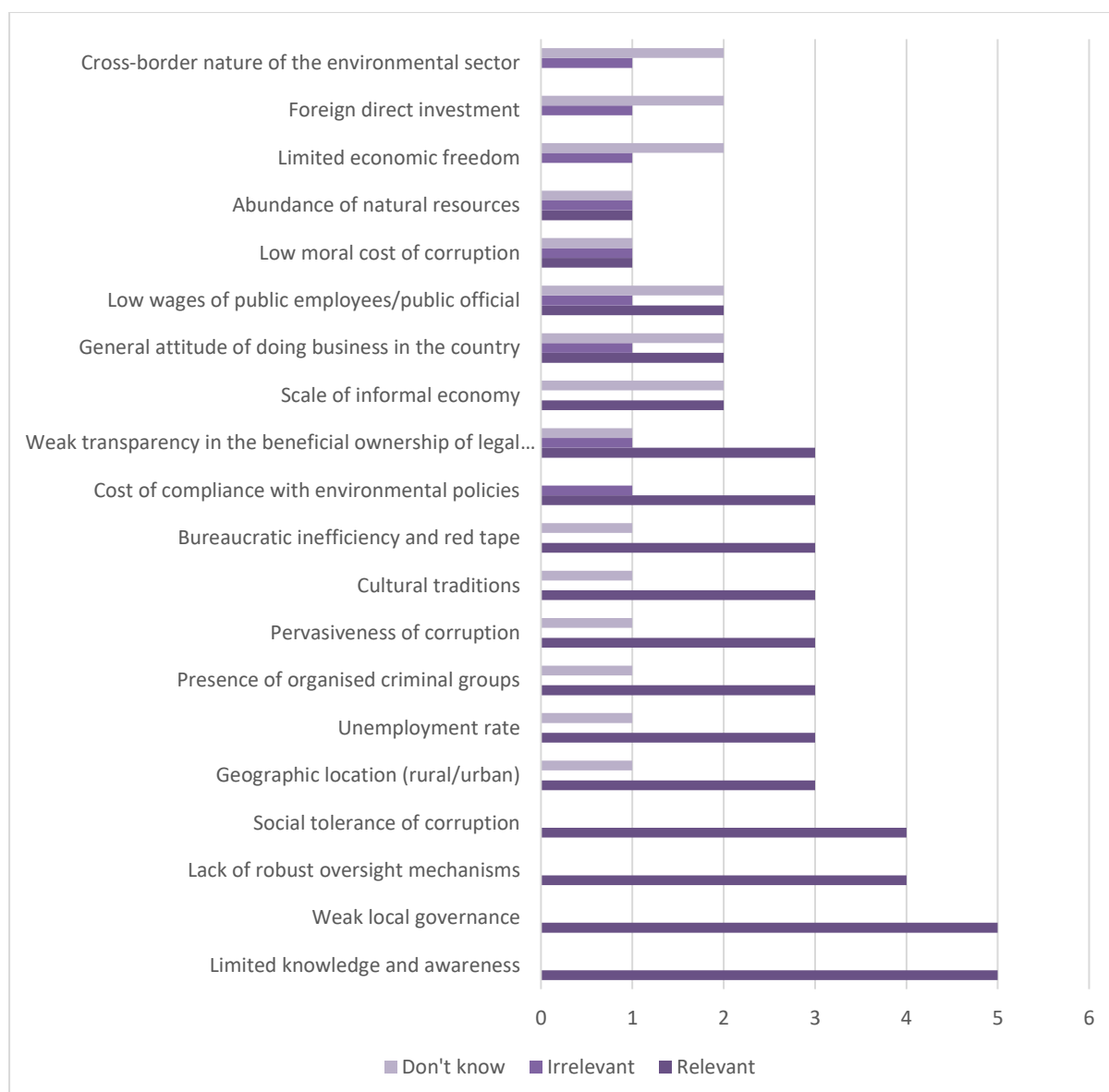
Chart number 2: Systemic corruption risk factors⁶⁴

⁶³ Erebara, G. (2023). *Former Albanian Environment Minister Jailed for Corruption*. BalkanInsight. <https://balkaninsight.com/2023/09/25/albania-former-minister-sentenced-for-corruption/>. (Accessed on 10/06/2025)

Transparency International, (2020). *Public-private partnership for waste incinerators*. <https://www.transparency.org/en/projects/cases-project/data/public-private-partnership-for-waste-incinerators/> (Accessed on 10/06/2025)

⁶⁴ The information presented in the diagram indicates the responses collected for each factor. Section D – Question 12 of the corruption questionnaire: “What are the main factors that enable the risk of corruption in the environment sectors? (please identify the most relevant ones)”. The possible answers were “Relevant – Irrelevant – Don’t know”.





Restricted access to information on procurement, environmental impact assessment decisions, and permit issuance limits public scrutiny and accountability. The lack of transparent data and participatory oversight mechanisms facilitates corruption risks by concealing conflicts of interest and irregular decision-making.

Other challenges arise from the legal and institutional framework, including a broad and diverse legal framework covering many sub-sectors in the field of environmental protection characterised by varying levels of compliance with European standards, which create the possibility of "postponing" the application of certain environmental standards and the implementation of environmental protection legislation. This is exacerbated by a practice of impunity for corrupt behaviour related to the non-application of legal regulations, challenges in the rule of law resulting in a low rate of sanctioning corrupt behaviour at the societal level, and the political influence in combination with pressures from the private sector to delay the implementation of the legal obligation to possess environmental permits and other documents in the field of environmental protection.

4.3.2 Institutional/organisational corruption risk factors

At the level of single institutions that directly or indirectly deal with environmental protection, several key areas can be evaluated to identify corruption risk factors:

- Financial management (budget planning and execution, public procurement, handling of funds received from the EU and other international funds).
- Personnel management (systematisation of jobs, recruitment, evaluation, promotion, rewarding employees, salary increase, deficiencies in the selection procedure during recruitment (insufficiently transparent procedure, lack of sufficiently clear criteria for selection, discretionary assessment of candidates' knowledge and skills, etc.).
- Information security (IT security) posing data security concerns.
- Oversight functions (lack of professional staff capacities, insufficient inspections due to the large number of licenses and permits, insufficient staff, lack of equipment, lack of established internal audit, lack of financial management and control system).
- Communication (lack of public interaction and trust).
- Rule of law and compliance (lack of transparency, accountability and public participation in policymaking, poor integrity management system).
- Cooperation with domestic authorities and NGOs (limited cooperation with other competent authorities, discharge of responsibilities and unclear separation of functions).
- Management and protection of information (limited - continued attention to the management and protection of information is needed).
- Weak enforcement capacity and under-resourced oversight agencies - such as forestry police, inspection services, and prosecutors - create significant corruption risks. Insufficient staffing, inadequate technical equipment, and limited financial and investigative expertise undermine effective monitoring and enforcement, increasing opportunities for bribery, collusion, and abuse of authority in forest management and law enforcement processes.

4.3.3 Operational corruption risk factors (processes/procedures)

Several institutions engaged in environmental governance in Western Balkans have identified corruption risk factors in different key areas and processes, transversal to all economic sectors. The areas more at risk of corruption are the issuance of permits and licensing, the compliance oversight (e.g. monitoring enforcement, inspections) of private actors, public procurement and contracting, and policy and regulatory development.

Table 4 - Corruption risks per process

Process	Albania	Bosnia and Herzegovina ⁶⁵	Kosovo	Montenegro	North Macedonia	Serbia
Issuance of permits and certification processes	✓	No data	X	✓	✓	X
Compliance oversight (e.g. monitoring enforcement,	✓	No data	✓	✓	✓	✓

⁶⁵ No information was provided by the authorities in Bosnia and Herzegovina



inspections, internal supervision)						
Public procurement and contracting	✓	No data	✓	✓	✓	✓
Revenue generation (fiscal levies and fees)	✓	No data	X	✓	X	X
Payments to third parties (e.g. subsidies, donations, etc.)	✓	No data	X	✓	X	X
Policy and regulatory development	✓	No data	X	✓	✓	✓

Additional vulnerable procedures related to the **issuance of permits** have been identified in the following phases:

- Issuance of decisions on the need for the preparation of environmental impact assessment studies (Environmental Impact Assessment; Strategic Environmental Impact Assessment).
- Decisions on the approval of such assessments.
- Issuance of urban-technical conditions.
- Keeping records and a registry of potential polluters.
- Undertaking measures to improve the environment and protect natural resources.
- Application of a subjective approach and different interpretation of the conditions and necessary documents for issuing a certain decision by different competent persons in the relevant institutions.
- "Delay" of the application of certain environmental measures for "selected" business entities.

With regards to **public procurement and contracting**, institutions have identified vulnerabilities in the following phases:

- Contract/project management.
- Activities in the field of waste planning and management.
- Transparency of the public procurement procedure, (there are still institutions that do not publish the public procurement plan, information on completed public procurements on their website).

The questionnaires have also provided a list of **compliance oversight processes** more exposed to corruption risks:

- Inspections (investigations) in accordance with the Laws and by-laws.
- Management of information containing trade secrets.
- Controls on construction sites.
- Monitoring the state of ecosystems, flora, and fauna within internal park zones.

4.3.4 *Human factors of corruption risk*

At individual level, the following risk factors were identified:

- Lack of ethics and personal integrity,
- Unregulated procedure and non-application of rules on conflict of interest,
- Poor oversight of the gift's regime (employees receiving gifts),



- Inadequate protection of whistleblowers,
- An insufficiently developed level of awareness about the harmfulness of corruption and the importance of applying ethical rules,
- The abuse of discretionary powers.

High levels of corruption that exist at certain **border** crossing points maintain traditional smuggling routes and associated mechanisms in exploiting weaknesses in cross-border security. Customs and police officers may, at times, receive payments from individuals associated with transnational or organized criminal networks. In certain instances, law enforcement officials have been reported to receive payments from criminal organizations. These groups often have access to substantial financial resources, which can be used to influence officials, as well as the capacity to resort to violence to safeguard their trafficking routes.⁶⁶

4.4 Factors preventing an adequate response to corruption in the environment sector

The Western Balkans jurisdictions, in a process of aligning with international and European standards, have adopted modern legislation for crime prevention, including comprehensive measures to prevent and respond to corruption and related offences. Despite this progress, the effective implementation of legislation remains challenging. Several factors continue to hamper enforcement and undermine efforts to address corruption in the environment sector.

The following main factors have been identified by the domestic anticorruption institutions as an obstacle to an adequate response to corruption in the environment sector.

As illustrated in Chart 3, the most relevant barriers identified include:

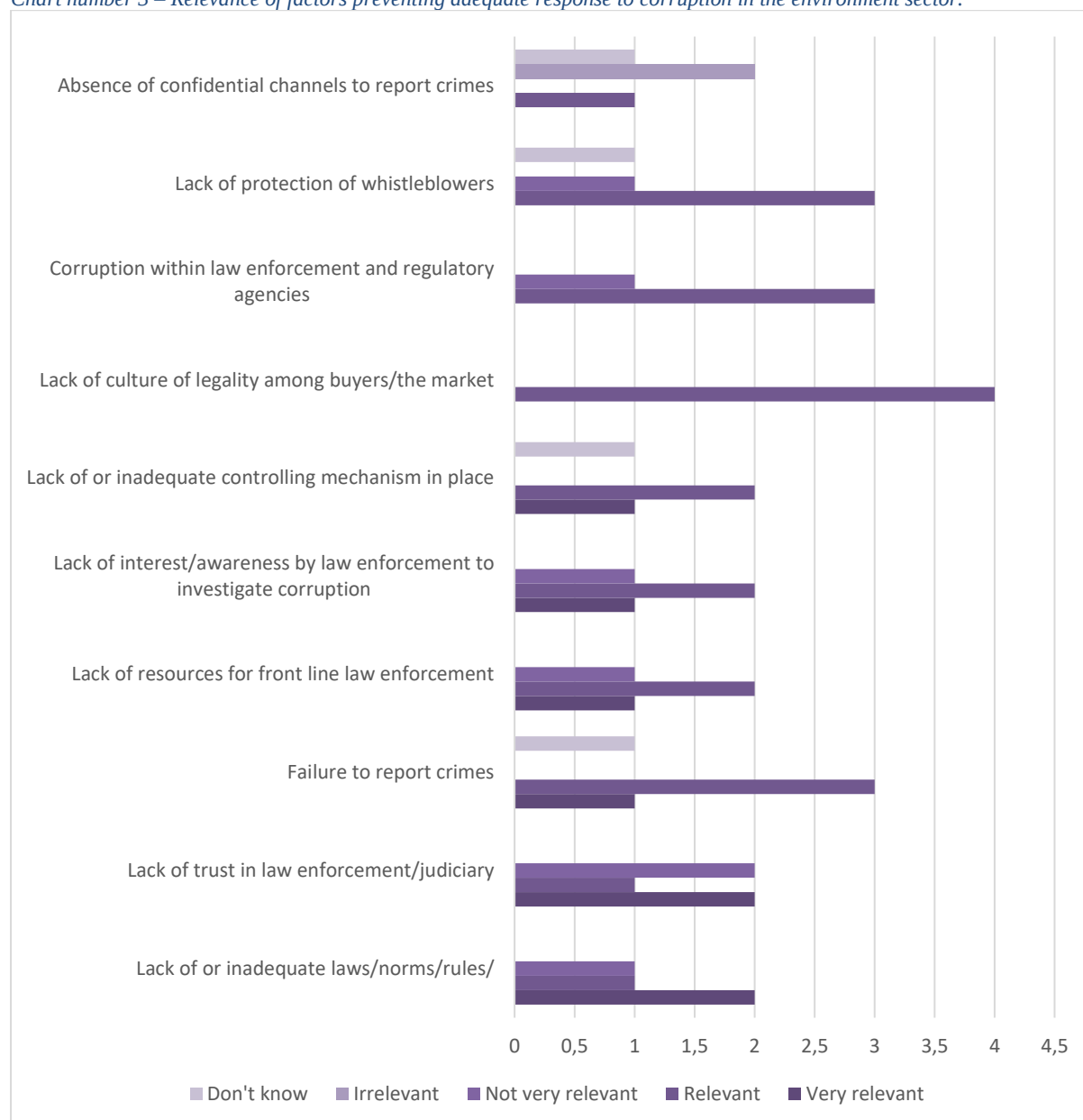
- Corruption within law enforcement bodies. The presence of corruption among those tasked with enforcing the law significantly erodes public trust and creates barriers to effective investigations.
- Lack of culture of legality among buyers. In many cases, buyers of land, permits, or environmental resources do not view compliance with rules and procedures as essential. This weak demand for legality may foster tolerance of irregular practices and may reinforce systemic corruption risks.
- Reluctance to report crimes. Many individuals avoid reporting due to fear of retaliation, lack of confidence in authorities, or prior experiences where reports did not result in meaningful action.
- Insufficient implementation of whistleblower protections. While legal frameworks exist, they are not always well-known, consistently enforced, or trusted by potential whistleblowers.
- Limited digitalisation of data collection and investigative processes in the field of environmental crime. The absence of modern digital tools allows for data

⁶⁶ There are several publications reporting police corruption in Western Balkans beneficiaries. Please see the following sources: GI-TOC "Hotspots of organized crime in the Western Balkans" (2019), pag. 32; Krasniqi, K. Organized Crime in the Balkans, p. 14

manipulation, loss of evidence, and fragmented oversight, ultimately preventing an adequate institutional response to corruption in the environmental sector.⁶⁷

Taken together, these factors reveal a cycle in which institutional weaknesses and limited public trust reinforce one another, preventing an adequate response to corruption in the environment sector.

Chart number 3 – Relevance of factors preventing adequate response to corruption in the environment sector.⁶⁸



⁶⁷ As a good practice, it was noted that the National Inspectorate for Territorial Protection (NITP) of Albania through the Law No. 99/2024 "For the Inspection in the Republic of Albania", established a fully digital inspection system, aiming to fight corruption, enhance transparency, efficiency, and to guarantee legal protection and data.

⁶⁸ The figures presented in the table indicate the number of responses collected for each factor, applicable for Section D – Question 13 of the corruption questionnaire "What are the main factors preventing an adequate response to corruption in the environment sector? (Select all options that apply)". The possible answers were "Very relevant – Relevant – Not very relevant – Irrelevant – Don't know".

Although whistleblower protection mechanisms are formally in place across jurisdictions, reporting remains low. This gap can be attributed to several factors: limited awareness of available protections, insufficient enforcement, and perceptions that reporting will not lead to concrete outcomes. Strengthening both the credibility of these mechanisms and the broader culture of accountability will be essential to encouraging reporting and building trust.

Overall, the findings suggest that addressing corruption in the environment sector requires not only robust legislation but also consistent enforcement, stronger compliance and integrity culture among buyers, and greater confidence among citizens that reporting corruption will lead to fair and effective outcomes.

5 MONEY LAUNDERING RISKS AND FACTORS ASSOCIATED WITH THE ENVIRONMENTAL CRIME

This section describes the main findings on money laundering risks and factors associated with environmental crimes investigated in the Western Balkans, their financial scale and scope within major economic sectors: wildlife trade, forestry sector, fisheries, waste disposal/recycling, extraction and mining industries, real estate development and investment, energy production, emissions trading. The section describes also some methods used to launder proceeds, as well as administrative violations detrimental to the environment.

5.1 Forestry and timber: scale of illegality and laundering risks

The forestry sector in the Western Balkans is not only ecologically significant but also economically valuable, and highly vulnerable to abuse. Forests cover approximately 41% of the region's land area, with particularly dense coverage in Montenegro, Bosnia and Herzegovina, and North Macedonia.⁶⁹ Despite its economic importance, the forestry sector suffers from chronic governance challenges, including illegal logging, under-reporting of harvested volumes, and tax evasion.

While comprehensive figures on the value of the illegal timber market are limited, data from Bosnia and Herzegovina suggests that up to 1 million cubic meters of timber are harvested illegally each year.⁷⁰ Surveys of law enforcement officials across Albania, Kosovo, and North Macedonia indicate widespread perceptions of illegality, with average estimates suggesting that over 45 to 50% of timber trade may be linked to illegal activity.⁷¹

This scale of illicit activity creates substantial financial flows that are at risk of being laundered through the formal economy, particularly through timber export companies, informal sawmills, and construction businesses. The proceeds are often disguised through falsified documentation, shell companies, and under-invoicing practices, facilitating integration into legitimate trade channels.

Crucially, the misuse of forestry permits, certification systems, and public concessions represents a significant laundering risk, allowing illegally harvested timber to be passed off

⁶⁹ Forest Stewardship Council (FSC), available at the following link: <https://adria-balkan.fsc.org/en/forest-ecosystems/adria-balkan> (Accessed on 10.06.2025)

⁷⁰ Information available at the following link: https://zurnal.info/clanak/multi-million-dollar-crime-involving-illegal-loggers-interest-groups-and-politics/27319?utm_source=chatgpt.com (Accessed on 10.06.2025)

⁷¹ TREES Final Report (2016), available at the following link: https://globaltimbertrackingnetwork.org/wp-content/uploads/2017/12/TREES_2016_Final-report.pdf (Accessed on 10.06.2025)



as legal. Fictitious export documentation, manipulation of invoices, and false declarations are commonly used to launder the proceeds through international trade mechanisms, constituting forms of trade-based money laundering.

Given the scale, forestry crime is not simply a compliance issue, but a potential driver of cross-border illicit financial flows, and should be addressed through domestic and regional anti-money laundering strategies, including the engagement of financial intelligence units, customs agencies, and law enforcement.

5.2 Wildlife trafficking: poaching, illicit trade, and laundering risks

Wildlife trafficking in the Western Balkans is a persistent and evolving form of transnational organised crime, with documented cases involving both native species, such as brown bears, birds, foxes, deer, wolves, and hawks, and exotic fauna including parrots, reptiles, and turtles. The region serves not only as a source but also as a transit corridor and, in some cases, a destination market. The scale of poaching, particularly for migratory birds and endangered species like the European eel (*Anguilla*), reflects significant criminal investment and cross-border coordination.

The illicit wildlife trade generates substantial proceeds that require laundering to conceal their criminal origin. Financial flows associated with these activities are frequently integrated into the legitimate economy through a combination of small-scale informal transactions and higher-value commercial mechanisms. Wildlife trade profits are often laundered through pet shops, wildlife farms, hunting tourism operators, and online platforms, many of which operate without robust regulatory oversight.

Of particular concern is **the use of informal value transfer systems and unregulated digital payment platforms**, which allow funds to move anonymously across borders, bypassing formal financial institutions and evading scrutiny. These systems are increasingly relevant in the online trade of live animals, wildlife products, and payments to poachers and intermediaries. In cases such as the smuggling of eels to Asia, multi-jurisdictional criminal networks exploit logistical loopholes and complex supply chains, often using front companies and document fraud to disguise the origin and destination of the shipments.

Fraudulent veterinary certificates, **fake CITES permits, and invoice manipulation** are commonly used to integrate trafficked wildlife into legitimate supply chains. These practices are forms of trade-based money laundering, involving the use of falsified trade documentation and undervaluing or misdeclaring shipments to obscure the illicit nature of the goods and the associated financial transactions.

In some jurisdictions, hunting tourism is also vulnerable to abuse. Payments made for illicit hunting expeditions, particularly by foreign nationals, may be channelled through under-regulated intermediaries, posing risks of tax evasion and laundering of criminal proceeds.

The convergence of environmental crime, organised crime, and financial crime in this sector demands stronger integration of financial intelligence into wildlife crime investigations. Financial Intelligence Units (FIUs) and reporting entities must be equipped with red flags and typologies specific to wildlife crime to improve detection, especially of payments made through informal channels or via digital platforms.



5.3 Energy and hydropower: laundering risks and misuse of subsidies

While the energy sector in the Western Balkans is generally capital-intensive and formalised, its periphery industries and infrastructure development projects often intersect with high corruption and money laundering risks. Hydropower projects, in particular, are vulnerable due to the issuance of development concessions, permits, and the flow of public subsidies. Where state subsidies or international aid are used to incentivise renewable energy development, bribery and bid-rigging in procurement processes have been observed. Fraudulent operators may overstate the cost or capacity of renewable installations, facilitating embezzlement or the laundering of illicit proceeds.⁷²

Energy efficiency retrofitting schemes in buildings, especially when implemented through local contractors or decentralised agencies, may be subject to false invoicing and overbilling. Proceeds from other environmental crime areas can be reinvested in energy projects as a form of integration into the legitimate economy. Despite fewer cash transactions in the energy production core, the misuse of corporate entities and subsidies renders this sector vulnerable to abuse.⁷³

5.4 Land use and mining: corruption, concealment, and financial flows

Land use planning and natural resource extraction are high-risk sectors for both corruption and money laundering, particularly where extractive operations such as sand, gravel, or stone mining occur informally or with limited oversight. Public land reclassification, often the first step in enabling resource exploitation, is vulnerable to political interference or direct bribery. Once land is allocated or licenses granted, illegal extraction may proceed under cover of formally issued documents.⁷⁴

Illegal profits are often reinvested into the construction sector or hidden through front companies engaged in aggregate supply, roadworks, or rural development projects. Financial flows from illegal mining may also be exported via trade-based money laundering, particularly in the case of bulk commodities with under-declared values.⁷⁵ Law enforcement has flagged the absence of clear revenue trails or banking records from many smaller operations, indicating informal cash-based sales and potential tax evasion. These practices enable criminal actors to accumulate unrecorded wealth that is later laundered through land, real estate, or infrastructure development.

5.5 Construction and real estate: typologies of laundering and investment

Construction and real estate investments are recognised globally as high-risk sectors for money laundering, with the Western Balkans being no exception. A number of the case studies provide examples of where illicit proceeds, including from environmental crimes, are

⁷² European Commission Reports highlight the corruption vulnerabilities of the energy sector. See for example the [2023 Report on Serbia](#) (Accessed on 10/06/2025)

⁷³ The Balkan Green Foundation has published several [reports on renewable energy subsidy schemes and the associated risk of abuse in the Western Balkans](#), (Accessed on 10/06/2025)

⁷⁴ For further reference, SEEDEV has conducted various [studies on land use related to agriculture and rural development in the Western Balkans](#). Challenges in land administration systems, including licensing irregularities, inadequacies of property records, and significant percentages of unregistered real estate, in the Balkans are outlined at the following link: https://www.academia.edu/77789065/Technological_Aspects_of_Land_Administration_Systems (Accessed on 10/06/2025)

⁷⁵ OECD (2021), [Trade-Based Money Laundering in Extractive Industries](#), (Accessed on 10/06/2025)



reinvested in property development.⁷⁶ For example, unauthorised construction within protected areas often begins with corrupt permitting, but ends in large-scale real estate investment potentially financed by laundered funds.

Off-the-books construction labour, under-reported building values, and sales executed partially in cash further increase opacity. Shell companies are commonly used to acquire land and finance developments, masking the identity of beneficial owners.⁷⁷ This sector often serves as the "integration" phase of the laundering cycle, especially where capital is sourced from waste trafficking, logging, or illicit natural resource extraction.

5.6 Waste and recycling: infiltration by organised crime and laundering channels

The waste sector, particularly hazardous and cross-border waste handling, is increasingly infiltrated by organised crime and poses serious risks for money laundering. A common typology is to disguise illegal waste shipments as recyclable materials, particularly in the case of waste imports from EU countries into the Western Balkans.⁷⁸

Front companies posing as recycling or waste treatment firms can be used as vehicles for layering illicit funds. These entities generate false invoices, simulate business activity, and justify the movement of large cash flows, thereby obscuring both the origin and purpose of the proceeds. These companies serve as key intermediaries between actors involved in the illegal waste trade and formal financial institutions.

Profits from these activities are often laundered through logistics and transport companies, as well as via under-invoiced export documentation or falsified recycling records. The financial operations behind illegal waste trade often involve complex ownership structures and layers of subcontractors, making it difficult to trace the origins and destination of funds.

Additionally, informal scrap collection and cash-based purchases further obscure financial trails, allowing criminals to integrate illicit profits into legal recycling businesses or real estate holdings.⁷⁹ These factors combined make the waste and recycling sector particularly vulnerable to financial crime, requiring enhanced due diligence and cross-agency cooperation in enforcement.

⁷⁶ See for example case study #5

⁷⁷ MONEYVAL Typologies Reports. For example, the [2015 typologies report on laundering the proceeds of organised crime](https://rm.coe.int/typologies-report-on-laundering-the-proceeds-of-organised-crime/168071509d) describes how organised criminals use companies to acquire land to launder proceeds and conceal beneficiaries (available at the following link: <https://rm.coe.int/typologies-report-on-laundering-the-proceeds-of-organised-crime/168071509d>), Accessed 10/06/2025.

⁷⁸ INTERPOL Operation "30 Days at Sea": Illegal Waste Trade in the Balkans, available at the following link: <https://www.interpol.int/en/News-and-Events/News/2021/Operation-30-Days-at-Sea-3.0-targets-global-pollution-crime> (Accessed on 10/06/2025)

⁷⁹ Europol (2022) Threat Assessment on Environmental Crime, available at the following link: [https://www.europol.europa.eu/cms/sites/default/files/documents/Environmental Crime in the Age of Climate Change threat assessment 2022.pdf](https://www.europol.europa.eu/cms/sites/default/files/documents/Environmental%20Crime%20in%20the%20Age%20of%20Climate%20Change%20threat%20assessment%202022.pdf) (Accessed on 10/06/2025)



5.7 Cross-cutting observations on laundering methods

5.7.1 *Why environmental crime is vulnerable to money laundering*

Environmental crime, like other serious organised crime, generates significant illicit profits. These proceeds must be laundered to enter the formal economy, avoid detection, and finance future operations. What makes environmental crime particularly vulnerable to money laundering is the combination of low enforcement risk, high profit margins, and the frequent involvement of state officials or politically connected entities. These factors make detection less likely and prosecution rare, especially when compared to other predicate offences such as drug trafficking or tax evasion.

In much the same way that the proceeds of drug trafficking, corruption and other transnational and organised crimes are laundered, the profits from environmental crime still need to go through a cleaning process that eventually allows the criminal proceeds to assume the appearance of legitimacy. This is even more of a necessity when environmental crime is carried out parallel to or as an integral part of offences such as corruption or fraud. More common and high-profile crimes such as drug trafficking, human trafficking, corruption or illicit weapons smuggling achieve this using one or more of the common money laundering mechanisms that are both well-known and have been comprehensively researched in recent years. These include the use of the real estate sector, cash smuggling across borders, the vulnerabilities of cash-based economies, the purchase and sale of high value goods, trade-based money laundering, the use of domestic and international banking transactions, shell companies and the abuse of crypto currencies.

5.7.2 *Common laundering typologies across sectors*

While each environmental crime sector presents its own unique risks, many laundering techniques are repeated across sectors. These include:

- Investment in real estate — used for both integration of illicit profits and long-term asset storage, particularly in urbanisation zones or resort developments;
- Use of front or shell companies — often registered in multiple jurisdictions to conceal beneficial ownership;
- Trade-based money laundering — including under-invoicing of goods, manipulated export/import declarations, and fake commodity sales;
- Cross-border movement of funds and assets — via informal value transfer systems or complex multi-jurisdictional banking channels;
- Cash-based layering — especially in sectors where informal subcontracting or unregistered sales are common (e.g. gravel, timber, scrap metals);
- Integration through legitimate subsidies or tenders — particularly in the energy, mining, and infrastructure development sectors.

These laundering typologies highlight a growing convergence between environmental crimes and the financial crime networks already well-documented in drug trafficking and organized smuggling. Strengthening institutional capacity to detect these cross-cutting patterns will be essential for developing more effective anti-money laundering responses in the Western Balkans.



5.7.3 *Historical laundering patterns in the Western Balkans*

Historically, the Western Balkan region has been vulnerable to high levels of transnational crime, especially trafficking in humans and illicit goods due to its geographical location as a crossroads between Europe, the Middle East, Asia and Africa. This was compounded by several years of instability following the break-up of the former Yugoslavia leading to challenges in combatting crime particularly cross-border criminal activity and widespread corruption as well as finding sufficient resources to adequately support law enforcement.

It should therefore be noted that while significant progress has been made in recent years to establish an appropriate legal framework within each jurisdiction, adequately resource law enforcement and comply with international anti-money laundering and anti-corruption standards, more remains to be done.

5.7.4 *Lessons learned from other crime sectors*

A 2025 United Nations Office on Drugs and Crime (UNODC) report estimated that the annual illicit gross income from trafficking opiates and methamphetamines through the Western Balkans alone ranged between US\$13.9 and US\$21.4 billion. These figures indicate that, even within just one segment of the drug trade, money laundering in the region is both widespread and reliant on multiple laundering mechanisms. UNODC also estimated that crime-related economic activity in the Western Balkans constitutes a significant share of the region's gross domestic product (GDP).

Evidence obtained for the UNODC report showed that the income from drug trafficking was being laundered both domestically and internationally through investments in real estate, luxury vehicles, cash smuggling and other assets. Shell companies and informal or alternative payment systems like Hawala and Hundi were also frequently being used to transfer and launder the criminal proceeds.

In a separate report by the Global Initiative Against Transnational and Organized Crime in November 2024, it was stated that despite efforts to prevent illicit finance (including compliance with the Financial Action Task Force (FATF) standards and the European Union's anti-money laundering (AML) directives, financial institutions in the Western Balkans remained highly vulnerable to money laundering by sophisticated criminals. Financial institutions such as banks, microfinance institutions, crypto-assets services and money transfer services were frequently exploited by criminals to move illicit money across borders or complete the layering and integration process.

The impact of crypto-assets in relation to illicit finance transactions were especially cited, highlighting regulatory shortcomings which enabled anonymous, large value cross-border transactions that were hard to trace. Financial technology, while promising innovation, also introduced fresh risks, especially where compliance frameworks have not kept pace with technological change. Where no centralised registry for politically exposed persons (PEPs) or beneficial owners existed, financial institutions often lacked critical information, inadvertently providing cover for criminal actors.

5.7.5 *The role of gatekeepers*

Elsewhere, the role of gatekeepers such as lawyers and notaries and others from the Designated Non-Financial Businesses and Professions (DNFBPs) has also been identified in



mutual evaluation reports and other research as not being as robust and as effective as should be. In common with many other jurisdictions, in the Western Balkans the majority of suspicious transaction reporting comes from the financial sector and not the other reporting entities such as lawyers, real-estate agents, high-value dealers or accountants.

Weak oversight, corruption and the ongoing reliance on cash-based economies brings additional challenges further hampering the opportunities for more effective efforts against money-laundering in the region.

5.7.6 *Relevance of international anti-money laundering standards*

The Financial Action Task Force (FATF) is the main global anti-money laundering and countering the financing of terrorism (AML/CFT) standard setter, and together with its mutual evaluation process and international cooperation review group mechanism (ICRG), the FATF framework has been relied upon for development of this section. The assessment of money laundering in the Western Balkan region and its relationship to environmental crime is based in part on existing mutual evaluation reports and the wider FATF framework together with open-source information, the research methodology utilised in this project and other research papers such as the UNODC and Global Initiative publications already alluded to.

5.8 MONEYVAL evaluations: relevance to environmental crime

The Western Balkan jurisdictions of Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia are all active members of the Council of Europe anti-money laundering monitoring body, Committee of Experts for the Evaluation of Money Laundering (Moneyval).

Jurisdictions in the region continue to participate in the mutual evaluation process, either coming to the end of the MONEYVAL's 5th mutual evaluation round or in preparation for the 6th round.

The findings of MONEYVAL's Mutual Evaluation Reports (MERs) are highly relevant to this analysis, as they provide an additional opinion of how effectively jurisdictions in the Western Balkans are implementing AML/CFT frameworks. While the MERs do not focus specifically on environmental crime, many of the structural weaknesses they highlight, such as limited beneficial ownership transparency, weak inter-agency cooperation, and underuse of financial investigations, directly affect the region's ability to detect and disrupt money laundering linked to environmental offenses. Examining these evaluations through the lens of environmental crime, provides the possibility to identify where systemic AML shortcomings overlap with risks in illegal logging, waste trafficking, illegal construction, and other environmentally harmful activities.

5.8.1 *Albania*

Overview: Albania has been subject to multiple MONEYVAL evaluations, with the most recent being its Fifth Round Mutual Evaluation Follow-up Report (February 2023). The report found that Albania had made progress in technical compliance in several areas.

Key Findings:

- Albania has an adequate AML/CFT legislative framework.



- Albania demonstrated moderate effectiveness in implementing risk-based supervision.
- Moderate deficiencies were found in transparency regarding beneficial ownership.

Relevance to Environmental Crime:

- Although environmental crime was not a specific focus, the evaluation emphasized the need for risk-based financial investigation approaches and improved beneficial ownership transparency, both relevant to combatting environmental crime-related money laundering.

Proposed recommendations for consideration:

- Improve coordination between financial and environmental enforcement agencies.
- Strengthen mechanisms for identifying and verifying beneficial owners.

5.8.2 *Bosnia and Herzegovina*

Overview: The 2024 Fifth Round Mutual Evaluation Report identified severe deficiencies in AML/CFT effectiveness and urged urgent reforms.

Key Findings:

- Low effectiveness in investigating and prosecuting money laundering.
- High technical deficiencies in implementing FATF Recommendations, especially around beneficial ownership (Recommendation 24 and Recommendation 25).
- Limited use of parallel financial investigations.

Relevance to Environmental Crime:

- The lack of robust financial investigation frameworks and the absence of inter-agency cooperation pose direct challenges to tackling money laundering linked to environmental offenses.

Proposed recommendations for consideration:

- Develop systems for systematic parallel financial investigations.
- Establish or improve beneficial ownership registers.

5.8.3 *Montenegro*

Overview: Montenegro's latest Fifth Round Mutual Evaluation Report (December 2023) assesses both technical compliance and effectiveness. It identifies improvements in regulatory frameworks but notes poor implementation.

Key Findings:

- Money laundering remains under-investigated.
- Beneficial ownership transparency remains weak.
- Limited coordination between law enforcement and financial regulators.

Relevance to Environmental Crime:



- Weaknesses in financial crime enforcement limit Montenegro's ability to trace proceeds from illegal resource extraction, waste trafficking, or forestry crimes.

Proposed recommendations for consideration:

- Increase the resources allocated to FIUs and environmental agencies.
- Embed financial investigation strategies in predicate crime cases.

5.8.4 *North Macedonia*

Overview: North Macedonia's Fifth Round Mutual Evaluation Report (May 2023) highlighted generally good progress in legislative compliance but mixed results in practice.

Key Findings:

- Beneficial ownership laws exist but transparency still needs improvement.
- Law enforcement lacks the capacity for proactive money laundering investigations.

Relevance to Environmental Crime:

- North Macedonia is exposed to illegal logging and waste dumping; poor enforcement of financial crimes undermines environmental enforcement.

Proposed recommendations for consideration:

- Publish indicators for reporting STRs.
- Enhance inter-agency cooperation.
- Recognize environmental crime as a predicate offense in financial investigations.

5.8.5 *Serbia*

Overview: Serbia's Fifth Round Enhanced Follow-Up Report (December 2023) noted that it had achieved moderate progress on several fronts.

Key Findings:

- Technical compliance with FATF standards was generally solid.
- Beneficial ownership transparency still needs improvement.
- Limited effectiveness in targeting complex money laundering cases.

Relevance to Environmental Crime:

- As a territory vulnerable to illicit real estate development and illegal construction in protected zones, improving AML tools would benefit environmental governance.

Proposed recommendations for consideration:

- Use confiscated criminal assets to fund financial and environmental crime units.
- Integrate environmental crime typologies into STR training and reporting protocols.

5.8.6 *Conclusion*

Across the Western Balkans, MONEYVAL's mutual evaluations confirm that while the legal and institutional frameworks for anti-money laundering and countering the financing of



terrorism (AML/CFT) are largely in place, implementation remains uneven. Common deficiencies include weak beneficial ownership transparency, underutilisation of financial investigations, as well as limited coordination between financial intelligence units (FIUs), law enforcement, and environmental agencies. These gaps significantly hinder the detection and disruption of money laundering related to environmental crimes.

Particularly concerning is the **limited use of parallel financial investigations** for predicate offenses, including those involving environmental harm. The reports also note insufficient data collection on enforcement outcomes, and a lack of integration of financial intelligence into broader investigations. In some jurisdictions, such as Bosnia and Herzegovina and Montenegro, MONEYVAL identified low effectiveness in investigating and prosecuting money laundering cases in proportion to assessed risks.

To address these challenges, beneficiaries in the Western Balkans should:

- Explicitly include environmental crime as a predicate offense in National Risk Assessments (NRAs).
- Strengthen legal and operational tools for conducting parallel financial investigations in environmental cases.
- Develop centralised and verifiable beneficial ownership registries to prevent the misuse of legal entities in laundering schemes.
- Integrate environmental crime typologies into internal AML/CFT strategies and reporting frameworks.

Improving these areas will not only support technical compliance with FATF Recommendations but also enhance the region's ability to trace and recover assets linked to environmental crime. A more effective and coordinated AML/CFT response is essential to closing enforcement loopholes and countering the convergence of environmental degradation, corruption, and illicit finance.

On a positive note, the AML/CFT legal framework in each of the Western Balkan jurisdictions is generally deemed to be compliant, international and domestic cooperation at informal and formal levels appears to be good and the reporting of suspicious transactions by the regulated sector (although not all sectors) was also found to be adequate to good. During the review process, it was found that the numbers of suspicious transaction reports (STRs) had generally increased over the years and the analysis and dissemination of financial intelligence to law enforcement by the respective financial intelligence units had also increased. The quality of such intelligence reports was also described as being adequate to good.⁸⁰

It should be noted here that several good examples of suspicious transaction reporting by the financial sector in the Republic of North Macedonia that had clear links to environmental crime were presented during the research and have been included in the case studies for this section.

⁸⁰ Project Craaft, GLOBSEC, (2022) *Report 2. Western Balkans 6. Countering the Financing of Terrorism and Organised Crime in the Western Balkans Countries*. Reports produced by the FSRBs – FATF-Style Regional Bodies, as well as those published by MONEYVAL, have also been utilised as official sources.



5.9 National ML/TF Risk Assessments: relevance to environmental crime

FATF Recommendation 1 requires jurisdictions to identify, assess, and understand their money laundering (ML) and terrorist financing (TF) risks. While all jurisdictions in the Western Balkans have complied with this requirement by conducting national ML/TF risk assessments (NRAs), none have identified environmental crime as a money laundering risk. The closest example is Albania's NRA, which flagged notaries as high-risk actors in relation to the real estate sector. This underscores the importance of examining the roles of intermediaries and/or gatekeepers, including beneficial owners and politically exposed persons (PEPs), as well as designated non-financial businesses and professions (DNFBPs) including real estate agents, lawyers, and accountants, who may reasonably be suspected of involvement in environmental crime.

FATF standards require more than the completion of NRAs; jurisdictions must also adapt their AML/CFT frameworks to address the severity of the risks identified. Under Recommendation 3, environmental crime is recognized as a predicate offence to money laundering. Given the significant illicit proceeds generated from forestry, waste management, mining, and construction across the Western Balkans, the exclusion of environmental crime from NRAs represents a strategic oversight. This omission contributes to under-detection of laundering risks in high-risk sectors, limits the financial intelligence developed by FIUs, and leaves reporting entities without guidance on relevant red flags, typologies, or high-risk customer profiles linked to environmental crime.

Including environmental typologies in NRA processes would also help domestic authorities apply proportional and risk-based supervision, better target STR reporting obligations, and promote the use of joint investigations in environmentally linked financial crime.

5.9.1 Regional overview of NRAs in relation to their recognition of environmental crime

The following section provides a regional analysis of how NRAs in the Western Balkans currently address, or fail to address, environmental crime, highlighting general findings, gaps, and opportunities for strengthening compliance with FATF Recommendations 1 and 3. A more detailed review of each Beneficiary NRA is provided in the *Annex 1 - Beneficiary overview of NRAs in relation to their recognition of environmental crime*.

General findings across the region:

- None of the reviewed NRAs explicitly identify environmental crime as a predicate offence for money laundering.
- All jurisdictions prioritise drug trafficking, corruption, tax evasion, organised crime, and fraud as the main ML/FT risks.
- While real estate, construction, banking, and trade sectors are consistently recognised as high risk, environmental sectors (forestry, mining, waste management, biodiversity) are absent.
- Environmental agencies, forestry inspectorates, or NGOs are not systematically involved in the NRA processes.
- Several beneficiaries (e.g., North Macedonia, Kosovo) show indications of financial flows from illegal logging, mining, or waste trafficking, yet these are classified under

corruption or organised crime typologies, without dedicated analysis of environmental crime.

Exclusion of environmental crime from National Risk Assessments constitutes a major strategic oversight. These gaps undermine the detection of financial flows linked to environmental crime and reduce the visibility of such offences in internal AML/CFT strategies.

To address these gaps, jurisdictions should take urgent steps to better **integrate environmental crime into AML/CFT frameworks**. Future iterations of NRAs must explicitly ensure that the **financial dimensions of environmental crimes are assessed alongside more traditional predicate offences**. This requires closer collaboration between FIUs, environmental agencies and enforcement bodies, enabling the exchange of information and the development of joint strategies. In parallel, authorities should work with reporting entities and gatekeepers to **design tailored typologies and red flag indicators**, helping the financial sector to detect suspicious activity and improve the quality of STRs. Taken together, these measures would significantly strengthen oversight and ensure that environmental crime is treated not only as an ecological issue, but as a serious financial threat to the integrity of the region's economies and financial systems.

5.10 Tracing financial flows from environmental crime: case study insights

During the development of this report, efforts have been made to identify the methodology of money laundering practices from known environmental crime in the Western Balkans to establish if the financial flows from such crimes do indeed follow similar mechanisms to other predicate crimes.

Utilising the research methodology outlined at the beginning of this report including the use of open-source information, on-line interviews and the questionnaires that were sent to each of the Western Balkan jurisdictions, a small number of environmental crime cases from the region were identified. Not all the cases however, provided detail analysis or information on the financial flows from such crimes. In some instances, the cases remain pending trial and therefore subject to sub judice rules. Those jurisdictions that did provide elements of financial flows from environmental crimes are outlined as follows.

Case study 7 - Money laundering

From the many hundreds of suspicious transactions reports (STRs) that were received by the Financial Intelligence Unit of North Macedonia over the 5-year period 2019-2023, a total of 7 STRs from the financial sector that initially appeared to be possible corruption related transactions, were, on subsequent intelligence development, found to be connected to environmental crime. These offences included illegal mining, illegal timber trafficking and illegal landfill waste exploitation including the dumping of toxic waste from overseas jurisdictions.

Despite the existence of environmental crimes being committed, Prosecutors and the relevant Law Enforcement Agencies in North Macedonia elected to prosecute corruption offences only and trials remain to be completed. While the proceeds from these crimes clearly moved through the placement and layering stages, including across domestic borders, insufficient information from the questionnaires and on-line interviews was forthcoming. This was due to

the on-going process of the trials and associated sub-judice rules. (Source- Questionnaires and open source)

Case study 8 - Money laundering

In an announcement dated the 10 April 2025, the Government of Serbia advised that 51 criminal charges had been filed against a total of 57 individuals on suspicion that they had committed multiple criminal offences of importing hazardous substances into Serbia and the subsequent unauthorised processing, disposal and storage of hazardous substances. This included damage and pollution of the environment. Criminal proceeds from these environmental crimes were expected to be valued at more than 4.5m euros and while no details have been disclosed, it is inevitable that the proceeds from these crimes would have to be laundered.

During this research, responses from Bosnia and Herzegovina suggested that the jurisdiction had an extremely comprehensive anti-environmental crime legal framework and that a wide number of environmental cases had been investigated. These included illegal logging, the dumping of illegal and toxic waste and illegal fishing.

While no details of individual cases were provided, the financial flows from these crimes were reported to have utilised cash smuggling activity and abuse of the financial sector via domestic bank accounts. It is not known if any money laundering offences were prosecuted in relation to these cases. (Source- Questionnaires and open source)

Case study 9 – Money Laundering

In 2021, the Albanian Special Prosecution Against Corruption and Organised Crime, SPAK, arrested a number of people suspected of fraud and money laundering relating to the construction and operation of three municipal waste incinerators in Elbasan, Fier and Tirana. The allegations related to senior officials misusing public funds by awarding concession contracts in exchange for financial compensation.

In 2022, 21 individuals and 12 legal entities were prosecuted over the Elbasan and Fier incinerator projects for bribery, corruption and money laundering. A former Minister of the Environment and his Secretary General were sentenced to 6 years 8 months and 2 years 8 months in prison respectively with other offenders receiving slightly shorter sentences. While this was a good example of how money laundering offences were charged and prosecuted alongside other predicate crimes such as the abuse of power, bribery and corruption, it is not believed any actual environmental crimes were prosecuted. (Source-Open source)

As can be deducted from the first two examples, while environmental crimes were clearly committed, decisions were made to prosecute other predicate offences such as corruption and bribery rather than include environmental crime and/or money laundering in the indictments. While these decisions are not to be criticised, this preference for prosecuting corruption offences rather than environmental crimes or money laundering, does correspond to the findings in the various MONEYVAL mutual evaluation reports as outlined earlier in this report, which highlight a tendency to focus on the predicate offence without pursuing related

money laundering charges. It should be noted however, that in the Albanian incinerator case, money laundering offences were prosecuted.

In the examples from Bosnia and Herzegovina, it is not known whether money laundering offences were included in any prosecutions.

The reasons for generally not prosecuting money laundering associated to environmental crime are varied but include a perception that environmental crime is not a high-risk activity for money laundering, that the instances of environmental crime remain low, that other predicate crimes such as corruption, drug trafficking or human trafficking are much more prevalent, high risk and well documented or that the financial values of environmental crimes are low or difficult to quantify.

Additionally, in this report, reference was made to the reporting of suspicious transactions by entities of the financial sector in the Republic of North Macedonia that were related to possible environmental crime or companies involved in environmental businesses. This engagement by the financial sector is to be congratulated and demonstrates that a good working relationship between elements of the reporting sector and the Financial Intelligence Unit can generate intelligence across a wide range of crime types.

Case study 6 - Financial Intelligence

The Financial Intelligence Unit of the Republic of North Macedonia opened a case based on a STR submitted by a bank regarding negative media reports regarding a case related to the procurement of suspicious liquid fuels. This involved a domestic legal entity making payments in favour of a foreign legal entity, which, according to their website, is one of the leading companies for the processing of used motor oils from the automotive industry.

The domestic legal entity made payments to the foreign legal entity for the procurement of liquid fuels. Additionally, and in relation to the same domestic legal entity, a STR was received from another bank stating that its owner had withdrawn a significant amount of cash from the legal entity's account, based on dividends. What was suspicious for the bank was the use of cash payments, given that in the Republic of Macedonia there is a legal ban on cash payments in the amount of over 2000 euros which calls into question the use of these funds. The legal entity received the funds from a state-owned company based on tenders for the purchase of fuel. The investigation determined that the fuel being purchased contains toxic waste and is harmful to human health. The case is under investigation. (Source- Questionnaires)

Case study 7 - Financial Intelligence

Non-resident individuals formed a legal entity in the Republic of North Macedonia that received a concession for mining ore. The bank reported suspicious transactions made on the account of this legal entity that it received a significant amount of funds from a foreign legal entity that is related to the owners of the domestic legal entity. The funds were mostly transferred to the accounts of the owners of the legal entity based on salaries and dividends, and to a domestic individual who was a politically exposed person. From publicly available information, there are findings that the procedure for mining this ore has a high impact on the environment and thus puts the health of citizens at risk. For these reasons and due to pressure from the public, the domestic legal entity was stripped of its ore mining concession by the competent authorities.

(Source- Questionnaires and open source)



Case study 8 - Financial Intelligence

Information was received about a Public Enterprise responsible for waste collection and processing that it had imported unsafe waste from a foreign country that is harmful to the environment and human health. The bank submitted a STR that lists payments from a foreign legal entity to the public enterprise. At the same time, further enquiries were received from a competent institution for the same case.

Further intelligence development checks were carried out by the FIU regarding the payments made between the legal entities, and requests were submitted to the other country. The investigation into whether unsafe waste was imported is being conducted by the investigative authorities in coordination with the public prosecutor. *(Source- Questionnaires)*

Case study 9 - Financial Intelligence

Several suspicious transaction reports were received by the FIU from several domestic banks in the Republic of North Macedonia relating to a domestic legal entity obtaining a tender for coal or mining without a previously published announcement. After winning the tender, the legal entity's profit increased, only for the entity to suddenly go bankrupt in 2021. After the bankruptcy, a new legal entity was established that effectively took over the tenders. The owner and manager of both entities was the same person.

Before going bankrupt, the legal entity transferred funds between other related legal entities using invoices for fictitious goods or services to each other as part of a money laundering layering process aimed at concealing the true origins of the funds. In addition to transferring funds from one account to another, a large part of the funds was withdrawn in cash by their owners.

Coal is one of the most common sources of energy. The use of coal has negative consequences for both the environment and human health. *(Source- Questionnaires)*

5.11 Crypto and digital payment systems

Crypto currencies and other digital payment systems present emerging and significant risks for both concealing the proceeds of environmental crime and enabling related corruption. While these technologies offer legitimate advantages in terms of speed and accessibility, their anonymous nature, cross-border reach, and lack of centralised control make them attractive tools for criminals seeking to obscure the origins of illicit funds. In the context of environmental crime, crypto currencies can be used in multiple stages of the laundering process: for example, in the placement phase to accept payments from buyers of illegal goods, or during the layering phase to move funds across borders without using traditional banking systems.

The Western Balkans region remains particularly vulnerable due to:

- Limited regulatory oversight and uneven enforcement capacity across jurisdictions;
- Gaps in the licensing and supervision of virtual asset service providers (VASPs);
- Inadequate integration of environmental crimes into AML/CFT national risk assessments, which means FIUs and law enforcement may not be monitoring crypto-currencies related transactions for environmental predicates.



Furthermore, crypto currencies can be used in conjunction with other laundering mechanisms, such as shell companies or high-risk sectors like real estate, to convert digital assets into tangible, “clean” investments, particularly in countries where regulatory scrutiny is weak.

To mitigate these risks, it is essential that AML frameworks in the region expand monitoring of virtual assets and ensure that environmental crime is recognised as a relevant predicate offense when developing risk-based approaches and typologies related to digital finance.

5.12 Final observations

In a 2021 report titled ‘Money Laundering and Environmental Crime’⁸¹ the FATF stated that environmental crime was a ‘low risk, high reward’ crime which frequently attracted light sanctions and limited efforts to follow and remove the profits. This made environmental crime a lucrative but safe source of income for criminals. In the report, the FATF provided a number of recommendations which included the following:

- Consider the risks of criminals misusing their domestic financial and non-financial sectors to conceal proceeds from environmental crimes. This extends to countries without domestic natural resources as FATF work shows that criminals hide proceeds from these crimes across regions, including trade and financial centres.
- Beneficiaries must also strengthen inter-agency cooperation between financial investigators and environmental crime agencies, to detect and pursue financial investigations into environmental crimes. This includes working with foreign counterparts to share information, facilitate prosecutions and recover assets that are moved and held abroad.

In terms of typologies and good practice, the FATF report cited a number of cases that can benefit this report. The two following cases provide good examples of policy and strategies employed to combat environmental crime.

Case study 14 – Good example of policy and strategies employed to combat environmental crime (Madagascar)

Madagascar identified the fight against money laundering associated with environmental crimes (forestry, wildlife, etc.) as one of the priorities in its internal AML / CFT strategy. As a source country for illegal timber, Madagascar highlighted key sources of information for financial investigations which were readily available to counterparts in customs agencies. These included data on exports and imports; data regarding timber cargo loading from private companies which may have been contracted to manage ports and / or the container terminal; mining administration database on permits granted, authorizations for transport and export of mining products issued, declarations of exported products.

Case study 15 – Good example of policy and strategies employed to combat environmental crime (Brazilia)

Brazilian law enforcement agencies detected an unexplainable increase in timber products passing through Manaus Port. This triggered an investigation into the inspection process, which led to identifying illegality in the extraction of the timber. A parallel financial investigation resulted in the identification and subsequent freezing of USD 10 million in

⁸¹ FATF, *Money Laundering from Environmental Crime*, June 2021, accessed August 2025



criminal proceeds in complicit company accounts as well as the seizure of 80,000m3 of timber.

FATF, Recommendation 30 refers to the need of jurisdictions to conduct parallel financial investigations alongside, or in the context of criminal investigation into money laundering, terrorist financing and/or predicate offence. Many jurisdictions globally including some in the Western Balkan Region, do not comply with this recommendation fully. This is often due to a lack of law enforcement policy, training, resources, or a focus only on the predicate crime and a preference for expediency in the prosecution process.

As previously stated, the Western Balkan jurisdictions can generally demonstrate technical compliance with the FATF recommendations. It is also clear from this research that in addition to AML/CFT laws, they have comprehensive environmental crime domestic legislation. Despite this, while numerous environmental crimes appear to have been committed in the region over the period 2019-2023, with the exception of Albania none were identified as having resulted in money laundering prosecutions, but rather the prosecution for other predicate offences such as corruption.

6 TRANSPARENCY IN BENEFICIAL OWNERSHIP: STRENGTHENING ACCOUNTABILITY IN ENVIRONMENTAL SECTORS

Weak transparency in the beneficial ownership of legal entities remains a systemic risk factor for both corruption and money laundering across the Western Balkans. Environmental crimes in the Western Balkans are frequently perpetrated or facilitated through legal entities that obscure the identity of the true owners.

Independent assessments have consistently identified opaque ownership structures as key enablers of abuse, particularly in sectors linked to environmental governance. Legislative frameworks across the region would benefit from further strengthening to fully align with the standards of the UNCAC, FATF recommendations 24 and 25 on beneficial ownership, and EU's AML Directives.

These opaque corporate structures are often used to secure public contracts, obtain extraction permits, or launder criminal proceeds. Shell companies, nominee owners, and complex corporate networks are commonly deployed by PEPs and organized crime groups to mask illicit financial interests, conceal conflicts of interest, and avoid accountability. This lack of beneficial ownership transparency enables collusion between state actors and private entities, allowing corrupt officials and criminal networks to extract profit from public resources or environmental assets, while remaining hidden from regulatory and law enforcement scrutiny.

This lack of transparency undermines both anti-corruption efforts and the effectiveness of anti-money laundering frameworks. When the true beneficiaries of legal entities cannot be identified, it obstructs law enforcement investigations, weakens the capacity of FIUs to detect suspicious transactions, and reduces the effectiveness of financial sector due diligence.

Legal and practical implications:

Where beneficial ownership transparency is absent or inadequately enforced, the following risks emerge:



- **Undetected conflicts of interest.** Public officials or their proxies may secretly own or benefit from companies engaged in environmentally sensitive operations.
- **Obstruction of law enforcement investigations.** Nominee shareholders, offshore entities, and shell companies complicate the tracing of illicit financial flows.
- **Concealed ownership of illicit assets.** Criminal proceeds derived from illegal logging, mining, construction, or waste activities can be integrated into the formal economy through anonymous corporate vehicles.

With no centralised registry for beneficial owners, financial institutions inadvertently provide cover for criminal actors. Even where basic disclosure laws exist, implementation challenges persist, including outdated records and lack of public access, that severely limit the utility of the data for enforcement and risk mitigation. These gaps hinder compliance with international standards and limit the ability of competent authorities to disrupt corrupt and criminal networks.

Policy recommendations:

To address these risks and reinforce both anti-corruption and AML objectives, jurisdictions across the Western Balkans should:

- **Mandate public disclosure** of beneficial ownership for all legal entities, especially those operating in high-risk environmental sectors such as forestry, mining, construction, and waste management.
- **Establish/strengthen centralised and searchable registries** of beneficial ownership, accessible to competent authorities and, ideally, to the public, to facilitate due diligence and accountability.
- **Implement robust verification mechanisms** to ensure accuracy, adequacy and timeliness of data including penalties for false, incomplete or outdated disclosures.
- **Integrate beneficial ownership transparency** into environmental licensing, permitting, procurement, and regulatory compliance processes.

Improving beneficial ownership transparency is essential not only for meeting international AML/CFT obligations but also for strengthening environmental governance and deterring corruption. These reforms are fundamental to reducing the influence of criminal interests and restoring public trust in institutions responsible for safeguarding natural resources.

7 KEY FINDINGS AND RECOMMENDATIONS

The Western Balkans face a combination of factors which increase the region's vulnerability to environmental crimes including weak enforcement, economic pressures, legacy of poor rule of law and environmental governance, high level of corruption, porous borders, transnational criminal networks' capacity to infiltrate institutions and economic sectors, and growing opportunity to conceal proceeds of crime with new technologies.

Progress in strengthening integrity systems and the rule of law has been uneven across the Western Balkans, with persistent challenges in addressing corruption, money laundering, organised crime and ensuring effective environmental governance. While the region has established oversight institutions and has an active civil society and independent media, political influence, gaps in enforcement and limited institutional capacity continue to affect the effective application of laws and policies.

In particular, the following **key findings** could be highlighted:

- Environmental crimes in the Western Balkans are a growing phenomenon, but analysis on this type of crimes, both regionally and by beneficiary, is minimal. Complaints on illegal logging, arson, hunting and sale of wildlife and protected species, illegal extraction of natural resources, and illegal dumping of waste are increasing in most beneficiaries.
- Economic growth is driving an intensive exploitation of natural resources, either forest, land or water, which may lead to serious environmental pressures particularly in the context of existing vulnerabilities to corruption at various levels of governance.
- Two types of environmental crime perpetrators emerge: domestic actors, either individuals or companies, or transnational organised criminal groups, with local cells linked to criminals based also in the EU Member States. Poly-criminal multi-national networks increasingly cooperate beyond domestic boundaries, overcoming traditional cleavages to the profit of all networks involved. The nature of the crimes committed vary significantly in scale, impact, modus operandi and threat level.
- Weaknesses in the rule of law from gaps in the legal framework, limited resources within law enforcement and prosecutorial bodies to competing priorities such as drug trafficking and other serious and organised crimes all combine to hamper efforts to effectively combat environmental crime cases. There remains a significant discrepancy between the number of reported cases and actual convictions. Where there are convictions, penalties imposed are often insufficient to serve as an effective deterrent.
- Western Balkans jurisdictions are strengthening their environmental legislation, due in part to the Stabilisation and Association Process (SAP) for future EU membership. Cooperation with the EU specialised bodies providing resources and intelligence to increase law enforcement capacity appears to be a key factor of success.
- High levels of corruption that exists at certain border crossing points maintain traditional smuggling routes and associated mechanisms in exploiting weaknesses in cross-border security.
- Political, economic and social drivers of corruption act differently in the economic sectors:



Economic Sector	Main corruption drivers
Energy (production, efficiency), renewable energies and hydropower	Political, Economic
Forests, forestry, timber production and trade	Political, Social
Land use or privatisation, exploitation of natural resources and materials, mining	Economic
Construction and real estate	Economic
Waste and recycling	Political, Economic

- Anti-corruption institutions have not performed a sectorial CRA on environment.
- The ML/TF risks linked to environmental crime are not assessed in the national/sectorial risk assessments which hampers the overall understanding of key threats and vulnerabilities the countries are exposed to and a lack of appropriate mitigation measures to address ML risks arising from environmental crimes.
- Limited public awareness, and weak local governance are the main critical risk factors of corruption, worsened by the absence of robust oversight mechanisms and a general social tolerance of corruption.
- Transnational criminal offences such as illegal logging, wildlife trafficking and illegal waste dumping by organised crime groups is increasing in frequency, utilising structured and well-established supply or transit routes.
- Illegal logging, land grabbing, hydropower and waste disposal appear to be the sectors most affected by corruption.
- There is a growth in activities that damage the environment, but which are not legally considered crimes. This includes certain types of land or water grabbing or mining.
- A general perception in both the public and private sectors that environmental crime is not considered as serious as other crimes such as the trafficking in drugs, people or weapons, or crimes of violence, extortion or corruption.
- Scale and scope of crimes remain uncertain due to the quantity and quality of official data collected on investigation, prosecution and conviction on different offences.
- A preference by law enforcement and/or prosecutorial agencies to pursue other predicate crimes such as corruption and bribery rather than include the original environmental crime in the indictments.
- Insufficient use of parallel financial investigations alongside investigations into environmental crimes as recommended by the FATF (Rec. 30) and the insufficient use of asset forfeiture provisions.
- A reluctance to use 'follow the money' techniques to support money laundering prosecutions.
- Where adoption of international environmental crime standards into domestic legislation exists, weaknesses in actual implementation were observed.
- A general lack of investigative and prosecutorial resources focusing on environmental crime cases.

Overall, the Western Balkans remain highly vulnerable to environmental crime, which is facilitated by corruption in public procurement, law enforcement, the judiciary, public administration and politics. If left unchallenged, impacted beneficiaries face significant risks to their security, harm to economic growth and long-term damage to the environment and natural resources that should be protected.

7.1.1 Key recommendations

I. Key recommendations related to identifying, analysing and mitigating corruption risks and factors associated with environmental crime:

- i. Perform domestic Corruption Risk Assessment (CRA) in environmental sectors in order to identify, assess and mitigate corruption risks and vulnerabilities associated with environmental crime.
- ii. Strengthen the capacity of institutions responsible for environmental protection and anti-corruption authorities to implement and enforce compliance with integrity policies, regularly assess the risks of corruption and develop appropriate mitigation measures and ensure unhindered reporting of non-compliance with integrity obligations.
- iii. Conduct corruption proofing of draft laws and other regulations in the environmental area and provide opinions to prevent and mitigate corruption risks.
- iv. Consolidate whistleblowing tools and related protection mechanisms to encourage reporting practices.

II. Key recommendations related to identifying, analysing and mitigating ML risks and factors associated with environmental crime:

- i. Ensure that competent authorities have timely and direct access to accurate information on public contracts, licenses and permits, beneficial ownership, financial transactions, and movable and immovable property, including real estate and land holdings, as well as bank account data. Information on public contracts and licenses should also be subject to public scrutiny through open datasets that are regularly updated and freely accessible.
- ii. Develop/strengthen centralised, searchable beneficial ownership registries, supported by robust verification mechanisms to prevent the misuse of legal entities in laundering proceeds from environmental crimes.
- iii. Incorporate crypto and digital payments into AML/CFT strategies targeting environmental crime, highlighting emerging money laundering risks associated with unregulated platforms.
- iv. Systematically involve environmental regulators and civil society actors in the NRA development process to provide more accurate assessments of risk.
- v. Undertake, at domestic level, action to identify, assess and mitigate environmental crime risks. This could be done as stand-alone or alongside national AML/CFT risk assessments, by classifying environmental crimes as a predicate offence for ML purposes, aligning with FATF Recommendations 1 and 3.

- vi. Increase outreach and sector-specific guidance to reporting entities that infrequently submit suspicious transaction reports with a particular focus on environmental issues. Consider including both environmental crime and money laundering in future indictments rather than focus on just one predicate crime such as corruption.
- vii. Build public-private partnerships to improve the detection of high-risk transactions associated with environmental crime.
- viii. Promote the systematic use of parallel financial investigations in environmental crime cases to trace illicit proceeds, expose criminal networks, and strengthen asset recovery.

III. Key recommendations to strengthen the preventive and enforcement response towards environmental crime and increase coordination for effective asset recovery:

- i. Conduct a review of environmental crime legislation to ensure that legal provisions adequately reflect domestic risks and enforcement needs. Particular attention should be given to emerging sectors such as land and water use, and to strengthening the deterrent effect of sanctions.
- ii. Sustain long-term education and awareness initiatives to highlight the impact of corruption and promote a culture of integrity. Particular attention should be given to addressing vulnerabilities in public administration - including local government, police, and the judiciary - as well as in the private sector, where the human factor often remains the weakest link.
- iii. Enhance robust inter-agency collaboration at domestic level, supported by stronger regulatory frameworks, and consistent capacity building and training for law enforcement officers, environmental inspectors, and FIUs on detecting and investigating financial flows linked to environmental crimes.
- iv. Strengthen collaborative efforts to prevent local financial institutions from being misused as conduits for transnational organized crime and money laundering.
- v. Provide targeted training for officials involved in environmental protection, including inspections, licensing, and procurement, on corruption risk indicators, ethical standards, asset and income declarations, gift regulations, and the implementation of institutional integrity plans.
- vi. Consider allowing, where appropriate, the use of confiscated criminal assets to strengthen law enforcement and prosecution efforts against environmental crimes, introducing legislative amendments where necessary. International practice demonstrates the value of channelling recovered assets into practical uses, such as deploying seized vehicles, boats, and aircraft, funding training and specialized equipment, and supporting the recruitment of expert staff such as analysts.
- vii. Where possible and where needed, take steps to enhance the resources and skills of those officials tasked with investigating and prosecuting both corruption, money laundering and environmental crimes. This should include a greater focus on the use of financial intelligence, financial investigation, money laundering

investigations, criminal asset forfeiture and the implementation of robust whistle-blower and witness protection measures.

- viii. Strengthen cooperation among jurisdictions in the Western Balkans, both formally and informally, to more effectively combat transnational environmental crimes, including the illicit trafficking of waste and wildlife.
- ix. Ensure the establishment of more systematic and precise data collection systems to inform domestic and regional strategies for preventing and countering offences. Jurisdictions should adopt standardized data collection and enforcement statistics to enable comparison and support regional strategic action. Strengthening intelligence and analytical capacities will further enhance the effectiveness of monitoring mechanisms and the identification of criminal trends.
- x. Systematically involve environmental regulators and civil society actors when designing preventive frameworks to address environmental crime.
- xi. Carry out a systematic mapping of institutions responsible for different types of environmental crime to identify gaps, clarify roles, and enhance coordination, monitoring, and enforcement across the region.

8 ANNEXES

ANNEX 1 – BENEFICIARY OVERVIEW OF NRAs IN RELATION TO THEIR RECOGNITION OF ENVIRONMENTAL CRIME

8.1.1 *Albania*

Albania's 2023 National Risk Assessment (NRA)⁸² for Money Laundering and Terrorist Financing does not explicitly recognise environmental crime as a predicate offence for money laundering.

The NRA identifies seven main groups of predicate offences that generate illicit proceeds:

1. Narcotics production and trafficking
2. Tax and customs crimes
3. Organised crime
4. Corruption and abuse of office
5. Forgery
6. Fraud
7. Property theft

Environmental offences are not listed among the predicate offences assessed for ML risk in Albania.

Although the NRA assesses risks by sector (e.g., real estate, construction, trade, banking), no direct mention is made of environmental sectors such as forestry, waste, mining, or biodiversity-related activities. This omission represents a gap in Albania's understanding and prioritisation of emerging money laundering threats.

To address this, Albania would benefit from:

- Broadening the scope of future NRAs to include environmental crime.
- Involving environmental agencies, NGOs, and investigative journalists in future NRA processes.

8.1.2 *Bosnia and Herzegovina*

The Bosnia and Herzegovina (BiH) NRA for 2022–2024⁸³ does not explicitly mention environmental crime as a predicate offence for money laundering. Instead, it focuses on high-risk offences such as corruption, tax evasion, narcotics trafficking, and fraud.

⁸² Financial Intelligence Agency (FIA) of Albania, [National Risk Assessment for Money Laundering and Terrorist Financing 2023: Public Version](#), December 2023, accessed 13 August 2025

⁸³ Ministry of Security of Bosnia and Herzegovina, [Sažetak dopune Procjene rizika od pranja novca i finansiranja terorizma u Bosni i Hercegovini za period 2022–2024](#), 11 January 2024, accessed 13 August 2025].



Environmental sectors (e.g., forestry, mining, waste) are not evaluated in terms of ML vulnerability, nor is there any inclusion of environmental enforcement authorities in the institutional analysis.

BiH would benefit from:

- Recognising environmental crime as a predicate offence.
- Including environmental sectors in future risk assessments.
- Strengthening cooperation between FIUs and environmental regulators.

8.1.3 Kosovo

Kosovo has conducted national risk assessments (NRAs), the most recent being in 2021. The publicly available version of the NRA does not explicitly reference environmental crime as a money laundering predicate offence or risk factor.

The primary threats identified in Kosovo's NRA are:

- Drug trafficking
- Corruption
- Smuggling and tax evasion
- Human trafficking and migrant smuggling
- Cybercrime

There is no reference to forestry, mining, waste trafficking, or wildlife crime, despite the known prevalence of illegal logging, land grabs, and unauthorised construction in Kosovo — all of which can involve financial flows that warrant AML scrutiny.

Additionally, the NRA does not appear to involve Kosovo's Ministry of Environment or forestry enforcement units in its risk assessment methodology. This limits the comprehensiveness of the threat identification process.

To align with FATF Recommendation 1 and Recommendation 3, it is recommended that Kosovo:

- Explicitly assess environmental crime as part of its next NRA update.
- Ensure the collaboration between environmental agencies, FIUs, and NGOs.
- Examine financial flows linked to illegal resource extraction and land use offences.

8.1.4 Montenegro

Montenegro's latest NRA, published in March 2023 and covering data through 2020, also omits environmental crime as a predicate offence. The assessment centres on traditional offences, with the primary threats identified:

- Drug trafficking
- Loan sharking
- Tax evasion
- Corruption



The construction industry and real estate investments are recognised as high risk for money laundering, although there is no reference made to unauthorised constructions in domestic parks or protected areas. The NRA does not assess or mention environmental sectors (such as mining, forestry or hydropower) in the context of money laundering vulnerabilities.

Given growing global recognition of environmental crime as a predicate ML offence, Montenegro should consider collaborating with environmental agencies and integrating this area into future NRA updates to improve its AML/CFT effectiveness.

8.1.5 North Macedonia

North Macedonia has completed several National Risk Assessments (2016, 2020), most recently in 2025. However, a review of the publicly available documentation (SOCTA and NRA) reveals that **environmental crime is not identified as a high-risk predicate offence** for money laundering in the NRA. The document primarily identifies high-risk criminal threats such as:

- Corruption and abuse of office
- Narcotics trafficking
- Tax evasion
- Organised crime
- Cybercrime
- Human trafficking and migrant smuggling

The NRA includes risk assessments for high-risk sectors such as real estate, legal professions, financial services, and DNFBPs, and assesses/mentions environmental sectors (such as forestry, mining, or waste management) in the context of money laundering threats.

During this research, the Financial Intelligence Unit of North Macedonia reported receiving STRs linked to illegal mining, landfill exploitation, and illegal timber trafficking. These STRs were generally flagged under corruption typologies.

North Macedonia is recommended to:

- Integrate environmental crimes into future NRAs as predicate ML offences.
- Include environmental enforcement institutions in NRA working groups.
- Develop specific typologies for environmental crimes in the NRA.

8.1.6 Serbia

Serbia has conducted several NRAs (2013, 2018, 2021, and 2024), none of which identify environmental crime as a predicate offence. Even as Serbia's NRA has evolved to include digital assets and proliferation financing, environmental crime remains absent.

To align with international best practice and improve policy coherence, Serbia would benefit from including environmental crime in its NRA and ensure environmental actors are part of the assessment process.

ANNEX 2 – LIST OF ENVIRONMENTAL OFFENCES

This report focuses on environmental crimes in different economic sectors, and on their entanglement with corruption and money laundering, in six Western Balkans' jurisdictions. The following definitions applies.

8.1.7 *Environmental crimes*

Environmental crimes (or crimes that affect the environment) are activities that breach environmental legislation and cause significant harm or risk to the environment and human health, causing an impact on the natural environment and damaging ecosystems⁸⁴. The UNODC⁸⁵ divides environmental crimes into four areas:

1. Acts that cause environmental pollution or degradation of resources (air, water, soil)
2. Acts involving the movement or dumping of waste
3. Trade and possession of protected and prohibited species of flora and fauna
4. Acts that delete natural resources, including illegal logging, hunting, and fishing; illegal gathering of flora and fauna; illegal mining, etc.

In the context of this research, the following classification of environmental crimes applies:

- Illegal waste cycle
- Environmental disaster/destruction of an ecosystem
- Failure to clean up
- Offences against fauna, including killing of animals and mistreatment of animals; killing, destruction, taking, possession or trade in protected wild animal species; illegal fishing and hunting
- Forest fires
- Illegal logging and timber trafficking
- Illegal cement cycle, including illegal building
- Illegal mining
- Land grabbing
- Water grabbing, mismanagement, and pollution
- Fraud in emissions trading

8.1.8 *Economic sectors*

Environmental crimes can occur in many economic sectors. The analysis has considered the following economic sector categories in which environmental crimes can occur:

- Agriculture and food system
- Seas, coasts bathing water/ marine and harbours, sea tourism, fishing

⁸⁴ Europol (n.d.). Environmental crime. <https://www.europol.europa.eu/crime-areas/environmental-crime>

⁸⁵ UNODC (n.d.) Explainer: What are crimes that affect the environment? https://www.unodc.org/unodc/en/frontpage/2024/April/explainer_-what-are-crimes-that-affect-the-environment.html

- Habitats and species, hunting, wildlife trade
- Buildings and constructions
- Chemical industry
- Waste and recycling, plastics
- Emission reduction and trading
- Electric vehicles, transport and mobility, railways, road transport
- Energy, energy production, energy efficiency, renewable energies, hydropower
- Extreme weather management (including fires, floodings)
- Forests, forestry, timber production and trade
- Land use, exploitation of natural resources and materials, mining, privatization
- Natural protection and restoration
- Water, freshwater, river and basin management

8.1.9 Corruption

Corruption can be defined as the abuse of entrusted power for private gains⁸⁶. Corruption may concern domestic and foreign public officials, officials of public international organizations and the private sector. “Grand corruption” involves high-level officials in large-scale schemes, e.g. when companies or other actors support political parties, bribe politicians and government officials or public officers to obtain or extend concessions, approval for timer processing venture, or to avoid prosecutions of crimes, or to negotiate concessions or investment agreements, including tax holidays and investment incentive. At the same time, politicians and high-level public officers use their status to affect the outcome of policymaking (nepotism, patronage, clientelism, favouritism).

Instead, petty corruption involves lower-levels officials in their interactions with citizens e.g. to falsify declarations, avoid reporting and prosecuting crimes, falsify export documentation and ignore document irregularities, permit illegal use of natural resources.

The UNCAC identifies the following forms of corruption:

- bribery of domestic public officials, by promising, offering or giving an undue advantage
- embezzlement, misappropriation or other diversion of property by a public official
- trading in influence
- abuse of functions or position
- illicit enrichment
- bribery, embezzlement of property in the private sector
- concealment
- obstruction of justice
- money-laundering⁸⁷

Other forms of corruption are extortion, favouritism, cronyism, nepotism, clientelism, state capture, and kleptocracy.

⁸⁶ Transparency International (nd). What is corruption? <https://www.transparency.org/en/what-is-corruption>.

⁸⁷ In the context of this research, we consider money laundering as a separate crime, not falling within the forms of corruption.



ANNEX 3 - LIST OF RESPONDENTS

- Albania
 - o Special Prosecution Office against Corruption and Organised Crime
 - o General Directorate of State Police
 - o General Prosecution Office
 - o Financial Intelligence Unit
 - o Ministry of State for Public Administration and Anti-corruption
 - o National Inspectorate for Territorial Protection (NITP).
- Bosnia and Herzegovina
 - o The Prosecutor's Office of Bosnia and Herzegovina
 - o State Investigation and Protection Agency
 - o Agency for the Prevention of Corruption and Coordination of the Fight against Corruption
 - o Ministry of Interior (MoI) of the Federation of Bosnia and Herzegovina
 - o Cantonal MoI - Canton 10
 - o Herzegovina-Neretva Canton MoI
 - o Central Bosnia Canton
 - o Canton Sarajevo
 - o Canton Goradze
 - o West-Herzegovina Canton
 - o MoI Tuzla Canton
 - o Ministry of Interior of Republika Srpska
- Kosovo
 - o Agency for Prevention of Corruption
 - o Financial Intelligence Unit
 - o Organised and Serious Crimes at Kosovo Police
 - o Prosecutor and National Coordinator on Economic Crime and Corruption
- Montenegro
 - o Agency for Prevention of Corruption
 - o Police Directorate, Sector for Prevention of Money Laundering and Terrorism Financing
 - o Police Directorate
 - o Special Prosecutor's Office
- North Macedonia
 - o Public Prosecutor's Office - Head of the Public Prosecutor's Office – Skopje
 - o Public Prosecutor's Office - Head of the Public Prosecutor's Office for organised crime and corruption
 - o State Commission for Prevention of Corruption
 - o Financial Intelligence Office
 - o Ministry of Internal Affairs
- Serbia
 - o Public Prosecutor's Office
 - o Cabinet of the Minister, Ministry of Interior
 - o Administration for Prevention of Money Laundering
 - o Agency for Prevention of Corruption.

