

Commission d'enquête  
sur l'octroi et la gestion  
des contrats publics  
dans l'industrie  
de la construction

Québec 

# FRAMING MAFLA INFILTRATION IN THE PUBLIC CONSTRUCTION INDUSTRY IN ITALY

FINAL REPORT

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# Introduction

## 1. Aim and objectives of the report

The aim of the present study is to outline the Italian mafia organizations, namely Cosa Nostra, ‘Ndrangheta and Camorra, and to frame the phenomenon of mafia infiltration in the public construction industry in Italy. In particular, the main objectives of the report are:

1. to single out specificities of the southern Italian mafia phenomenon and to provide a description of the three traditional Italian organized crime groups (Cosa Nostra, ‘Ndrangheta and Camorra);
2. to illustrate patterns of mafia infiltration in the public construction industry in Italy;

Drawing on the understanding of the above objectives, this study will sharpen our understanding of the Italian organized crime phenomenon in Italy in the first place. It will also provide a depiction on the dynamics of mafia infiltration in the public construction industry in Italy in an attempt to illustrate *how* and *why* Italian organized crime groups have plagued this industry. This will be done through the examination of evidence from past research and case studies that offers explanations of the Italian organized crime phenomenon and mafia permeability of the construction industry in Italy.

While the “predatory” degree of organized crime, which is marked by the use of violence (actual or implied) to gain control over a given territory or economic activities, remains a main concern, the thrust that emerges from the present exercise is that organized crime groups aim to create liaison elements with segments of the official economy and political world to pursue their criminal endeavors and enrichment in legitimate settings. The picture emerging from this study is that organized crime does not so much subvert legitimate economic sectors as exploits industry’s vulnerabilities and seizes and profits from those opportunities available to them. The search for those industry characteristics that generate criminal opportunities emerge as a key part of the discussion to understand the degree of mafia permeability of a given setting and to formulate effective remedial strategies.

## 2. Working definitions

The starting point for the study is to set the working definitions of the terms “organized crime”, “mafia infiltration” and “mafia enterprise”. This is important in order to delineate the scope of the research and the range of criminal behaviors and phenomena which fall under this analysis.

### Organized crime

There is a number of definitions of organized crime which vary widely in their scope<sup>1</sup>. The lack of clear and accepted criteria in defining the term has led to a lengthy debate in the field.

For the purpose of this study, “organized crime” is defined in accordance with the Italian legal provision of *associazione a delinquere di tipo mafioso* (article 416-bis of the Italian criminal code)<sup>2</sup>. According to art. 416-bis, a mafia-type association consists of three or more individuals and

those who belong to it make use of the power of intimidation afforded by the associative bond and the state of subjugation and criminal silence (*omertà*) which derives from it to commit crimes, to acquire directly or indirectly the management or control of economic activities, concessions, authorizations or public contracts and services, either to gain unjust profits or advantages for themselves or for others, or to prevent or obstruct the free exercise of the vote, or to procure votes for themselves or to others at a time of electoral consultation<sup>3</sup>.

The dispositions of the art. 416-bis of the Italian criminal code apply to Cosa Nostra, ‘Ndrangheta and Camorra, but also “to other criminal associations – whatever their local name – including foreign groups, which pursue aims similar to those of mafia-type associations by exploiting the power of intimidation afforded by the associative bond” (art. 416-bis, last paragraph).

The very phrase of organized crime, in Italy, refers thus to criminal organizations of a specific type that are distinguished from groups that form randomly for the immediate commission of a single offence<sup>4</sup>. The critical elements that characterize mafia-type associations reside in: the

<sup>1</sup> There is a lengthy debate about the concept of organized crime. Klaus von Lampe has collected more than 150 definitions of organized crime from different epistemological perspectives (see [www.organized-crime.de/organizedcrimedefinitions.htm](http://www.organized-crime.de/organizedcrimedefinitions.htm)).

<sup>2</sup> Art. 416-bis was introduced in the Italian criminal code in September 1982, under the pressure of a series of murders of state officials. Amongst them, there was the member of Parliament Pio La Torre who was killed by mafia hands in early 1982. He initiated the bill (which became law n. 646/1982, also known as Rognoni-La Torre law, named after the backers of two bills aimed at contrasting the mafia phenomenon that were later unified) that introduced the provision of mafia conspiracy in the Italian legal system and the possibility for the courts to seize and to confiscate the assets of the persons belonging to the mafia conspiracy.

<sup>3</sup> This translation is quoted from Paoli (2004:266).

<sup>4</sup> The provision of mafia conspiracy in the Italian legal system is distinguished by the simple conspiracy (art. 416 of the Italian criminal code), although there is an overlap between these two provisions: the existence of an associative link between three or more individuals, an organizational structure and a common criminal goal. The provision of mafia-type association, however, goes beyond these three elements and implies two further aspects which are strongly intertwined: i) the overlap between criminal and legitimate settings (thanks also to liaison elements between organized

organizational dimension – “formal and secret, independent and pre-dating the management of the single activities and which operates as a primary element of internal identification”, as pointed by Fulvetti (2004:48); the strength which derives from mafia bonds to pursue criminal endeavors; the multiplicity of goals and activities, which are not limited to the realm of illicit markets, but reach out official economy and political spheres<sup>5</sup>; the systematic use of violence (actual or implied) as a means to enforce the mafia *legal order* and polarize markets.

## Mafia infiltration

While several studies on organized crime have explored patterns of infiltration of organized crime groups in the Italian legitimate economy recognizing the problem as most serious<sup>6</sup>, few attempts have been made to define the term of “mafia infiltration”. In the field of construction industry, Savona (2010:132) defined infiltration as “the capacity of criminal organizations to penetrate legitimate businesses and run them either alone or in cooperation with legitimate figures”. Similarly, Calderoni and Caneppele (2009:15) elaborated a working definition of mafia infiltration in public contracts according to which “there is infiltration when an individual or legal entity, who belongs or is linked to a mafia-type association, or even supports a mafia-type association, insert himself in a public procurement process obtaining an illicit advantage”.

For the purpose of this study, the concept of mafia infiltration is interpreted in a relatively broad sense with a specific reference to the definition elaborated by Calderoni and Caneppele (2009) to denote the system of conditioning which is enforced by mafia-type groups to polarize markets and exercise an actual influence over territories and legitimate economic activities. In particular, there is mafia infiltration in the public construction industry when individuals who belong to a mafia-type association, or are linked to it, or support/facilitate its activities, condition or alter the regularity of the tendering/awarding/execution of a public contract in the construction industry with the aim to gain unjust profits or advantages for themselves or for others.

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crime, the official economy and political world), and ii) the systematic resort to violence and intimidation to polarize markets and exercise an actual conditioning over the territories and economic activities.

<sup>5</sup> As Paoli (2004:277) pointed out, “the meaning (and the danger) of [...] mafia associations cannot be limited to their involvement in illegal markets. Their peculiarity lies in their will to exercise political power and [...] sovereignty control over the people in their communities”. Thus, unlike other forms of organized crime groups, mafia associations do not content themselves with producing and selling illegal goods and services (both in legitimate and illegitimate domains). When examining mafia-type associations, many scholars have emphasized among their tasks the exercise of territorial control and political dominium, to the extent that mafia groups have been often defined as “power syndicates” (Block 1983) which transcend conventional criminality. Paoli (2003, 2004) extensively illustrated the “will to power” of the mafia associations and the exercise of a certain “sovereignty” over the social, economic and political fabric where their members reside.

<sup>6</sup> See, for example, Arlacchi (1986), Centorrino (1986), Santino-La Fiura (1990), Paoli (2003, 2004), Champeyrache (2004), Centonze (2005), Asmundo-Lisciandra (2008), CPA (2008), Calderoni-Caneppele (2009), DNA (2010), Savona (2010), DIA (2011), Varese (2012).

## Mafia enterprise

Several studies on organized crime have suggested the idea of analyzing the mafia phenomenon as an illicit entrepreneurship which follows the patterns of legitimate business organization (Smith 1978) and different conceptualizations of “mafia enterprise” have been elaborated. In the light of the mafia’s growing involvement in legitimate domains in Italy, Pino Arlacchi (1986) reinterpreted organized crime in terms of marketplace and organizational dynamics. He elaborated the concept of the *mafia impretratrice* (entrepreneurial mafia) and adopted a Schumpeterian interpretation to define the “mafiosi-entrepreneurs”<sup>7</sup>. In his analysis, he illustrated three different features which constitute mafia enterprise’s “competitive advantages vis-à-vis a normal firm” (Arlacchi 1986:89): the conduct of business by using mafia methods, the organization of work within the company and the control over the job market (holding down of wages and fluidity of labor force) afforded by the associative bond and state of subjection which derives from, and the access to financial resources (especially, proceeds from illegal activities being reinvested into legal entrepreneurial operations). Likewise, several other scholars have presented “entrepreneurial” features of the mafia. Constantino (1986) distinguished for example three types of enterprises linked to organized crime: *impresa paravento* (shield enterprise) which acts as a front company and serves as a vehicle for business transactions and for money laundering purposes; *impresa mafiosa* (mafia enterprise) which is a formal entity operating in the legitimate domain but resorts to violence (actual or implied) to overcome market competition; *impresa a capitale mafioso* (mafia capital enterprise), which is a productive entity following the market rules, but is financed by proceeds from criminal activities conducted by mafia-type associations. Raimondo Catanzaro (1992:203) identified mafia enterprises with those which “performed legal and illegal production activities and employ violent methods to discourage competition”. Umberto Santino and La Fiura (1990) have developed a notion of mafia enterprise in accordance with three elements: the involvement of mafia members within the company; the use of proceeds from crime; the adoption of mafia methods to struggle competition. This conceptualization was consistent also with Enzo Fantò’s (1999) analysis on the characteristics of mafia entrepreneurship, as “originating from the capital acquired in the course of the mafia’s illegal activity, with the aim to produce/exchange goods and services - both in the legitimate and illegitimate domains - and whose competitive strength is regulated by the use of intimidation and violence” (Fantò 1999:39). Other scholars have directed their analysis to the roles mafia enterprises play in the market. Following such a functionalistic approach, Diego Gambetta (1992:1) proposed the view according to which the mafia must be seen as a “specific economic enterprise, an industry which produces, promotes and sells private protection”. The functionalistic approach was adopted also by other scholars (Gialanella 1990, D’Antonio and Scarlato, 1993, for example).

For the purpose of this study, the concept of mafia enterprise is interpreted in a relatively broad sense and refers to a formal economic entity operating in the legitimate domain, linked to or

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<sup>7</sup> Schumpeter (1959) identified the entrepreneur with the innovator. “The mafiosi-entrepreneurs – Arlacchi (1986:88-89) wrote – have introduced innovations in the organization of their firms. The most important of these consists, precisely, in the adoption of mafia methods in the organization of work within the company and in the conduct of its external business. By incorporating mafia methods into the production of goods and services, a whole category of firms has been able, like any other innovatory company, to enjoy a profit which it monopolizes to the exclusion of other economic units”.

controlled by organized crime groups, employing both legal and illegal means to gain unjust profits or advantages. The features of mafia entrepreneurship consists in: the involvement (formal or actual) of mafia members or associates of a mafia-type association within the company; the resort to mafia methods in the organization of work within the company or in the conduct of legitimate business; the access to resources from illegal activities being reinvested into legal entrepreneurial operations. This conceptualization – which is consistent with previous studies – is functional to edge refined forms of influence and penetration of organized crime in legitimate business.

### 3. Data sources and analysis

Although the problem has been subjected to an extensive scrutiny over the years and is commonly recognized as most serious, research on organized crime and organized crime's infiltration of the Italian legitimate economy faces a number of obstacles. Beside the difficulty related to the conceptual borders and the range of criminal behaviors and phenomena which may fall under the label of "organized crime", "mafia infiltration" and "mafia enterprise", another shortcoming is to be considered as inevitable, which is the availability of relevant data and information. Measuring organized crime phenomena and the level of permeability of a given territory or sector to organized crime is a very complex task as it encompasses a number of dimensions which go beyond the mere identification of mafia groups or the number of crimes committed by mafia groups (see Calderoni 2011). To our knowledge, direct data which could be used to illustrate the magnitude of mafia permeability in the construction industry in Italy is not available<sup>8</sup>. Research in this area are deemed to provide more descriptive or theoretical contributions, while few studies have relied on an inductive approach able to single out the dynamic and peculiar features of the phenomenon under analysis in an attempt to illustrate the "doing" (Savona 2010) of the infiltration of organized crime in the construction industry<sup>9</sup>.

To achieve the objectives of the study, the information used to illustrate the Italian mafia phenomenon and to frame the problem of mafia infiltration were drawn from a broad examination of secondary sources which were collected through different data gathering techniques. The

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<sup>8</sup> The unavailability of direct data on the mafia permeability in a given territory or setting has limited the attempts to estimate the magnitude of the phenomenon in Italy. Calderoni (2011) reviewed the most recent attempts to create indexes of the presence of mafia and/or organized crime in Italy. He discussed the shortcomings of the existing measurements of mafias in Italy, and developed a reliable tool to measure the presence of organized crime among the Italian provinces. The study conducted by Calderoni and Caneppele (2009) represents another important effort in the direction to elaborate strategies and proxy indicators to measure the extent of mafia infiltration in the public procurement in the southern Italian regions (respectively, Basilicata, Calabria, Campania, Apulia, Sardinia and Sicily).

<sup>9</sup> The investigations conducted by the New York's Organized Crime Task Force which were led by Ronald Goldstock (OCTF 1990) are, at this regard, an important exception to provide a comprehensive understanding of the system of corruption and racketeering in the New York City construction industry, and an analysis of how Cosa Nostra have infiltrated this industry. Another important exception is the study conducted by Savona (2010) on the infiltration of the public construction industry by Italian organized crime. He offered a detailed and comprehensive scan of the "doing" of infiltration of Italian organized crime groups in three public construction projects (respectively in Sicily, Calabria and Campania). Based on this analysis, he concluded by suggesting a number of crime prevention measures that could be applied to reduce the opportunities for organized crime infiltration in the public construction industry in Italy.

following sub-sections describe the data gathering techniques and analysis undertaken for this study.

### Literature review

This study reviewed evidence from past research and case studies that offers explanations regarding the Italian organized crime phenomenon and mafia permeability of the construction industry in Italy. This review consisted of scholarly literature on organized crime and mafia involvement in the legitimate economy in Italy, including monographs, articles in specialized journals, reports by research institutes. Other secondary sources were collected, such as official documents and reports by law enforcement agencies and prosecution offices (in particular, Italian Anti-Mafia Parliamentary Commission reports, judicial documents, Antimafia Investigative Directorate<sup>10</sup> and National Antimafia Directorate<sup>11</sup> reports). The literature reviewed was in Italian and English.

### Access and analysis of case studies

In order to identify the dynamics of infiltration by organized crime groups in the public construction industry in Italy, this study reported the analysis of three case studies related to investigations and prosecutions conducted in the early 2000s in three different Italian local contexts, respectively Sicily, Calabria and Campania. The data drawn from the cases offered the makings of an understanding of *how* and *why* Italian organized crime groups, namely Cosa Nostra, ‘Ndrangheta and Camorra, have infiltrated the public construction industry in Italy.

Information on the cases came from multiple sources. Court documents that are matters of public records (i.e. final verdicts and arrest warrants) formed the empirical foundation for the cases analyzed in this report<sup>12</sup>. They are public documents and there are no constraints that restrict access

<sup>10</sup> The Antimafia Investigative Directorate (Direzione Investigativa Antimafia, DIA) is the Italian investigative agency, set up within the Department of Public Security with the specific task of carrying out preventive and criminal investigations related to organized crime.

<sup>11</sup> The National Antimafia Directorate (Direzione Nazionale Antimafia, DNA) is the judicial organ which coordinate at national level the investigations on organized crime in Italy.

<sup>12</sup> For the purpose of this study, the case selection was defined mostly in accordance with data availability and reliance. A case study is presented for each Italian organized crime group under analysis, namely Cosa Nostra, ‘Ndrangheta and Camorra, in order to illustrate mechanisms of infiltration adopted by each group. Furthermore, they are cases on which it was possible to collect accurate information and referred to data which were matters of public record. Case studies compiled from criminal justice sources were in fact preferred to other sources. They provided extensive information on the dynamic of infiltration by organized crime which are drawn from surveillance and wiretap transcripts, examinations of witnesses, and justice collaborators. They also offer a certain degree of certitude of the facts as they comprise the most valid of criminal justice sources. In order to illustrate the most actual “snapshot” of the dynamic of infiltration by organized crime groups in the public construction industry in Italy, the author tended to select recent case studies to be analyzed. This criterion was, however, balanced with the opportunity to deal with cases compiled from criminal justice sources which were public (i.e. final verdicts and arrest warrants). Considering the average duration of the judicial

to this data<sup>13</sup>. Other sources (i.e. academic works, official documents and reports by law enforcement agencies and prosecution offices) were also reviewed to collect supplementary information to be included in the analysis.

### *Case description*

The cases under scrutiny referred to three different Italian local contexts, namely Sicily, Calabria and Campania, and provided a depiction of the dynamics of infiltration in the public construction industry adopted by each organized crime group, respectively Cosa Nostra, ‘Ndrangheta and Camorra, in their traditional area of settlement.

The first case is based on a police investigation (Operation Obelisco) which was coordinated by the Antimafia Prosecutor’s Office of Catania (Sicily). The events took place in the early 2000s. The case focuses on how members of Cosa Nostra families have tightened their grip on the award of a number of public works contracts in the province of Catania and have orchestrated the dynamics of the infiltration. What this case offers is, in particular, a depiction on the various relationships between criminal and legitimate settings and mechanisms of cartel agreements that united mafia members with participants from a number of legitimate economic sectors. The principal data sources comprised information contained in the court order issued to impose preventive measures upon 11 suspects and to remand them in custody (PrCt (2003), *Richiesta di convalida del fermo e richiesta per l’applicazione di misure cautelari contro Boninelli + 10*, R.G.N.R. n. 14763/00)<sup>14</sup>. Additional information based on other sources (academic works, official

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processes, recent judicial verdicts or decision may refer to events back in time. The cases under scrutiny are not representative of the types of infiltration by each organized crime groups into the public construction industry. However, they offered broad elements related to different phases of the infiltration process. Together, they permitted the study aim to be reached, advancing an understanding of the ways in which mafia infiltration occurs in the public construction industry.

<sup>13</sup> For the purpose of this study, the working experience the author carried out in TRANSCRIME – Joint Research Centre on Transnational Crime (Università Cattolica di Milano – Università degli Studi di Trento) has proven decisive as a starting point for data gathering quest and case selections. In 2007-2008, TRANSCRIME conducted a study on the risk assessment of infiltration by organized crime groups in the public construction industry in the southern Italian regions (respectively, Basilicata, Calabria, Campania, Apulia, Sardinia and Sicily), which was financed by the Italian Minister of Interior, Department of Public Safety. In this project, the author has collaborated as a researcher in the macro-activity 3, concerning the analysis of case studies dealing with the infiltration of organized crime groups in the public construction industry in the southern Italian regions. Information contained in court proceedings which were matter of public records was the main source used for the analysis of the cases. Additional sources (literature and official reports by law enforcement agencies and prosecution offices) were also used. The research team involved in this task was led by Prof. Ernesto U. Savona and was composed by Francesco Calderoni, Sara Martocchia (team coordinator) and Valentina Tenti (the final revision of the report was overlooked by Stefano Caneppele and Barbara Vettori). Publications related to the project *Implementation of criminal analyses* financed by the Italian Minister of Interior, Department of Public Safety, are: Calderoni F., Caneppele S. (eds.), (2009), *La geografia criminale degli appalti: Le infiltrazioni della criminalità organizzata negli appalti pubblici nel Sud Italia*, FrancoAngeli, Milan; Calderoni F., Caneppele S., Martocchia S. (2009), "Not Only Banks: Criminological Models on the Infiltration of Public Contracts by Italian Organized Crime", *Journal of Money Laundering Control*, 12(2), 151-172; Savona E.U. (2010), "Infiltration of the public construction industry by Italian organised crime", in Bullock K., Clarke R.V. and Tilley N. (eds.), *Situational Prevention of Organised Crimes*, Willan Publishing. For further details, [www.transcrime.unitn.it](http://www.transcrime.unitn.it)

<sup>14</sup> In a comparative perspective, the court order issued to impose preventive measures upon suspects can be broadly compared to warrants of arrest in other jurisdictions.

documents and reports by law enforcement agencies and prosecution offices) was also examined to complement the case analysis.

The second case is based on two police investigations (Operation Conchiglia, and Operation Tallone d'Achille) which were successively merged in a single trial. The events took place in the Plain Gioia Tauro (Calabria) between 1995 and 2001. The investigations launched by the Antimafia prosecutor's offices focused on different criminal groups belonging to the 'Ndrangheta which managed to infiltrate the public works for the completion of the industrial port of Gioia Tauro and the realization of port facilities and safety arrangements. This case, in particular, offered insights on mafia infiltration into subcontracting and on the criminal activities undertaken by the various criminal groups to insert their own people and obtain a direct participation in the execution of the works themselves. The main data sources included information that were submitted as evidence during the trial of 14 individuals (TrPl (2004), *Sentenza n. 379/2004, Giovinazzo Ippolito +13*, R.G.T. 846/02 which includes R.G.T. 463/03). Additional information from other sources (academic works, official documents and reports by law enforcement agencies and prosecution offices) was extensively examined to complement the case analysis<sup>15</sup>.

The third case depicts the activities undertaken by the Camorra in the market of public construction and refers to public contracts for the building of a multi-function center and basic structure in a small city in the province of Salerno (Campania). The events took place between 1995 and 2003. Investigations revealed, in particular, the making of undercover agreements with Camorra associates, politicians and civil servants to control the bidding process of public works and the award of contracts and subcontracts. The data source for this case included information contained in two court orders issued by the preliminary investigation judge upon request by prosecution to impose preventive measures on a number of suspects (TrSa (2005a), *Ordinanza di applicazione di misura di custodia cautelare contro Franzese +9*, R.G.G.I.P. 5777/04; TrSa (2005b), *Ordinanza di applicazione di misura di custodia cautelare contro Palo + 8*, R.G.G.I.P. 5778/04). Additional information based on other sources (academic works, official documents and reports by law enforcement agencies and prosecution offices) was also examined to complement the case analysis.

### *Case analysis*

An analysis of *how* and *why* Italian organized crime groups have infiltrated the Italian public construction industry entailed an examination of the dynamics of organized crime action and the crime commission processes. The framework adopted to present the cases was based on the script

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<sup>15</sup> Information on the interest of the mafia *cosche* of the province around the Gioia Tauro port and the development of the surrounding area is drawn from several sources (see for example, the indictment in the trial of De Stefano and 59 others, 1978; Arlacchi 1986, Santino-La Fiura 1990, Sciarrone 1993, Paoli 2003, CPA 2008), and numerous enquiries have also been conducted since mid-1970s. In actual fact, the case of Gioia Tauro is a very well-known example of mafia infiltration in the legitimate economy.

approach (Cornish 1994)<sup>16</sup>, which offers an analytical tool for understanding how crimes are committed through the examination of the sequence of steps undertaken by offenders to achieve a criminal goal. The crime script is “a map” (Morselli 2009:104) of a given criminal schema, and represents the sequence of instrumental decision and actions (*scenes*) which occur prior to, during and following a criminal act. “All crimes, even the simplest, involve such chains of decisions and actions, separable into interdependent stages, involving the attainment of sub-goals that serve to further the overall goals of the crime” (Cornish-Clarke 2000:47).

Previous research have developed scripts for several types of crimes, such as professional auto theft, resale of stolen vehicles, hunting process of serial sex offenders (Cornish 1994, Morselli 2009, Beauguegard et al., 2007 for example), but few attempts have been made to develop scripts for organized crime’s infiltration in the legitimate economy. To our knowledge, the study conducted by Savona (2010) is the first and only attempt at this regard, which assisted in understanding the “doing” of the infiltration of organized crime in the public construction industry. He examined three cases dealing with mafia infiltration in the public construction industry by Cosa Nostra, ‘Ndrangheta and Camorra, respectively in Sicily, Calabria and Campania. He distinguished five script scenes: preparation, enabling conditions (precondition), target selection (instrumental precondition), “the doing”, the post-conditions or aftermath. For each scene, a number of actions was identified to illustrate the ways in which each scene was executed. What is unique about Savona’s (2010) study is that it remains one of the few to frame the processes of infiltration by mafia groups and to provide a breakdown of the procedural aspects and requirements necessary by organized crime to infiltrate the industry.

For the purpose of this study, variations to the theoretical framework developed by Cornish (1994) and Savona’s (2010) script scenes were adopted. Following the “logistical” steps undertaken by offenders *prior to*, *during* and *following* the criminal schema of mafia infiltration, three main scenes were identified: (1) pre-contractual phase (planning and preparation), (2) contracting phase (bidding and awarding of contract), and (3) post-contract phase (project execution and audit). Collectively, these scenes comprised the set and the sequence of activities undertaken by organized crime groups to infiltrate the public construction industry at different phases of the procurement process for public works contracts. Each of these scenes was broken down into a number of specific criminal actions. When identifying those actions, we departed from Savona’s (2010) analysis and used the same breakdown of the action sequences identified by Savona to illustrate the crime-commission process of the case studies here presented. In other words, the cases that are presented in this study will repeat Savona’s (2010) analysis using different data sources. The reason for this choice mostly lied to provide an analogous analysis to Savona’s (2012) study using different data. The present exercise will also allow the reader to frame the emergence of procedural aspects and requirements of mafia infiltration that emerge from this analysis and to put them in a comparative perspective with Savona’s (2012) findings.

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<sup>16</sup> Cornish (1994) introduced the script approach as a framework “for generating, organizing and systematizing knowledge about the procedural aspects and procedural requirements of crime commission” (Cornish 1994:160). The concept of script is borrowed from the field of cognitive science (Schank-Abelson 1997) and “is generally viewed as being a special type of schema, known as an event schema, since it organizes our knowledge about how to understand and enact commonplace behavioral processes or routines” (Cornish 1994:32).

Although the data used were drawn from judicial sources which are matters of public records, the identities of the actors and legal entities falling into the investigative net and included in the judicial decisions were kept confidential. Pseudonyms were used.

### *Case structure*

Each case is organized in five sections:

- (1) *Judicial acts and sources*. This section comprises the data sources and main references used for the analysis of the case;
- (2) *Summary*. This section provides a brief description of the case study and highlights the gist of how mafia infiltration occurred in the case under analysis;
- (3) *Area*. This section specifies the geographical location where the events took place;
- (4) *The project*. This section provides few specifications on the tendered projects under inquiry;
- (5) *The scripts*. This section illustrates the dynamics of mafia infiltration through the examination of the crime scripts<sup>17</sup>.

## 4. Limitations

This research is subject to limitations. Empirical scrutiny was affected by the major constraint related to the data gathering quest and case selection based on the available information. The basic consequences of such constraint is that the number of cases under inquiry was limited at three, one for each organized crime group (i.e. Cosa Nostra, ‘Ndrangheta and Camorra). The cases are not representative of the typologies of infiltration by each group into the public construction industry. Yet, the selection of the cases might not cover all the aspects related to the dynamics of infiltration. These issues are of major relevance and represent a significant drawback to the present study about which the author is aware. But they go beyond the scope of this report. The data and information here presented permitted in fact the study aim to be reached, framing the problem of the phenomenon of mafia infiltration in the public construction industry in Italy and advancing an understanding of *how* and *why* Italian organized crime groups have plagued this industry.

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<sup>17</sup> Reference to Savona’s (2010) analysis. See section 3. Data sources and analysis

## 5. Report structure

The report is organized in two parts and comprises seven chapters.

Part I, comprised of Chapter 1 through 3, singles out specificities of the southern Italian mafia phenomenon and sets forth a comprehensive description of the three traditional Italian organized crime groups (Chapter I: Cosa Nostra; Chapter II: 'Ndrangheta; Chapter III: Camorra).

Part II, comprised of Chapter 4 through 6, offers a depiction of the dynamics of mafia infiltration in the public construction industry in Italy through the examination of case studies. Three cases are analyzed, one for each organized crime group (Chapter IV: Case study no. 1 – Sicily; Chapter V: Case study no. 2 – Calabria; Chapter VI: Case study no. 3 – Campania).

Based on the empirical-base evidence and findings of the study, Chapter VII summarizes the findings and addresses concluding remarks.



# PART I



## COSA NOSTRA

For a long time, the Mafia in Sicily, also known as Cosa Nostra, has been allegedly the most celebrated form of Italian organized crime to the extent that the word “mafia”<sup>18</sup> has become a generic term to identify organized criminal groups with similar structure, methods and functions (Savona 2012). Hundreds of books have been written on this topic, and numerous movies have been made. As Paoli pointed out, “some of these have been so successful that they have profoundly shaped a general understanding of the mafia” (Paoli 2003:3) in Italy and elsewhere. For many people the Sicilian mafia *is* and *behaves* as it is recounted in these romanticizing novels and films, but more often this depiction is far from being the reality of the phenomenon.

While the existence of the Sicilian mafia as an organization was denied in early study<sup>19</sup>, the presence of mafia-like groups was reported since 1838, when Pietro Calà Ulloa, the General prosecutor of Trapani, wrote a report to the Minister of Justice of the Kingdom of the Two Sicilies about the existence of “unions or brotherhood” with links to prominent people of the area (Nicaso-Lamothe 2005). This report is considered the first precise description of the Sicilian mafia, and provided certain features that characterize mafia-like grouping even today: the presence of a defined structure, the use of violence and threat, the roots in a given territory, the extensive network of collusive relationships and a widespread illegality (Fulvetti 2004).

In its early days in the 1800s and 1900s, Cosa Nostra was largely a rural phenomenon. Few noble families ruled *latifondi* (large extensions of land), and maintained guardians to protect the fields and police the peasants. It was this group of guardians that would form the mafia group we see today. They inserted themselves and their power between opposing parties and benefiting from both sides: they kept the peasants under control for the landowners while at the same time offering protection to the peasants (Nicaso, Lamothe 2005:36). Blending personal strengths and a willingness to exercise violence, early “men of honor” accumulated power simply by being accessible to the community to help resolve difficulties between parties. After World War II, Cosa Nostra expanded from the countryside to the cities, and became an “urban mafia”<sup>20</sup>. With profits to

<sup>18</sup> As Sabetti (2002:8) wrote, “until the annexation of Sicily into the new Italian kingdom in 1860s, the West Sicilian word *maffia* or *mafia* stood only for such individual qualities as self-dignity, self-respect, self-reliance, courage and excellence. A *man of mafia* or *mafiusu*, for example, described an individual who had the consciousness of being man or true courage as distinguished from boldness, arrogance, or truculence”. The term *mafiusu* was then absorbed with negative connotations. It “signified misery, poverty or wretched existence” (Sabetti, 2002:9) and only in the 1870s the word *mafia* became a synonym for criminal association. See also Dickie (2007)

<sup>19</sup> The study of Gambetta (1992) offers a significant historical perspective. See also Sabetti (2002), Nicaso-Lamothe (2005), Dickie (2007).

<sup>20</sup> At this regard, it is interesting to report the counter argument developed by Sabetti’s (2002). In his analysis of the mafia in a Sicilian village, Sabetti put emphasis how there was little evidences in his study of “movement of the mafia from the countryside to the big cities and for the presumed change in the nature of the mafia from an agrarian phenomenon to a “mafia business” [...]. The Villalba mafia did not move on to greater opportunities elsewhere; it

be made from post-war construction projects, many of the rural bosses moved to capitalize on new streams of income connected with the boom of urbanization. The rebuilding of the cities engendered important economic profit along with entrenchments of Cosa Nostra members with the economic, social and political fabric<sup>21</sup>. The *mafiosi* used not only practice of intimidation and violence to deter competition and polarize markets and sectors of activities, but also their access to votes for political elections to influence policy-makers' decisions and gain illicit profits or advantages either for themselves or colluded companies (Hess 1996:185).

In addition to their involvement in legal activities (often conducted through by illegal means), *mafiosi* were particularly active in other profitable markets which were quite illegal: cigarette smuggling and drug trafficking in particular. From the late-1950s on, fueled by the economic rewards from Sicily's rebuilding and strengthened by the number of Sicilian criminals who had emigrated to North America (Nicaso-Lamothe 2005:42), the Cosa Nostra action-set moved from being local to transnational scale when the Sicilians entered the drug trade, setting up and running heroin pipelines between Italy and North America, and opened channels for money laundering across settings. "In the 1970s [...], Sicilian families (above all the Cuntrera and Caruana from Siculiana in Agrigento Province, with connections to South and North America, as well as the Inzerillos, Bontade, Badalamenti, Gambino and Spatola families from Palermo, with connections to New York) were able to control up to 30% of the world heroin trade<sup>22</sup> and process raw morphine into heroin in their own laboratories. The Sicilian banks once again played a major role in the laundering and reinvestment of the profits which were estimated at up to a billion dollars a year" (Hess 1996:185-186). In few decades, Cosa Nostra had transformed itself from a village organization into a pivotal actor on the international scale. Behind the changed appearance, and the range of business which had multiplied, much of the character of the traditional mafia still remained the same: mafia groups were rooted very much in local ground and depended on local resources (Hess 1996; see also Paoli 2003), as the actual mafia power grew from domination over a territory which *mafiosi* cling to.

In spite of the severe blows inflicted by successful anti-mafia investigations, today Cosa Nostra remains extremely large<sup>23</sup>, powerful and considerably intertwined between criminal and

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ended in Villalba. This occurred because the mafia phenomenon is not a constant but varies in terms of partners in crime, demand for illegal products, criminal opportunities, and the laws and regulations of government as well as contingencies of time and place" (Sabetti, 2002:xxiii).

<sup>21</sup> A prime example is what is known as the "Sack of Palermo" which refers to the involvement of Cosa Nostra in the construction boom in Palermo (from the 1950s to the mid-1980s) and led to an unscrupulous "cementation" over the city's green areas and liberty-style villas. This was possible thanks to collusive alliances between Cosa Nostra members, local politicians, and mafia-linked building contractors. In five years, over 4,000 building licenses were signed, and about 2,500 to the same three individuals, retired people acting as frontmen who had no know-how and expertise in the construction industry (Santino 1991. See also Paoli 2004, Dickie 2007). As the Parliamentary Antimafia Commission reported, "it was in Palermo in particular that the phenomenon [of illegal construction] took on dimensions such as not to leave any doubts about the insidious penetration by the Mafia of public administration. The administrative management of Palermo City Council reached unprecedented heights of deliberate non-observation of the law around 1960" (CPAS 1976:54).

<sup>22</sup> In the early 1990s, the Sicilian's share is said to have declined to 5% (Falcone 1991).

<sup>23</sup> Italian authorities estimate that in early 2000, 181 criminal groups were active in Sicily, with almost 5,500 members recognized by the police forces (Ministero dell'Interno 2004). It is however difficult to establish precisely how many members the organization can count. As a matter of fact, the only criterion used for the estimations of the number of members is based on the provision of having been a member of a mafia-type association (art. 416-bis of the Italian criminal code). The drawback is twofold: i) the data does not distinguish "made" members (that is, those who have

legitimate settings. This is also thanks to a low-profile strategy, also known as the *strategia dell'inabissamento* (sunken strategy), adopted by Cosa Nostra members since the early 1990s (DIA 2006, DNA 2007). This strategy came into being after a series of “excellent cadaver”<sup>24</sup> and bombs explosions by mafia hands, and the consequent law enforcement reaction that brought the arrest of a number of *mafiosi* and defections within the organization. In order to reduce the risk of being arrested, the strategy adopted by Cosa Nostra tended towards a less use of actual violence and a growing involvement into legitimate markets. As the resort to violence, murders and bloody attacks against politicians, state officials and civilians was limited, for many Cosa Nostra became invisible, but not necessarily inactive. Proceeds of crime (drug trafficking, extortion, loan sharking) have been increasingly reinvested into legitimate markets obtaining important benefits: first, commingling of dirty with clean assets as a vehicle of economic recovery and mechanisms of money laundering; second, control over the territory and its economic activities by polarizing markets, exercising an actual conditioning over legitimate firms, and discouraging market competition; third, the reinforcement of consensual relationships that unite organized crime, with deviant segments of the official economy and political world.

Thus, the Sicilian Cosa Nostra members has demonstrated to undertake an “entrepreneurial transformation”, as illustrated by several authors (Arlacchi 1986, Santino-La Fiura 1990 for example), blending traditions and symbolic features with a modern, profit-oriented corporate structure.

## 1.1 Structure and organization

“The word *mafia* is a literary creation, while the true mafiosi are simply called men of honor [...] As a whole this association is called Cosa Nostra” (TrPa1984). With these words Tommaso Buscetta, also known as “the boss of two worlds” for his criminal interests in both sides of the Atlantic, began his deposition before the investigating judge (*giudice istruttore*) Giovanni Falcone on July 21, 1984. He was arrested in Brazil few days before, on July 16 1984, and then extradited to Italy. There, he decided to collaborate with the judiciary and tell what he knew about the “secret society” into which he had been initiated when he was seventeen. The barriers of *omertà* (the mafia’s code of silence) had been breached. Other *mafiosi* in the past had offered assistance to investigators, but none had been as high-ranking as Buscetta and provided such detailed information. In many hours of interviews, Buscetta provided for the first time with access to the Sicilian mafia from the inside. He revealed names, crimes, connections, all information that helped the judge Falcone and his team to develop their understanding of Cosa Nostra’s organization, its command structure and functions. “For us he was like a language professor who allows you to go to Turkey without having to communicate with your hands”, Falcone said (1991).

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undergone a ceremony of affiliation) from other individuals who take part in the group’s illicit activities but do not share a formal membership; ii) one’s Cosa Nostra membership is not resorted from other mafia groups membership.

<sup>24</sup> This terms refers to high-profile victims of the mafia such as politicians, judges, police officials, and civilians. Between the mid-1970s and the 1990s, Cosa Nostra committed at least 126 “excellent murders” (Paoli 2004).

It is hard to realize how much was *not* known about the Sicilian mafia before Buscetta sat down with Falcone. Until then, even the few investigators and police who had taken this name seriously had assumed that it only applied to the American mob (Dickie 2007: xix). Buscetta's evidence provided not only the information on which the prosecution case at the 1986 *maxi-processo* (maxi-trial), which saw 475 mafiosi facing charges, was based. It also revolutionized the state of knowledge about Cosa Nostra. Unlike early research on Cosa Nostra which suggested that the mafia was a sort of cultural identity with no formal links or ruling bodies between associates (see Franchetti 1974, Hess 1973), Buscetta's testimony revealed the internal structure of Cosa Nostra, the existence of a controlling body, the *Comissione* or *Cupola*, and the rituals used for initiation into Cosa Nostra.

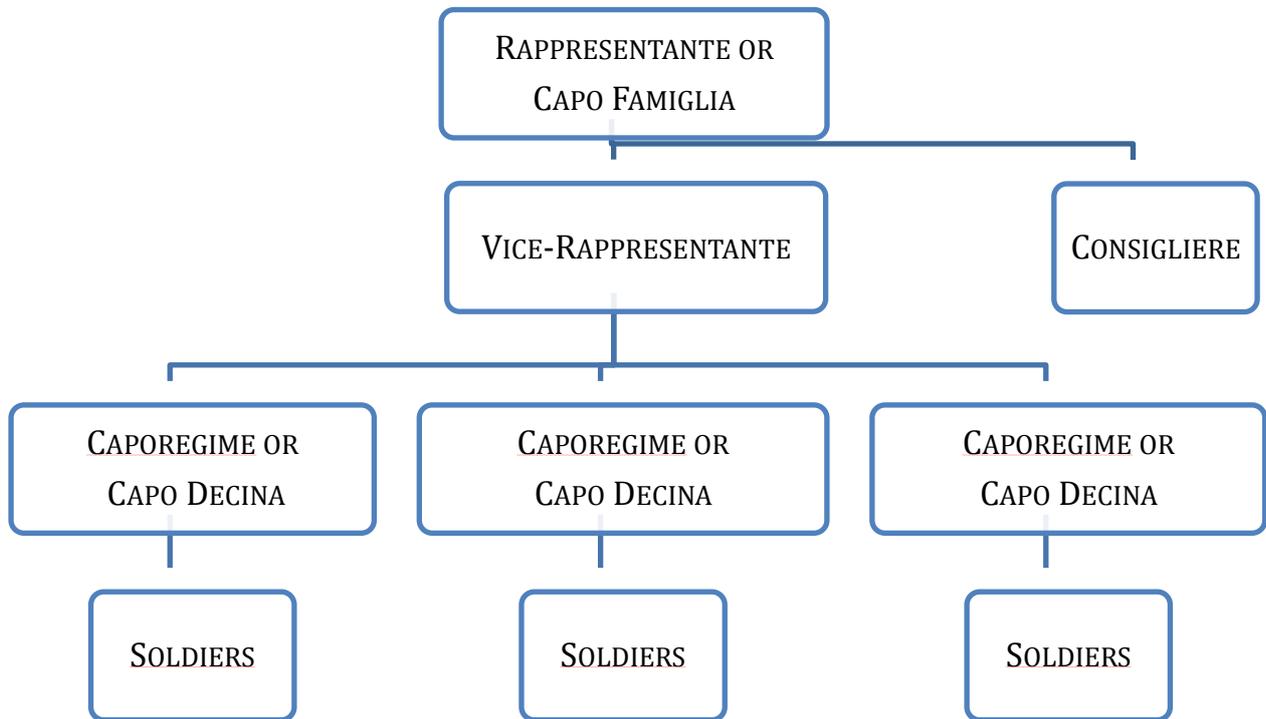
The ruling apparatus of Cosa Nostra families described by Buscetta in 1984 is surprisingly analogous to those reported by recent investigations (DNA 2010; DIA 2010), suggesting how the structural features of Cosa Nostra have maintained stable over time (Paoli 2004).

### 1.1.1 The structure of the Cosa Nostra families

Cosa Nostra is traditionally known as being a hierarchical criminal organization. The basic unit of Cosa Nostra is the *family*, a fully developed organization with a ruling body to enforce its normative order and clearly distinguished from the blood families of their members. Each family acts on a territorial basis and controls a well-defined area from which it takes the name (*famiglia di Porta Nuova*, *famiglia di Villabate*, for example).

The structure of a Cosa Nostra family is comparable to that of the American Cosa Nostra, which was first described by Joe Valachi in the 1960s (US Senate 1963. See also Paoli 2004:40). Each family is composed by *uomini d'onore* (men of honor), or *soldati* (soldiers) who are supervised in groups of ten or so by a *capodecina* (head of ten). Each *capodecina* reports upwards to the *rappresentante* (representative) or *capofamiglia* (family boss), the highest group authority elected by the associates. The family boss is flanked by a deputy and one or more *consiglieri* (advisers), who are also elected by the associates (TrPa 1985, V: 810-14). The *consiglieri* assist the boss in the most important decisions and also serve as impartial advisers in internal disputes. When the family boss is interdicted from his functions or in case of long-term detention, the family is run by a *vice-rappresentante* (vice-representative), the family boss' most trusted right-hand. Contrarily to other roles, he is not elected by the associates, but chosen by the *capomafia* himself.

Fig.1.1 – The structure of the Cosa Nostra families



A principle of direct democracy seems inspire, at least prescriptively, the selection procedures of the Cosa Nostra ruling bodies. As the *pentito* Leonardo “Narduzzo” Messina - a former member of the Caltanissetta’s San Cataldo family who turned to be an informant - stated, “the mafia is a democratic body, one of the most important kinds of democratic bodies that exist. [...] The boss is elected from the base and [he is not] the most important member: the epicenter is the family itself, and the boss is only its representative. It is always the family which decides” (CPA 1992:515-516). Although it may seem strange, there is no reason to be surprise of the existence of a principle of direct democracy within Cosa Nostra. Through direct democracy mechanisms, in fact, feelings of parity and participation are transferred on a structural level and result in a strengthen of the level of group’s cohesion.

The principle of direct democracy seems inspire also several measures of Cosa Nostra’s ruling code to guarantee the exercise of power within the organization. First, the roles of *rappresentante* and *consigliere* are prescriptively assigned by the associates through yearly elections (CPA 1992:515). Such elections provide a sort of formal conferment of the right to exercise power associated with a particular office and, at the same time, it shows the rulers their new responsibilities. Second, the *rappresentante* may be removed from office or reprimanded at any time. As Leonardo Messina pointed out, “the boss who does not foster the interests of the family which has elected him is automatically removed. If he has committed serious misdeeds, he is killed or put *fuori confidenza* [namely, he is excluded from the life of the family]. If he has only been negligent, he is put to one side and a new boss is elected” (CPA 1992:516). Finally, there are

procedures to control the action of rulers and to supervise the management of the family activities. At this regard, the *consigliere* is “the man responsible for controlling the boss” (CPA 1992:516).

As it is easy to image, the principle of direct democracy is not always factually respected and deviations and violations have been frequent throughout the history of Cosa Nostra. The selective mechanisms of yearly elections and the short terms of office are *de facto* emptied of meaning and reduced to a mere ritual of legitimization (Paoli 2004:45). The ruling positions in some mafia families have been often entrusted to the same people for long periods of time, as they have increased their social prestige and consolidated their power position by exercising their functions. In other cases, the most important roles have been transmitted, from father to son, to whom a sort of hereditary charisma was recognized. Stefano Bontade, for example, inherited from his father, don Paolino, the leadership of the mafia family of Santa Maria di Gesù in Palermo (TrPa 1984). Likewise, Francesco Madonia became boss of the mafia family of Vallelunga Pratamento in the province of Caltanissetta, after his father was killed in 1978 (TrPa 1992).

Examples on the factual violation of the principle of direct democracy in Cosa Nostra’s ruling bodies are also illustrated whenever one’s leadership is imposed through the use of violence. At this regard, episodes in which bosses have been replaced through gunfire are numerous in Cosa Nostra’s history. Such practice reflects the extent to which violence is, in fact, an important resource in the mafia-system and whoever is stronger or shrewder may challenge any time a power holder’s position. In 1958, Michele Navarra, the undisputed boss in the city of Corleone with influential connections and great economic power, was killed by Luciano Leggio who imposed his authority over the city. He used the only resource available to him (his physical strength and the support of a group of violent men) to succeed in ousting the city’s leadership (CPAS 1971:65-130. See also Paoli 2004).

### 1.1.2 Coordination mechanisms in Cosa Nostra

#### *The Commission for the Palermo province*

Independent as single families may appear, how is coordination ensured inside Cosa Nostra? Until the end of the 1950s, representatives of the most influential Cosa Nostra families in each Sicilian administrative district (*provincia*) were used to meet in sporadic and informal assemblies (Paoli 2004). As revealed by a former member of the Castelvetro family, “the different provinces were usually reciprocally independent in the sense that relations between them were maintained by the various *capi provincia*. These established a substantial, but informal link that – through their meetings – bound the various groups together in all the provinces” (De Mauro 1962, quoted in Paoli 2004:56).

In the 1957, the families of the Palermo province formalized these occasional meetings into a permanent and collegial body (the so-called *provincial commission*) based on the analogous structure set up by the American Cosa Nostra at the beginning of the 1930s<sup>25</sup>. The American model was, however, revised and several innovations were put forward. First, to make it feasible to have a consultative body in which all the families were represented, there was established an intermediate-level, the *mandamento* (district), combining three or four families with adjoining territories. Together the families would choose a single representative from their *mandamento* (the so-called *capo-mandamento*) who would take a seat on the commission. Second, the commission's members were usually *capi famiglia*. However, to avoid the excessive concentration of power in the hands of a few people, it happened also that men of honor who did not hold ruling positions within their family – that is, simple soldiers – were elected to represent the district on the commission. Finally, it was agreed that there was no boss of the commission, but only a *segretario* (secretary), essentially a *primus inter pares*, whose “duty was to send out invitations for the meetings” (TrPa 1984:90) and coordinate the commission's activities (see Paoli 2004, Dickie 2007).

As a result, the provincial commission was nothing than a representative mechanisms for consultation of independent mafia families who decide by consensus. Buscetta depicted the commission as “an instrument of moderation and internal peace” (TrPa 1984:91). In fact, its competencies were mainly twofold: first, to settle conflicts among the families and single members, prosecuting the most serious violation of the “mafia code”; second, to regulate the use of violence and to deliberate on the commission of murders of men of honor and so-called *cadaveri eccellenti* (excellent cadavers) which could provoke retaliation by law enforcement and thus harm to the whole mafia organization.

In the early 1980s, however, the provincial commission metamorphosed into a instrument of quasi-dictatorship. Thanks to the elimination of all possible rivals and to a shrewd manipulation of the Cosa Nostra's rules, the Corleonesi faction, a coalition of mafia families grouped around the Corleone family led by Totò Riina, progressively occupied all the power positions of *capi mandamento* and obtained thus the control over the provincial commission<sup>26</sup>. The Corleonesi “subverted the democratic criteria of the nomination of bosses by putting their men in all the key positions and at all levels” (PrPa 1992:257) was said by the informant Leonardo Messina. As a result, the commission lost the representativeness of all mafia families in the Palermo province, as it was controlled by a single coalition, the Corleonesi, and it became a “purely formal value” as Buscetta states (TrPa 1984:98) to enforce the decisions made by Totò Riina and his allies.

<sup>25</sup> According to Buscetta, in October 1957 there was a meeting between the Sicilian and the American Cosa Nostra members at the Palermo's Grand Hotel des Palmes. The meeting was organized to re-forge the links between American and Sicilian families: drugs were the main business on the agenda. During the meeting, the decision to create a super ordinate body of coordination amongst families (i.e. a Commission) was also taken and the suggestion aired by the American boss Joe Bonanno turned into a working reality.

<sup>26</sup> The mafia cull took place in the period 1981-1983 and refers to the so-called “Second Mafia War” (the “First Mafia War” dated back the period 1962-1969), when the Corleonesi established their authority over the Palermo province pitting overwhelming military forces. It was a *mattanza*. Between 1981 and 1982 more than two hundred men of honor belonging to the rival faction (the Bontade-Inzerillo) were killed and many others disappeared as victims of *lupara bianca* (white shotgun), which refers to a bloodless murder in which the victim's body is never found (PrPa 1993). “On November 30 1982 alone, twelve men of honor were shot dead at different times and in different parts of [Palermo]”, Dickie (2007:367) reported.

A series of successful anti-mafia operations, which occurred in the 1990s and 2000s against the top echelon of Cosa Nostra, have incisively affected the leadership and the organizational structure of the Palermitan commission. Numerous arrests against some of the most important Palermitan personalities of Cosa Nostra took place, which weakened the scope in power of the commission and brought to a slow, but progressive, decline of any form of centralized dominium amongst the Palermitan families. The *Direzione Nazionale Antimafia*, the national judicial authority specialized in the fight against organized crime, has depicted the actual *status* of the Palermo's mafia families as living a "period of transition" (DNA 2011:53). This would be not only in relation to the definition of a new leadership, but also in terms of new organizational schemes and operational strategies. At this regard, recent investigations have revealed a series of attempts to re-establish a provincial commission "Corleonese style", with a single all-powerful boss, a "capo di tutti i capi". In December 2008, during a nine-month period investigation (*Operazione Perseo*), a Carabinieri's specialized investigative unit foiled one of these attempts, when they arrested 99 members of the Palermo's families along with other associates gathered in a summit to re-forge the structure of the provincial commission.

The strength of Cosa Nostra is found thus in the power and influence of its leaders, but also in its capability to re-structure and re-organize itself, adapting to upcoming contingencies and preserving its vitality and its extreme threat.

### ***The Interprovincial Commission or Cupola***

According to few informants, collegial bodies analogous to the Palermo's commission were established in all the Sicilian provinces where Cosa Nostra has its settlements (TrPa 1985). Buscetta himself mentioned the fact that similar structures existed "in every province of Sicily, with the exception [at least until a certain period] of Messina, Siracusa and Ragusa provinces where Cosa Nostra has no branches" (TrPa 1984). Recent investigations (CPA 1992; PrPa 1993; Ministero dell'Interno 2001) has revealed, however, that in reality bodies comparable to the Palermitan provincial commission have not been set up and coordination among the single mafia families has been likely ensured by *rappresentanti provinciali* (provincial representatives), men of honor who are "chosen from the most influential bosses of the area and flanked by one or several *consiglieri*" (Paoli 2004:56).

The model provided by the Palermo's provincial commission was instead followed in a more consistent way to create a collegial body at the regional level. A regional commission, also called *regione* (region), *commissione interprovinciale* (interprovincial commission) or *Cupola*, was in fact created in the mid-1970s on the suggestion of Pippo Calderone, the *capomafia* of the Catania's family. As for the Palermo's provincial commission, the Cupola gathers leading mafia members representing the Sicilian provinces where Cosa Nostra has branches. It first came into being with the aim of creating stability. The Commission issued ruling "to settle disputes between members of various families and their bosses", as Buscetta put it (TrPa 1984: 22); "later on, its

functions were extended so that it regulated and coordinated the activities of the families of the provinces”.

As few authors have remarked (see for example, Paoli 2004; Falcone 1991), the regional body followed the same destiny as its equivalent provincial. Beginning in the early 1980s, the Corleonesi, in fact, managed to fill all the positions also over the regional commission. Its members were no longer chosen by the *capimafia* of the single provinces, but selected on the basis of their coalitions with the ruling faction. As had happened at the provincial level, the Cupola was exclusively controlled by a ruling elite and was called to legitimize decisions that had already taken in more restricted circles (PrPa 1992).

At the first glance, the rise of the Corleonesi over Cosa Nostra’s ruling bodies had the consequence to weaken the principle of collegiality which first inspired their creation, both at provincial and regional level. Although it may have occurred, this strategy accelerated that process of centralization, which began in the 1950s with the constitution of the Palermitan commission and continued in the 1970s with its regional counterpart. As a matter of fact, the “superordinate bodies of coordination” (Paoli 2004) became key to managing and exploiting the economic and political resources of the whole organization. Their establishment facilitated the pooling of resources and capital between mafia families, as well as the joint exploitation of channels and connections for investments in both licit and illicit markets. This turned out to be particularly advantageous for the whole organization, as it extended criminal opportunities and maximized criminal achievements. It was during the Corleonesi leadership, for example, that Cosa Nostra succeeded in operating as a unitary entity to influence pervasively the awarding of public contracts in the construction industry over a large area of Sicily, reaching profitable, yet collusive, links with politicians, public officials and entrepreneurs. “This contrasted with past behavior – as Paoli states (2004:58) – when the single families had been content to request a protection tax from the companies winning the public contract”.

## 1.2 Rituals and codes of conduct

This section aims at providing insights into the system of the mafia’s internal values - that set of rituals, codes of conduct and norms through which mafia associations impose a status on their associates and justify their existence. It is such a system of codes that distinguishes traditional forms of organized crime, such as Cosa Nostra, from “crimes that are organized” (Finckenauer 2005) . Though today the application of these codes may be less scrupulous, assuming that they no longer work makes of the mafia a purely criminal organization whose only goal is the pursuit of profit (see also Falcone 1991). But this is not the case. Symbols and rituals are extensive in Cosa Nostra, not a mere element of folklore as popular opinion may suggest. They act at the associative level as a means to exercise unconditional claims upon its associates and to define the group collective identity. They act also beyond the organization as a means for external recognition of the organization itself, the power of intimidation afforded by the associative bond and the state of subjugation which derived from it. It is thanks to the existence of those symbols that mafiosi

explain and justify their actions and are able to take root in a given territory, as they constitute a totem of mafia collective identity, brotherhood amongst affiliates and a status of power derived from the mafia-affiliation.

### *The rite of affiliation*

Cosa Nostra is composed by individuals who have undergone a rite of affiliation during which the status of “men of honor” is imposed upon them. Today, as in the past, the initiation ceremony is a symbolic representation through which the initiated person is “reborn” in a “man of honor” and his conduct is reshaped by the values of the organization. As Fulveti (2004) explained, “the initiation rite strengthens the organization cohesion being a rite of passage through which the new Mafioso undergoes a process of *re-socialization* within the organization and underwrites a status contract, subordinating to the mafia group all his previous allegiances. Thanks to this ritualized personal relationship, the bond between the Mafioso and the mafia group assumes the outlines of a “not entirely institutionalized policial community”, which is nevertheless capable of providing itself with norms, [...] the duty of mutual assistance and the respect of secrecy” (Fulveti,2004:41).

That such rites are important emerges from the fact that they persist across time and across settings. Many informants have described the ceremony of initiation on Cosa Nostra, since Buscetta first outlined its existence in 1984. Despite local variations, the ceremony follows a general pattern and consists of three main stages. First, the candidates are presented to the family by a man of honor. The *capofamiglia* then explains the rules of Cosa Nostra to the novice. Finally, after the index finger of his right hand was cut and few drops of blood fall on the image of a saint, the novice swear an oath of faithfulness and obedience to the organization<sup>27</sup> with this picture burning in his hands (Falcone 1991)<sup>28</sup>.

During the ceremony various symbolic features are used, most notably related to the Catholic iconography and terminology, and blood. These elements have a high symbolic meaning: the religious elements give a sacral and imperative value to the ritual, while the blood illustrates both the kinship with which all the members are linked together, and the ultimate punishment to be inflicted in case of betrayal (Arlacchi 1993). “You go in and come out of Cosa Nostra with blood” (Falcone, 1991).

<sup>27</sup> According to a number of witnesses, the oath seems to have remained much the same over the decades, with few minor variations ever reported (“I burn you as paper, I adore you as a saint; as this paper burns, so my flesh must burn if I betray Cosa Nostra” (PrPa 1992).

<sup>28</sup> A special type of affiliation, which entails a shorten procedure that sometimes requires not even an oath, is often granted to men of high political or social standing. “This is termed *reserved* because it is revealed to only a restricted circle of men of honor [...] For example, the initiation of Nino and Ignazio Salvo, who were two of the most important figures on the Sicilian economic and political scene for about thirty years, was kept secret for a long time” (TrPa 1989: 53 quoted in Paoli 2004).

### *Men of honor*

“Mafiosi are made, not born” (Fulveti 2004:49). The ceremony of initiation on Cosa Nostra represents for the new adherents not only a rite of passage, but also a moment of institution that consecrates and legitimates a new status, that of “man of honor” (Falcone, 1991). This status is primarily defined by a “code of honor”, namely the system of values imposed by Cosa Nostra upon its affiliates to regulate every moment of their life, both in private and in public. Honor defines thus the status of the members within the organization. It is about respect, loyalty, obedience, obligation to tell the truth to other men of honor. It also constitutes a totem of mafia collective identity, brotherhood amongst affiliates and a status of power derived from the mafia-affiliation. Antonino Calderone, a former mafia member of the Catania’s family, said: “we’re mafiosi. All others are just men” (Arlacchi 1993).

Emphasis placed on the adhesion to a code of honor by mafia members, however, should not be romanticized. This would be unjustified. First, the Cosa Nostra’s system of values is merely utilitarian. Mafia members claim to embody honor in its highest form, while they manipulate and exploit those values to legitimize their power and extend their scope of criminal goals. Second, to a much larger extent than in the past, the adhesion to a mafia group no longer involves a complete subscription of the alleged set of values, but it has become mostly instrumental, based on an individual interest that regards economic success as the basis of social reputation (Paoli 2004). As Gaspare Mutolo, a former “old generation” Palermitan mafioso, pointed out, “today, many young men enter the mafia [...] not because they particularly desire to become mafiosi. In the mafia, they see enrichment, success, a world that offers everything a young man demands from life” (CPA 1993:1222).

The loosening of communal values within the organization and violations to the code of honor – which meanwhile have become much more repeated – had the consequence to further undermine the feeling of common belonging within the mafia and to weaken the “logic of group” within the organization. Over the years, many individuals have distanced themselves from the former roles as men of honor and decided to collaborate with the judicial system. They rejected the previously shared values and became *pentiti*, breaking one of the most important duties associated with the status of man of honor: the obligation of silence, known as *omertà*<sup>29</sup>. Far from being the norm, however, this phenomenon reveals the signs of the crumbling of the mafia legitimation system and the disruption of internal values. As a reverse argument implies, the likelihood is that Cosa Nostra’s long-term survival would depend on the reconsolidation of those mafia principles “old style” on which the mafia pillars rest.

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<sup>29</sup> The core of this obligation consists in the categorical prohibition to reveal information related to the structure of the group, its activities, its members and, more in general, the existence of the group itself. It also refers to the categorical prohibition of cooperation with state authorities, even when one has been victim of a crime. Such a normative prescription shapes every moment of the life of a man of honor. In fact, he has sworn himself to silence before the mafia group when he was initiated. In betraying the oath of faithfulness made to the organization “there is no other outcome than death and this hounds the traitor for the rest of his days”, as Francesco Marino Mannoia stated (TrPa 1989:88, quoted in Paoli 2004).

Fig.1.2 – The ten commandments of Cosa Nostra<sup>30</sup>

GIURO DI ESSERE FEDELE "A COSA NOSTRA" SE DOVESSI TRADIRE LE MIE  
CARNI DEVONO BRUCIARE-- COME BRUCIA QUESTA IMMAGINE.

DIVIETI E DOVERI.

NON CI SI PUO' PRESENTARE DA SOLI AD UN'ALTRO AMICO NOSTRO - SE NON  
E' UN TERZO A FARLO.

NON SI GUARDANO MOGLI DI AMICI NOSTRI.

NON SI FANNO COMPARATI CON GLI SBIRRI.

NON SI FREQUENTANO NE'TAVERNE E NE'CIRCOLI.

SI E' IL DOVERE IN QUALSIASI MOMENTO DI ESSERE DISPONIBILE A COSA  
NOSTRA. ANCHE SE CE LA MOGLIE CHE STA PER PARTORIRE.

SI RISPETTANO IN MANIERA CATEGORICA GLI APPUNTAMENTI.

SI CI DEVE PORTARE RISPETTO ALLA MOGLIE.

QUANDO SI E' CHIAMATI A SAPERE QUALCOSA SI DOVRA' DIRE LA VERITA'.

NON CI SI PUO' APPROPRIARE DI SOLDI CHE SONO DI ALTRI E DI ALTRE  
FAMIGLIE.

CHI NON PUO' ENTRARE A FAR PARTE DI COSA NOSTRA.

UN PARENTE STRETTO NELLE VARIE FORZE DELL'ORDINE.

CHI HA TRADIMENTI SENTIMENTALI IN FAMIGLIA.

UN COMPORTAMENTO PESSIMO - E CHE NON TIENE AI VALORI MORALI.

Source: La Repubblica, *Ecco il decalogo del perfetto Mafioso. Il documento*, November 7 2007

### 1.3 Functions and goals

Today, Cosa Nostra families have proved to carry out a multiplicity of profit-making activities, both in illegal and legal markets, and to play a pivotal role for the provision of illicit goods and services extending their reach also on transnational scale, at times influencing – if not controlling – international drug trafficking (import/export activities of heroin from Asia and to North America,

<sup>30</sup> The original copy of this document which comprises the list of “ten commandments” (i.e. a decalogue illustrating the code of behavior for mafia members) was found and seized by investigators in November 2007, during an important anti-mafia operation which led the arrest of the mafia boss Salvatore Lo Piccolo, the leader of Cosa Nostra after Bernardo Provenzano being arrested in April 11 2006. “First, no one can present himself directly to another of our friends. There must be a third person to do it. Second, never look at the wives of friends. Third, never be seen with cops. Fourth, don't go to pubs and clubs. Fifth, always being available for Cosa Nostra is a duty - even if your wife is about to give birth. Sixth, appointments must absolutely be respected. Seventh, wives must be treated with respect. Eighth, when asked for any information, the answer must be the truth. Ninth, money cannot be appropriated if it belongs to others or to other families. Tenth, people who can't be part of Cosa Nostra: anyone who has a close relative in the police, anyone with a two-timing relative in the family, anyone who behaves badly and doesn't hold to moral values”.

and of cocaine from Latin America to Europe, for example), tobacco smuggling and money laundering<sup>31</sup>.

Such profit-making activities are not systematically planned or coordinated by the “mafia consortium” as a whole. Indeed, they are run with a high degree of variability and flexibility. Each *capofamiglia* has generally full entrepreneurial autonomy to make and run business deals. On some cases, joint ventures of different families (or other groups) are also created, especially when the business is large scale. At this regard, emblematic is the heroin trafficking activities which were described in the first *maxiprocesso* (maxi-trial) against Cosa Nostra. Diverging the popular illustration for which Cosa Nostra orchestrated the drug and money pipelines as a single organization, the investigating judges revealed the extent to which various families were involved at different stages of the production and distribution system (see also Paoli 2004). They were functionally linked together, but far from considering themselves part of a single unit. *De facto*, they operated as autonomous structures running different phases of the drug trade in relation to the resources and expertise available to the various partners. Those who had the contacts with foreign suppliers were responsible for the importation of large lots of morphine. Others owning the know-how and a certain network of contacts were in charged to process the drug in clandestine laboratories and to transport and distribute lots of heroin in the United States (TrPa 1985:1856-1879).

It has been only sporadic that Cosa Nostra acted in an unitary way to plan and manage entrepreneurial activities through its superordinate bodies of coordination. One major exception to this has been illustrated by Letizia Paoli (2004), when Cosa Nostra managed to infiltrate the bidding process of public contracts assigned in the province of Palermo and in the Sicilian region. “Thanks to the mediation of a non-member, Angelo Siino [also known as the “Cosa Nostra’s Minister of the Public works”], Totò Riina succeeded in inserting Cosa Nostra, functioning as a single collective subject, into the *comitati d'affari* (business committees). Formed of politicians, public officials and large national firms, these were informal and usually illegal coalition that largely controlled the market for public contracts in Sicily and the rest of the country” (Paoli 2004:148).

Notwithstanding its importance, profit is not the only credo of men of honor. As Buscetta pointed out, “money was not the basis of everything” (quoted in Arlacchi 1994:110). More than money, men of honor aim to accumulate power, which they expect to be able to exercise mainly within the territory in which they reside.

Territorial control is reputedly essential to Cosa Nostra families. The *capifamiglia* claim sovereignty over a well-defined territory and may also dictate their criminal strategies more by the search for power than by the maximization of profitability (Paoli 2004)<sup>32</sup>. In the place of this kind of control, the will to power and territorial sovereignty may be illustrated through the examination of three important functions exercised by Cosa Nostra members over the neighborhood or village where they live: i) protection; ii) repression; iii) mediation.

<sup>31</sup> Cosa Nostra’s code of honor forbids, at least theoretically, the involvement of its associates in specific criminal markets, and consequently represents a powerful brake on Cosa Nostra’s entrepreneurial activities. The prohibition on exploiting prostitution, for example, has blocked the entrance of the Sicilians into profitable illicit trades as the human smuggling and the exploitation of migrant in the sex industry (Paoli 2004).

<sup>32</sup> “The mafia is ready to sustain high costs to avoid losing power on the territory and, to pursue this objective, it can even sacrifice, if necessary, the strategies of business development” (Becchi, Rey 1994:75).

*Protection.* The term “protection” refers to those functions to do with the defense of established interests that men of honor carried out within the community of their settlement. Such a dimension of mafia activity has been perfectly exposed by Diego Gambetta (1993), according to whom Cosa Nostra must be seen as “an industry which produces, promotes and sell private protection” (1993:1). This interpretation shifts attention away from licit and illicit entrepreneurial activities, and emphasizes the function of “protectors” as it has historically played by Sicilian mafia members over their area of control<sup>33</sup>. Men of honor do not clearly provide “real” protection. They generate a demand for security and merely sell protection against themselves (Grasso-Vataro 2002). In the place of this “service”, the client/victim – usually business owners or companies that are active on the territory controlled by the local mafia family – is asked to pay a “protection tax”. Such a portion payable, known also as *pizzo*, is usually a transfer of money (that is a *tangente* or kickback). It can also take the form of a payment in kind, for example, by forcing the acquisition of supplies from companies controlled by or linked to Cosa Nostra families, or putting mafia members or mafia-related individuals on the company’s payroll. In other cases, the company subjected to protection racket is forced to sub-contract the execution of specific works to mafia members or mafia-related individuals (this occurs especially to construction firms. Further details will be illustrated in part II of the present report) (see Arlacchi 1986, Santino-La Fiura 1990, Paoli 2004, Savona 2010).

The regular exercise of extortion practice has the consequence to consolidate a certain “mafia culture” (Transcrime 2008) in areas where Cosa Nostra has its settlements<sup>34</sup>, as the victims become gradually used to the presence of the mafia in their affairs and the request of payment for mafia protection is viewed as normal<sup>35</sup>. The amount of money extorted is generally calculated on the basis of the economic resources of the victim or, in other cases, it is negotiated between parties, so that the victim is willing to pay it without reporting the fact to the police<sup>36</sup>. The sanctions imposed upon those who refuse to pay are in case very severe<sup>37</sup>. Far from reflecting the often

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<sup>33</sup> In his book, Gambetta (1993) extensively illustrates the regime of protection set up by Sicilian men of honor over the last one hundred and fifty years.

<sup>34</sup> The *mafia culture* denotes a certain extent to which local people indulge the presence of mafia criminal groups and flank / collaborate with them in order to limit possible detriments or gain potential benefits (see Sciarone, 1998). Most likely it is such a mafia culture that favors a certain mafia permeability in a given territory or setting.

<sup>35</sup> In those areas where extortion of firms is long standing and systematic, it may happen that firms may pre-emptively approach members of the local criminal group in order to ensure their “protection”. Lari (2002) defined this practice as an *adeguamento spontaneo* (spontaneous adjustment) to racketeering by legitimate firms.

<sup>36</sup> Grasso (2002) illustrated how a new extortive strategy has taken place since 2000. The likelihood is that the amount of protection money paid by the victims has decreased, but its magnitude extended. The motto is: *Pagare meno, pagare tutti* (pay less, pay all). With this strategy, Sicilian mafia families still enrich themselves but with a low risk of being detected because victims do not report the crime to the police given the little amount to be paid. Furthermore, they extend their influence and power over a larger number of victims, with the consequence to wide spread their actual conditioning over territories and economic activities where they settle. In 2007, Confesercenti estimated that more than 160 million euro a year are extorted by Cosa Nostra from legitimate economic activities, with around 70 per cent of Sicilian businesses paying the *pizzo* (around 50,000) (SOS Impresa 2007). In December 2007, La Repubblica published a list of companies that paid the *pizzo* to the mafia boss Salvatore Lo Piccolo. This list was found during the anti-mafia operation which led Lo Piccolo’s arrest. Payments ranged from 250 euro to 30,000 euro, in accordance with the type and dimension of the businesses (La Repubblica, *Tutti I nomi dei commercianti estorti*, December 27 2007).

<sup>37</sup> The protection racket is enforced by means of violence and intimidation. Those who refuse to pay protection-money may find their property suffering from fires, robberies or acts of vandalism. In other cases, the most serious ones, the refusal is paid with death. Between 1978 and 1984, at least 24 entrepreneurs were murdered in the province of Palermo because they refused to pay (Santino-La Fiura 1990 quoted in Paoli 2003:170). Libero Grassi was one of those

limited entity of the sums at stake, the mafia reaction is set off not much for the financial loss, but mostly for the will to make its sovereignty respected (Paoli 2003). Beside the accumulation of wealth<sup>38</sup>, lying behind extortion practices is mostly the legitimization of authority and the exercise of control over a specific territory and its economic activities.

*Repression.* It is another function which denotes the exercise of mafia power and conditioning over a well-defined territory. By taking on this function, Cosa Nostra families aim at controlling both the licit and illicit activities taking place in their communities, and impose their legal order. The willingness of Cosa Nostra families to sanction crimes committed by non-affiliates and regulate the repression of “non-conformist behaviors” has been illustrated in an historical perspective by several authors (see for example, Arlacchi 1986). Though this still takes place especially in some villages and small town, today Cosa Nostra families tend to lessen any claim to controlling all the criminal acts occurring in their territory and many criminal activities committed by communal criminals are more and more tolerated (Paoli 2004). As it appears from the statements of a defector, Francesco Marino Mannoia: “In the past petty crime was not tolerated and as a result robbers and thieves were often killed by Cosa Nostra; nowadays, it is not like that anymore” (TrPa 1989:19). Cosa Nostra families show therefore a sort of *conciliatory attitude* toward communal criminals. In some cases, they expect to collect a monetary return and force non-affiliated members to pay dues on the proceeds deriving from their illicit activities. The attempts to avoid paying are severely sanctioned and the criminals who are considered “insolvent” may be punished with death. Sebastiano Briolotta, for example, was killed in 1986. He was guilty to have “carried out thefts and robberies without the prior permission of the family” (PrPa 1993:349). Sanctions also take place for violating rules of the Cosa Nostra legal order by communal criminals. Grasso (1998) recalled few episodes in which car stealers were shot because they did not respect a rule made by Cosa Nostra: to keep any stolen cars for at least twenty-four hours before resale them, so that the owners who went for recovery to Cosa Nostra, rather than the police, could be satisfied.

*Mediation.* Then, like today, men of honor were often called to solve the conflicts arising within their communities. The power of mafia mediation has proved to be “speedy and effective” (Arlacchi 1986:35), and soon has become a substitute for official justice. Pippo Calderone, high-ranking of the Catania’s family, spent much of his everyday life in the task of satisfying requests and mediating in conflicts (TrPa 1987). Similarly, don Paolino Bontade, capomafia of the Palermitant Santa Maria del Gesù family, intervened directly in all the emerging issues and arbitrated private disputes (TrPa 1992). The mafioso’s activity as a mediator has not confined to solve controversies within the local community, but extended also to forge relations with individuals of the economic or political world. The particular “endowments” fitting the role of men of honor as mediators consists in fact in the network of “friendly” relations linking them to those individuals and institutions that offer control over wide areas of the community’s collective life.

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entrepreneurs who refused to comply with mafia’s rules. After being victim of a number of retaliation acts, he was killed in 1991 by mafia hands after taking a solitary stand against mafia demands to pay “protection money”.

<sup>38</sup> As Letizia Paoli (2003) points out, “the growing expansion of protection rackets has been driven by the factors that make it a profitable crime to commit. Extortion is in fact an easy crime to carry out and an easy way to make money rapidly: it does not require a high initial investment, it carries low managing costs; and, in areas where the state’s protection is not regarded as adequate or reliable, it is also a low-risk operation” (Paoli, 2003: 165 quoted in Transcrime 2008)

Through them, they can exercise their influence, develop consensual clientelistic-based relationships, and provide/benefit from “protection” to gain unjust profits or advantages for themselves or for others.

### ***Insights on mafia infiltration of the legitimate economy. The involvement in the construction business***

As it will emerge from the analysis of the case study (second part of this report), the mixture of the three types of power – protection, repression, mediation – is well exemplified by the activities undertaken by Cosa Nostra in the public construction industry. The entry of the mafia families into the industry originated in their claim to levying a tribute from all the main productive activities located in their territory. Cosa Nostra families soon did not content themselves with the mere extraction of a sum of money, but claimed more direct involvement in the construction works.

From the 1950s onwards, Cosa Nostra families set up their own companies and pressed claims to be directly involved in both small and large construction sites. Mafia enterprises begun to gain subcontracts, and by the early 1970s – as Giovanni Falcone noted - the construction industry in Sicilian cities as Palermo was almost entirely in the hands of the mafia: “mafia organizations entirely control the construction sector in Palermo – the quarries where aggregates are mined, site clearance firms, cement plants, metal depots for the construction industry, and so forth [...] Either the entrepreneurs are *mafiosi* or else they have to follow the orders of the mafia organizations in any case” (Falcone-Turone 1982:37-38). This strategy of infiltration in the construction sector was largely successful and construction firms owned by or linked to men of honor have been able to obtain subcontracts in many of – if not all the profitable – public construction projects taking place on their territory.

The novelty of the 1980s-90s was a direct involvement by Cosa Nostra in the manipulation of large-scale public tenders. Thanks to collusive agreements with legitimate figures, Sicilian men of honor were able to enter the management of the works and to control the bidding processes. This was possible through the resort of mafia methods based on violence or intimidation along with “mediation activities” linking organized crime with deviant segments of the official economy and political world, in a sort of symbiosis cemented by silence and complicity. As Paoli (2004:286) noted, “mafia conditioning no longer took place only downstream, at the end of the economic process of public investment (subcontracts and extortions), but also upstream at the beginning of the process, with decisions made jointly by mafia representatives together with the state agencies and the building companies that are interested in obtaining large contracts for public works”.

## THE ‘NDRANGHETA

“The ‘Ndrangheta is as invisible as the other side of the moon” observed Julie Tingwall, deputy prosecutor of the State of Florida in Tampa, in the 1980s (CPA 2008, also quoted in Varese 2011:31, Veltri-Lodati 2009:148). In the same years, Tommaso Buscetta, the high-ranking Sicilian mafioso who turned to be an informant, even suggested that it might not exist as an autonomous entity (Falcone 1991). Notwithstanding Buscetta’s testimony, the existence of the ‘Ndrangheta – or *Onorata Società* (Honored Society) – is documented since the late nineteenth century (Varese 2011: 31, Forgione 2009; Gratteri-Nicaso, 2005; Paoli 2003; Ciconte 1992)<sup>39</sup>.

This organization, which originates from Calabria but its ramifications are worldwide, managed for a long time to remain far from the attention of the law enforcement and media. “Limited violence and an unified and secret structure combined with pervasive collusion with legitimate figures allowed this organization to avoid the impact of anti-mafia legislation” (Savona 2010:6). According to the Antimafia Parliamentary Commission (2008), until few years ago the ‘Ndrangheta was an underestimated phenomenon as many believed it was a “minor mafia” rooted in the remoteness of towns and villages in Calabria and devoted to protection money and kidnapping. The ‘Ndrangheta, however, turned to be a major player in the underworld to the point that it has eclipsed the Sicilian Cosa Nostra in several criminal activities, notably illegal drug trade (CPA 2008).

According to official documents, today the ‘Ndrangheta is “the most powerful and dangerous criminal organization in Italy” (DIA 2010: 89. See also DNA 2008, CPA 2008) and emerges in the forefront of criminal activities around the world. Its business volume is estimated at almost 44 billion euro in 2007, approximately 2.9% of Italy’s GDP (Eurispes, 2008). This comes mostly from illegal drug trafficking, with Italian investigators estimating that 80% of Europe’s cocaine passes through the Calabrian port of Gioia Tauro and is controlled by the ‘Ndrangheta (CPA 2008)<sup>40</sup>, along with weapon smuggling, frauds, money laundering and traditional mafia

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<sup>39</sup> The early days of the ‘Ndrangheta – a word of greek origin for brave and daring man (Ciconte 1992) – are shrouded in legend and secrecy. “A popular tale is that three knights from Spain – Osso, Mastrosso and Carcagnosso – fled their country after they killed a nobleman who raped a female relative. They went to Sicily, Campania and Calabria founding, respectively, the Sicilian mafia, the Camorra and the ‘Ndrangheta” (Nicaso-Lamothe 2005:10). While the tale may be mythic, the three knights are mentioned in the rituals of the ‘Ndrangheta.

<sup>40</sup> Over the years, the ‘Ndrangheta managed to develop privileged, almost exclusive, distribution channels of cocaine with Colombian suppliers. Investigators believe that, as the importation of cocaine is concerned, today the ‘Ndrangheta operates with no competition from other criminal organization (CPA 2008). The ‘Ndrangheta was able to enter the illegal drug trade in the 1970s by investing large amounts of money derived from kidnapping ransoms. Profits from drug trafficking strengthened the Calabrian crime groups’ international reach and allowed them to branch out into vast criminal enterprises across the world. In the twenty years since the kidnap rackets began flowing money into the coffers of the ‘Ndrangheta families, the Calabrian clans continued to grow and surpassed the Sicily mafia in the international drug trade (Nicaso-Latothe 2005:27-28).

crimes as usury and extortion. But the ‘Ndrangheta activities go beyond the merely criminal. The ‘Ndrangheta, in fact, has also embarked upon an entrepreneurial transformation, ascribing a primarily economic-oriented behavior in the legitimate economy. The gargantuan web of the ‘Ndrangheta’s influence and criminal investments in the legitimate economy revealed by investigators is astonishing (CPA 2008. See also Forgione 2009, Veltri-Laudati 2009 for example), and is not limited within the Calabrian or national confines. The sheer financial power and the ‘Ndrangheta’s growing involvement in legitimate settings have emerged across settings, in countries such as Germany, Belgium, Holland, France, Eastern Europe, the United States, Canada and Australia<sup>41</sup>. In this sense, the ‘Ndrangheta has proven itself to face the challenges of globalization by combining traditions and family-based structures with modern and entrepreneurial mechanisms.

## 2.1 Structure and organization

The structural model of the ‘Ndrangheta is different from those of other Italian mafia organizations: it is based on the strength of familiar ties. Unlike its Sicilian counterpart, within the ‘Ndrangheta blood family and membership of the crime family coincide (Varese 2011:33. See also CPA 2008). “One becomes a member by the simple fact of being born into a mafia family” (CPA 2000:92), as Salvatore Boemi, a public prosecutor in Reggio Calabria, pointed out. To reinforce the family apparatus and guarantee a long-lasting endurance of the mafia family, bosses try to have as many sons as possible, maximizing in this way the number of descendants (Arlacchi 1986:137; see also Paoli 2003:31)<sup>42</sup>. Marriages also help to cement relations within each mafia family, forge new alliances and expand membership (Varese 2011:33; Gratteri-Nicaso 2007:70-71).

Kinship links result in an extraordinary element of cohesion within the mafia group, and represent a major obstacle for investigators. This is because they are a decisive factor in preventing defections (*pentiti*) since turning oneself in to the police implies informing on one’s own family members. As a matter of fact, ‘Ndrangheta has experienced significantly fewer defections (*pentiti*, or informants) than the Sicilian Cosa Nostra, and amongst them only few were high-ranking<sup>43</sup>. The

<sup>41</sup> Nicaso and Lamothe (2005) reported that “one neighborhood in Brussels has been entirely bought up by [the ‘Ndrangheta] using drug trafficking proceeds in tens of millions of euros” (Nicaso-Lamothe 2005:28-30). Investments into the legitimate economy by ‘Ndrangheta members were also found in Germany, when the police discovered that individuals associated to ‘Ndrangheta clans openly owned or controlled more than 300 pizzerias (CPA 2008).

<sup>42</sup> “Many ‘Ndrangheta members are obsessed by the idea of having many sons [...]. This is because sons provide the human resource necessary to replace the unavoidable losses and to take any revenge necessary [...]. A large number of sons or, at any rate, men linked by direct family kinship provides the family boss with more power in the criminal sphere” (Zagari 1992:10-11 quoted in Paoli 2003:31). While in Cosa Nostra new hierarchies may be established through conflicts among men of honor, in the ‘Ndrangheta the whole kinship is involved in the fight of supremacy. This explains why *vendetta* and bloody conflicts between families have been frequent in Calabria, at least until the beginning of the 1990s when ruling bodies were established to mediate conflicts amongst mafia families.

<sup>43</sup> Data on the number of informants from Italian mafia groups (period 1997-2004) reveals that 100 individuals were former members from ‘Ndrangheta (12.6%), 243 from Cosa Nostra, 251 from Camorra, 85 from Sacra Corona Unita, 115 from other criminal organizations (CPA 2008). Although these are absolute value (not knowing the exact number of affiliates is difficult to calculate rates per membership), this data suggests the low impact of informants within ‘Ndrangheta compared to other criminal organization. On the point, see also Varese (2011), CPA (2008a), Paoli (2003).

overlapping of blood and mafia family also seems to have help ‘Ndrangheta expand beyond its traditional territory. “The familial bond has not only worked as a shield to protect secrets and enhance security, but also helped to maintain identity in the territory of origin and reproduce it in territories where the family has migrated” (CPA 2000:102 quoted in Varese 2011:34). The ‘Ndrangheta, in fact, has demonstrated a certain ability to extend its range of actions beyond Calabria. Investigators have reported the presence of ‘Ndrangheta groups in other Italian regions (as, for example, Piedmont, Lombardy, Liguria, Veneto, Emilia Romagna, Tuscany, Umbria, Marche, Lazio, and Molise), and in other countries (as Argentina, Australia, Belgium, Bolivia, Brazil, Canada, Colombia, Costa Rica, Ecuador, France, Germany, Monaco, the Netherlands, Mexico, Spain, the United States, Venezuela)<sup>44</sup>. “Though enjoying a high degree of operational independence, those units are considered by their own members and their Calabrian correspondents as belonging for all intents and purposes to the ‘Ndrangheta” (Paoli 2003:32). Still, the activities of these units may vary. While in some areas ‘Ndrangheta members have recreated the same sort of territorial dominion they impose on their towns of origin, in other areas they have transplanted to conduct criminal activities or limited their actions to invest the proceeds of its illegal activities in the local economic fabric.

### 2.1.2 The structure of the ‘Ndrangheta families

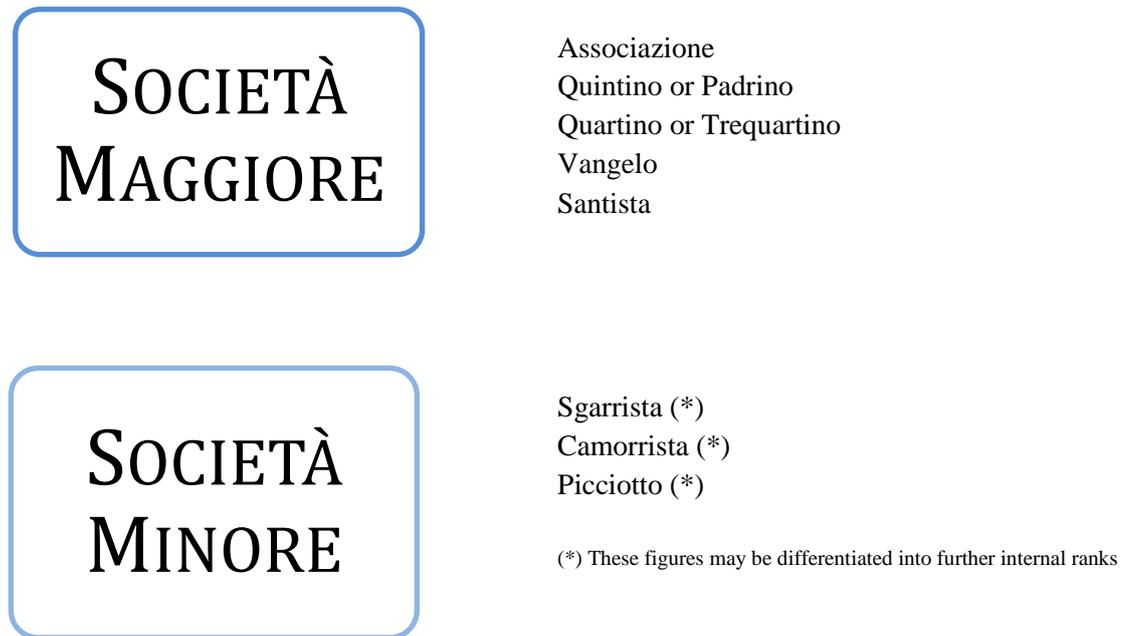
The basic unit of the organization on a specific territory (usually a town or a neighborhood) is the *locale* (place), and it may be considered as the equivalent of the Sicilian mafia family. As reported by the Italian Antimafia Parliamentary Commission, each *locale* is “autonomous on its territory and no formal authority stands above the *locale* boss” (CPA 2008:18. See also TrRC 2008, Gratteri-Nicaso, 2005:69). A *locale* may have branches, called *‘ndrina*, in various districts of the same city, in neighboring towns, or outside Calabria. In some cases, *sotto ‘ndrine* have been also established (Varese 2011:319). As Paoli pointed out, these subunits enjoy a high degree of administrative and operational autonomy. “They are to all effects considered detached sections – as said by a mafia witness Francesco Scriva. They have a leader and independent administrative staff, although their boss may hold at the same time other assignments in the *locale*. In some contexts the *‘ndrine* have become even more powerful than the *locale* on which they formally depend” (PrRC 1995:5721 quoted in Paoli 2003:30).

Unlike Cosa Nostra, the ‘Ndrangheta *locali* have developed a rather complex internal structure, including various ranks and power positions. “The ‘Ndrangheta – says Calogero Marcerò, one of the few high-ranking member who turned into an informant – is a very segmented criminal organization and the affiliates with an inferior *dote* (rank) do not know anything, if not very vaguely, about the level superior to the one they belong to” (TrRc 1993, quoted in Paoli 2003:46-47). The ‘Ndrangheta, in fact, is organized into two hierarchically-positioned *società* (societies): at the bottom of the chain of command, there is the *società minore* (minor society); at the top, there is

<sup>44</sup> This list is not extensive. For further details on the presence of the ‘Ndrangheta in Italy and in other countries see Varese 2011; Forgione 2009; Veltri-Laudati 2009; CPA 2008; Gratteri-Nicaso 2007; Paoli 2003.

the *società maggiore* (major society). This internal stratification has resulted in an effective organizational strategy developed in response to the need to protect the core of the association from any repression action undertaken by state representatives.

Fig. 2.2 – The ranks of a family belonging to the ‘Ndrangheta



Source: Gratteri-Nicaso (2007:78)

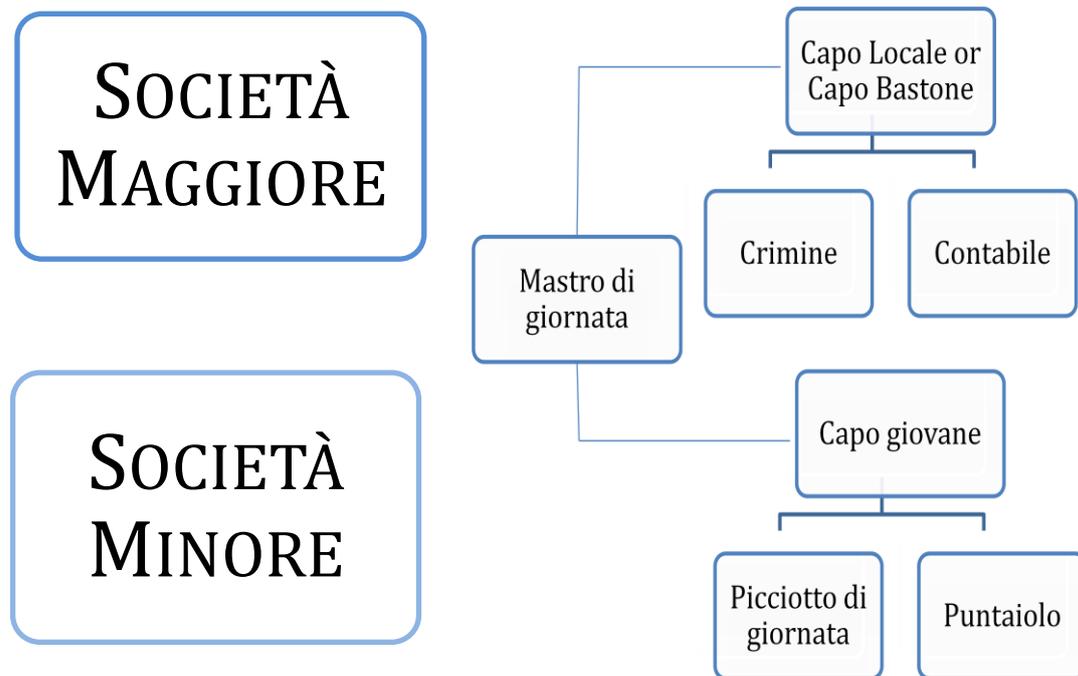
Francesco Fonte, a former member of the Siderno *cosca*, explained the internal structure as follows (Gratteri-Nicaso 2005:73-75. See also TrRC 2008). The *società minore* is composed by individuals who rule the lowest ranks within the 'Ndrangheta. At the bottom of the chain of command there are the *picciotti* (*semplici* or *d'onore*)<sup>45</sup> who are the “soldiers” of the *locale*, mere executors of orders. Above the *picciotti*, there are the *camorristi*, affiliates with a certain period of membership and who are appointed of the execution of those tasks that cannot be undertaken by the *picciotti*. According to different sources, the figure of the *camorrista* may be differentiated into further internal ranks (see Gratteri-Nicaso 2005; Paoli 2003)<sup>46</sup>. The *sgarrista* or *camorrista di sgarro* is the last rank within the *società minore*. They can be appointed to various ruling positions in the *società minore*, which include: the *capo giovane*, who rules the lower section of the *locale* and enforces the orders from the *società maggiore*; the *picciotto di giornata*, who distributes duties amongs the *picciotti* and coordinates their actions; lastly, the *puntatiolo*, who manages the *bacinella*, which refers according

<sup>45</sup> The term of “picciotto semplice” refers to new members when they are initiated. They become “picciotto d'onore” after a period of membership and another ritual ceremony.

<sup>46</sup> Francesco Fonte reported the existence of the following categories: *camorrista semplice*, *di società*, *di fibbia*, and *formati* (Gratteri-Nicaso 2005:75).

to the ‘Ndrangheta term to the common fund to which all members of the *società minore* must contribute (TrRC 2008. See also Gratteri-Nicaso 2005; Paoli 2003).

Fig. 2.3 – The ruling offices of a family belonging to the ‘Ndrangheta



Source: Gratteri-Nicaso (2007:78)

As the *società maggiore* is concerned, the ‘Ndrangheta hierarchy is composed by the ranks of *santista*<sup>47</sup>, *vangelo*, *quartino* or *trequartino*, *quintino* or *padrino*, and *associazione*<sup>48</sup> (TrRC 2008). Like its lower counterpart, the *società maggiore* has its own ruling positions, which are associated to specific ranks. These offices are those of *maestro di giornata*, *contabile*, *crimine*, *capo bastone*. The task of the *maestro di giornata* is to transmit the orders of the *società maggiore* to the *società minore*, and informs the members about all the activities undertaken by the *locale*. As the *puntatiolo* in the *società minore*, the *contabile* manages the *bacinella*. The *crimine* is in charge of

<sup>47</sup> According to Fonte, sgaristi who have proved to be worth can be appointed as *santisti* and enter the *società maggiore* (Gratteri-Nicaso 2005). Seven affiliates with the rank of *santista* may constitute within the *locale* the so-called *Santa* (see section 2.1.2). It is a sort of secret society within a secret society. As Fonte explained: “The *Santa* is not required to give any account of its decisions and activities to the *Locale* of which it is part. No affiliate with a lower rank than *santista* can attend the meetings of the *Santa*, which can be defined as an élite of the ‘Ndrangheta” (Gratteri-Nicaso 2005:74).

<sup>48</sup> The rank of *vangelista* was revealed for the first time by the informant Pino Sciva in the 1984 (Gratteri-Nicaso 2005). This rank, as the ranks of *quartino* or *trequartino*, *quintino* and *associazione*, was created to give a different – and more secretive – position within the organization in response to the need to protect the core of the association, and membership.

the planning and execution of the criminal activities undertaken by the locale. Both the *contabile* and the *crimine* operate according to the dispositions of the *capo bastone*, who is the group leader. He leads the operational arrangements of the group, convenes local meetings, decides on promotions and memberships, mediates disputes between locale's members<sup>49</sup>. The tern "capo bastone-contabile-crimine" is called *copiata*, and refers to the representative organ of the *locale*. Individuals who are not part of the group, but whose action support the group's activities, are known - according to the 'Ndrangheta jargon - as *contrastato onorato*. They are individuals that 'Ndrangheta members trust, and that one day could be part of the organization (Gratteri-Nicaso 2005).

As in Cosa Nostra, the 'Ndrangheta's internal organization has remained relatively stable over time, although new ranks or ruling positions may have been added over time. Nevertheless, recent investigations and *pentiti's* accounts are surprisingly similar to the descriptions found in documents dating back to the beginning of the last century (Gratteri-Nicaso 2005).

### 2.1.2 Coordination mechanisms in the 'Ndrangheta

The 'Ndrangheta is ultimately a loose confederation of mafia families. Unlike Cosa Nostra, the 'Ndrangheta managed to maintain a horizontal organizational structure up to the 1991, avoiding the establishment of a formal body of coordination of mafia families (Paoli 2003:58-59). Mechanisms of coordination have been guaranteed over time through regular contacts and meetings amongst the bosses of the single mafia families. Since at least 1950s, the bosses of the 'Ndrangheta *locali* have held annual meetings, also known as *crimini*, at the Sanctuary of Our Lady of Polsi in the Aspromonte region<sup>50</sup>. Investigators have found that representatives from outside Calabria, from as Northern Italian regions as Canada and Australia, have regularly attended these meetings (TrRC 2008), an indication of the extent to which the 'ndrine which have transplanted abroad still maintain a link with the land of origin and perceive themselves as being part of a unitary organization.

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<sup>49</sup> The bosses' ruling positions are usually transmitted from father to son (a typical form of patriarchy). Giuseppe Piromalli, for example, who was the eldest of his blood kin, has ruled the most powerful mafia group in the Gioia Tauro plain. He inherited this position from his eldest brother Girolamo "Mommo" Piromalli, after he died in 1979. However, as in Sicily, it happened that changes in leadership took place through violence. This was the case, for example, in the succession of mafia leaders in Reggio Calabria when Domenico Tripodo ousted the Reggio capobastone Domenico Strati, after a conflict lasting two years (1958-1959). His domination over Reggio Calabria lasted until the early 1970s, when the De Stefano brothers challenged him. The De Stefanos were members of Tripodo cosca who had acquired considerable financial resources through tobacco smuggling and had secured the support of other 'Ndrangheta bosses in the province. Within two years (1974-76) they moved from being simple mafia members to being the new bosses of Reggio Calabria" (Paoli 2003:49-50).

<sup>50</sup> The Sanctuary of Our Lady of Polsi is located nearby the village of San Luca, the core of the 'Ndrangheta territory. The 'ndrina of San Luca is granted prominent authority, such that every new group must obtain its authorization to operate (Paoli 2003). Moreover, former members reported that every group belonging to the 'Ndrangheta "has to deposit a small percentage of their illicit proceeds to the *principale* of San Luca, in recognition of its primordial supremacy" (Paoli 2003:29)

According to pentiti's accounts, those meetings have traditionally served as a forum to discuss actual and future strategies and settle disputes among the *locali*<sup>51</sup>. These meetings are convened and ruled by the *capo crimine*. Far from being “the boss of the bosses”, the *capo crimine* is yearly elected, and has actually no authority either to interfere in family feuds or control the level of interfamily violence, which are considered the exclusive competence of the single families (Varese 2011:32). Nevertheless, in the early 1990s more effective mechanisms of coordination came to be a necessary condition for both the regulation the use of violence and the management of criminal activities<sup>52</sup>, and a centralized planning and decision-making locus was established in 1991. The “sporadic” power of the *crimine* during the annual meetings at the Sanctuary of Our Lady of Polsi have been entrusted to a new superordinate body endowed with the power to intervene in the mafia families' affairs. This constituted a considerable innovation in the 'Ndrangheta: using Pasquale Barreca's words, a former member of the De Stefano clan, this superordinate body entrusted “the authority of a true hierarchical power” (PrRc 1995:4476) with exclusive competences over specific matters, modeled on the Cosa Nostra provincial commission (Paoli 2003).

Such a new collegial body is called also *camera di controllo* (control chamber), or *provincia* (province), and it is composed of three so-called *mandamenti*: the *Ionico* or *Montagna* (Ionic or Mountain), *Tirrenica* or *Piana* (Tyrrhenian or Plain) and *Città* (City)<sup>53</sup>. The formers respectively gather the most important mafia families on the Ionic and Tyrrhenian sides of Calabria. The latter includes the families of the city of Reggio Calabria. The primary function of the *provincia* is the settlement of family disputes. Any controversy between *cosche* must in fact be submitted to the attention of the *provincia* before violence can be exerted<sup>54</sup>. The *provincia* is also held as a representative body of the whole association before other criminal organizations, and for maintaining contacts with external figures, as Masonic lodges, collusive politicians and deviating institutions to maximize 'Ndrangheta action-set in the economic and political sphere (PrRc 1995:4469 quoted in Paoli 2003:62).

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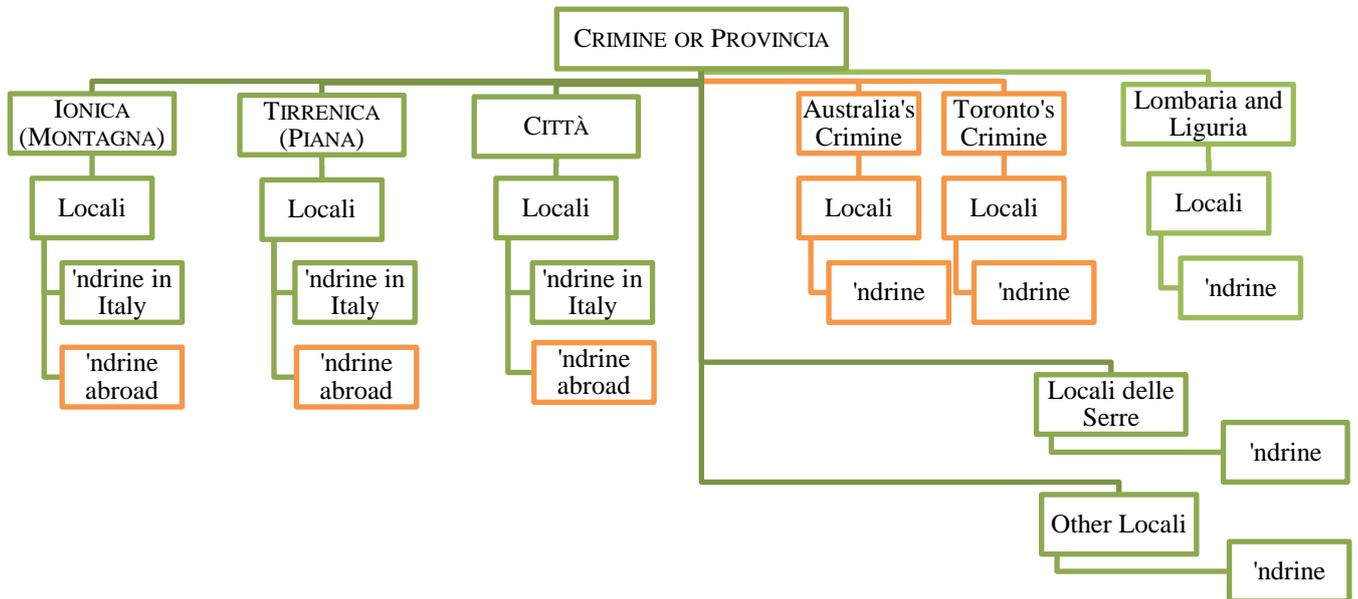
<sup>51</sup> “Each boss must give an account of all the activities carried out during the year and of all the most important events taking place in his territory such as kidnappings, homicide, etc. – as explained by the witness Cesare Polifroni– He must also communicate the number of new affiliates and the eventual punishment given to transgressor” (quoted in Paoli 2003:59).

<sup>52</sup> In the period 1985-1991, inter-family violence reached a pickand involved the struggle between two coalitions of Reggio Calabria mafia families, the De Stefanos and the Imerti-Condello's respectively. In that period, mafia killing took the lives of 564 people (CPA 2008).

<sup>53</sup> Investigators revealed that members of the Australia, Toronto, Liguria and Lombardia's crimini are integral parts of the Calabria's crimine, along with representatives of the Cosenza and Crotona provinces.

<sup>54</sup> Controversies among members within the same group continue to be settled by each capo locale.

Fig. 2.4 – The structure of the ‘Ndrangheta



Source: TrRC 2008

### *The Santa*

In the early 1970s, new levels of internal secrecy within the ‘Ndrangheta were adopted, so much so that a secret society was set up within the secret society: the Santa. The term Santa, from the shortening of *mamma santissima*, refers to “an occult stage inside the ‘Ndrangheta – according to the informant Giovanni Gullà – since its rank is known only to other *santisti*. To give an example, if a *ndranghetista* presents himself to other *ndranghetisti* of a different group, he must reveal his rank of *picciotto*, *camorrista*, *sgarrista*, etc., but not his eventual rank of *santista*, which he should reveal only and exclusively to other *santisti* [...]. The Santa can be explained as forming a secret sect: the intention was to create a power structure, unknown to the others, in order to gain large benefit” (PrRc 1995:5737 quoted in Paoli 2003:114).

It was Girolamo “Mommò” Piromalli, the undisputed boss of the Piromalli family in Gioia Tauro, together with other mafia family bosses that fostered such idea, based on the eagerness to enter very profitable legitimate markets, such as the public construction industry, and illegal activities, such as kidnapping and drug trafficking – which were prohibited by the ‘Ndrangheta’s rules. “It was Mommò Piromalli who – given the growing of economic interests in the Reggio Calabria area and the important investments made by public authorities to develop the southern Italy through the realization of public works (i.e. the realization of the railroad stump, the steelwork center and the port in Gioia Tauro) – entrusted himself with the rank of *santista*, in order to assert

his higher authority and hence directly control the public works” explained Gaetano Costa (PrRc 1995:4987).

The Santa was thus created in response to the limits which were derived from the ‘Ndrangheta traditional rules and its obligations imposed upon each members in terms of permissible activities, as well as relations with state authorities and criteria of affiliation. The Santa aimed in fact to any form of illicit earnings, the commission of crimes which the ‘Ndrangheta had not previously allowed, along with the establishment of contacts with state authorities and the selection of *santisti* amongst individuals of any social background (while before access to the ‘Ndrangheta was granted only to “honored” families, namely family with no connection with state institutions and not dishonored by “infamous facts” (Paoli 2003:115)<sup>55</sup>.

With the Santa, profitable practices related to the infiltration into legitimate economy, kidnapping and drug trafficking gained full legitimation. Moreover, close connections with state representatives and officials were established so much so that some of them were affiliated with the Santa. Close ties with the Freemasonry were also developed. According to the informant Gaetano Costa, “Mommo Piromalli himself was famous for being a Mason or at any rate extremely close to the Mason circles” (PrRC 1995:5730). He joined the lodge as a way of making contact with businessmen, bureaucrats and politicians. Other elements suggesting close ties between the Santa and the Freemasonry are given by the analogies between the rituals and symbols adopted by the two secret societies<sup>56</sup>.

## 2.2 Rituals and codes of conduct

As in Cosa Nostra, symbols and rituals are used extensively in the ‘Ndrangheta. This is because it is by means of symbolic and ritual features that mafia families are able to exercise unconditional claims upon its associates and define the group collective identity. Symbolic actions also provide a way to legitimize power entrusted to mafia families within their communities of settlement.

Unlike Cosa Nostra, several handwritten copies illustrating the symbolic and ritual apparatus of the group (i.e. ritual formulas, codes of conduct and norms ruling Calabrian mafia families) has been found by investigators over the past century. Surprisingly, the codes which were found in San Luca, the stronghold of the ‘Ndrangheta in Calabria, in the 1930s comprised the same symbolic and ritual features as illustrated in the copy of the ‘Ndrangheta code seized by the police in Canada in the 1970s or that one found in Sidney in the 2005 (Gratteri-Nicaso 2005). The ‘Ndrangheta seems thus to maintain a solid adhesion to tradition across time and across settings, proving a unitary base in Calabria as elsewhere.

<sup>55</sup> These innovations were strongly opposed by the most traditionalist mafia family bosses (among these were Antonio Macrì from Siderno and Domenico Tripodo from Reggio Calabria). The struggle led to the so-called first mafia war, which took place in 1974-79. It ended with the death of the “traditional wing” and the formalization of the Santa.

<sup>56</sup> Meeting amongst *santisti*, for example, opens “in the name of Giuseppe Mazzini, Giuseppe Garibaldi and Giuseppe La Marmora” (Gratteri-Nicaso 2005), three figures of the Italian Freemasonry.

As in Cosa Nostra, new adherents must undergo a ritual of mafia affiliation, thanks to which the initiated person is reborn in a “new” man shaped by the values of the organization. In the Calabrian association, the rite of affiliation, also called *battesimo* (baptisms), seems to be more complex than that staged by its Sicilian counterpart. The novice, also called *cardone*, is presented by a member before the *società minore*. The rite itself begins with an exchange of cues between the *capo giovane*, who rules the *società minore*, and the novice and continues with one or several trials of courage by the novice. After having tested his courage, the candidate’s admission is held through the formulation of three votes called by the *capo giovane*. The ceremony ends with the new adherent swearing an oath of loyalty and obedience to the group while a bloodied image of a saint burns in his hands<sup>57</sup>. From the moment of his initiation, all aspects of the new member’s life are automatically subordinate to his mafia membership.

For each passage of rank in the mafia hierarchy, rites with specific formulas and gestures are observed. The brotherhood ties created by the affiliation ritual are thus strengthened and renewed, along with the reminder of the “men of honor” duties deriving from them. Details vary from group to group, but all comprise of four phases making up a rite of passage: the presentation of the candidate, a trial of courage, three votes of admission, and the swearing of an oath with the final rite of communion (Paoli 2003:70).

Like in Cosa Nostra, the ceremony of initiation on the ‘Ndrangheta represents for the new adherents not only a rite of passage, but also a moment of institution that consecrates and legitimates a new status, that of “man of honor” (Gratteri-Nicaso, 2005). This status is primarily defined by a “code of honor”, namely the system of values imposed upon its affiliates to regulate every moment of their life.

## 2.3 Functions and goals

The ‘Ndrangheta shares an important peculiarity with Cosa Nostra. Unlike other organized crime groups, Calabrian *cosche* do not content themselves with providing illegal goods and services. Though this activity has acquired an increasing relevance over the years, the accumulation of power, rather than wealth, has always been preeminent for mafia-type organizations. As a matter of fact, ‘ndraghetisti have exploited the strength of mafia bonds to impose their sovereignty and authority over the communities of their settlement, exercising tasks of domination within the local social, economic and political system (Paoli 2003:144). This general aim has been translated into a plurality of functions exercised by ‘Ndrangheta affiliates over their neighborhood or village.

*Protection.* Even today in which most of traditional mafia functions are no longer systematically enforced, the central purpose of a ‘ndranghetista is to gain power in a given territory, and to maintain it through a generalized “system of protection”. As the Sicilian counterpart, the type

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<sup>57</sup> A shorter procedure of affiliation is used when sons of mafia members are concerned. For them, in fact, there is a sort of “pre-initiation” in their early years which gives them the status of *giovane d’onore* (Paoli 2003, Gratteri-Nicaso 2005).

of protective services the ‘Ndrangheta members provide for their clients concerns protection against criminal activities, negotiation and authoritative settlement of conflicts, the guarantee of contractual arrangements, and so on. Rather than being genuine services which are appreciated by the recipients as a fair compensation for their payments, these services are more fictitious in that protection is offered against a harm which is threatened by the protectors themselves. The payments are extorted money (i.e. *pizzo*). In place of money, the *pizzo* can also take the form of a payment in kind, for example, by forcing the acquisition of supplies from companies controlled by or linked to ‘Ndrangheta families, or putting mafia members or mafia-related individuals on the company’s payroll. In other cases, the company subjected to protection racket is forced to sub-contract the execution of specific works to mafia members or mafia-related individuals (this occurs especially to construction firms. Further details will be illustrated in the second part of the report).

When they demand protection money, ‘ndranghetisti demand a sign of subjugation from the recipients and recognition of their authority in that particular territory. Estimates suggest that in Calabria about 150,000 firms are forced to pay the *pizzo*, namely 50%, with a pick of almost 70% in the city of Reggio Calabria (Svimez 2007). Data based on criminal investigations has depicted a picture even worse (DNA 2007. See also CPA 2008). According to the antimafia prosecutor Scudieri, “all business activities in the district of Catanzaro are subjected to extortion racket: industrial firms, commercial businesses, farms and even the professions” (CPA 2008:109). The cases in which extortive activities are reported to the Judicial Authority are rare.

*Repression.* Repression is another function which denotes the exercise of mafia power over a well-defined territory. By taking on this function, ‘Ndrangheta *cosche* aim at controlling all the activities taking place in their communities, and impose their legal order. As a matter of fact, in the areas dominated by the ‘Ndrangheta, nobody, not even the unaffiliated, is allowed to carry out any illicit activity without the authorization of the local mafia family. To prove this point, Paoli (2003:156-162) examined official data on the number of thefts reported to the Judicial Authority in the provinces of Reggio Calabria, Palermo and Catania and Italy (period 1990-1994). On average, in the five years period under examination, 1,398 thefts per 100,000 inhabitants were reported in Reggio Calabria province. This is less than half of the national average (2,603 per 100,000 inhabitants) and almost two third lower than the rates recorded in the provinces of Palermo (3,257) and Catania (3,709). Though many variables may affect official theft rates (willingness to report the crime to the police, level of urbanization, age and social structure, for example), this analysis suggests the existence of a gap between the values reported in Reggio Calabria, Palermo and Catania provinces, and at the national level, which has been interpreted by Paoli as an indication of the ‘Ndrangheta’s legal order over their communities.

*Mediation.* Even today, ‘ndranghetisti are asked to mediate conflicts, guarantee property rights and enforce rules compatible with their own legal order. Despite a transformation of the ‘Ndrangheta to entrepreneurial activities, men of honor still take these duties seriously (Gratteri-Nicaso 2005). The particular “endowments” fitting the role of mediators extend in a kind of symbiosis cemented by silence and complicity amongst individuals that demand and solicit “services” over wide areas of the community’s collective life.

### ***Insights on the ‘Ndrangheta infiltration of the legitimate economy. The involvement in the construction industry***

The ‘Ndrangheta infiltration of the legitimate economy and its involvement in the construction industry has to do with the very nature of the criminal association and its claim to exercise a dominion within its communities. As Cosa Nostra, the entry of the Calabrian *cosche* into the construction industry originated in their claim to levying a tribute from all the main productive activities located in their territory. Starting from the late 1960s, in Calabria the same kind of development that occurred in Sicily from the 1950s took place. When large building projects financed by national or local authorities were launched in the region, the winning companies were immediately targeted by the local ‘Ndrangheta *cosche*, which claimed the payment of a protection tax. Intimidation and violence were used if necessary. But ‘Ndrangheta families soon did not content themselves with the only extraction of a sum of money. Realizing the high potential of this industry to generate and invest money, Calabrian clans demanded more direct participation in the work itself. They set up their own companies and pressed claims to be directly involved in both small and large construction sites. This strategy of infiltration in the construction sector was largely successful and construction firms owned by Calabrian men of honor were soon able to obtain subcontracts in many of – if not all the profitable – public construction projects taking place on their territory (CPA 2008). As an example, it is significant how the ‘Ndrangheta *cosche* of the Plain managed to condition the execution of the public works for the construction of the Gioia Tauro port. Mafia entrepreneurs came out rather well in the competition for subcontracts, taking direct control of 70% and indirectly controlling the remainder by taking an 8% quota on the value of all subcontracts carried out by non-mafia firms (Arlacchi 1986, Santino-La Fiura 1990, Paoli 2004, CPA 2008b). Sub-contracts were largely distributed between mafia enterprises on territorial basis and according to hierarchical mafia’s power criteria. To prove this point, after having analyzed the information related to official payments made to haulage firms by the two large consortia of prime contractors (Timperio and Cogitau) that awarded public contracts for the port, Arlacchi (1986) concluded that “the amount of business carried out by the different *cosche* corresponds to their respective positions in the hierarchy of mafia power: the top mafia groups in the Plain of Gioia Tauro got the top sub-contracts, the smaller groups got the smaller ones. No conflict was involved in the fixing of this hierarchy: there were no disagreements between the haulage operators, inasmuch as they themselves shared out the work, which meant that anyone coming to ask for work had already been authorized to do so by the group as a whole” (Arlacchi 1986:93-94). That the local *cosche* succeeded in reaching their goals and obtaining sub-contracts for the works of the port was also sustained by Santino and La Fiura (1990) when examined the number of the bomb attacks which occurred in the area of Gioia Tauro in 1974 (n=154) and compared this number with the number of bomb attacks in the same area in the 1975 (n=0).

Another demonstration of the ‘Ndrangheta power in conditioning the market is given in the episode of the contracts for the construction of a power plant on the site of the unfinished Fifth Steelwork Center in Gioia Tauro by ENEL (Italy’s Electric Public Company). With an estimated budget of five trillion lire, it soon became clear that the local *cosche* aimed a direct involvement into the project. “The mafia has not only infiltrated into subcontracting – the judges of the city of

Palmi wrote in the 1993 in a warrant of arrest – but into the direct management of the works [...] through liaison elements linking the private [building] firms, the state company afflicted by party kickback policies, politicians and the representatives of *imprese a partecipazione mafiosa* (companies in which mafiosi had a share)” (PrPI 1993:1987-1988 quoted in Paoli 2004:175). Thanks to collusive agreements with legitimate figures, Calabrian *cosche* succeeded in entering the management of the works and exercise an actual conditioning over it. As Paoli (2004:176) noted, “mafia conditioning no longer took place only downstream, at the end of the economic process of public investment (subcontracts and extortions), but also upstream at the beginning of the process, with decisions made jointly by mafia representatives together with the state agencies and the building companies that are interested in obtaining large contracts for public works”.



## THE CAMORRA

Camorra is the term commonly used to refer to a fairly vast set of independent mafia-like groups originating in Campania, a region in the south of Italy. As its roots are believed to have been planted as far back as the 16<sup>th</sup> century, when the Spanish monarchy ruled Naples (Nicaso-Lamothe 2005:63), the Camorra is allegedly one of the oldest Italian criminal organizations<sup>58</sup>. Although organizational arrangements appear to have drastically changed over the years, many believe that the essence of today's Camorra as "a system of governance parallel to the State" remains similar to that of its forerunner (Campana 2012:131; Marmo, 2011).

Contemporary Camorra groups emerged in the 1960s in the black markets of Europe, accruing massive profits from smuggling tobacco and drugs. They then gained great wealth and power in the 1980s with the appropriation of the public money flows invested in Campania after the earthquake of 1980 in Irpinia<sup>59</sup>. They took advantage of opportunities in several business arenas of Naples, primarily the construction sector, penetrating the legitimate economy by co-opting politicians and rigging public tender contracts. Since the mid-1980, numerous clans realized also the profits from handling the waste disposal in Campania and moved into the sector with disastrous results for the environment and the health of the population (DNA 2010). Camorra clans have proved thus a certain ability to adapt to changes in the economic environment and perpetuate their core business, namely the illegal governance of markets and transactions.

In Italy, the Camorra has proven to be an extremely difficult organization to fight (Cantone 2012). Its decentralized structure makes the organization much more difficult to combat through crude repression. Like the hydra, the mythological monster from nine snake heads, the Camorra seems to reborn after every assault of the State (Cantone 2012). As Becucci (2005) pointed out, the numerous judicial operations in the early 1990s and in the 2000s, instigated also by the collaboration of several Camorra leaders and affiliates, have never been able to dismantle the Camorra influence over the surrounding social fabric, although they threw many clans into disarray.

<sup>58</sup> The first official mention in police records of the Camorra as an organization dates back to 1820 (Behan 1996:12).

<sup>59</sup> The Irpinia earthquake took place on November 23, 1980. Measuring 6.89 on the Richter scale, the earthquake killed 2,914 people, injured about 8.848 individuals and left 280,000 homeless. The Italian government has invested more than 32 billion euros on reconstruction (estimated from the Corte dei Conti in 2008. Public funds for the earthquake reconstruction are still ongoing). In 1980, other nations also sent contributions (West Germany contributed US 32 million dollars, and the United States US 70 million dollars for example). However, money disappeared from the earthquake reconstruction funds in the 1980s, leading to a major corruption scandal which involved camorra clans, unscrupulous local and non-local entrepreneurs, corrupt politicians (Cantone 2012). In the 2000s, estimations suggest that of the US 40 billion dollars actually spent on earthquake reconstruction, US 26.4 billion dollars went to the Camorra clans and other colluded actors and speculators, whereas US 4 billion dollars went to politicians in bribes. Only the remaining US 9.6 billion, which is a quarter of the total amount, was actually spent on people's needs (Caporale 2004-12-13) (in Italian), Irpinia, 20 anni dopo, la Repubblica, <http://www.repubblica.it/speciale/irpinia/irpi.html>, retrieved 2009-04-07. see also Santino-La Fiura 1990).

Once the clan leaders were incarcerated, in fact, a power struggle begun between those who, up till that point, had only held secondary positions. New leaders have systematically replaced the former heads of the organization, filling the void in a mechanism of continuous re-ordering and restore power and wealth. Furthermore, investigative operations, although capable of inflicting severe damage on the various clans, have never actually been able to eliminate the cultural “stew” on which they feed. “The widespread *omertà* existing in various areas, close ties with the economy and local politics<sup>60</sup>, and their incredible ability to recruit new associates from socially marginal areas all make the Camorra one of the toughest and most dangerous organizations on the Italian criminal scene” (Becucci 2005:274).

### 3.1 Structure and organization

The Camorra is a label that covers different criminal groups and gangs, which act independently of each other and are prone to compete among themselves. Some of them are well established groups that, as much as Sicilian and Calabrian mafia families, claim to exercise a dominion over their neighborhoods and villages, and infiltrate the social, economic and political fabric. Other camorra groups are less lasting formations, usually developed around a charismatic leader, or loose gangs of offenders which – according to police sources – rather belong to the sphere of common crime than to that of organized crime (Ministero dell’Interno 2001:60-65, quoted in Paoli 2004:277). According to an estimate by the *Direzione Investigativa Antimafia* (Italian Antimafia Investigative Bureau, DIA), the number of groups (or *clans*), which are currently active in Campania is 145, of whom 37 are classified as “minor” (DIA 2010:218). They are not evenly spread across the region, but mainly concentrated in two provinces: Naples (80 clans and 23 minor groups, of whom 39 clans and 6 minor groups operate in the city), and Caserta (10 clans and 9 minor groups).

Unlike Cosa Nostra and the ‘Ndrangheta, the Camorra clans represents a sort of gangster-type mafia phenomenon characterized by horizontal structures (DNA 2010)<sup>61</sup> and a relatively low degree of coordination<sup>62</sup>. There is no evidence of a centralized structure to regulate the use of violence, sanction respect for “rules” and decide communal political and criminal strategies. Various attempts to reproduce a unified organization or anything that resembles the Sicilian Provincial Commission, or the Calabrian *crimine* have systematically failed (DNA 2008)<sup>63</sup>.

<sup>60</sup> In 2001 alone, four city government councils in the province of Naples were disbanded for mafia infiltration: Pompei, San Gennaro Vesuviano, Santa Maria la Carità and Pignataro Maggiore (DNA 2006, p. 111).

<sup>61</sup> The contrast with the former centralized organizational model is striking. As Campana (2012:133) pointed out: “In the 1860s the structure of the Camorra was modeled upon the administrative divisions of the city of Naples: each of the 12 neighborhoods had its own ‘society’, also known as *paranza*. The boss of the Vicaria *paranza* was usually regarded as the boss of the bosses: he would bear the title of *capintesta generale* (the ‘general head’ of the Camorra), bestowed on him by the other societies”.

<sup>62</sup> This is with some exceptions, namely the Secondigliano Alliance or the Casalesi cartel in Caserta (Campana 2011)

<sup>63</sup> Attempts to unify the Camorra clans in the manner of the Sicilian and Calabrian counterparts were made in the 1970s and 1980s by Raffaele Cutolo. The *Nuova Camorra Organizzata* – NCO (New Organized Camorra) was created, but this proved unsuccessful. With the help from Sicilian mafia allies, Cutolo’s opponents formed a new coalition, called *Nuova Famiglia* – NF (New Family). The struggle between the two factions was terribly violent (in the period 1980-1981, almost 380 murders related to this mafia war were counted), and ended with the defeat of the NCO. With the

The Camorra clans seem instead operating with a certain autonomy and compete among each other to establish and maintain control in a given setting. This fragmentation is more evident in the city of Naples and its suburbs, where different groups overlap (Savona 2010). Within such a fragmented criminal scenario, the ability - and the reputation - to resort of violence and intimidation becomes instrumental to assert one clan's control and influence over a specific territory. Camorra clans tend therefore to resort to violence as a means to ensure their power and/or survival, in a mechanism of maintaining - or producing new - spheres of territorial influence. As a result, conflicts within the various clans in Campania have been frequent over the last years. Contrary to occurrences in other traditional mafia areas, where criminal groups have adopted a "lay low" strategy characterized by a low profile and limited use of violence, the Camorra is continually split by internal warfare connected to the conquest of power and control of criminal activities<sup>64</sup>.

Ongoing criminal alliances between clans also form with the purpose of establishing monopoly control over the provision of certain illicit goods or services in a given area (CPA 2009). One of the biggest and most powerful is the Casalesi cartel, which comprises around 15 clans operating in adjoining territories from Casal di Principe in the province of Caserta (Campana 2011:102, DIA 2010)<sup>65</sup>. Recent investigations have also remarked the existence of short-term joint ventures amongst members of camorra clans and other organized crime groups, such as Cosa Nostra and 'Ndrangheta but also Nigerian drug gangs and the Albania mafia, as well as urban criminality for the commission of specific crime events (DIA 2010. See also Calderoni-Caneppele 2009)<sup>66</sup>.

### 3.2 Rituals and codes of conduct

The nineteenth-century Camorra shared several cultural and organizational similarities with their Sicilian and Calabrian counterparts, though differences existed. Like Cosa Nostra and the 'Ndrangheta, Camorra clans frequently resorted to symbols and ritual to strengthen their legitimacy and cohesion (Paoli 2004). Several of these ceremonies were described in a government inquiry in

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NCO no longer a threat, all the families alliances disbanded and also the NF ceased to exist. In 1992, the boss Carmine Alfieri also try to establish an unitary organizational system merging independent Camorra clans. He created the *Nuova Mafia Campana* - NMC (the New Campania's Mafia), which was also short-lived (Cantone 2012).

<sup>64</sup> Camorra clans has recently been engaged in a gangs war that has left hundreds of people dead. In 2004 and 2005, the Naples neighborhoods of Secondigliano and Scampia resembled war zones as gangs battle. The Di Lauro clan and the so-called *scissionisti* fought a bloody feud, which was called by the Italian press as the Scampia feud. The result was over 60 street-killings. In 2007 a new series of murders took place in Naples between 20 competing clans, that cost 12 lives in 10 days. Despite the state intervention to fight crime, in the following year there were over 120 murders (DNA 2006; DNA 2007).

<sup>65</sup> The Casalesi cartel represents a unique feature within the Camorra phenomenon, with other few exceptions. Unlike other Camorra clans, it managed to develop an unitary and vertical organizational structure, which helped the members preserve precise spheres of competencies and implement a wide-scope venturing. However, the recent judicial operations which led the incarceration of the organization's leaders significantly affected the structure and the strength of the group.

<sup>66</sup> According to official reports (CPA 2008; DNA 2008; DIA 2010. See also Calderoni-Caneppele 2009), the conciliatory and collusive attitude of camorra clans toward urban criminals has resulted in a feeble edge between common crime and organized crime.

1900, and had to do with either courage of fealty<sup>67</sup>. Initiation rituals seem, however, to be no longer performed among the Camorra clans (Campana 2011).

According to Marmo (2011) who examined a report written in Naples in 1860-61, entitled “The camorristi brotherhood active in the Neapolitan province”, individuals with aspirations to become chief of a given *società* (society) had to prove his ability in “running the Camorra” and “handling the knife”: only the candidate who had the highest levels of such skills would be appointed as the head of the society. This is a radical departure from the way Camorra clans are run today. As a matter of facts, today less rigid rules about the recruitment and withdrawal of members than the Sicilian and Calabrian counterparts, seem in place. As Campana (2012) pointed out in his study on the La Torre clan, a Neapolitan Camorra group, “merit has now been replaced by kinship, and the most prominent positions within a given clan are allocated by inheritance. For instance, the next in line for the top position is usually the son of the current boss, no matter how good he may be in dealing with criminal affairs, and quasi-democratic procedures seem to have completely disappeared over the years” (Campana 2012:130-131).

### 3.3 Functions and goals

The heterogeneity of the Campanian underworld reflects the great variety of entrepreneurial activities the local crime groups are involved in. Camorra clans engage in all sorts of illegal activities which brings profits and wealth, such as drug trafficking and dealing to loan-sharking and extortion, from counterfeiting to the exploitation of prostitution. To pursue their goals, violence and intimidation are employed in an instrumental way to promote their economic interests, or whenever they see their “turf” and activities being threatened (Paoli 2004:278). In addition to the commission of “traditional” illicit activities, the most powerful camorra clans have proved themselves also to condition the surrounding social, economic and political fabric. They penetrate sectors of the legitimate economy and restrict competition by manipulating bidding processes of public tenders or infiltrating the economic fabric and the public administration in a kind of symbiosis cemented by silence and complicity. Ironically, the very people who support or assist Camorra clans turn out to be victims.

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<sup>67</sup> Nicaso and Lamothe (2005) described few ceremonies. “One ceremony involved a mock duel in which the initiate was wounded in the arm; another had the initiate trying to pick up a coin from the ground as a circle of camorristi stabbed at it with their knives, resulting in several painful but not fatal wounds to the initiate’s hand. A ceremony of reception was described in which the new member stood at a table where a dagger, a pistol and a glass of poisoned wine were place. The picciotto di sgarro stabbed the dagger into the table, cocked the hammer on the pistol, and made as if to drink the poisoned wine” (Nicaso-Lamothe 2005:64-65).

***Insights on Camorra infiltration of the legitimate economy. The involvement in the construction business***

Camorra infiltration of the legitimate economy and its involvement in the construction industry have to do with the very profit-oriented nature of the criminal groups. According to judicial documents (DNA 2010), some camorra clans of the Casalesi cartel managed to control the production and distribution of concrete, profiting of monopolistic positions. This helped the groups obtain economic and political benefits, along with power and influence at the territorial level. They could control competition with rival enterprises, created job opportunities and, at the same time, laundered the proceeds of crime through the mingling of “dirty” and legitimate money. Furthermore, recent investigations have also revealed the extent to which camorra clans have conditioned and manipulated the bidding processes of public tenders (DIA 2010) thanks to the assistance and support of corrupt officials, as well as collusive enterprises. Corrupt activities have been eventually enforced by violence and intimidation. Complex mechanisms of cartel formation (DNA 2005) of construction firms have been in place, namely situations in which firms linked to camorra clans determined the bid prices to each other prior to bidding for a contract in order to predetermine the winner contract (CPA 2008). In a number of cases, investigators found that “when [the companies] are not directly colluded, they are complicit with the function and interests of organized crime” (CPA 2008:109). Evidence of collusive biddings (also called *metodo del tavolino*) that facilitate the rotation of winning bids to firms linked to camorra clans have been also significant, while non affiliated-firms are excluded from participation in public procurement process (DNA 2005). In any event, extortive practices of construction firms have been systematic.



## **PART II**



## CASE STUDY NO. 1: SICILY

### Master builders, Master criminals: corruption and racketeering in the Sicilian construction industry

#### JUDICIAL ACTS AND SOURCES:

- \* Tribunale of Catania – TrCT (2003), Boninelli+ 10 (RGNR 14763/00)
- \* Commissione Parlamentare di Inchiesta sul Fenomeno della Criminalità Organizzata mafiosa o simile – CPA (2008b), *Relazione conclusiva*, 19 febbraio 2008, Doc. XXIII n.7
- \* Direzione Nazionale Antimafia – DNA ( 2007)
- \* Direzione Investigativa Antimafia – DIA (2003), *Attività svolta e risultati conseguiti. II semestre*, Ministero dell’Interno
- \* Savona E.U. (2010), “Infiltration of the public construction industry by Italian organised crime”, in Bullock K., Clarke R.V. and Tilley N. (eds.), *Situational Prevention of Organised Crimes*, Willan Publishing

#### SUMMARY:

This case study examines a set of collusive and criminal activities which were orchestrated by Cosa Nostra members for the award of public works contracts by local municipalities in the province of Catania through open tenders<sup>68</sup>. The facts here presented illustrate overlaps between criminal and legitimate settings with liaison element between organized crime, official economy and political world. The case reveals the establishment of symbiotic relationships that link mafia members and a number of other individuals operating in the legitimate sphere (local entrepreneurs, professionals, public officials and politicians) to condition the procedure for issuing awards. In particular, mafia infiltration was achieved through: (1) cartel formation and collusive bidding; (2) manipulation of the awarding contracts procedure; (3) collusive agreements with corrupt politicians, public officials and professionals; (4) collusive behavior between the firms that win the bid and the subcontractors; and (5) the payment of a “protection tax”.

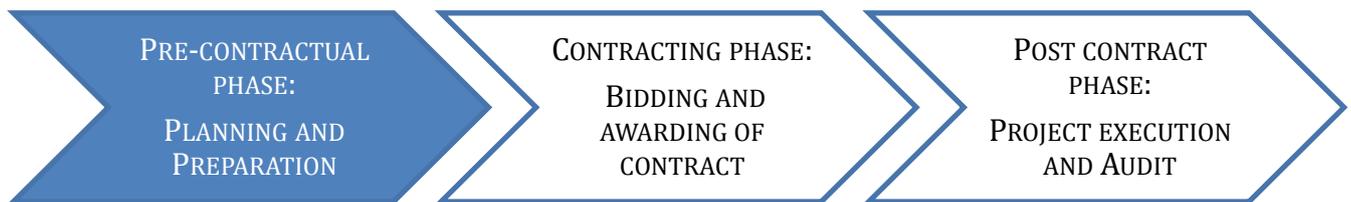
<sup>68</sup> According to the Sicilian regional law n. 21/1998, the procedure for issuing awards was based not on maximum rebate, namely when the firm with the highest offered rebate (lowest price) win the auction, but on average price auctions. This auction mechanism can be briefly described as follows: given the distribution of all bids, the bids located in the first and last deciles are excluded (if the number of valid bids is more than six, the 25% of the lowest and highest bidding rebates are excluded). As a result, the winning bid is the one just below an anomaly threshold value given by the sum of the average bid (average of the not-excluded bids) and the average deviation of the bids above the average bid (art. 1, co. 6, R.L. n. 21/1998)

**AREA:**

Province of Catania

**THE PROJECT:**

The case study refers to events related to 24 open procedures conducted during the period from 2001 to 2002 for the award of public works contracts by different local municipalities in the province of Catania, and a total of 2,824 bidders (including firms and temporary consortia). These contracts mainly refer to roads works, hydraulic works and buildings. For the purpose of the present study, only specific work projects, those which are particularly illustrative of the dynamics of infiltration by the Catania's mafia families, will be here discussed.

**THE SCRIPT****a. Define the territorial “action set”**

Mafia families claim sovereignty over a well-defined territory and exercise their dominion in a given geographical area. A principle of territorial control is in fact enforced within Cosa Nostra, and mafia infiltration into public procurement processes is organized according to the location where the works will take place. In spite of a territorial “sphere of influence” (Savona 2010), the Santapaola mafia family<sup>69</sup> is appointed by other local *cosche* as being in charge of coordinating the

<sup>69</sup> The Santapaola mafia family was the largest Cosa Nostra family on the east coast of Sicily during the 1980s and the early 1990s before it was decimated by investigations and defectors’ testimonies (Paoli 2003:28). The group managed to command a large area of Catania, Sicily’s second-largest city, and its surrounding province. In the 1980s the Santapaola *cosca* found itself having to compete with several large urban gangs, such as the Cursotis, Laudanis and Pillera-Cappellos, which had proliferated in the underworld of Catania. “In spite of their lack of internal cohesion and low economic and political resources, these gangs constantly threatened the supremacy of the Cosa Nostra *cosca* due to the larger number of members and their readiness to use violence. As a result, the Santapaola family recruited a large number of personnel in order to maintain a force capable of deterring these other criminal groups. By increasing the number of the full members – estimated at thirty-five in the early 1980s – only moderately and those of the *avvicinati* abundantly, the Catania family was able to meet this military exigency and, at the same time, it preserved the cohesive and elitist nature of the nucleus constituted by the ritually men of honor” (Paoli 2003:28-29)

activities necessary to polarize the bidding process related to a number of public contracts assigned in the province of Catania.

**b. Planning the strategy of infiltration**

Bosses of implicated mafia families meet to discuss the strategies of infiltration: they agree on the division of the public tenders and define who can participate in which project, who obtains which contracts, and at what price. Local entrepreneurs who wish to gain contracts or sub-contracts approach members of the mafia families in order to ensure their protection, and thus a participation in the public works.

**c. Set up businesses which will take part to the work projects**

With the support of white collars and professionals (i.e. accountants, lawyers, notaries), “clean” businesses and temporary consortia (i.e. ATI, an association of firms created *ad hoc* to participate in the public procurement process) are set up to act as sub-contractors. In doing so, implicated mafia members hide their interest in various construction companies and operate through nominees who “front” for them on public records.

**d. Fulfill pre-qualification criteria**

In order to fulfill general requirements to participate (i.e. requirements relating to a candidate’s professional conduct and standing and financial or economic standing) and specific requirements relating to the technical capability that is necessary to perform a particular contract<sup>70</sup>, mafia enterprises are provided of all the formal requirements entitled by the Italian regulation on public procurement contracts<sup>71</sup>. This is possible thanks to the establishment of collusive / corruptive relations with white collars and professionals, along with local public officials and politicians who help produce and obtain the compulsory documents.

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<sup>70</sup> According to the Italian regulations on public procurement, bidders must be qualified to participate in a tender for a contract of value greater than a certain amount, and must prove to meet the prescribed requirements. As an alternative, firms that do not have the required qualification relating to the formal and technical capability that is necessary to perform a particular contract may participate as part of ATI (i.e. temporary consortia, where at least one of the associated firms is qualified).

<sup>71</sup> The Italian pre-qualification system is run by private firms (called SOA) that are accredited and monitored by the Italian Authority for the Surveillance of Public Procurement (*Autorità per la Vigilanza sui Contratti Pubblici di avori, Servizi e Forniture*, AVCP) to produce certifications after verifying that the firms meet the prescribed requirements. The aim of this system is to admit to the auction only firms that are potentially capable of efficiently executing the awarded contract. Each qualification lasts for 5 years, is renewable, and certifies the size of contracts and the categories of work that a firm is qualified to perform.

**e. Intensify corruptive relations with legitimate figures (entrepreneurs, professionals, public officials, politicians)**

In order to prepare the subsequent activities, insert pre-selected people and enterprises, and condition the management of the work itself, relations between mafia members and colluded entrepreneurs, professionals, public officials and politicians are intensified. As a matter of fact, mafia families show their specificity in the activity of networking (i.e. in creating a web of relationships with various social subjects with the aim of pursuing their own goals of power and enrichment).

**CASE A | CARTEL FORMATION AND COLLUSIVE BIDDING**

Bid rigging cartels are formed between entrepreneurs from both legitimate and criminal sphere. They collusively identify in advance the bid prices and agree on who the successful bidder will be for which contract. Cartel members also agree to take turns in obtaining contracts so that each entrepreneur would have the opportunity to be awarded a tender. “Non-club members”, namely firms outside the cartel relationship, are prevented from submitting bids by means of violence and intimidation by mafia members, if necessary. The collusive bidding scheme is systematic and is coordinated by the Santa Paolas. In fact, they are solicited to provide their “services” and to enforce cartel agreements. Evidences from the investigations suggest that no payment of money is required to join the cartel. Rather, the winning firms will compensate the “services” provided by the mafia families in some manner, such as by “kicking back” a portion of the contract (which ranges from 5% to 10%) or awarding sub-contracts to firms which are “sponsored” by mafia members. Actors from both criminal and legitimate spheres seem therefore to converge in mutual settings. In such an exchange system, local entrepreneurs prove to be not mere passive actors, rather initiators of such collusive relations and complicit with the function and interests of organized crime.



**f. Select enterprises which will take part to the work project**

The winning firms are pre-determined in accordance with the cartel agreements. Most of the sub-contracts and other contracts, namely the supply of goods (such as concrete, quarries and sandpits) and services (such as guardianship of the construction site) are also pre-emptively assigned to pre-selected enterprises.

## CASE B | MANIPULATION OF THE AWARDING CONTRACTS PROCESS

The process of awarding contracts is manipulated within a legitimate/criminal symbiosis and is orchestrated by mafia members in two steps, namely: (1) the design of the submissions; and (2) the determination of the bid prices prior to the bidding for a contract. Evidences from investigations reveal in fact collusive behaviors during the auction stage for all twenty-four open procedures reported in the case study. In carrying out collusive bidding practices, two criteria are followed: first, the rotational bidding, in which firms agree to take turns in obtaining contracts through minimum bidding rebates; second, the territorial bidding, in which firms agree not to submit competitive bids in other mafia families' territories.

A number of firms secretly agree to share the market between them. They will each apparently compete on all tenders, but will in advance determine which of them should win each contract. An *avvicinato* of the Santapaola family is in charge of collecting the tender submissions from all competing contractors, while members of the Catania's *cosca* manipulate the submissions and tender prices offered by colluded firms in order to pre-determine the "winning bid". In order to determine the value of the bidding rebates between firms, a software that simulates the awarding process is used. This software is instrumental to the conspirators to predict the value of bidding rebates between firms, and thus the winning bids, in accordance to the number of participants and the size of the project. "You must tender at 0.81. The others will tender at a higher price [...] so as to ensure that you win the project" (TrCa 2003:67), says a mafia member to a colluded entrepreneur who was pre-selected to win the tender.

By examining the bids for the award of a public works contract in a little town in the outskirts of Catania, investigators have remarked that the values of the bidding rebates offered by fifty-two firms participating to the auction are extremely close to each other. All participating firms have submitted slightly lower bidding rebates (i.e. highest prices), ranging approximately from 0.02711 to 0.06673 percentage points higher than the winning bid. These values were deceptive especially if put in relation with the number of participants in the auction<sup>72</sup> and the value of the tendered project (856,029,163 lire). According to the investigators, these variations were also not comparable to the average observed in the current market<sup>73</sup>. All these elements suggested hints for bidding collusive behaviors between entrepreneurs from legitimate and criminal sphere.

Such a strategy related to the minimum bidding rebates for the award of public works contracts is systematic and takes place for all major open procedures reported in the case study. Other examples concern the tendered project for the realization of a school, which is awarded with a winning rebate approximately 0.834382929% points higher than competing firms. In another case, the auction in which sixty-eight firms participate for the award of public contracts related to the building of a community center in Catania: the winning bidder offers a rebate that is approximately 0.6476374851813% points higher than other offers, with no overlap between bids.

<sup>72</sup> Evidences from past studies on firms' bidding behavior in public procurement auctions show a positive correlation between the value of the bidding rebates between firms and the number of participants in each auction. Decarolis (2009) for example shows that the number of bidders increases the size of the winning rebate (see also Moretti-Valbonesi, 2012).

<sup>73</sup> In terms of bidding rebates, investigators compared the values which emerged from the investigations with the average rebate observed at the national level, and discrepancies were significant (TrCT 2003)

**g. Discouraging competition**

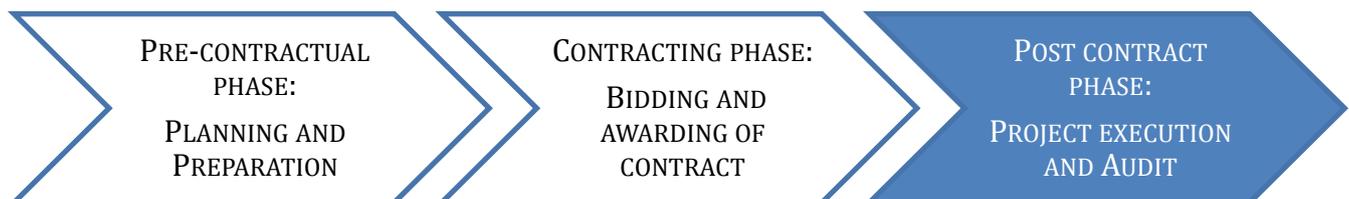
Other legitimate firms seek to tender for the projects or to take part to the work itself as sub-contractors or suppliers of goods and services, but mafia members dissuade “non-cartel” members from participating in the auctions as bidders or from reporting acts of retaliation to the police.

**h. Design the tender and specifications for the subcontract**

Mafia members and *avvicinati* are in touch with a local politician and public officials in charge of the public procurement procedures. They agree on how to design the tenders, so that – in accordance to cartel agreements and collusive bidding strategies – pre-selected firms and temporary consortia assure their chances to award public work contracts on a non-competitive basis. Public officials, who are appointed to drawing up the tender, deliberately require particular work specifications, constraints or exclusion clause on participants who wish to tender, so that only the companies “selected” by the mafia members can fully comply.

**i. Award of the contracts, sub-contracts and other contracts**

In accordance to cartel agreements, entrepreneurs to be included in the tender procedure submit their bids. The documents are placed in the procurement files, creating the false impression that there has been genuine competitive pricing, rather than collusive bidding practices. The public officials in charge of the public procurement procedure guide the selection procedure: “non-club” firms, which somehow fulfilled the tender criteria, surmounting mafia intimidation acts and tendering, are eventually excluded, while the public contracts are awarded by the pre-selected firms. Other “sponsored” companies are also included into sub-contracting and purchasing of goods and services with the winning bidders and sub-contractors.



**j. Claim a “protection tax”**

The contractors which are granted the tenders compensate the “services” provided by the mafia families either with a transfer of money, generally a percentage of the overall value of the work to be accomplished (5 to 10%), or the payment of a kickback “in kind” which takes various forms. In some cases, mafia members dictate the company to whom the entrepreneur must sub-contract the execution of specific works, or supply materials, and at what price. In other cases, mafia families extort payoffs from enterprises by forcing them to employ individuals, usually belonging to the local *cosca* or close to it. Violent intervention and overt intimidation and threats are not usually necessary: actors from both criminal and legitimate spheres tend to converge in mutual settings and

the infiltration is orchestrated within a legitimate/criminal symbiosis. In such an exchange system, entrepreneurs tend to likely benefit from collusive relations with mafia members, as they gain economic advantages by obtaining contracts and eliminating competition<sup>74</sup>.

#### CASE C | COLLUSIVE BEHAVIOR BETWEEN THE FIRMS THAT WIN THE BID AND THE SUBCONTRACTORS

The temporary association ALPHA [this is a pseudonym] is awarded the tender for roads works in Catania. Once obtained the contracts, ALPHA chooses not to execute the works on its own, but to subcontract all the works to the consortium BETA [pseudonym]. As a consortium, BETA is not required to fulfill pre-qualification criteria, namely general requirements to participate (i.e. requirements relating to a candidate's professional conduct and standing and financial or economic standing) and specific requirements relating to the technical capability that is necessary to perform a particular contract, as the firms participating in the consortium must meet all the prescribed requirements<sup>75</sup>. Mr. Calò [pseudonym] is appointed to be the consortium administrator: he is a shareholder of one of the companies that is part of the temporary association ALPHA, and he also owns the construction company GAMMA [pseudonym]. In actual facts, there is a collusive agreement between firms: the tendered works are executed by GAMMA, and the consortium BETA acts as a front company which serves as a vehicle for business transactions without itself having any significant operations. As a result, this stratagem enables a company (GAMMA) which had not to prove to meet all the required qualifications to execute the tendered works.

In still other cases, the subcontractors participated in the same public procurement as bidders, which accounts for the possibility of collusive behavior between the firm that wins the bid and the subcontractor. As a matter of fact, subcontracting is used as way of providing compensation for an agreement between the firms also in respect of the territorial "sphere of influence" (Savona 2010): infiltration is orchestrated by a cartel formed by local and non-local firms, but the work execution is allocated to the firms located in the area where the works take place.

#### k. Control work activities on the construction site

As guarantors of the *quid pro quo* for illegal payments, mafia members use their leverage to control work activities, solve labor problems, mediate disputes, assure manpower, and guarantee the *pax* on the construction site. They do it either directly, or by the intermediary role held by legitimate actors, such as union representatives. The resort of violence, threat and sabotages (i.e. the intentional destruction of structures, materials, equipments) is not necessary to exercise pressure on entrepreneurs, as they and *mafiosi* are linked by a relationship of "mutual" protection: the protection of the mafia (grounded in its power to provide illegal services to their own members and associates and, for a price, to legitimate businessmen), is exchanged for the protection (the ability to make

<sup>74</sup> See also OCTF (1990). "Racketeers can provide competitive advantages to favored firms through sweetheart contracts and through cartels which allocate contracts among a small number of firms [...]. Intense competition not only creates a voluntary market for the services of racketeers, it also makes legitimate businessmen vulnerable to extortion" (OCTF 1990:60-61).

<sup>75</sup> See art. 26, D.Lgs. n. 406/1991, in force when the facts took place.

entrepreneurs receptive to the organization's interests) offered by actors operating in the legitimate sphere.

#### **1. Audit and control of the results**

To avoid problems in contract execution and in quality checks and controls, mafia bosses and other associates interlace collusive/corruptive relations with public officials, together with professionals and building inspectors. The consensual relationships that unite criminal and legitimate actors is instrumental to the mafia families and the cartel members. By leveraging and manipulating their regulatory powers to escalate costs, cause delays or even shut down a project, they solicit/receive payoffs in exchange for favorable exercise as they can provide money-saving benefits by expediting the inspection process or overlooking non compliance with rules and regulations or concealing defects (Goldstock 1990:113).

## CASE STUDY NO. 2: CALABRIA

### Free port: mafia infiltration in the works for the completion of the Gioia Tauro port

#### JUDICIAL ACTS AND SOURCES:

- \* Tribunal of Palmi – TrPal (2004), Giovinazzo Ippolito + 13 (RGT 846/02, RGT 463/03)
- \* Commissione Parlamentare di Inchiesta sul Fenomeno della Criminalità Organizzata mafiosa o simile – CPA (2008a), *Relazione annuale sulla ‘Ndrangheta*, 19 febbraio 2008, Doc. XXIII n.5
- \* Commissione Parlamentare di Inchiesta sul Fenomeno della Criminalità Organizzata mafiosa o simile – CPA (2008b), *Relazione conclusiva*, 19 febbraio 2008, Doc. XXIII n.7
- \* Direzione Investigativa Antimafia – DIA (2007), *Attività svolta e risultati conseguiti. II semestre*, Ministero dell’Interno
- \* Savona E.U. (2010), “Infiltration of the public construction industry by Italian organised crime”, in Bullock K., Clarke R.V. and Tilley N. (eds.), *Situational Prevention of Organised Crimes*, Willan Publishing

#### SUMMARY:

This case study deals with the infiltration by the ‘Ndrangheta in the public works for the completion of the industrial port of Gioia Tauro and the realization of port facilities and safety arrangements<sup>76</sup>. The facts refer to open tenders conducted during the period from 1995 to 2001 and shed a light on the *modus operandi* undertaken by ‘Ndrangheta families operating in the Plain of Gioia Tauro<sup>77</sup> to discourage competition and penetrate the works execution by means of collusive agreements, corruptly negotiated contracts, extortion, bribes, fraud, sabotage, violence and intimidation. In particular, mafia infiltration was achieved through: (1) direct participation in the work itself by mafia firms; (2) the imposition of subcontractors and suppliers of goods and services on non-mafia firms (contractors and sub-contractors); (3) the payment of a “protection tax” on each contract and subcontract which was granted to non-mafia firms.

<sup>76</sup> In particular, the case study examines facts related to the contracts for the realization of a runway and a yard for the storage of containers (project GRS08/3) and other infrastructures (industrial warehouses and large squares) for the transshipment terminals (project GRS01).

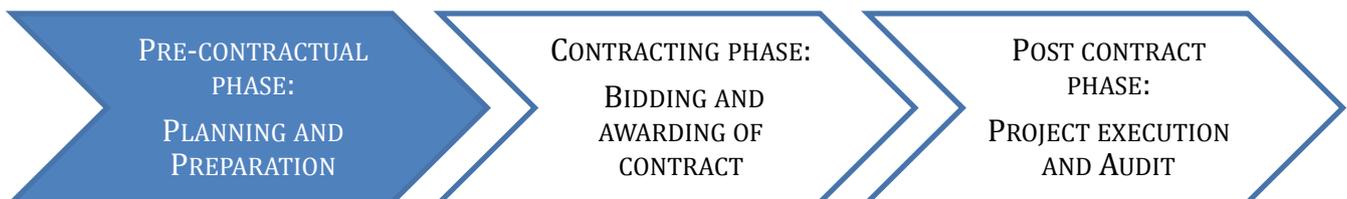
<sup>77</sup> The Bellocco, Pesce and Piromalli-Molè *cosche* are amongst the most powerful mafia famiglie in the Gioia Tauro Plain area (CPA 2008a, DIA 2007, Gratteri-Nicaso 2007)

**AREA:**

Gioia Tauro-Rosarno-San Ferdinando (Reggio Calabria, Calabria)

**THE PROJECT:**

The realization of the Gioia Tauro port was initiated in the 1974 together with the project of the Southern Italy Development Fund for the realization of the Fifth Steelwork Center. With an initial investment of about 126 billion lire (Santino-La Fiura 1990), Gioia Tauro had to be the main centre for industrial development in the south of Italy, but the steelworks have never materialized. In actual fact, only the port was ever built and it was subsequently converted into a facility for the transshipment of containers. Inaugurated in 1992, important projects of modernization concerning port facilities and safety arrangements have been undertaken over the years. Today, the port of Gioia Tauro represents the largest container port in the Mediterranean with an extension of 4,646 metres, and a strategic logistics platform for the entire Mediterranean basin reaching the quota of over 3 million containers handled every year (PAGT 2012). This makes it the leading and largest docking for shipping companies managing the connections with all of the continents: South America, Australia, the United States and Asia.

**THE SCRIPT****a. Define the territorial “action set”**

The ‘Ndrangheta is a loose confederation of mafia families who claim sovereignty and control over a well-defined territory. Nevertheless, the three leading mafia *cosche* of the Plain of Gioia Tauro, namely the Piromalli-Molè, Pesce and Bellocco families, realize the high potential of the projected development of the industrial port, and agree on creating a coalition – or joint venture - of mafia families<sup>78</sup> in order to orchestrate the infiltration and manage the entrepreneurial activities to make sure that they control the whole work projects. As a matter of fact, it is in the *cosche*’s interest to function as a unitary collective subject and coordinate criminal strategies and activities in order to maximize criminal opportunities and illicit profits.

<sup>78</sup> Investigators refer to this joint venture as a “super-cosca” (TrPal 2004).

### **b. Planning the strategy of infiltration**

In order to organize and manage the strategies and entrepreneurial activities in a coordinated way, meetings are organized amongst bosses of the *cosche* involved in the infiltration. During these meetings, bosses discuss the strategies of infiltration, agree on the division of the work projects in which they are involved, and dictate the construction companies who can participate in which work project and who can obtain which contracts and sub-contracts, and at what price. In fact, they agree to not content themselves with only collecting the *pizzo*, but also demand more direct participation in the work itself by inserting their own people and companies in the works execution<sup>79</sup>.

### **c. Set up businesses which will take part to the work project**

'Ndrangheta families have a direct interest in numerous construction companies to act as sub-contractors and suppliers operating in the concrete sector. In order to obtain a direct participation in the work itself, *'ndranghetisti* and associates hide their interest by operating through nominees who “front” for them on public records. The support of white collars and professionals (i.e. accountants, lawyers, notaries) is instrumental at this regard. In other cases, mafia families serve as “sponsors” for certain legitimate construction companies for the award of works contracts or sub-contracts. To “protect” their market and companies, local *cosche* resort to violence and overt intimidation and threat over non-cooperative entrepreneurs. In most other cases, the mafia reputation deriving from the capacity to impose its own rules through violence is *per se* enough to drive competitors away. In any event, open competition, especially in the concrete sector, is significantly discouraged and *cosche* come to enjoy a series of dominant positions in the provision of raw materials and other commodities.

### **d. Fulfill pre-qualification criteria**

Building firms which will take part of the work projects are provided of all the formal requirements to participate (i.e. requirements relating to a candidate's professional conduct and standing and financial or economic standing) and to perform contracts (i.e. technical capability) as required by the Italian regulation on public procurement contracts. This is possible thanks to the establishment of collusive / corruptive relations with white collars and professionals, along with local public officials and politicians who help produce and obtain the compulsory documents.

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<sup>79</sup> The amount of business that is carry out by different *cosche* will correspond to their respective positions in the “hierarchy of mafia power” (TrPal 2004. See also TrRC:1978 217): the top mafia groups in the Plain of Gioia Tauro get the top sub-contracts, the smaller groups gets the smaller ones. No conflict is involved in the fixing of this hierarchy: there is no disagreements between *cosche*, inasmuch as they themselves share out the work. So clear is the advantages of accepting this criterion for sharing out sub-contracts that, at times when fewer of them were available, the smaller groups proved ready to stand aside and only the most powerful *cosche* remained in the market (Arlacchi 1986:94).

**e. Intensify corruptive relations with legitimate figures (entrepreneurs, professionals, public officials, politicians)**

In order to prepare the subsequent activities, insert their own people and/or enterprises, and enter the management of the work itself, mafia members and associates intensify their relations with colluded entrepreneurs, professionals, public officials and politicians. As a matter of fact, *cosche* show their specificity in the activity of networking (i.e. in creating a web of relationships with various social subjects with the aim of pursuing their own goals of power and enrichment).



**f. Select enterprises which will take part to the work project**

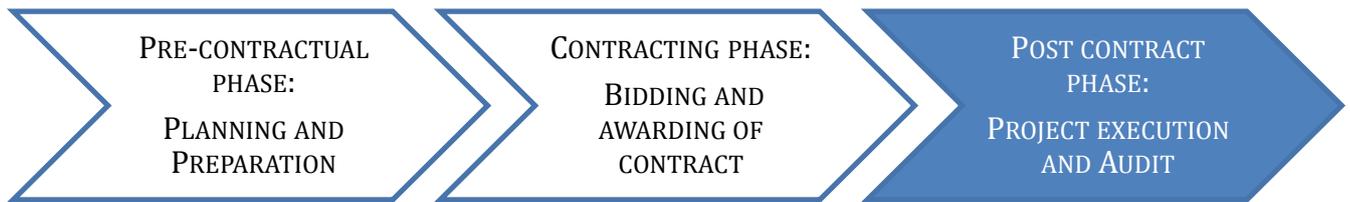
The entrepreneurs who are tendering for the work projects are targeted and approached by members of the local *cosche* involved in those specific projects. Mafia members dictate the entrepreneurs and firms that must be included into subcontracting and other contracts (i.e. supply of goods, such as concrete and sandpits, or services, such as guardianship on site construction), in case they award the tendered projects. The entrepreneurs agree and contact them.

**g. Discouraging competition**

Many legitimate firms seek to take part to the work projects as sub-contractors or suppliers of goods and services, but forms of competition is discouraged by the local *cosche*. In some cases, possible competitors drive away, since the mafiosi's capacity to coerce is acknowledged. Other cases, instead, where competitors ignore the authority of the mafia or refuse to acknowledge it, call for direct discouragement and the exclusion of "unwelcome firms" is enforced in a variety of ways, from threats to dynamite attacks. None of these acts of retaliation – with few exceptions - is reported to the police.

**h. Award of the contracts, sub-contracts and other contracts**

From the sources examined, detailed information on the design and awarding procedures is lacking. What is known is that after the selection procedure mafia and "sponsored" firms are awarded the sub-contracts and other contracts for the supply of goods (in particular, concrete and sand) and services. The 'Ndrangheta families manage thus to infiltrate into subcontracting of public works, either through a direct participation in the work itself by mafia firms, or by imposing colluded firms "selected" by the *cosche*.



### i. Claim a “protection tax”

When the construction works start, the Calabrian *cosche* demand the payment of a “protection tax” on each contract and subcontract which is granted to non-mafia firms. Such a portion payable, known also as *pizzo*, or *messa a posto*, or *fiore*, is either a transfer of money, generally a percentage of the overall value of the work to be accomplished (around 8%), or the payment of a kickback “in kind” which takes various forms. In some cases, mafia members dictate the company to whom the entrepreneur must sub-contract the execution of specific works, or supply material, and at what price. In other cases, *cosche* extort payoffs from contractors or sub-contractors by forcing them to employ individuals, usually belonging to the local *cosche* or close to them. Extortion is often enforced by means of violence and intimidation against non-cooperative entrepreneurs. Various fraudulent schemes are used by entrepreneurs to generate cash and conceal payments to racketeers (i.e. false or inflated invoicing, purported payments to “ghost” or fictitious employees or suppliers and actual payments to no-show employees)

#### CASE A | FALSE INVOICING: THE SUPPLY OF LESS OR INFERIOR MATERIAL (1)

A local entrepreneur, Franco Zagara [this is a pseudonym], who is awarded the contract for the supply of mixed concrete to the subcontractor firm ALPHA [pseudonym], is approached by an individual who introduces himself as a businessman operating in the area<sup>80</sup>. Using “persuasive methods typical of the mafia” (TrPal 2004:70), the businessman compels Zagara to reduce the price of the material to supply, from 36,000 lire to 33,000 lire per cubic meter. The extortion is the following: rather than claiming a 3,000 lire kickback per cubic meter of material supplied to the firm ALPHA, Zagara is asked to adjust the price of the material, deducted of the amount to be paid to the mafia family. The businessman explains this as follows: “The job is mine, so it makes no sense that you invoice 36,000 lire for every cubic meter and then you pay me a 3,000 lire kickback per metric cubic of material supplied [...]. Let’s set the price of 33,000 lire for every cubic meter of concrete and we’re good” (TrPal 2004:57-60).

In order to amortize the cost of the “protection tax” and to preserve a margin of profit (although reduced), the businessman also suggests Zagaria two strategies. The first strategy posits that the specified quantity of mix concrete (60 kg) is reduced (down to 25kg). In this way, Zagaria would provide less material but invoice for the full quantity. The second strategy posits the supply of concrete of a cheaper and inferior specification, but the invoice would be for the required specification. Initially, Zagara agrees on the supply of material of cheaper and inferior specification:

<sup>80</sup> Investigators found out that this individual was close to the Bellocco family, one of the most powerful *cosche* in Tyrrehanian Calabria

to avoid problems with control procedures and quality audit, however, the paving would be made using mixed concrete with the required specification, while the subbase would be made by using concrete of a cheaper and inferior specification. Although the strategy seems to be working for both parties, things change when the *cosca* increases the amount of the extortion to be paid (up to 5,000 lire per metric cubic). Zagara's margin of profit is now next to none. He is forced first to suspend then to interrupt the supply of material. Inevitably, he is out of business.

#### CASE B | FALSE INVOICING: THE SUPPLY OF LESS OR INFERIOR MATERIAL (2)

The firm BETA [pseudonym], who won the tender for the realization of the works related to the project GRS01, is asked for the payment of a kickback. In order to conceal the payment of the extortion money, the contractor and the *'ndranghetosti* agree on the following stratagem. The firm BETA supplies concrete from three different companies: the firm GAMMA [pseudonym], the firm DELTA [pseudonym] and the firm EPSILON [pseudonym]. The two latter firms are linked to the Piromalli and Pesce-Bellocco *cosche*. To commit cash flows, only one firm provides the firm BETA the specified quantity of concrete, but all three firms invoice the contractor for the full price. The contractor pays in full, both the genuine and the false invoice. As a result, there is a gap between the amount of material purchased by the firm BETA and the amount of material actually used for the realization of the works. This gap equals the amount of the extortion paid by the firm BETA to the Piromalli and Pesce-Bellocco *cosche*. Through the examination of the invoices, however, it is impossible to determine which supplier actually provided the specified quantity of material, and which one did not.

#### CASE C | PAYMENTS TO "GHOST" OR FICTITIOUS EMPLOYEES AND IMPOSITIONS OF SUPPLIERS

The Petacco brothers [pseudonym], owners of the firm EPSILON [pseudonym] which is granted of the contracts for the building of industrial warehouses and large squares in the port area in Gioia Tauro, are approached by members of the Piromalli *cosca*, "which are the bosses in the area" (TrPal 2004:576). The contractors are asked to put an ex-convict with close bonds with the mafia family and few other individuals on the company's payroll. The Petacco brothers receive various threats, until they agree to hire them although their company has no need to resort to additional labor force to accomplish the work. The new employees hold salaried positions, but their employment is only "on the books" or limited to minor tasks. As a matter of fact, the *cosca* extracts money from the construction firm by forcing the contractors to place nonworking mafia members and other fictitious workers on its payrolls. This is the price the Petacco brothers have to pay in return for being left in peace.

Beside the enforcing of labor recruitment, the Piromallis exploit their power to extract money from the Petaccos' company also by forcing them to supply concrete from the company ZETA [pseudonym], owned by Mr. Bastone [pseudonym], who is a family member of the boss Piromalli. Threatening phone calls are made and the Petacco brothers close the deal with Mr. Bastone although the price set for every cubic meter of concrete is above the market rate. The

likelihood is that the surplus paid by the firm EPSILON constitutes the payoffs (or a portion of the payoffs) which are then allegedly transferred to the Piromalli cosca.

Similar extortive dynamics take place when the Petacco brothers start another working of a public contract in the area between San Ferdinando and Rosarno, which is – in this case - under the influence of the Bellocco family. In this event, violent intervention and overt intimidation and threats are not necessary: soon after arriving on the working site, the Petacco brothers pre-emptively approach members of the Belloccos in order to “ensure their protection”. In return of the “services” provided by the *cosca*, the Petacco brothers agree with the organization on the payment of the “messa a posto”, whose amount is variable and set up each times is requested. The Bellocco also extracts money from the construction company by coercing the Petacco brothers to supply the material, along with the equipment and labor force, exclusively from the company ETA [pseudonym], a favored firm either controlled by or kicking back to the Bellocco *cosca*. In fact, the Belloccos’ control over the supply of concrete in that area. Once again, the material provided to the firm EPSILON is deliberately of a cheaper and inferior specification, but the Petaccos pay in full, resulting in an illicit profit to the company ETA.

#### **j. Control work activities on the construction site**

Labor racketeering activities are carried out by mafia families. As guarantors of the *quid pro quo* for illegal payments, they use their leverage to control work activities, solve labor problems, mediate disputes, assure manpower, and guarantee the *pax* on the construction site. Conversely, they can orchestrate strikes and work slowdowns, as well as commit sabotages, namely the intentional destruction of structures, materials, equipments, to exercise pressure on uncooperative entrepreneurs. Their effectiveness is grounded in their power to provide illegal services to their own members and associates and, for a price, to legitimate businessmen.

#### **k. Audit and control of the results**

Members of the mafia families, their associates or individuals close to them interlace collusive/corruptive relations with public officials and building inspectors to avoid problems in contract execution and in quality checks and controls. By leveraging and manipulating their regulatory powers to escalate costs, cause delays or even shut down a project, public officials solicit/receive payoffs in exchange for favorable exercise as they can provide money-saving benefits by expediting the inspection process or overlooking non compliance with rules and regulations or concealing defects (Goldstock 1990:113).

## CASE STUDY NO.3: CAMPANIA

### Insight into the “System”: mafia infiltration by Camorra clans

#### JUDICIAL ACTS AND SOURCES:

- \* Tribunal of Salerno – TrSa (2005a), Franzese + 9 (RGGIP 5777/04)
- \* Tribunal of Salerno – TrSa (2005)b, Palo + 8 (RGGIP 5778/04)
- \* Commissione Parlamentare di Inchiesta sul Fenomeno della Criminalità Organizzata mafiosa o simile – CPA (2008b), *Relazione conclusiva*, 19 febbraio 2008, Doc. XXIII n.7
- \* Savona E.U. (2010), “Infiltration of the public construction industry by Italian organised crime”, in Bullock K., Clarke R.V. and Tilley N. (eds.), *Situational Prevention of Organised Crimes*, Willan Publishing

#### SUMMARY:

This case study deals with the infiltration by Camorra clans in the public works for the realization of a multi-function center and basic infrastructures (streets and green areas) in the city of Montecorvino Pugliano (Salerno). In the 2003, the city was at the center of a major scandal involving local officials, construction companies and Camorra clans. The scandal led to the mayor, along with the vice-mayor and a city councilor, being arrested and the city council was disbanded for “mafia penetration”<sup>81</sup>.

The facts here presented reveal the pervasive intrusion of organized crime in the public construction industry and the establishment of a criminal system based on collusive agreements among Camorra members, local entrepreneurs, professionals, public officials and politicians. In particular, mafia infiltration was achieved through: (1) manipulation of design; (2) collusive agreements with corrupt politicians and professionals; (3) the imposition of subcontractors, as well as suppliers of goods and services, on non-mafia firms (contractor and sub-contractors); (4) the claim to the payment of a “protection tax” on each contract and subcontract which was granted to non-mafia firms.

#### AREA:

Montecorvino Pugliano and surroundings (in the province of Salerno)

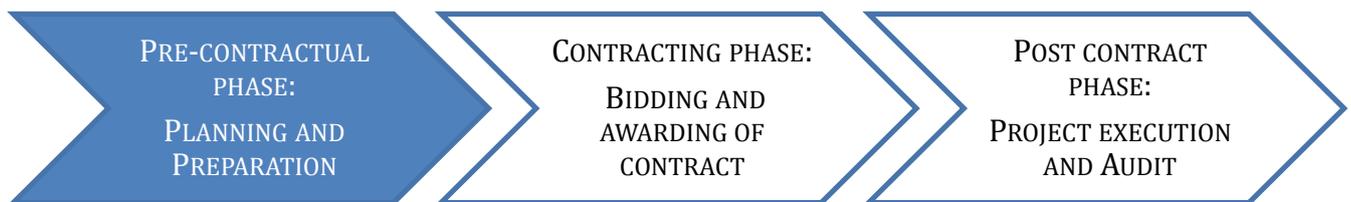
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<sup>81</sup> D.P.R. November 21 2003, published on the Official Gazette n. 290, on December 15 2003

## THE PROJECT:

The case study refers to events related to 3 open procedures conducted during the period from 1995 to 2003 for the award of public works contracts by the city council of Moncorvino Pugliano, in the province of Salerno. The first tendered project is for the realization of a multi-functional center worth 874,300,800 lire in Santa Tecla, a hamlet of the city of Moncorvino Pugliano. The other two tendered projects are for, respectively, the realization of specific streets and green areas in Moncorvino Pugliano, and the arrangement of the stairways and forecourt of the church in Santa Tecla. For all projects, the work completion is accomplished with additional variations to works in respect to an extension of time and additional payment.

## THE SCRIPT



### a. Define the territorial “action set”

Camorra clans act with a certain autonomy and tend to compete among themselves to exercise their dominion in a given setting. On the Plain of Sele, where Montecorvino Pugliano is located, the Pecoraro-Renna clan is a well established criminal group that, as much as Sicilian and Calabrian mafia associations, claims to exercise territorial sovereignty over its area of settlement and to condition the local economic and political fabric. Other criminal groups, however, contend such a dominion and few episodes of a power struggle between clans occur.

### b. Planning the strategy of infiltration

Associates of the Pecoraro-Renna clan meet to discuss the strategies of infiltration related to the public tenders dispensed by the city council of Montecorvino Pugliano. They dictate who can participate in which project, who can obtain which contracts, and at what price. It would seem that the participants do not content themselves with the conditioning of subcontracting, but also agree on a direct management of the works through liaison elements linking building firms, professionals and local politicians.

### c. Set up businesses which will take part to the work project

The clan has direct interests in various construction companies to act as sub-contractors and suppliers operating in the concrete sector. *Camorristi* hide their interest by operating through

nominees who “front” for them on public records. At this regard, the support of white collars and professionals belonging to the private sectors becomes instrumental to set-up such “clean” businesses.

d. **Fulfill pre-qualification criteria**

Thanks to collusive / corruptive relations with professionals, public officials and politicians, building firms which have been selected by the clan to take part of the work projects - are provided of all the formal requirements and compulsory documents required by the Italian regulation on public procurement contracts.

e. **Intensify corruptive relations with legitimate figures (entrepreneurs, professionals, public officials, politicians)**

In order to prepare the subsequent activities, insert their own people and/or enterprises, and enter the management of the work itself, Camorra associates intensify their relations with colluded entrepreneurs, public officials and politicians. The clan manages to position also two professionals, respectively an architect and an engineer, who are in touch with the clan, in strategic positions to assist the clan in its activities of conditioning the awarding and overall management of the construction projects. Such professionals are appointed by the city council to plan and manage the projects. They will contribute to numerous criminal operations and will be actively involved in how the infiltration is orchestrated within a legitimate/criminal symbiosis. Actors from both criminal and legitimate spheres seem therefore converge in symbiotic settings. In such exchange context, a “mutual protection” relationship likely exists: the protection of the mafia (deriving from its capacity to impose its own rules and power through violence) is exchanged for the protection (not only services or impunity, but also the ability to make institutions and public resources receptive to the organization’s interests) offered by politicians and public officers<sup>82</sup>.

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<sup>82</sup> At this regard, the observation of Gianluca Fulvetti (2004:69) is striking. He moves forward Gambetta’s analysis and its definition of the mafia as a private industry of protection, and he states that “mafia associations, in fact, supply protection, but also receive it from legitimate powers”.



**f. Select enterprises which will take part to the work project**

The boss of the clan dictates the entrepreneurs and firms that must be included into subcontracting and other contracts, namely the supply of goods and services such as concrete, quarries and sandpits. He then informs the project managers who are appointed to drawing the projects.

**g. Discouraging competition**

Many legitimate firms seek to tender for the projects or to take part to the work itself as sub-contractors or suppliers of goods and services, but the clan discourages “unwelcome companies” to compete. The clan resorts to violence and threats, if necessary. None of these acts of retaliation is reported to the police.

**h. Design the tenders and specifications for the subcontract**

The architect and engineer provide the entrepreneurs with inside information necessary to draw up a winning to be sent to the winning bidder and obtain sub-contracts and contracts for the supply of material. In actual facts, the prices offered by the “sponsored” companies are very competitive compared to the bids offered by other firms. By controlling companies involved in the production and distribution of concrete, quarries and sandpits, the clan comes to enjoy a dominant position within the market and controls the selection by influencing not only costs, but also orders, contracts and sales markets.

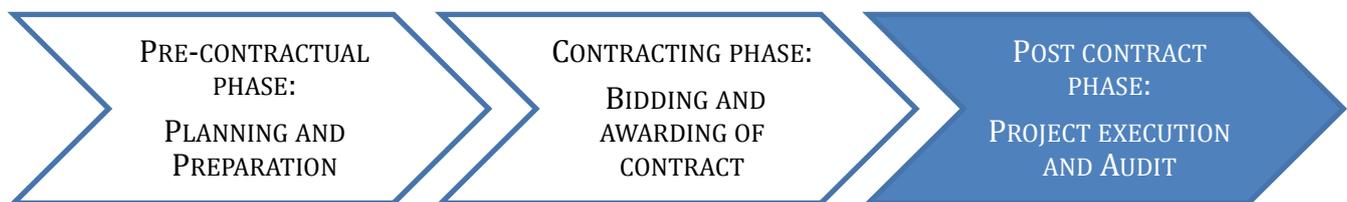
**CASE A | CORRUPTION IN THE AWARD AND ADMINISTRATION OF PUBLIC CONSTRUCTION PROJECTS**

A member of the city council is in touch with clan associates. He is informed on who can participate in which project, who can obtain which contracts, and at what price. By controlling and influencing the appointment of public officials and professionals in charge of the construction projects, along with the decisions on all projects’ matters, he trades his integrity to assure the issuance of public approvals and protect the companies “sponsored” by the clan against possible shakedowns. He is in constant contact with the entrepreneurs to be included in the work projects, and influences the decisions and activities carried out by the appointed individuals to designing and awarding the contracts. The “power-brokering role” (OCTF:1990) played by the councilor is instrumental to the clan associates: they pay him a bribe to insert their own people and enterprises,

and to obtain contracts. Both parties agree that the cost of the bribe will be included in the contracts price.

**i. Award of the contracts, sub-contracts and other contracts**

The executive managers guide the selection procedures and award the contracts. The “sponsored” companies are included into sub-contracting and purchasing of goods and services with the winning bidders.



**j. Claim a “protection tax”**

The contractors which are granted the tendered projects are subjected to extortion racket. The clan in fact claims the payment of protection money. Such a portion payable, known also as *pizzo* or *messa a posto*, is either a transfer of money, generally a percentage of the overall value of the work to be accomplished, or the payment of a kickback “in kind” which takes various forms. In some cases, clan associates dictate the company to whom the entrepreneur must sub-contract the execution of specific works, or supply material and at what price. In other cases, the clan extorts payoffs from legitimate enterprises by forcing them to employ individuals, usually belonging to the local *clan* or close to it. Extortion is often enforced by means of violence and intimidation against uncooperative entrepreneurs.

**CASE B | EXTORTION**

The building company ALPHA [pseudonym] is awarded the tender for the realization of the multi-functional center in Santa Tecla, and instances of the payment for the *messa a posto* are soon disclosed. One day, when the works have just started, the entrepreneur is approached by the architect who is appointed as the executive manager of the project. “You must put yourself in place”, he says. The entrepreneur reacts with surprise: he was expecting an associate of the clan to solicit the payoff. Far from being the case, the architect demands the extortive quote on behalf of the clan: he is actively involved in how the infiltration is orchestrated, and contributes beyond his role as a facilitator who supports the criminal organization in supplying illegal commodities and services. The importance of such individual accounts for brokerage between the clan and the extorted enterprise. The entrepreneur eventually pays the architect. The amount would be then transferred to the Camorra clan.

**CASE C | FALSE VARIATION CLAIM**

The owner of the firm BETA [pseudonym], which was granted the tender for the realization of the realization of street and green areas, is asked for the payment of a kickback. The quota is demanded by the two professionals – respectively, an architect and an engineer – appointed as executive managers of the projects. They act on behalf of two city councilors colluded to the boss of the clan. In order to conceal the payment of the extortion money, the contractor is instructed by the architect and engineer to carry out a variation to the works. The entrepreneur submits a written claim in respect of the variation to the professionals which deliberately exaggerate the manpower, materials, equipment and time required to carry out the variation. The two professionals, who are responsible for issuing variations, accept the variation claim and award the contractor an extension of time and additional payment. The overall price of the job raises and the project owner pays the excessive contract price. The contractor pays the architect, who collects the additional payment derived from the false variation claim (total amount). A share of the money disbursed by the project owner to cover the variation claim is distributed to all the participants involved in this extortive schemes (camorra clans along with professionals, public officers and politicians), but the contractor.

**k. Control work activities on the construction site**

As guarantors of the *quid pro quo* for illegal payments, clan associates use their leverage to control work activities, solve labor problems, mediate disputes, assure manpower, and guarantee the *pax* on the construction site. They do it either directly, or by the intermediary role held by legitimate actors, such as union representatives.

**l. Audit and control of the results**

To avoid problems in contract execution and in quality checks and controls, the clan boss and other associates interlace collusive/corruptive relations with public officials, together with professionals and building inspectors. The consensual relationships that unite criminal and legitimate actors is instrumental to the clan. By leveraging and manipulating their regulatory powers to escalate costs, cause delays or even shut down a project, they solicit/receive payoffs in exchange for favorable exercise as they can provide money-saving benefits by expediting the inspection process or overlooking non compliance with rules and regulations or concealing defects (Goldstock 1990:113).



## Findings and Conclusions

This concluding chapter presents the main ideas drawn from the examination of evidence from past research and case studies that offers explanations of the Italian organized crime phenomenon and mafia permeability of the construction industry in Italy. Section 5.1 describes the most common forms of organized criminal activities in Italy's construction industry<sup>83</sup>. Section 5.2 offers elements explaining how mafia infiltration occurs in the public construction industry in Italy. Section 5.3 discusses on possible factors that create the opportunities / incentives for Italian organized crime groups to infiltrate the public construction industry in Italy. Some concluding remarks follow.

### 7.1 A catalog of organized criminal activities in Italy's construction industry

The construction industry is project-oriented and for this reason is not easily subject to generalization. Each project is unique for size, complexity, geographical location and a different constellation of actors involved. Thus, it can always be argued that conclusions based upon a particular project cannot be applied to others. While recognizing the hazards of generalizing from limited data, such criticisms is not persuasive. Investigative evidences provide an ample factual basis for developing a comprehensive audit of the criminal activities within. Accordingly, the analysis of the three case studies here presented – which are drawn from criminal prosecutions that are matter of public records – helps us situate the emergence of the most typical deviant practices in this industry.

#### ***Extortion***<sup>84</sup>

Extortion, namely the extraction of a tribute induced by the use of actual or threatened force and violence, emerges as being a commonplace occurrence in organized crime groups' activities to condition segments of Italy's construction industry. As Paoli (2004) suggested, this has to do with

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<sup>83</sup> The OCTF (1990) and Public Safety Canada (2012) provided a catalog of corruption and racketeering activities which have emerged throughout, respectively, the New York's and Canadian construction process. The description of the most common forms of organized criminal activities in Italy's construction industry (section 5.1) intentionally overlaps to a certain extent the list of offences reported in these documents. This was done in an attempt to situate the emergence of deviant practices in Italy's construction industry in a comparative perspective.

<sup>84</sup> Artt .629 (*estorsione*) and 629-bis (*altre attività estorsive*) of the Italian criminal code

the very nature of Italy's mafia and camorra groups which claim to exercise a dominium within a given territory. This dominium is mainly exerted in the extraction of a "protection tax" on all economic activities in the mafia families' zone of influence. Organized crime groups do not clearly provide "real" services. Rather, they generate a demand for security and merely sell "protection" against themselves. So, when associated to organized crime, extortion takes often the form of a protection racketeering which consists in the promotion, sale and provision of "protection" (Transcrime 2008. See also Gambetta 1992). As such, it is functional to organized crime to impose their authority over a specific territory and its economic activities, as well as a means used by organized crime to penetrate the legitimate businesses being extorted (Transcrime 2008).

In the Italian construction industry, the analysis of the three cases shows that such a portion payable, known also as *pizzo* or *messa a posto*<sup>85</sup>, is usually a transfer of money based on the overall value of the work to be accomplished, but it can also take the form of a payment in kind. In our cases, the different types of extortion in the construction industry include:

- \* the transfer of money;
- \* the imposition of supplies (for example, concrete, quarries or sandpits) or services (for example guardianship on the construction site) from firms controlled by or linked to organized crime;
- \* the imposition of non-working individuals (i.e. mafia members, associates or other individuals) on the company's payroll;
- \* the participation of mafia enterprises or colluded firms in jobs for which the company subjected to extortion has contracts (for example, sub-contracting the execution of specific works).

Previous studies (Arlacchi 1986, Santino-La Fiura 1990, OCTF 1990, Paoli 2004, Savona 2010, Public Safety 2012, for example) have disclosed similar modalities of extortion.

As evidence from the cases pointed out, mafia groups and camorra clans systematically force – by means or foul – licit enterprises starting a work in their area of influence to pay the extortion racket. The pressure imposed may take the form of action (use of actual or implied violence) or inaction (as the negation of access to or provision of certain works, goods or services). The empirical scrutiny also reveals that in some instances members of criminal groups are pre-emptively contacted by legitimate entrepreneurs starting a work on that territory as "spontaneous adjustment" (Lari 2002) to the local mafia family. While in one sense such firms are still victims, as they would be still subjected to the extortion racket, "such situations tend to blur the line between victimization and collusion" (Public Safety 2012:19).

### ***Violence and intimidation***

The cases show that mafia conditioning over segments of the public construction industry is enforced by the use of violence and intimidation. Actual violence and over intimidation are not

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<sup>85</sup> The term *pizzo* is often replaced by a variety of other terms. In the case study n.2 – Calabria, for example, *fiore* was the term used to refer to the transfer of money paid to the local *cosche*.

always necessary. They are resources which materialize from time to time most likely to discipline uncooperative individuals (entrepreneurs, firms, professionals, public officials, politicians) and to polarize markets<sup>86</sup>. Actually, the criminal reputation of being violent and able to resort to mafia methods is often enough to alter the behavior of actors in the procurement process and assert mafia conditioning over the markets (see also Gambetta 1993)<sup>87</sup>.

### **Official corruption<sup>88</sup>**

The cases suggest the extent to which the construction industry provides a prime example of continuous between organized crime and individuals operating in the legitimate economy (see also Savona 2010, CSD 2010). To obtain contracts, favors, services or other illicit advantages, mafia and camorra groups need the critical involvement of various legitimate actors designed for mafia's criminal purposes. Organized crime groups show thus their specificity in the activity of networking, namely in creating a net of relations with various individuals from legitimate circles with the aim of pursuing their criminal goals. Within this web, there are also political authorities and official institutions. They serve as tokens or exploited prey, but they may also be consensual actors pursuing their own interests. In both cases, their place in the criminal scheme is justified by the contribution of their legitimate status and functions.

The analysis of the cases shows that the institutional individuals (politicians and public officials) who are particularly vulnerable to corruption are those in a position to handle public resources or to influence some phases of a construction project<sup>89</sup>. The extent of official corruption can be understood in terms of the potential inherent in the roles of those actors who regulate and implement public construction (see also OCTF 1990). By leveraging and manipulating their regulatory powers and discretionary authority, public officials and authorities – “those who make themselves available to corruption” (CDS 2010:164) – can attract or demand payoffs<sup>90</sup>. Following

<sup>86</sup> Through the use of mafia methods, mafia enterprises “protect” their market and may come to enjoy a series of local monopolies in sectors of activity and provision of commodities. See at this regard Arlacchi (1986).

<sup>87</sup> Violence appears to be a resource for mafia organizations. As Gambetta (1992) pointed out, an affective reputation for being violent likely decreases the need for the actual use of violence (see also Reuter 1983).

<sup>88</sup> Artt. 317 (*concussione*), 318 (*corruzione per un atto d'ufficio*), 319 (*corruzione per un atto contrario ai doveri d'ufficio*), 320 (*corruzione di persona incaricata di un pubblico servizio*), 322 (*istigazione alla corruzione*), 322-bis (*peculato, concussione, corruzione e istigazione alla corruzione di membri degli organi delle Comunità europee e di funzionari delle Comunità europee e di Stati esteri*), 323 (*abuso d'ufficio*), and 328 (*rifiuto od omissione di atti d'ufficio*) of the Italian criminal code

<sup>89</sup> See also CSD (2010:164): “the institutional actors who are more vulnerable to corruption by organized crime are local politicians and administrators. These actors handle public resources, they are geographically close to organized crime groups they operate in the same social environment and therefore they are subject to the pressure that such groups exert. At the local level, however, corrupt exchange “proposed” by organized crime to politicians is accompanied by a degree of intimidation which determines the outcome of the made”.

<sup>90</sup> Della Porta and Vanucci (1999) described the relationship that links organized crime and politicians, along with entrepreneurs, as an “iron triangle” in which each partner profited from such corrupting influence to obtain illicit profits: votes, money, protection and public contracts (see also Centonze 2005). In fact, politicians collude with organized crime as they guarantee the votes needed for parties to stay in power, particularly at the local level (CDS 2010: 169). As Allum and Seibert (2003) pointed out, *mafiosi* have no strong ideological agenda and they will sponsor any political faction which will favor their criminal activities. For organized crime groups, corruption serves thus as a gateway to awarding public contracts and resources which they would not be entitled, and to expanding their influence and power (see also Arlacchi, 1986, Santino-La Fiura 1990). Paoli (2003) estimated that Cosa Nostra openly supported between 40 and 75% of the Christian Democrat deputies in Italy and about 40% of all the deputies elected in Western

examples from the case studies, “grease payments” (OCTF 1990) may be done to obtain formal requirements or building permits, acquire “inside” information, but also assure approval processes or a blind eye to code violations in the control of results.

While organized crime and corruption are generally proved to be closely intertwined<sup>91</sup>, that organized crime lends itself to the spreading of corruption is supported with weak demonstrations<sup>92</sup>. On the contrary, as previous research has disclosed (Calderoni-Caneppele 2009, CSD 2010. See also Albanese 2000), organized crime groups seem to exploit existing criminogenic conditions within the social, economic and political circles which attract them and encourage them to participate in corrupt exchange and indirectly boosting their other various illicit activities<sup>93</sup>.

### *Collusion*<sup>94</sup>

The analysis of the case studies revealed how the construction industry seems particularly exposed to collusive relationships and symbiotic relationships that link members of organized crime and a number of deviant other individuals operating in the legitimate sphere. Actors from both criminal and legitimate spheres seem often converge in symbiotic settings and operate jointly (see also Block-Chambliss 1981, Santino-La Fiura 1990, Paoli 2003, Paoli 2004, Savona 2010)<sup>95</sup>. Whereas much attention has been devoted to illustrating the predatory force of organized crime in legitimate circles (Cressey 1969), the cases show that there is often a consensual relationships that unite mafia members and actors from legitimate professions and occupational settings. Rather than extortion

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Sicily between 1950 and 1992. Yet, between 1991 and June 2007, 172 city councils were dissolved due to mafia infiltration (Italian law n. 221/1991) in Italy. Amongst the city councils dissolved, 75 were in Campania, 49 in Sicily and 38 in Calabria (CPA 2008).

<sup>91</sup> As reported in CSD (2010: 162), “when investigations into corrupt activities are launched, the involvement of some criminal organization is usually discovered. By the same token, when organized crime is investigated, the involvement of some corrupt politicians or entrepreneur often comes to light”.

<sup>92</sup> A study on the links between organized crime and corruption which was commissioned by the Directorate General Justice, Freedom and Security reports the data of the Kroll Global Fraud Survey (2008) which states that construction industry reports the highest levels of corruption (27.8%), money laundering (5.6%) and financial mismanagement (30.6%) all of which combined could be indicative of some level of OC penetration. On the basis of evidence from other research on the characteristics of largely corrupt environment within companies operate, the study however concludes that “a corrupt business environment is not necessarily conducive to a strong OC presence in the legitimate business sphere [...]. The data indicates that companies with criminal links do not seem more likely to use corruption than legitimate companies, as a strong presence of companies with criminal links does not result in significantly higher levels of corruption” (CSD 2010:52).

<sup>93</sup> As Calderoni and Caneppele pointed out, “the infiltration of mafia organisations [in the construction industry] is favoured by the spreading of illicit conduct and corruption within the public administration itself. Such an environment is more permeable to the presence of actors who are associated with criminal organisations due to the low level of legality that characterises them” (2009:8). Following this argument, Ruggiero (in CSD 2010, annex 1: case study – Italy) pointed out that in Italy corruption *per se* does not reveal the direct participation of organized crime in a given activity. Rather it shows the extent to which deviant practices have spread in conducting business and doing politics: “public representatives assimilate elements of the mafia culture [...] the “mafia method” is becoming prevailing method inspiring the crimes of the powerful and [...] it affects market freedom and the democratic system as a whole” (CSD 2010:162-163).

<sup>94</sup> Art. 353 (*turbativa libertà degli incanti*) of the Italian criminal code

<sup>95</sup> Block and Chambliss (1981) provided a complete assessment of the symbiotic relationship linking criminal and legitimate actors in their analysis on the union corruption in labor-management relations. They proposed the concept of *organizing crime*, which emphasizes the extent to which organized crime is rooted in the legitimate cycles and legitimate actors are critical throughout the process (see also Morselli 2009).

practices, the focus here is on the “services” exchanged between actors from criminal and legitimate circles. In such exchange process, the benefits are mutual: mafia associations supply “protection” (i.e., discouragement of competition, job opportunities, access to resources), but also receive it from legitimate circles<sup>96</sup>.

Our case analysis shows in fact that the ability of organized crime groups to penetrate the public sector procurement process is strongly related to their capacity to influence the behavior of other actors that play a critical role (i.e. legitimate entrepreneurs/firms, white collar workers, professionals). The contribution of actors from legitimate sphere is in actual facts critical to organized crime groups throughout the process of infiltrating the construction industry. Those individuals from legitimate spheres operate as *facilitators*, namely participants in criminal activities whose contribution is decisive for criminal purposes. As participants, they do not act as mere “service providers”, but they are actively involved in how the mafia infiltration scheme is orchestrated and the most likely to benefit (see also Gambetta 1993, Varese 2001, Morselli 2009).

### ***Fraudulent schemes***<sup>97</sup>

The analysis of the three cases shows that forms of construction-related racketeering involve also some form of frauds. The basic types of fraud which emerged in our cases include forms of false claims for financial entitlements or payment requests by which construction entrepreneurs generate cash and conceal payments to racketeers. The use of false or inflated invoicing for work not performed or material not used or not meeting specifications is frequent as it creates a business expense record to the company and generate cash which is consequently “kicked back” to organized crime. Our cases disclosed also schemes by which entrepreneurs conceal the payment of extortion racket to organized crime by including fictitious employees on the company’s payroll, or suppliers and actual payment to no-show employees.

Under another fraudulent scheme, mafia enterprises are set up. These firms operate in the legitimate market and are provided with false records certifying the prequalification criteria and other specific requirements relating to technical capabilities which are required from the Italian regulation on public contracts. This is for purposes of participating directly to the project’s works. Firms which “front” for organized crime members or associates are also created. They serve as a vehicle for business transactions without themselves having any significant operation, or else for allocating sub-contracts to mafia enterprises.

<sup>96</sup> At this regard, Fulveti (2004:69) moved forward Gambetta’s analysis and its definition of the mafia as a private industry of protection, and he pointed out how “mafia associations, in fact, supply protection, but also receive it from legitimate powers”.

<sup>97</sup> Artt. 640 (*truffa*), and 640-bis (*truffa aggravata per il conseguimento di erogazioni pubbliche*) of the Italian criminal code. See also artt. 513-bis (illecita concorrenza con minaccia o violenza), 353 (*turbata libertà degli incanti*), 354 (*astensione dagli incanti*) of the Italian criminal code, and art. 7 of the Italian law n. 203/1991 (*Provvedimenti urgenti in materia di lotta alla criminalità organizzata*).

### ***Cartel agreements***

Our case analysis reveal examples of collusive bid rigging cartels between mafia and legitimate enterprises, in which “competing” firms agree not to bid competitively and predetermine who the successful bidder will be prior to tendering for a contract. No conflict is usually involved in the fixing of the winning bidder, as rotation winning bids through cartel members take place. This mechanism (so called “rotational bidding”) involves firms who, by agreement, take turns winning a specific contract or set of contracts. Complementary bids (or *offerte d'appoggio*) by other cartel members, intentionally submitted above the price bid by the collusively pre-determined winning bidder, attempt to convey the impression that the competitive process is correctly working. Collusive bidding schemes are generally coordinated and enforced by members of the mafia family involved in the infiltration of that specific contract. They may initiate the activity itself, or may be invited in by entrepreneurs themselves looking to organize some agreements (see also Gambetta-Reuter 1995). The winning firms compensate the “services” provided by organized crime in some manner, such as by “kicking back” a portion of the contract or awarding sub-contracts to mafia enterprises or firms which are “sponsored” by mafia members. “Non-club members”, namely firms outside the cartel relationship, are prevented from submitting bids by means of violence and intimidation by mafia members, if necessary.

Whether collusive arrangements could emerge without the involvement of organized crime groups, the availability of mafia “services” makes collusion more likely, more elaborate and more enduring. Organized crime groups have in fact a unique asset in this capacity, namely the criminal reputation to use violence and intimidation, along with their specificity in the activity of networking (i.e. in creating a web of relationships with various actors with the aim of pursuing their own goals of power and enrichment). Although it is supported with weak demonstrations based on the limited set of examples, the likelihood is that the capacity of organized crime to play a role in cartel organization is related to the organizational characteristics of the criminal group (i.e. political dominium, territorial control, sphere of influence, extent of collaborative networks with actors from legitimate circles)<sup>98</sup>.

## **7.2 Elements of how mafia infiltration occurs in the public construction industry in Italy**

This section extends what we learned from the case analysis and addresses elements of mafia infiltration in Italy’s public construction industry that emerged from the case studies. The findings are presented in regard to the mafia conditioning over: i) the public procurement process, ii) individuals involved in the public procurement process, and iii) different resources.

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<sup>98</sup> See also Gambetta-Reuter (1995).

### ***Mafia conditioning across the public procurement process***

The analysis of case studies shows how organized crime groups managed to infiltrate the public construction industry and reveals peculiar modalities of influence adopted across different phases of the public procurement process, namely the pre-contractual phase (planning and preparation), the contracting phase (bidding and awarding the contract), post-contract phase (project execution and audit).

Although differences among the infiltration processes exist from one case to another (see Table 7.1), a common thread across such accounts is that mafia conditioning is not limited “downstream” (Paoli 2004:175), at the end of the economic process of public investment (extortions and subcontracting activities), as early investigations on organized crime in the construction industry revealed<sup>99</sup>. Rather, organized crime groups proved to organize their activities “upstream” (*ibidem*), at the early stages of the tendering procedures<sup>100</sup>. A number of activities are in fact undertaken by organized crime members before the bidding procedures begin which are functional in order to enable the conditions under which mafia infiltration would be orchestrated. For example, they set up small building firms to gain subcontracts, resort to make undercover agreements with construction companies, eliminate competition by forming cartels to win tenders, establish web of relationships with various individuals from legitimate circles with the aim of pursuing criminal goals and enrichment.

Aside from a general conclusion that highlights the mafia presence and prominence in the construction industry and in the manipulation of public contract bidding, the cases analysis shows the extent to which organized crime groups tend to move from racketeering to an active involvement in legitimate business activities and, in doing so, they conceal mafia goals of power and enrichment behind “a veil of legitimation” (Calderoni-Caneppele-Martocchia 2009:154). Thus mafia conditioning in the construction industry, which “originated in the claim to levying a extortion from all the main productive activities located in the area of mafia settlement” (Paoli 2004:174), has been progressively complemented by economic interests and shifted towards more refined and sophisticated forms of mafia influence and penetration, as a mirror of the trends of entrepreneurial customs and strategies of criminal organizations.

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<sup>99</sup> See for example Santino-La Fiura (1990) and Paoli (2004) as they illustrated patterns of mafia infiltration in a historical perspective.

<sup>100</sup> This is consistent with previous research (see for example, Santino-La Fiura 1990, Paoli 2004, Calderoni-Caneppele-Martocchia 2009, Savona 2010).

Tab. 7.1 – Mafia conditioning across the public procurement process. A comparison between case studies

	Case study no. 1 Sicily	Case study no. 2 Calabria	Case study no. 3 Campania
<b>Pre-contractual phase: Planning and Preparation</b>			
Influencing the definition of the projects	-	-	-
Influencing the definition of the resources to be allocated by the public administration	-	-	-
Influencing the definition of the type of awarding procedure (open procedures, restricted procedures, negotiated procedures, competitive dialogue)	-	-	-
Controlling businesses. Setting up enterprises which take part to the public works (as contractors or sub-contractors)	✓	✓	✓
Controlling businesses. Forming cartel agreements between firms	✓	-	-
Creating a web of relations with various individuals from the legitimate circles	✓	✓	✓
<b>Contracting phase: Bidding and Awarding the contract</b>			
Selecting winning firms (contracts)	✓	-	-
Selecting winning firms (subcontracts)	✓	✓	✓
Conditioning the participation of firms in the tendering procedure	✓	✓	✓
Influencing the design of the tender	✓	-	-
Influencing the drawing of specifications for subcontracts	✓	-	✓
Designing submissions and determining bid prices	✓	-	-
Influencing the award of the contract	✓	-	-
Influencing the award of subcontracts/other contracts	✓	✓	✓
<b>Post-contract phase: Project execution and Audit</b>			
Conditioning the choice of procurement details (suppliers, materials, products, services)	✓	✓	✓
Imposing the payment of a tribute	✓	✓	✓
Imposing workforce to be hired	-	✓	✓
Regulating the activities on the construction site	✓	✓	✓
Influencing the regularity of control activities and quality checks related to the work execution	✓	✓	✓

### ***Mafia conditioning over actors involved in the public procurement process***

As the cases reveal, the involvement of actors from the legitimate circles is critical to organized crime groups when infiltrating the public procurement process. In our cases, the web of networking established by organized crime groups include: legitimate entrepreneurs, white collars (i.e. accountants, lawyers, notaries), professionals belonging to the private and public sectors (i.e. architects, engineers), public officials, and politicians. The ability of organized crime groups to penetrate the public procurement process is indeed strongly related to their capacity to influence the behavior of those individuals from legitimate circles who play a critical role along the public procurement process. In some cases, actors from both criminal and legitimate sphere seem to converge in symbiotic settings and operate jointly. In other cases, mafia members use the means of

corruption and violence to reach their criminal goals of power and enrichment. And it is indeed the ability to use violence and the reputation for effective execution of threats that differentiates mafia enterprises from non-mafia firms (see also Paoli 2004)<sup>101</sup>.

When mafia groups do not restrict themselves to only collecting a tribute as a “protection tax”, but demand direct participation in the work itself, they need to avail themselves of relational resources and alter the behavior of different actors (entrepreneurs, professionals, public officials, politicians) in order to pursue their criminal strategy of infiltration. There are in fact constraints that all mafia enterprises must confront when expanding into the legitimate economy (lacking of know-how, experience, barriers to entry, for example) and the involvement of legitimate actors is critical throughout the process<sup>102</sup>. As Canonico et al. (2012:152) stated, “just like legitimate businesses, mafia firms try to grow more powerful by increasing their control of external resources through strategic alliances”, which may include formal or informal links with other market actors. Thus, the ability of mafia enterprise to enter into legitimate business depends on their relational capacity and on the number and typologies of individuals with whom they can forge links. Aside from the inter-organizational aspect of organized crime groups, focusing on the role and functions played by such facilitating players is critical to determine the degree to which actors from legitimate circles contribute to sustain criminal goals of power and enrichment by organized crime, but also to explore the criminal opportunity structures available to offenders when infiltrating the public procurement process.

**Tab. 7.2 – Mafia conditioning over actors involved in the public procurement process. A comparison between case studies**

	Case study no. 1 Sicily	Case study no. 2 Calabria	Case study no. 3 Campania
Other criminal groups	✓	✓	✓
Entrepreneurs (collusive relations)	✓		
Entrepreneurs (corruption, use of violence)		✓	✓
White collars (i.e. accountants, lawyers, notaries)	✓	✓	✓
Professionals (private sector)	✓	✓	✓
Professionals (public sector)			✓
Public officials	✓	✓	
Politicians	✓	✓	✓

### ***Mafia conditioning over the production factors (raw materials, workforce, capital)***

What the analysis of the cases shows is that a critical component of the construction industry which organized crime groups have used to create and maintain their influence is the control over external

<sup>101</sup> As Paoli (2004) stated, the practice by entrepreneurs to systematically resort to making undercover agreements with public officials and politicians in order to win tender has been common to building company in Italy, as the Clean Hands nationwide investigation into political corruption held in the 1990s proved.

<sup>102</sup> Much research has been devoted to provide an understanding of the role of legitimate actors in criminal settings (for example, Di Nicola-Zoffi 2004, Middleton-Levi 2004, Duyne-Levi 2005).

resources, in particular of three industry's production factors, namely raw materials, workforce and capital, which are pillar of all economic activities (see also Levi-Taylor 2000, Savona 2010). Control over these productive factors gives organized crime power to confer critical benefits, guarantee market access, or regulate markets' competition. This is so because construction depends on the availability and reliability of these critical components, and whoever is in the position to provide these components holds a strategic role within the market which may be used as a leverage to assert a certain control and influence over it. Organized crime groups tend to exploit their political influence as a crucial tool for controlling resources over a specific territorial context<sup>103</sup>. Such a political influence is imposed through violence and intimidation, but it is also built on consensual relations that may unite criminals with other individuals from legitimate circles<sup>104</sup>.

The control of the critical components by organized crime combined with intense competition among construction firms tend to increase racketeer influence. From the analysis of the cases, this is observed in two ways: (1) it makes legitimate businessmen vulnerable to extortion, as organized crime groups can extort payoffs from contractors by imposing/threatening the loss of supplies or labor force, for example; or (2) it creates a voluntary market for the services of organized crime groups as they can provide competitive advantages to favored firms through sweetheart contracts or cartels which allocate contracts among a small number of firms. Conversely, entrepreneurs who might attempt to compete with favored firms or protected cartels would be faced with cutoffs of critical supplies, labor problems, or other costly delays (OCTF 1990:60-61).

### 7.3 Why the construction industry is permeable to organized crime

Mafia and camorra groups have proved to gradually expand their activities on Italy's legitimate economy, but it seems that not all economic sectors are vulnerable in a similar manner to organized crime. Official reports (DNA 2010, DIA 2011) and other studies (Arlacchi 1986, Santino-La Fiura 1990, Paoli 2003, Champeyrache 2004, CSD 2010, Savona 2010, Varese 2012 for example) recognize the construction industry as highly susceptible to mafia infiltration. Why? Answering this question involves mapping structural and organizational characteristics of the industry and identifying those sector features that generate opportunities and incentives for profitable racketeering. Few attempts have been made to provide an assessment of vulnerabilities of economic sectors to organized crime<sup>105</sup>, and even fewer in the construction industry (see OCTF 1990, Savona 2010, Public Safety 2012, for example).

<sup>103</sup> Paoli (2004) refers to the political character of organized crime in Weberian terms related to "the means that are specific to it: namely, its use of force, [...]the maintenance of order within a social group and defense against outside attacks (Paoli 2004:170-171).

<sup>104</sup> When focusing on the criminal exploitation of production factors, Savona (2010) pointed out the existence of "a vicious circles that operates through the exchange of influence, corruption and violence (or threat of violence), organized crime, local economic and political power and local administration" (Savona 2010:132).

<sup>105</sup> At this regard, see project MAVUS (Method for an Assessment of the Vulnerability of Sectors), financed by the European Commission to develop a methodology for the assessment of the vulnerability of economic sectors. See also, Vander Beken T. et al. (2005), Vander Beken T. (2007), Vander Beken-Van Daele (2008).

The data comprised from the cases does not allow a systematic assessment of the specific vulnerabilities of the public construction industry in Italy. This would involve an in-depth analysis of the tasks environment (i.e. political, economic and regulatory context) in which organized crime thrives, along with an examination of the construction process itself in order to situate Italy's construction industry, assess specific vulnerabilities and identify risk factors for mafia infiltration. For the purposes of this study, we limit the discussion on those factors associated to opportunities / incentives for organized crime groups to infiltrate the public construction industry in Italy which emerged from the case analysis. We present this elements by recalling OCTF's (1990) report which distinguished the concepts of *racketeering susceptibility*, and *racketeering potential*. Racketeering susceptibility refers to "the degree to which an industry's structure and organization: i) create incentives for industry participants to engage in racketeering or ii) provide the means and opportunity for racketeers both inside and outside the industry to control or influence critical industry components" (OCTF 1990:45). Racketeering potential, instead, reflects "the profits racketeers may reap from the exploitation of an industry's susceptibility" (OCTF 1990:46). In other words, while racketeering susceptibility focuses on the vulnerabilities of an industry which could be exploited by organized crime groups, racketeering potential emphasizes the factors which draw organized crime groups to the construction industry.

### 7.3.1 Racketeering susceptibility

Many features of Italy's construction industry may contribute to its racketeering susceptibility. Far from being comprehensive, this section presents insights on the reasons why the construction industry is prone and permeable to organized crime, based on the empirical scrutiny of this study.

*Susceptibility of a collusive / corruptive environment.* All the cases show some situations of collusive / corruptive relations that unite members of organized crime groups with individuals operating in the legitimate circles (entrepreneurs, professionals, white collars, public officials and politicians). The practice to resort to making undercover agreements in order to win tender has long been common to construction companies in Italy, and empirical evidences have proved over the years that secret agreements between politicians and entrepreneurs have been widespread in the country and operated efficiently even without the mafia's mediation (see for example Hand Clean judicial operation). However, the establishment of such relations is critical to organized crime groups throughout the process of infiltrating the construction industry, and most likely it reduces the need to resort to violence and intimidation to pursue criminal goals of power and enrichment. A widespread corruption / collusion within the social, economic and political settings attracts organized crime groups, as they are encouraged to participate in corrupt exchange with the aim to pursue their criminal goals of power and enrichment (see also CSD 2010).

*Susceptibility of a competitive economic environment.* The level of racketeering susceptibility in the construction industry appears to flourish upon a highly competitive industry. Firms compete on a local market and the barriers to entry are relatively low. Within such a competitive environment, a demand of “protection” against competition creates a voluntary market for the services that organized crime groups can offer (see also Varese 2012). As the cases show, mafia groups can push out competitors and provide competitive advantages to favored firms. They act as a “rationalizing body”, using Goldstock’s (1990) words, making the demand of racketeers predictable: they regulate the racketeering activities and have the influence necessary to condition different segments of the industry and bring coordination to the procurement process. Yet, the need for mafia enforcement is not exclusive for construction cartels to emerge, but the availability of mafia “services” makes cartels more likely, more elaborate and more enduring (Gambetta 1993). Intense competition also make legitimate businessmen vulnerable to extortion by threatening the loss of supplies or labor, for example (see also OCTF 1990), and the resurgence of “pay-to-play” practices is frequent, or firms are forced out of business.

*Susceptibility of sectors marked by low skilled and minimally professionalized works.* The cases show how organized crime groups tend to access sectors marked by a high volume of low skilled and minimally professionalized works, as these sectors face fewer barriers to entry in relation to the nature of the workforce and know-how. The mafia permeability of sectors related to the production and distribution of raw material (i.e. concrete, quarries, sandpits) is a good example at this regard. In some cases both money and violence are employed – in variable combinations – to obtain dominant positions in this sectors. In other cases, mafia groups succeed also in establishing monopolies that are not imposed through violence, but are built on the effective involvement (actual or formal) in local firms in certain sectors. Access to (and control of) the production and distribution of raw material reveals to be strategic to organized crime: this sector not only is marked by a low skill sets and professionalized works, but it usually comprises small firms (most likely easy to infiltrate) and provides also a steady and profitable source of income. Yet, it enables mafia groups to condition public procurement processes by influencing costs, orders, contracts and sales markets, and guarantee a direct participation in the public works themselves into sub-contracting activities or agreements for the purchase of material. Finally, it is a highly localized sector, which helps maintain mafia control over a given territory and makes it difficult for competitors to enter the market. These features make this economic activity highly attractive, accessible and very suitable to organized crime will to power and enrichment.

*Vulnerabilities of the prequalification review process.* The cases show the extent to which the system of prequalification may be vulnerable to organized crime and how organized crime managed to exploit these vulnerabilities to infiltrate legal businesses. The Sicily’s, Calabria’s and Campania’s cases all reveal different ways of how organized crime groups succeeded to insert themselves into subcontracting activities, for example, obtaining a direct participation in the execution of the work itself. In some cases, mafia enterprises were provided with false records certifying the

prequalification criteria required by the Italian regulations on public procurement<sup>106</sup>, and obtain subcontracts. In other cases, legitimate firms “front” for organized crime members or associates and serve as a vehicle for business transactions for allocating the work executions to mafia enterprises (see for example Sicily’s case study, CASE C). The contracts for the supply of goods (such as material) or services (guardianship on the construction site, for example) are even more highly susceptible to organized crime. According to the legislation which was in force when the events took place, while subcontracts were subjected to anti-mafia communications or certifications (DPR n. 252/1998), contracts for the supply of goods or services were excluded from this discipline and from a viable prequalification review process, such as the SOA certifications (DPR n. 34/2000) which verify that the firms meet the prescribed requirements. Contractors had thus a discretionary margin to allocate contracts for the supply of goods or services, and mafia enterprises might easily insert themselves at this level of the public procurement process, with low risks of being detected by public authorities.

*Vulnerabilities of the legislation on public procurement.* Opportunities for crime may rise from loopholes within the procurement legislation and can be exploited by organized crime to obtain illicit profits and advantages. Organized crime groups proved their ability to conditioning the awarding procedures for public contracts of works, supply or services. The Sicily’s case, in particular, depicts on how Cosa Nostra managed to manipulate tendering procedures through the pre-determination of the bid prices and the submission of bidding rebates based on values very close one to another – based also on 13 decimal points of the bidding rebates (see CASE C). What this case shows is how organized criminals have altered the awarding procedures and exploited loopholes of the legislative mechanisms to manipulate the awarding process and maximize their criminal endeavors<sup>107</sup>.

*Vulnerability of regulatory instruments.* Organized crime proved to recur to various fraudulent schemes to generate cash exploiting, in some cases, vulnerabilities of the regulatory instruments of public procurement. The Campania’s case shows how false variation claims are one of the mechanisms – which are perfectly lawful – exploited by organized crime to conceal payments directed to them: the contractor was forced to submit a variation claim which deliberately exaggerated the manpower, materials, equipment and time required to accomplish the work (see Campania’s case study, CASE C). The overall price of the job raised and the money disbursed to cover the false variation claim was diverted to racketeers. Once again, organized crime proved to

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<sup>106</sup> Subcontractors must meet the prescribed requirements (SOA certificates) and provide the anti-mafia communication or certification which certify the existence of any prohibition, suspension or decadence causes on the subjects for which control is effected (normally legal representatives and members of the Board of directors) (DPR n. 252/1998)

<sup>107</sup> The case refers to events which took place in the period 2001-2002. According to the Sicilian regional law in force that time (SRL n. 21/1998), the procedure for issuing awards was based on average price auctions (see also footnote 63). That legislation is not more in force and changes were made in relation to the percentage of lowest and highest bidding rebates to be excluded (from 25% to 10%), and limiting the number of decimal points of the bidding rebates in order to limit to the much extent possible the submission of bidding rebates based on values very close one to another. See Sicilian regional law n.7/2002

not so much subvert the industry as exploits industry's vulnerabilities and seizes and profits from those opportunities available to them.

*Susceptibility of low barriers to entry the public construction industry.* The cases show how organized crime conditioned the public procurement in different ways and at different phases of the process. To overcome barriers to entry of this industry, mafia groups implemented numerous schemes for assuring a direct participation in the works itself through mafia enterprises. These schemes included racketeering activities (i.e. imposition of suppliers, allocation of sub-contracting activities to favored enterprises, imposition of non-working individuals of fictitious workers on the legitimate company's payroll, control over the productive factors), but also the exploitation of opportunities that fell beyond the predatory force of organized crime. Contracting arrangements and employees assignments fell often in considerable grey-area matter, leaving decisions to deviate a discretionary issue and collusive / corruptive behaviors among market participants. Such grey areas were the pool in which deviant individuals and organized crime came together to pursue illicit goals of enrichment and favored the entrance of organized crime participants in the industry.

A common thread across such accounts is that organized crime groups proved not so much to attack and subvert the public construction industry as to exploit vulnerabilities across the industry which resulted in opportunities for crime available to them. Weaknesses within the legislation, structure, organization and other features of the public construction industry leave opportunities inadvertently open to organized crime and make it susceptible to infiltration. Mafia groups seem indeed to seize available opportunities and organized their activities around. Thus, the most general statement that can be formulate from the present exercise is that opportunities matters (sometimes more than the criminal group itself) and the identification of criminogenic factors – which increase the opportunities available to organized crime participants – is key towards addressing the discussion on the mafia infiltration issue in the public construction industry.

### 7.3.2 Racketeering potential

The findings which emerged from the case studies assessed in this study and the review of evidence from past research that offers explanations regarding mafia infiltration in the public construction industry (see in particular, OCTF 1990, Savona 2010, Public Safety 2012) help us address insights into racketeering potential.

A measure of the construction industry's racketeering potential is the opportunity it offers to organized crime participants to obtain valuable *monetary rewards* (OCTF 1990). The construction industry is in actual facts highly profitable and lucrative, especially when large scale projects are undertaken and huge sums of money are at stake. Yet, the large number of monetary transactions

which is involved in the construction process may be suitable to organized crime purposes in three ways: (1) to maximize the profits and return of investments; (2) to launder the proceeds of crime through the mingling of dirty money and legitimate money, and minimize the risk of being traced; (3) to generate money for illegal payments and enable schemes to conceal payoffs. For these reasons alone this industry is highly attractive to organized crime.

Beside these economic-based factors – which are however not exclusive of mafia groups – another measure of the construction industry’s racketeering potential derives from the opportunity it offers to organized crime groups to extract valuable *non-monetary rewards* (OCTF 1990). These include the exercise of mafia power and influence over a given settings. Mafia groups dictate who can participate in certain tendered projects, who can obtain which contracts, and at what price. As a matter of fact, as Becchi and Rey (1994) stated, “the secret of mafia continuity lies in the peculiar combination of profit-making activities and the control of the territory” (Becchi-Rey 1994:75). The control of the territory is not used only to promote mafia economic interests, but also to accumulate power and maintain a social status. These are parameters by which mafia capacity to make itself respected is assessed. The bottom line is that organized crime tend to counter voids in the society that are exploitable for criminal purposes, and conceal their goals of power and enrichment under a veil of legitimization: they allocate contracts, provide businesses and distributes jobs in areas of high unemployment. In doing so, they fill gaps where something in the society is lacking and receive in return social consensus and respect (Savona 2010). This social consensus is often found at the root of mafia resilience (see also Cantone 2012).

## 7.4 Concluding remarks

This study framed the problem of the phenomenon of mafia infiltration in the public construction industry in Italy and offered a depiction on *how* and *why* Italian organized crime groups have plagued this industry. Though the analysis of the cases provides only a picture of the phenomenon, being the number of cases examined limited and the sample not representative, the findings which emerged from the present exercise are consistent with previous research (Arlacchi 1986, Santino-La Fiura 1990, Paoli 2004, Centonze 2005, Calderoni-Caneppele-Martocchia 2009, Calderoni-Caneppele 2009, Savona 2010, Cantone 2012, Canonico et al. 2012, for example).

Comparing the case studies with early research, it emerges how organized crime groups have not limit themselves to racketeering activities, even though these are the most frequent type of intervention. Rather, they proved to move to an active involvement in legitimate business activities and become more and more involved at higher levels of the public work adjudication system, engaging themselves towards more subtle and sophisticated forms of infiltration (Calderoni-Caneppele-Martocchia 2009). This was possible – especially in the early phases – by the mafia’s military potential (and it is indeed the ability to use violence and its reputation for effective execution of threat that differentiates them from non-mafia firms) (Paoli 2004). Though it is not always necessary, mafia control and influence over different segments of the industry can always be

maintained as a result of violence and intimidation. Thus, violence constitutes an important resource employed by mafia groups to gain or maintain their market positions and exert their conditioning over the industry. But it is not the only resource. The activity of networking with various individuals from the legitimate circles undertaken by mafia groups revealed in actual facts to be similarly essential and instrumental to penetrate the construction industry and pursue their criminal goals of power and enrichment. To promote their economic interest, they reached out the official economy and the political sphere, and established consensual/corruptive relationships that united them with participants from legitimate spheres. Rather than extortion practices, the focus here is diverted on “protection services” exchanged between criminal and legitimate participants in which each pursues their own goals of illicit enrichment: the protection of the mafia (deriving from its influence and capacity to impose its own rules through violence) is exchanged for the protection (ability to make the legitimate economy and political sphere receptive to the organization’s interests) offered by actors operating in the legitimate circles (i.e. entrepreneurs, white collars, professionals, public officers and politicians. See Fulvetti 2004). Thus, the image of mafia groups as a predatory force in legitimate circles as commonly portrayed tend to progressively blur. Rather than illustrating the legitimate side of the overlaps as a target of mafia groups, the cases also exposed the establishment of symbiotic relations that linked criminal and legitimate actors in a common setting. These ongoing interactions would have organized crime extending formal forms of organizations, as a number of *facilitators* – who contribute to criminal achievements but with no bonds of mafia’s membership to be shared – is also involved in how the mafia infiltration is orchestrated.

The analysis of the cases exposed also how mafia groups tended not so much to attack or subvert the industry as to exploit the industry’s vulnerabilities to insert themselves and promote their economic interests. The industry’s susceptibility to organized crime seems indeed to be greatly related to the existence of criminogenic factors across the industry which increase the opportunities available to organized crime participants to penetrate it. From a preventive perspective it is essential to look at the task environment in which organized crime thrives, determining how it is organized and which opportunities are available (Beken-Defruytier 2005). Identifying such vulnerabilities which generate opportunities for profitable racketeering is key to address the mafia infiltration issue in the public construction industry and to develop comprehensive crime-control strategies. A successful attack on the systemic criminality require in fact the reduction of racketeering susceptibility. Such a reduction could be achieved through different crime-control strategies. According to vulnerabilities and crime proofing studies (see for example OCTF 1990, Beken 2005, Savona 2010, Public Safety 2012), the opportunity blocking strategy is one of the most effective when properly designed and implemented. It is directed at detecting the weaknesses of the sector which can be exploited by organized crime (and which result in opportunities for organized crime), and at intervening on those criminogenic factors so that particular crimes becomes impossible, or at least very difficult to carry out. Contrary to traditional organized crime research, the focus of the analysis would be directed on the context which potentially provides the opportunities for criminal entrepreneurship, rather than actors or groups, as the criminal groups may be transient, while criminal opportunities persistent and stable over time.

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