

GETTING EU ENLARGEMENT 2025 RIGHT ON ANTI-CORRUPTION: A CIVIL SOCIETY VIEW

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The context for further enlargement: economic rationale or political aspiration?

On January 1st 2018, the European Union (EU) leadership makes a six-month stop in Southeast Europe (SEE), as Bulgaria will, for the first time in its history, hold the EU Council presidency. Austria takes the second half of the year, which renders 2018 a key period for the aspirations of the Western Balkan (WB) countries, pursuing further integration and ultimately EU membership. The region has not been this **close to a breakthrough** in its bid to join the Union since the Thessaloniki promise of membership from 2003, which gradually moved beyond reach as internal and external crises forced the EU to focus inwards, and local elites to steer away from EU membership priorities.

During the State of the Union address in 2017 the European Commission (EC) President spoke of the need for inclusion, both inside and outside of the EU, maintaining credible enlargement perspective for the WB and reassuring that “thereafter the European Union will be greater than 27 in number”. Considered from the perspective of the WB, the address could be interpreted as a **change of attitudes in Brussels**, a shifting focus to the region or even to signal a step

KEY POINTS

- The President of the European Commission has announced 2025 as the target year for the next EU Enlargement in the Western Balkans. The EU would need to carefully balance the desire to provide actionable commitment for enlargement with the reality of slow progress in anticorruption. At 26% of the population, **corruption levels in the Western Balkans remain high**, despite the fact that EU aided efforts have resulted in a stable decline.
- In 2018, the European Commission is expected to introduce a **reinforced Enlargement Strategy** and a new Progress Monitoring Mechanism. It will seek to leverage the pledged additional support from the EU for the Western Balkans and to ensure EU conditionality works better. However, **local political elites** from the Western Balkans, have signalled their **preference for quick enlargement with less conditionality**.
- As a leader of change in the region, the **EU should create more tailored policy instruments and engage directly with local civil society groups** for an effective fight against corruption. Next to improving technical capacities and restructuring bureaucratic frameworks, the EU should focus on **further commitment and engagement on political level**.
- **Effective prosecution of high-level corruption** is the only way to send a strong and immediate message that corruption in the Western Balkans would not be tolerated.
- In parallel, **anti-corruption efforts should be zoomed in at the level of public organisations**, to follow up on the quality of implementation of the numerous formally adopted anticorruption policies and plans and close the implementation and efficiency gaps.
- An **independent corruption and anti-corruption monitoring mechanism** needs to be introduced on national and regional level in order to provide robust data and analysis and integrate both corruption diagnostics and anticorruption policy evaluation.

back from the multi-speed Europe narrative of the past few years.

More concrete steps are also being planned. The EC's *Roadmap for a More United, Stronger and More Democratic Union* puts focus on the importance of the Bulgarian presidency in the context of the WB regional dynamics, by planning to adopt, early next year, Strategy for a successful EU accession of Serbia and Montenegro, as frontrunner candidates in the region.¹ Bulgaria is also indicatively set to host an informal meeting of EU27, back to back with a Western Balkans Summit. From the position of next-in-line for the EU Council presidency, Bulgaria has also vowed to **prioritise the integration of the WB countries** during the first six months of 2018. The country will push for concrete guidance to be provided to Montenegro, Serbia, Albania, The Former Yugoslav Republic of Macedonia, Kosovo* and Bosnia-Herzegovina, in pursue of EU membership.²

Another contextual factor stands for an unprecedented priority for the region's future development. The Western Balkan route (along with Turkey) is crucial for the migration flows coming to central Europe. Thus, fears of refugee influx have kept the region high on the EU agenda. So far, the EU has spent around 22.5 million³ in the region to protect its external borders and to help transit countries in a forced and quick capacity building effort, which can be considered a pilot for future enlargement initiatives. It showed that a **strong political focus, coupled with an increase in available resources for technical assistance and help from the civil society can produce quick results**. In this way, Member States indirectly played crucial role in managing the regional crisis, while motivating counties to cooperate, moving forward to credible conditionality and democratization. During the last few years of migration flows, the Balkan countries dealt with regional public dissatisfaction, economic instability and high

unemployment. Therefore, a number of high level discussions, highlight the importance of civil society engagement in order to improve conditions for migrants in the region. Regional NGOs echo the importance of engaging the migration crisis management within the future enlargement discussions, facilitating effective humanitarian response. The EU Member States should develop a coherent approach to the asylum seekers and utilize instruments of the EU enlargement to implement the EU *acquis communautaire*. This could be an important stepping stone for the future enlargement strategy but also for the Western Balkans Integrated Security Initiative.

While political tensions related to enlargement across European Member States are being dealt with, economic structural incapacity remains critical in the region. So far, despite the high-level European Commission support, neither further integration, nor any unconditional promises for such have been made on member-states' level. On the contrary, these opportunities will mainly be channelled through the continuing high-level diplomacy of the Berlin Process and the evolving approach of the EC to monitoring progress in the region. It is highly likely that the dynamics of these two mechanisms will determine the tangible implications and real gravity of the expressed aspiration for further enlargement. The Bulgarian and the Austrian presidencies in 2018 will have to master further support for enlargement, with both countries' governments featuring nationalistic parties.

The year 2018 will also be important for the future of the Berlin Process itself, as doubts exists as to the effectiveness of its core mission – to tackle core structural challenges and improve economic governance in the region. The 2018 London Summit could prove instrumental in setting the regional agenda, assessing the need for change in format, deciding on whether further institutionalisation, more concrete milestones and/or indicators of

¹ EC, 2017, [Roadmap for a More United, Stronger and More Democratic Union](#).

² Konstantinova, E., & Okov, S., 16 October 2017, [Bulgaria Pushes for Clearer EU Membership Path for Western Balkans](#), Bloomberg.

³ European Policy Centre, 2016, [Migration Panorama: The Western Balkans migratory route: perspectives and persisting challenges](#).

progress are required.⁴ In parallel, the EC plans to move beyond the current technocratic progress reporting mechanism, in attempt to further facilitate a more cohesive and transparent enlargement process, evaluated against the achievement of tangible results.⁵

Economic growth driven locally: good governance and cooperation with civil society remain critical

As the EU focus in the WB seems to have been gradually shifting towards economic governance and improved regional integration on security, the European Commission re-confirmed its vision that “rule of law is not optional in the European Union. It is a must.”⁶ The expected EC focus on the WB in 2018 will **provide an enabling framework for action** for national governments. In turn, national governments will have to make critical choices, carefully identify fields for intervention and most importantly, will have to be able to demonstrate tangible results in anticorruption, institutional effectiveness and good governance. Western Balkans leaders should embrace the Visegrád Group approach to enlargement, building ever stronger ties between them and with their neighbours from the EU.

This calls for a **reinvigoration of regional initiatives**. A number of such initiatives have provided a good platform for development and cooperation, which need to be strengthened, expanded, and replicated. The Regional Anticorruption Initiative (RAI) and the Regional Cooperation Council (RCC) proved important for establishing both political and expert climate of dialogue across the region. Initiatives,

such as South East Europe 2020 strategy,⁷ provide important insights, effectively bridging and amplifying policy efforts on national and European levels. Further, on the levels of policy implementation and institutional performance, the cooperation of RCC, RAI and other regional stakeholders produced innovative instruments for corruption assessment⁸ and corruption proofing of legislation.⁹ Both the EU and local decision-makers have to work beyond improving technical capacities and restructuring bureaucratic frameworks, in order to **demonstrate further commitment and engagement on political level**. Generating actionable political will in the region would require with **aligning the multiple stakeholder institutions on EU level**, such as the line DGs of the EC, local EU delegations, the European External Action Service, foreign ministries of member states, European political party families and the European Parliament, agreeing on common good governance agenda for the EU integration of the region.

When good governance and anticorruption are concerned however, it is the local stakeholders, and in particular civil society who can bring about sustained progress.¹⁰ **EC support to civil society organisation (CSOs) in the region has produced the most positive impact**. Support for regional networks, in particular, has aided the development of new regional monitoring and evaluation tools, increased awareness across multiple stakeholders and the general public, allowed for increased access and opportunities for knowledge sharing. Most importantly, regional good governance networks have contributed to increased capacity of local and grassroots organisations and have developed fruitful cooperation platforms for public-private partnerships.

Many of these processes are however still in their infancy. Lack of sufficient targeted funding, coupled

⁴ Nenchev, Z., Bieber, F., and Kmezic M., 2017, [The Future of the Berlin Process](#), The European Fund for the Balkans.

⁵ EC, 9 November 2016, [2016 Communication on EU Enlargement Policy](#), COM(2016) 715 final.

⁶ EC, 13 September 2017, [The State of the Union 2017: Catching the wind in our sails](#).

⁷ RCC, 2013, [South East Europe 2020 strategy](#).

⁸ RCC, 2015, [Corruption Risk Assessment in Public Institutions in South East Europe](#), Comparative Research and Methodology.

⁹ RAI and RCC, 2014, [Anticorruption Assessment of Laws \(“Corruption Proofing”\)](#), Comparative Study and Methodology.

¹⁰ SELDI, 2014, [Anticorruption Reloaded: Assessment of Southeast Europe](#).

with increasing burden on technical and reporting requirements during project implementation can limit their impact. The former is especially important for two reasons. First, sufficient funding guarantees that the civil society sector across the region continues to build the necessary capacity for increased impact. Secondly, it remains financially independent and thus protected from being captured by politicians, administrators, or self-serving interests.

Both, EU and WB leaders should know by now that **the effectiveness of increasing financial aid for the region might prove disputable**, even if it is directed towards more infrastructure and connectivity. Such aid can only spur economic growth, in countries with good polices, sound procedures in place, and functioning rule of law. There is a need for tailor-made policies for bringing growth to the Western Balkans, which require both EU and local action.¹¹ Targeted support is equally important as the focus on developing local good governance and selective anticorruption initiatives. It is ultimately the local actors that set up the pace and success of reforms. Domestic civil society organisations can empower the rest of the society, only by conveying in “local language” the benefits and prerequisites for accession. The principles of locality and independent civil society action should be further incorporated into the main national, regional (e.g. though RAI and RCC) and European instruments (e.g. pre-accession monitoring, the Berlin process, etc.) for the development and integration of the WB region. Local leaders, often at their own political expense, should help explain to their constituents that provided alternative solutions for **economic development investments, coming from non-democratic sources**, while likely to spur short-term growth, are unlikely to lead to long-term benefits for the people.

Persistent corruption challenges and dependencies curb economic development in the region

The relationship between economic governance and weak rule of law in the Western Balkans has been established for a long time but has only recently been provided more prominent position in the framework of the EU accession process. The 2016 EC Communication on the EU Enlargement Policy identifies the link between the two pillars as key priority for accession.¹² The persistent challenge of corruption, as a central rule of law issue, will thus require highlighted attention in the future enlargement strategy of the union. **Anticorruption should stay a horizontal priority** of economic development, the accession process, as well as within the framework of the Western Balkans Integrated Internal Security Governance (IISG) initiative on serious crime, border security and counter-terrorism. Considering the fact that despite gradual progress, the region saw **no breakthroughs in anticorruption during the past two decades**, the need for better integrated and deeper cooperation between the EU and civil society organisations becomes even more pressing.¹³

The link between corruption and economic development is often highlighted in the WB. While it is widely seen that corruption has significant weight on economic growth, there exist various interpretations of what the net effect is.¹⁴ According to some, there’s an “efficient corruption” that feeds the ineffective bureaucracy and in fact spurs growth. For most, corruption is the main source of economic disruption, which prevents countries from development. The European Union places this issue high on its agenda and among its strong founding principles. Thus, the EU facilitates the fight against corruption and the sound transition

¹¹ Burnside, C. & Dollar, D. (2000), [Aid, Policies, and Growth](#). *The American Economic Review* 90(4).

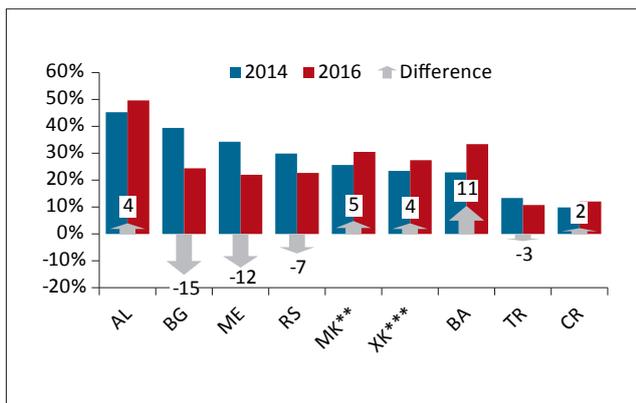
¹² EC, 9 November 2016, [2016 Communication on EU Enlargement Policy](#), COM(2016) 715 final.

¹³ SELDI, 2016, [Shadow Power: Assessment of Corruption and Hidden Economy in Southeast Europe](#).

¹⁴ Lyubenova, M. (2016), [The Impact of corruption on EU financial aid in the European Neighbourhood Countries](#). *Transparency International*.

to good governance and institutional quality. More importantly, it facilitates selective policies and effective means of fighting corruption practices. The most important question to consider for the future enlargement strategy is **how to increase the impact of EU enlargement negotiations** on reducing corruption and spurring growth.

Figure 1. Changes in corruption pressure by country*



* Share of those reporting to have experienced demands for bribes from public officials.

** The Former Yugoslav Republic of Macedonia.

*** This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.

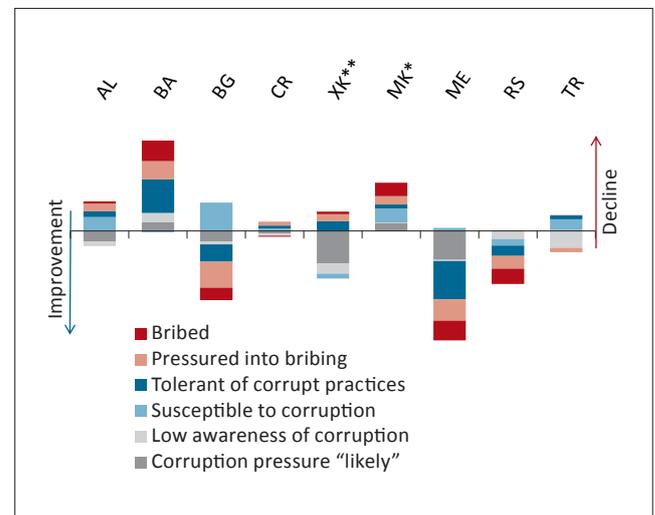
Source: SELDI Corruption Monitoring System.

An overview of the WB regional dynamics suggests the **persistence of high corruption levels**, despite the fact that local and EU efforts have resulted in a gradual. The decline though has been so slow and accompanied by so high economic hardship that public support for reforms has waned, in parallel to citizens’ trust in national and European institutions. In fact, it is not unusual for the region that achieved advancements in good governance in certain periods of time regress in the next.¹⁵ **Progress has been slow and erratic.** Specifically, in the 2014 – 2016 timeframe, corruption pressure – the primary quantitative indicator for the levels of corruption in

a country – has relapsed in some countries, but the overall improvement in the region was marginal.¹⁶

The combination of **stubbornly high rates of rent-seeking** from corrupt officials and rising expectations for good governance related mostly to EU accession aspirations in SEE have shaped negatively public expectations about potential corruption pressure. More than half of the population of the SELDI countries believe it is likely to have to give a bribe to an official to get things done. This indicates that the restoration of trust in institutions would be rather difficult than the mere reduction in the levels of administrative corruption. Business sector corruption dynamics prove similar to the population’s. Personal connections, insider information and various forms of bribes remain significant part of how businesses operate in the region. Notable is also the fact that these trends persist across different sectors and WB economies.¹⁷

Figure 2. Overall changes in corruption levels (2016 vs 2014)



* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.

** The Former Yugoslav Republic of Macedonia.

Source: SELDI Corruption Monitoring System.

¹⁵ SELDI, 2014, [Anticorruption Reloaded: Assessment of Southeast Europe](#).

¹⁶ For more detailed methodological discussion SELDI, 2017, [Sustainable Policy Impact through State-of-the-Art-Research and Advocacy](#). Data from the *Corruption Monitoring System* (CMS), implemented in SEE by the Southeast Europe Leadership for Development and Integrity (SELDI) network allows for a comprehensive analysis of regional corruption trends and dynamics over nearly two decades.

¹⁷ RCC, 2017, [Balkan Barometer 2017, Business Opinion Survey](#).

As a result, **public trust in the feasibility of policy responses to corruption** – a critical ally to successful anticorruption reforms – has stayed below the 50 % threshold in 2016 for all WB countries but Montenegro. This further exacerbates the unwillingness of political actors locally and in the EU to engage in anti-corruption policies, and shows the need for a broad-based social movement to sustain an anticorruption focus.

National policies in the region, which target corrupt behaviour at administrative level and those seeking to change trust in government, need to be pursued in concert. If not complemented by strengthened public demand for integrity in government and sustained improvement in economic well-being, stricter enforcement of penal measures cannot have a sustainable effect. Law enforcement would likely be seen either as useless repression when targeting lower government levels alone or as a political witch-hunt when intermittently directed at higher levels. Conversely, intensifying awareness-building measures would only fuel cynicism and resignation in the public, if it is not accompanied by visible efforts for cracking down on (high-level) rent-seeking officials.

If left unchecked for a prolonged period of time, like in the Western Balkans, **corruption might infect the very fabric of public institutions**. As institutions grow more complex, so does corruption, and its forms and practices shift. These systematic effects of corruption often remain hidden, closely linked to governance mechanisms. These dynamics often result in the emergence of the so-called state capture phenomenon. Whether state capture is understood predominantly for the purpose of extracting corruption rents¹⁸ or as a means to obtain privileged status or preferential treatment, it constitutes deviations from a certain socioeconomic model, which are generated by complex corruption relationships. Similar models of cor-

ruption and economic dependencies prove prevalent across the WB region. The EC has also confirmed this by acknowledging that “**clear symptoms and varying degrees of state capture**”¹⁹ exist in some countries of the WB. The discussion on state capture also adds a new dimension to the increasingly important debates on external dependencies of the WB countries, often levitating between desire for closer EU integration and for maintaining narrow ties with traditional third-parties, such as China, Russia or Turkey.

The EU financial support for anticorruption in the WB is generally considered to have positive impact. Contrary to the common perception, the EU financial aid, targeting the fight against corruption, can also have negative impact on the economy, unless successfully channelled to local organisations. Higher financial assistance might disincentive countries to develop anticorruption practices: “aid weakens government accountability, by delaying the development of healthy civil society underpinning democracy and the rule of law”²⁰ Between 2007 – 2013, the EU allocated around 30 million in support of anticorruption projects in the Western Balkans. This accounts for only 0.5 % of the total allocation for that period and according to various organisations even those few projects might have been compromised.²¹ It is, thus, **necessary that the increase in EU support for the WB be complemented by an intensified and coordinated anticorruption drive**, which focuses not only on technical assistance through service contracts but on spurring and supporting genuine local anticorruption civil society drive. Such positive intervention could prove instrumental for the success not only of anticorruption initiatives but also for the improving economic governance and labour market functioning. It is thus of no surprise that the main concerns, cited by the SEE population, are namely unemployment (67 %), the economic situation (46 %), and corruption (32 %).²²

¹⁸ Innes, A., 2014, [The Political Economy of State Capture in Central Europe](#). *Journal of Common Market Studies*, 52(1), 88-104.

¹⁹ EC, 9 November 2016, [2016 Communication on EU Enlargement Policy](#), COM(2016) 715 final, p. 3.

²⁰ North, D.C. (1990). *Institutions, [Institutional Change and Economic Performance](#)*. Cambridge: Cambridge University Press.

²¹ European Court of Auditors (2016), [EU pre-accession assistance for strengthening administrative capacity in the Western Balkans: A meta-audit](#).

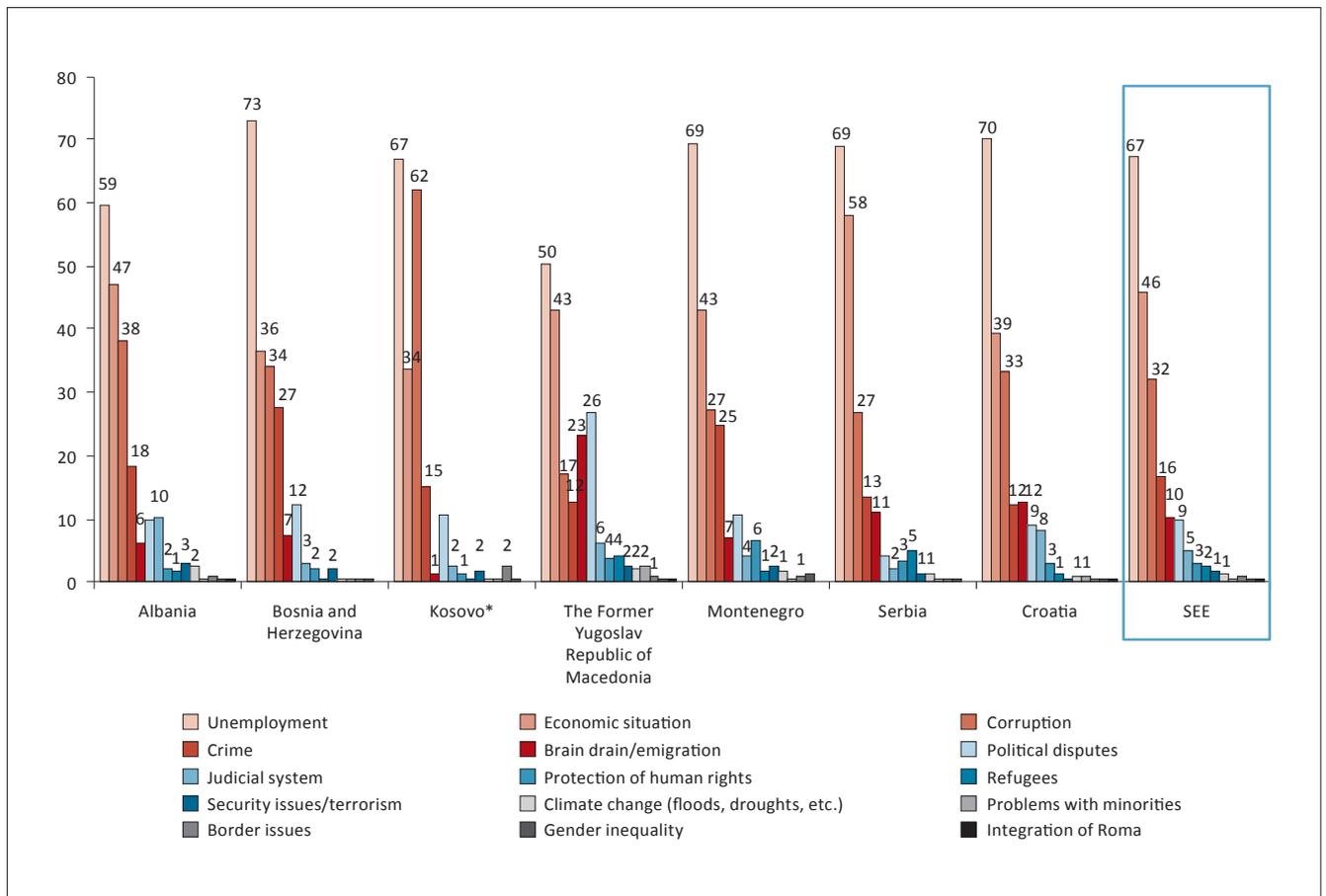
²² RCC, 2017, [Balkan Barometer 2017, Public Opinion Survey](#).

The hidden economy nexus

In line to theory, we see that anticorruption policies alone are unlikely to produce wide societal support unless they are **imbedded into wider economic reforms**. A broadening of the anticorruption debate in the Western Balkans from sheer law enforcement towards more economic grounded rationale, such as addressing the nexus between corruption and hidden economy, is thus needed. The presence of large hidden economy disturbs the labour market and signals institutional inefficiencies. In the case of the WB countries, negative impacts could prove instrumental in blocking both economic and good governance. According to the SELDI *Hidden Economy Survey* and other sources **the hidden sector occupies between a quarter and a third of the SEE economies.**²³

A critical factor in tackling corruption and the hidden economy is the overall business environment. While most SEE countries fare well in terms of nominal indicators, such as the size of tax rates or ease of registering a business, administrative corruption and state capture – of which there is ample evidence – allows **incumbent webs of political and business networks** to effectively control access to government law and policy making, rendering the institutions defining the business environment exclusive and unpredictable. In fact, such business environment indicators, which might be considered as good in highly sophisticated institutional environments, are simply an admission of the institutional deficiencies in the Western Balkans. A considerable tax gap in SEE also hinders both economic development and good governance. Tax evasion, which is made possible, among other things, by bribery and inefficiency in the tax authorities, denotes lack of trust

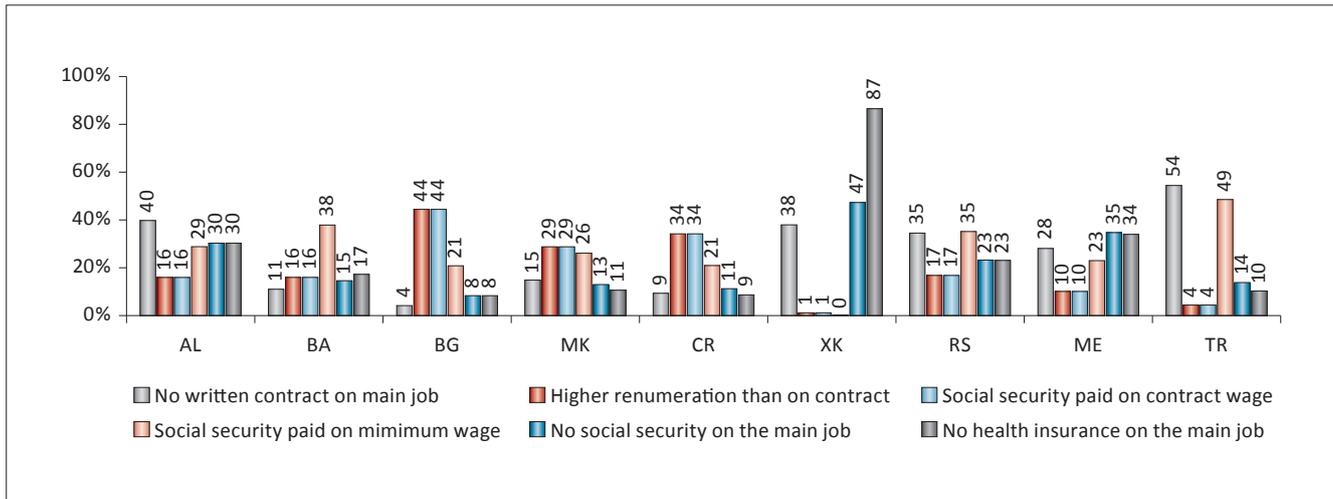
Figure 3. What do you think are the two most important problems facing your economy?



Source: Regional Cooperation Council, 2017, Balkan Barometer Survey.

²³ SELDI, 2016, [Shadow Power: Assessment of Corruption and Hidden Economy in Southeast Europe](#).

Figure 4. Shares of the different types of hidden employment in SEE



Source: SELDI Hidden Economy Survey, 2016.

in a country’s economic viability and undermines the quality and scope of public services.

As a result, **hidden employment remains highly present** in SEE, creating risks of the exclusion of sizable shares of the workforce from the rule of law and placing the informally employed in a vulnerable position with respect to rent-seeking officials and to illegal business interests. The considerable social embeddedness of hidden employment in SEE, as evidenced by SELDI’s 2016 *Hidden Economy Survey*, excludes large swathes of the labour force from the protection of government regulation and diminishes support for the rule of law. This perpetuates the hidden economy – corruption vicious circle. It also deepens the already existing employment challenges in the region, which, according to both the South-East Europe 2020 strategy and the EU Enlargement Strategy hinder economic growth.²⁴

Key policy recommendations: united response in the face of new and resilient challenges

Facilitated by the Bulgarian and Austrian EU Council presidencies, as well as by a reignited European focus

towards the region, 2018 will grant the Western Balkans with unprecedented priority for the EU. During this **small window of opportunity** national governments need to communicate a clear stance and pledge results to the new EC’s recalibrated approach to pre-accession monitoring, as well as to outcomes and or new initiatives within the framework of the Berlin Process. National governments have to take initiative and ownership of their own integration process by demonstrating tangible results and concrete progress in both economic governance and anti-corruption. The main thrust of anticorruption efforts in the region should be directed at tackling high level political corruption and state capture, while intensifying the overall good performance against systemic administrative corruption or bribery.

- **Effective prosecution of high-level corruption** is the only way to send a strong and immediate message that corruption would not be tolerated. Bringing crooked politicians to justice has proven very effective in strengthening anticorruption measures in Croatia and Slovenia, for example. Success in this direction would require also international support, including the involvement of EU member states law enforcement. This is clearly a very high political price required from among the ones who would likely sit on the negotiation

²⁴ RCC, 2013, [South East Europe 2020 strategy](#) and EC, 10 November 2015, [EU Enlargement Strategy](#), COM(2015) 611 final.

table. Hence, it is critical that the EU keeps political pressure high, while pursuing further separation of powers, democratisation, and de-monopolisation in the Western Balkan.

- In parallel, **anti-corruption efforts should be zoomed in at the level of public organisations**, to follow up on the quality of implementation of the numerous formally adopted anticorruption policies and plans and close the implementation and efficiency gaps.
- This quest for good governance goes through ensuring independent evaluation, effective cooperation, improved institutional performance and, most importantly, the attainment of tangible anti-corruption results. An **independent corruption and anti-corruption monitoring mechanism** needs to be introduced on national and regional level in order to provide robust data and analysis and integrate both corruption diagnostics and anticorruption policy evaluation. The mechanism should be implemented through national and/or regional civil society organisations and networks, and should be independent of direct national government funding. It should serve as a vehicle for opening up administrative data and enhancing public access to information.
- Better governance in the region should be ensured through alignment with the **principles of locality and independent civil society action**, which should be further incorporated into main national, regional and European instruments. The EC and national governments have to ensure the **sustainability of civil society engagement in the region**. Active CSOs, strategically collaborating with decision-makers and citizens to attain concrete results and evaluate progress towards accession, will be especially important for Serbia and Montenegro, as the timeline for their EU membership has been arguably already set at 2025. This is essential for several reasons: a) for internationally supported reforms to become sustainable, they need to gain wider public acceptance and CSOs are indispensable in this process; b) involvement of CSOs is a way of guaranteeing that the accountability of governments to donors and international organisations does not take precedence over accountability to local constituencies; c) the effectiveness of international assistance would be enhanced if it utilises the monitoring and analytical skills and advocacy capabilities of CSOs.²⁵
- The EU has been very successful in building the capacities of the public administrations in the region, through continuous provision of technical assistance. More attention however has to be paid to streamlining this support. Next to improving technical capacities and restructuring bureaucratic frameworks, the focus should be put on **further commitment and engagement on political level**. Generating actionable political will in the region should start with the alignment of the agendas of multiple stakeholders, highlighted among which are the EC's DGs, local EU delegations, the European External Action Service, foreign ministries of member states, political party families and the European Parliament, **agreeing on common good governance agenda for the EU integration of the region**.
- **Critical sectors with high corruption and state-capture risks**, such as the energy sector, should be addressed with priority. Other priority measures include increasing competition in public procurement; improving the corporate governance of state owned enterprises; transparent management of large-scale investment projects; enhancing the accountability and independence of energy regulatory authorities.

²⁵ SELDI, 2016, [Shadow Power: Assessment of Corruption and Hidden Economy in Southeast Europe](#).