

RECENT DEVELOPMENTS AND NEW PROSPECTS: MAJOR CORRUPTION CHALLENGES IN SOUTH-EAST EUROPE

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The Challenge of Corruption: Regional Overview

Corruption has become among the most debated issues, which society faces. The problem of corruption has risen above national borders, turning into a threat to international relations and economic development. This trend is especially true for development of the corruption phenomenon in the region of South-East Europe (SEE). There are a number of historical factors and economic developments that have affected and, thus, shaped the manifestations of corruption in the region. While notable differences exist between countries in SEE in terms of their economic development, they share similar problems, even if to a different extent. These include a privatization course that bred corruption, difficulties with attracting foreign investment, high levels of unemployment, which have been highlighted by the global economic crisis, sizeable gray economies, and favourable environments to organized crime groups.¹

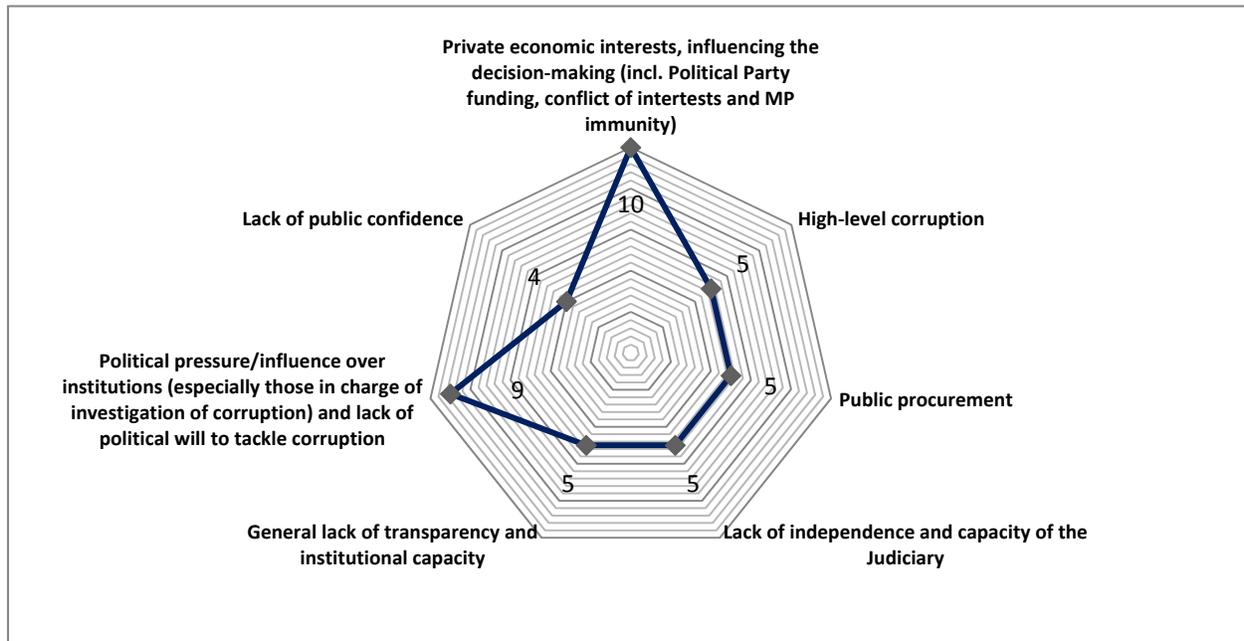
Corruption is **continuously ranked among the grand challenges**, faced by the SEE countries. Despite the positive efforts of establishing regulatory and institutional base for fighting corruption, including specialised anti-corruption agencies, which are being introduced in the majority of the countries in the region, significant problems persists, especially with

regard to the practical implementation of the existing legal framework and institutional enforcement. Though it is hard to generalise in the context of the different national historical and institutional environments in the South-East European countries, **several underlying issues** seem to draw a distinct picture of the major corruption problems in the region. **Political pressure** continues to influence the institutional environment, which is especially problematic with regard to the work of judicial system and the national anti-corruption agencies. In addition, the latter often lack the necessary institutional capacity. Combined, the lack of political will to pursue corruption and the **limited institutional independence and capacity**, often result in **slow implementation of anti-corruption policies**. Another related outcome is the **high-level political corruption**, often the investigation of which is hindered by wide-reaching immunity legislation.

¹ <http://www.csd.bg/artShow.php?id=16084>



Figure 1. Number of SEE Countries, which have Identified the Following Problems as Major Corruption Challenges



*In some "major challenge" categories, the number of countries is higher than the total, because of several challenges being combined in a one section.

Source: SELDI, 2013

Transparency of political party funding is also a major challenge in many SEE countries, which aids the presence of strong **external economic influence**, where private interests are being allowed to affect the course of governance. **Lack of transparency** in managing and distributing State finances, mainly with regard to public **procurement contracts**, is also a significant argument for corruption allegations. Conflicts of interest (despite the fact that some legislation on the topic is available in most countries, full implementation remains an issue) and integrity concerns give further ground for the overall **lack of public trust**.

These core issues render the existence of legal and institutional framework against corruption inefficient. The **business environment is also affected**. In fact, according to the Global Competitiveness Report 2012-2013, published by the World Economic Forum, the majority of SEE countries highlight corruption among the most problematic factors for doing business.² The report also indicates low trust in politicians, as well as

general lack of transparency in the judiciary and the policy-making process.³

The **prospects for joining the EU** have provided the strongest incentives and opportunities for SEE countries to gain speed in their fight against corruption. The fight against corruption and the establishment of effective judiciary have always been of essential importance towards EU accession. The 2012-2013 EU Enlargement Strategy however, firmly puts the strengthening the rule of law and democratic governance as central to the enlargement process.⁴ Countries that wish to become Members of the European Union have to start early on reforms of their judicial and public administration systems, ensuring that strong frameworks are in place to prevent corruption. A **new approach** to enlargement negotiations, proposed by the European Commission and endorsed by the Council of the European Union, explicitly positions rule of law issues, including the

² http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2012-13.pdf

³ Ibid.

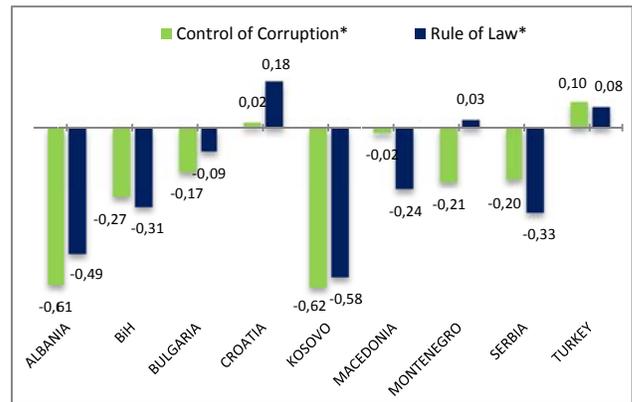
⁴ http://ec.europa.eu/enlargement/pdf/key_documents/2012/package/strategy_paper_2012_en.pdf

fight against organised crime and corruption, as the centerpieces of the EU's enlargement policy. The new approach provides for the judiciary and fundamental rights, and justice, freedom and security (Chapters 23 and 24 of the *acquis*) to be tackled early in the enlargement process, and reaffirms the need for solid track records of reform implementation to be developed throughout the negotiation process, with the aim of ensuring sustainable and lasting reforms.

Regional cooperation and reconciliation in the Western Balkans is also central to the EU Enlargement strategy. Next to the importance of governmental dialogue and collaboration in the SEE region, **CSO cooperation is also essential**. Tackling corruption calls for active civil society organisations' involvement, which is the central objective of the South-East Europe Leadership for Development and Integrity (SELDI) network. In light of potential impact, productive CSO cooperation in the region also largely depends on the **cooperation between civil society organisations and governmental institutions**. The effective dialogue between CSOs and the State however is largely limited in many SEE counties. Significant gaps exist in terms of disregard of CSOs on the part of the government, lack of interest, as well as State capture of civil society organisations.

The described problematic environment of the region is also reflected in various rankings and studies, which position SEE countries at the European bottom, when it comes to issue, such as control of corruption, rule of law or corruption perception. The 2011 Worldwide Governance Indicators of the World Bank largely ranks SEE countries with a negative value⁵ in terms of "Rule of Law" and with regard to "Control of Corruption". Turkey, Croatia and Montenegro (only when it comes to the "rule of law" indicator) are the only countries from the region, positively evaluated.

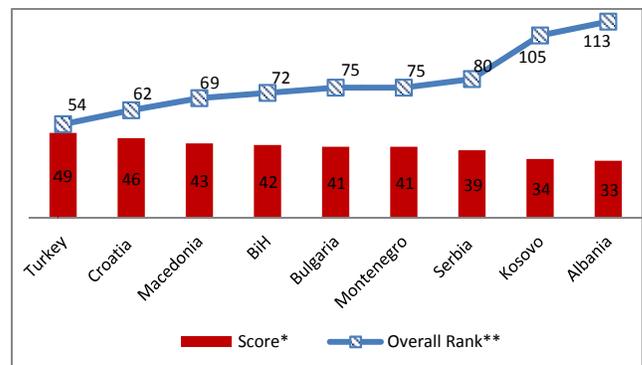
Figure 2. SEE Countries: Worldwide Governance Indicators 2011



Source: World Bank Worldwide Governance Indicators 2011 http://info.worldbank.org/governance/wgi/mc_chart.asp
 * Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance

The 2012 Corruption Perception Index⁶ ranks Turkey the least corrupt country in the region with regard to the degree of corruption perception of its public sector. However, the country's place in the overall ranking is far from "best" - 54th from a total of 176 nations around the world. Albania is perceived as most corrupt, according to the Index, which puts the country at 133rd place.

Figure 3. Corruption Perception in the SEE Region in 2012



Source: Transparency International, CORRUPTION PERCEPTIONS INDEX 2012 <http://cpi.transparency.org/cpi2012/results/>
 *The score indicates the perceived level of public sector corruption on a scale of 0 - 100, where 0 means that a country is perceived as highly corrupt and 100 means it is perceived as very clean.
 ** Out of 176 countries and territories

⁵ The Estimate of governance is measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance

⁶ <http://cpi.transparency.org/cpi2012/results/>

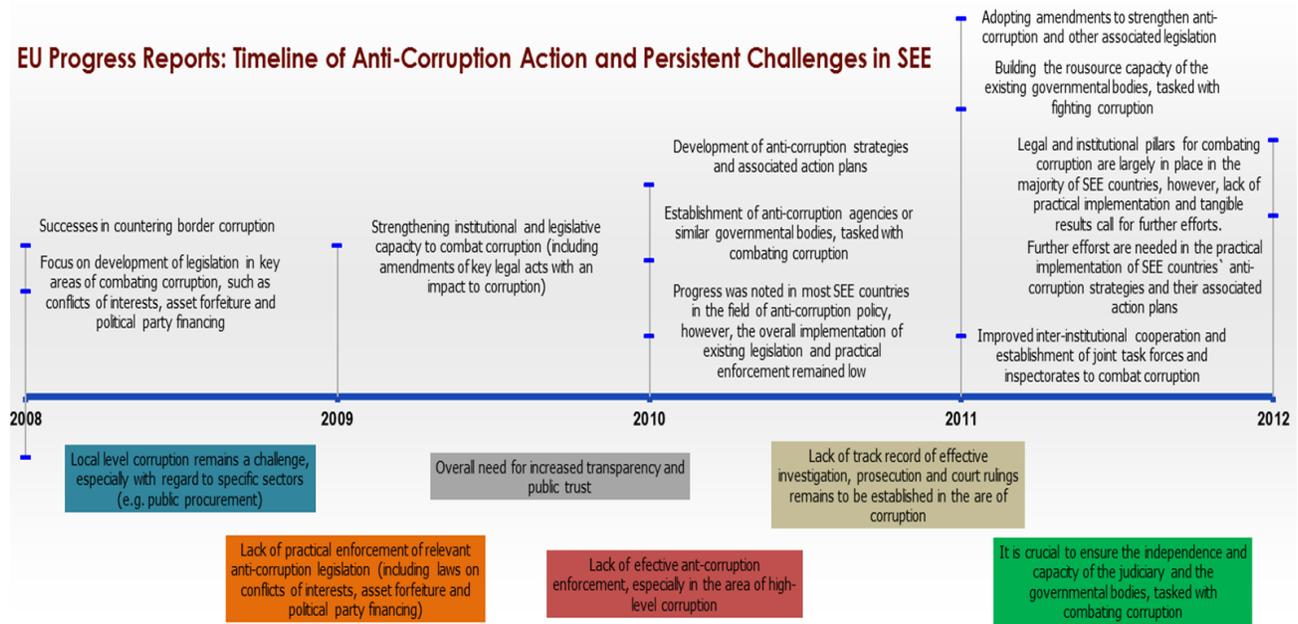
EU Progress Reports: 2008 – 2012 Timeline of Anti-Corruption Developments in SEE

The EU Progress reports are a very valuable source of information for creating an overall picture of the anti-corruption environment in South-East Europe and more importantly, of its development through time. With the note that such generalisation might prove misleading for in-depth observations and detailed country-by-country analyses, mainly due to the specific national and social characteristics and different pace of legal and institutional development of each SEE State, the Progress Reports can serve as a source for tracing the most relevant anti-corruption developments (both legal and institutional) and their progression through the years. Analysis of the timeline 2008-2012 timeline set of reports for the countries of the Western Balkans and Turkey could also pinpoint common persisting anti-corruption challenges in SEE.

Civil Society Organisations as Catalyst for Combating Corruption

Civil society organisations are instrumental in controlling and monitoring corruption. Since, in its core, corruption is a social phenomenon, CSOs capacity for collective action is indispensable asset for both providing the government with recommendations and initiatives, as well for increasing public support and awareness with regard to anti-corruption policy.

EU Progress Reports: Timeline of Anti-Corruption Action and Persistent Challenges in SEE



Source: EU Progress Reports 2008-2012; SELDI, 2013.

Data shows that control of corruption is more effective in countries with larger number of CSOs, as well as with broader citizens' base, participating in voluntary activities.⁷ As long as the capacity for association and collective action exists, a society is able to keep a check on public corruption. **In the absence of public oversight it is nearly impossible, even by enforcing repressive or administrative means, to build-in control of corruption.** This is a clear disadvantage of some East European regions, which lack a sufficient base of proactive and independent non-governmental organisations, thus creating an environment of low capacity for association and sound collective action against corruption. Hence, society is left isolated from the process of combating corruption, which is among the reasons for the slow implementation of the already comprehensive legal framework, which has, for the most parts, been established in the SEE region.

This lack of public support and involvement in anti-corruption policy in SEE is also, in part, caused by the **lack of efficient dialogue between CSOs and the government.** Next to the established correlation between the number of CSOs and the control of corruption in a given country, **it is essential that non-government organisations are given enough room for cooperation and dialogue with the relevant public bodies,** while at the same time preserving their critical and unbiased judgement intact. **This however, proves difficult in the SEE region.**

Generally, there is a **lack of effectively established formal mechanisms for engaging civil society** on the part of the national governments in the region, as well as lack of administrative capacity and clear vision and understanding of the potential of CSOs in the field of anti-corruption.

Apart from the existing communication and coordination gaps, there are several alarming threats and risks to civil society development in the region, including **civil society capture by politicians and**

public administration, low transparency associated with mixing not-for-profit and for-profit activities of NGOs and deficiencies in the NGO registration process. The lack of mandatory procedures for transparency in the sector, ineffective financial control from the state (which should not entail interference in the work of NGOs), the low level of self-regulation, all contribute to the vulnerability of NGOs and allow illegitimate interests to operate in a niche of low transparency and accountability. NGO capture is particularly evident at the local level where municipal officials take advantage of the inadequate regulatory framework and lowered control to the detriment of the third sector.

In this context, regional CSOs network initiatives, such as SELDI, provide an anti-corruption platform for increased cooperation and knowledge sharing in SEE – a region with many common problems in the field. Development of such networks have the potential to provide great value added for a **dynamic civil society, capable of participating in public debate and influencing policy and decision-making process in the area of anti-corruption and good governance** through enhancing CSOs capacity, knowledge and commitment to provide analysis, monitoring and advocacy on policy, measures and reforms related to good governance and anti-corruption and to boost CSO cooperation and understanding beyond regional and national levels; promoting the state-civil society dialogue and improve the environment for civil activism at regional and national level; contributing to an enhanced cross-country public/civic support and participation for good governance and anti-corruption measures; and helping the CSOs themselves to improve their legitimacy, transparency and accountability.

⁷ Teorell, Jan, Nicholas Charron, Stefan Dahlberg, Sören Holmberg, Bo Rothstein, Petrus Sundin & Richard Svensson. 2013. The Quality of Government Dataset, version 15May13. University of Gothenburg: The Quality of Government Institute, <http://www.qog.pol.gu.se>; http://www.againstcorruption.eu/wp-content/uploads/2013/03/ANTICORRP-Policy-Paper-on-Lessons-Learnt-1_protected1.pdf