

State Capture Diagnostics in the Western Balkans

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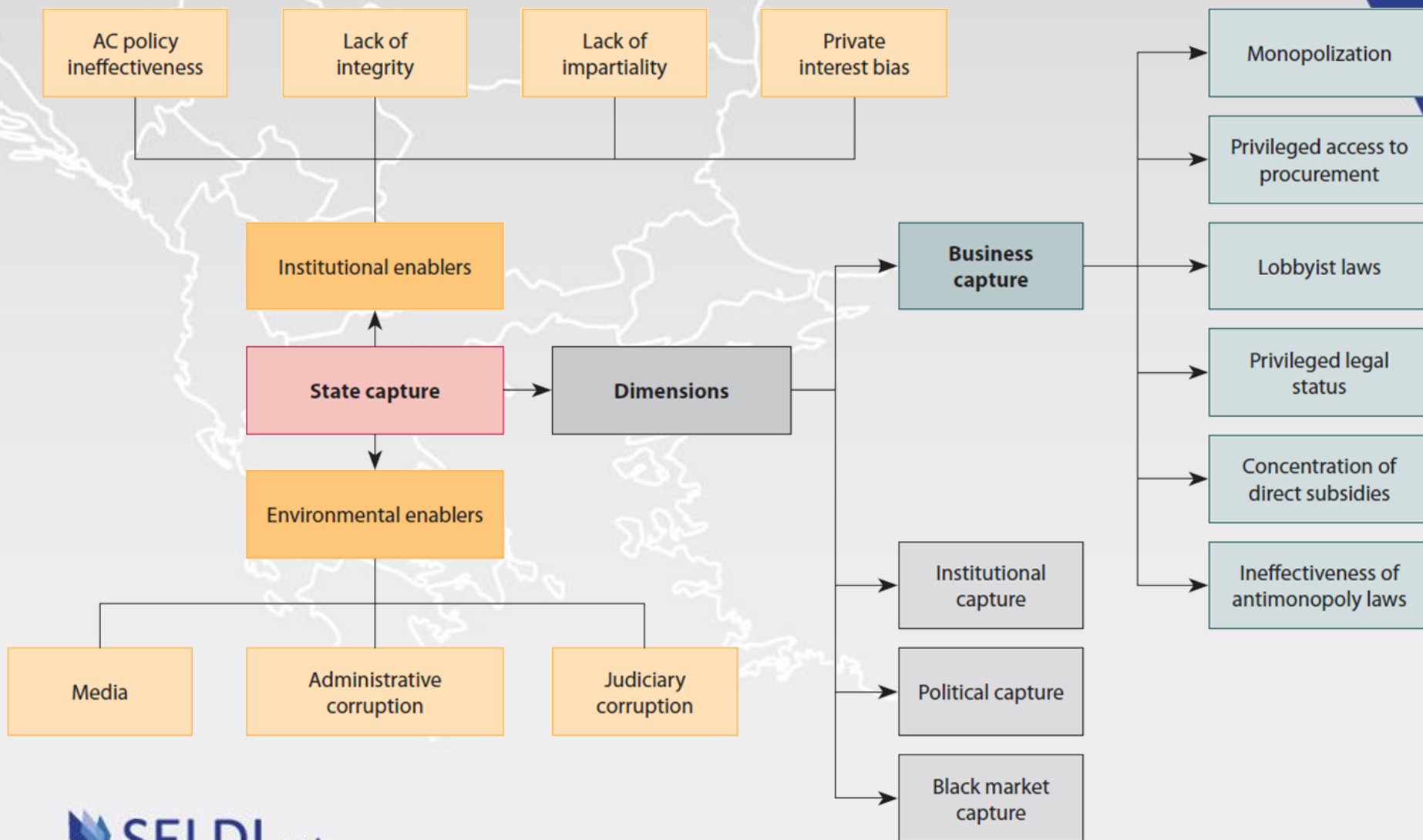


State Capture Assessment Diagnostics (SCAD)

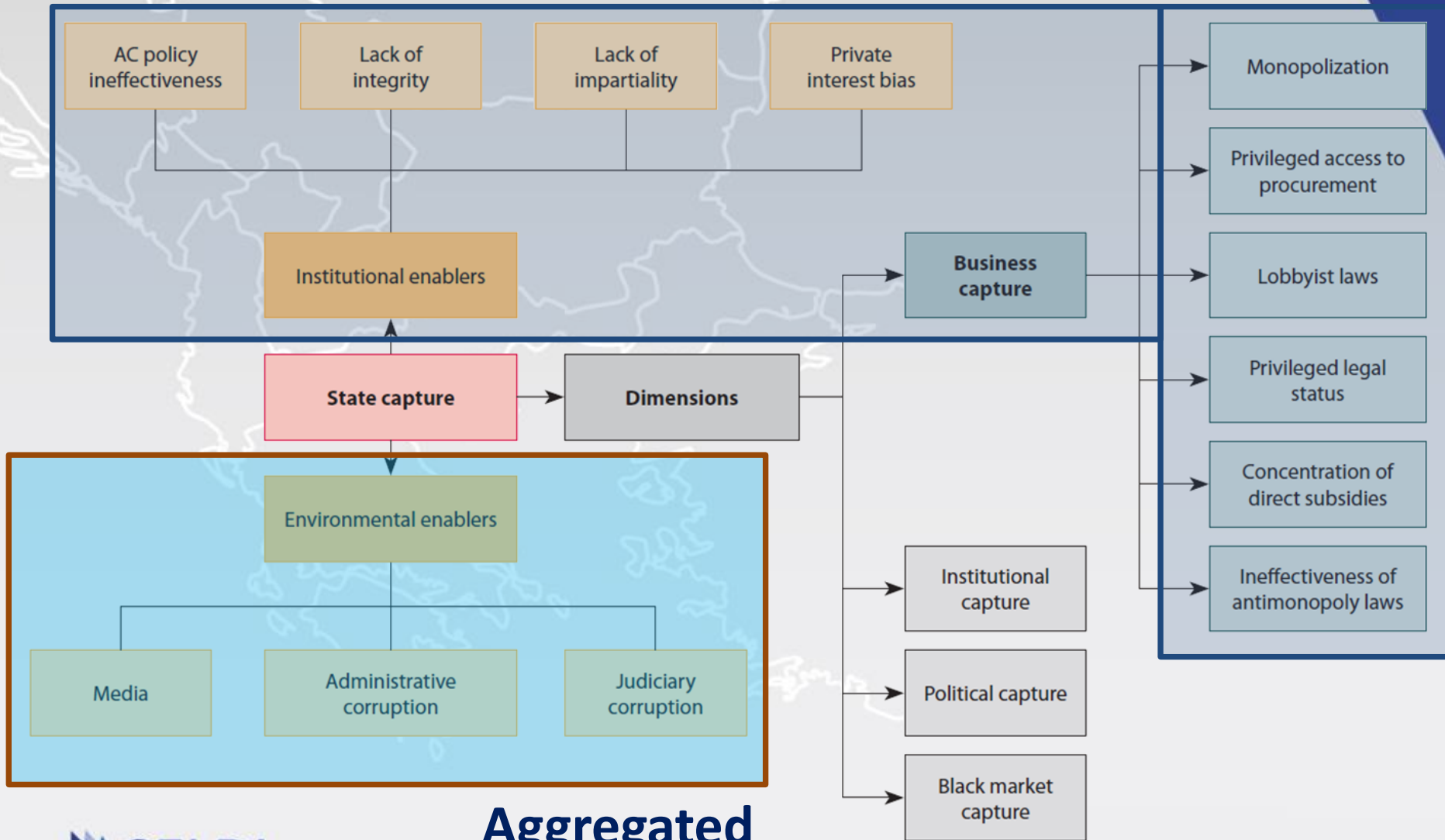
State capture:

- **State capture** is the institutionalization of corrupt relations, leading to the privatization of governance.
- **Captors** (or privatizers) of government functions exploit the governance through various corruption mechanisms in order to secure the systematic and permanent delivery of private goods/services to themselves.
- **Process-wise**, state capture is the abuse of good governance rules in the process of drafting, adoption and enforcement of the rules themselves in favour of a small number of captors at the expense of society and business at large.

State Capture Assessment Diagnostics (SCAD)



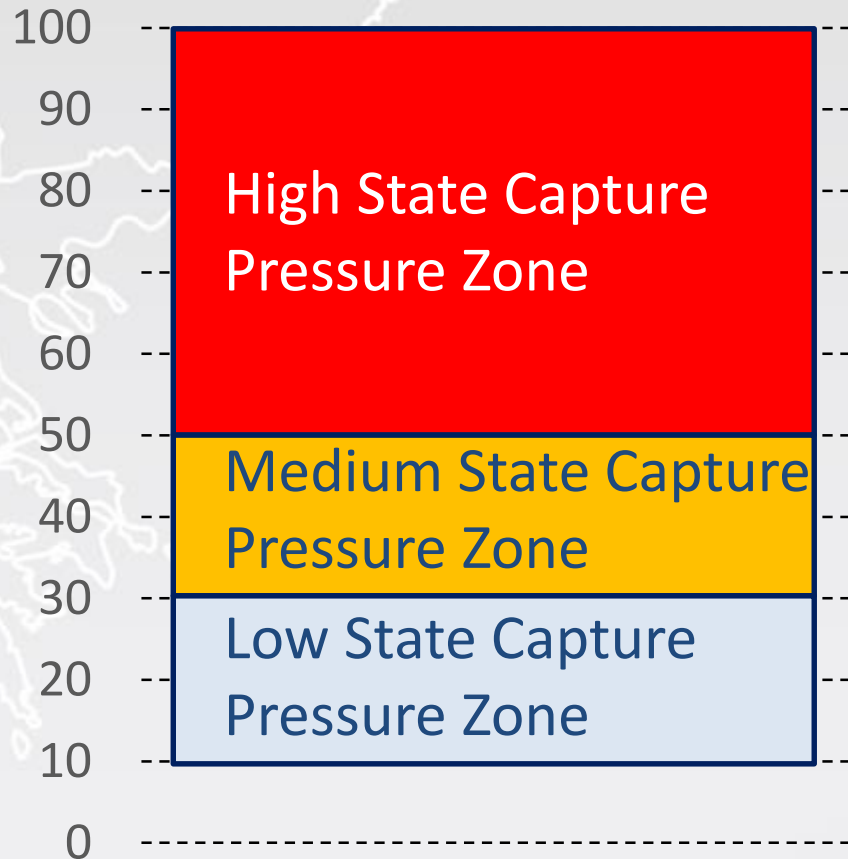
MACPI State Capture (assessments & big data)



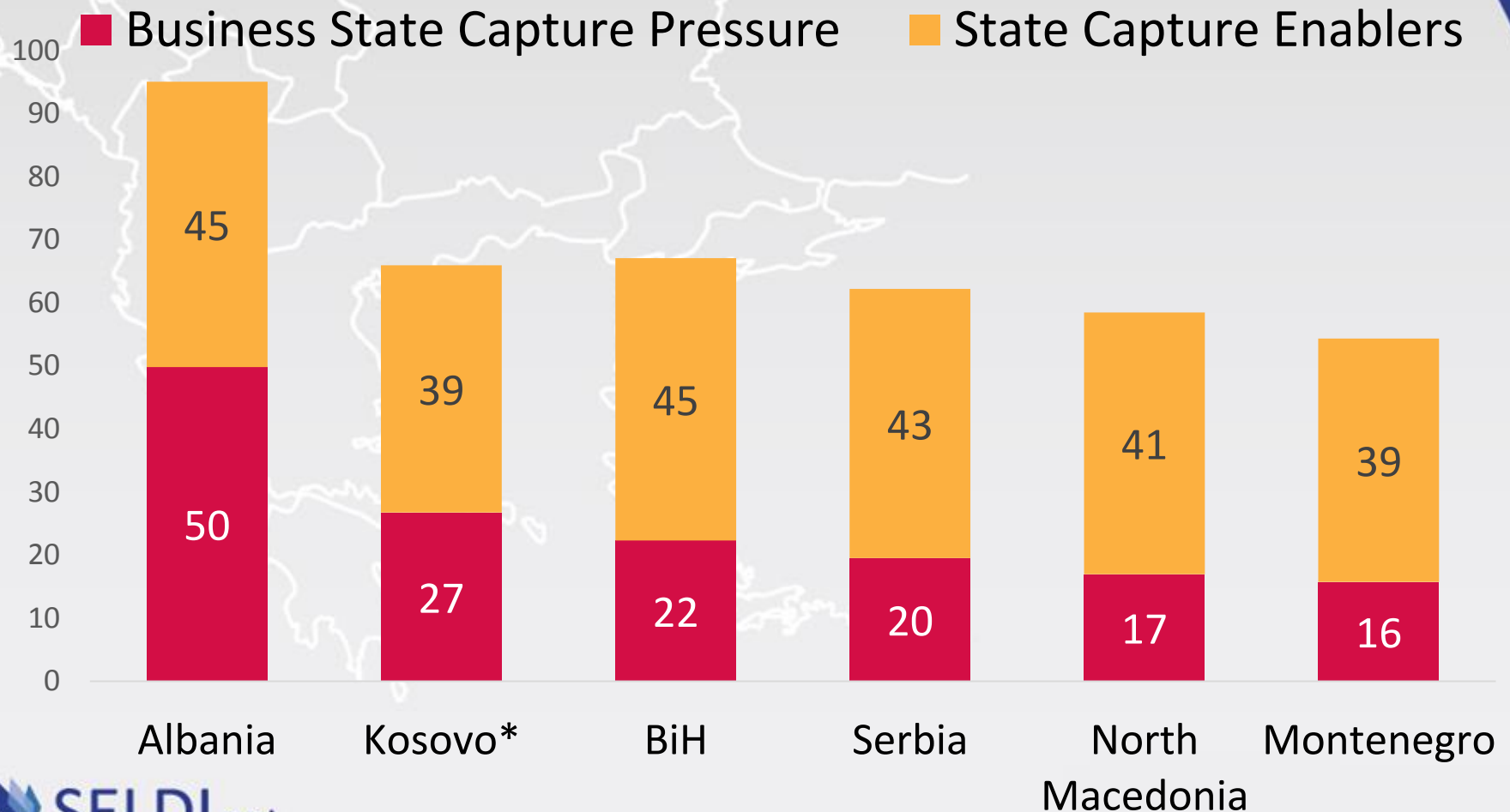
Aggregated indicators

State Capture: methodology

All SCAD indicators use a 0 to 100 scale

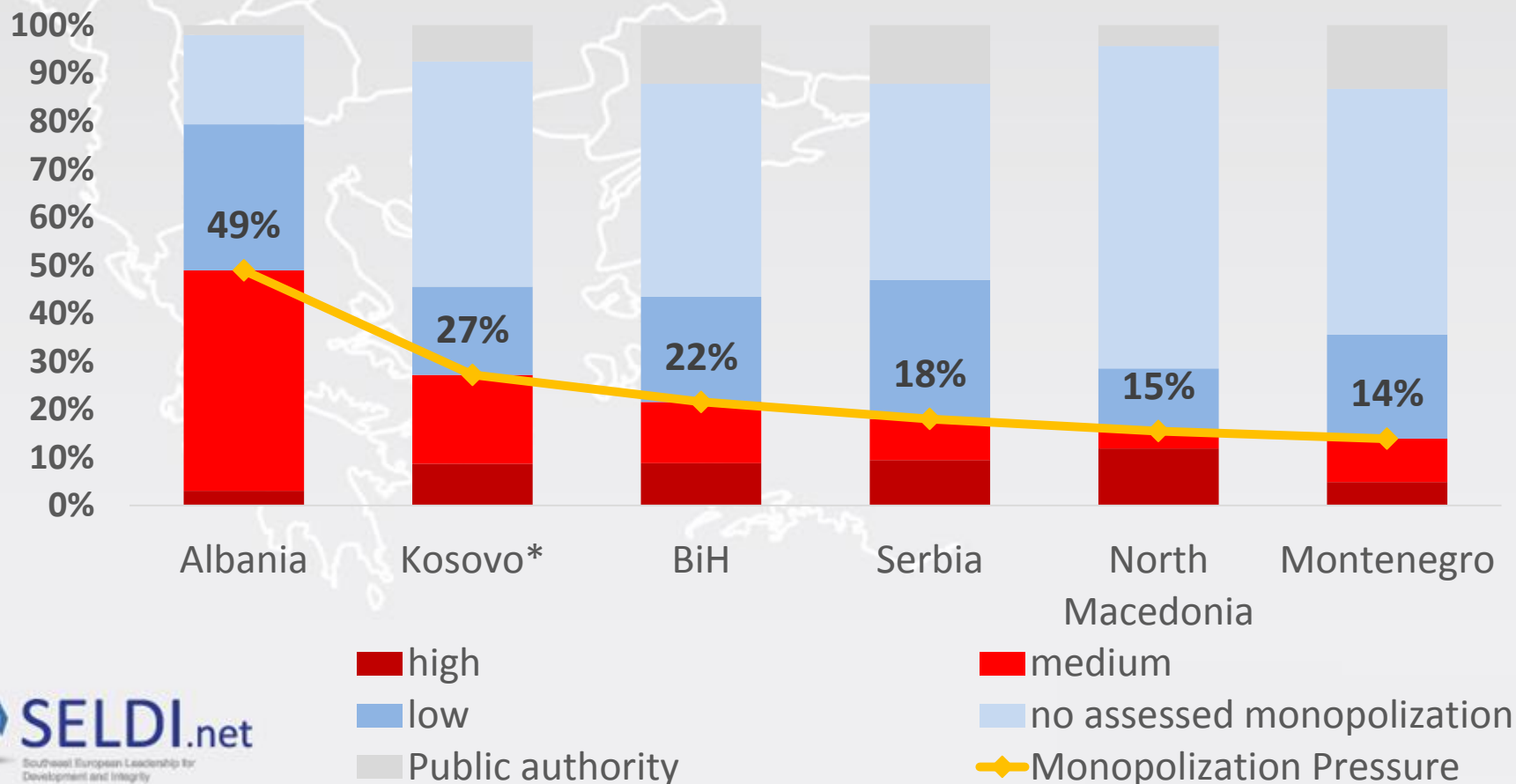


Business State Capture Pressure and State Capture Enablers in the Western Balkans



Monopolization Pressure

- **Share of the total company turnover** in the country concentrated in sectors with high, medium or low assessed monopolization.
- **Monopolization pressure** is calculated as the share (out of the whole company turnover in the country) of the turnover of the companies, operating in sectors with **high and medium assessed monopolization**



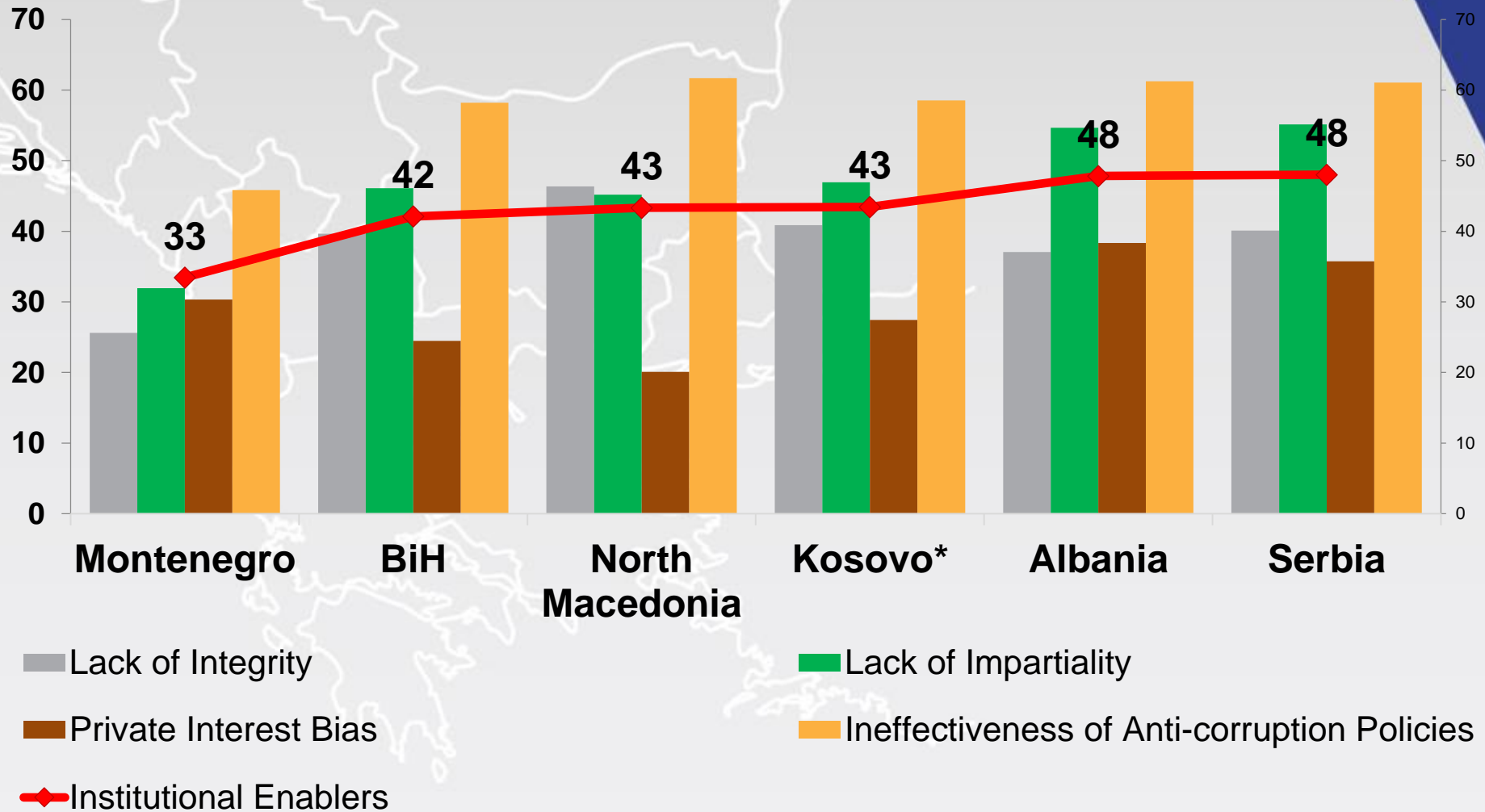
Economic Sectors with High or Medium Monopolization

| | Assessed monopolization | | | | | |
|---|-------------------------|-----|---------|-----------------|--------------------|--------|
| | Albani a | BiH | Kosovo* | Monte- negro | North Macedonia | Serbia |
| Civil engineering | 12% | 41% | NA | 25% | 35% | 30% |
| Construction of buildings | 41% | 47% | NA | 46% | 26% | 51% |
| Electricity, gas, steam and air conditioning supply | 47% | 61% | 38% | 65% | 74% | 77% |
| Gambling and betting activities | 50% | 58% | 36% | 42% | 33% | 38% |
| Programming and broadcasting activities | 21% | 32% | 4% | 20% | 18% | 64% |
| Telecommunications | 59% | 67% | 46% | 49% | 67% | 47% |
| Wholesale of pharmaceutical goods | 56% | 53% | 58% | 48% | 53% | 51% |
| Wholesale of solid, liquid and gaseous fuels and related products | 24% | 35% | 52% | 15% | 53% | 42% |
| Wholesale of tobacco products | 18% | 38% | 48% | 29% | 20% | 17% |

Economic Sectors with High or Medium Monopolization

| | Antimonopoly laws facilitate the formation of monopoly | | | | | |
|--|--|-----|---------|------------|-----------------|--------|
| | Albania | BiH | Kosovo* | Montenegro | North Macedonia | Serbia |
| Civil engineering | 27% | 27% | NA | 22% | 34% | 31% |
| Construction of buildings | 48% | 30% | NA | 30% | 26% | 35% |
| Electricity, gas, steam and air conditioning supply | 54% | 42% | 38% | 40% | 43% | 40% |
| Gambling and betting activities | 49% | 41% | 31% | 33% | 31% | 25% |
| Programming and broadcasting activities | 27% | 25% | 19% | 31% | 46% | 40% |
| Telecommunications | 63% | 40% | 30% | 31% | 53% | 36% |
| Wholesale of pharmaceutical goods | 53% | 40% | 49% | 29% | 46% | 27% |
| Wholesale of solid, liquid and gaseous fuels and related products | 38% | 30% | 28% | 20% | 36% | 33% |
| Wholesale of tobacco products | 29% | 32% | 45% | 24% | 26% | 26% |

Institutional Enablers of State Capture



Private Interest Bias

- ***Private interest bias*** indicates actual state capture-like behaviour of public organisations which are not merely ineffective or inactive, but also benefit specific private interests.
- This indicator addresses one of the strongest state capture mechanisms: the use of public organizations not only to benefit certain private parties (which can easily be interpreted in the terms of classical corruption scenarios) but rather as a **tool or weapon against the competitors of the captor**.
- The score on this indicator represents the percentage of experts who deem, for a particular public organization, that the **“control and the imposing of sanctions are done selectively, and the choice of whom to control or sanction follows private interests”**.

Private Interest Bias by Type of Organization

| Organization type | Private Interest Bias | | | | | |
|---|-----------------------|---------|-----|---------|------------|-----------------|
| | Serbia | Albania | BiH | Kosovo* | Montenegro | North Macedonia |
| Agriculture-related | 67% | 51% | | 51% | | 24% |
| Anticorruption, organized crime and money laundering | 44% | 56% | 67% | 30% | 49% | |
| Construction-related bodies | | 27% | 38% | | 40% | 10% |
| Customs | | 58% | 23% | 29% | | 36% |
| Energy sector regulation and control | | 35% | 20% | 25% | | 29% |
| Environmental regulation and control | 25% | 50% | 20% | | | 20% |
| Fiscal policies, regulation and control | | 38% | | | 67% | |
| Labor conditions control and regulation; Empl. policies | 89% | | 29% | 33% | | 44% |
| Local government | | 58% | 33% | 21% | 32% | 39% |
| Media-related bodies | 56% | | | 57% | | 33% |
| Mining and mineral resources | | | | 75% | | |
| Mobility and transport | | 50% | 21% | | | |
| Pharmacy and health related control and regulatory bodies | | 42% | | 80% | | |
| Privatization and Post-Privatization Control, Restitution | 25% | 44% | 20% | 37% | | |
| Procurement | 33% | 37% | | 31% | 27% | 50% |
| Social and health insurance authorities | 39% | | 27% | 20% | | 32% |
| Tax and audit authorities | 52% | 55% | 28% | 39% | | 37% |

Policy Recommendations

- **stronger political engagement** with local leaders on rule of law issues
- safeguarding and monitoring **judicial independence and performance**
- ensuring **transparency of media ownership**, newsroom independence and safeguarding media freedom from political interference
- strengthening **anti-monopoly laws** and their practical implementation; assessing the integrity and monitoring the anti-corruption policy setup of anti-monopoly commissions in the region
- tracking and addressing competition issues in critical sectors identified by SCAD, such as **energy, pharmaceuticals and construction**

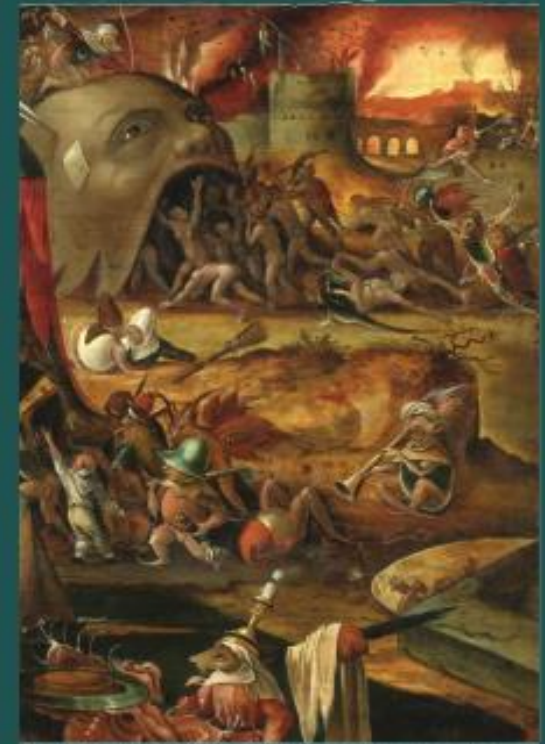


**State Capture Assessment
Diagnostics in the
Western Balkans 2020:
Risks and Policy Options**
Policy Brief No. 10, July 2020



Thank you!

**state capture
assessment diagnostics**



Center for the Study of Democracy

