



**Corruption in the  
Western Balkans  
2019:  
Trends and  
Policy Options**

SELDI policy brief no. 9, December 2019





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## Trends and Policy Options

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### KEY POINTS:

- The **promise of enlargement** to the Western Balkans has suffered another delay, as the start of accession negotiations with Albania and North Macedonia has been put off until at least 2020. This delay has been almost unanimously labelled a **“historic mistake”**, as fears grow that Russia and China are actively exploiting the power vacuum left behind.
- Against this backdrop, **corruption and state capture mechanisms in the region remain alive and well**. Finding a way to address them before accession is an essential prerequisite for a successful enlargement to the Western Balkans. These hold back economic development and keep the region well below the 50% of EU GDP per capita in purchasing power standards.
- SLEDI data on corruption pressure in the Western Balkans since 2001 confirms that the EU enlargement has delivered in the past. Yet, **the region remains far behind** even the worst-performing EU member states.
- SELDI’s Corruption Monitoring System (CMS) results for 2019 show that compared to 2016, corruption pressure **has increased in four of the six Western Balkans countries**: Bosnia and Herzegovina, followed by Montenegro, Kosovo\*, and Serbia. Albania and North Macedonia have witnessed a marginal **decrease in corruption pressure**.
- These results indicate that countries under more political pressure from the EU and a clear prize (short-term goal) on the horizon perform better. Despite this fact, the citizens of Albania (78%) and North Macedonia (69%) still do not believe that their governments’ policies can reduce corruption levels further.
- The **EU needs to continue monitoring progress in anti-corruption and to engage directly with civil society** in the region. It needs to re-enforce the accession negotiations’ technical aspects on anti-corruption with more political assertiveness from Brussels and its local delegations regarding progress in **tackling higher-level corruption and state capture**. It will also need to stand up to and develop mechanisms to **neutralise the harmful effects of authoritarian influence in the region**.

## INTRODUCTION: THE WESTERN BALKANS ACCESSION CONUNDRUM

In October 2019 the European Council disregarded the positive recommendation from the European Commission to start accession negotiations with two more Western Balkans countries – Albania and North Macedonia. France, the Netherlands and Denmark blocked the opening of negotiations citing concerns over the rule of law and corruption in the region, and the need to reform the accession process, so as to deliver tangible changes on the ground. Most European, as well as US officials, have called this veto a **“historic mistake”**, fearing that the region would be plunged even further into political instability, corruption and state capture, and that authoritarian powers, such as China and Russia would step further in and fill in the power vacuum.

The Western Balkans have made **clear progress in tackling corruption** within the framework of the EU accession promise delivered back in 2003 in Thessaloniki and re-confirmed in 2018 during the Bulgarian Presidency of the European Union. Average corruption pressure on the citizens in the region has declined from slightly above 40% in 2001 to 26% in 2016<sup>1</sup>. Yet, it remains much higher than in even the worst-performing EU member-states. **High-level corruption remains effectively immune to prosecution**, and **state capture risks are rife** across the region<sup>2</sup>. Montenegro, and in particular Serbia, have continued

their enmeshment with China and Russia, despite the start of accession negotiations in 2013 and 2014, respectively.

Tackling corruption and state capture has been put at the core of the reformed EU accession process in 2012<sup>3</sup>, implementing the lessons learnt from the 2004 and 2007 rounds of enlargement. Yet, there have been ample examples, which demonstrate **the need for a more assertive EU stance vis-à-vis accession countries**. There has been apparent democratic backsliding among Central and Eastern European members since accession, the European Commission still monitors corruption and judicial reforms in Bulgaria and Romania, and the dramatic lack of reliable internal mechanisms for joint actions within the EU have been laid bare in the cases of the Greek eurozone crisis and the migration crisis. Such developments have arguably contributed to the **weakening of the EU’s internal coherence**, resulting in further negative developments, such as the rise of extremism across the continent, and Brexit.

If the EU wants to continue exerting its soft transformational power over the Western Balkans and in its Eastern Neighbourhood, it will have to **re-open accession prospects quickly**. It needs to both continue accession and strengthening its internal governance already in 2020. Russia will not stop or ease its drive for meddling in the Western Balkans and has demonstrated it will use any fissure within and outside the EU to stop and/or even reverse the region’s Euro Atlantic integration. It has already launched a campaign to portray EU’s delayed accession

1 SELDI (2016), Shadow Power: Assessment of Corruption and Hidden Economy in South East Europe. Available at: <https://seldi.net/publications/publications/shadow-power-assessment-of-corruption-and-hidden-economy-in-southeast-europe/>

2 Center for the Study of Democracy (2018), Policy Brief No. 77: Making Democracy Deliver in the Western Balkans: Strengthening Governance and Anticorruption. Available at: <https://csd.bg/publications/publication/policy-brief-no-77-making-democracy-deliver-in-the-western-balkans-strengthening-governance-and-a/>

3 In 2012 the EU adopted a new enlargement approach putting priority on the accession chapters dealing with the rule of law and anticorruption. The two chapters are opened first in the negotiation process and remain open until the final decision of accession, which was not the case with previous enlargements.

as another step of a continuing process of political, economic, cultural and social decline. China, on the other hand, claims it supports enlargement politically, but exploits and perpetuates corruption and state capture prone investments, implicitly promoting its authoritarian model. **Russia and China have provided the Western Balkans' political elite with an escape clause** against reforms of dubious nationalistic illiberal narratives and alternatives, garnered with grandiose non-transparent infrastructure, energy, and military deals.

For the citizens of the region, **EU enlargement remains the best hope for more prosperous and peaceful life**, which is still widely reflected in opinion polls. Yet, for enlargement to continue delivering, it is vital that the countries from the region find new impetus for reforms. In 2019 – 2020 the EU and the

European Commission need to renew the promise of enlargement to the Western Balkans, focusing on delivering tangible anti-corruption reforms. In this respect SELDI's bi-annual Corruption Monitoring System (CMS)<sup>4</sup> and their Regional Anticorruption Reports provide up-to-date reliable benchmark on anti-corruption progress and ideas about opportunities for making democracy deliver for the Western Balkans.

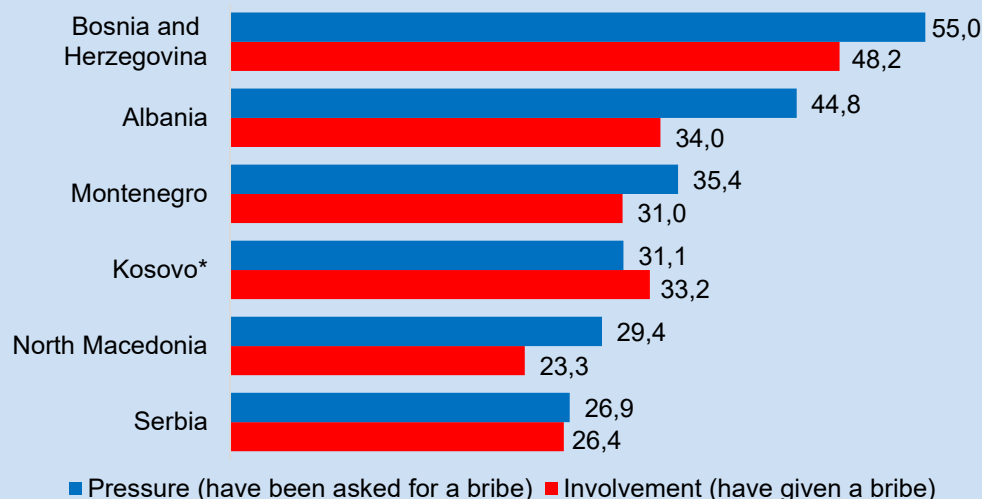
## CORRUPTION TRENDS IN THE WESTERN BALKANS

Experience with corruption (observed levels of corruption) 2019

SELDI's Corruption Monitoring System follows the dynamics of corruption pressure and involvement in corruption, based on the actual experiences of citizens of the

**Figure 1. Corruption pressure and involvement in corruption in the Western Balkans 2019**

(% of the population 18+ who have been asked to give and have given a bribe (money, favour, gift) in the last year)



**Source:** SELDI Corruption Monitoring System, 2019.

\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence. Source: SELDI Corruption Monitoring System, 2019.

\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

<sup>4</sup> For full description of the CMS methodology, please see the SELDI website: <https://seldi.net/cms-data/cms-methodology/> and SELDI (2017), Sustainable Policy Impact through State-of-the-Art Research and Advocacy. Available at: <https://seldi.net/publications/publications/sustainable-policy-impact-through-state-of-the-art-research-and-advocacy/>

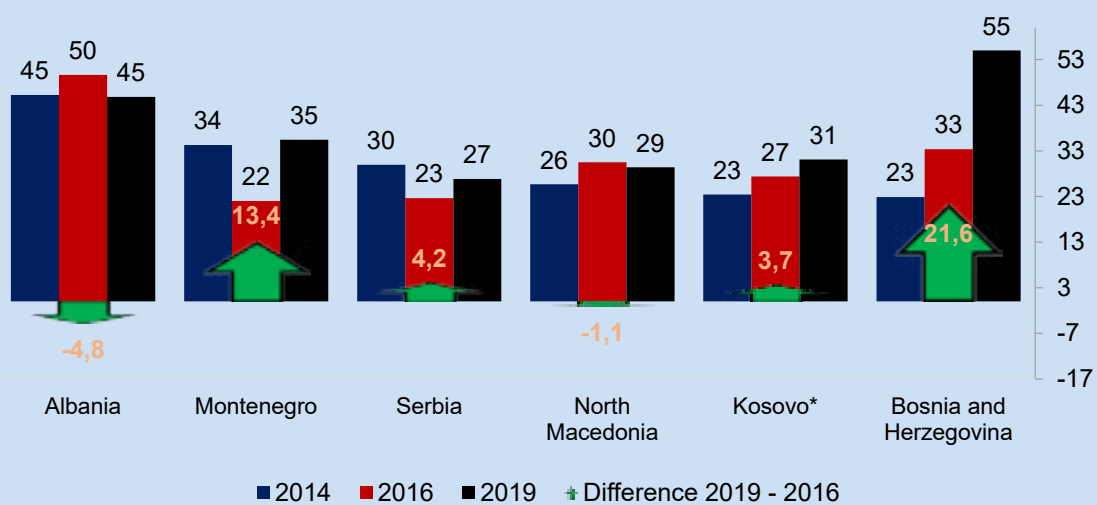
Western Balkans with bribery. The two indicators reflect the countries' **overall corruption environment in an objective and quantitative manner**. This allows comparability both across countries and in time.

Corruption pressure has remained high throughout the region in 2019. At 27% Serbia, which fairs best in the Western Balkans features results that are **two times worse than the worst-performing member of the European Union in the same year**. The results of the two candidate countries for starting accession negotiations Albania and North Macedonia, confirm concerns over their anti-corruption performance and provides credence to regarding the two countries separately. North Macedonia's corruption pressure is some 15 pp lower than that in Albania (45%). SELDI's **rule of thumb for corruption pressure** states that for public institutions to be considered corruption-free it needs to be below 5%. At this point, a virtuous circle could kick in with

citizens' trust in institutions increasing and providing sustained pressure for further anti-corruption efforts. In turn, this reduces the incidents of corruption even further and empowers the judiciary to focus on the highest-level cases and state capture. The experience of Central Europe, Bulgaria, Croatia and Romania shows that **the 5% benchmark is generally attainable over 5 – 10 years' period of time** but requires concerted efforts combining a strong external anchor and internal champion of anti-corruption. **It is important to note that such positive results only come on the back of sustained economic growth and a continuous rise in incomes.** *Corruption Dynamics 2014 - 2019*

The results from comparing the corruption dynamics between 2014 and 2019 demonstrate the **alarming pervasiveness of corruption** in the Western Balkans. They are in line with the findings of the 2019 EU Progress Reports for the region, which note only modest progress in all countries and backsliding in Bosnia and Herzegovina<sup>1</sup>.

**Figure 8. Corruption Pressure in SEE Countries**



**Source:** SELDI Corruption Monitoring System, 2019.

<sup>1</sup> European Commission (2019), Annual Country Reports on Albania, Bosnia-and-Herzegovina, Serbia, North Macedonia, Montenegro and Kosovo. Available online at: [https://ec.europa.eu/neighbourhood-enlargement/countries/package\\_en](https://ec.europa.eu/neighbourhood-enlargement/countries/package_en)

### Corruption pressure is on the rise in four of the six countries of the region.

There has been a marginal decline in Albania and North Macedonia. The higher focus on these countries in expectation of starting accession negotiations might have contributed to the more positive results. The backsliding in Montenegro, an accession country and in particular in Bosnia and Herzegovina, demonstrate the **fragility of achieved progress**. This calls for continued engagement with all the countries in the region. Bosnia and Herzegovina warrants attention of its own.

Corruption pressure levels in Albania remain much higher than in North Macedonia and seem to warrant further sustained efforts from Tirana and its EU partners to justify the joint start of negotiations.

### Acceptability of Corruption

Corruption acceptability remains relatively high in the Western Balkans, with Bosnia and Herzegovina, North Macedonia and Kosovo displaying higher acceptability than the rest. High levels of corruption pressure usually coincide with higher levels of acceptability and vice versa. However, they could also **indicate citizens' protest potential**, as well as the existence of

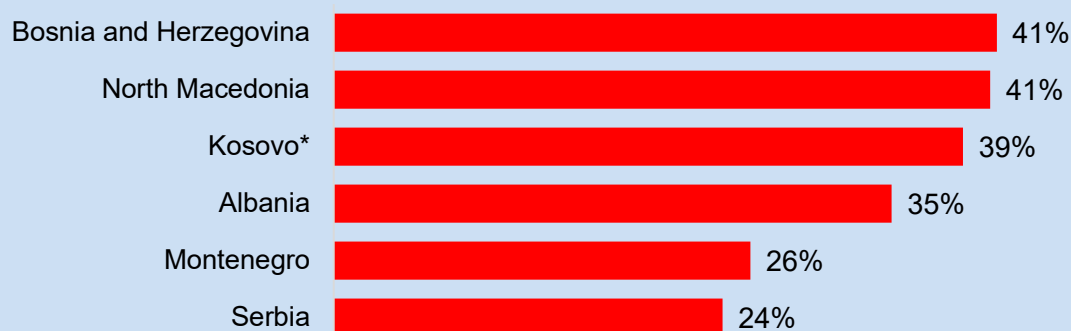
strong national sentiments or movements for anti-corruption and good governance. The results corroborate well with the fairly high protest potential, which in 2019 has been probably most visible in Serbia, Montenegro and Albania but has been potent all across the region.

### The expectation of corruption pressure

The higher moral constraints on the acceptability of corruption seem to crumble when faced with the reality of everyday life. In all countries of the region more than twice the share that accepts corruption in principle expects to be pressured for bribes. This indicates that **citizens perceive bribery as everyday occurrence**, which does not bear much likelihood of criminal persecution. It is also an indication of people's readiness to tackle corruption. If more than half of the population expects pressures for bribes in their everyday interactions with the administration, it is unlikely that they would provide credible deterrence to corruption incidents. This holds back economic development and keeps the region well below the 50% of EU GDP per capita in purchasing power standards.

**Figure 2. Acceptability of corruption**

(% of the population 18+, who accept different forms of corrupt behaviour)

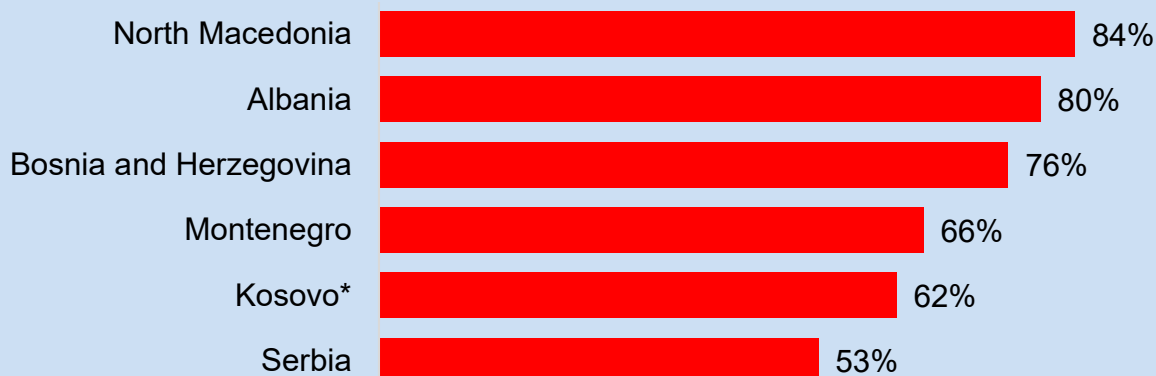


Source: SELDI Corruption Monitoring System, 2019.



**Figure 6. Perceptions of the likelihood of corruption pressure (%)**

(% of the population 18+ considering corruption pressure “very likely” and “likely”, excluding “not very likely” and “not likely at all”)



**Source:** SELDI Corruption Monitoring System, 2019.

In this respect, the very high values of the expectations of corruption pressure in Albania and North Macedonia call for urgent focus and action. But it seems that the political instability and uncertainty in both countries has trumped their government's pledges to focus and deal with high-level corruption. Internal failures, such as the flight from justice of the former Prime Minister of North Macedonia could be exacerbated by external disappointments,

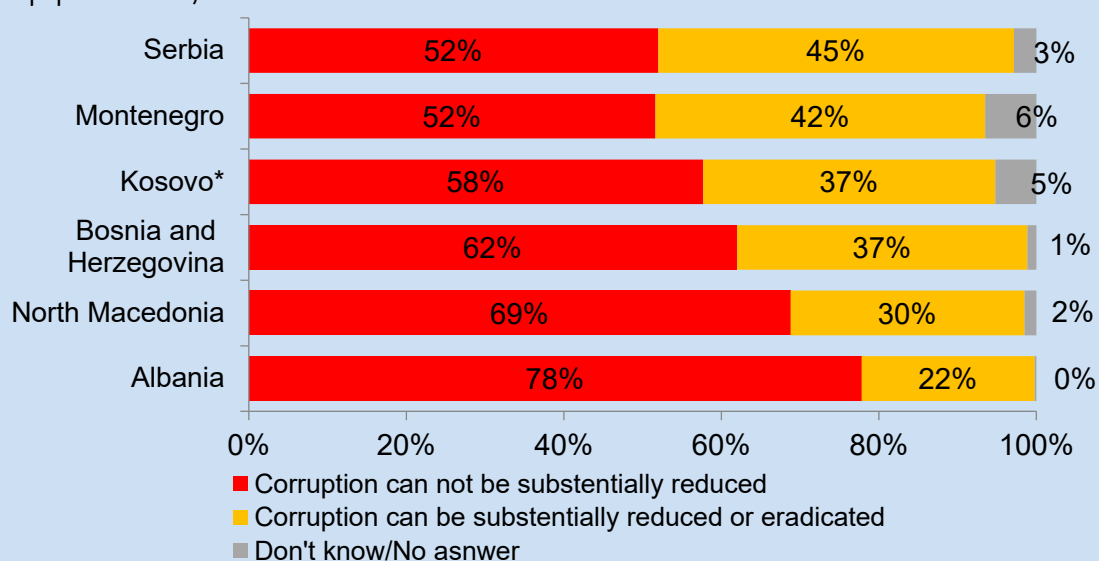
such as the halting of accession negotiations, to perpetuate corruption culture and reduce the effectiveness of introduced reforms.

### Perceptions of the feasibility of policy responses to corruption

Feasibility of policy responses to corruption reflects the share of the population who believe in the anti-corruption efforts of their governments. In this respect **anti-**

**Figure 7. Perceptions of feasibility of policy responses to corruption**

(% of the population 18+)



**Source:** SELDI Corruption Monitoring System, 2019.

**corruption in the Western Balkans has lost its most natural ally**, the belief and pressure from the citizens. Even in the best performing countries, Serbia and Montenegro, more than half the citizens believe there are no possible ways to tackle corruption. This calls for specific actions to engage local communities in anti-corruption but also points to the dramatic need of external anchoring and support from the EU, in particular in bringing about successful cases in prosecuting higher-level corruption. Tackling entrenched local oligarchs could provide a much-needed boost to anti-corruption actions in the region.

The energy sector is a natural starting point provided its high levels of concentration, state ownership and lack of adequate regulatory oversight. Such action though **requires much closer and daily engagement of the EU and the US with local political elites**, while continuing the work on building robust national anti-corruption institutions.

### Anti-corruption in the Western Balkans: Policy Recommendations for a More Effective EU Enlargement Policy

EU Enlargement has arguably been **the European Union's most successful policy**, delivering change and prosperity across Central and Eastern Europe after the fall of the Berlin Wall in 1989. Balancing between political expediency and technical achievements in the accession process has always been delicate. And, the EU has continuously reshaped its enlargement preparation tools and policies, invariably adding more

complexity but also rigour to the process.

The promise of enlargement to the Western Balkans delivered back in 2003 and reconfirmed in 2018 though has lost steam with **the addition of geopolitical concerns** from rising Russian and Chinese influence in the region, and the succession of EU-internal crises from the past decade. The EU has slowed down the process, trying to find the right balance between needed internal reforms and enlargement. This has **jeopardised the local political support for the EU project in the Western Balkans**, in turn threatening the peace and prosperity of the whole region. Hence, the impending 2020 enlargement policy overhaul will have to specifically target the dual challenge of tackling state capture and fending off authoritarian meddling in the Western Balkans. This calls for reinvigoration of the accession process along several lines.

First and foremost, the **EU needs to continue monitoring progress in anti-corruption and engaging directly with civil society** in the region. It needs to re-enforce the accession negotiations' technical aspects on anti-corruption with more political assertiveness regarding progress in **tackling higher-level corruption and state capture**. The EU could expand the planned rule of law instrument for the member states, which is expected to link good governance performance with financial assistance to the Western Balkans as well. In this respect, it is particularly important to allow for **the reversibility of the process of accession** with the possibility of both reducing or stopping of financial assistance in case of non-compliance with requirements.

In dealing with state capture, the EU needs to **mainstream more innovative analytical instruments** to guide its policies, such as the ones piloted from SELDI.net:

- **Monitoring Anticorruption Policy Implementation (MACPI)**<sup>1</sup> tool, which assesses the corruption resilience of institutions and identifies anticorruption policy and implementation gaps; and
- **State Capture Assessment Diagnostics**<sup>2</sup>, which can help identify state capture areas. While SELDI has piloted the instrument and will publish its results in the Regional Anticorruption Report 2020. But it needs to be upgraded with media, judiciary, and public spending policy capture indicators (e.g. public procurement, concessions, privatisation, etc.).

For its accession strategy to continue delivering results, the EU needs to engage more proactively politically with the Western Balkans countries, providing them with a clear perspective for the future. But it also needs **to stand up to and neutralise the harmful effects of authoritarian influence** in the region. China poses a strategic economic challenge with its disregard for EU economic rules and regulations, but it is Russia's much more assertive political, military, media, and cultural interference that requires more immediate attention.

At the **national level** it is necessary for public bodies in the Western Balkans to set up

procedures for **effective prosecution of corrupt high-level politicians** and senior civil servants. Through cooperation with the civil society, business, media and academia, they should also introduce an **independent corruption and anti-corruption monitoring mechanisms**. Such mechanisms need at all levels – from corruption risk assessment of policies to proof-reading of key legislation (public procurement, privatization, lobbying, anti-trust, whistle-blower protection) and analysing the efficiency of the internal anti-corruption procedures in individual public institutions. Business associations should also strengthen their role in promoting self-regulation and facilitate the reporting of corrupt practices in companies<sup>3</sup>.

External oversight on any policy, however, would not be possible without **free access to information, media independence, freedom of speech** and adherence to the critical transparency rules. A particular focus in the governments' efforts should be **avoiding civil society capture**, improving the corporate governance of state-owned enterprises, and the transparent management of large-scale investment projects<sup>4</sup>.

Procedural improvements are also necessary for strengthening the merit-based employment and promotion in the public sphere. Last, but not least, the countries from the Western Balkans need to build capacities in areas such as

1 Center for the Study of Democracy (2015), Monitoring Anti-Corruption in Europe. Bridging Policy Evaluation and Corruption Measurement. Available at: <https://csd.bg/publications/publication/monitoring-anti-corruption-in-europe-bridging-policy-evaluation-and-corruption-measurement/>

2 Center for the Study of Democracy (2019), State Capture Assessment Diagnostics. Available at: <https://csd.bg/publications/publication/state-capture-assessment-diagnostics/>

3 Center for the Study of Democracy (2018), Private Sector Corruption in Bulgaria. Available at: <https://csd.bg/publications/publication/private-sector-corruption-in-bulgaria/>

4 SELDI (2016), Shadow Power: Assessment of Corruption and Hidden Economy in Southeast Europe. Available at: <https://selidi.net/publications/publications/shadow-power-assessment-of-corruption-and-hidden-economy-in-southeast-europe/>

### **money laundering investigations and confiscation of criminal assets.**

At **EU level**, it is important that the countries from the region do not lose the impetus for reforms prompted by the EU integration process. The European Commission and the local EU Delegations need **to expand their direct engagement with the policy-makers and the civil society in the region.** The 2018 EU Strategy on the Western Balkans<sup>5</sup> foresees such cooperation where Western Balkans countries participate in “informal Councils, regular Ministerial-level meetings, technical committees and Commission working groups”.

The Strategy also recommends that the tools developed during the negotiations with Montenegro and Serbia under the rule of law chapters are used in other Western Balkan countries. These include analysis of legislation and its enforcement, establishment of detailed action plans prioritising key issues, and monitoring of the achieved concrete results.

The **extension of advisory missions** to the whole Western Balkans will also benefit the performance of the rule of law assessments; however it is recommended that any case-based peer-reviews include **civil society experts.** The European Commission and the local EU Delegations should work together with the local stakeholder to establish procedures for regular trial monitoring of corruption cases, as well as monitoring the progress of the judicial reforms.

The technical support, policy advice and EU funding should be directed towards **anti-corruption and anti-monopoly efforts focused on critical sectors**, specifically those vulnerable to state captures, such as energy, infrastructure, banking and telecommunications.

<sup>5</sup> European Commission (6 February 2018), A credible enlargement perspective for and enhanced EU engagement with the Western Balkans. Available at: [https://ec.europa.eu/commission/sites/beta-political/files/communication-credible-enlargement-perspective-western-balkans\\_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/communication-credible-enlargement-perspective-western-balkans_en.pdf)





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