

Corruption in the Western Balkans not Abating: What's Next



Policy brief No 13, January 2022



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KEY POINTS:

- SELDI's corruption monitoring system (CMS) is a state-of-the-art tool, which has tracked corruption victimisation in the Western Balkans since 2001. Its results for 2021 show corruption in the region is not abating.
- The anti-corruption progress achieved in the Western Balkans between the early 2000s and mid-2010s has now been reversed with most measures of administrative corruption indicating an increase. There have been minor improvements in 2021 in some countries compared to the 2019 levels.
- Self-reported involvement in corruption in the Western Balkans remains very high - 20-40% of the citizens admit to having paid some kind of a bribe. Tolerance of corruption by the general public, although on the wane, is still high, ranging between 25% and 40%. The overwhelming majority of the citizens in the Western Balkan countries are pessimistic about the prospects of anti-corruption efforts.
- Data from the 2019 CMS round showed that countries that could see the prize of accession to the EU on the horizon performed better in their fight against corruption. In 2021 this positive effect continues to be true for Serbia and Montenegro, but not so much for Albania and North Macedonia.
- CMS results for 2021 reveal that more than half of the population has lost hope in the feasibility of anti-corruption policy responses. This points to a deep-seated crisis in the trust in government in the region.
- Upholding the rule of law should remain a core EU accession and membership conditionality. Moreover, a persistent mechanism for enforcing EU's recommendations regarding rule of law, and anti-corruption in particular, after accession should also be implemented. This could be achieved by strengthening and extending the EU rule of law mechanism to the Western Balkans.
- The CMS findings yet again point to the need to guarantee that the economic benefits of greater EU integration do not land in the pockets of a small clique of state capture actors. Anti-corruption reform efforts should be taken out of the grip of private interests dominating national governments.

INTRODUCTION: BREAKING THE ACCESSION BACKLOG

The EU has the capacity to be the regional stabilising factor for anti-corruption reforms throughout the Western Balkans and a crucial player in the fight against the growing threat of authoritarianism. With the Brdo declaration of the EU-Western Balkans summit¹, the EU reaffirmed its support for the European perspective of the Western Balkans, and underlined that the EU support will continue to be linked to tangible progress on the rule of law and socio-economic reforms. Enlargement to the Western Balkans was included in the priorities of the French presidency of the EU, signalling further positive engagement.

Still, the EU future of the Western Balkans countries remains uncertain, due to backsliding of reforms and widespread corruption and state capture². The EU accession promise delivered back in 2003 was not firmly guaranteed at the 2021 summit. Some EU countries, such as Denmark, France and the Netherlands, fear a repeat of the rushed accession of Romania and Bulgaria in 2007³, and insist on stringent accession criteria to be met.⁴ Moreover, the COVID-19 outbreak turned into a catalyst for existing regional problems, including non-transparent public procurement of masks, respirators and medical equipment. Bulgaria blocked North Macedonia from starting negotiations in 2021 on bilateral disputes. The situation has been exploited

by geopolitical rivals such as Russia and China^{5,6}, which are engaged in a global power competition for the Western Balkans, thus providing local leaders with convenient escape clauses from EU membership conditionalities. The authoritarian countries' reaffirmed influence in the region is evidenced, for example, by the USD 1 billion Chinese road-loan, which Montenegro started paying back in July 2021^{7,8}, as well as by the influx of Russian (state-backed) capital in key sectors such as banking, energy, metallurgy and real estate⁹. Both countries have supported media capture and disinformation narratives in the Western Balkans, aimed at reducing the pull of EU accession¹⁰.

These are serious challenges that the Union would need to overcome in partnership with the countries from the Western Balkans. Balancing between political expediency and technical achievements in the accession process has always been delicate, now more than ever. On the one hand, removing the accession incentive would result in halted reforms of the judiciary, media freedom, and other areas. On the other hand, accession without conditionalities would undermine the core principles of democracy and EU's internal cohesion. To tackle these issues, the EU would be well advised to expand its rule of law mechanism to the Western Balkans providing regular monitoring of developments, as well as usher in Magnitsky-style for EU-wide sanctioning mechanism of state capture and corruption

1 Council of the European Union, [Brdo declaration](#), 6 October 2021.

2 Confirmed, among others, by the decreasing ranking of the Western Balkan countries in the [World Bank's Worldwide Governance Indicators \(WGI\)](#), in particular the "Control of Corruption" indicator for the period 2010-2020.

3 Reuters, [EU no longer agrees on Balkan membership guarantee, diplomats say](#), 28 September 2021.

4 The Economist, [Bigger is still better. The European Union should not give up on enlargement](#), 9 October 2021.

5 CSD, [The Twin Authoritarian Challenge in the Western Balkans](#), 8 February 2021.

6 CSD, [The Chinese Economic Footprint in Central and Eastern Europe](#), September 2021.

7 Euroactiv, [Montenegro starts paying off \\$1 billion Chinese road loan](#), 22 July 2021.

8 CSD, [Chinese Economic Influence in Europe. The Governance and Climate Conundrum](#), 2021.

9 CSD, [Russian Economic Footprint in the Western Balkans. Corruption and State Capture Risks](#), 2018.

10 CSD, [Tackling Kremlin's Media Capture in Southeast Europe](#), 2021.

(although in June 2021 the EU rejected the idea¹¹). Moreover, to provide the right signal to the Western Balkans and outside watchers, the design of the current rule of law mechanism should not be changed because of the opposition of existing member states¹², and the clause for suspension of EU funds should be maintained. The EU Delegations and the EU Special Representative for the Belgrade-Pristina Dialogue and other Western Balkan countries need to implement stronger political engagement with local leaders on rule of law issues, including through the extended use of EU advisory missions. Such strengthened conditionalities should underpin the intended higher development funding engagement of the EU in the Western Balkans. The EU should also undertake to better monitor the management of large-scale EU funding initiatives in the coming decade, to avoid concentration in the hands of a few politically well-connected business circles and their media outlets.

CORRUPTION TRENDS IN THE WESTERN BALKANS

Overall assessment

Experience with corruption - the involvement of individuals in corruption transactions - in the Western Balkan countries remains high. Even in the countries with the lowest levels of administrative corruption, about a fifth of the population report having paid a bribe of some kind. Such levels are well beyond average levels registered by the Eurobarometer surveys in the EU¹³. This shows that administrative corruption

in the region is a mass phenomenon and should be regarded as a specific risk in the mode of operation of public institutions.

Stalled progress with curbing administrative corruption opens wide avenues for state capture¹⁴ to take place and for corrosive capital from authoritarian states to enter freely the affected countries. High-level corruption in turn makes the fight with administrative corruption even harder. In the end, this vicious cycle could jeopardize the aspirations of Western Balkan countries for accession to the EU.

Experience with corruption

Experience with corruption (or corruption victimization) is the most important pillar in the CMS, since it provides actual incidence rates of corruption pressure and involvement in corruption in the Western Balkans, based on citizens' self-reporting. It allows quantifiable comparisons across countries and over time.

In 2021, corruption pressure remained above 24% in all countries in the region. Albania once again comes forward as the country plagued by the highest administrative corruption in the region with 57% of the citizens being asked for a bribe at least occasionally during the year preceding the survey and 47% actually participating in corruption transactions.

While Serbia remains the country with the lowest corruption pressure rates in the region, Kosovo^{*15} actually has lower rates of actual involvement in corruption activities with 20% of the citizens having paid a bribe at least on some occasions compared to 23% in Serbia.

11 Euroactiv, [EU not considering joining US in sanctioning Western Balkans](#), 9 June 2021.

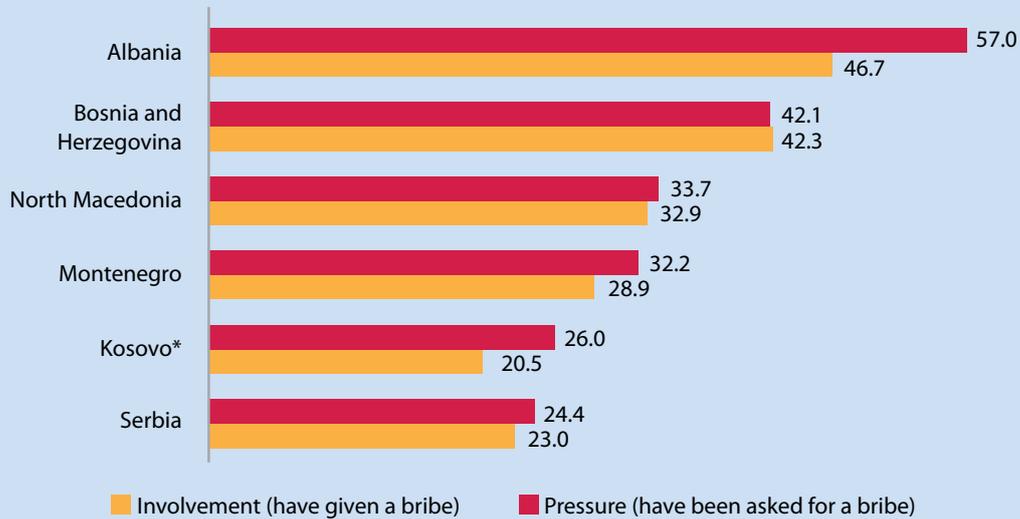
12 Euronews, [EU's top court begins looking at Hungary and Poland dispute over rule of law mechanism](#), 11 October 2021.

13 [Special Eurobarometer 502: Corruption](#), June 2020.

14 SELDI / CSD, [Western Balkans 2020: State-Capture Risks and Policy Reforms](#), 2021.

15 * The designation "Kosovo" 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.

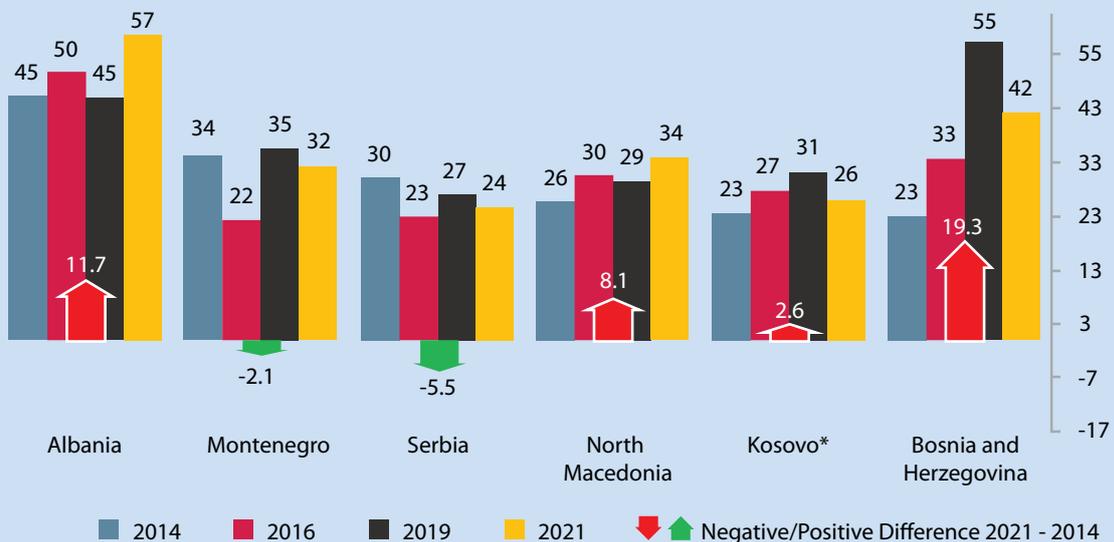
Figure 1. Albania exhibited the highest corruption pressure and involvement* in the Western Balkans in 2021



Source: SELDI Corruption Monitoring System, 2021.

* % of the population 18+ who have been asked to give and have given a bribe/money/favour/gift

Figure 2. Corruption pressure in the Western Balkan countries is on the rise compared to 2014/2016



Source: SELDI Corruption Monitoring System, 2021.

Corruption dynamics 2014 - 2021

A key measure in the SELDI CMS of the corruptness of government services is corruption pressure – the incidence of implicit or explicit rent-seeking by public officials in

their dealings with members of the public. CMS results show that despite the 1% decrease in corruption pressure since 2019, corruption levels on average remain higher in the Western Balkans in 2019-2021 than during the period between 2014 and 2016.

While only Albania and North Macedonia show increase in corruption pressure since the previous round of measurement in 2019 (12.2% and 4.3% respectively), most of the countries have higher levels of corruption pressure than in 2014 or 2016. Bosnia and Herzegovina registers a 12.9% decline in corruption pressure since 2019, but it is still among the countries with the highest reported corruption pressure (42% of the population were asked for a bribe). In 2014 BiH was among the countries with lowest reported corruption pressure.

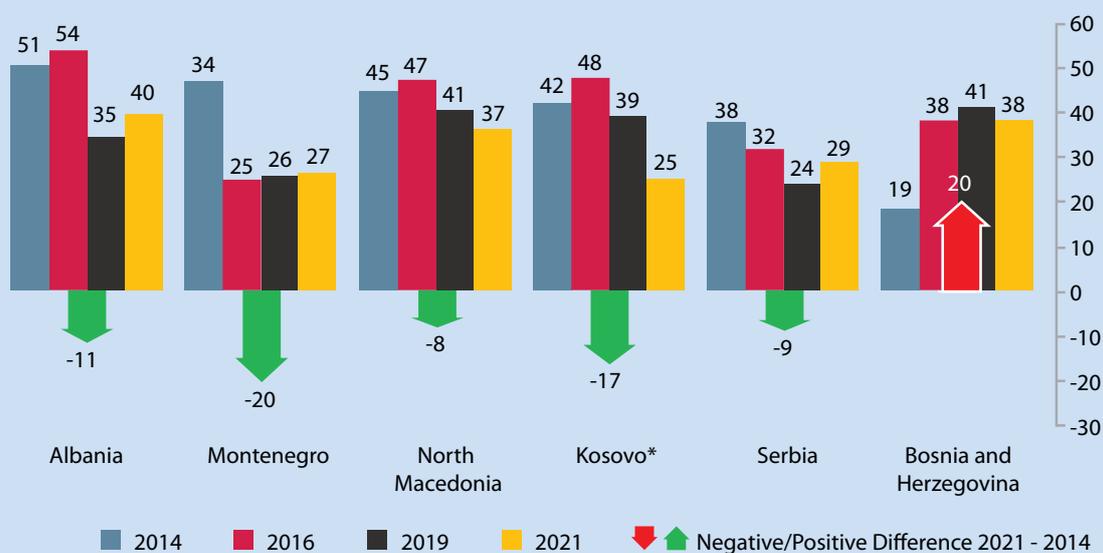
Montenegro and Serbia have achieved relative stability in the corruption pressure levels in the CMS since last year, albeit this stability is leaving them with very high levels of corruption pressure (32% and 24% respectively in 2021) compared to the EU countries. Administrative corruption in North Macedonia has been rising slowly over time. Kosovo* registers a 5.1% decline in corruption pressure since 2019 which, however, comes after a backslide in 2014 and 2016 leaving corruption pressure 2.6% higher than it was in 2014.

ATTITUDES TOWARDS CORRUPTION

Acceptability of corruption

The acceptability of corruption reflects the belief of citizens that certain corrupt practices by public officials are normal and can be tolerated. In 2021, acceptability is highest in Albania (40%), Bosnia and Herzegovina (38%), and North Macedonia (37%), but even the lowest scores (Kosovo* - 25% and Montenegro - 27%) remain quite high. Nevertheless, consistent decline in acceptability in all countries but BiH since 2014 demonstrates the increased resilience to corruption among the citizens. Bosnia and Herzegovina remains the only exception of this trend with acceptability of corruption remaining consistently very high in the last three CMS waves (38%-41% between 2016-2021), and more than two times higher than in 2014 (19% - by far the lowest score of all countries in 2014).

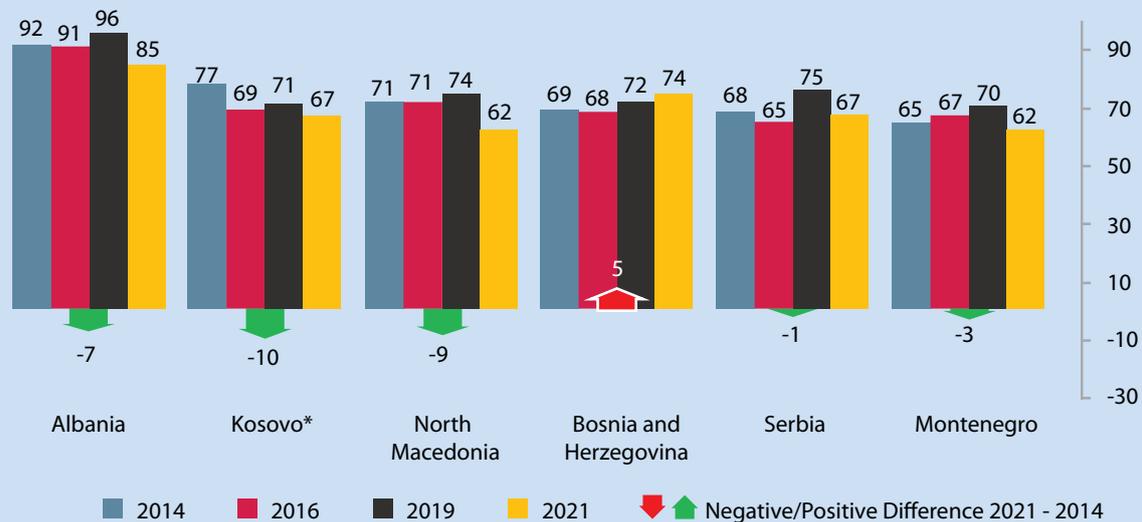
Figure 3. Acceptability of corruption* is decreasing in most Western Balkan countries



Source: SELDI Corruption Monitoring System, 2021.

* % of the population 18+ who find various forms of corrupt behaviour acceptable

Figure 4. Susceptibility to corruption* remains very high despite a small decline since 2014 in most of the countries



Source: SELDI Corruption Monitoring System, 2021.

* % of the population 18+ who are susceptible to accepting or offering a bribe in at least one of the tested scenarios

Susceptibility to corruption

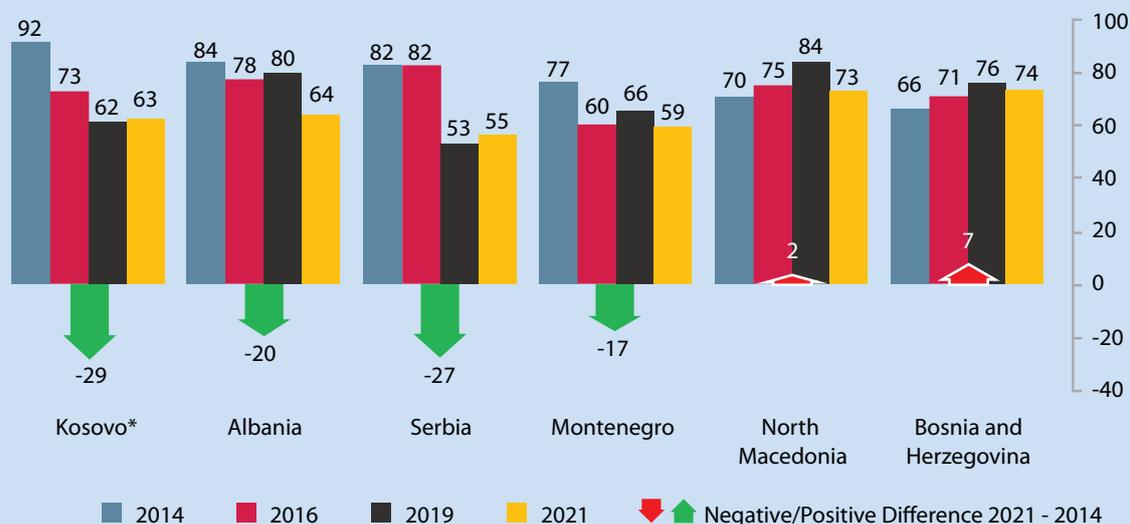
In order to measure the susceptibility of a community to corruption (in other words, how much integrity is valued), the SELDI CMS explores the degree to which individuals would accept/reject a bribe if they were a public official, as well as whether they would give in to a demand for a bribe by a corrupt public official. The results of the measure of susceptibility to corruption show that the public in countries with similar rates of bribery have different structure of predisposition to corrupt behaviour.

The 2021 findings indicate considerable differences between the outlier Albania, where (despite substantial progress over the years) susceptibility to corruption behavior remains very high, compared to the other countries.

PERCEPTIONS OF CORRUPTION

Expectations about corruption pressure

Asked about their estimate of the likelihood of being pressured by a government official into bribing, the public in the Western Balkans is considerably apprehensive. Between half (Serbia) and three-quarters (North Macedonia and BiH) of the adult population expects such pressure. In four of the countries (Kosovo*, Albania, Serbia, Montenegro) a decline in these expectations has been taking place since the mid-2010s. But in the last two years the expectations have levelled off at above 50% in all four countries. At the same time, citizens in North Macedonia and BiH perceive corruption pressure to be even more likely now than it was in 2014-2016.

Figure 5. The majority of people in the Western Balkans expect to be asked to bribe*

Source: SELDI Corruption Monitoring System, 2021.

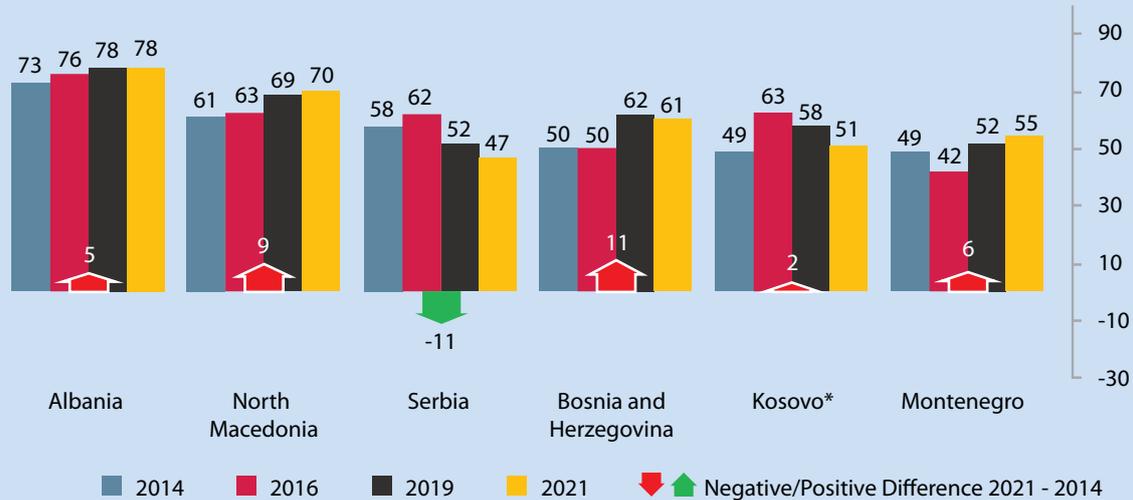
* % of the population 18+ considering corruption pressure "very likely" and "likely", excluding "not very likely" and "not likely at all"

Perceptions of feasibility of policy responses to corruption

While the perceptions of the likelihood of corruption pressure show some improvement in four of the six countries, the CMS results for 2021 reveal great doubts of the citizens that corruption can be reduced substantially. With the exception of Serbia, where "only" 47% believe that corruption cannot be reduced substantially, in all five remaining countries more than half of the population have lost hope in the feasibility of policy response with four of the five countries having either the same percentage of sceptics or even show increase. In fact, the only country where more people now believe in the feasibility of policy response to corruption than in 2014, is Serbia with 11% decline in the percentage of answers "corruption cannot be reduced substantially".

This result, in combination with the decreased tolerance most Western Balkan societies show towards corruption, comes to demonstrate the crisis in the trust in the governments and their capabilities to enforce consistently the rule of law. This calls for increased support of the EU in this area through direct political engagement, more capacity building and civil society action. It also reveals the deep vulnerabilities of the political systems of the countries in the region to foreign malign influence. Popular votes can be easily swung by external forces through the engagement of media campaigns and propaganda. The experience with the vaccine diplomacy shows that China and Russia can effectively exploit local disillusionment with reform efforts to peddle their influence.

Figure 6. The feasibility of policy responses to corruption* remains low according to the perceptions of citizens



Source: SELDI Corruption Monitoring System, 2021.

* % of the population 18+ believing that "corruption cannot be reduced substantially"

TOWARDS TACKLING STATE CAPTURE

The 2021 results from the SELDI Corruption Monitoring System (CMS) once again confirm the need of stronger incentives for reforms (including, but not limited to the EU accession), more stringent monitoring of EU and national funds' distribution and sanctioning of rule of law violations (such as suspension of EU budget payments, voted by the European Parliament in December 2020¹⁶).

When interpreting the survey results, however, a difference should be made between the administrative corruption measured through the CMS, and the state capture phenomenon, measured with the State Capture Assessment Diagnostics (SCAD)

tool¹⁷. The pilot SCAD assessment in the Western Balkans¹⁸ has shown that although none of the countries is close to full state capture, i.e. authoritarian rule, they exhibit critical impairments in democratic and economic checks and balances. The main challenge remains in the form of state capture enablers, such as media control, corruption in the judiciary, lack of integrity of public organizations, lack of impartiality and inadequate anti-corruption procedures. Across the Western Balkans, the score for state capture enablers spans from 39 to 45 out of 100 (full state capture).

It is important to note that Serbia and Kosovo*, which have the lowest administrative corruption rates among the six assessed countries, do not fare that well in terms of state capture (Serbia has a score

¹⁶ European Parliament, [Press release: Parliament approves the "rule of law conditionality" for access to EU funds](#), 16 December 2020.

¹⁷ CSD, [State Capture Assessment Diagnostics](#), 2019.

¹⁸ SELDI, [Policy Brief 10: State Capture Assessment Diagnostics in the Western Balkans 2020: Risks and Policy Options](#), October 2020.

of 43 in regards to state capture enablers, while Kosovo* has a score of 27 in terms of monopolization pressure). In Serbia, the monopolization pressure is especially high in the electricity and gas sector (77), programming and broadcasting activities (64), construction and wholesale of pharmaceutical goods (51 each).¹⁹ Thus, it could be concluded that the decreasing administrative corruption levels are not necessarily related to efficient anti-corruption reforms. This trend could potentially be a side-effect from growing state capture and influx of corrosive capital, which transform the petty forms of corruption into more complex ones. The phenomenon of suppressing the administrative corruption, while state capture and oligarchic networks thrive, is not new and it could also be observed, to various degrees, in EU member states.²⁰

The threat of state capture is particularly relevant when the financial interests of the Union are concerned. In addition to the Instrument for Pre-Accession Assistance (IPA III)²¹, EU has put forward an Economic and Investment Plan (EIP) and guidelines for the Implementation of the Green Agenda for the Western Balkans. The Plan sets out a substantial investment package mobilising EUR 30 billion for the region over the next seven years, comprised of EUR 9 billion in grant funding and EUR 20 billion in investments, leveraged by the new Western Balkans Guarantee Facility.²²

Thus, it is crucial that the distribution of all EU financial support, national procurements, investments and state aid, are carefully monitored by the public authorities, the civil society and the investigative journalists, in order for the funds to be spent efficiently and to the public benefit. The stakeholders should also follow and act upon any red flags, such as the information revealed under the “Pandora Papers” (e.g. about businessmen and politically exposed persons in Serbia²³, Montenegro and Albania²⁴). In light of this, the EU and the governments from the region could greatly benefit from maintaining and implementing innovative analytical instruments, such as SELDI’s CMS, MACPI²⁵ and SCAD, to guide their policies.

¹⁹ Ibid.

²⁰ CSD, [State Capture Assessment Diagnostics](#), 2019.

²¹ As noted in the [Brdo declaration](#), IPA III is planned to provide EUR 1,1 billion for the implementation of the EIP by the end of 2021.

²² Council of the European Union, [Brdo declaration](#), 6 October 2021.

²³ Balkan Insight, [Pandora Papers Reveal Second Serbian Minister’s Hidden Offshore](#), 7 October 2021.

²⁴ Balkan Insight, [Pandora Papers: New Leak Exposes Balkan PEPs’ Hidden Riches](#), 4 October 2021.

²⁵ Monitoring Anticorruption Policy Implementation (MACPI). For more information, see: CSD, [Monitoring Anti-Corruption in Europe. Bridging Policy Evaluation and Corruption Measurement](#), 2015.

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