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**NAVAL  
POSTGRADUATE  
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**MONTEREY, CALIFORNIA**

**THESIS**

**CORRUPTION IN THE BALKANS: AN EXAMINATION  
OF THE TIES BETWEEN GOVERNMENT AND CRIME  
IN SEVERAL SOUTHEAST EUROPEAN COUNTRIES**

by

Jonathan D. Heskett

December 2013

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**CORRUPTION IN THE BALKANS: AN EXAMINATION OF THE TIES  
BETWEEN GOVERNMENT AND CRIME IN SEVERAL SOUTHEAST  
EUROPEAN COUNTRIES**

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Submitted in partial fulfillment of the  
requirements for the degree of

**MASTER OF ARTS IN SECURITY STUDIES  
(EUROPE AND EURASIA)**

from the

**NAVAL POSTGRADUATE SCHOOL  
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## **ABSTRACT**

The problem of corruption in civil administration has been around for as long as individuals have held public office. The Balkans has proved to be no exception. As early as the 16th century, corruption began to be tolerated and widely accepted within the region. The corruption problem was greatly exacerbated following the disintegration of communism and the successive civil wars that plagued Yugoslavia throughout the 1990s. During this period, governmental officials forged strong, unhealthy relationships with criminal elements. These close ties between organized crime and governmental officials have continued unabated until the present day and help form the basis of a pervasive culture of corruption in the region.

This high level of corruption in the Balkans is problematic since both the EU and NATO have continued to expand eastward since the breakup of the Soviet Union in the early 1990s. Any new members admitted to either organization must share the same liberal democratic values that helped shape the original organizations and that are held dear by the current members.

This thesis examines the corruption of six countries—Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, and Serbia—in the Balkans and provides recommendations the countries should follow in their ongoing fight against corruption.



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## **LIST OF ACRONYMS AND ABBREVIATIONS**

BiH	Bosnian and Herzegovina
CSD	Center for the Study of Democracy
CSO	Civil Society Organizations
CTFI	Center for Transparency and Freedom of Information
CW	Corruption Watch
EU	European Union
GDP	Gross Domestic Product
GRECO	Group of States Against Corruption
IC	International Community
IGO	International Governmental Organizations
KLA	Kosovo Liberation Army
KPC	Kosovo Protection Corps
MP	Member of Parliament
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organizations
NSA	National Security Advisor
OACP	Office of the Organized Crime Prosecutor
OOCR	Organized Crime and Corruption Reporting Project
PSC	Private Security Companies
TI	Transparency International
UN	United Nations
UNODC	United Nations Office on Drugs and Crime

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## I. INTRODUCTION

The problem of corruption in civil administration has been around for as long as individuals have held public office. The Balkans has proved to be no exception. As early as the 16th century, a complex power-sharing relationship developed between local rulers in the Balkan countryside and their Ottoman overlords in Constantinople that helped cultivate corruption as a customary practice within the Balkans. This relationship subsequently dominated the region for several hundred years and helped cement the behavior as a common staple of life in Southeast Europe. Little had changed by the turn of the 20th century, as the region's "government offices were considered sources of personal benefit rather than positions of civic responsibility. Corruption at all government levels abounded."<sup>1</sup> The state of affairs in the Balkans continued even with the advent of Marxist ideology following World War II. The same "personalized interactions, gifts and favors which [had] lubricated dealings with state official[s]"<sup>2</sup> in the past, continued to be a popular practice in the modern era. Subsequently, the Balkan's corruption problem was greatly exacerbated following the disintegration of communism in the region and the successive Civil Wars that plagued Yugoslavia throughout the 1990s. During this period, governmental officials forged strong, unhealthy relationships with criminal elements throughout the region. These close ties between organized crime and governmental officials have continued unabated until the present day and help form the basis of the pervasive culture of corruption that presently characterizes Southeast Europe.<sup>3</sup>

### A. IMPORTANCE

Since the breakup of the Soviet Union in the early 1990s, the North Atlantic Treaty Organization (NATO) and the European Union (EU) have been steadily moving

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<sup>1</sup> Dennis P. Hupchick, *The Balkans from Constantinople to Communism* (New York: Palgrave Macmillan, 2002), 353.

<sup>2</sup> Mark Mazower, *The Balkans: A Short History* (New York: The Modern Library, 2007) Kindle edition, 120.

<sup>3</sup> Michael Miklaucic and Moisés Naím, "The Criminal State," in *Convergence: Illicit Networks and National Security in the Age of Globalization*, eds. Michael Miklaucic and Jacqueline Brewer (Washington DC: National Defense University Press, 2013), 149.

eastward. The last few rounds of accession for both of these international governmental organizations (IGO) have included countries from the Balkans; Bulgaria, Slovenia, and Romania were admitted to NATO in 2004 and Croatia and Albania were welcomed in 2009. Slovenia was also admitted to the EU in 2004, Bulgaria and Romania were given admission in 2007, and Croatia gained entrance in July 2013. The remaining Southeastern Europe countries that are not yet members are currently awaiting admission to one or both of these organizations. Unfortunately, according to non-governmental organizations (NGO) such as Transparency International (TI) and the World Bank, the countries within this region—including those that are already members of NATO and the EU—are among the most corrupt in all of Europe, making the Balkans one of the most corrupt regions on the globe. Before accepting new countries into these two IGOs, it is important for NATO and EU leaders to understand the nature of governance within the Southeast European states. Withholding membership can be a powerful tool to encourage these countries to eradicate corruption within their borders. For those countries that are already members, it is important for the international community (IC) to help them in their transition to mature liberal democratic values that fully respect the rule of law.

## **B. LITERATURE REVIEW**

The proliferation of corruption in the Balkans has produced three primary areas of scholarship for study: theory articles attempting to explain how and why corruption originated and remains rooted in the Balkans, articles that describe actual levels of corruption in specific countries or regions, and compilation of news articles showing links between government officials and organized crime elements. The scholarship in all three areas is plentiful. However, literature that links all three areas together is comparatively thin; many authors who discuss levels of corruption will reference ties between government officials and criminal elements, but they do not normally provide concrete examples of cooperation.

There are many theories on why corruption in the Balkans is so prevalent. The one thing that everyone can agree on is that the corruption problem is prevalent and deeply rooted.

University of Sarajevo professors Darko Datzer and Aleksandar Draganic theorize that corruption is tied to the ethnic division that is common in the region. Boris Divjak and Michal Pugh, in their article “The Political Economy of Corruption in Bosnia and Herzegovina,” posit that the Dayton Peace Accord formed governance structures in Bosnia and Herzegovina (BiH) that have enabled political corruption in the country. Divjak and Pugh also write that connections between criminal elements and political parties have had a detrimental effect on curtailing corruption. Similarly, in 2010, Friends of Europe wrote that one impediment to corruption reform in the region is that political parties and candidates are often financed by criminal enterprises. The group also cites the fact that anti-corruption legislation within the region is overly complex and burdensome. TI Bulgaria writes that the results in the country’s anti-corruption campaign have been significantly below the expectations established within the government’s legal framework. In Bulgaria, the judiciary is the least trusted institution in the country and does not do enough in prosecuting corruption; there are a distressingly inadequate number of prosecutions in the country’s anti-corruption campaign.<sup>4</sup>

Authors Petros Sioussiouras and Ioannis Vavouras postulate that the functioning of a vibrant democracy is one of the best ways to control corruption. Unfortunately, democracies within the Balkans are fairly immature and not completely developed. Similar to the tenets of democratic peace theory, the duration of liberal values is more important than the mere presence of democracy. Corruption is likely to affect relatively new democracies, whereas countries with a continued presence of democratic traditions are better able to control it. The authors also submit that the Balkans is made up of still developing, and not fully developed countries. The authors write that “[c]orruption...finds fertile ground for growth in...developing countries...[and] the main difference between developed and developing countries is that the former are mainly

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<sup>4</sup> Eldan Mujanovic, Darko Datzer, and Aleksandar Draganic, *Analysis of the Implementation Level of the BiH Anti-corruption Strategy 2009–2014* (Sarajevo: Transparency International BiH, 2011), 1; Boris Divjak and Michael Pugh, “The Political Economy of Corruption in Bosnia and Herzegovina,” *International Peacekeeping* 15, no. 3 (2008): 375, 384; Friends of Europe, *Counter-Measures in the Balkans Against Organised Crime and Corruption: Report on the High-level Roundtable* (Brussels: Europe’s World, 2010), 4, 5; Transparency International Bulgaria, *National Integrity System Assessment: Bulgaria Country Report 2011* (Sofia: TI Bulgaria, 2012) 4, 10–11.

characterized by economic scandals while the latter are ridden with corruption.”<sup>5</sup> Therefore, as the Balkans becomes more developed and liberal values have time to fully develop, corruption will become less rooted in the region.<sup>6</sup>

Drew Engel postulates that risk and reward are responsible for the high levels of corruption in the Balkans. Organized crime is a lucrative business and legal systems in the region have not done enough to discourage criminals. Additionally, most law enforcement and government officials are underpaid, leaving them highly susceptible to bribes and corruption attempts by prosperous criminal elements. Both Engel and the Center for the Study of Democracy (CSD) assert that administrators are too willing to maintain the status quo instead of passionately pursuing criminals. The CSD goes on to write that law enforcement is too lenient on prominent businessmen who operate in the “shadow and... criminal”<sup>7</sup> networks. The United Nations (UN) goes even further by suggesting that there is “wide-spread and enduring collusion between politics, business, and organized crime”<sup>8</sup> in the region. In his article “The Rise of the Mafia State,” Moises Naim theorizes that in some mafia states—like Bulgaria—the interests of government and criminals are intimately connected. He goes on to add that “in mafia states, it is not the criminals who capture the state through the bribery and extortion of officials, but it is the state that controls the criminal networks. It runs them for the benefit of government leaders and their network of accomplices and associates.”<sup>9</sup>

Corruption in the Balkans goes beyond the theoretical. Various governmental and NGOs responsible for monitoring corruption in the region have produced a litany of reports over the past few years that document corruption levels in the Balkans. Marie

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<sup>5</sup> Petros Sioussiouras and Ioannis Vavouras, “Political Rights, Development, and Corruption in the Balkan and Arab Mediterranean Countries.” *Mediterranean Quarterly* 23, no. 1 (2012): 97, 98, doi: 10.1215/10474552-1540720.

<sup>6</sup> *Ibid.*, 90, 91.

<sup>7</sup> Center for the Study of Democracy, *Corruption, Contraband and Organized Crime in Southeast Europe* (Sofia: CSD, 2003), 24.

<sup>8</sup> United Nations Office on Drugs and Crime, *Crime and its Impact on the Balkans and Affected Countries* (Slovakia: UNODC, 2008), 7.

<sup>9</sup> As quoted in Moises Naim, “The Rise of the Mafia State,” *The Huffington Post*, May 30, 2012, [http://www.huffingtonpost.com/moises-naim/mafia-state\\_b\\_1556188.html](http://www.huffingtonpost.com/moises-naim/mafia-state_b_1556188.html); CSD, *Corruption, Contraband, and Organized Crime*, 24.

Chêne writes that corruption in all forms is present in BiH and permeates all sectors of government. She also reports that there are “close connections between the ruling elite and criminal networks,”<sup>10</sup> which have led to corruption and organized crime becoming deeply rooted within BiH society. Similarly, according to a 2011 United Nations Office on Drugs and Crime (UNODC) report on the Western Balkans, citizens of the region consider corruption to be the third most important problem facing the region, after poverty and unemployment. An astounding 80 percent of citizens are confronted with some form of corruption in a given year. The UN also points out that the form of corruption in the Balkans is distinctive from the practice in other areas of the globe in that it is just as common in rural areas as it is in urban centers.<sup>11</sup>

Due to the pervasive nature of corruption, public perception of the problem is also widespread in the region. A 2009 Gallup study showed that more than two-thirds of the population in the Western Balkans believed “corruption was pervasive in business and government,”<sup>12</sup> reflecting an increase since a previous report in 2006. Similarly, a 2011 UNODC report on BiH notes that “two thirds of the population believe that corrupt practices occur often or very often in a number of important public institutions, including central and local government, parliament, political parties...and the police.”<sup>13</sup> Yet despite the pervasiveness, the UN states that less than two percent of citizens report their confrontations with corruption to the authorities because over a quarter of the population “believe reporting to be a futile exercise”<sup>14</sup> that would not lead to any results.

The literature also contains numerous instances of Balkan government officials being suspected or arrested for their involvement with corruption and ties to organized

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<sup>10</sup> Marie Chêne, *Corruption and Anti-Corruption in Bosnia and Herzegovina* (BiH), (Berlin: Transparency International, 2009), 1.

<sup>11</sup> United Nations Office on Drugs and Crime, *Corruption in Croatia: Bribery as Experienced by the Population* (Vienna: UNODC, 2011), 3; Chêne, *Corruption and Anti-Corruption in BiH*, 1; United Nations Office on Drugs and Crime, *Corruption in the Western Balkans: Bribery as Experienced by the Population* (Vienna: UNODC, 2011), 7.

<sup>12</sup> Gallup Balkan Monitor, *Insights and Perceptions: Voices of the Balkans*, (Brussels: Gallup, 2009), 7.

<sup>13</sup> United Nations Office on Drugs and Crime, *Corruption in Bosnia and Herzegovina: Bribery as Experienced by the Population* (Vienna: UNODC, 2011), 5.

<sup>14</sup> UNODC, *Corruption in Croatia*, 4.

criminal elements. Natasha Srdoc and Joel Anand Samy wrote in 2008 that the Croatian prime minister (PM), Ivo Sanader, was accused of owning more than \$200,000 worth of watches and illegally seizing private property. Besar Likmeta followed up with a 2012 *Wall Street Journal* article reporting that Sanader was finally convicted for accepting bribes. Hrvoje Mataković wrote in his 2011 TI Croatia report, *Transparency in Funding of Political Parties*, how the country was racked by political party corruption affairs in 2011. Additionally, he discussed the arrest of the previously mentioned former PM Sanader and several of his officials. Writing for the *Organized Crime and Corruption Reporting Project* (OCCRP), Stevan Dojčinović et al. describe how the personal advisor for the Serbian PM has numerous ties to organized crime organizations in Montenegro. A few months later the OCCRP released a news report stating that a former Serbian cabinet minister was arrested for corruption and abuse of office.<sup>15</sup>

In Albania, *Jane's Intelligence Weekly* recounted how a former senior aide to the Albanian deputy prime minister, Almir Rrapo, was accused of being a leading member in an organized crime group that—among other things—played a part in the murder of a New York man in 2005. In 2009, Rrapo was facing extradition charges to the United States for prosecution. Linda Karadaku reported from Pristina in 2012 that the Kosovo anti-corruption task force chief, Nazmi Mustafi—the individual primarily responsible for stamping out corruption within the country—was himself arrested in 2012 on bribery and graft charges.<sup>16</sup>

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<sup>15</sup> Natasha Srdoc and Joel Anand Samy, "Corruption in Croatia" *The Wall Street Journal*, May 19, 2009, <http://online.wsj.com/article/SB124267799642331663.html>; Besar Likmeta, "A Specter is Haunting the Balkans: The Specter of Corruption," *Foreign Policy*, December 6, 2012, [http://transitions.foreignpolicy.com/posts/2012/12/06/a\\_specter\\_is\\_haunting\\_the\\_balkans\\_the\\_specter\\_of\\_corruption](http://transitions.foreignpolicy.com/posts/2012/12/06/a_specter_is_haunting_the_balkans_the_specter_of_corruption); Hrvoje Mataković, *Transparency in Funding Political Parties: Croatia 2011* (Zagreb: Transparency International Croatia, 2011), 7, 19; Stevan Dojčinović et al., "Advisor to Serbian Prime Minister Worked for Montenegrin Criminal," *Organized Crime and Corruption Reporting Project*, February 8, 2013, <https://reportingproject.net/occrp/index.php/en/ccwatch/28-cc-watch-indepth/1826-advisor-to-serbian-prime-minister-worked-for-montenegrin-criminal>; *Organized Crime and Corruption Reporting Project*, "Serbia: Former Minister Indicted in Corruption Case," April 11, 2013, <https://reportingproject.net/occrp/index.php/en/ccwatch/46-crime-corruption-updates/1924>.

<sup>16</sup> "Albanian Police Seize Criminal Assets," *Jane's Intelligence Weekly*, November 3, 2010, <https://janes.ihs.com>; Linda Karadaku, "Kosovo Arrest Brings New Attention to Corruption in the Balkans," *Southeast European Times in Pristina*, April 13, 2012, [http://www.setimes.com/cocoon/setimes/xhtml/en\\_GB/features/setimes/features/2012/04/13/feature-0](http://www.setimes.com/cocoon/setimes/xhtml/en_GB/features/setimes/features/2012/04/13/feature-0).

There are also numerous articles and documents outlining Bulgaria's intermingling of government, corruption, and organized crime. In his article "Criminals without Borders," Moises Naim details the rise of Ilya Pavlov, who started as a petty thug and ended up building a multi-national crime ring. Naim writes that Pavlov was "deeply entangled...with Bulgaria's power elite."<sup>17</sup> Numerous politicians, military leaders, businessmen, and government workers attended his funeral. *Jane's* reported in 2009 that Alexander Filipov, the deputy prime minister for emergency relations, was arrested for a vote-buying scandal. Filipov was charged with corruption, embezzlement, and mismanagement of both state and EU funds. Diana Kovatcheva, writing for TI Bulgaria in 2011, recounted multiple instances of high-level corruption in Bulgarian government officials. In the first instance, authorities were prosecuting a federal prosecutor for illegally accepting bribes. In the second, the deputy ministry of the interior was sentenced for accepting a bribe in order to drop a claim against a prominent businessman.<sup>18</sup>

### C. PROBLEMS AND HYPOTHESIS

Corruption of government officials in the Balkans is a serious problem. It not only impedes the maturation of liberal democratic values in the region, but also discourages both foreign and domestic investment. Foreign companies are wary of doing business in a tumultuous and unpredictable environment where those responsible for monitoring corruption are regularly part of the problem. Additionally, many foreign companies refuse to do business according to local practices; many foreign investors are turned off at the prospect of paying bribes to national and local officials in order to ensure the success of their endeavors. Consequently, corruption also impedes maturation of these states by checking economic improvement and perpetuating environments where corruption can endure.<sup>19</sup>

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<sup>17</sup> Moises Naim, "Criminals without Borders," *Slate*, April 28, 2008, [http://www.slate.com/articles/arts/books/2008/04/criminals\\_without\\_borders.html](http://www.slate.com/articles/arts/books/2008/04/criminals_without_borders.html).

<sup>18</sup> Naim, "Criminals without Borders"; "Bulgarian Deputy Arrested Over Vote Buying Claims," *Jane's Intelligence Weekly*, July 7, 2009, <https://janes.ihs.com>; Diana Kovatcheva, *UN Convention Against Corruption Civil Society Review: Bulgaria 2011*, (Sofia: TI Bulgaria, 2011), 8.

<sup>19</sup> Divjak and Pugh, "Political Economy," 377.



According to the UNDOC, the enduring corruption in the area makes it the most corrupt region of Europe and one of the most corrupt in the world. In 2006, the UNDOC reported that on average, 25.9 percent of Southeast Europeans had been subjected to corruption in the previous year compared to “only” 16.7 percent of Sub-Sahara Africans—a region notorious for its high levels of corruption. Additionally, four Balkan countries, Serbia, the Former Yugoslav Republic of Macedonia, Albania, and BiH were ranked as less politically stable than the Sub-Sahara African average in that same year.<sup>20</sup>

Unfortunately, measuring government involvement with corruption and crime in the region is very difficult. The UNODC reports that in many cases “[c]ountries with the worst problems may have the lowest detection rates, and so the number of detections is more an indicator of good police work”<sup>21</sup> than it is a reflection on the amount of corruption that is actually present. Therefore, it is possible that even though there are numerous instances of prominent government representatives being arrested for their involvement with organized crime and corruption, these arrests better reflect the countries’ improvement in the fight on corruption as opposed to their further deterioration into corruption.

While the above reasoning is certainly a possibility, this thesis will take the position that every high-profile government official arrested or suspected of corruption is another example of the prolific corruption problem that confronts all the nations of Southeast Europe. Moreover, it is the direct involvement of the very same individuals who are supposed to be leading the offensive against corruption that is hindering the region’s efforts towards further reforms.

#### **D. METHODS AND SOURCES**

This thesis examines the corruption of six countries—Albania, BiH, Bulgaria, Croatia, Kosovo, and Serbia—in the Balkans over the past decade. The first part of the thesis is a historical examination that explains why corruption initially developed a stranglehold on the region following the breakup of the Soviet Union. The second part

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<sup>20</sup> UNODC, *Crime and its Impact on the Balkans*, 91, 109.

<sup>21</sup> *Ibid.*, 55–56.

involves a diagnostic analysis of the corruption figures as provided by the UNODC and NGOs like the World Bank and TI. The third part is a comparative case study that examines the specific corruption state of affairs in the six countries mentioned above. Last, the fourth part provides recommendations that the countries of the region should follow in their ongoing fight against corruption.

While this thesis draws upon the wealth of articles outlining corruption by government officials in various countries within the Balkans, unfortunately, some of the best analysis of current events is not available in English, the thesis writer's only language. However, due to the continued proliferation of the Internet, an increasing amount of material is being made available in English on a daily basis. Moreover, local NGOs, newspapers, and magazines continually publish articles outlining the most recent instances of revealed corruption.

## **E. THESIS OVERVIEW**

This thesis is organized into an introduction, four explanatory chapters, and a conclusion. Chapter I introduces the basic research question and explores the methods used to answer it, including sections that define the current corruption problem in the Balkans. Chapter II examines the underlying conditions that have enabled corruption to reach such a high level in the Balkans. Additionally, organized crime and its relationship to corruption levels are discussed. Chapter III provides a general overview of corruption within the Balkans and presents levels of corruption for each country under examination. Chapter IV provides six case studies for countries within the region: Albania, BiH, Bulgaria, Croatia, Kosovo, and Serbia. In these studies, specific examples of corruption are detailed, including numerous examples of individuals within government who are part of the culture of corruption. Chapter V provides policy recommendations that countries within the Balkans should follow as they maintain and intensify their efforts to eradicate corruption. Chapter VI offers brief conclusions and summarizes the matter.

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## **II. ORGANIZED CRIME AS THE ROOT CAUSE OF CORRUPTION IN THE BALKANS BACKGROUND**

### **A. BACKGROUND**

Criminologists have determined that organized crime and corruption best flourish either in areas that are subjected to rapid social and economic changes or in regions that endure post-conflict transitions. It should come as no surprise; therefore, that the Balkans developed into a haven for organized crime and became one of the most corrupt regions on the planet since many countries within Southeast Europe endured both of these phenomena in short order during the last decade of the 20th century. In effect, the Balkans was confronted with a virtually simultaneous combination of catastrophic events, including: the abrupt conversion from communism to market economy, suffering caused by a series of brutal ethnic wars, deprivation caused by a UN enforced economic embargo, and the formation of numerous private security companies that developed in response to the demand created by disintegrating state structures and the rapid increase of market forces. These significant historical events resulted in a culture where organized crime is deeply rooted in both business and government structures and corruption is pervasive.<sup>22</sup>

#### **1. Communism**

Although some form of organized crime was undoubtedly present in the Balkans prior to World War II, the real genesis of crime in the region occurred during the near half-century that Southeast Europe was under communist rule following World War II. Rationing and government controls deprived major portions of society of even the basic goods needed to survive on a daily basis. For others, restrictions denied them desired commodities that were freely available to their neighbors in the West. Even for those with positions of authority in the communist regime—such as factory managers—the state’s quota system often hindered their ability to meet their production goals. The answer to all these problems was a thriving black market that naturally grew up out of

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<sup>22</sup> UNODC, *Crime and its Impact on the Balkans*, 11.

necessity to meet the demands generated by the lack of supply present within the command economy. In order for criminals to conduct such illegal operations within an autocratic system, it was absolutely necessary for them to have approval and collaboration from representatives inside the government. It was this official state complicity with organized crime, lasting for several decades that laid the initial foundation of the culture of corruption within the Balkans.<sup>23</sup>

During the reign of communism, the state did not just look the other way while organized criminals conducted their illegal trade. In some cases, government was the initiator, utilizing criminals to carry out functions for the benefit of the state. For example, Josip Broz Tito regularly contracted unsavory elements to conduct covert actions on behalf of the Yugoslav government. He would “recruit promising young career criminals, straight out of prison, to do the dirty work of spying and occasionally killing overseas...They specialized in extortion, robbing banks and jewelry stores, stealing art and trafficking in women.”<sup>24</sup> Once communism ended, these former state-sponsored individuals simply transitioned their services to the open market. Organized criminals that had previously been successful despite the burden of a tightly run state flourished under the new freedoms afforded them by democracy and capitalism.<sup>25</sup>

Communism also contributed to the formulation of organized crime in the region by creating a substantial security apparatus. Before the breakup of the Soviet Union, the secret police and the military regularly acted with impunity, often collaborating with the state-sponsored criminals mentioned above in the conduct of cross-border smuggling operations. This cooperation helped develop a close relationship between the state and criminal elements that has persisted to the modern day. When many of the Balkan states began to disintegrate in the early '90s, some members of the military and secret police took advantage of their previously developed connections to organized crime and simply switched sides. This provided a supply of highly trained, well-connected personnel to

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<sup>23</sup> Moises Naim, *Illicit: How Smugglers, Traffickers and Copycats are Hijacking the Global Economy* (New York: Doubleday, 2005), 30, 31.

<sup>24</sup> UNODC, *Crime and its Impact on the Balkans*, 48.

<sup>25</sup> CSD, *Corruption, Contraband, and Organized Crime*, 9.

bolster the ranks of criminal elements within the region. These former state officials continued to maintain their connections with those who remained in security and government positions.<sup>26</sup>

## **2. War Profiteering**

The various Yugoslav Wars that began in 1991 with the Croatian War of Independence helped further strengthen organized crime in the region. Although the wars highlighted significant divisions, drawn along ethnic lines, between the various members of the former Yugoslav Republic, there were no such divisions among criminal elements within the region. Instead, criminals of all ethnicities worked together in an effort to bolster their bottom lines through war profiteering. On 29 November 1992, the UN unwittingly made war profiteering even more lucrative after it issued a series of embargoes that banned any country from exporting fuel, arms, and other goods needed to wage war in the former Yugoslavia. Enterprising criminal elements from Bulgaria, Albania, and various parts of former Yugoslavia filled the economic vacuum and made fortunes by illegally providing the petrol, weapons, and other supplies needed by both sides to continue fighting. The resulting profits from illegal trafficking “became an important source of income for various groups, ranging from political leaders to people, living in the border areas. As a result, corruption permeated law enforcement agencies and political elites in these countries.”<sup>27</sup> This strengthening of ties between criminal elements and the state and the subsequent corruption that it generates is one of the ongoing legacies of the UN embargo that has carried on until the modern day.<sup>28</sup>

## **3. Private Security Companies**

Private security companies (PSC) developed in the Balkans to fill the void caused by the erosion of state-run socialist institutions and the political vacuum created by war.

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<sup>26</sup> UNODC, *Crime and its Impact on the Balkans*, 8, 11.

<sup>27</sup> CSD, *Corruption, Contraband, and Organized Crime*, 9.

<sup>28</sup> “Efforts to Fight Organized Crime in the Balkans Pay Off,” *Organized Crime and Corruption Reporting Project*, December 5, 2011, <https://reportingproject.net/occrp/index.php/en/ccwatch/cc-watch-briefs/1257-efforts-to-fight>; “The Untouchables - Organised Crime Grows Stronger in Bulgaria,” *Jane’s Intelligence Weekly*, June 16, 2011, <https://janes.ihs.com>; UNODC, *Crime and its Impact on the Balkans*, 11, 12.

Although PSCs were normally legal businesses that provided much needed services that had previously been supplied by the state, they were also often little more than legitimate fronts for organized crime groups in the region. Criminal elements used their previously established connections with the state to recruit military and secret police personnel to operate these organizations. Instead of providing their services in the public realm, “trained professional soldiers simply switched to private security companies, protecting banks, schools, money transfers and important people”<sup>29</sup> in the private market. In Bulgaria alone, the industry employed more than 100,000 former state employees, nearly 10 percent of the adult male population.<sup>30</sup>

Furthermore, many prominent individuals in government retained their positions of authority within state security while at the same time working for PSCs. These individuals used “their connections, asymmetric information, and coercive power to dominate privatization... [which] led to an unhealthy relationship between members of the former secret police, criminal groups, and private industry.”<sup>31</sup> PSCs central role in maintaining “ties with organized crime, corrupt politicians and law enforcement elements”<sup>32</sup> played a central part in the proliferation of organized crime and corruption in Southeast Europe.<sup>33</sup>

Besides providing legitimate security functions and fighting for one side or the other during the various wars, private security firms also regularly committed illegal activities such as political assassination and illicit smuggling; because of their continued connections with individuals in the state police, many of these crimes were overlooked or not punished. The aforementioned UN embargo forced PSCs to forge even closer relations with organized criminals who could supply the fuel, arms, and essential goods

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<sup>29</sup> “Private Security Firms in the Balkans Harbor Corruption, Observers Say,” *Deutsche Welle*, June 9, 2010, <http://www.dw.de/private-security-firms-in-the-balkans-harbor-corruption-observers-say/a-5684942-0>.

<sup>30</sup> Phil Cain, “Eastern Europe’s Private Armies,” *Globalpost*, August 21, 2010, <http://www.globalpost.com/dispatch/europe/100722/europe-private-security-companies>; “Private Security Firms,” *Deutsche Welle*.

<sup>31</sup> UNODC, *Crime and its Impact on the Balkans*, 49.

<sup>32</sup> “Private Security Firms,” *Deutsche Welle*.

<sup>33</sup> “Private Security Firms,” *Deutsche Welle*; Cain, “Eastern Europe’s Private Armies.”

needed for them to continue fighting the ongoing civil wars. Even after the wars drew to a close, the links established between PSCs, organized criminals, law enforcement, and corrupt politicians during this period continued to endure.<sup>34</sup>

## **B. ORGANIZED CRIME**

After suffering through nearly a decade of wars within the region, organized crime became firmly entrenched in the Balkans. Many of the reasons for its success are purely economic: “crime not only pays but is often the most lucrative game in town, and its players are some of the most influential members of society.”<sup>35</sup> In order to understand how bad the organized crime problem in Southeast Europe is, it is first important to understand what constitutes organized crime.

Organized crime is more systematic and involves more complex operations than conventional crime. The word “organized” is derived from “organization” and signifies a “group of people who cooperate to accomplish objectives or goals.”<sup>36</sup> Characteristics between different organized criminal groups may vary considerably, but they all share a few commonalities, including: a hierarchy with some sort of command structure, goals and objectives for the organization, a specialization, and a set of rules by which members must act. Most organized crime groups are primarily motivated by profit and rely on “violence or the threat of violence”<sup>37</sup> to conduct their operations, which can have either a transnational or domestic focus. Their activities can include a whole range of endeavors such as smuggling, fraud, protection, embezzlement, theft, regulation of both black and vice markets, and corruption. At their basic form, most organized crime activities are simply a “continuation of commerce by other [not legal] means”<sup>38</sup> by illicit actors.<sup>39</sup>

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<sup>34</sup> “Private Security Firms;” *Deutsche Welle*; UNODC, *Crime and its Impact on the Balkans*, 49; Cain, “Eastern Europe’s Private Armies.”

<sup>35</sup> Naim, “Criminals without Borders,” 3.

<sup>36</sup> Stephen L. Mallory, *Understanding Organized Crime* (Boston: Jones and Bartlett, 2007), 2.

<sup>37</sup> UNODC, *Crime and its Impact on the Balkans*, 11.

<sup>38</sup> Patrick Radden Keefe, “The Geography of Badness: Mapping the Hubs of the Illicit Global Economy,” in *Convergence: Illicit Networks and National Security in the Age of Globalization*, eds. Michael Miklaucic and Jacqueline Brewer (Washington DC: National Defense University Press, 2013), 98.

<sup>39</sup> Mallory, *Understanding Organized Crime*, 2; UNODC, *Crime and its Impact on the Balkans*, 11, 45.



## 1. Pervasiveness of Organized Crime in the Balkans

Determining how much organized crime is present within the Balkans—or any country or region for that matter—is difficult because the best form of measurement is entirely dependent on the level of action and detection within the state. Those countries that take the most actions towards uncovering and stopping organized crime within their borders are likely to be the countries that record the most instances of organized crime. Ironically, every arrest involving organized crime gives off mixed signals; it proves that organized crime is present and operating. More important, however, it demonstrates that government is taking action to address the problem. Conversely, those countries with the fewest reports of organized crime are likely to be the states with the worst organized crime problem; government officials simply choose to overlook the crime because they do not want to look impotent or because they are corrupt and personally profiting from the crime. Therefore, detection rates are as much an indicator of the quality of police work being conducted as they are of the level of organized crime present within society.<sup>40</sup>

Instead of using arrest records, an alternative way to measure the level of organized crime is to poll the citizens of the country. If an extensive 2009 Gallup survey is to be believed, the level of organized crime in Southeast Europe is quite extensive. Over ten percent of the population in every country of the Western Balkans said they were *personally* affected by organized crime on a *daily basis*; responses were the highest in Kosovo and BiH at 26 and 27 percent, respectively. When citizens were asked whether they were affected by organized crime *occasionally*, over an additional quarter of the population of each country answered in the affirmative; Kosovo and BiH were the most affected countries at an additional 41 and 39 percent, respectively.<sup>41</sup>

Another perspective on the level of organized crime in the Balkans was provided in 2003 by the CSD, an independent, non-partisan, NGO based in Sofia, Bulgaria. According to their research, transactions conducted in the gray sector—an enormous

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<sup>40</sup> UNODC, *Crime and its Impact on the Balkans*, 12, 56.

<sup>41</sup> Gallup, *Insights and Perceptions*, 31.

market area, expertly exploited by organized crime, that falls somewhere in the middle ground between legal and illegal business—“comprise between 30 and 50 percent of the Balkan national economies”<sup>42</sup> combined gross domestic product. Various organized crime groups within the region have turned the Balkans into the planet’s major illicit transit zone for the traffic of guns, cigarettes, and human beings; however, the most prominent and lucrative good trafficked by organized crime in the region is illegal drugs, specifically heroin imported from Central Asia and destined for Western Europe.<sup>43</sup>

## 2. Illegal Drug Trade

Criminal networks intentionally prefer to operate in “postconflict and underdeveloped countries with severely weakened government infrastructures;”<sup>44</sup> a label that aptly describes the countries of Southeast Europe. Just as significant a factor in the development of crime in the region, however, is the Balkans geography; the region is located along a major trade route between Europe and Asia that has been used by traders and merchants for centuries. The Balkans used to be a transit zone for silk and spices traveling from Asia into Western Europe. More recently, however, the Balkan Route is more often used to ship amphetamines and other chemical drugs from Western Europe into Asia, while heroin is transported along the route from cultivation areas in Afghanistan and Turkey into lucrative distribution markets in the heart of Europe. Moreover, the region has even been used as a transit point for South American cocaine destined for Western Europe.<sup>45</sup>

Of all the illicit drugs that pass through the region, heroin is the most lucrative. The flow of heroin along the Balkan Route is single-handedly estimated to be “worth more than the national economic outputs of several countries within the region, although it is unclear what share of this value accrues to Balkan smugglers.”<sup>46</sup> The UNODC

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<sup>42</sup> CSD, *Corruption, Contraband, and Organized Crime*, 16.

<sup>43</sup> Friends of Europe, *Counter-Measures in the Balkans*, 12; United Nations Office on Drugs and Crime, *Greater Stability in the Balkans is Lowering Crime* (Vienna: UNODC, 2008), 2; Naim, *Illicit*, 2.

<sup>44</sup> Deville, “Illicit Supply Chain,” 64.

<sup>45</sup> Srdoc and Samy, “Corruption in Croatia”; Naim, *Illicit*, 26.

<sup>46</sup> UNODC, *Crime and its Impact on the Balkans*, 12, 13.

estimates that more than 100 tons of heroin pass through the region in a single year. Ethnic Albanian organized crime groups largely monopolize the profitable heroin trade, controlling as much as 70 percent or more of the industry since the mid-1990s. The Albanians not only control the flow of the illegal substance through the region, but also have extensive distribution networks set up in numerous countries within Central and Western Europe. The Albanian heroin trade—which is the most notorious organized crime activity within Europe—is so prominent that the Council of Europe has labeled it as a threat to the security of the EU. Ironically, even though copious amounts of narcotics flow through the region, drug use rates among Balkan citizens is quite low compared to European or American standards. This efficient transmission by Albanian transporters means that less of the product is sold in local, less profitable markets within Southeast Europe, further enhancing their profit margins.<sup>47</sup>

### **3. Effects of Organized Crime on Business and Government**

The established connection between politics, business, and criminals in the Balkans continues to be a major challenge to economic and democratic development. The bonds between organized crime and commerce in Southeast Europe that developed over the past two decades have resulted in an environment where the dividing line between legal and illegal business has become blurred. Many businesses are a combination of the two, with legitimate operations acting as a front for illegal activities. In some sectors, criminal groups have tied the health of legitimate companies and industries to the wellbeing of illicit activities. Fearing that they will put law-abiding citizens out of business and hurt the economy, even honest government officials and law enforcement personnel are often unlikely to navigate the complicated process of ferreting out the illegal actors for prosecution. In other instances, corrupt officials are unwilling to take action against organized crime activities because the financial interests of both groups are intertwined. This “corruption is clearly a barrier to open markets and prosperity”<sup>48</sup> within the Balkans. Another impediment to legal economic development

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<sup>47</sup> UNODC, *Crime and its Impact on the Balkans*, 13; UNODC, *Greater Stability in the Balkans*, 2.

<sup>48</sup> Friends of Europe, *Counter-Measures in the Balkans*, 21.

occurs when legitimate companies from other countries establish operations in Southeast Europe in order to take advantage of the region's permissive environment. Knowing "they cannot easily exploit institutions to their favor in their own countries,"<sup>49</sup> they do their part to perpetuate the culture of corruption in the Balkans.<sup>50</sup>

Organized crime has also hindered democratic development in the region. "Corruption is considered to be both a symptom of and a cause for the malfunctioning of democratic institutions"<sup>51</sup> within Southeast Europe. Judges and political parties in particular are especially affected by the corrupting influences of organized criminals.

In most countries within Southeast Europe the courts have historically been subordinate to the executive branch—unlike in the United States where the judicial branch is independent. This has resulted in many problems related to undue influence. Instead of justice being blind, "judges over the years have developed an acute ability to sense the wishes of the ruling power and to act in a way that avoids conflict and carries favour with such forces."<sup>52</sup> If the judge's superior is a corrupt official, then the courts are merely an extension of the corrupt process, carrying out the desires of organized criminals. This appears to be the case in many instances where courts make rulings that are both favorable to organized criminals while at the same time inhibiting prosecutors from doing their job. "Courts dismiss on technicalities, or make findings that belittle law enforcement work...many courts require actual 'criminal guilt' before they are willing to freeze or order forfeiture of ill-gotten gain, which is often difficult to prove, even when a person is found guilty of a crime."<sup>53</sup> Many countries of the region also have a judicial appointment process that is tainted by nepotism. Individuals become judges based on their connections or relations instead of their knowledge of the law. There are also

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<sup>49</sup> Sioussiouras and Vavouras, "Political Rights, Development, and Corruption," 102.

<sup>50</sup> Sioussiouras and Vavouras, "Political Rights, Development, and Corruption," 102; UNODC, *Greater Stability in the Balkans*, 1; UNODC, *Crime and its Impact on the Balkans*, 7.

<sup>51</sup> Sioussiouras and Vavouras, "Political Rights, Development, and Corruption," 101.

<sup>52</sup> UNODC, *Crime and its Impact on the Balkans*, 34.

<sup>53</sup> Drew Engel, "A Practical Guide to Tackling Organised Crime and Corruption in the Balkans," *Europe's World*, Autumn 2010, [http://www.europesworld.org/NewEnglish/Home\\_old/Article/tabid/191/ArticleType/ArticleView/ArticleID/21777/language/en-US/Default.aspx.1](http://www.europesworld.org/NewEnglish/Home_old/Article/tabid/191/ArticleType/ArticleView/ArticleID/21777/language/en-US/Default.aspx.1).

numerous documented cases of judges accepting favors or envelopes of cash in return for reduced sentences or favorable decisions. It is not surprising then that over half the citizens in Southeast Europe do not trust the judiciary and believe it is routinely involved in corruption.<sup>54</sup>

The judicial system, however, is not the least trusted institution in the Balkans. That honor, by a wide margin, belongs to political parties. “Trust in politics is low and still falling”<sup>55</sup> in Southeastern Europe. An overwhelming majority of citizens in every country of the region believe that political parties are the “institutions most likely to be affected by corruption.”<sup>56</sup> A recent 2011 UNODC survey reinforced this belief. It found that across all the countries in the Western Balkans, “an average of 8 per cent of citizens were asked to vote for a certain candidate or political party in exchange for a concrete offer of money, goods or a favour.”<sup>57</sup> The region’s political parties are also vulnerable to individuals who make political donations with the expectation of receiving favors in the future. Unfortunately, the lack of adequate political oversight means that it is not uncommon for political parties to make decisions that are in the best interest of whoever can afford to write the biggest check, and not the population at large.<sup>58</sup>

#### **4. Is Organized Crime’s Power Waning in the Balkans?**

Although it is incontrovertible that the Balkans remains a major transit hub for the heroin trade, the UNODC has released a few recent reports that may indicate that Southeastern Europe’s organized crime groups are not as powerful as they were a decade ago and that the situation is improving. A 2008 report stated that the “crime situation in South Eastern European countries is improving...the region is “normalizing” as it completes the transition to democracy and market economy and as it recovers from the

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<sup>54</sup> OCCRP, “Corruption slows OC progress”; UNODC, *Crime and its Impact on the Balkans*, 32; Friends of Europe, *Counter-Measures in the Balkans*, 21.

<sup>55</sup> “Money and Politics in the Balkans,” Transparency International. March 23, 2011, [http://www.transparency.org/news/feature/money\\_and\\_politics\\_in\\_the\\_balkans](http://www.transparency.org/news/feature/money_and_politics_in_the_balkans), 1.

<sup>56</sup> Tinatin Ninua, *Shining a Light on Political Party Financing: Albania, Croatia, Kosovo, FYR Macedonia and Serbia 2011* (Berlin: Transparency International, 2011), 4.

<sup>57</sup> UNODC, *Corruption in the Western Balkans*, 11.

<sup>58</sup> Gallup, *Insights and Perceptions*, 9; Ninua, *Shining a Light*, 4.

conflicts of recent years...the Balkans do not represent a favorable environment for crime...the region is relatively well-developed, reducing many of the social stresses that can fuel crime.”<sup>59</sup> The report goes on to say, “Most remarkably, there appears to have been a reduction in various forms of organized crime that emerged during the years of transition and conflict... Balkan organized crime is also diminishing in importance.”<sup>60</sup> This would suggest that the Balkans should no longer be stereotyped as a gangland where organized criminal groups operate above the law at will. The UNODC argues that although serious problems still remain, increased stability, democracy, security reform, open borders, and greater integration with the rest of Europe have made organized crime less profitable and much riskier. “As a result, all types of organized crime are in decline in the region.”<sup>61</sup>

The UNODC bases their observations on several factors. First, the number of Balkan citizens housed in Western European jails has steadily decreased over the past decade. Second, there has been a significant decrease in cigarette smuggling—which had previously been a vital income source for organized crime groups—after international firms legally bought out several local producers. Third, reports indicate that the Balkans have successfully attracted legal trade, which is slowly replacing illegal crime and smuggling. Marin Mrcela, vice president of the Group of States Against Corruption (GRECO), an anti-corruption monitoring body headquartered in France, reaffirmed the UN’s assertion in 2010 when he stated that the “levels of organised crime...in southeast Europe were much lower than many claimed. I disagree with all who think the situation is very bad”<sup>62</sup> in the region.<sup>63</sup>

Others, such as Moises Naim, would disagree with the UN’s assessment. Instead of organized crime losing power, he postulates that criminal groups have simply mutated in response to governmental efforts to eradicate them. “All [organized crime groups]

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<sup>59</sup> UNODC, *Crime and its Impact on the Balkans*, 7, 8.

<sup>60</sup> *Ibid.*, 16, 19.

<sup>61</sup> *Ibid.*, 7.

<sup>62</sup> Friends of Europe, *Counter-Measures in the Balkans*, 29.

<sup>63</sup> UNODC, *Greater Stability in the Balkans*, 2; UNODC, *Crime and its Impact on the Balkans*, 5, 16.

have moved away from fixed hierarchies and toward decentralized networks; away from controlling leaders and toward multiple, loosely linked, dispersed agents and cells; away from rigid lines of control and exchange and toward constantly shifting transactions as opportunities dictate.”<sup>64</sup> Naim argues that many authorities misinterpret the changes these groups are making, seeing criminal networks as deteriorating because they no longer align with commonly held perceptions of what constitutes a traditional organized crime group. Far from weakening, in general these hybrid illicit networks are actually much stronger than they were at the turn of the century. Moreover, the situation is even more daunting because governments have not successfully changed their outdated ways of thinking and are still stuck with a 20th century view of what constitutes—and, more important, how to combat—organized crime. Therefore, law enforcement officials routinely underestimate illicit network capabilities and fail to recognize just how pervasive their networks actually are. In some cases, “when these networks gain sufficient power, they can infiltrate and corrupt governments...states do not in most cases have the tools necessary to protect themselves from these corrupting agents”<sup>65</sup> that often have unlimited resources at their disposal.<sup>66</sup>

### C. CONCLUSION

The purpose of this thesis is not to debate whether organized crime’s power is waxing or waning in the Balkans. There is not enough documented information for this author to address that issue with the time and resources available. It is evident in Southeast Europe, however, that organized crime’s prolonged relationship with business and government since the fall of communism has created an environment where corruption is not only tolerated but also sometimes considered the norm. The Balkan “experience shows that temporary symbiosis between authorities and organized crime during the process of creation of new states [or during rapid and extreme social and

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<sup>64</sup> Naim, *Illicit*, 7.

<sup>65</sup> Duncan Deville, “The Illicit Supply Chain,” in *Convergence: Illicit Networks and National Security in the Age of Globalization*, eds. Michael Miklaucic and Jacqueline Brewer (Washington DC: National Defense University Press, 2013), 72.

<sup>66</sup> Naim, *Illicit*, 7. 8.

economic changes as pertains to Bulgaria and Albania] leads to permanent transformation of state/national interests into private ones and fosters the development of corrupt, non-transparent...societies.”<sup>67</sup>

It would also be a mistake—principally a western one—to think that corruption and “illicit behavior is an aberration and [that] the people involved in this business are deviants...In many countries, normalcy is defined by involvement in what we are here calling illicit networks”<sup>68</sup> and the inherent corruption that it produces; in fact, not participating is often viewed as foolish and abnormal. The rest of this thesis details the pervasive culture of corruption that is endemic throughout the Balkans, paying particular attention to instances where government officials are suspected or convicted of collaborating with criminal elements.<sup>69</sup>

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<sup>67</sup> CSD, *Corruption, Contraband, and Organized Crime*, 9.

<sup>68</sup> Miklaucic and Naim, “Criminal State,” 152.

<sup>69</sup> Friends of Europe, *Counter-Measures in the Balkans*, 17.



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### III. CORRUPTION IN THE BALKANS

#### A. INTRODUCTION

The problem of corruption is not a new, modern-day phenomenon. It has been a constant fixture of human society that has existed since individuals first took up positions of authority over their peers. Corruption and corrupt individuals have plagued every culture and civilization throughout recorded history. The contemporary trend of some countries and organizations making substantial efforts toward reducing corruption levels reflects a significant and atypical change of mindset from that of the past. Yet even though some countries have made considerable strides in stamping out corruption and “some states [are] more or less corrupt than others, no state is above, beyond, or immune to public corruption.”<sup>70</sup> Therefore, corruption is still a reality that all governments have to deal with; unfortunately, some governments have more of a problem than others.

The Balkans is one region where governments still have a lot of work to do in decreasing the amount of corruption that is pervasive in society. The Balkans is a large and diverse geographical area, slightly smaller than the state of Texas, consisting of eleven nation-states that are inhabited by dozens of ethnic groups. The countries of Southeast Europe are all at different stages in their pursuit of curbing corruption and this thesis does not claim that the corruption problem in every country of the region is exactly the same; however, there are several parallels between the six countries—Albania, BiH, Bulgaria, Croatia, Kosovo, and Serbia—under examination here. This chapter focuses on the similar corruption characteristics found throughout the Balkans; the following chapter highlights the individualities that are present in each country.<sup>71</sup>

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<sup>70</sup> Miklaucic and Naím, “The Criminal State,” 149

<sup>71</sup> Encyclopaedia Britannica Online, s.v. “Balkans,” accessed August 1, 2013, <http://www.britannica.com/EBchecked/topic/50325/Balkans>.

## B. TYPES OF CORRUPTION

Corruption, like organized crime, can be challenging to define and measure. The World Bank says that corruption is “the abuse of public authority for private interest.”<sup>72</sup> Private interest, however, is not always synonymous with personal gain. Sometimes individuals abuse public authority to materially benefit friends, relatives, or other organizations; political parties, for instance, are regularly the beneficiaries of corrupt activities. The definition could therefore be expanded to be “the abuse of public position for personal or factional gain.”<sup>73</sup>

There are two types of public corruption: grand and petty. The term “grand” does not signify the amount of money involved, but instead implies the high level of office at which the corruption occurs. The term grand is interchangeable with the word “political” to denote that this type of corruption usually involves political parties, political campaigns, or political leaders who abuse the inherent trust of their elected office. Grand, or political corruption is significant because it “leads to the misallocation of resources, but it also perverts the manner in which decisions are made...[because it occurs] where policies and rules may be unjustly influenced.”<sup>74</sup> Unlike the grand or political form, “petty corruption (also called administrative or bureaucratic corruption) is the everyday corruption that takes place where bureaucrats meet the public directly...[it] is pursued by junior or mid-level agents who may be grossly underpaid and who depend on relatively small but illegal rents to feed and house their families.”<sup>75</sup> By its nature, petty corruption normally involves smaller economic amounts than grand corruption; however, it is significant because it overwhelmingly affects the middle and lower classes of society that have low disposable income. Petty corruption is harmful to society because it forces those with the least means to pay bribes to public administrators for basic services—like medical, educational, or police—that the state has already committed

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<sup>72</sup> Sioussiouras and Vavouras, “Political Rights, Development, and Corruption,” 92.

<sup>73</sup> Divjak and Pugh, “Political Economy,” 373.

<sup>74</sup> U4 Anti-Corruption Resource Centre Glossary, U4, s.v. “political corruption,” accessed 1 August 2013, <http://www.u4.no/glossary/>.

<sup>75</sup> *Ibid.*, s.v. “petty corruption.”

to providing. Essentially, the bribes ensure that public officials do their job or give preferential treatment to the individual paying the bribe.<sup>76</sup>

Both grand and petty corruption can be systemic or sporadic. Corruption is systemic—or endemic—when it “is an integrated and essential aspect of the economic, social and political system...the major institutions and processes of the state are routinely dominated and used by corrupt individuals and groups, and...most people have no alternatives to dealing with corrupt officials.”<sup>77</sup> Alternatively, sporadic corruption does not occur on a regular basis and is, therefore, not as harmful to a society; corrupt individuals simply take advantage of chance opportunities to improve their situation through illegal means. Corruption can take many forms such as fraud, extortion, embezzlement, and nepotism; however, its most common manifestation is bribery, which is defined as “the act of offering someone money, services or other valuables, in order to persuade him or her to do something in return...Bribes are also called kickbacks, baksheesh, payola, hush money, sweetener, protection money, boodle, gratuity, etc.”<sup>78</sup> Bribery can be both systemic and sporadic and can occur at the political or bureaucratic level.<sup>79</sup>

### **C. BRIBERY IN THE BALKANS**

Systemic petty bribery is widespread throughout Southeastern Europe despite the fact that every country in the region complies with the UN’s 2003 Convention against Corruption, which directed that the practice be made a criminal offence. It has remained such a normal occurrence in the region that “over 90% of citizens there accept...that illicit payment[s] to people in business and government are a fact of life.”<sup>80</sup> Not only do an overwhelming number of citizens tolerate the habit, but also a surprisingly high percentage actively takes part in the practice. As recently as 2010, the UNODC reported

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<sup>76</sup> U4 Anti-Corruption Resource Centre Glossary, s.v. “petty corruption”; CSD, *Corruption, Contraband, and Organized Crime*, 6; UNODC, *Crime and its impact on the Balkans*, 88.

<sup>77</sup> U4 Anti-Corruption Resource Centre Glossary, s.v. “systemic corruption.”

<sup>78</sup> *Ibid.*

<sup>79</sup> Sioussiouras and Vavouras, “Political Rights, Development, and Corruption,” 92; U4 Anti-Corruption Resource Centre Glossary, s.v. “bribery.”

<sup>80</sup> Engel, “Practical Guide.”

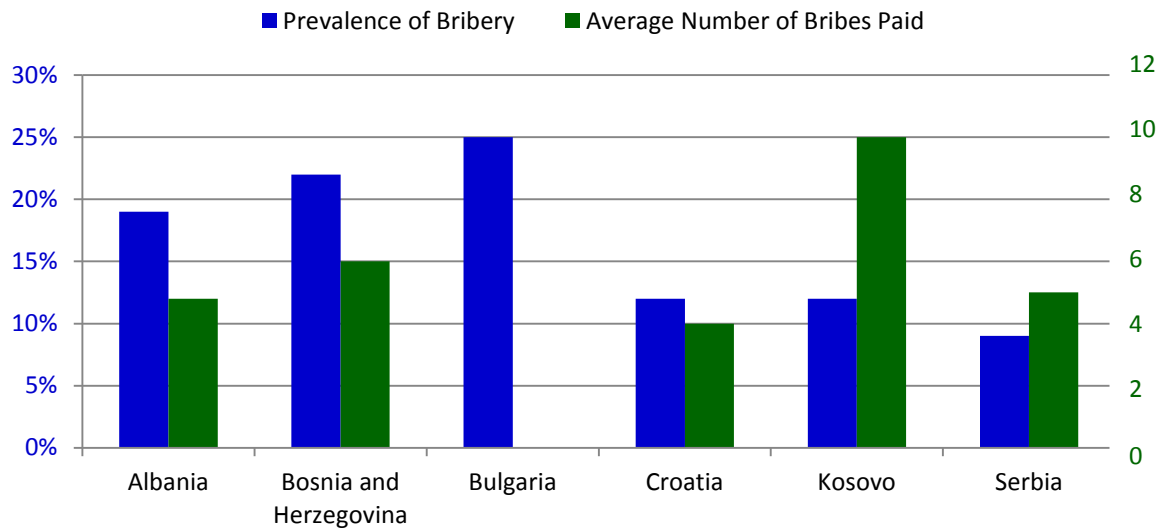
“one in six citizens of the western Balkans (2,475,000 [citizens], equivalent to 16.8% of adult population aged 18 to 64) had either direct or indirect exposure to a bribery experience with a public official in the 12-month period” prior to the survey. Figure 1 lists the percentage of citizens in each country that actually gave money, gifts, or favors to a public official during the same period, as well as the number of bribes they paid during the year. Citizens in Bulgaria<sup>81</sup> were the most likely to be involved, with 25 percent of the population paying a bribe in 2011. The citizens of BiH were a close second, with more than one in five citizens paying an average of six bribes during the year. Alternatively, citizens of Serbia were the least likely, though individuals involved still paid an average of five bribes over the span of twelve months. The percentage of Kosovar citizens that paid a bribe was only 12 percent, which is on the lower end, but remarkably these individuals paid an average of 10 bribes a year, the highest number in the region. Also significant is the amount that individuals of the region pay for bribes. If converted to the standard European currency, the average bribe paid in Southeastern Europe weighs in at 156 euros. In many of these countries, this figure constitutes a substantial sum of money. Figure 2 shows the average bribe relative to the average nominal monthly salary for each country.<sup>82</sup> Albanians paid the least at 14 percent, while Serbians paid the most at an astounding 35 percent; this considerable amount is higher than the average annual income earned by the lowest strata of the Serbian population.<sup>83</sup>

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<sup>81</sup> There are no data available on the number of bribes paid by Bulgarian citizens for this period.

<sup>82</sup> Unfortunately there are no data available for Kosovo or Bulgaria.

<sup>83</sup> Karadaku, “Kosovo Arrest”; *EUBusiness*, “Corruption in Bulgaria”; UNODC, *Corruption in the Western Balkans*, 10, 15, 16, 21.



**Note:** “Prevalence of bribery is calculated as the number of adult citizens (aged 18–64) who gave a public official some money, a gift or counter favour on at least one occasion in the 12 months prior to the survey, as a percentage of adult citizens who had at least one contact with a public official in the same period. The average number of bribes refers to average number of bribes given by all bribe-payers, i.e. those who paid at least one bribe in the 12 months prior to the survey.”<sup>84</sup>

Figure 1. Prevalence of bribery and average number of bribes paid<sup>85</sup>

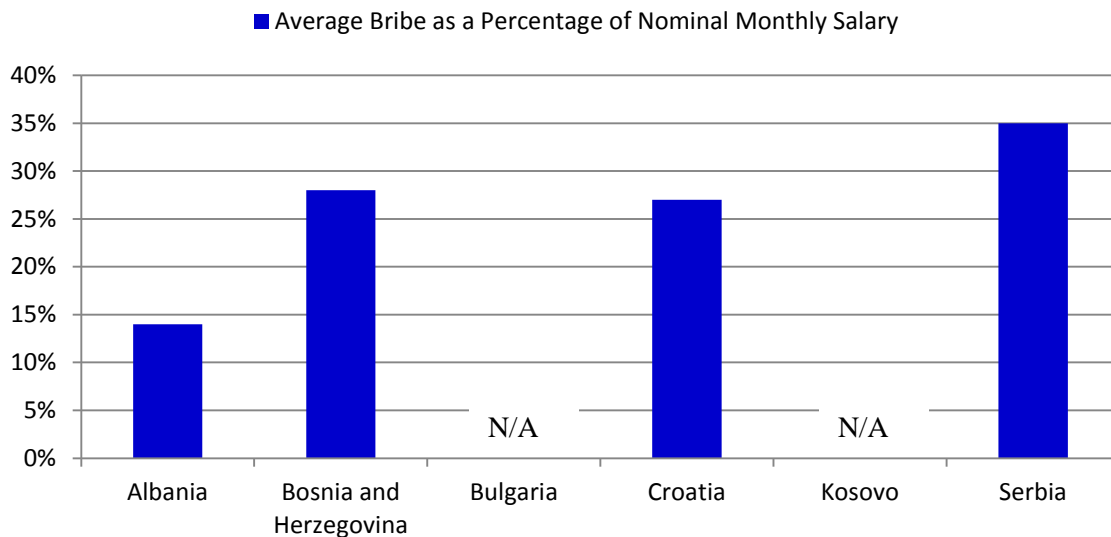


Figure 2. Average bribe as a percentage of the average nominal monthly salary<sup>86</sup>

<sup>84</sup> UNODC, *Corruption in the Western Balkans*, 16.

<sup>85</sup> UNODC, *Corruption in the Western Balkans*, 16; “Corruption in Bulgaria Up to Triple the EU Average: Study,” *EUBusiness*, September 26, 2012, <http://www.eubusiness.com/news-eu/bulgaria-corruption.iig>.

There are some other characteristics of bribery in the Balkans that are consistent throughout the region. Unlike most of the world where kickbacks and corruption are most common in urban environments, in Southeast Europe bribery is more likely to occur in the countryside than in the city. This peculiarity is likely due to the continuing agrarian nature of society in the region. Another commonality is how bribes are given. Although bribes can be remunerated in many forms such as favors in kind, gifts, or other goods, they are most often paid in local currency. Throughout the region, more than two-thirds of kickbacks are relatively traceless, cash transactions. The only exception to this rule is by female bribe payers; Balkan women, who are almost as likely as men to offer a kickback to a public official, “are more likely to pay a bribe in kind—in the shape of food and drink”<sup>87</sup> than to pay with cash.<sup>88</sup>

In certain situations, citizens have little choice but to offer kickbacks to public officials. The governmental apparatuses throughout the region are exceptionally bureaucratic and on occasion the populace is at the mercy of the administrators who run the system. Officials may implicitly or explicitly state that the only way for them to do their job—or do their job within a reasonable time frame—is if they are paid a bribe. In Albania, an astounding 52 percent of the population told Gallup “that they had to pay a bribe in order to solve a problem...in the year prior to the survey.”<sup>89</sup> Bulgarians were almost as likely, with 48 percent of its residents feeling compelled to pay a bribe in the previous year. The proportion of the population in other countries that had to pay a bribe to a public official was less significant. Only 20 percent were pressured in Kosovo, 18 percent in Serbia, 15 percent in BiH, and 8 percent in Croatia.<sup>90</sup>

It should not be assumed, however, that Balkan residents are always forced to pay bribes to public officials. In many cases, private citizens are themselves the initiators in order to ensure that they receive preferential treatment. Many inhabitants of Southeast

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<sup>86</sup> UNODC, *Corruption in the Western Balkans*, 21.

<sup>87</sup> *Ibid.*, 10.

<sup>88</sup> *Ibid.*, 10, 16, 21.

<sup>89</sup> Gallup, *Insights and Perceptions*, 10.

<sup>90</sup> Gallup, *Insights and Perceptions*, 10; *EUBusiness*, “Corruption in Bulgaria.”

Europe demonstrate a “lack of faith...in the ability of the public administration to function without payment of some kind of kickback...[The] offer of bribes is often considered a standard practice in the smooth functioning of the bureaucratic system.”<sup>91</sup> Forty-three percent of the bribes paid across the region in 2010 were instigated directly by a citizen as opposed to a public official. One reason why such a high percentage of individuals readily offer bribes is that, more often than not, they are satisfied with the results of the transaction. In a 2006 Gallup survey, more than 70 percent of citizens from every country in the region that acknowledged they had paid a bribe in the past twelve months said that the public official had adequately delivered on his promise. It is also interesting to note which public officials in the region are the most likely to be the recipient of bribes. The most common beneficiaries were doctors<sup>92</sup>, who were provided kickbacks by 57 percent of those who paid at least one bribe in the last year. The second most common official was police officers, who received bribes from 35 percent of the citizens who paid bribes. Also noteworthy were municipal officers and judges/prosecutors, who received bribes from 12 and 6 percent<sup>93</sup> of the population, respectively.<sup>94</sup>

Although bribery is rampant in Southeastern Europe, it is frequently an underreported and under-prosecuted activity. Throughout the region, less than two percent of the population reports being solicited for a bribe to any type of legal authority. One obvious reason for this is that a number of law enforcement officers are themselves involved in the illegal activity. As mentioned above, police are the second-most common public official to benefit from a kickback, and the judiciary is not far behind. Therefore, some citizens may worry that they will face retaliation if they report the incident to an official who is also corrupt. Additionally, many individuals are not likely to believe their

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<sup>91</sup> UNODC, *Corruption in the Western Balkans*, 10, 24.

<sup>92</sup> Most Americans probably do not think of doctors as public officials, although they are in the state-run medical system common throughout the Balkans.

<sup>93</sup> The combined percentages add up to over one hundred percent because those who give bribes often give to multiple officials.

<sup>94</sup> Zsolt Nyiri and Timothy B. Gravelle, “Corruption in the Balkans: a Real Issue for the People,” *Gallup*, November 16, 2007, <http://www.gallup.com/poll/102757/corruption-balkans-real-issue-people.aspx>, 3; *EUBusiness*, “Corruption in Bulgaria”; UNODC, *Corruption in the Western Balkans*, 10, 25.



complaints will be taken seriously. That sentiment is not without merit as “a formal procedure against the public official [that solicited a bribe] is actually initiated in only a quarter of reported cases.”<sup>95</sup> Unfortunately, a Balkan citizen’s reluctance to report wrongdoing to the authorities does not apply only to the realm of bribery; across the board, “South East Europeans tend to report the crimes they experience to the police less often than the West Europeans do.”<sup>96</sup> However, the most common reason that Balkan citizens do not report bribery to the authorities has to do with the public’s mindset on the issue. Although some see it is a problem, “some citizens do not deem bribery to be of the same gravity as ‘real’ crimes, in part because there is a sense of acceptance that bribery is simply a common...and...positive practice.”<sup>97</sup>

#### **D. CORRUPTION IN THE BALKANS**

Some areas of the world are notorious for their high levels of corruption. With large sections of the population indifferent to—or even supportive of—bribery, and numerous public officials acting as beneficiaries of the kickback process, it is not difficult to see how the Balkans has received such a reputation. Although there are other countries in the world that are far more corrupt than those of Southeastern Europe, the nations of the region have significant room for improvement. Organizations like TI and the World Bank, which make annual assessments on every nation on the globe in regards to several Worldwide Governance Indicators, regularly rank the region’s countries as average or below average in their control of corruption. These evaluations are empirical and use data gathered from several think tanks, public surveys, NGOs.<sup>98</sup>

In addition to their relation to the world average, all countries within Southeast Europe are ranked below the European/Central Asian average. Figure 3 shows the World Bank’s 2011 “control of corruption” measurement for each of the six countries being

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<sup>95</sup> UNODC, *Corruption in the Western Balkans*, 10.

<sup>96</sup> *Ibid.*

<sup>97</sup> As quoted in UNODC, *Corruption in the Western Balkans*, 10; *EUBusiness*, “Corruption in Bulgaria.”

<sup>98</sup> “World Bank Frequently Asked Questions Page,” World Bank, <http://info.worldbank.org/governance/wgi/faq.htm>, accessed 1 August 2013.

studied in this thesis as compared to the regional average. The figure also provides a few other enlightening comparisons. First it lists Slovenia—another former member of Yugoslavia—whose average is considerably higher than any of her other former sister nations. In 2007, Slovenia became the first former Yugoslav country to join the EU. Additionally, the figure shows the averages for Sub-Saharan Africa and South Asia—generally thought to be the most corrupt areas of the world and receiving the lowest regional averages from the World Bank. Albania’s 2011 score is slightly lower than the Sub-Saharan Africa average while Kosovo’s is only slightly higher. Figure 4 is also provided to give a historical view of the region. It shows that since 2004, little progress has been made by any of the six nations under examination. In fact, only two—Albania and Serbia—have made any improvement at all in their control of corruption. Alternatively, Bulgaria, BiH, Croatia, and Kosovo have all regressed slightly and are at lower levels than they were seven years prior.

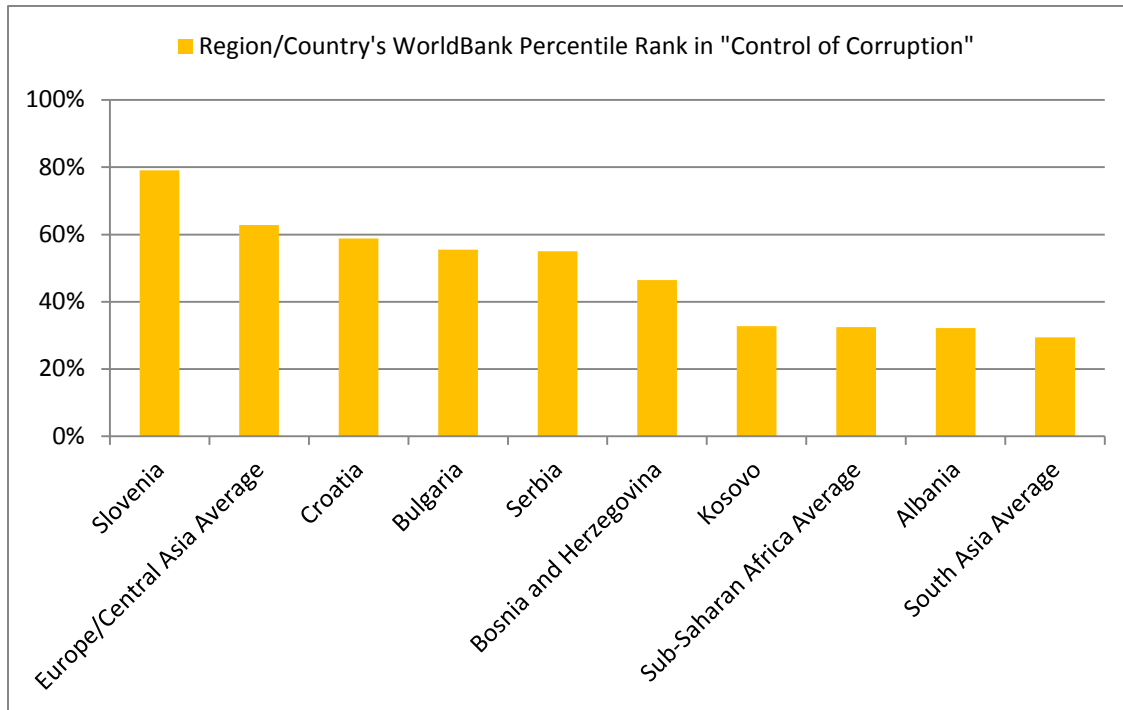


Figure 3. Control of corruption as measured by the World Bank in 2011<sup>99</sup>

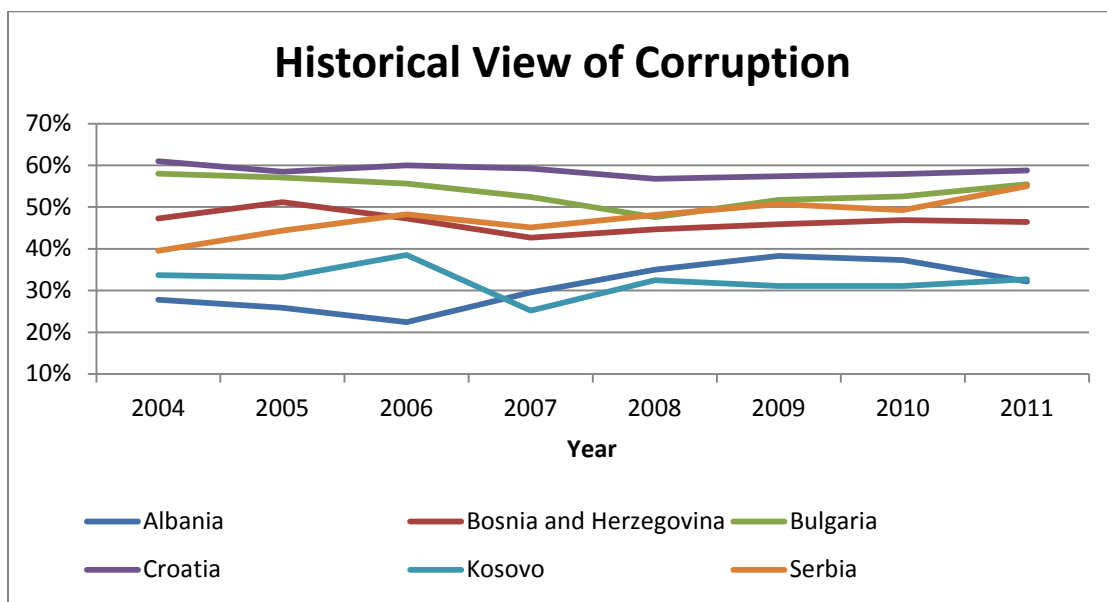


Figure 4. World Bank's historical view of corruption in Southeast Europe.<sup>100</sup>

<sup>99</sup> World Bank Worldwide Governance Indicators: [http://info.worldbank.org/governance/wgi/sc\\_country.asp](http://info.worldbank.org/governance/wgi/sc_country.asp), accessed 1 Aug 2013.

<sup>100</sup> Ibid.

## 1. Public Opinions on Corruption in the Balkans

The perceptions of the citizenry throughout the region confirm the data provided by the World Bank. A 2009 Gallup survey found that residents overwhelmingly thought corruption was widespread throughout government: 84 percent in Kosovo, 81 percent in BiH, 77 percent in Croatia, 73 percent in Albania, and 71 percent in Serbia expressed that opinion; nearly 65 percent of Bulgarians also shared this view in a similar survey taken by the CSD in 2009. The problem of enduring and systematic corruption was also seen as one of the most important issues challenging further democratization in the Balkans. In Bulgaria, over 64 percent of the population believed that corruption is the country's single biggest problem; Albanians also saw corruption as the top social problem. In Croatia and BiH, corruption was seen as the second most important issue, while in Serbia and Kosovo it trailed only unemployment and poverty in its significance to the public.<sup>101</sup>

With more than 80 percent of the population interacting with corruption at some point during a given year, these attitudes are fully understandable. "Some 50 per cent of the population believe[s] that corrupt practices occur often or very often in a number of important public institutions, including central and local governments, parliament, hospitals, judiciary and the police."<sup>102</sup> Moreover, a number of citizens in Southeast Europe regard the problem as worse than actually reported by the World Bank. A 2011 UNODC survey found that more than 34 percent of citizens in the region believe that the level of corruption is on the rise and getting worse; another fifty percent think the level is stable, while a mere fourteen percent say the problem is decreasing.<sup>103</sup>

Public opinions on the government's ability to improve corruption levels in the future are similarly pessimistic. A 2008 UNODC survey found that "54% of Bulgarians and 66% of Croatians do not believe that corruption will improve in the next five years.

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<sup>101</sup> Gallup, *Insights and Perceptions*, 30; UNODC, *Corruption in the Western Balkans*, 9, 11; Lyubomin Todorakov, *Bulgaria* (Berlin: Civil Society Against Corruption, 2010), 2; UNODC, *Crime and its Impact on the Balkans*, 88.

<sup>102</sup> UNODC, *Corruption in the Western Balkans*, 11.

<sup>103</sup> UNODC, *Corruption in the Western Balkans*, 9, 11, 46; "Perception of Corruption in Western Balkans 'Increasing,'" *EurActiv*, June 14, 2010, <http://www.euractiv.com/enlargement/perception-corruption-western-ba-news-495141>; Todorakov, *Bulgaria*, 2; UNODC, *Crime and its Impact on the Balkans*, 88.

Some 72% of Croatians [and] 74% of Bulgarians...think that corruption has increased drastically since the fall of Communism”<sup>104</sup> in the early nineties. Likewise, a 2011 CSD survey found that a substantial 65 percent of the Bulgarian population think that the government’s attempts at eliminating corruption have been unsuccessful, while only 29 percent think that government action has produced any results. Government’s inability to curb corruption has also helped shape the public’s view of how honest businesses in the region are. An astounding 92 percent of the inhabitants in Croatia, 91 percent in Serbia, 90 percent in BiH, and 82 percent in Kosovo consider businesses to be rife with corruption. The country with the most positive view of business is Albania, where an amazing 67 percent of the population thinks that corruption is common.<sup>105</sup>

## **2. Negative Effects of Corruption in the Balkans**

The pervasive level of corruption throughout the region has many second-order impacts on society in Southeast Europe. First, it directly helps shape the negative opinion of government held by a large number of citizens. A majority of residents in several nations of the region are not satisfied with their country’s institutions and have a negative perspective on governmental performance. In Croatia, nearly two-thirds of the population thinks governmental performance is “poor” while not even 1 percent see it as “excellent” and only 12 percent see it as “good”. Similarly, in BiH 60 percent of the population thinks governmental performance is poor, while only a combined 10 percent thinks it is good or excellent. Likewise in Serbia, 44 percent have a poor view of government, while only a combined 17 percent view it as good or excellent. Perspectives are better elsewhere; however, 46 percent in Kosovo and 56 percent of the population in Albania think governmental performance is either poor or “only fair”.<sup>106</sup>

Second, the persistent high levels of corruption decrease the likelihood that a country will be admitted into the EU. According to the World Bank, the European/Central Asian region’s control of corruption average is second only to that of

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<sup>104</sup> UNODC, *Crime and its Impact on the Balkans*, 88.

<sup>105</sup> Center for the Study of Democracy, *Corruption and Anti-Corruption in Bulgaria (2011–2012)*, (Sofia: CSD, 2012), 8; Gallup, *Insights and Perceptions*, 31.

<sup>106</sup> Gallup, *Insights and Perceptions*, 25.

North America; moreover, most countries currently within the EU have control of corruption averages that are significantly higher than the regional average, which is decreased significantly by the relatively low scores of many Central Asian countries. The EU has considerable reservations about allowing countries that do not share the group's same high ethical standards to join the federation. According to the EU's 2012 enlargement report, "organized crime and corruption are the biggest obstacles facing Western Balkan countries that seek EU membership."<sup>107</sup> Although Bulgaria was previously granted accession in 2007, it has since been subjected to severe EU scrutiny for its lingering corruption problems. The Union is unlikely to make the same mistake in the future and instead will require countries to clean up their corruption problems prior to being allowed to join. Croatia, for instance, was recently granted admission to the EU on 1 July 2013. The World Bank had routinely ranked Croatia as the country with the most control of corruption in the region. Even so, to ensure that additional steps were taken to further improve the country's corruption situation, the EU worked closely with Croatia and monitored its progress for several years prior to granting it accession.<sup>108</sup>

Third, corruption continues to inhibit the social, economic, and democratic development of the region. It is a major "barrier to the implementation of necessary development, political, economic, and social changes."<sup>109</sup> As previously mentioned, corruption is one of the general public's major concerns. It is also one of the primary reasons that governments in the region continue to malfunction and why citizens have no faith in their leaders. Moreover, it discourages foreign investors and drives away potential financiers who are unwilling to operate under the region's current conditions. Therefore, it limits economic development and prevents Southeast Europeans from achieving the same higher standard of living that is enjoyed by citizens in Western Europe. Additionally, corruption has a self-perpetuating effect. "Corrupt practices,

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<sup>107</sup> "Organized Crime, Corruption Frustrate Balkan EU Hopes," *Organized Crime and Corruption Reporting Project*, October 10, 2012, <https://reportingproject.net/occrp/index.php/en/ccwatch/cc-watch-briefs/1665-organized-cr>.

<sup>108</sup> *OCGRP*, "Organized Crime"; UNODC, *Corruption in the Western Balkans*, 7; Oliver Joy and Deanna Hackney, "Make that 28: Croatia Becomes Newest EU Member," *CNN*, July 1, 2013, <http://www.cnn.com/2013/07/01/world/europe/croatia-eu-membership>.

<sup>109</sup> Sioussiouras and Vavouras, "Political Rights, Development, and Corruption," 90.

including bribery, foster perceptions about corruption and those perceptions, in turn, foster corruption”<sup>110</sup> in an ongoing vicious cycle of corruption.<sup>111</sup>

## **E. CONCLUSION**

The age-old practice of corruption can take many different forms. It can be both grand, involving high level politicians, or petty, when conducted by mid to low level bureaucrats. The two differ in scope, but both forms are harmful to any society in which they occur. Corruption can also be either a sporadic event, or even worse, it can be a systemic and endemic practice. Petty corruption by public officials, most commonly manifested as bribery, is a systemic problem that has had many detrimental effects on society in the Balkans. It is such an everyday occurrence that it is accepted as a fact of life by 90 percent of the region’s citizens. Moreover, roughly 16 percent of the citizenry is either directly or indirectly involved with bribery in any given year. In some cases individuals are pressured to pay significant sums of money to ensure that administrative officials provide services already promised by the state. In other instances, residents proactively offer kickbacks to public officials in order to ensure the smooth functioning of the bureaucratic system or to obtain preferential treatment. Regardless of what party initiates the kickback process, bribery is consistently an underreported and under-prosecuted crime in Southeastern Europe. It is not considered a “real” crime and many of the same public officials responsible for clamping down on the wrongdoing—such as police officers, judges, and prosecutors—are themselves involved in the misconduct.

In their annual evaluations, the World Bank routinely ranks the six Southeast European countries being examined in this thesis as average or slightly below average in their control of corruption. Every country has been ranked below the European average for over a decade, and all are positioned considerably behind most other European states, including the former Yugoslav nation of Slovenia, which was previously admitted to the EU in 2007. Appallingly, Kosovo and Albania are routinely given rankings commensurate with the averages of Sub-Saharan Africa and South Asia, the two most

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<sup>110</sup> UNODC, *Corruption in the Western Balkans*, 43.

<sup>111</sup> UNODC, *Corruption in the Western Balkans*, 5, 7; Divjak and Pugh, “Political Economy,” 377; Sioussiouras and Vavouras, “Political Rights, Development, and Corruption,” 89.

corrupt regions in the world. Furthermore, there has been little improvement in the region for the better part of a decade. Since 2004 there have been only marginal improvements in Serbia and Albania, while the other four countries have actually regressed in their relative rankings as compared to the rest of the world.

The negative results published by the World Bank are echoed by the results of numerous public opinion polls that overwhelmingly show that citizens of the region have unfavorable views of their governments. Many believe that their government's efforts have done little to control the corruption problem in the past and they are doubtful that attempts will be successful in the future. Besides restraining social progress, corruption in Southeast Europe is also one of the main factors inhibiting economic and democratic development; widespread corruption and ties to organized crime are the main barriers preventing several of the countries from being admitted to the EU. Additionally, the region's dishonest environment discourages foreign investment that could help narrow the economic gap between the Balkans and the rest of Europe.



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## IV. CASE ANALYSIS OF CORRUPTION AMONG THE COUNTRIES OF THE BALKANS

### A. INTRODUCTION

This chapter provides a more in-depth look at the corruption problems facing each of the six Balkan countries being examined in this thesis. There are many unique characteristics that are discussed for each country, but an unhealthy relationship between members of the political elite and elements of organized crime is the one element that is consistently present in every country examined. To better appreciate the nature of these associations, it is important for the reader to properly understand what constitutes an organized criminal. Although some individuals are abominable characters that closely resemble the violent mob bosses popularly depicted in Hollywood movies, the greater majority are individuals that collectively and systematically use illegitimate practices to exploit legal markets. Instead of focusing entirely on illegal trades, most organized criminals these days are businessmen—and are regularly described as such in the following pages—that use or take advantage of bribery, extortion, cronyism, graft, and embezzlement for financial gain.<sup>112</sup>

The information in this chapter is taken directly from newspaper articles and press announcements released by several monitoring groups within the region. It is important to note that unless it is explicitly stated that a person has been found guilty, all individuals accused of wrongdoing are innocent until proven guilty in a court of law. It is highly likely that not every politician accused of corruption in the following pages is actually guilty; it is similarly likely that not every person found not guilty—or released on a technicality—is actually innocent. It became abundantly clear while conducting this research that while corruption in Southeastern Europe is pervasive and many of the allegations of impropriety are based in reality, accusations and false charges are also a common and powerful political weapon within the region; this tactic is frequently used by a party that has just come in to power to besmirch the party that has recently lost

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<sup>112</sup> Naim, *Illicit*, 261.

power. Regrettably, establishing the validity of claims and making determinations about guilt and innocence go far beyond the scope of this project. Those decisions are best left to a court of law—though once again this is problematic since many of the judicial systems in the region are also subject to corruption and outside influence.

Overall, this project attempts to paint a picture of the corruption situation in the region by consolidating as many recent real world examples as practical. The reader should not assume that the quantity of articles or number of examples—or lack thereof—about a specific country is positively correlated with how bad that nation’s corruption problem actually is. Instead, just the opposite is true; the two longest sections are about Bulgaria and Croatia, both of which have regularly received the region’s best control of corruption rankings from the World Bank for the past decade. The large amount of information available on these countries is a result of the increased oversight surrounding each nation’s accession to the EU. The number of available articles is also a direct reflection of which countries are taking the most steps to stamp out corruption. Those countries that lack the political will to make arrests have far fewer news articles documenting their efforts. Lastly, this chapter utilizes only news articles and monitoring reports written in English. There were countless other articles available—for all six countries—that were written in various Southeast European languages; unfortunately, due to time and funding constraints there was no way to get them translated into English.

## **B. ALBANIA**

### **1. Introduction**

Albania started the millennium as one of the most corrupt countries in the Balkans, as ranked by the World Bank. Despite incremental improvement over the past eleven years, they have still consistently been ranked at the bottom of the region in every year for which data is available. The country also houses some of the most powerful organized crime networks in all of Europe. It is no surprise, therefore, that criminals have infiltrated the country’s political system and tainted many high-level politicians. While some Albanian politicians go so far as to conduct criminal activities themselves, others enable, protect, and profit from illegal endeavors. Unfortunately, Albania’s

problem is further exacerbated by a judicial system that is subject to political interference and too often lenient on prominent individuals' accused of corruption.

## 2. Albanian Organized Crime and Politics

Organized Crime and Albania are almost synonymous. If a movie director wants to portray criminals in Europe, Albanians are likely to show up. One famous example is portrayed in the movie *Taken*, starring Liam Neeson, where ethnic Albanian criminals operate a network of kidnapping and teenage prostitution across Europe. While the film emerged from a Hollywood script, the storyline is a legitimate reality. According to Europol, "Albanian Organized Crime groups constitute one of the most expanding and networked criminal groups in Europe."<sup>113</sup> Albanian crime groups not only control many illegal trades throughout the region but also have infiltrated the country's highest levels of government, fostering corruption among Tirana's political elite. Oddly, most Albanians don't make the connection between organized crime and government; while nine out of ten residents think the government is corrupt, the population as a whole feels less affected by organized crime than any other group in the Balkans.<sup>114</sup>

Nevertheless, the links between criminals and politicians in Albania are numerous. In 2010, Almir Rrapo—secretary of foreign ministry and former senior aide to the Albanian deputy prime minister—was extradited to the United States to stand trial for his involvement in an international crime ring that was accused of committing murder, racketeering, and trafficking. Prosecutors in New York alleged that Rrapo was a high-ranking member of the Krasniqi Gang, accusing him of killing a man in Queens in 2005 as well as kidnapping and aggravated assault. Authorities eventually sentenced Rrapo to six years in a United States prison.<sup>115</sup>

In most instances, Albanian politicians do not moonlight as senior members of organized crime gangs. Instead, the associations and relationships maintained between

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<sup>113</sup> "Europol Targets Albanian Organized Crime," *Organized Crime and Corruption Reporting Project*, April 12, 2013, <https://reportingproject.net/occrp/index.php/en/ccwatch/cc-watch-briefs/1928-europol-targ>.

<sup>114</sup> Gallup, *Insights and Perceptions*, 12, 14; UNODC, *Crime and its Impact on the Balkans*, 16.

<sup>115</sup> "Albania Police Seize Criminal Assets," *Jane's*.

criminals and the country's political elite regularly corrupt the latter. In 2011, high-ranking members of the ministry of economy were arrested for "receiving bribes in return for issuing fake declarations regarding the quality and measurement of fuels. They face charges for passive corruption, exercising unfair influence, embezzlement and abuse of power."<sup>116</sup> In recent years numerous other top-level officials in the Albanian government have been arrested for corruption, including the deputy minister for public works and transportation, the secretary general of the ministry of labor and social affairs, and the director general of the roads. In another important case, the minister of economy, Dritan Prifti, and his deputy, Leonard Beqiri, were also indicted for corruption. Both were arrested after authorities discovered a video showing the two of them in the process of splitting a €69,000 bribe. The video was inadvertently found on Prifti's computer during a separate investigation into Deputy Prime Minister Ilir Meta being conducted by the authorities.<sup>117</sup>

Meta, who had previously served as Albania's prime minister from 1999 to 2002, was serving as deputy prime minister at the time of his arrest in 2011. Meta was accused of abuse of office and attempting "to benefit from the contracting process for a planned hydroelectric power station"<sup>118</sup> by accepting bribes. The main evidence against him was a video that clearly showed Meta manipulating the contracting process and discussing a significant €700,000 bribe with former Economy Minister Dritan Prifti, who was mentioned above. Despite the video being authenticated by a U.S. technology expert, the Albanian Supreme Court decided that it was inadmissible and acquitted Meta on lack of

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<sup>116</sup> "Nine Officials of Albania's Ministry of Economy Arrested on Corruption Charges," Albanian Anti-Corruption Portal, November 18, 2011, <http://www.anticorruption-albania.org/home/news-from-albania/110-nine-officials-of-albania-s-ministry-of-economy-arrested-on-corruption-charges>.

<sup>117</sup> Albanian Anti-Corruption Portal, "Nine Officials"; UNODC, *Crime and its Impact on the Balkans*, 90; "Former Minister and Deputy Indicted," Albanian Anti-Corruption Portal, March 12, 2012, <http://www.anticorruption-albania.org/home/news-from-albania/138-former-minister-and-deputy-indicted-for-corruption>.

<sup>118</sup> Vilma Filaj-Ballvora, "Acquittal Highlights Albania's 'Culture of Impunity,'" *Deutsche Welle*, January 1, 2012, <http://www.dw.de/acquittal-highlights-albanias-culture-of-impunity/a-15680992>.

evidence. This “disappointing, if not unexpected, verdict...highlights the fact that the neutrality of the country’s judiciary deserves to be questioned”<sup>119</sup> and is often in grave doubt.<sup>120</sup>

### 3. Corrupt Judicial System

Few would deny that the Albanian judiciary system is corrupt and subject to political interference—even Albanian judges generally have an unfavorable view of the system. In a 2012 survey conducted by the Center for Transparency and Freedom of Information (CTFI), more than 58 percent of the country’s magistrates candidly assessed the state of legal affairs within the country. In the study, one if four admitted to regularly paying bribes themselves, even if only at public hospitals in exchange for preferential medical care; another one in five confessed to paying bribes on occasion. Tellingly, only a mere “18 per cent of respondents said the justice system was not corrupt, 58 per cent described corruption as a perception and 25 per cent believed it was corrupt.”<sup>121</sup> Additionally, only one in three said they thought the system was “free from political interference.”<sup>122</sup> Alternatively, half said it was only partly free and seven percent said definitively that it was not free. The individuals most commonly cited by the judges as interfering in court cases “included government officials, local politicians, lawyers, MPs [Members of Parliament] and the President’s office.”<sup>123</sup> Additionally, 10 percent of the judges refused to answer any of the questions for various reasons.<sup>124</sup>

The political interference and corruption of the Albanian judiciary has had appalling consequences over the past several years. Although there have been a handful

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<sup>119</sup> Ibid.

<sup>120</sup> Filaj-Ballvora, “Acquittal Highlights”; Besar Likmeta, “Albania Hit by Video Corruption Scandal,” *Balkan Insight*, January 12, 2011, <http://www.balkaninsight.com/en/article/albania-hit-by-video-corruption-scandal>; Likmeta, “A Specter is Haunting the Balkans,” 2; Albanian Anti-Corruption Portal, “Former Minister and Deputy Indicted.”

<sup>121</sup> “Albania Judges Admit Corruption and Bribes,” Albanian Anti-Corruption Portal, October 25, 2012, <http://www.anticorruption-albania.org/home/news-from-albania/144-albania-judges-admit-corruption-and-bribes>.

<sup>122</sup> Ibid.

<sup>123</sup> Ibid.

<sup>124</sup> Ibid.

of corruption cases against prominent members of the country’s political elite—the most well-known being the aforementioned case against Deputy Prime Minister Ilir Meta—none have resulted in a conviction. “The legal proceedings against them have either stopped because of lack of evidence, or been postponed.”<sup>125</sup> This has recently drawn a considerable amount of public outrage by citizens and the media alike, who have increasingly accused judges of “using dubious procedural grounds”<sup>126</sup> to excuse crooked politicians.<sup>127</sup>

Unfortunately, Albanian law hampers the prosecution of corrupt judges because it grants most members of the judiciary immunity from prosecution. Even in cases where prosecutors have been able to collect substantial evidence and have conducted trials against corrupt magistrates, they are normally found not guilty. According to Ina Rama—Albania’s general prosecutor—“There is a sort of corporatism between judges to protect each other...They don’t view the case as an indictment against a judge...but rather as an indictment against a friend or colleague.”<sup>128</sup> Rama has unsuccessfully implored parliament several times in the past to strengthen the government’s ability to fight corruption by passing a constitutional amendment that would rescind the current immunity of judges.<sup>129</sup>

## **C. BOSNIA AND HERZEGOVINA**

### **1. Introduction**

After nearly four years of religious conflict and civil war, BiH was separated into two autonomous regions by the 1995 Dayton Peace Accords: the Federation of Bosnia and Herzegovina and the Republika Srpska, whose borders were drawn around ethnic and religious divides. This tenuously brokered agreement joined these two regions together

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<sup>125</sup> Filaj-Ballvora, “Acquittal Highlights.”

<sup>126</sup> “Albania Courts Lenient Towards Corrupt Judges,” Albanian Anti-Corruption Portal, April 7, 2012. <http://www.anticorruption-albania.org/home/news-from-albania/141-albania-courts-lenient-towards-corrupt-judges>.

<sup>127</sup> Likmeta, “A Specter is Haunting the Balkans.”

<sup>128</sup> Albanian Anti-Corruption Portal, “Albania Courts Lenient.”

<sup>129</sup> Ibid.

under a weak, decentralized central government. Many of the governance problems that exist in the country today can be traced back to 1995 when “the complex administrative mechanics prescribed by Dayton presented opportunities for the abuse of public office, limited attempts to establish a social contract between individual and state, and made it difficult to eliminate corruption.”<sup>130</sup> Although BiH started the millennium with one of the better World Bank averages in the region, stagnated improvements over the past decade have left BiH trailing all the other Southeast European countries except for Kosovo and Albania. The country is dominated by corrupt political parties, which are “regarded as the most corrupt sector in BiH by far.”<sup>131</sup> There is also deeply rooted organized crime that has forged serious connections with the country’s political elite. Moreover, the country’s judicial system is either incapable or unwilling to tackle the pervasive corruption problem through legal means.<sup>132</sup>

## 2. Corrupt Political Parties

The general public in BiH views political parties as the most corrupt organizations in the country, “introducing fraud, theft, cronyism and other corrupt behavior into executive and legislative institutions, as well as indirectly undermining the law enforcement institutions of the judiciary, prosecution services and police.”<sup>133</sup> In public opinion polls, citizens, on average, give political parties a 4.4 on a 5-point corruption scale, with 1 being not corrupt at all and 5 being extremely corrupt. Any ambitious individual hoping to advance economically or socially in BiH society “within his or her ethnic group has to have support from one or more of the [country’s] political parties...the new political elite that has emerged in the post-war context entertains close ties with both criminal and informal networks as well as nationalistic political parties.”<sup>134</sup> By nature, political parties depend on donations for their success, and unfortunately

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<sup>130</sup> Divjak and Pugh, “Political Economy,” 374.

<sup>131</sup> Divjak and Pugh, “Political Economy,” 375.

<sup>132</sup> “Federation of Bosnia and Herzegovina President Arrested in Graft Probe,” Regional Anti-Corruption Initiative, April 26, 2013, <http://www.rai-see.org/news/south-eastern-europe/3699-federation-of-bosnia-and-herzegovina-president-arrested-in-graft-probe.html>.

<sup>133</sup> Divjak and Pugh, “Political Economy,” 376.

<sup>134</sup> Chêne, *Corruption and Anti-Corruption in BiH*, 3.



BiH's organized criminals normally have the deepest pockets. This has reinforced the strong link between government and criminals that grew up during the Bosnian War nearly two decades ago.<sup>135</sup>

### **3. Government Links with Organized Crime**

Organized Crime in BiH is rooted in the volatility caused by rapid conversion from communism to capitalism and exacerbated by nearly a decade of warfare in the region. The wars and the embargoes that were levied “encouraged the organization of smuggling channels for arms necessary for fighting the war by groups closely connected to the highest political spheres. Subsequently activities were extended to other criminal activities such as drug or women trafficking throughout the region with the knowledge and often active participation of the ruling elite.”<sup>136</sup> Therefore, as far back as the formation of the current state, political leaders have had connections to individuals that presented a clear conflict of interest to good governance. Historically, BiH's political leaders have not been punished for these connections. For instance, around the turn of the century, Republika Srpska Prime Minister Milorad Dodik was accused of embezzlement and corruption on several occasions but was never charged. It was not uncommon for his administration to issue “highly non-transparent public contracts...involving hundreds of millions of euros-worth of undisclosed deals”<sup>137</sup> that attracted little to no attention from the country's law enforcement agencies.<sup>138</sup>

Additionally, in 1999 an anti-fraud unit discovered that around a billion dollars of international reconstruction aid money was unaccounted for. This included millions of dollars missing from the Bank of BiH, which ultimately collapsed. Many members of the country's political elite were implicated, including Bakir Izetbegovic—son of the then president of the Federation of BiH. In the end, Bakir was never prosecuted. In 2010,

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<sup>135</sup> Ibid., 3, 4.

<sup>136</sup> Ibid., 4.

<sup>137</sup> Divjak and Pugh, “Political Economy,” 378.

<sup>138</sup> Divjak and Pugh, “Political Economy,” 378; Chêne, *Corruption and Anti-Corruption in BiH*, 4.

Bakir—seemingly unscathed by the previous scandal—followed in his father’s footsteps and was elected to be the president of the Federation of BiH.<sup>139</sup>

In recent years, little has changed from the turn of the century. The “apparatus of orderly government is too often hijacked by political elites who siphon off proceeds from the national treasury and transform government bureaucracies into bribe-collection agencies that impede business.”<sup>140</sup> For example, in 2011, the mayor of Brcko, Dragan Pajic, and six other senior government officials were arrested for bribery and abuse of office. Authorities alleged that Pajic “was at the top of a pyramid of certain illegal businesses and activities,”<sup>141</sup> including the traffic of drugs and other illicit goods. Unfortunately in most cases, transparency and accountability are often lacking. The best example of this is the arrest of Zivko Budimir—president of the Federation of BiH—in April of 2013 by anti-corruption police. Budimir “was suspected of taking bribes in exchange for granting amnesty to a number of convicts. The police said that one suspected drug trafficker, who was arrested in Friday’s scoop [along with Budimir and 18 others], had [previously] been pardoned by Budimir.”<sup>142</sup> Two months later, however, the country’s Constitutional Court controversially ruled that Budimir and all those arrested with him in the earlier round up, including the drug traffickers, were to be freed from prison.<sup>143</sup>

#### 4. Lack of Oversight

The previous example illustrates that in BiH the judicial system too often lacks the political will required to properly prosecute corrupt politicians and organized

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<sup>139</sup> Divjak and Pugh, “Political Economy,” 375.

<sup>140</sup> Ibid., 376.

<sup>141</sup> “Bosnian District Mayor, Senior Officials Arrested for Abuse of Office,” Regional Anti-Corruption Initiative, October 4, 2011, <http://www.rai-see.org/news/south-eastern-europe/3245-bosnian-district-mayor-senior-officials-arrested-for-abuse-of-office.html>.

<sup>142</sup> Regional Anti-Corruption Initiative, “Federation of BiH President Arrested.”

<sup>143</sup> Regional Anti-Corruption Initiative, “Federation of BiH President Arrested”; Chêne, *Corruption and Anti-Corruption in BiH*, 1; Regional Anti-Corruption Initiative, “Bosnian District Mayor”; “President of Federation of Bosnia and Herzegovina Charged with Graft, Freed from Jail,” Regional Anti-Corruption Initiative, May 25, 2013, <http://www.rai-see.org/news/south-eastern-europe/3764-president-of-federation-of-bosnia-and-herzegovina-charged-with-graft-freed-from-jail.html>.

criminals. Many instances of corruption highlighted by the media, watchdog groups, or civil society against the country's political elite never even make it to a courtroom; the wrongdoing is simply swept under the rug and the perpetrators are not held accountable. When an indictment is made against a high-level official, the courts routinely dismiss the charges "on petty technicalities."<sup>144</sup> To make matters worse, the country lacks an adequate legal infrastructure to handle the number of active cases, meaning that trials can languish in the system for years; as recently as 2012 BiH had "more than 2 million backlogged court cases—one for every two citizens"<sup>145</sup> within the country. All of this has left the Bosnian population with a very negative view of the country's judicial system; citizens do not trust the judiciary and think that judges are nearly as corrupt as the nation's political parties. In a 2012 survey, half of the country's residents said they thought that the most corrupt individuals within the country were the very people "that should be fighting the trend,"<sup>146</sup> individuals like judges and prosecutors.<sup>147</sup>

In addition, many of the country's regulations and legislation are written in a way that helps enable corruption. For instance, Members of Parliament (MP) are immune from prosecution in corruption cases unless their immunity is first revoked by the parliamentary assembly. Additionally, "civil servants who are convicted of corruption are not prohibited from future government employment."<sup>148</sup> After simply serving a short sentence for their wrongdoing, individuals may legally return to public office if they can get elected or appointed. Lastly, the country does not have adequate whistle-blower laws. Therefore, individuals who are aware of illegal behavior are less likely to report an

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<sup>144</sup> Sonia Zujo, "Balkan Countries Fail in Anti-Corruption Efforts," *Organized Crime and Corruption Reporting Project*, March 30, 2012, <https://reportingproject.net/occrp/index.php/en/ccwatch/cc-watch-indepth/1467-balkan-countries-fail-in-anti-corruption-efforts>.

<sup>145</sup> Ibid.

<sup>146</sup> "Corruption Problems Plague Bosnia and Herzegovina," Regional Anti-Corruption Initiative, August 9, 2012, <http://www.rai-see.org/news/south-eastern-europe/3079-corruption-problems-plague-bosnia-and-herzegovina.html>.

<sup>147</sup> Regional Anti-Corruption Initiative, "Corruption Problems Plague Bosnia and Herzegovina"; Divjak and Pugh, "Political Economy," 376, 378; Chêne, *Corruption and Anti-Corruption in BiH*, 4; Zujo, "Balkans fail."

<sup>148</sup> Chêne, *Corruption and Anti-Corruption in BiH*, 6.

offense because they are likely to suffer retribution from those implicated, especially if the offenders are well connected.<sup>149</sup>

Another factor holding back corruption reform in BiH is that the government has not always allowed anti-corruption civil society organizations (CSO) to properly carry out their responsibilities. After TI Bosnia-Herzegovina pointed out numerous corruption issues to the BiH state administration, the organization “suffered repeated political attack from government...and was forced to suspend its activities in July 2008 for a few weeks. The government...announced that they would bring charges against Ti-BiH for expressing its opinions and views.”<sup>150</sup>

## **D. BULGARIA**

### **1. Introduction**

Corruption has been a primary social and political concern in Bulgaria since the end of the 1990s. In 2004, Bulgaria was admitted to NATO and began stepping up accession talks with the EU. Since that time, corruption has been the number one issue on the government’s agenda. Although Bulgaria’s World Bank control of corruption ranking is relatively high when compared to the other countries within Southeast Europe, it has consistently been ranked dead last in the EU since being welcomed to the European community—alongside Romania—in 2007. Although meaningful steps have been made to improve the country’s control of corruption, Sofia still has considerable work to do in order to bring the country up to accepted European levels. Regrettably, law enforcement and the judiciary are two of the least trusted institutions in the country. There is also a significant disparity between the number of individuals arrested for high-level corruption and those ultimately convicted. Most important, there is a substantial documented history of political elite involvement with organized crime within the country.<sup>151</sup>

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<sup>149</sup> Ibid.

<sup>150</sup> Ibid., 8.

<sup>151</sup> TI Bulgaria, *National Integrity System Assessment*, 4, 10; In fact, there are more documented examples for Bulgaria than any other Balkan country. One reason for this is most likely due to the fact that Bulgaria has received increased scrutiny after its admission to the EU in 2007.

## 2. Distrust of Law Enforcement and the Judiciary

Bulgarian citizens are justifiably pessimistic about the state institutions that are supposed to be responsible for cracking down on corruption and organized crime in the country. Decades of collusion between government and criminal organizations have created a situation in which the lines that are intended to differentiate between good and bad, legal and illegal, have become blurred for most citizens. As such, “Bulgarians mistrust the judiciary and the police more than any other EU country, with the exception of Latvia.”<sup>152</sup> Several surveys have shown that Bulgarians think that law enforcement is the country’s most corrupted institution. The former head of the Bulgarian anti-organized crime police, Vanyo Tanov, reinforced this notion by stating that criminals regularly “recruit[] police officers to obtain information about possible operations against them.”<sup>153</sup> It is not surprising, therefore, that within the EU, Bulgarian citizens are the least likely to report knowledge of, or being victim to, a crime.<sup>154</sup>

Even when individuals are arrested for crimes or corruption, the federal court system’s conviction rate is woefully low. In 2011, TI Bulgaria stated that the country’s “main weakness remains the anti-corruption output, which is judged by commentators to be low.”<sup>155</sup> Others have been critical of both the judiciary’s lack of convictions and the high number of acquittals in cases involving grand corruption or organized crime. One critical voice has come from the EU, which believes that Bulgaria relaxed its efforts towards reform after being admitted to the union in 2007. In July 2008, the EU froze over 800 million euros of funding to Sofia because of renewed fears over corruption and organized crime. The EU reprimanded the Bulgarian system “for failing to prosecute organized crime leaders, in particular those with strong political connections...and making little to no progress in fighting corruption.”<sup>156</sup> In response to the castigations, Sofia released an 80–point plan to address the criticisms leveled by the EU.

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<sup>152</sup> “OC grows stronger in Bulgaria” *Jane’s*.

<sup>153</sup> *Ibid.*

<sup>154</sup> “OC grows stronger in Bulgaria,” *Jane’s*; TI Bulgaria, *National Integrity System Assessment*, 10.

<sup>155</sup> TI Bulgaria, *National Integrity System Assessment*, 11.

<sup>156</sup> “EU Keeps Watch on Bulgaria and Romania,” *Jane’s Intelligence Weekly*, July 17, 2009, <https://janes.ihs.com>.

Unfortunately, it is not Bulgaria's legal framework that is in doubt, it is the political will to follow through and actually battle corruption that is in question.<sup>157</sup>

Optimism was high after Boyko Borisov was elected prime minister following the country's June 2009 elections. As the mayor of Sofia he had been known for his tough stance on organized crime and his "promise to tackle crime and corruption was one of the primary reasons"<sup>158</sup> his party was voted into power. Unfortunately, after being elected, his party's "record in fighting organized crime and the entrenched interests around it [was] mixed"<sup>159</sup> as many high-level cases were either dropped, sought reduced sentences, or did not result in prosecution due to lack of evidence. One prominent example is a 2011 corruption case surrounding the former minister of defense, who was accused of offering a bribe to an investigator, hoping the detective would falsify evidence in an ongoing investigation into the minister's conduct. Disappointingly, the corruption charges were dropped due to a lack of evidence, despite the fact that the state still pursued the lesser offense of offering a bribe.<sup>160</sup>

Many citizens in Bulgaria believe that the reason the courts have trouble prosecuting the political elite is because the judges are themselves involved in the corruption process. No case exemplifies this more than controversial magistrate Veneta Markovska, who in October 2012 was elected by parliament to the Bulgarian Constitutional Court—the country's most eminent judicial body, analogous to the U.S. Supreme Court. Her selection received immense scrutiny from the European Commission "after information was leaked that she had attempted to use her influence to pressure the Ministry of Interior to suppress an investigation."<sup>161</sup> Ultimately, the

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<sup>157</sup> "EU Keeps Watch on Bulgaria and Romania," *Jane's*; "Alleged Bulgarian Crime Leader Given Jail Sentence," *Jane's Intelligence Weekly*, January 24, 2012, <https://janes.ihs.com>; "OC grows stronger in Bulgaria," *Jane's*; "Bulgaria Replaces Funding Suspended by EU Over Corruption," *Jane's Intelligence Weekly*, August 11, 2008, <https://janes.ihs.com>; TI Bulgaria, *National Integrity System Assessment*, 4.

<sup>158</sup> "OC grows stronger in Bulgaria," *Jane's*.

<sup>159</sup> *Ibid.*

<sup>160</sup> Kovatcheva, *UN Convention Against Corruption*,

<sup>161</sup> "Tainted Bulgarian Judge Postpones Oath of Office," Regional Anti-Corruption Initiative, November 12, 2012, <http://www.rai-see.org/news/south-eastern-europe/3022-tainted-bulgarian-judge-postpones-oath-of-office.html>.

Bulgarian president, who refused to be present while she was sworn into office—a mandatory requirement by law—kept her from taking the oath of office.<sup>162</sup>

### 3. Grand Corruption and Ties to Organized Crime

Judges and law enforcement officials are not the only public stewards not trusted by the majority of the citizenry. The general public believes that many of the country's political elite are unduly influenced by organized criminal elements. Moreover, there is a fear that some “have not only failed to prevent the spread of criminality but in some cases have actively assisted criminals...An essential condition for the [continued] existence of organized crime is the presence of enduring corrupt links between the criminal groups and the state (politicians, MPs, magistrates and representatives of the administration).”<sup>163</sup> Former Bulgarian counterintelligence chief and member of parliament Atanas Atanasov believes that state and criminal interests are inseparably linked. He was quoted as saying that “other countries have the mafia, in Bulgaria the mafia has the country.”<sup>164</sup> His assessment is not unfounded as investigations into criminal activity regularly turn up the name of politicians who are eventually implicated in the wrongdoing.<sup>165</sup>

A prime example is the case of Alexander Filipov, who in July 2009 was the deputy minister for emergency situations in the Bulgarian executive. He was arrested on charges of abusing his office in order to buy “votes in exchange for assigning EU-funded projects...Filipov was under investigation for corruption, embezzlement, vote trading and mismanagement of projects financed by both European funds and the state budget.”<sup>166</sup> More recently in January 2011, Maria Murgina, the country's previous tax chief—comparable to our head of the IRS—was sentenced to four years prison time for four separate counts of abuse of power and filing untrue statements while she was in office from 2005–2009. “She [was] forced to resign after being accused of covering up alleged

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<sup>162</sup> Regional Anti-Corruption Initiative, “Tainted Bulgarian Judge Postpones Oath of Office”; “Bulgarian President Blocks Tainted Judge's Constitution Court Bid,” *Sofia News Agency*, November 15, 2012, [http://www.novinite.com/view\\_news.php?id=145138](http://www.novinite.com/view_news.php?id=145138).

<sup>163</sup> “OC grows stronger in Bulgaria,” *Jane's*,

<sup>164</sup> Naim, “Rise of the Mafia State.”

<sup>165</sup> Naim, “Rise of the Mafia State”; “OC grows stronger in Bulgaria,” *Jane's*.

<sup>166</sup> “Bulgarian Deputy Arrested,” *Jane's*.

fraud by businessmen who used fake companies to drain millions from the state budget.”<sup>167</sup> Later in May of that year, a prosecutor in the Sofia court system was given a five-year sentence for colluding with the same individual he was supposed to be indicting. The now former court official was accused of receiving an €12,500 kickback from a local businessman who wanted an ongoing investigation into his activities to be halted. A few months later, in the summer of 2011, the then deputy minister of the interior was sentenced to a two-year suspended sentence for helping coordinate a 100,000 leva—equivalent of \$70,000—bribe between a businessman and the head of Bulgaria’s Fishing Agency.<sup>168</sup>

There are even more examples of political elite involvement. In July 2012, Dimitar Avramov, an MP in Bulgaria’s ruling GERB party was arrested for accepting bribes in excess of 100,000 leva. Avramov and “two other men were arrested after 50,000 levs changed hands...The dispute involved the use of land which is eligible for EU farm subsidies and thus highly sought after.”<sup>169</sup> Avramov’s parliamentary immunity will have to first be removed before authorities can begin prosecution. More recently in March 2013, Miroslav Naidenov was arrested for corruption and misuse of office while he was serving as the country’s agricultural minister in 2010. He was accused of attempting to bribe a subordinate and trying to enrich himself and others through illegal means. Specifically, authorities say that Naidenov gave preferential treatment “to a food producer to win a tender in 2010 to supply an European Union-backed program to distribute food to disadvantaged people...He was also charged with promising a bribe of 200,000 levs...to a senior official at the state agricultural fund which disburses EU aid to farmers...[He also put] pressure on the official to sign orders granting a tax refund to two

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<sup>167</sup> “Bulgaria’s Ex-Tax Chief Sentenced for Corruption,” Regional Anti-Corruption Initiative, January 25, 2011, <http://www.rai-see.org/news/south-eastern-europe/3360-bulgarias-ex-tax-chief-sentenced-for-corruption.html>.

<sup>168</sup> Regional Anti-Corruption Initiative, “Bulgaria’s Ex-Tax Chief Sentenced for Corruption”; *Jane’s*, “Bulgarian Deputy Arrested”; Kovatcheva, *UN Convention Against Corruption*.

<sup>169</sup> “Bulgaria Arrests Lawmaker for Taking Bribes,” Regional Anti-Corruption Initiative, July 18, 2012, <http://www.rai-see.org/news/south-eastern-europe/3104-bulgaria-arrests-lawmaker-for-taking-bribes.html>.



domestic food producers.”<sup>170</sup> Less than a month later, Stanimir Florov, ironically serving as the chief of Bulgaria’s anti-mafia bureau (GDBOP), was himself arrested on corruption charges after emerging documents revealed that he had routinely sheltered drug traffickers between 1999 and 2002 in exchange for immense financial gain. Florov became chief of the GDBOP in 2009, but had worked as a senior member of the department during the time in question. Prosecutors claim that Florov “had irregular dealings with drug traffickers and traffickers of other illegal goods...[and] agreed to warn drug traffickers ahead of police operations, receiving 20,000 Deutsche Marks (10,000 euros, \$13,000)—the preferred currency at the time—for each warning. He also agreed to verify if Interpol was tracking cars that had been stolen in the visa-free Schengen zone.”<sup>171</sup> Due to his previous ties with criminals, it is very probable that Florov was less than diligent in his duties during his time as chief of the GDBOP.<sup>172</sup>

Events in the spring and summer of 2013 indicate that Bulgaria may have reached the tipping point when it comes to political elite corruption as massive crowds took to the streets in Sofia to protest several dubious governmental appointments for public office. Already inflamed by a series of political scandals surrounding the resignation of Prime Minister Boyko Borisov in February, crowds gathered for close to a month in front of the capital’s government buildings, voicing their displeasure with the affairs of government by chanting and holding signs that read “step down” and “mafia.” The most shocking appointment attempt was Selyan Peevski, who was appointed as the head of the Bulgarian secret service. “The 33 year-old is an influential and powerful media mogul, said to be involved in illegal business who maintains links to the mafia.”<sup>173</sup> Peevski had previously served as the chief of the ministry of emergency situations until 2007, when

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<sup>170</sup> “Bulgaria Ex-Minister Faces Corruption Charge Over EU Food Scheme,” Regional Anti-Corruption Initiative, March 26, 2013, <http://www.rai-see.org/news/south-eastern-europe/3626-bulgaria-ex-minister-faces-corruption-charge-over-eu-food-scheme.html>.

<sup>171</sup> “Bulgarian Anti-Mafia Chief Charged with Corruption,” Regional Anti-Corruption Initiative, April 19, 2013, <http://www.rai-see.org/news/south-eastern-europe/3685-bulgarian-anti-mafia-chief-charged-with-corruption.html>.

<sup>172</sup> Regional Anti-Corruption Initiative, “Bulgarian Anti-Mafia Chief Charged with Corruption”; Regional Anti-Corruption Initiative, Bulgaria Arrests Lawmaker for Taking Bribes”; Regional Anti-Corruption Initiative, “Bulgarian Ex-Minister Faces Corruption Charge.”

<sup>173</sup> Ranya Breuer, “Time Is Up: Corruption and Its Economic Consequences,” *Deutsche Welle*, July 27, 2013, <http://www.dw.de/time-is-up-corruption-and-its-economic-consequences/a-16979160>.

he came under investigation for embezzlement and corruption—though charges were never filed. When the newly elected government “fast tracked his appointment...and even amended certain laws to match Peevski’s profile with the job,”<sup>174</sup> outraged citizens took to the streets in protest. Agitated protesters continued their demonstrations even after Peevski voluntarily stepped down from office a week later. Remarkably, Peevski’s appointment was not the only questionable announcement that angered the public. “Other appointments by the government also led people to believe that oligarchs were being favored.”<sup>175</sup> For instance, Ivan Ivanov’s tenure of office as the deputy minister of the interior lasted only three hours before allegations linking him to organized crime led to his resignation.<sup>176</sup>

## **E. CROATIA**

### **1. Introduction**

Croatia is one of the least corrupt countries in the Balkans, as measured by the World Bank and other watchdog groups like TI. This is likely one of the major reasons why Croatia became only the fourth Southeast European country to be admitted to the EU, joining Slovenia, Bulgaria, and Romania as members of the prestigious group on 1 July 2013. Yet, many are worried that Croatia was admitted to the EU too soon and that all compulsory measures that could have forced Zagreb to further reduce its corruption have now been removed. Despite many recent steps in the right direction, many believe that too much of the government is still influenced by connections to powerful criminal groups that cultivate corruption among the country’s top politicians. Numerous corruption cases in recent years that involve the country’s political elite lend a lot of credence to this viewpoint. Additionally, several instances of brutality and retribution against those who raise the issue of political corruption further hinder the country’s ability to conduct major reforms.

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<sup>174</sup> Bistra Seiler and Emiliyan Lilov, “Bulgarians Protest Government of ‘Oligarchs’,” *Deutsche Welle*, June 26, 2013, <http://www.dw.de/bulgarians-protest-government-of-oligarchs/a-16909751>.

<sup>175</sup> *Ibid.*

<sup>176</sup> Seiler and Lilov, “Bulgarians Protest Government of ‘Oligarchs’”; Breuer, “Time Is Up: Corruption”; Angelov, Ivan. “Boyko Borisov Resigned.” *New Europe Online*, Accessed August 26, 2013, <http://www.neurope.eu/article/boyko-borisov-resigned>.

## 2. Accession to the European Union

Croatia became the newest member of the EU in July when it became the first country in six years to be admitted to the European community of nations since Bulgaria and Romania joined in 2007. Although Croatia's World Bank rating had been among the highest in the region—trailing only Slovenia—for the past decade, the EU still subjected the country to increased scrutiny prior to granting it entrance into the union. This was quite a different process than when Bulgaria and Romania entered the EU—both of these countries received the greater part of their scrutiny after they were already members. Conversely, “unlike Bulgaria and Romania, Croatia will not be subject to post-admission monitoring. The protection of reforms already in place and the success of future reforms rest with Croatia itself.”<sup>177</sup> Many critics are pessimistic about Zagreb's future in fighting corruption now that they have gotten the carrot and are no longer subject to the stick. Monitoring groups point out that the majority of the country's reforms were passed at the last minute in order to meet the EU's timetable and have not been adequately tested.<sup>178</sup>

Interestingly, despite Zagreb's relatively high rankings by the World Bank, the average “Croat's confidence in their national government [has been] the lowest in the region”<sup>179</sup> for many years. Although attitudes towards government are generally quite negative throughout the region, Croatia's discontent is unique and is linked to the country's distinct culture and history. For hundreds of years, Croatians have seen themselves as tied to Central Europe and not to Southeast Europe. Part of this association was Croatia's Catholic heritage, which is unique within the Balkans. More important, however, was Croatia's centuries-old suzerainty under the Hapsburg—as opposed to the Ottoman—Empire that lasted until the conclusion of WWI. Croatians have always viewed themselves as Central European and have looked down on Serbs and other Southern Slavs, who they view as inferior and beneath them. Therefore, Croatian citizens

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<sup>177</sup> Mujtaba Ali, “EU Entry May Not Change Corruption in Croatia,” *Organized Crime and Corruption Reporting Project*, June 30, 2015, <https://reportingproject.net/occrp/index.php/en/ccwatch/cc-watch-indepth/2030-eu-entry-may-not-change-corruption-in-croatia>.

<sup>178</sup> Ali, “EU Entry May Not Change Corruption in Croatia”; “EU Newest Member Croatia Plagued by Economic Worries,” *EUBusiness*, August 4, 2013, <http://www.eubusiness.com/news-eu/croatia-economy.q4y>.

<sup>179</sup> Gallup, *Insights and Perceptions*, 13.

are likely not content with having one of the least corrupt governments within the Balkans. Instead, Croat expectations are shaped by the significantly less corrupt governments that dominate most of Western Europe. These high standards are potentially an encouraging sign, hopefully signaling that the country's citizens will help ensure that reforms continue to progress by holding their elected officials accountable.<sup>180</sup> Many see Croatia's high rankings as a reflection of the continued progress made by law enforcement officials and the judicial system in the country's ongoing mission to curb corruption. There have been convictions in many "high-level corruption cases. Even more importantly, Zagreb's ruling elite has shown the political will to extend the fight against corruption to the highest echelons of power. The conviction of former Prime Minister Ivo Sanader on bribe-taking charges is one prime example...Sanader's indictment has made Croatia something of a model."<sup>181</sup> While Croatia should be commended for prosecuting its corrupt prime minister, that distinction is a bit of a double-edged sword. It highlights the fact that corruption is pervasive and able to infiltrate to the absolute highest level of government. This permeation of corruption has led some to conclude that "if it [Croatia] is a model for the Balkans, then the whole region is condemned to failure"<sup>182</sup> in the future.<sup>183</sup>

### **3. Links between the Political Elite and Organized Crime**

The arrest and eventual conviction of Ivo Sanader validated "a belief in the minds of many Croats that their country is in the grip of [a] powerful mafia whose roots lie in the international embargo against Yugoslavia in the early 1990s."<sup>184</sup> Many of the criminals from that time are the influential and prosperous businessmen operating a "so-called gray economy that some estimate is equal to nearly a third of official GDP"<sup>185</sup>

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<sup>180</sup> Hupchick, *Balkans*, 197–199; Misha Glenny, *The Balkans: Nationalism, War and the Great Powers 1804–1999* (New York: Viking Press, 2001), 637.

<sup>181</sup> Likmeta, "A Specter is Haunting the Balkans."

<sup>182</sup> Srdoc and Samy, "Corruption in Croatia."

<sup>183</sup> Likmeta, "A Specter is Haunting the Balkans."

<sup>184</sup> Matt Prodger, "Croatia Cursed by Crime and Corruption," *BBC News*, April 15, 2009, [http://news.bbc.co.uk/go/pr/fr/-/2/hi/programmes/crossing\\_continents/7999847.stm](http://news.bbc.co.uk/go/pr/fr/-/2/hi/programmes/crossing_continents/7999847.stm).

<sup>185</sup> *Ibid.*

these days. Similar to the same saying in Bulgaria, Croatians “like to say that where Italy is a state with a mafia, Croatia is a mafia with a state.”<sup>186</sup> Even before Sanader’s arrest, few doubted that there were considerable connections between elements of organized crime and the country’s political elite. His conviction on corruption charges only served to cement that belief in the consciousness of most citizens.<sup>187</sup> Ivo Sanader, who served as Croatia’s Prime Minister from 2004 until 2009, is the most prolific and high-ranking official in the Balkans to be tried and convicted on corruption charges. Prosecutors filed a total of five indictments for corruption, embezzlement, and accepting bribes against the former head of state. Among other things, he was accused of “receiving €45,000 (\$695,000) in kickbacks for a credit deal with [the] Hypo Alpe Adria Group that gave the Austrian bank a leading position in Croatia.”<sup>188</sup> Additionally, authorities say that he accepted an illegal bribe of over 70 million kuna (\$13 million) from MOL—a Hungarian oil company—in exchange for ensuring that MOL received full management rights over INA—Croatia’s state-run oil company. Sanader was sentenced to 10 years in prison in November 2012 for his involvement in the MOL scandal.<sup>189</sup>

In a separate indictment, prosecutors also produced evidence showing that the former PM had directed “state-owned companies to make payments to Fimi Meidija, a Croatian marketing firm, often for fictitious services...The owner of the company then allegedly passed on the payments to HDZ [Sanader’s ruling party] slush funds.”<sup>190</sup> In a fourth indictment, Sanader was accused of defrauding the Croatian government out of 26.4 million kuna. Sanader unduly used his influence at an inner cabinet meeting to convince the regional development ministry to purchase real estate located in an upscale

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<sup>186</sup> Ibid.

<sup>187</sup> *EUBusiness*, “EU Newest Member Croatia Plagued by Economic Worries”; Srdoc and Samy, “Corruption in Croatia.”

<sup>188</sup> “Former Croatian PM Ivo Sanader Sentenced to 10 Years on Corruption Charges,” Croatian Anti-Corruption Portal, November 20, 2012, <http://www.anticorruption-croatia.org/home/news-from-croatia/175-former-croatian-prime-minister-ivo-sanader-sentenced-to-10-years-on-corruption-charges>.

<sup>189</sup> Croatian Anti-Corruption Portal, “Former Croatian PM Ivo Sanader Sentenced to 10 Years on Corruption Charges”; “Former Croatian Premier Pleads Not Guilty to Corruption Charges,” *Deutsche Welle*, April 16, 2012, <http://www.dw.de/former-croatian-premier-pleads-not-guilty-to-corruption-charges/a-15885824>.

<sup>190</sup> *Deutsche Welle*, “Former Croatian Premier Pleads Not Guilty.”

neighborhood of the capital at an outrageously inflated price. A company owned by Sander and a few other businessmen had previously appraised the building at almost twice its actual value. After the sale, the man who purchased the building admitted to personally delivering 17 million kuna directly to the PM. “He also showed investigators a place on his estate where he was hiding some of Sanader's valuable works of art which police”<sup>191</sup> had been searching for.<sup>192</sup>

Although he is the most senior official, Sanader is not the only member of the Croatian political elite to be accused of corruption and connections with organized crime. In late 2009, the deputy prime minister and minister of economy, Damir Polancec, resigned after corruption allegations were leveled concerning his involvement with the country's largest food producer, the Podravka Company. Polancec had previously been a high-ranking executive of Podravka, which is partially owned by the state. It is estimated that corruption cost the company close to 35 million euros.<sup>193</sup> Polancec was apprehended by the authorities for suspicion in the Podravka case, but was never formally tried for his involvement; however, he was convicted on a separate abuse of power charge in 2010 and given 15 months in prison.<sup>194</sup>

Another high-profile case in January 2012 involved the minister of the interior, Berislav Roncevic. He was accused of abusing his position while serving as the minister of defense. Authorities say that Roncevic, and his assistant Ivo Bacic, defrauded the state of millions of kunas in a 2004 military truck contract. Roncevic was ultimately sentenced to four years of prison time for his involvement. A few months later, the state brought charges against another former minister of the interior, Ivica Kirin. Kirin was

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<sup>191</sup> “Fifth Indictment Filed Against Former Prime Minister Sanader,” Croatian Anti-Corruption Portal, September 1, 2012, <http://www.anticorruption-croatia.org/home/news-from-croatia/161-fifth-indictment-filed-against-former-prime-minister-sanader>.

<sup>192</sup> Croatian Anti-Corruption Portal, “Fifth Indictment Filed Against Former Prime Minister Sanader”; Croatian Anti-Corruption Portal, “Former Croatian PM Ivo Sanader sentenced”; *Deutsche Welle*, “Former Croatian Premier Pleads Not Guilty.”

<sup>193</sup> The government of Croatia still owns a 26 percent share of the company; that makes the government's share of the loss equal to 9.1 million Euros.

<sup>194</sup> “Croatia's Podravka Leaders Face Corruption Charges,” Croatian Anti-Corruption Portal, January 21, 2010, <http://www.anticorruption-croatia.org/home/news-from-croatia/84-croatia-s-podravka-leaders-face-corruption-charges>.

charged with corruption that prosecutors “say cost the country more than 2.5m euros.”<sup>195</sup> Kirin had previously served as Croatia’s interior minister from 2005 to 2007, when he was forced to resign after being photographed taking a hunting trip with a known criminal.<sup>196</sup>

On 2 August 2013—just a month after the country’s admission to the EU—the Croatian anti-corruption bureau arrested the Vukovar County police chief, his deputy, and seven other officers on charges of giving and receiving bribes. The chief, Blaz Topalovic, and his men were accused of “smuggling illegal immigrants to and from Croatia for money. Vukovar County is in the east of the country and borders Serbia—an EU frontier since Croatia joined the European club last month.”<sup>197</sup>

#### **4. Fear of Exposing Corruption**

As previously documented, connections between organized crime and the political elite go all the way to the highest echelons of power in Croatia. Powerful criminals will go to great lengths to ensure that their profits continue to come in unimpeded; and they are also more likely to take aggressive action if they know they will be protected by powerful officials in public office and law enforcers who are also implicated in the illegal behavior. In the past this has rightfully left many media personnel and public servants hesitant to expose and prosecute corruption in Croatia. These individuals have fears that range from lost jobs or ruined careers, all the way to bodily injury or even death. There are numerous documented cases of individuals suffering each of the above outcomes for simply doing their jobs.

A former minister of justice, Vesna Skare Ozbolt claimed that “her efforts to reform the judiciary and hold corrupt politicians accountable led to her dismissal”<sup>198</sup> by

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<sup>195</sup> Karadaku, “Kosovo Arrest.”

<sup>196</sup> Karadaku, “Kosovo Arrest”; “Trial Begins Against Croatia’s Roncevic,” Croatian Anti-Corruption Portal, January 29, 2012, <http://www.anticorruption-croatia.org/home/news-from-croatia/85-trial-begins-against-croatia-s-roncevic>.

<sup>197</sup> “Croatia Arrests Police Chief for Corruption,” Croatian Anti-Corruption Portal, August 2, 2013, <http://www.anticorruption-croatia.org/home/news-from-croatia/190-croatia-arrests-police-chief-for-corruption>.

<sup>198</sup> Srdoc and Samy, “Corruption in Croatia.”

Prime Minister Ivo Sanader in 2006. Other individuals have refused to do their job out of fear for their life. Reporter Goran Flauder—who maintains that he has been physically attacked six times for his hard-hitting articles on organized crime—stated that on more than one occasion the “state prosecutor to whom he took his findings refused to pursue the cases for fear of being killed himself.”<sup>199</sup> Those public officials that do prosecute crime sometimes face appalling consequences. In 2008, authorities discovered the body of Ivana Hodak, the daughter of a recognized prosecutor in Zagreb, in the stairwell outside her apartment building. Hodak, 26 years of age, had seemingly been shot to death as a message to her father. Astonishingly, police pinned the murder on a lone homeless man.<sup>200</sup>

After a series of death threats and murder attempts were directed against reporters and journalists over the past few years, many individuals carrying out investigations on allegedly corrupt individuals must rely on police or private security protection. “One of the victims, Dusan Miljus, a leading journalist who writes about organized crime, was beaten with a baseball bat by two assailants and hospitalized for serious head injuries. The perpetrators were never caught.”<sup>201</sup> In another instance, a car bomb killed an outspoken reporter who had frequently targeted organized crime and corruption. Ivo Pukanic had courageously been one of the first to implicate Prime Minister Ivo Sander before he was officially charged with his previously discussed crimes. Pukanic’s writings drew attention to Sanader’s “unexplained wealth...[pointing out that] the prime minister own[ed] \$200,000 worth of wristwatches—and accus[ed] him of illegally seizing private property.”<sup>202</sup> However, it was most likely “his stories about a Balkan cigarette smuggling operation which cost him his life.”<sup>203</sup>

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199 Prodger, “Croatia Cursed by Crime.”

200 Prodger, “Croatia Cursed by Crime”; Srdoc and Samy, “Corruption in Croatia.”

201 Srdoc and Samy, “Corruption in Croatia.”

202 Ibid.

203 Prodger, “Croatia Cursed by Crime.”



## **F. KOSOVO**

### **1. Introduction**

Kosovo is the smallest and newest country in the Balkans. It split from Serbia and became an independent country only in 2008. Since its inception, it has vied with Albania for the lowest World Bank control of corruption ranking in the region—Kosovo was dead last every year until 2011 when it was able to surpass Albania by the smallest of margins. It is not surprising that the two countries have similar problems since ethnic Albanians make up over 85 percent of the Kosovar population. This makes Pristina susceptible to the same corrupting influences of pervasive Albanian organized crime groups that plague Tirana. Similar to all other countries in the region, Kosovo has a documented history of high-level politicians with illegal connections to criminal groups. However, because of Kosovo’s small size—its land area is only about twenty percent larger than the New York City metro area—and its relatively short existence, there are not as many examples as there are in the other countries of the region.<sup>204</sup>

### **2. Connections between Organized Crime and the Political Elite**

Pristina is subject to the same problems that plague other capital cities in the Balkans. Unfortunately for Kosovar citizens, the connections between organized crime and the political elite begin at the very top of the government. Hashim Thaci, who was elected to his second term as prime minister in 2011, had previously been “linked to organized crime and organ trafficking...by the Council of Europe. The claims date back to when he was a leader of the Kosovo Liberation Army (KLA) which fought against Serb forces. It is alleged that the KLA sold the organs of their civilian captives.”<sup>205</sup> Thaci was also reported to be a central figure in the Kosovo Protection Corps (KPC), a group composed of ex-KLA leaders that maintained a monopoly of force within the country by utilizing intimidation and violence to seize and maintain political control, and were financed by extorting money from legal businessmen. In 2011, Thaci formed a

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<sup>204</sup> *Encyclopedia Britannica Online*, s.v. “Kosovo,” accessed August 8, 2013. <http://www.britannica.com/EBchecked/topic/322726/Kosovo>.

<sup>205</sup> Charlotte Chelsom-Pill, “Kosovan Parliament Elects Controversial Leaders,” *Deutsche Welle*, February 22, 2011, <http://www.dw.de/kosovan-parliament-elects-controversial-leaders/a-14861347>.

coalition government with Behgjet Pacolli, who was elected president for a short time. Like Thaci, Pacolli has a questionable history and is suspected of conducting extra-legal business transactions in the past. “Allegations...surround previous business dealings of [the] millionaire construction tycoon ... [who is] owner of the Swiss-based construction company Mabetex...[he] is widely considered to be the richest man in Kosovo.”<sup>206</sup> Pacolli was forced to step down after Kosovo’s Constitutional Court declared his election as president to be invalid; however, he is still in a very powerful position as he is currently the country’s first deputy prime minister.<sup>207</sup>

Thaci and Pacolli are not the only two prominent politicians to have ties to organized crime. In May 2013, Fahrudin Radonic—the Albanian state minister of security—was identified as a business associate of Naser Kelmendi after the latter was arrested for murder and drug trafficking charges. Kelmendi, whom the U.S. had previously identified for sanctions under the Kingpin Act<sup>208</sup>, was “known to be close to politicians and businessmen in the region.”<sup>209</sup> Two months later in July, Kosovo courts ruled that Fatmir Limaj, Nexhat Krasniqi, and Endrit Shala—the former minister of transport and telecommunications, his former head of procurement, and former chief of staff, respectively—had “founded an organized criminal group that committed serious criminal acts of misconduct and bribery...manipulating tender procedures, giving and receiving bribes and obstructing evidence in relation to three tenders...for personal or

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<sup>206</sup> Ibid.

<sup>207</sup> Nicholas Wood, “Kosovo Gripped by Racketeers,” *BBC News*, April 5, 2000, <http://news.bbc.co.uk/2/hi/europe/699175.stm>.

<sup>208</sup> The Foreign Narcotics Kingpin Destination Act is a powerful anti-crime piece bill signed by President Bill Clinton in December 1999 that allows the U.S. government to target prominent foreign narcotics traffickers, their organizations, and operatives throughout the world. Under the Kingpin Act, the U.S. government can block the property, assets, and interests of identified individuals and their associates.

<sup>209</sup> “Kosovo: Balkan Kingpin Kelmendi Arrested,” *Organized Crime and Corruption Reporting Project*, May 6, 2013, <https://reportingproject.net/occrp/index.php/en/ccwatch/cc-watch-briefs/1946-kelmendi-arrest-kosovo>.

material benefit in the period between 2008 and 2010”<sup>210</sup> while they were in office. The courts estimated they cost the state approximately 2 million euros.<sup>211</sup>

Lastly, in April 2012, authorities arrested Special Prosecutor Nazmi Mustafi—who was serving as Kosovo’s anti-corruption task force chief—on charges of corruption. “The arrest of Mustafi is a particular embarrassment for Pristina because he was the person—appointed by Prime Minister Hashim Thaci in 2010—to put an end to corruption. Instead, prosecutors say, he profited from it.”<sup>212</sup> Unfortunately, this criminal participation by the very individuals that are supposed to be clamping down on organized crime and corruption is emblematic of the substantial problem facing Kosovo and the rest of the region.<sup>213</sup>

## **G. SERBIA**

### **1. Introduction**

Serbia has had considerable difficulties controlling its corruption problems in the past. Serbia started the millennium with the region’s worst World Bank control of corruption ranking; however, to its credit, by 2011 Serbia had improved considerably and was ranked only slightly behind Croatia and Bulgaria and considerably ahead of the rest of Southeast Europe. Even so, Belgrade faces significant challenges in the future as it attempts to further reduce corruption in its efforts to gain entrance to the EU. One major hurdle is that the country’s “economy still remains captive to oligarchs who made their fortunes during the Milosevic era.”<sup>214</sup> There are also several examples of grand corruption among the government’s political elite. Most disturbing, however, are the

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<sup>210</sup> “Kosovo Ex-Minister Limaj to Face Corruption Trial,” Regional Anti-Corruption Initiative, July 30, 2013, <http://www.rai-see.org/news/south-eastern-europe/3860-kosovo-ex-minister-limaj-to-face-corruption-trial.html>.

<sup>211</sup> Regional Anti-Corruption Initiative, “Kosovo Ex-Minister Limaj to Face Corruption Trial”; *Organized Crime and Corruption Reporting Project*, “Kosovo Balkan Kingpin.”

<sup>212</sup> Karadaku, “Kosovo Arrest.”

<sup>213</sup> *Ibid.*

<sup>214</sup> Ian Johnson, “Serbian Oligarchies Under Scrutiny,” *Deutsche Welle*, August 22, 2010, <http://www.dw.de/serbian-oligarchies-under-scrutiny/a-5926898>.

connections that senior members of the government have to well-known criminal figures, raising “serious questions about the influence of organized crime in Serbian politics.”<sup>215</sup>

## 2. Economy Controlled by Oligarchs

More than a decade after Slobodan Milosevic resigned as president of Yugoslavia, his legacy continues to trouble his native country. Powerful businessmen who made their connections and built their fortunes during his rule continue to maintain a stranglehold on the Serbian economy by curbing outside foreign investment, limiting import licenses, and passing on inflated prices to Serbian consumers. There is no better example of this than Miroslav Miskovic. The 68 year-old Miskovic is not only the richest man in Serbia—with a net estimated value of 2.2 billion euros—but as the owner and president of the Belgrade-based Delta M Holding Corporation, he is also the country’s largest single private employer. Incredibly, Miskovic controls nearly 70 percent of the capital’s available retail space.<sup>216</sup>

Miskovic’s rapid rise to the top began immediately following the fall of communism and the privatization of the region’s economy. In 1990, he forged lasting relationships with many of the country’s political elite when he served for six months as Serbia’s deputy prime minister. After serving as minister, he opened the Delta M Corporation, which quickly grew to be the largest company in the country. It is purported that part of Miskovic’s success throughout the years came “by buying influence through the financing of political parties...Dozens of Serbian politicians are suspected of receiving monthly allowances worth tens of thousands of euros from the tycoon.”<sup>217</sup> Verica Berac, Serbia’s anti-corruption commissioner supported this perception in 2010 when she stated that “oligarchs and various government bodies are inextricably interlinked.”<sup>218</sup> To many, Miskovic was thought to be invincible.<sup>219</sup>

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<sup>215</sup> Dojčinović et al., “Advisor to Serbian PM.”

<sup>216</sup> *Deutsche Welle*, “Serbian Oligarchies Under Scrutiny”; Besar Likmeta, “The Fall of a Tycoon Stuns Serbia,” *Foreign Policy*, December 17, 2012, [http://transitions.foreignpolicy.com/posts/2012/12/17/the\\_fall\\_of\\_a\\_tycoon\\_stuns\\_serbia](http://transitions.foreignpolicy.com/posts/2012/12/17/the_fall_of_a_tycoon_stuns_serbia).

<sup>217</sup> Likmeta, “The Fall of a Tycoon Stuns Serbia.”

<sup>218</sup> *Deutsche Welle*, “Serbian Oligarchies Under Scrutiny.”

Therefore, it came as a great surprise to most Serbians when Miskovic, his son, and eight other associates were arrested in December 2012 “on charges of abusing several privatization deals for road construction and maintenance companies. According to Serbian prosecutors, he [Miskovic] is suspected of illegally obtaining more than E30 million.”<sup>220</sup> Serbia’s ability to successfully and fairly prosecute the country’s most notorious tycoon could have major implications for its bid to join the EU in the future. Miskovic is almost as prominent a figure as Prime Minister Ivo Sanader was in Croatia, and this upcoming trial will reveal a lot about which direction Serbia is heading in.<sup>221</sup>

### 3. Political Elite Corruption

Serbia, like all the other countries of the Balkans, has suffered from grand corruption by members of the country’s political elite. The most prominent example is the October 2012 indictment of Oliver Dulic—then cabinet minister of environment, mining, and spatial planning and former president of the national assembly—who was accused, along with two of his colleagues, of abuse of office while awarding construction contracts in 2009 and 2010. In April 2013, the Serbian Office of the Organized Crime Prosecutor (OOCRP) filed another indictment against Dulic, this time for the “abuse of office related to the issuing of work licenses to the Slovenian [optic cable] company Nuba Invest.”<sup>222</sup> In another high-profile case, Sasa Dragin—the minister of agriculture, forestry, and water management from 2008 to 2011—was arrested in November 2012 on corruption charges. He and eight others are suspected of committing “fraud at Agrobanka [a Serbian bank] during the previous government’s term. The case allegedly involves around €300m worth of fraudulent loans, and reportedly cost the state about €4.5m.”<sup>223</sup> Anonymous sources in government suggest that the Agrobanka case might

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<sup>219</sup> *Deutsche Welle*, “Serbian Oligarchies Under Scrutiny”; Likmeta, “The Fall of a Tycoon Stuns Serbia.”

<sup>220</sup> Likmeta, “The Fall of a Tycoon Stuns Serbia.”

<sup>221</sup> *Ibid.*

<sup>222</sup> OOCRP, “Serbia: Former Minister Indicted.”

<sup>223</sup> “Former Serbian Agriculture Minister Arrested on Corruption Charges,” Regional Anti-Corruption Initiative, November 26, 2012, <http://www.rai-see.org/news/south-eastern-europe/3007-former-serbian-agriculture-minister-arrested-on-corruption-charges.html>.

have connections that potentially lead back to the aforementioned tycoon Miroslav Miskovic.<sup>224</sup>

#### 4. Governmental Ties to Powerful Criminals

The most serious threat to political legitimacy in Serbia is not the result of an arrest or legal indictment but concerns accusations of relationships and connections between powerful criminals and elected leaders at the highest level of government. Ivica Toncev—Serbia’s National Security Advisor (NSA)—is accused of maintaining “contact with major organized crime figures since before 2008 when he entered government...having long-time relationships with the underworld in Austria and Serbia.”<sup>225</sup> Ostensibly, Prime Minister Iva Dacic was aware of Toncev’s connections prior to appointing him to the critical position for his first term in office; however, there is no doubt that the PM was aware of “Toncev’s criminal connections before he appointed him to his staff a second time after the 2012 election...American and Russian embassy officials expressed their concern about Toncev holding such an important position. Other European embassies including the French, German and English expressed similar concerns.”<sup>226</sup> Yet despite the similar warnings by representatives of countries that find it hard to agree on many issues, and the fact that Toncev lacked any practical experience in politics, government, security, or public policy issues, PM Dacic was undeterred.<sup>227</sup>

Prior to moving to Serbia, Ivica Toncev lived in Austria where he was a business partner with a renowned Montenegrin Mafioso named Branislav Saranovic. Details are sketchy, but apparently Toncev sold the Austrian-based construction company

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<sup>224</sup> Regional Anti-Corruption Initiative, “Former Serbian Agriculture Minister Arrested on Corruption Charges”; “Serb Lawmaker Accused of Corruption Stripped of Immunity,” Regional Anti-Corruption Initiative, October 8, 2012, <http://www.rai-see.org/news/south-eastern-europe/3047-serb-lawmaker-accused-of-corruption-stripped-of-immunity.html>; OOCRCP, “Serbia: Former Minister Indicted.”

<sup>225</sup> Stevan Dojčinović et al., “Serbian PM Was Warned Of Tončev’s Mafia Ties,” *Organized Crime and Corruption Reporting Project*, July 1, 2013, <https://reportingproject.net/occrp/index.php/en/ccwatch/cc-watch-indepth/2034-serbian-pm-was-warned-of-tonevs-mafia-ties>.

<sup>226</sup> Ibid.

<sup>227</sup> Dojčinović et al., “Serbian PM Was Warned Of Tončev’s Mafia Ties”; Dojčinović et al., “Advisor to Serbian PM.”

Fil Sar to Saranovic in 2006; however, Toncev stayed on as the acting director and operations manager—even while he was serving as the Serbian NSA—until August 2009. Saranovic was an influential crime boss “known in law enforcement circles as an important figure tied to Group America, a low-profile but prosperous Montenegrin cocaine smuggling group...In 2009 he was gunned down in Belgrade in a mob style hit by a crew of killers carrying automatic weapons.”<sup>228</sup> Unfortunately, Toncev’s underworld connections stretch beyond this one individual. Toncev is also a former business partner of Milutin Markovic—an international drug dealer who is an underling to one of Western Europe’s biggest cocaine smugglers. Toncev also has a longstanding friendship with Nenad Milenkovic—a known heroin dealer. Both Toncev and Milenkovic hail from the small town of Surdulica where there they first met. Toncev’s connections to Saranovic, Markovic, Milenkovic, and other known criminals “mudd[y] the waters of Serbian politics further, and call[] into question the relationship between organized crime, Toncev, and Serbian Prime Minister Dacic.”<sup>229</sup> This problematic issue will surely have to be addressed before the country is given serious consideration for EU membership.<sup>230</sup>

## H. CONCLUSION

While not all six countries examined here were direct participants in the series of wars that racked Southeast Europe in the 1990s, the robust relationships that were forged during that period between organized criminals and the region’s political elite still trouble every nation within the Balkans. These harmful associations have produced a region where political corruption is pervasive and rule of law is diminished. This illegal behavior is not a minor issue involving only low and mid-level officials; instead, it is a problem that often reaches the highest levels of government and is undertaken by the most powerful individuals within the country. The previously documented examples

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<sup>228</sup> Stevan Dojčinović et al., “Serbian PM Was Warned of Toncev’s Mafia Ties.”

<sup>229</sup> “Tončev Faces Probe Following OCCRP/CINS Revelations.” *Organized Crime and Corruption Reporting Project*, February 8, 2013, <https://reportingproject.net/occrp/index.php/en/ccwatch/cc-watch-briefs/1827-tonev-faces-probe-following-occrpcins-revelations>.

<sup>230</sup> Dojčinović et al., “Advisor to Serbian PM.”; Stevan Dojčinović et al., “Serbian PM Was Warned of Toncev’s Mafia Ties.”

show that nearly every country has suffered a political scandal involving its head of state—or deputy—in the past decade. Additionally, there are numerous other examples of misconduct by individuals holding office within the executive cabinet or federal legislature. Deplorably, a weak—or even worse corrupt—judiciary that often lacks the political will to effectively prosecute dishonest leaders only exacerbates the rampant corruption problem. In some countries—Serbia being the best example—the permissive environment has led to an economic environment dominated by oligarchs. In Croatia—though likely to exist in the other countries as well, even if not documented in news articles—the state of affairs has created a situation where many in the media are hesitant to point out corrupt officials because they fear retribution and bodily harm. Taken as a whole, the corruption problem within the region may seem hopeless. But there are potential solutions that can help mitigate and address the problems. To this issue we now turn our attention.



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## V. POLICY RECOMMENDATIONS

### A. INTRODUCTION

Despite the pervasive nature of corruption in the Balkans, governments in the region can implement solutions that could help drastically reduce the current problem. Balkan authorities should use incentives to help decrease the likelihood that individuals will take part in corrupt behavior; higher salaries, stronger punishments, and improved legislation will all increase the risk and lower the reward of politicians contemplating illegal actions. Governments in Southeast Europe must also begin a campaign to change the public's mindset about corruption. These efforts should focus on the next generation, since children and young adults are more impressionable and have not already solidified their opinions and belief systems. It is also important to increase international cooperation, not only among countries within the region, but also between Southeast European countries and Western Europe—and specifically with the EU. This collaboration will help strengthen law enforcement and judiciary systems within the region. It will also help Balkan countries further develop their democratic traditions. Additionally, Balkan governments should form strong relationships with NGOs that are proficiently equipped to take the lead in the fight on corruption. Moreover, states should ensure the protection of the media so that journalists can feel relatively safe to report on corrupt activities. Lastly, governments should be open to, and supportive of unconventional approaches that attempt to solve the persistent corruption problem that has endured despite repeated government efforts in the past.

In his contribution to the Geneva Centre for the Democratic Control of Armed Force 2010 report, *Building Integrity and Reducing Corruption in Defence: A Compendium of Best Practices*, Naval Postgraduate Professor Francois Melese, suggests that all government efforts to reduce corruption “can be distilled into three main categories: Building integrity; Increasing transparency; and Improving accountability.”<sup>231</sup>

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<sup>231</sup> Francois Melese, “A Strategic Approach to Building Integrity and Reducing Corruption in Defence,” in *Building Integrity and Reducing Corruption in Defence: A Compendium of Best Practices*, ed. Todor Tagarev (Geneva: Geneva Centre for the Democratic Control of Armed Forces, 2010), 13.

As such, each of the subsequent recommendations in this chapter advocates a policy that would help improve at least one of the above three broad categories. Furthermore, the following recommendations are not specific to any one country, but apply to all nations within the region.

## **B. USING MARKET INCENTIVES TO FIGHT CORRUPTION**

Most people—and by extension governments—view corruption as primarily an ethical issue and use predominantly moral denunciations to criticize crooked politicians. But corruption is as much about economics as it is about morality and “the tools of economics do better at making sense of it than do the insights offered by the study of ethics and morals.”<sup>232</sup> In order to battle corruption, it is important for authorities to first understand the economic incentives that motivate individuals to partake in corrupt behavior. The reason most politicians are corrupt is not that they are inherently evil; instead, most public figures are involved in corruption because of the incentives—usually monetarily—that are involved. It is a simple matter of risk and reward. When the possibility of being caught is low—or the consequences are insignificant even if one is caught, public officials are more likely to be corrupt. And once a politician has successfully benefited from compromising his office, he is more likely to be emboldened to continue his unscrupulous behavior in the future.<sup>233</sup>

Currently, the fight against corruption in the Balkans “pits the force of governments against the force of the market. History and common sense say that, in the long run, market forces tend to prevail over those of governments.”<sup>234</sup> Therefore, it would be wise for administrations in the region to enlist the help of incentives in their campaign against corruption by taking actions that reduce enticements for corrupt behavior; higher salaries for government workers, stronger punishments for lawbreakers, better whistle-blower laws, and improved legislation would all be positive steps that

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<sup>232</sup> Naim, *Illicit*, 239.

<sup>233</sup> *Ibid.*, 84, 239.

<sup>234</sup> *Ibid.*, 222, 223.

could help decrease the likelihood that public officials will become involved with corruption.

### **1. Higher Salaries Would Help Build Integrity**

The countries of the Balkans—which maintained government planned, command-based economies for the better part of five decades—trail Western Europe on almost every major economic indicator. Wages and per capita gross domestic product (GDP) are lower, while unemployment and poverty are higher in the region than they are in the more prosperous West. For middle and lower-class public officials in less prosperous areas like Southeast Europe, “corruption is to great extent a survival strategy. In these countries, increasing personal income is a strong motive and is becoming stronger due to conditions of utter deprivation and low public sector salaries.”<sup>235</sup> The acceptance of bribes is often seen as an effective way for officials to increase their salary or even as a way to simply make ends meet. Alternatively, public officials who are paid a higher wage would be less susceptible to corruption. This is especially important for law enforcement personnel, prosecutors, and magistrates whose jobs focus specifically on combating corruption. These individuals “should be well-paid to avoid them [sic] being tempted to collaborate with wrong-doers.”<sup>236</sup> Admittedly, paying higher public salaries is an idea that in reality is constrained by already tight state-budgets; however, the cost of organized crime and corruption to each country in the region is millions in lost revenue and taxes each year. Therefore, making the initial investment to pay public officials up front could lead to increased revenue in the future with the idea of higher salaries ultimately paying for itself.<sup>237</sup>

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<sup>235</sup> Sioussiouras and Vavouras, “Political Rights, Development, and Corruption,” 102.

<sup>236</sup> Friends of Europe, *Counter-Measures in the Balkans*, 5.

<sup>237</sup> Friends of Europe, *Counter-Measures in the Balkans*, 27; *EUBusiness*, “EU Newest Member Croatia Plagued by Economic Worries”; Engel, “Practical Guide,” 1; “Report says Corruption Slows Progress on Organized Crime,” *Organized Crime and Corruption Reporting Project*, March 13, 2012, <https://reportingproject.net/occrp/index.php/en/ccwatch/cc-watch-briefs/1404-report-says-c>.

## 2. Stronger Punishments and Confiscation of Illegal Proceeds Would Help Improve Accountability

Governments not only should make officials less susceptible to corruption, but should also discourage illicit activity by imposing stronger penalties on those who break the law. In the examples listed in the previous chapter, it was quite common for high-level public officials to receive sentences of less than five years for their participation in activities that sometimes profited them millions of dollars. These sentences do little to deter bad behavior among those willing to take a risk. “Crime should not pay, or be perceived as a winnable game of chance.”<sup>238</sup> Instead of light sentences, prison terms for corrupt public officials should be “swift, certain, and severe.”<sup>239</sup> The increased threat would deter many from participating because it would raise the risks compared to the rewards. Additionally, governments in the region need to do a better job of seizing the profits and assets of those implicated in crime and corruption. Currently, too many wrongdoers are not stripped of their illegal gains and are still able to benefit from the fruit of their crimes after serving their short sentences. Passing laws that better enable the state to confiscate illegal gains would serve as an additional warning to politicians contemplating corruption.<sup>240</sup>

The countries of Southeast Europe could also use the property and assets confiscated from corrupt politicians and organized criminals to improve social welfare. Italy adopted this approach to make the most out of real estate purchased by politicians and criminals who were attempting to launder their dirty money. “Farms once owned by the Mafia have been used to provide work for individuals with special needs. Villas have been used as social centers for children and for other functions in the community...the Sicilian experience...[helps] ensure that “crime does not pay” and properties that once served people who harmed others now serve the public good.”<sup>241</sup> Besides providing a

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<sup>238</sup> Engel, “Practical Guide,” 2.

<sup>239</sup> Friends of Europe, *Counter-Measures in the Balkans*, 13.

<sup>240</sup> *Ibid.*, 6, 13, 16.

<sup>241</sup> Louis Shelly, “Money Laundering into Real Estate,” in *Convergence: Illicit Networks and National Security in the Age of Globalization*, eds. Michael Miklaucic and Jacqueline Brewer, (Washington DC: National Defense University Press, 2013), 142.

benefit to social welfare, the continuous presence of these public spaces would also serve as a constant reminder to would-be offenders that crime and corruption in the Balkans do not pay.<sup>242</sup>

### **3. Whistle-blower Laws and Improved Legislation Would Help Increase Transparency**

Many countries within the Balkans do not have adequate—or in some cases any—whistle-blower laws. The lack of these regulations discourages individuals from reporting their knowledge of wrongdoing because the government does not provide them protection from potential retaliation by the person, group, or organization that they accused. In some cases this retaliation can damage a career and in other cases it can lead to bodily harm. Conversely, the presence of whistle-blower legislation would encourage “those with critical information, particularly about corruption matters...to disclose wrongful conduct without fear of official reprisal, and entitl[e] them to compensation and protections.”<sup>243</sup> It is vitally important for all Southeast European countries to pass these laws as another deterrent against crime and corruption.

Lawmakers in the Balkans also need to make further legislative improvements beyond the addition of whistle-blower laws and harsher penalties for offenders. In some instances, it is actually the law—or the way the laws are written—that provides the incentives toward corrupt activities. Certain regulations are so overly complex or bureaucratic that it is far easier for individuals to resort to bribery than it is to follow the proper procedures. This bureaucracy also enables corrupt petty-officials to prey on citizens who become frustrated and fed up with the system. The continued presence of red-tape regulations that encourage corrupt behavior among the population only serves to undermine the government’s efforts towards corruption reform. Each country should take a hard look at these laws and rewrite them as necessary in a concerted effort to eliminate bureaucracy—and ultimately corruption.<sup>244</sup>

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<sup>242</sup> Ibid.

<sup>243</sup> Engel, “Practical Guide,” 2.

<sup>244</sup> Ninua, *Shining a Light*, 7.

### **C. CHANGING THE MINDSET OF THE POPULATION WOULD HELP BUILD INTEGRITY**

It is important to change the population's attitude towards corruption because this will help decrease the number of individuals willing to participate in the illegal behavior. While it is important for the government to push programs that teach ethics in the workplace and attempt to increase the integrity and ethical standards of civil servants, the most significant efforts should focus on changing the mindset of the next generation. Although this approach will not reap benefits overnight—or even in a year or two—it has the potential to have long term, permanent effects on the problem within the region. Currently, a good portion of society living in the Balkans sees corruption as a normal way of life and not as a negative thing. It is hard to change the opinions of grown adults, who are largely set in their ways, but young children and teenagers are more impressionable. The next generation must be taught not only that corruption is wrong and unacceptable, but also that it is harmful to society and lowers everyone's economic welfare. Commenting on the criminal state's attack on sovereignty, Michael Miklaucic reinforces this idea when he writes that “[t]oday's challenge is about incentives and reinforcing the value of service in the public interest and the integrity of public administration. These and other normative values must be incubated and fortified in schools, churches, and community organizations, and in the media through the disciplined application of incentives and disincentives.”<sup>245</sup> In the span of a generation or two, children who have developed a reformed outlook on corruption will become the majority of the public servants within the region. Additionally, the proportion of society that accepts corruption as a way of life will become increasingly smaller. Ideally, this will result in a significant decrease in the amount of corruption in the Balkans.<sup>246</sup>

### **D. INTERNATIONAL COOPERATION**

In the current global environment, it is impossible for nations to remain isolated islands that attempt to address criminal problems themselves. Problems that affect the

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<sup>245</sup> Miklaucic and Naim, “The Criminal State,” 152.

<sup>246</sup> Engel, “Practical Guide,” 3; Chêne, *Corruption and Anti-Corruption in BiH*, 10.

Balkans regularly spill over to other parts of the world, affecting Western Europe and even the United States; a perfect example is Albanian criminal Almir Rrappo from last chapter. Crime and corruption are international phenomena that do not show any regard for national borders that must be respected by sovereign nations. Borders actually help strengthen crime and cultivate increased opportunities for corruption among public officials. In order for Southeast European countries to effectively fight their corruption problems, steps need to be taken in order to remove obstacles that restrict international cooperation; “it’s not only in all of our own interests, but it’s the right thing to do. Crime does not respect borders, so if law enforcement is so bound, it can never win against crime.”<sup>247</sup> It is a mutual benefit for all likeminded nations to help Balkan governments overcome their current crime and corruption problems. Law enforcement agencies, judicial systems, and even the democratic process of all countries within the region can benefit from strong cooperation between the nations of the region themselves and from oversight by the EU and other International organizations.<sup>248</sup>

### **1. Law Enforcement and Judiciary Cooperation Would Help Improve Accountability**

International cooperation among law enforcement agencies in the Balkans is essential to successful efforts aimed at reducing crime and corruption in the region. Many Southeast European policing agencies could benefit from “more specialized training from members of the international community (IC)...[this would also help] cement cross-country law enforcement cooperation and relations.”<sup>249</sup> Some cross-country endeavors—like regional arrest warrants that prevent criminals from using borders to evade apprehension—have already been created, but more efforts are needed. It is also important to ensure that politicians and criminals cannot use borders to protect the profits of their illegal activities. This could be prevented by the formation of a “team

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<sup>247</sup> Engel, “Practical Guide,” 2.

<sup>248</sup> *OOCRP*, “Organized Crime”; Naim, *Illicit*, 8; Friends of Europe, *Counter-Measures in the Balkans*, 8.

<sup>249</sup> Engel, “Practical Guide,” 1.



of regional experts to help with freezing or confiscating illegally acquired assets,”<sup>250</sup> regardless of which country those assets reside in.<sup>251</sup>

It is also important for the Balkan countries to synchronize their judicial structures with EU and international standards. As mentioned before, this will help prevent individuals from using borders as an effective mechanism to help avoid prosecution. Additionally, all Balkan countries that have not already done so should realign their judicial systems, making the judiciary its own branch and not subordinate to an executive branch that can unduly influence the court’s decisions. “Promoting an independent judiciary with the resources and capacity to fulfill its anticorruption and anti-organized crime mission”<sup>252</sup> is absolutely necessary if countries hope to make further progress in their reform efforts.<sup>253</sup>

## **2. Increased EU Oversight Would Help Increase Transparency**

The best motivation for international cooperation among the countries of Southeast Europe is the enticement of gaining entry into the EU. The EU should maximize that opportunity to help make reforms in each and every country within the region. Beyond requiring each country to stick to a proscribed deadline of achievements in order to continue on the path towards admission, the EU should also take more extensive measures to help produce reforms. For instance, the EU could “send judges and prosecutors [to the region] who can assist in strengthening the rule of law and [who could help each nation establish] an independent judiciary. The EU may also consider setting up an independent body to investigate allegations of corruption and look into how some politicians have come to their unexplained fortunes.”<sup>254</sup> The EU could also predicate many of its loans and other financial aid packages on how well the countries are cooperating amongst themselves and with the IC at large. It should be acknowledged that some could consider the level of EU involvement advocated above excessive.

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<sup>250</sup> *OOCRCP*, “Efforts to Fight Organized Crime.”

<sup>251</sup> *OOCRCP*, “Efforts to Fight Organized Crime.”

<sup>252</sup> Chêne, *Corruption and Anti-Corruption in BiH*, 10.

<sup>253</sup> Friends of Europe, *Counter-Measures in the Balkans*, 8.

<sup>254</sup> Srdoc and Samy, “Corruption in Croatia.”

Admittedly, it will take “some degree of flexibility with regard to the concept of national sovereignty”<sup>255</sup> by the countries involved if there are to be meaningful improvements. But the benefits of admission to the EU are significant and most Balkan countries should be farsighted enough to endure such intrusive behavior. Besides, the “most effective forms of cooperation...are also the ones that invite the most mutual scrutiny...[It is] naïve to assume that a government acting alone can make”<sup>256</sup> the same amount of progress in its efforts at reducing corruption as it could with the assistance of international involvement; especially when such unilateral efforts have been relatively unsuccessful in the past.<sup>257</sup>

### **3. Encouraging Strong Democracy Would Help Build Integrity, Increase Transparency, and Improve Accountability**

The countries of Southeast Europe are relatively young democracies when compared to Western Europe. Most nations within the region are only a few decades removed from a long history of authoritarian rule and are still developing their own democratic traditions. Therefore, it should not come as a surprise that governance within the Balkans has suffered its fair share of hiccups in the past two decades—to be fair, even countries with developed, mature democracies sometimes face the same types of problems. However, the “main difference between developed and developing countries is that the former are mainly characterized by economic scandals while the latter are ridden with corruption.”<sup>258</sup> Currently, the nations of Southeast Europe could accurately be described as “ridden with corruption.” Even though all of the countries have adopted a democratic form of government, it takes time and democracy to help eliminate corruption, not just democracy alone. The “decisive factor for ending corruption is the longevity of the system... [it is a ] democratic tradition and not just [the] adoption of a democratic regime that [is] decisive in containing or ending corruption...[it is] only after a certain time interval that democratic practices seem to contribute to corruption

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<sup>255</sup> Naim, *Illicit*, 256.

<sup>256</sup> Naim, *Illicit*, 256, 257.

<sup>257</sup> *OOCR*P, “Efforts to Fight Organized Crime.”

<sup>258</sup> Sioussiouras and Vavouras, “Political Rights, Development, and Corruption,” 98.

control.”<sup>259</sup> Therefore, one of the biggest influences the EU can have over countries in the Balkans is to help encourage the continued growth of democracy in the region. As the nations of Southeast Europe continue to develop, corruption should become less and less common and the region will begin to more closely reflect the established norms of the West.<sup>260</sup>

## **E. CIVIL SOCIETY**

In the battle against corruption, governments cannot win the fight alone. If efforts to reduce corruption are to be successful, a wide range of CSOs also has a significant role to play. Private CSOs operate with a significant advantage over the public sphere; the same bureaucracy, rules, and procedures that constrain the actions of governments do not limit the measures taken by civil society groups. Instead, CSOs are at liberty to take any action—within the law, of course—that can achieve positive results. Unfortunately, CSOs are dependent on local governments for safety and security. Governments in the region would be wise to support the efforts of these organizations by ensuring that they are “given encouragement, positive protection, and reinforcement...Police and prosecutors should make every effort to ensure the safety of the above organizations and personnel, and encourage their work and reporting.”<sup>261</sup> The most important function for NGO monitoring groups and the media is reporting corruption in an impartial and unbiased manner and ensuring that the general public is properly informed.<sup>262</sup>

### **1. NGOs Can Help Increase Transparency**

In the war on corruption, watchdog groups like TI, U4, and Corruption Watch (CW) are able to do many things that governments cannot. While governments are constrained by national borders, NGOs have no such limitations. Organizations like TI maintain offices in every country throughout the region and are not hampered by the same diplomatic procedures that guide the actions of sovereign nations. Additionally,

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<sup>259</sup> Ibid., 90.

<sup>260</sup> Ibid., 98, 101, 103.

<sup>261</sup> Engel, “Practical Guide,” 2, 3.

<sup>262</sup> Naim, *Illicit*, 204; Engel, “Practical Guide,” 2.

NGOs are able to allocate their funding towards their specific goals and are able to shift funds quickly based on emerging priorities. Private organizations are also more efficient than public entities. They operate in a competitive environment and if they do not produce results, donors are likely to withdraw funding and the company will simply go out of business. Conversely, governments have to fund a whole range of competing priorities and programs that will likely continue to receive funding even if they are inefficiently run and not achieving results. Moreover, NGOs also surpass governments in their ability to expose corruption. They are not subject to the same complex conflicts of interest that hinder governments. Additionally, while governments must maintain a broad focus on a whole host of issues, NGOs are able to use precision focus on specific issues. Lastly, NGOs are able to think outside of the box and take aggressive actions that governments are simply unwilling to take.<sup>263</sup>

Armed with all of these comparative advantages, NGOs present one of the best ways for a nation to significantly reduce its incidence of corruption. Countries within Southeast Europe should encourage the operations of these groups and provide whatever assistance is necessary to ensure that NGOs can function freely without political impediments or security concerns. Governments that want to be successful will foster an environment where NGOs can properly do their jobs and accurately pinpoint corruption. On the other hand, countries like BiH that have threatened monitoring groups in the past have only complicated their problems. Going forward, BiH—and all other countries within the region—need to work closely with NGOs operating within their borders and be willing to take action on any findings these groups report—even if they implicate members of the country’s political elite.<sup>264</sup>

## **2. Media Scrutiny Can Increase Transparency**

It is also imperative that each country in the Balkans maintains a healthy and vigorous media that actively seeks out corruption and is not fearful to report the narrative, regardless of who is implicated. The press holds a tremendous amount of power because

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<sup>263</sup> Naim, *Illicit*, 203, 204; Chêne, *Corruption and Anti-Corruption in BiH*, 10.

<sup>264</sup> Engel, “Practical Guide,” 3.; Chêne, *Corruption and Anti-Corruption in BiH*, 10.

they control the message that informs the majority of society. Reporters help set the tone of the nation and are important in shaping public opinion. It is therefore “essential for the media to help develop a climate in which organized crime and corruption is not tolerated.”<sup>265</sup> Consequently, journalists need to take the lead in the war on corruption. They should ensure that crooked politicians are given no shelter and are portrayed negatively.

It is vital for Southeast European governments to ensure that journalists within their borders are free to operate without fear of reprisal from criminals or powerful politicians. A good first step would be for each country to pass laws “with categories of crimes directly relating to intimidation of those in such organizations—if they are intimidated then the state and society lose out overall.”<sup>266</sup> These laws should contain harsh sentences for offenders and be strictly enforced by authorities; it is imperative that law enforcement make the security of the media one of its top priorities.

### **3. Using Social Entrepreneurship to Fight Corruption Would Increase Transparency**

In his book *How to Change the World: Social Entrepreneurs and the Power of New Ideas*, David Bornstein defines social entrepreneurs as individuals and private citizens who are “advancing systemic solutions to [help address] major social problems.”<sup>267</sup> Bornstein argues that these highly driven individuals are “uniquely suited to make headway on problems that have resisted considerable money and intelligence”<sup>268</sup> in the past. He continues by saying, “Where governments and traditional organizations look at problems from the outside, social entrepreneurs come to understand them intimately, from within...Because they do not have armies or police forces behind them,

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<sup>265</sup> Friends of Europe, *Counter-Measures in the Balkans*, 5.

<sup>266</sup> Engel, “Practical Guide,” 3.

<sup>267</sup> David Bornstein, *How to Change the World: Social Entrepreneurs and the Power of New Ideas* (New York: Oxford University Press, 2007), ix.

<sup>268</sup> *Ibid.*, xii.

they work to elicit change rather than impose it, so they build human capacity rather than encouraging dependency.”<sup>269</sup>

Corruption in Southeast Europe is a problem that has endured in the past despite significant government efforts to reduce it. Social entrepreneurship could be one answer to help make progress in the region. Similar approaches have been used to successfully attack the rampant corruption problems in Russia. Alexei Navalny is a Russian lawyer, political activist, and blogger who used crowdsourcing to help uncover corrupt contracts issued by the Russian Federal government. Navalny created a website called RosPil that listed suspicious government-issued contracts that can be reviewed and examined by the general public. RosPil was very successful and drew increased public attention to several dubious contracts worth millions of dollars. Navalny’s efforts even led to the resignation of Vladimir Pekhtin—the Head of the Russian Duma ethics committee—after Navalny released documents showing that Pekhtin owned over \$2 million of real estate in Miami that had not been reported to the Parliament. Navalny was so successful in pointing out corruption within the Russian government that he was arrested in July 2013.<sup>270</sup>

If crowdsourcing could be a successful strategy to reduce corruption in Russia, maybe the same thing should be tried in the Balkans. Social entrepreneurs could create websites similar to RosPil where citizens could crowd-source reports on public individuals suspected of involvement in corruption. Similar to the situation in Russia, the website in the Balkans would act as a tool to help publicly shame individuals who are involved in corrupt activities and help prevent them from taking such actions in the future. Over time, the fear of being listed will help prevent improper activities by changing the behavior of corrupt persons. Moreover, as behaviors begin to change, the public and political mindset will transform. This will have a synergistic effect that will

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<sup>269</sup> Ibid.

<sup>270</sup> Nikolav Petrov, “The Navalny Effect: RosPil.net,” *Carnegie Endowment for International Peace*, December 8, 2010, <http://carnegieendowment.org/2010/12/08/navalny-effect-rosopil.net/> 21ux; Greg Brown, “Crowdsourcing to Fight Corruption: Aleksei Navalny and the RosPil Experiment,” *Sunlight Foundation*, August 6, 2013, <http://sunlightfoundation.com/blog/2013/08/06/crowdsourcing-to-fight-corruption-aleksei-navalny-and-the-rosopil-experiment/>; Tom Parfitt, “Head of Duma's Ethics Committee Resigns Over \$2m Florida Properties,” *The Telegraph*, February 20, 2013, <http://www.telegraph.co.uk/news/worldnews/europe/russia/9884483/Head-of-Dumas-ethics-committee-resigns-over-2m-Florida-properties.html>.

build upon itself the more people get involved. Additionally, as the public changes its outlook and view on corruption, more individuals will view corruption as ‘wrong’ and, therefore, be more likely to report instances of corruption. Over time, corruption will become less likely in the Balkans.

## **F. CONCLUSION**

Although corruption levels in Southeast Europe have been relatively high for over two decades, there are many measures that have the potential to reduce the prevalence of corruption within the region. Instead of constantly fighting an uphill battle against market forces, Balkan governments should employ measures that decrease the likelihood their politicians will take part in unethical behavior. Lawmakers should improve on a range of existing laws so that the rewards of corrupt behavior are decreased while the risks are increased. Additionally, the entire population of the region needs to be persuaded that corruption is not a normal way of life; instead it is a negative action that has harmful consequences on all of society. In addition to trying to re-educate the adult population, governments should concentrate instruction on the next generation of children and young adults. Over the course of a few generations, the public mindset could change considerably.

Time is also an important component in the growth of democratic traditions in the region. Although every country in the Balkans has developed a democratic system, it is the maturation of democracy that will reduce corruption over time. Similarly, international cooperation between countries within the region and with international organizations like the EU will help decrease the likelihood of corruption. Moreover, governments within Southeast Europe should foster better relationships with NGO monitoring groups that are better equipped to wage the war on corruption. Authorities must also ensure the safety of the media so that reporters feel reasonably safe to report on crooked politicians. Lastly, states should also encourage the participation of social entrepreneurs, even though these radical thinkers sometimes employ unorthodox methods in their attempt to solve problems that have resisted traditional government efforts.

## VI. CONCLUSION

Although it is blatantly obvious, it warrants repeating that corruption—by its very definition—absolutely requires the active and willing participation of government officials. In the Balkans, corruption continues to be such a persistent problem because some civic officials, at every level of government, abuse the confidence the public has entrusted to them in an attempt to benefit financially. To be fair, this situation is not unique to Southeast Europe, as corruption affects every country in the world; however, the involvement of many members of the political elite--often at the very highest levels of government—and the close ties these individuals maintain with dangerous criminal elements are what distinguish the region's problem.<sup>271</sup>

The strong connections between criminal elements and the region's political elites were forged during the decade of civil wars that plagued Southeast Europe in the 1990s. During this period, embargoes levied by the UN that banned the legal export of fuel, arms, and other goods that the various factions within Yugoslavia needed in order to continue fighting, created an opportunity for resourceful criminal groups to ingratiate themselves to the various governments within the region. For the countries that emerged from the former Yugoslavia, the criminals provided the necessary fuel and weapons needed to prolong the bitter conflict. In return, these criminal groups earned immense profits that served as a valuable influx of capital to the other countries of Southeast Europe during this period of chaos and economic uncertainty. The money earned from the illegal trafficking of goods and weapons regularly found its way into the coffers of political parties and helped finance the elections of many public figures throughout the region. In return, public officials regularly overlooked the other illegal activities conducted by these criminal groups because they were grateful for the vast wealth they generated. This collaboration between criminal elements and the political elites has carried on until the modern day and continues to create problems for the region.<sup>272</sup>

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<sup>271</sup> CSD, *Corruption, Contraband, and Organized Crime*, 9; Divjak and Pugh, "Political Economy," 373.

<sup>272</sup> UNODC, *Crime and its Impact on the Balkans*, 49



One of the major problems caused by political corruption is that it helps discourage much needed foreign and domestic investment in the region. Foreign companies with home offices in less-corrupt countries are rightfully uneasy about doing business in a region where individuals that are supposed to provide oversight and help prevent corruption are regularly active participants. Many foreign companies also refuse to participate in accepted local customs—like offering gifts and favors to state officials—to ensure successful endeavors. Therefore, the culture of corruption frustrates the full economic development of markets within the region and has left Southeast Europe lagging behind the rest of the continent.<sup>273</sup>

Southeast Europe not only lingers behind the West economically, but also trails the rest of Europe in nearly every governance indicator as measured by the World Bank. The countries of the Balkans are definitively the most corrupt region of Europe, with all six nations examined in this thesis ranked below the European/Central Asian average for 2011. Moreover, two countries—Kosovo and Albania—were ranked on a par with the Sub-Saharan Africa and South Asian—the two most corrupt regions on the planet—averages. The corruption problem is also all encompassing, with the UNODC reporting in 2006 that an overwhelming 25.9 percent of Southeast Europeans were subjected to corruption in the previous year, as compared to “only” 16.7 percent of Sub-Saharan Africans.<sup>274</sup>

This high level of corruption in the Balkans is problematic since both the EU and NATO have continued to expand eastward since the breakup of the Soviet Union in the early 1990s. It is important that any new members admitted to either organization share the same liberal democratic values that helped shape the original organizations and that are held dear by the current members. Compared to other countries on the continent that have much older and more mature democratic traditions, the countries of Southeast Europe are relatively new democracies. Although the IC can—and should—help the various countries of the region continue to develop their governments, the EU and NATO

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<sup>273</sup> Divjak and Pugh, “Political Economy,” 377; Mazower, *Balkans*, 120.

<sup>274</sup> World Bank Worldwide Governance Indicators: [http://info.worldbank.org/governance/wgi/mc\\_countries.asp](http://info.worldbank.org/governance/wgi/mc_countries.asp); UNODC, *Crime and its Impact on the Balkans*, 91, 109.

should not sacrifice their integrity by admitting countries with governments that have not first attained a high ethical standard that fully respects the rule of law.<sup>275</sup>

Currently, Slovenia, Bulgaria, Romania, Croatia, and Albania are already members of NATO. Albania has consistently been ranked as one of the most corrupt countries within the Balkans. Its extensive problems were covered at length in earlier sections and will not be repeated here. In addition, Slovenia, Bulgaria, Romania, and Croatia are also currently members of the EU. Since its admission in 2007, Bulgaria has consistently been ranked as the most corrupt country within the EU. Many fear that adequate provisions were not taken to ensure that Bulgaria, and for that matter Romania, had taken the proper steps towards eradicating corruption prior to being welcomed into the EU. Although the EU has continued to provide oversight and has taken several measures—such as withholding funding and loans—in an attempt to further pressure the governments towards reform, much work in both countries still needs to be done.<sup>276</sup>

On the other hand, Croatia, which was admitted to the EU in July 2013, will not be subject to EU monitoring or oversight now that it has already been awarded membership. Unlike Bulgaria and Romania, the EU ensured that Zagreb achieved certain milestones on a pre-determined timeline ahead of Croatia's admission. However, there are many who are worried that many of the implementations were made haphazardly and at the last minute. They fear that Croatia was admitted to the EU too soon and that all compulsory measures that could force Zagreb to further reduce its corruption have now been removed. Only time will tell whether or not enough reforms were made prior to Croatia's integration into the European community. But with every other country within the region working towards future accession into the EU, it is important for the IC to take advantage of the leverage that possible membership into the prestigious organization provides. The potential benefits of admission into the European community are significant and the EU should take advantage of every opportunity to help encourage reforms in each and every country within the Balkans.<sup>277</sup>

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<sup>275</sup> Sioussiouras and Vavouras, "Political Rights, Development, and Corruption," 101.

<sup>276</sup> "EU Keeps Watch on Bulgaria and Romania," *Jane's*.

<sup>277</sup> Ali, "EU Entry May Not Change Corruption in Croatia."

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