Query
What are the forms and extent of corruption in Bosnia and Herzegovina? What kind of legal and institutional anti-corruption framework exists? What is the situation regarding development co-operation?

Purpose
We are updating the country’s anti-corruption measures.

Content
1. Overview of corruption in Bosnia and Herzegovina
2. Nature of corruption challenges
3. Sectors most affected by corruption
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Summary
In the course of the last decade, the challenge of corruption in Bosnia and Herzegovina has attracted increasing attention from the citizenry and political elites of Bosnia and Herzegovina, as well as from the international community and donor organisations active in the country.

However, while a number of legislative and institutional reforms have already been undertaken, enforcement of anti-corruption regulations remains to a large extent ineffective. Lack of firm political will to fight the phenomenon remains one of the key obstacles to more successful action.

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U4 is a web-based resource centre for development practitioners who wish to effectively address corruption challenges in their work. Expert Answers are produced by the U4 Helpdesk – operated by Transparency International – as quick responses to operational and policy questions from U4 Partner Agency staff.
1. Overview of corruption in Bosnia and Herzegovina

Background

The 1995 Dayton Peace Accords marked the end of the three-and-a-half-year Bosnian war, and established a government structure based on two ethnically divided sub-state entities with a large degree of autonomy: the mainly Bosniak and Croat Federation of Bosnia and Herzegovina (BiH), further divided into 10 cantons, and the centralised predominantly Serb Republika Srpska. In order to prevent further escalation of ethno-nationalist tensions, the peace agreement also introduced complex power-sharing arrangements requiring the central government to include representatives from all three of BiH’s “constituent peoples” (Bosniaks, Croats and Serbs) (Bertelsmann Foundation 2014).

In the post-conflict period, the international community was the main driver of the democratisation process, supporting far-reaching institutional reforms, the establishment of a market economy and infrastructural development. A UN-mandated High Representative for BiH also exercised executive power granting him/her authority to impose decisions on central state institutions and to amend constitutional obstacles to the peace process (Bertelsmann Foundation 2014).

Extent of the corruption

Corruption is one of the main challenges faced by BiH. The country ranked 72 out of 177 countries assessed in Transparency International’s 2013 Corruption Perceptions Index: with a score of 42 on a scale of 0 (highly corrupt) to 100 (highly clean), its performance is the third worst among the Balkan countries, only better than Albania and Kosovo (Transparency International 2013a).

Findings from the 2013 Global Corruption Barometer also offer a rather bleak picture: 34% of respondents state that corruption has increased a lot in the previous two years, 63% believe that corruption is a serious problem in the country, and 31% maintain that the government is very ineffective in the fight against corruption (Transparency International 2013b).

BiH has also consistently scored poorly on the World Bank (2013) Worldwide Governance Indicators. In 2012, the country’s percentile ranking with respect to control of corruption was 49, i.e. just below the average for all countries included in the study. Scores for government effectiveness were even lower, and showed little sign of improvement in the period between 2002 and 2012. Voice and accountability indicators even registered a downward trend in the same period.

2. Nature of corruption challenges

Fragmented state structure and legislative framework

With two highly autonomous self-governing entities and a critically weak federal centre, BiH’s state structure is widely regarded as excessively complex, dysfunctional and ineffective. The power-sharing system originally designed to
achieve fair ethnic representation in common state institutions has given rise to a series of endogenous veto points that are regularly exploited to prevent decision-making, particularly after international pressure to ensure compromise gradually decreased (Bertelsmann Foundation 2014).

After the 2010 general elections, for instance, a full 15 months elapsed before the formation of a government, which soon after entered into a long cycle of coalition dissolution and reshuffling (Freedom House 2013). In the run-up to this year’s general elections (ran in October 2014 and likely leading to another lengthy government formation process), concerns have again re-emerged that “an already difficult political situation is becoming more unpredictable” (IMF 2014). In turn, this ongoing situation of political volatility hampers BiH’s ability to tackle pressing policy issues, including the fight against corruption.

The problematic level of fragmentation of BiH state structures is also reflected in the country’s complex legal framework. Indeed, there are four criminal codes in use at different levels of government (state level, Federation of BiH, Republika Srpska and Brčko District). This constitutes a major obstacle to the consistent application of the rule of law by generating a lack of legal certainty that hinders transparency and accountability. Consequently, the last Compliance Report on BiH carried out by the Group of States against Corruption (GRECO) in 2013 concluded that “more decisive action must be taken to harmonise criminal legislation in the country”.

### 3. Clientelism and patronage networks

In its 45th Report to the Secretary General of the UN, the High Representative for BiH characterised the popular protests of February 2014 as “a call for elected officials and political parties in BiH to change their approach, especially on corrupt patronage networks that underpin the public sector” (OHR 2014).

Undue political influence in the appointment and recruitment of public sector officials is indeed widely regarded as one of the main causes of pervasive administrative corruption. Existing regulations to ensure career advancement is based upon open competition and professional merit are not sufficiently comprehensive. Moreover, even when these laws do apply, they are regularly circumvented. Following the 2010 elections, for instance, more than 200 high-level office holders in public institutions and companies were replaced (Transparency International 2013c).

The lines of accountability of public sector employees are generally hierarchical, with office holders being answerable to, and therefore prone to comply with, their direct superiors. On the other hand, mechanisms to ensure direct public accountability are rare and mostly limited to an ineffective complaints procedure. The fragmentation of the administrative apparatus exacerbates this situation: there is no single register of all public sector institutions, whose number is estimated to exceed 3,000 and only 1,739 of which are officially registered in the public procurement system (Transparency International 2013c).

### Excessive red tape

According to World Bank (2014) Ease of Doing Business data, BiH ranks 131 out of the 189 economies included in the study. The country’s ranking is particularly poor (174th and 175th place respectively) with regard to starting a business and dealing with permits – two areas that chiefly involve interaction with the public administration. For example, starting a business in BiH requires an average of 11 procedures and 37 days, compared to a regional average of 5 and 13 respectively.

Excessive and complicated regulations (red tape) are known to be a potential source of corruption, as they give public officials leverage to elicit illegal gifts by using their discretion to facilitate or hinder administrative processes. This certainly seems to be one of the main drivers of corruption in BiH where, according to a recent UNODC (2013) study, the most common reason for paying bribes cited by businesses in BiH was precisely to “speed up business-related procedures” (29.1% of all bribes).

The same study also presents revealing evidence regarding BiH citizens’ exposure to bribery. It showed that 20.1% of the adult population had experienced, either directly or indirectly, an episode of bribery involving a public official in the 12-month period prior to the survey. However, only 2% of respondents reported having refused to pay a bribe, which suggests that a vast majority of the citizenry regards paying money or giving
gifts and favours to public officials as expedient, or at any rate inevitable (UNODC 2013).

**Lack of transparency of government processes**

BiH’s Law on Freedom of Access to Information provides citizens with the right to gain information about the activities of political and public sector institutions. The legislative framework is broadly regarded as adequate, although some notable gaps remain. For instance, there is neither a publicly available register of public procurements, nor of the management and supervisory board members of public companies (Transparency International 2013c).

Enforcement of regulations regarding public access to information remains largely ineffective. The creation of an online database providing information on assets declaration and conflicts of interest involving elected and appointed public holders envisaged by the Anti-Corruption Strategy 2009-2014 has still not been implemented for lack of the political will (Transparency International 2013c).

Recent amendments passed by the legislature have also weakened previously stringent provisions for public access to information on political parties. Thus, for instance, while the identities of individual donors and excerpts of political parties’ annual reports are published online by the Central Election Commission (see page 7), parties’ expenses are still not publicly available and remain without proper supervision (GRECO 2013).

**4. Sectors most affected by corruption**

**Public administration**

Findings from Transparency International’s 2013 Global Corruption Barometer reveal that public officials and civil servants encounter high levels of public distrust; 67% of respondents felt that they are corrupt or extremely corrupt (Transparency International 2013b). Indeed, recent data collected by UNODC (2013) showed that 10.4% of all the businesses that had contact with a public official in the 12 months prior to the survey had also paid a bribe to a public official during that time.

A World Bank (2012) review identified reducing duplication and parallelism in public sector institutions and reversing the growth of the public sector as key prerequisites for the development of BiH’s economy. Indeed, BiH’s public sector amounts to nearly 50% of the country’s GDP (US Congressional Research Service 2013).

The last European Commission (2013) progress report found that “overall, very limited progress has been made in reforming public administration”. It also highlighted a number of areas of weakness, including the threat to financial sustainability posed by the excessive size of the public administration, the lack of meritocracy and the politicisation of the appointment process, as well as the consequently generally low standards of efficiency and professionalism of BiH public officials. Any systemic reform and reduction of the public sector would require a political consensus which has been impossible to reach.

**Politicians and political parties**

BiH politicians are viewed by their countrymen as the most corrupt institutional actors, with a staggering 77% of respondents to the Transparency International (2013b) Global Corruption Barometer judging them as corrupt or extremely corrupt. 71% of those interviewed in the survey also believed that their government’s efforts to fight corruption are ineffective, and more than two thirds agreed that the country is run entirely or to a large extent by a few big entities acting in their own self-interest.

Indeed, the lack of political will to undertake effective and sustained action to tackle the phenomenon is widely regarded as one of the main obstacles in the fight against corruption in BiH. Recent amendments to conflict of interest and political party financing laws, for example, have widely been criticised for reducing sanctions against illicit activities and for weakening the stringent provisions established by the UN High Representative (Eurasia Review, 2013). Frequent political attacks on media outlets and civil society organisations that report cases of corruption also demonstrate a deep-seated reluctance to change the status quo (Freedom House 2013).

Despite the pervasiveness of corruption among the political elite, the politicians’ ability to exert influence on the judiciary ensures them de facto impunity. Thus, while in 2013 several high-profile political corruption investigations of Republika Srpska and Federation political leaders were
referred by the state-level prosecutor’s office to entity prosecutors’ offices, the cases were all dismissed and the investigation closed due to lack of evidence (US Department of State 2013).

Judiciary

The BiH judiciary faces a number of serious challenges. As already mentioned, political pressure and attempts to influence trial outcomes seriously undermine the independence of the courts. This is reflected by the low levels of public trust enjoyed by the judiciary, with 65% of respondents to the Transparency International (2013b) Global Corruption Barometer identifying it as a corrupt or extremely corrupt institution.

Quite apart from integrity issues, a series of other deficiencies seriously limit the effectiveness and efficiency of the judiciary, including underfunding, understaffing, lack of expertise and low professional standards (European Commission 2013). In particular, the lack of joint investigation teams and mechanisms to detect corruption, and the inadequate institutional capacity to investigate economic, financial, public procurement and fraud-related crimes have been identified as key obstacles to more effective prosecution. In light of these factors, the last European Commission (2013) progress report concluded that “the overall level of effective investigation, prosecution and conviction of corruption cases in Bosnia and Herzegovina remains low”.

Legal framework

The need to adapt national legislation to the acquis communautaire as part of its bid to join the European Union has led BiH to adopt the major international legal instruments used to fight corruption. In 2002 BiH ratified both the Criminal and the Civil Law Conventions against Corruption of the Council of Europe. As of 2006, BiH is also a party to the United Nations Convention against Corruption (UNCAC), which, among other things, subjects it to an obligation to criminalise bribery, embezzlement and misappropriation by public officials (UNODC 2011).

As previously mentioned, in BiH there are four criminal codes in use at different levels of government (state level, Federation of BiH, Republika Srpska and Brčko District), which means that legislation is not consistent throughout the country and issues of jurisdiction often arise during the investigation and prosecution of corruption.

The political party financing system is governed by a number of different legislative acts, including the BiH Law on Political Parties Financing, Brčko Laws on Political Party Financing and Republic of Srpska laws regulating the distribution of budget funds for political party financing. Such laws...
stipulate annual limits on maximum contributions, bans on donations from corporations with government contracts, public funding for parties, obligations to keep financial records and submit reports on party expenditure, and sanctions for non-compliance. However, recent amendments are regarded as having weakened the existing provisions, which were already not being adequately enforced (Bosso 2014).

A stringent Law on Conflict of Interest in the Institutions of Government was imposed by the UN High Representative in 2002. It prohibits elected officials and executive officeholders from serving on the board of public or private enterprises, as well as from carrying out any official action that would directly affect private enterprises in which they, or their close relatives, had a financial interest. In 2012 controversial amendments were approved that abolished the suspension of public officials suspected of conflict of interest and the ineligibility sanctions prohibiting violators to run for public office. The amendments also increased the limit on contracts for personal services for public officials (GRECO 2013).

According to experts consulted within the context of this query, the latest amendments to the Law on Conflict of Interest at the BiH Level also paved the way for the establishment of a new commission in charge of determining conflict of interest – a role previously carried out by the Central Election Commission. It is composed predominantly of members of parliament, which has been criticised by CSOs and the international community, as politicians in charge of implementing the law might have to make decisions about conflicts of interest relating to their party colleagues or even themselves. The commission has not yet been functional and a new one will be appointed after the elections, based on the new constitution of the parliament.

The asset declaration system is regulated by a number of different laws, including the Election Law, the Law on Conflict of Interest in Governmental Institutions, the Law on Amendments to the Law on the Council of Ministers, and the Law on the Civil Service of BiH (ReSPA 2013). Elected officials at all levels of government, ministers in the Council of Ministers and civil servants all have an obligation to submit asset declaration forms to the Central Electoral Commission, which must refer suspicions of malpractice to the respective prosecutor’s office. However, the assets declarations are not verified or checked, and there are no penalties for false reporting (GRECO 2013). Moreover, the declarations can no longer be published due to a decision made by the Agency for Protection of Personal Data, which was subsequently backed up by the Court of BiH.

Institutional framework

Agency for the Prevention of Corruption and Coordination of the Fight against Corruption

In line with the guidelines set out by the Anti-Corruption Strategy 2009-2014, the BiH parliament passed a law establishing an Agency for the Prevention of Corruption and Coordination of the Fight against Corruption in 2009. This agency is an independent body that reports to parliament and whose main responsibilities are prevention, education and coordination of anti-corruption activities, including the analysis of corruption trends, development of anti-corruption policies and monitoring of their implementation.

Due to lack of political will, however, funds were not allocated to the agency until 2012 (Transparency International 2013c). By the end of 2012, the agency had finally been able to secure its premises and a minimum staffing level, with 13 people supporting the activities of the director and the two deputies. The European Commission (2013) progress report emphasised that “the effectiveness of the agency depends on more adequate staffing”.

Prosecutor’s Office of BiH

The Prosecutor’s Office of BiH is a unique institution, as it is not superior to the entity Prosecutor’s Offices and its jurisdiction is limited to the prosecution of specific crimes, including cases of corruption involving BiH civil servants. The two entity-level Prosecutor’s Offices of the Federation of BiH and of Republika Srpska, as well as the Public Prosecutor’s Office of the Brčko District, are therefore each competent and “supreme” within their own area of jurisdiction.

A recent study by Transparency International found that, in 2013, the number of reports to prosecutor’s offices for corruption offenses had significantly decreased compared to the previous year, from 3,174 to 2,363 (RAI 2014). The number of corruption investigations, 747, was almost half the previous year’s total. With respect to rulings, the number of judgments and convictions regarding corruption had also fallen – only three
judgements were made in BiH (entity and state levels), one of which was a guilty ruling. The last European Commission (2013) progress report was also critical of the focus on minor cases, while high level cases often resulted in the dropping of charges, acquittals, or suspended sentences. Consequently, it emphasised the need to strengthen the strategic approach regarding the prosecution of high level corruption cases, and the necessity to provide continued professional training focused on anti-corruption provisions (European Commission 2014).

Central Election Commission
The Central Election Commission (CEC) is responsible for investigating violations of political party and election financing regulations, either on its own initiative or in response to complaints filed by individuals. It has the power to order people to answer written questions, as well as to provide documentary evidence and testimony. The CEC also has the authority to determine whether a political party or candidate has breached the law, and to administer penalties for non-compliance.

A Transparency International BiH (2011) study found that the CEC lacked the appropriate resources to carry out its mandate, and that it pursued a relatively liberal policy toward illicit political party financing, focusing on minor recommendations for improving reporting, rather than prosecutions and sanctions. More recently, the CEC seems to have adopted a stricter line, initiating proceedings against 33 political parties for violations of the Law on Financing of Political Parties (Balkan Trust for Democracy 2013). According to national experts consulted while researching this response, however, a number of CEC decisions on penalties for political parties have been overturned by the BiH courts.

The latest amendments to the Law on Conflict of Interest at the BiH level provide for the establishment of a new parliamentary commission, which will take over the CEC’s role of monitoring and punishing conflicts of interest (European Forum for Democracy and Society 2013). The decision was widely criticised by civil society organisations and the international community for failing to provide appropriate transparency and independence, as politicians will now be in charge of scrutinising the conduct of their own party members and colleagues. The commission is not yet up and running, but is expected to be appointed soon after the general elections in October.

State Investigation and Protection Agency
The State Investigation and Protection Agency (SIPA) is a state-level, internationally supported anti-corruption agency in charge of collecting and processing information of interest for the implementation of international laws and BiH criminal codes.

In particular, SIPA’s Criminal Investigation Department and its Financial Intelligence Department are responsible for the prevention, detection and investigation of criminal offences that fall under the jurisdiction of the Court of BiH. The latter also features a dedicated Section for Prevention and Detection of Financial Crime, which was established to carry out analyses and coordinate high-level investigations relating to these types of offences.

Auditor-General
In BiH there are three Supreme Audit Institutions covering state and entity levels. Their main task is to audit the legality and regularity of financial management and accounting, as well as to provide recommendations for improving the performance, effectiveness and efficiency of public administrations. They do not have inspection and supervision capacities, which are instead performed by the financial police, investigative institutions and other financial bodies. The latest Transparency International (2013c) National Integrity System report found that the main challenges faced by audit institutions in BiH are lack of resources, political interference and a general lack of political will to consider their recommendations.

Other actors

Donors
In the aftermath of the conflict, the international community has been a major driver of the transition to democracy, providing political support and financial assistance for wide-ranging reform efforts. In more recent years, however, there has been a continuing downward trend in the availability of resources and funding from donor organisations in BiH, with some of them closing down their offices in the country (Transparency International 2013c).

In 2005, a Donor Coordination Forum in BiH was established to bring together several leading organisations in the field. According to the last
available report, in 2012 the European Commission was the largest donor to the good governance and institutional building sector with €8 million (almost US$11 million), followed by US/USAID and Sweden/SIDA with €4 million (US$5.5 million) each. Programs and initiatives covered four main priorities, namely administrative reform, legal and judicial reform, strengthening of civil society, and promoting respect for human rights. BiH’s progress on all four objectives was described by the report as limited (Ministry of Finance and Treasury 2012).

Three main challenges are routinely singled out in relation to the effectiveness of donors’ activities in the Western Balkans generally (Sircar and Fagan 2012), and BiH in particular (UN Volunteers 2011). Firstly, the provision of assistance in the form of short-term, project-based grants is often criticised for being incongruent with the complex and sustained efforts necessary to secure results in the fight against corruption. Secondly, overlapping funding streams and poor cooperation between the actors involved tend to give rise to issues of duplication and fragmentation. Thirdly, there is a need to ensure that donor-funded projects and initiatives respond to local needs and achieve local ownership.

A number of proposals have been put forward to address these challenges (Sircar and Fagan 2012). For instance, a collective online repository with summaries of donor activities/programmes that can be accessed by other donors, governmental actors and CSOs might offer a means of strengthening ‘institutional legacy’ and ensuring the sharing of best practices. Increasing the focus on grassroots networking could also constitute a useful strategy for building stronger links with local communities and making initiatives more responsive to their needs. Finally, a comprehensive census of CSOs active in the field could help to reduce the amount of duplication and increase synergies.

The last Transparency International (2013c) National Integrity System report found that, in accordance with the Paris Declaration on Aid Effectiveness, “concrete steps have been made to ensure greater coordination, and national authorities are involved, at least nominally, in the planning and programming processes”. The integrity of donor organisations was regarded as high, with no cases of corruption being reported for many years. Changing regional dynamics, particularly the increasing influence of the European Union, were also said to have led to a gradual restructuring of the international presence in BiH and increased attention to the fight against corruption. Following the catastrophic floods that occurred in the country in May 2014, however, concerns have re-emerged regarding the transparency of humanitarian aid distribution (Balkan Insights 2014b).

Media
The legal framework regulating the media, which was largely the result of international pressure during the post-war transition period, is generally regarded as satisfactory. Freedom of the media and freedom of information are guaranteed by the Constitution of BiH. The Law on Communications and the Law on the Public Broadcasting System of BiH are based on the principles of impartiality, fairness, non-discrimination and independence from government and political parties (Transparency International 2013c).

However in practice, close ties between the media and political and economic elites continue to undermine the media’s independence and influence editorial policy. Consequently, according to Transparency International’s (2013c) National Integrity System Assessment, “the media in BiH do not meet the minimum standards of independence, impartiality and professionalism”. In particular, the Communications Regulatory Agency (CRA) is subject to significant pressure from politicians and government. The lack of a strong tradition of freedom of information, difficulties in securing funding and pervasive ideological divisions along ethnic lines all contribute to exacerbate the situation.

With regard to corruption, the media’s willingness and ability to investigate and report cases of corruption is very limited, and the few outlets and journalists who do so are often subject to pressure – for instance, by being exposed to impromptu and resource-demanding fiscal and tax controls – or even physical aggression. Even when a corruption-related piece does find its way into the pages of mainstream newspapers or news programs, this is often because of its expediency for the political opponents of the politician or party whose conduct is being exposed (Transparency International 2013c).

Civil society
The legal framework regulating civil society organisations (CSOs) is described as generally...
satisfactory, as there are appropriate freedom of association regulations and relatively simple registration procedures in place (Transparency International 2013c). However, in practice, scarce and not entirely transparent public funding poses serious limitations to the independence of CSOs, which in turns damages their image and reputation (USAID 2012). On the other hand, reliance on the international community for funding leads many CSOs to adopt a project-based approach that tends to be more responsive to the priorities and needs of donors than to those of the local community (UN Volunteers 2011).

Despite these serious challenges, the last Transparency International (2013c) National Integrity System assessment of the sector reported an increase in the number of CSOs performing a watchdog role vis-à-vis public authorities and actively sustaining policy reform initiatives on anti-corruption. Given the adverse political environment, successful (albeit limited) campaigns leading to actual legislative changes were taken as a sign of CSOs “relatively significant impact on opinion in BiH”.

Referring to the protests of February 2014 as “the Bosnian Spring”, some commentators interpreted the events as a sign that civil society in the country might be ready to take on a more assertive and proactive role in the fight against corruption, and that new forms of participatory democratic politics might be on the rise (Balkan Insight 2014). It is now only a few months since the protests petered out and their longer-term impact in relation to civil society’s capacity to induce political change remains to be seen – starting from the October 2014 general elections and the subsequent division of the executive power.

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