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THE ROLE OF CORRUPTION IN PEACEBUILDING IN
CONFLICT-AFFECTED SOCIETIES:
THE CASE STUDY OF SERBIA

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I declare that in the attached work I have respected all the rules of academic honesty. This written work is the result of my personal work, it is based on my research and relies on the literature. In Belgrade, 17-08-2018.

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INTRODUCTION

The 1990s saw the Balkan region immersed in conflict during and after the disintegration of the Socialist Federal Republic of Yugoslavia. The intensity of the civil wars quickly mobilized international involvement, with peace- and state building processes beginning as early as 1991 at the onset of the war(s). That said, international involvement significantly increased from 1995 onwards, after the conflicts in Croatia and Bosnia and Herzegovina ended.

For Serbia, peace and state building processes began in 1992 and were present to an extent throughout the decade, but arguably took hold after the end of Kosovo conflict, brought about by NATO's sustained air campaign intervention in 1999 and the fall of the Milosevic regime in 2000. Simultaneously, Serbia underwent the beginning of full-fledged political and economic transformation. This transformation has been characterized by a transition in governance from socialism to liberal democracy, and an economic transition from market socialism to neoliberal capitalism.

The abovementioned conflict, along with the subsequent transformation, both political and economic, and its shortcomings in terms of political instability and economic crisis, has created the space for corruption in diverse areas, affecting at the same time the ongoing peacebuilding efforts.

Throughout this paper, we will explore the ways in which corruption can find room to appear in post-conflict societies, as well as its systemic and widespread nature across all relevant areas for the functioning of a country's society: public administration, political system, health and education sectors, judiciary and police, economy, and media.

In parallel, we will establish how each of these areas is important for the development and peacebuilding processes of a country, and how these two processes are linked, through literature review; to later find the reflection of these theories in our subject country, Serbia. The case study will provide facts to show the effects of corruption from general countrywide processes where only long-term impact is noticed, to everyday implications for the lives of Serbia's citizens, as well as their own perceptions of the issue, as one of the biggest problems in the country.

Most importantly, these facts and the established connection between certain areas of a country's development that will be identified as key for the evolution of its peacebuilding process will

display the negative relation between corruption and peacebuilding. At the same time, the type and characteristics of the abovementioned liberal peacebuilding and neoliberal state building processes will be introduced, focusing on the main current peace and state building practice taking place in Serbia, the EU integration process.

A critical look at the western approach to peacebuilding will be taken, presenting with it the particular shortcomings and challenges that external peacebuilding brings to a country when it comes to corruption, and recommendations for both the prevention and fight against corruption, along with potential solutions for the problems brought about by external interventions will be identified.

The purpose of this paper is, thus, to analyze if corruption effectively stalls or even endangers the peacebuilding process in Serbia by slowing down its development and creating instability.

1. WHY CORRUPTION MATTERS

After the political changes that took place in 2000, the Serbian authorities had difficulties to adjust to the challenges of fighting corruption. This was due to outdated legislation, lack of capacity, as well as an overall flawed perception and lack of understanding of the issue. In 2001, the Government's efforts were focused on the establishment of an Anti-Corruption Council and on the introduction of the offence of bribery in the Criminal Code. However, those initial legislative provisions were weak and the institutional structures inadequate and due to this, there has been a range of additional measures put in place in subsequent years.

According to UNDP, in their *Fighting Corruption in Post-conflict and Recovery Situations*¹ report, effectively responding to corruption in post-conflict societies can be difficult because it nearly always requires taking political, economic and social power away from those who benefit from the status quo.

From 2010, the fight against corruption was elevated to a priority of the Serbian government, in recognition of its costs and negative economic and social consequences. A major additional impetus was provided by the EU accession process, where prevention and repression of corruption is an important pre-condition for EU membership. The Anti-Corruption Agency (ACA) was established in 2010 as a new independent, autonomous state authority responsible for corruption prevention and accountable to the National Assembly with the authority to submit cases to the misdemeanour courts and public prosecutors. Its scope of responsibilities is confined to elected, appointed or nominated officials.

The 2015 UNDP Corruption Benchmarking Survey² reports that Serbians surveyed ranked corruption as one of the major problems in Serbia, coming fourth in importance after unemployment, poverty and lack of opportunities for young people. Of those respondents in this survey who gave or were asked for bribes, the highest prevalence was in dealing with doctors and police officers. Survey respondents believed that headmasters of primary and secondary schools, as well as deans of faculties and colleges, are the most corrupt part of the education system, with bribery used as a means of passing grades in examinations and diplomas. In the

¹ FIGHTING CORRUPTION IN POST-CONFLICT AND RECOVERY SITUATIONS: LEARNING FROM THE PAST. (2010). United Nations Development Programme.

² 2015 UNDP Corruption Benchmarking Survey. (2015). UNDP: United Nations Development Programme.

health sector, 63% of respondents believe doctors are partly or very corrupt, with many medical services seen as expensive in bribe costs. Only 25% of those surveyed in 2015 felt optimistic that levels of corruption in Serbia would decrease over the next 12 months. The above-mentioned 2015 UNDP survey also showed that Serbian respondents believe that the judiciary is the key player in efforts to address corruption, together with the police and Anti-Corruption Agency. The Government came in as fourth, in contrast to the last three rounds of the survey when it ranked as first. It is very important to have in mind that it took some time for Serbian authorities to introduce a systemic approach to anti-corruption, in legislation and in practice.

Corruption is the biggest inhibitor of business and economic development as well. In the latest World Bank Enterprise Survey (2013)³, out of 360 Serbian firms surveyed, 24% identified corruption as a major constraint to business operations, with 40% considering that making informal payments or giving gifts to public officials was necessary to secure a public sector contract. Many firms also reported that gifts or bribes were expected in order to obtain various licenses and permits, in particular electrical connections (19%) and building permits (12%).

On the most recent Transparency International Global Corruption Barometer⁴, 22% of Serbians surveyed reported paying a bribe to persons in public service in 2016. While 39% of those surveyed said that corruption is one of the three biggest problems facing the country, an overwhelming majority (61%) felt that ordinary people could not make any difference in the fight against corruption. A major impact on such opinion is related to the lack of success in investigating and prosecuting corruption is due, in large part, to the failure to use those investigative techniques, which would allow for developing and presenting all evidence of corrupt activities, including financial gain, to the court for its evaluation and use in rendering decisions. As a result, an environment has been created where the chances of getting caught are low while the potential reward from corrupt activities is high.

³ Enterprisesurveys.org. (2013). *Business Environment in Serbia - World Bank Enterprise Survey of Business Managers - World Bank Group*. Available at: <https://www.enterprisesurveys.org/data/exploreeconomies/2013/serbia> (Accessed: 21 August 2017)

⁴ Global Corruption Barometer: Serbia. (2013). Transparency International. Available at: <https://www.transparency.org/gcb2013/country/?country=serbia> (Accessed: 21 August 2017)

The *Peace and Corruption 2015 Report*, developed by the Institute for Economics & Peace⁵, ascertains that there is a strong statistical relationship between peace and corruption, whether looking at negative peace, as measured by the Global Peace Index, or at measures of positive peace. Over the long term, keeping corruption under control is essential for building and maintaining peaceful societies. The choice of the phenomenon of corruption, thus, for this paper, lies greatly on its extent, reaching out to all relevant aspects of life for Serbia's citizens, as well as its impact on all significant institutions and processes involved in the nation's peacebuilding progression and its general development.

Regarding the latter, we will firstly take a look at Susan Rose-Ackerman's main point in *Corruption and Post-Conflict Peacebuilding*, which will serve as base for our subsequent overview of the corruption-affected institutions to which she refers when mentioning post-conflict countries:

“States emerging from conflict generally have very weak institutions and an influx of outside funds. These two conditions provide incentives for officials to make corrupt deals for personal gain. Outsiders who are brought in to monitor and manage the transition are also at risk of becoming corrupt.

The prior conflict is likely to have fostered a culture of secrecy and impunity where self-dealing is easy to conceal. The end of the conflict may not encourage the development of a transparent and accountable government, especially if those who gained financially from the conflict are in power and seek both to preserve past gains and to benefit from the rebuilding effort.

Thus, although incentives for corruption exist in all societies, the incidence and scale of corruption may be especially high and destructive in post-conflict situations.”⁶

Complimenting Rose-Ackerman's statement, the United Nations Development Programme's report *Fighting Corruption in Post-conflict and Recovery Situations*⁷ confirms that governments in countries that have experienced conflict are particularly vulnerable to corruption, which not

⁵ Peace and Corruption 2015 - Lowering corruption, a transformative factor for peace. (2015). Institute for Economics & Peace.

⁶ Rose-Ackerman, S. (2008). *Corruption and Post-Conflict Peace-Building*. Faculty Scholarship Series. Yale Law School Legal Scholarship Repository.

⁷ FIGHTING CORRUPTION IN POST-CONFLICT AND RECOVERY SITUATIONS: LEARNING FROM THE PAST. (2010). United Nations Development Programme.

only threatens governance but also the establishment and stability of democracies. If the excesses of corrupt leaders lead to the lack of basic services or economic opportunities, public frustration can be generated, causing the erosion of state legitimacy when it is most needed.

An important factor shaping post-conflict corruption that is mentioned in this report is the legacy of wartime corruption, which results in the carrying-over of agents, networks and practices of corruption that persist and may challenge state control in peacetime, premise of several of the main corruption-affected areas in Serbia described below.

Political corruption, involving from election fraud to elected government officials and members of the parliament, to the financing of political parties, is particularly dangerous for countries in transition such as Serbia, where the tendency to influence MPs to vote in a certain way or make use of government official's authority to guide some actions can become generalised, resulting in the so called "state capture". This stems from several factors, such as already widespread corruption, institutional weakness (especially from organs tasked with governmental oversight like the parliament), and abundance of opportunities in the transition context (privatisation of state property, passing of key laws, etc.).

This directly affects the levels of corruption in the Public Administration, where internal regulatory frameworks and structures are unclear and inconsistent, and where the meritocratic appointment of civil servants is not generalised. The reform of the Public Administration constitutes a very important factor for EU accession, as we will talk about later, starting with the appropriate planning, allocation, use and audit of public funds, where public expenditure is recorded according to international standards and scrutinised by an effective Parliament through its previous evaluation by an external audit institution. Additionally to the field of Public Finance Management, the previously mentioned privatisation process of state owned enterprises has to be considered for countries in transition, and it is particularly susceptible to corruption due to the lack of appropriate financial supervision and political appointments to high positions within public companies, having a noticeable negative effect on the country's economic development.

Public procurement, or the process by which public authorities purchase works, goods or services from companies, is another key area in terms of corruption, where the provision of public contracts to private entities in return for certain benefits (the most evident, the financing of political parties) is the common form, and which might have a significant effect on an

economy, considering that public procurement consists of a relevant part of GDP in most countries.

Our third main corruption-affected area would be the justice system (police, prosecution services and courts). The widespread incentives for engagement in corrupt behaviour (ranging from “petty” or the acceptance of bribes to influence law enforcement activities, to political influence for the same purposes) are especially serious since, police officers (the most likely to come in contact with citizens in daily life) are the most visible authority figure, and prosecutors and court judges have a significant impact in citizen’s life, making corruption in this area an alteration of appropriate law enforcement and the undermining of the law and the justice system itself. This constitutes one of the most important areas when it comes to the relation between peace and corruption, as we can appreciate in the previously mentioned *Peace and Corruption 2015 Report*⁸, mentioning that the two major institutions that are closely linked to violence and peace are the police and the judiciary. These institutions are critical to peace as they govern and underpin the rule of law. Higher levels of corruption within the police and judiciary create inefficiencies by disabling sound legal frameworks and formal and informal codes of conduct. This leads to increased levels of crime and violence within society.

Two fields that impact citizens in a more direct way would be the healthcare and education systems, which are not free from our study phenomenon, due among other factors from the inheritance of structures and mechanisms from the past and the lack of provision of resources to maintain them. Constituting significant items of public spending, budget misuse in these areas can result in great detriment of the country’s population, as tax payers, as patients facing lack of information and scarcity of medical resources, and witnesses to the conflict between corruption and education systems, one of which main functions would be the creation and support of ethics and values.

On the economic side, corruption in the process of doing business derives mainly (in the private sector and partially state or socially-owned enterprises) from the remaining significant state influence in the economy. As we mentioned before, in the latest World Bank Enterprise Survey

⁸ Peace and Corruption 2015 - Lowering corruption, a transformative factor for peace. (2015). Institute for Economics & Peace.

(2013)⁹, out of 360 Serbian firms surveyed, 24% identified corruption as a major constraint to business operations, with 40% considering that making informal payments or giving gifts to public officials was necessary to secure a public sector contract. Many firms also reported that gifts or bribes were expected in order to obtain various licenses and permits, in particular electrical connections (19%) and building permits (12%). This is due, when talking about the private sector, to the high amount of regulations that businesses have to comply with, and the big number of licenses and permits that they have to obtain in order to operate.

This, as a consequence, takes us to the immediately related vulnerable areas to corruption, the tax and customs systems. While in the case of taxes, their serious consequences to minor offences encourage the seeking of deals with tax inspectors, in the case of customs a similar combination of a big volume of difficult procedures for importers and low salaries for the customs officers, tied to face-to-face meetings, have as a consequence that there still exist significant problems in these two areas, even if a number of reforms have been undertaken since 2000 to improve Serbia's border management and customs administration to bring it closer to EU and WTO standards.

Finally, we will mention the media as the last area affected by corruption, since it plays an important role, or it should, by providing objective coverage of public affairs, including the exposure of corruption-related issues. The failure to do this in an appropriate way prevents citizens from being able to assess their political class and generally those holding power and promotes the spreading of mistrust. The main issue we should consider in transition countries is the independence of the broadcast media, since state or public television channels often encounter interferences in their coverage by the government in power, having significant consequences due to their nature of most important source of information and influence in public opinion.

⁹ Enterprisurveys.org. (2013). *Business Environment in Serbia - World Bank Enterprise Survey of Business Managers - World Bank Group*. Available at: <https://www.enterprisurveys.org/data/exploreconomies/2013/serbia>

2. THEORETICAL APPROACH

2.1 Corruption and development

In this section, we will explore the nature of corruption, its causes and consequences, as well as its relation with the general development of a given country.

As Gray and Kaufmann appropriately describe, corruption could generally be defined as “the use of public office for private gain”¹⁰, including two-party forms such as bribery and extortion, as well as individual types like fraud and embezzlement. While the costs and negative impact of the latter on a country’s economic development are clear, the former type constitutes a more complex subject, and the influence on private sector development of the bribery of public officials has to be broken down according to the different benefits that private parties can obtain this way and its particular consequences.

Bribery can be used to influence government contracts (the supply of public goods and services by certain private parties and the conditions of those contracts); government benefits (the provision of subsidies or other monetary benefits, the evasion of others such as taxes, as well as the access to other types of advantages such as healthcare, education or ownership rights); public revenues (reduction of taxes or similar for some private parties); time saving and the avoidance of some regulations or permits; as well as some related regulatory and legal processes.

The causes of corruption, according to Gray and Kaufmann, are complex. It constitutes a widespread phenomenon in developing and transition countries because of the specific circumstances present, some of which we have mentioned in our previous section. There is a strong motivation for income earning, which tied to the declining civil service salaries, the varying levels of poverty, and the absence of risk-managing mechanisms (labour and insurance markets) leads to complimentary and grey economies as well as corrupt practices. Aside from this motivating factors, the opportunities are also present: the discretion of public officials is high; the rules and regulations aren’t well defined or circulated and are in a constant state of change; accountability, laws and principles of ethics, and the institutions in charge of enforcing

¹⁰ Gray, C. and Kaufmann, D. (1998). Corruption and Development. Finance & Development.

these principles, detect and investigate bad practices are weak; and even if the difficult detection is accomplished (both parties benefit from it), punishments in systemic corruption are unlikely¹¹.

Having mentioned the concept of systemic corruption, it becomes necessary to explore its meaning, since the preliminary indicators in our introduction point towards this situation in our following case study, Serbia. In Mark Robinson's *Corruption and Development*, it is described as that which "pervades the entire society and in the process becomes routinized and accepted as a means of conducting everyday transactions (...) which affects institutions and influences individual behaviour at all levels of a political and socio-economic system. This form of corruption has a number of characteristic features: it is embedded in specific socio-cultural environments, and tends to be monopolistic, organised and difficult to avoid."¹²

When it comes to the economic costs of this phenomenon, Gray and Kaufmann compile the growing body of theoretical and empirical research on this matter to come to the following relevant conclusions:

- "Bribery is widespread, but there are significant variations across and within regions.
- Bribery raises transaction costs and uncertainty in an economy.
- Bribery usually leads to inefficient economic outcomes. It impedes long-term foreign and domestic investment, misallocates talent to rent-seeking activities, and distorts sectoral priorities and technology choices. It pushes firms underground (outside the formal sector), undercuts the state's ability to raise revenues, and leads to ever-higher tax rates being levied on fewer and fewer taxpayers. This, in turn, reduces the state's ability to provide essential public goods, including the rule of law. A vicious circle of increasing corruption and underground economic activity can result.
- Bribery is unfair. It imposes a regressive tax that falls particularly heavily on trade and service activities undertaken by small enterprises.
- Corruption undermines the state's legitimacy."¹³

¹¹ Gray, C. and Kaufmann, D. (1998). *Corruption and Development*. Finance & Development.

¹² Robinson, M. (2012). *Corruption and Development*. Routledge.

¹³ Gray, C. and Kaufmann, D. (1998). *Corruption and Development*. *Finance & Development*, p. 8.

Aside from its negative effects on a country's economy, corruption can represent a burden in other areas that display the evolution and development of a country.

When it comes to education, which constitutes the largest element in the public sector in many countries, Transparency International finds that this sector can be especially prone to corruption. One of the reasons for this is that huge resources are often disbursed through complex administrative layers, inadequately monitored all the way from central government to schools. In Nigeria, this allowed at least US\$21 million to be lost over two years, and double that amount in Kenya over five years.¹⁴

The high importance placed on education also makes it an attractive target for manipulation. Those who provide education services are in a strong position to extort favours, and are often driven to do so when corruption higher up the chain leaves them undervalued, or even unpaid. At the same time, parents are driven by a natural desire to provide the best opportunity for their children, and are often unaware of what constitutes an illegal charge.

The increase of higher education students worldwide from 32 million in 1970 to 159 million in 2008 indicates that higher education is no longer a reserve of the elite. The changing environment in which higher education institutions function brings its own particular corruption risks. Public resources have not been able to keep pace with change and competition for non-traditional resources and prestige places increasing pressures on higher education institutions and staff. Institutions without effective oversight and control are most prone to corruption, and in some instances, this has undermined whole systems of higher education and the reputation of research products and graduates, regardless of guilt or innocence.¹⁵

When talking about the cost of corruption in education, while the financial cost is difficult to calculate, the societal cost of corruption is enormous. The young are the first victims of corruption in education, and this can affect the integrity and dignity of the person for life, as well as society. The social investment in future citizens fails when individuals can succeed dishonestly and without merit, swelling the ranks of incompetent future leaders and professionals. Corruption in education most affects the poor and disadvantaged, particularly women and minorities, who are unable to bear the hidden cost of admissions or play by the rules

¹⁴ TRANSPARENCY INTERNATIONAL (2013). *Global Corruption Report: Education*. Oxford: Routledge, p.19.

¹⁵ *Ibidem*.

that determine success. The poor are also least equipped to challenge corrupt behaviour. Whether the corrupt classroom thwarts ambition or children are forced to leave education altogether, vulnerable members of society lose the opportunity to realise their full potential, and social inequality is maintained. Corruption in education is particularly harmful in that it normalises and breeds a social acceptance of corruption at the earliest age. As young people rarely have the ability to question the rules of the classroom, they can internalise corrupt views of what it takes to succeed, and carry these forward into society. When this becomes a social norm, its cycle begins anew in each generation.¹⁶

Linking up with the abovementioned consequence of corruption in education, that of the likely incompetency of future leaders and professionals, corruption in the health sector, another relevant indicator for development, can mean the difference between life and death. Poor people are, again, worst affected. Medical staff can charge unofficial fees to attend to patients. They may demand bribes for medication that should be free, or they may let patients who bribe them queue-jump. Corruption also costs lives when fake or adulterated medications are sold to health services.

Without proper checks from regulators, public health funds can easily disappear. Ministers and hospital administrators can siphon millions of dollars from health budgets. Or they can accept bribes. This distorts policy and denies people hospitals, medicines and qualified staff. Stolen funds also hamper efforts to beat major health challenges, such as malaria and HIV/AIDS.¹⁷

We have seen in the previous two reviewed development indicators that corruption has an especially negative effect in segments of the population affected by poverty, since it weakens political institutions and citizen participation and leads to lower quality government services and infrastructure. The poor suffer disproportionately from reduced public services. Chetwynd, Chetwynd and Spector¹⁸ consider this reduced governance capacity side of corruption, but they also look at it from the economic side, explaining the relation between corruption, economic growth, income inequality and poverty, essential for the purpose of this section.

¹⁶ TRANSPARENCY INTERNATIONAL (2013). *Global Corruption Report: Education*. Oxford: Routledge, p.20.

¹⁷ International, T. (2018). Corruption by topic - Health. [online] Transparency.org. Available at: <https://www.transparency.org/topic/detail/health>

¹⁸ Chetwynd, E., Chetwynd, F. and Spector, B. (2003). *Corruption and Poverty: A Review of Recent Literature*. Washington: Management Systems International

This approach shows that corruption affects poverty by first impacting economic growth factors, which, in turn, impact poverty levels. Economic theory and empirical evidence both demonstrate that there is a direct causal link between corruption and economic growth. Corruption impedes economic growth by discouraging foreign and domestic investment, taxing and dampening entrepreneurship, lowering the quality of public infrastructure, decreasing tax revenues, diverting public talent into rent-seeking, and distorting the composition of public expenditure. In addition to limiting economic growth, there is evidence that corruption also exacerbates income inequality; regression analysis has shown a positive correlation between corruption and income inequality.¹⁹ Explanations for this link are that corruption distorts the economy and the legal and policy frameworks allowing some to benefit more than others; there is unfair distribution of government resources and services; corruption reduces the progressivity of the tax system; corruption increases the inequality of factor ownership; and lower income households (and businesses) pay a higher proportion of their income in bribes than do middle or upper-income households. Economic growth and income inequality are important because they link corruption to poverty. Studies show that the absence of economic growth (or negative growth) increases poverty. Inversely, tests have shown that an increase in GDP produces an increase in the income of the poor. However, income distribution is an important mediating factor because economic growth may not always benefit the poor.²⁰

We will finally rely on Robinson once again to summarise the point of this section, by listing all the essential areas for development that see themselves greatly affected or diminished by corruption.

“While corruption is a feature of all societies to varying degrees, it is a particular concern for developing countries because it undermines economic growth, discourages foreign investment and reduces the resources available for infrastructure, public services and anti-poverty programmes. It may also undermine political institutions by weakening the legitimacy and accountability of governments. Corruption also reduces the effectiveness of aid-funded

¹⁹ Idem.

²⁰ Ibidem.

development projects and weakens public support for development assistance in donor countries.”²¹

2.2 Corruption in post-conflict societies

In this section, we will examine the work of Susan Rose-Ackerman, as well as of Christine S. Cheng, Dominik Zaum and Mark Philp, along with other co-authors of their book *Corruption and post-conflict peacebuilding: Selling the peace?*; as well as Divjak’s and Pugh’s analysis of the *Political Economy of Corruption in Bosnia and Herzegovina* to determine how the phenomenon of corruption in post-conflict societies can affect peacebuilding. Firstly, we shall rely on Mark Philp’s reconceptualization of corruption²², to be understood in the context of peacebuilding:

The traditional definition of corruption is centred around the fact that a certain set of norms, rules and expectations from public office exists, and that corruption is the contravention of these rules and the consequent negative alteration of public office. However, when it comes to peacebuilding contexts, corruption will count on significantly more room to appear due to the various different sets of norms, rules, and expectations of public office. The peacebuilder’s role to enforce once set of rules that are considered standard will collide with the demands and expectations of many of their counterparts in a given country, where strong motivations are present to protect personal or group interests.

Philp’s efforts in re-conceptualizing corruption in a peacebuilding context stem from the unique dilemma that peacebuilders face in these type of situations. There is a need, in these contexts, to re-establish norms and rules towards more accountable and transparent practices that will prevent corruption from becoming widespread and which will allow a certain degree of external and internal monitoring; however, local norms and expectations have to be considered when performing these changes, creating a support system for the standards that need to be met.

As he explains, we can “treat standards as clear and universal (which is deeply implausible and would ignore the complex ways in which different political systems operate), or by turning to the

²¹ Robinson, M. (2012). *Corruption and Development*. Routledge.

²² Philp, M. (2008). Peacebuilding and Corruption. *International Peacekeeping*, 15(3), pp.310-327.

rules and norms in each particular political system to distinguish acceptable from unacceptable gain and to mark off acceptable conduct from corruption and other forms of wrongdoing. But if these standards are almost entirely a local matter, rather than something that is shared across the different cultures and countries in which corruption occurs, corruption becomes simply a matter of *what we regard as misuse around here.*²³

Once the concept of corruption in post-conflict societies is clear, we should also establish that, when mentioning peacebuilding, for the purposes of this paper, we will be referencing internationally-driven liberal peacebuilding and neoliberal state building (see Box n.1).

When considering corruption in a peacebuilding context, structural peacebuilding (see Box n.1) is the main process to observe, where one of the main issues to contemplate is the incentive system that tends to become the informal norm in all relevant institutions for the functioning of a society. Countries in transition bear the burden of adapting old structures to new standards, new social rules and, regularly, drastically different resources. For this reason, in these cases, informal systems are developed to adapt and maintain previous standards that fall outside of the regular channels, and corruption becomes a rational strategy for many, creating a vicious cycle that is difficult to break.

As Divjak and Pugh describe in the case of post-Dayton Bosnia and Herzegovina, which economic and political transformation can be considered similar to that of Serbia when it comes to its extent and difficulties: “the economic paradigm introduced for transition limited any attempt to establish a social contract between individual and the state. Consequently, a degree of social cohesion remains through adherence to local, clientelistic loyalties and informal economic activity. This provides the cultural and structural economic context in which the abuse of public office flourishes.”²⁴

²³ Ibidem, pp.310-327.

²⁴ Divjak, B. and Pugh, M. (2008). The Political Economy of Corruption in Bosnia and Herzegovina. *International Peacekeeping*, 15(3), pp.373-386.

Box n.1

CONTEMPORARY PEACEBUILDING AND STATEBUILDING

International peacebuilding – as known today – evolved out of the peacekeeping operations conducted by the international community, primarily the United Nations, during the Cold War. It is widely connected to UN Secretary General Boutros-Ghali's (1992) well-known quote, which describes peacebuilding as "actions to identify and support structures which will tend to strengthen and solidify peace in order to avoid a relapse into conflict" (25). This constitutes the base of today's liberal peacebuilding interventions, which has become the international blueprint of how to build peace.

Contemporary peacebuilding, or **liberal peacebuilding**, constitutes a "liberal exercise aimed at resolving the underlying sources of conflict, which in reality...tends to be aimed at containing or repressing conflicts in the interests of international peace and stability in general or of particular hegemonic strategic interests, in line with the *new* security agenda" (26)

Within peacebuilding, **structural peacebuilding**, important for the purposes of this paper, is considered as the creation of structures and systems of behaviour, institutions, concerted actions that support the embodiment or implementation of a peace-culture. (27)

Complimentarily, **neoliberal statebuilding**, "is an externally driven modernisation process that focuses mainly on international forms of legitimacy and adopts the principles of advanced (or late) capitalism and neoliberalism" (28)

Box references:²⁵²⁶²⁷²⁸

²⁵ Cheng, C. and Zaum, D. (2013). *Corruption and post-conflict peacebuilding*. Routledge.

²⁶ E. Newman, "Liberal Peacebuilding Debates", in *New Perspectives on Liberal Peacebuilding*, ed. E. Newman, R. Paris and O. Richmond, 26-27 (Tokyo and New York: United Nations University Press, 2009).

²⁷ Notter, J. and Diamond, L. (1996). *Building Peace and Transforming Conflict: Multi-track Diplomacy in Practice*. *Building Peace and Transforming Conflict*, 7, p.p.3.

²⁸ Richmond, O. (2013). Failed statebuilding versus peace formation. *Cooperation and Conflict*, 48(3), pp.378-400.

Just as one of many examples of this we can consider that salaries are low, the costs of establishing a legal business in inefficient and bureaucracy burdened structures are too high, and informal deals become something both parties can benefit from. The widespread and protracted use of these informal channels makes it hard, thus, for new norms to prevail without a previous understanding of this situation and without a component of local expectations embedded in the new system that is being implemented. Susan Rose-Ackerman takes a more general approach on this issue to help us understand the bigger picture: “In countries emerging from civil war with weak governments, bribery demands may be used opportunistically by government officials operating under unclear rules that allow them to invent offenses or simply to extort funds from ordinary people. Furthermore, those engaging in illegal activities, such as smuggling or illicit trade in arms, may need the protection of public authorities to continue to operate. It may be easier to co-opt public officials than to hide from them.”²⁹

But, what are the options to tackle such an entrenched and complex issue in post-conflict societies? Our previous point on the importance of contextualizing and understanding the local implications and underlying motives for corrupt behaviour is supported by Cheng and Zaum, who argue for a better consideration and in-context response to corruption as a complex, political issue, where the creation of independent institutions for the prevention and fight against corruption, or undergoing a public administration reform, are technical solutions that need to be complemented by real will and support from the political elites.³⁰ Considering that in conflict-affected societies corruption constitutes an answer to people’s limitations, the acceptance and consideration of this kind of motivation is necessary in any attempt of reform, regardless of the technical quality of the initiative, and especially when it comes to externally funded ones (see Box n.2 for a critical look at the Western approach to peacebuilding previously described).

Another important consideration is made by Rose-Ackerman³¹, who expands on the factors that must be considered by international peacekeepers in dealing with this phenomenon, as a sudden interruption from the status quo might be counter-productive if its main beneficiaries struggle to keep their positions of power. Also, once local factors are considered into the reform efforts,

²⁹ Rose-Ackerman, S. (2008). Corruption and Post-Conflict Peace-Building. Faculty Scholarship Series. Yale Law School Legal Scholarship Repository.

³⁰ Cheng, C. and Zaum, D. (2013). Corruption and post-conflict peacebuilding. Routledge.

³¹ Rose-Ackerman, S. (2008). Corruption and Post-Conflict Peace-Building. Faculty Scholarship Series. Yale Law School Legal Scholarship Repository.

these prove to be crucial for further regeneration, since focusing only on macro-economic aggregates proves useless unless institutions count on a fairly honest and transparent level of functioning, for the damaged relationship between state legitimacy and society to be restored and for public policies to prove meaningful.

We will later on go into detail in terms of recommendations and ways forward, but Rose-Ackerman sets the main guidelines for institutional reform for post-conflict societies:

“One response is to limit official discretion by, for example, streamlining and simplifying regulations, expanding the supply of benefits, making eligibility criteria clear, introducing legal payments for services, giving officials overlapping jurisdictions to give citizens choices, or redesigning systems to limit delays. Leaders should consider if reforms in one area will just shift corruption to another part of the government. Programs may need to be comprehensive to have any impact. In addition, service delivery can be improved by civil service reforms that provide

Box n.2

A CRITICAL LOOK TO THE WESTERN APPROACH TO PEACEBUILDING

According to Miall, Ramsbotham, and Woodhouse, at least 8 components can be discerned in transformationist critiques over the 1989-2009 period:

1. An insistence on greater emphasis on “bottom-up” rather than “top-down” initiatives and the empowerment of indigenous grassroots participation;
2. Criticism of the relative neglect of the social-psychological dimension;
3. Unhappiness about sequenced and foreshortened time frames that fail to dovetail short-medium-and long-term priorities properly;
4. A questioning of the motives of powerful interveners and an insistence that they be made accountable to host peoples and the international community;
5. A demand for more emphasis on gender equality;
6. An insistence on greater cultural sensitivity;
7. Unease about, if not opposition to, military involvement in and often control of what should be non-military tasks;
8. Disquiet at the way what were UN-led operations in the early 1990s have now come to be controlled by the militarily more powerful countries, with the UN increasingly sidelined and used as little more than a rubber stamp.

(Miall, Ramsbotham, and Woodhouse, 2011) ¹⁸

better salaries, improved monitoring, and the use of incentives to increase morale.”³²

Improving the accountability and transparency of the government also needs to be taken into account for these reforms to be monitored, and some strategies in this direction would be a properly functioning freedom-of-information law for the public to have access to government actions and information, a strong and free media to deliver this information to the wider public, and the creation of independent oversight institutions for the establishment of a monitoring environment.

Divjak and Pugh have their own contribution in this sense, establishing that “Ultimately though, local institutions have to take full ownership of and responsibility for the system of integrity. This, however, can be achieved only when relations with the international community achieve the status of a partnership based on mutual support, rather than the full-scale involvement of the OHR and other international agencies in running the day-to-day business of the country. This is easier said than done, as national authorities and certain pillars of the integrity system may not be sufficiently ready for such a transfer of responsibilities. Both state- and entity-level authorities have sometimes sought the imposition of laws, feeling too weak and vulnerable to social pressure and its associated risks.”³³

International peacebuilding, finally, can have an ambiguous role in terms of corruption, when some of its practices are not efficiently managed. According to Philp, “the International Committee of the Red Cross is rumoured consciously to write off about 20 per cent of its funding in post-conflict areas to corruption, essentially on the basis that humanitarian goals are the imperative and if one waits for corruption control to be effective then the humanitarian aims will have been defeated.”³⁴

And, “as such, peacebuilding creates its own temptations, opportunities and vulnerabilities among those who lead the process; and those who are chosen to lead their country to peace, even if they are committed to that process, may find that the sheer weight of expectations, and the accompanying access to financial resources, borrowing rights and national resources that they are accorded, can make it difficult for them to do business with their countrymen or with foreign

³² Idem.

³³ Divjak, B. and Pugh, M. (2008). The Political Economy of Corruption in Bosnia and Herzegovina. *International Peacekeeping*, 15(3), pp.373-386.

³⁴ Philp, M. (2008). Peacebuilding and Corruption. *International Peacekeeping*, 15(3), pp.310-327.

companies, international organizations or governments in ways that do not proliferate corruption”.³⁵

A potential way forward could be the effective monitoring and evaluation of donor-funded projects by the donors themselves. The sub-contracting of international NGOs and subsequent of local ones for the implementation of projects makes this difficult, but the use of some of those funds for top-down audits could be a way forward. Another issue would be the system of fund allocation in donor’s budgets: it is typical that these funds are allocated annually and must be spent by the end of the financial year, or otherwise the particular line with unspent funds is eliminated in the following year’s budget. If this system were to change to a needs and impact based allocation, and the programme officer’s work wouldn’t be evaluated in terms of their funds having been spent, it could help to avoid careless and unmonitored funding.

2.3 The controversial relation between peacebuilding and development

Having described the negative effects of corruption in the general development of a country, as well as explored the circumstances that make post-conflict societies particularly prone to corruption, including the involvement and additional challenges brought by liberal peacebuilding; it is necessary to establish the link between these two processes, in order to understand its implications in the following case study.

For this, Mats Berdal , in his *Peacebuilding and Development*, presents us with the traditional conception of the link between the peacebuilding and development processes:

“...imposing a set of policy priorities on post-war countries derived from the so-called “Washington Consensus,” a term coined by John Williamson in 1989 and at the heart of which, in terms of policy prescription, was an emphasis on disciplined macroeconomic policies, the use of markets and trade liberalization... The combination of these policies, so the Consensus holds, provides the best assurance for long-term and sustained economic growth. Significantly, however, the original Consensus attached little or no priority to *equity* as a goal of policy, and was unconcerned with the distributional impact of the policies advocated - precisely those areas

³⁵ Ibidem.

of policy whose neglect in post-conflict interventions, many argue, have placed the long-term sustainability of peace at risk.”³⁶

Taking these shortcomings of the traditional approach to development of liberal peacebuilding, which we can relate to the shortcomings of liberal peacebuilding itself that we have mentioned in the previous section, Berdal relies on Woodward, Pugh, Zaum and Richmond, among others, to present a line of criticism to Washington Consensus policies and their application to post-war settings that considers an approach to development more focused on equity and long-term sustainability of peace:

“...those who have come to view the IFIs and Western donors more generally as pursuing what amounts to a “liberal peace project,” a “project” that not only ignores the socio-economic problems confronting war-torn societies but actively aggravates the vulnerability of sectors of the populations to poverty and does little either to alleviate people’s engagement in shadow economies or to give them a say in economic reconstruction. The actual existence of a coherent “project” pursued by Western donors to impose a “liberal peace” has for good reasons been called into question, not only as an empirical reality but also as a useful conceptual construct. Even so, writers on the “liberal peace” have offered an important and critical corrective to the more technocratic and unreflective donor discourse on development and peacebuilding. Drawing attention to the silence surrounding structural violence and the neglect of the everyday experiences of people, they have called for alternative policies and emancipatory engagement with local populations, giving priority to social protection, inclusive growth, and the systematic incorporation of welfare considerations into peacebuilding. Rather than relying on privatization and exports, investment should be targeting public goods, infrastructure, and, above all, employment.”³⁷

Therefore, taking this last current of thought as the main basis for the relation between development and peacebuilding, the abovementioned negative effects of corruption on areas such as education, health, poverty and inequality are key when it comes to the impact of corruption on

³⁶ Berdal, M. (2012). Peacebuilding and Development. In: M. Berdal and A. Suhrke, ed., *The Peace In Between: Post-War Violence and Peacebuilding (Studies in Conflict, Development and Peacebuilding)*, 1st ed. Oxford: Routledge, pp.26-30.

³⁷ Berdal, M. (2012). Peacebuilding and Development. In: M. Berdal and A. Suhrke, ed., *The Peace In Between: Post-War Violence and Peacebuilding (Studies in Conflict, Development and Peacebuilding)*, 1st ed. Oxford: Routledge, pp.26-30.

peacebuilding. The pure economic costs of corruption won't be the central point, then, but a complement to the latter, jointly with the threats to stability and mistrust in institutions.

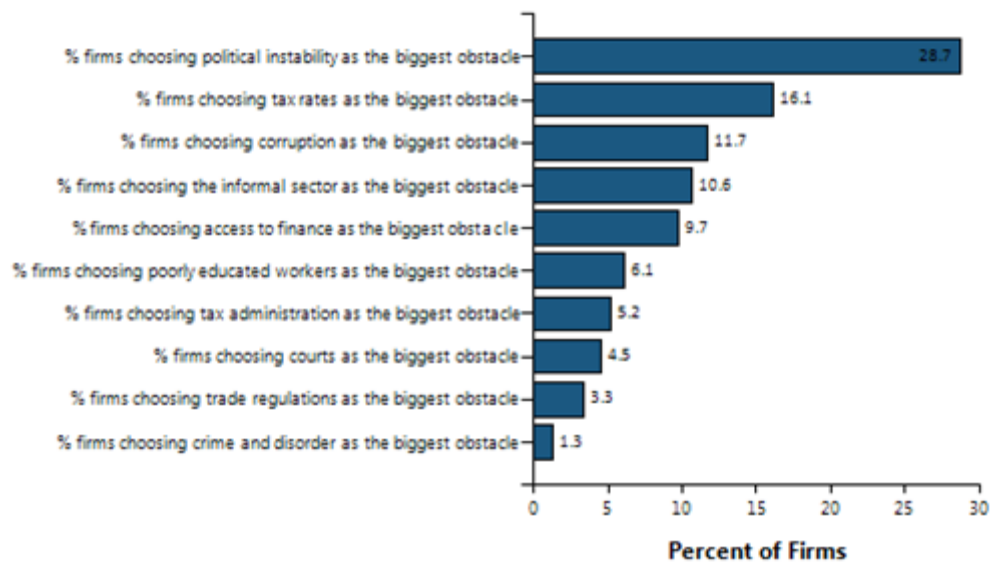
3. CASE STUDY: SERBIA

3.1 Development and the obstacle of corruption

Taking a more specific look at our case study, Serbia, we will see in this section how corruption is affecting the development indicators described in our theoretical framework, as well as potential solutions for some of these issues.

Regarding economic effects, The World Bank's Serbia Country Overview³⁸ stresses the importance of removing existing bottlenecks for economic growth through fiscal consolidation measures and structural reforms, such as the state administration, the public finances and the state owned enterprises. Also, the privatisation process of state owned enterprises has to be considered for countries in transition, and it is particularly susceptible to corruption due to the lack of appropriate financial supervision and political appointments to high positions within public companies, having a noticeable negative effect on the country's economic development.

Figure 1: Ranking of the Top Business Environment Obstacle for Firms³⁹



Another corruption-related obstacle for the proper function of a country's economy is the problems faced by its companies when it comes to doing business. Corruption in the process of

³⁸ World Bank. (2018). *Overview*. [online] Available at: <http://www.worldbank.org/en/country/serbia/overview> [Accessed 17 Aug. 2017].

³⁹ Enterprisesurveys.org. (2013). *Business Environment in Serbia - World Bank Enterprise Survey of Business Managers - World Bank Group*. Available at: <https://www.enterprisesurveys.org/data/exploreeconomies/2013/serbia>

doing business derives mainly (in the private sector and partially state-owned enterprises from the remaining significant state influence in the economy. As we can see in Figure 1, as well as in more detail in Table 1, in the latest World Bank Enterprise Survey (2013)⁴⁰, out of 360 Serbian firms surveyed, 24% identified corruption as a major constraint to business operations, with 40% considering that making informal payments or giving gifts to public officials was necessary to secure a public sector contract. Many firms also reported that gifts or bribes were expected in order to obtain various licenses and permits, in particular electrical connections (19%) and building permits (12%). This is due, when talking about the private sector, to the high amount of regulations that businesses have to comply with, and the big number of licenses and permits that they have to obtain in order to operate.

Table 1: Obstacles for firms: Corruption⁴¹

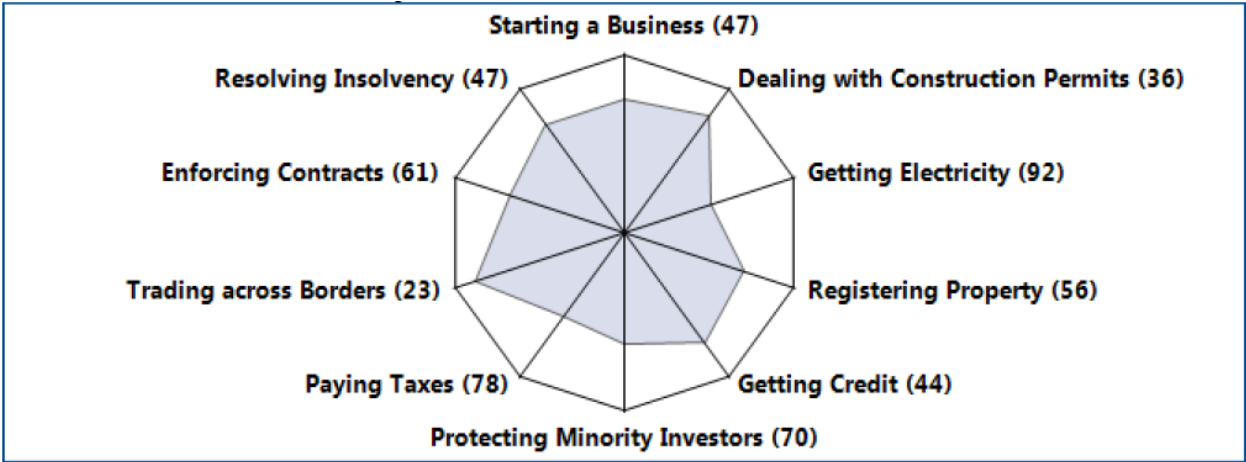
Corruption	Crime	Finance	Firm Characteristics	Gender	Informality	Infrastructure	Innovation and Technology	Performance	Regulations and Taxes	Trade	Workforce
View Data by Firm Subgroups <input type="text" value="No Subgroups"/>											
Indicator	Serbia		Europe & Central Asia		All Countries ²						
Bribery incidence (percent of firms experiencing at least one bribe payment request)	6.1		18.0		17.5						
Bribery depth (% of public transactions where a gift or informal payment was requested)	4.5		14.0		13.7						
Percent of firms expected to give gifts in meetings with tax officials	3.7		13.7		12.9						
Percent of firms expected to give gifts to secure government contract	40.2		25.1		28.9						
Value of gift expected to secure a government contract (% of contract value)	0.9		1.5		1.7						
Percent of firms expected to give gifts to get an operating license	6.4		14.7		14.1						
Percent of firms expected to give gifts to get an import license	0.3		11.9		14.1						
Percent of firms expected to give gifts to get a construction permit	12.2		26.1		23.1						
Percent of firms expected to give gifts to get an electrical connection	19.1		16.7		15.7						
Percent of firms expected to give gifts to get a water connection	0.5		11.1		15.8						
Percent of firms expected to give gifts to public officials "to get things done"	11.9		18.8		22.2						
Percent of firms identifying corruption as a major constraint	24.5		23.5		32.5						
Percent of firms identifying the courts system as a major constraint	13.9		5.0		14.5						

⁴⁰ Ibidem.

⁴¹ Idem.

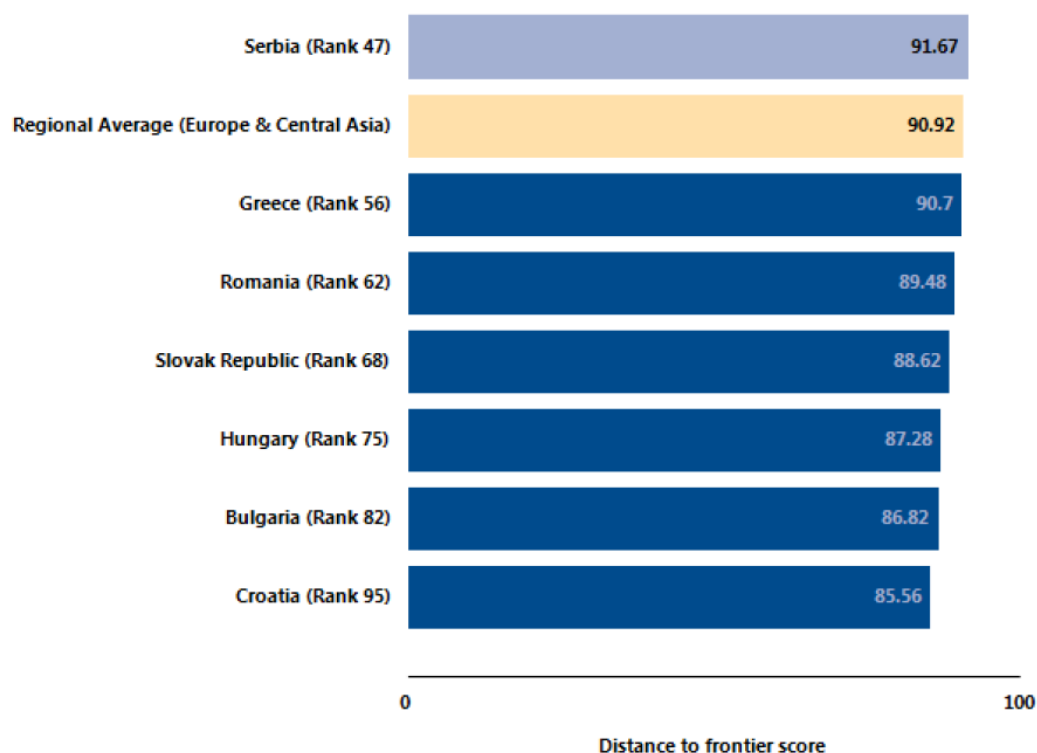
When it comes to international investors, even if Serbia’s position in the World Bank’s Doing Business rank has improved considerably in the last few years, there are still some areas in need of improvement, as we can see in Figure 2.1. Globally, Serbia stands at 47 in the ranking of 190 economies on the ease of starting a business (Figure 2.2). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Serbia to start a business.

*Figure 2.1: Rankings on Doing Business Topics Serbia⁴²
 (Scale: rank 190 center, rank 1 outer edge)*



⁴² Doing Business 2017: Economy Profile Serbia. (2017). International Bank for Reconstruction and Development / The World Bank.

Figure 2.2: How Serbia and comparator economies rank on the ease of doing business⁴³



The United Nation’s Office on Drug and Crime⁴⁴ sheds some further light on the impact of bribery and other crimes on the private enterprise. While corruption may be difficult to quantify, this report shows that surveys on the direct experience of corruption can help to draw at least a partial picture as to how, why, when, where and how much corruption affects the business sector in Serbia. From this analysis the following elements could be retained for further consideration in view of developing effective anti-corruption measures at national level:

- The survey identifies some priority business sectors, such as Accommodation and Food service activities and Transportation and Storage, as well as certain types of public official, including public utilities officers, police officers, municipal or provincial officers and customs officers, on which attention should be focused in an attempt to hinder involvement in bribery.
- While conventional crimes against businesses engender substantial costs for the economy, businesses in Serbia seem to give relatively little thought to crime

⁴³ Ibidem.

⁴⁴ BUSINESS, CORRUPTION AND CRIME IN SERBIA: The impact of bribery and other crime on private enterprise. (2013). UNODC: United Nations Office on Drugs and Crime.

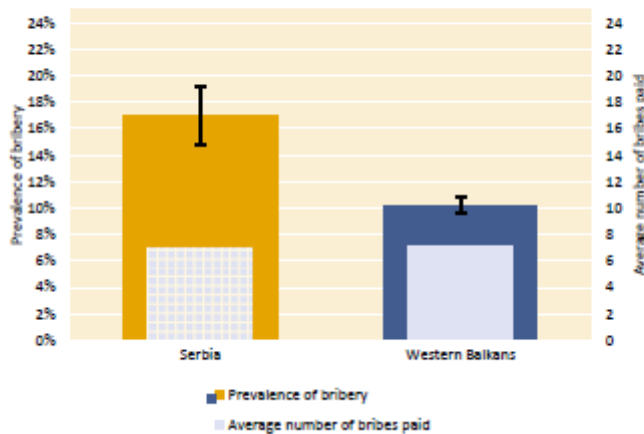
prevention in the shape of security measures and the mitigation of crime consequences by means of dedicated insurance policies.

- As the data pertaining to the perception of corruption reveal, public opinion about corruption in Serbia shows a considerable level of concern about the issue. A window of opportunity is, therefore, open as it is likely that business organizations, as well as their constituent members, would welcome the further implementation of anti-corruption policies.⁴⁵

These findings may be complemented by the following Figures 3 and 4.

Figure 3: Prevalence of bribery and average number of bribes paid, Serbia and Western Balkan region (2012)⁴⁶

Prevalence of bribery and average number of bribes paid, Serbia and western Balkan region (2012)

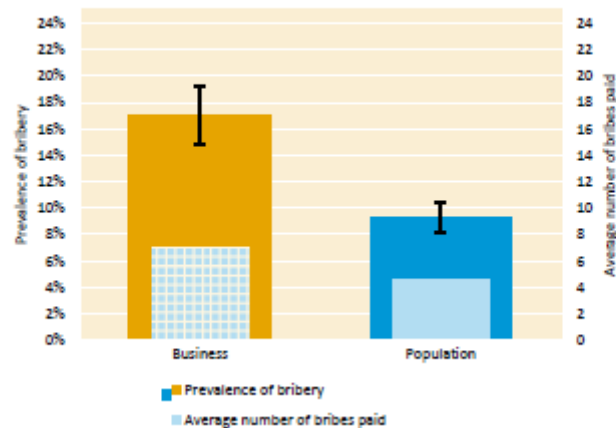


⁴⁵ Idem.

⁴⁶ BUSINESS, CORRUPTION AND CRIME IN SERBIA: The impact of bribery and other crime on private enterprise. (2013). UNODC: United Nations Office on Drugs and Crime.

Figure 4: Prevalence of bribery and average number of bribes paid, by businesses and by private citizens, Serbia (2010-2012)⁴⁷

Prevalence of bribery and average number of bribes paid, by businesses and by private citizens, Serbia (2010-2012)



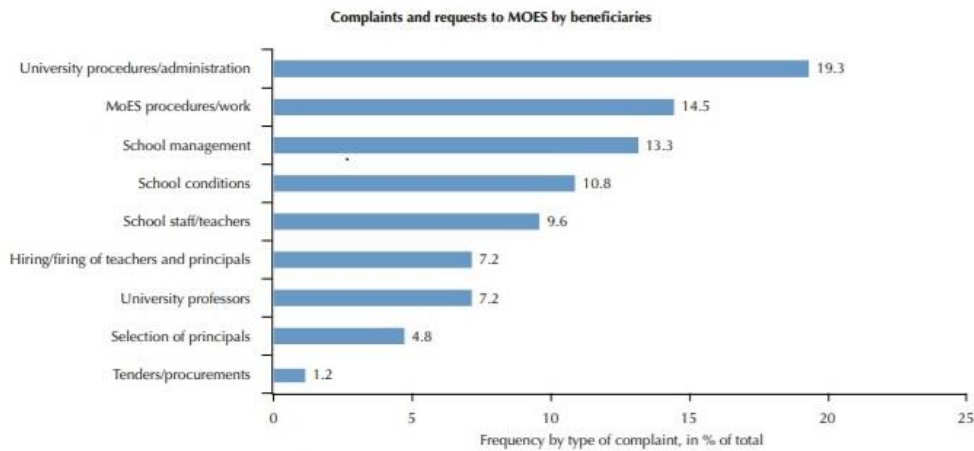
Regarding our second development indicator, education, the OECD⁴⁸ identifies the main evidence on existing corruption in Serbian education, by means of an analysis of complaints submitted via the official channels of the Ministry of Education and Science. The outcome provides an idea of what areas of education its beneficiaries (parents and students) and employees most frequently complained about, and of what kind of violations, illustrated by figures 5.1 and 5.2 below:

⁴⁷ Ibidem.

⁴⁸ OECD (2012), Strengthening Integrity and Fighting Corruption in Education: Serbia, OECD Publishing. <http://dx.doi.org/10.1787/9789264179646-en>

Figure 5.1⁴⁹

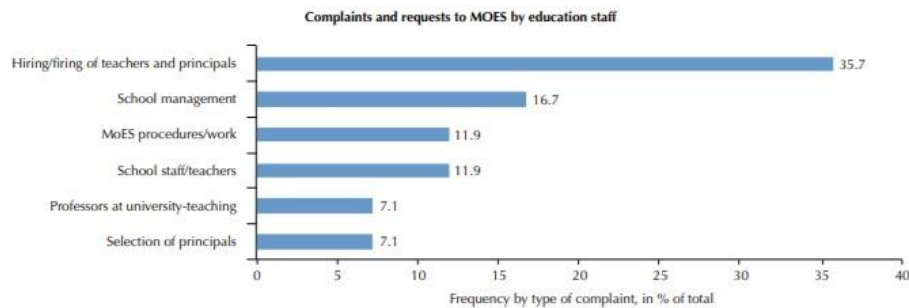
**Complaints and requests to MoES by beneficiaries,
by type and frequency, December 2010-December 2011**



Source: Ceneric, I. (2012). Data provided by MoES.

Figure 5.2⁵⁰

**Complaints and requests to MoES by education staff,
by type and frequency, December 2010-December 2011**



Source: Ceneric, I. (2012). Data provided by MoES.

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Beneficiaries most often complained about university procedures and administration (19% of all complaints). As will be discussed in Chapter 4, this concerns for the most part the administration of examinations, including performance rankings, access to scholarships and similar. The Ministry of Education and Science itself is frequently the subject of complaints (15% of all complaints) because of slow handling of administrative requests and queries, including recognition of diplomas. Issues with school management are among the top three areas of

⁴⁹ Idem.

⁵⁰ Ibidem.

⁵¹ Ibidem.

concern (13%). This category refers to the work of principals and the school boards, and occasionally school administrations. It also includes complaints by teachers related to class time distribution or scheduling. The other categories concern the conditions in or around schools (11% of all complaints), complaints about teacher behaviour, mistreatment, violence in class, and disregard for legal procedures (11% of all complaints), hiring and firing procedures (7% of all complaints), complaints against university professors (6%) and hiring of principals (5%). Interestingly enough, procurement was the least frequent subject of complaints (1.2%), although it is commonly among the top areas to be considered in assessment of anti-corruption policies. Staff employed in the system most often complained about hiring and firing without respecting procedures, or on the basis of personal or political affiliation (Figure 1.3). This topic was raised in 36% of the complaints. Issues with school management are the second most frequent issue (17%), followed by complaints against the MoES and fellow colleagues (12% of the complaints each).⁵²

This data raises concern regarding several areas in which corruption can negatively affect the quality and development of the education system in Serbia. The first of these is fair access to education. Structurally and in terms of curriculum, certain types of schools in Serbia seem to give disproportionately better chances for access to higher levels of education, and certain faculties are considerably better connected to attractive sectors of the labour market than others, despite the fact that the quality of outcomes in all of them is less satisfactory in international comparison. Such schools and faculties are considered to be better. Placement in them is of highest priority for all those (surprisingly numerous) households in Serbia which can afford the cost and the effort, and would agree to bend or bypass rules and regulations if need be. All these factors are putting considerable pressure on all points of transition in the system that are linked to access (and success) in tertiary education. There are indications that at least in some of these points, such as access to and progression in higher education and distribution of public scholarships, the integrity of the system is too weak to resist or manage the pressure.

When it comes to better quality of education, quality is at the core of expectations towards the education system. National and international evidence suggests that the quality of learning in Serbian classrooms does not meet stakeholder expectations. The reasons are various and include

⁵² OECD (2012), *Strengthening Integrity and Fighting Corruption in Education: Serbia*, OECD Publishing. <http://dx.doi.org/10.1787/9789264179646-en>

overloaded, often too academic curricula, especially in mathematics and natural sciences; deficits in the pedagogical preparation of teachers (in particular secondary school teachers) and a predominantly *ex cathedra* approach to teaching; a lack of parental involvement and likely subsequent problems with student motivation, especially true for students from a higher socio-economic background due to stronger reliance on private tutoring in certain subjects.⁵³

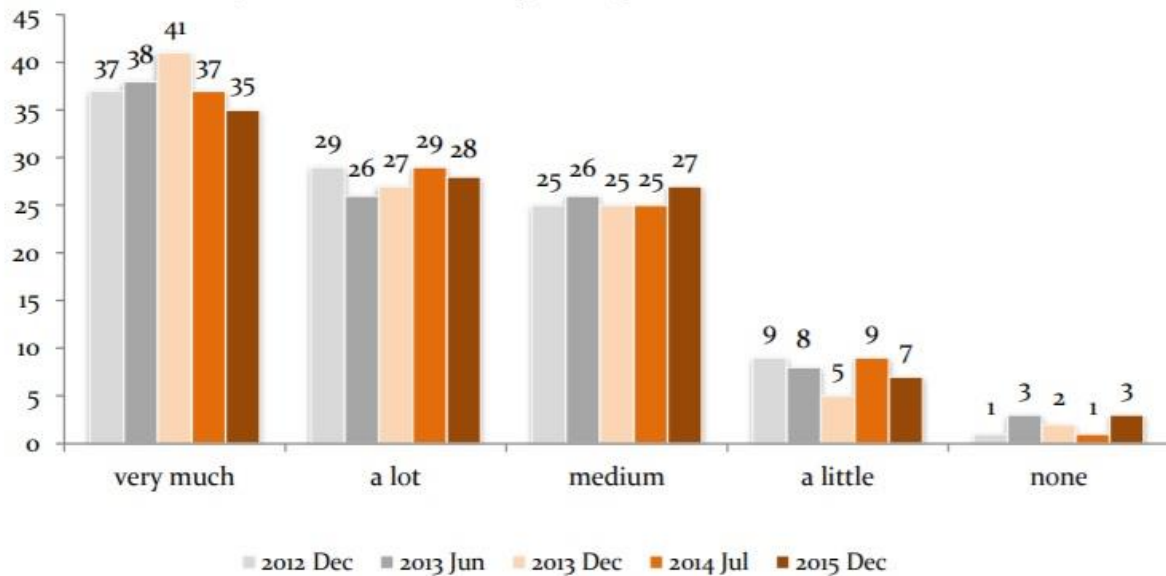
Last but not least, there are indications that what is taught in secondary schools differs, sometimes considerably, from what is demanded for access to university. These are quality related issues, but they also create a strong need for remedial teaching and fuel the acceptance and proliferation of private tutoring as a widespread, commonly accepted remedial measure. The OECD assessment team was frequently informed of regular and predictable pressure from parents on teachers to provide private tutoring – for difficult subjects, before exam sessions, and as preparation for university admission exams. For around a quarter of Serbian households with children in school age, this is a predominant form of private investment in education. Learners in Serbia often seem to be trapped in a vicious circle of limited learning during regular schooling hours, which creates need for tutoring and stimulates reliance on out-of-school remedial work, which in turn limits the effectiveness of learning in class.

Healthcare, our third development indicator, is still considered one of the most corrupt areas of public life in Serbia. According to UNDP⁵⁴, 35% of respondents considered the extent of corruption in healthcare as “very much”, as shown in Figure 6 below:

⁵³ Idem.

⁵⁴ UNDP SERBIA (2015). PUBLIC PERCEPTIONS OF CORRUPTION IN SERBIA. Tenth Research Cycle. pp.27-36.

Figure 6: Perceived extent of corruption in healthcare in Serbia (in %)⁵⁵



The amount of formal and informal payments demanded by service users has significantly risen throughout the region. Both types of payment have a dramatic impact on the equity of health care access, and affect the poor hardest. Specific data for Serbia is hard to come by. Estimates by the World Bank (WB) and the World Health Organisation (WHO) suggest that these payments make up between 30% (WHO) and 40% (WB) of the total health expenditure. Informal payments are being demanded both to be provided with a service, but also to cover the costs of items such as bandages and catheters.⁵⁶

But this is not the only way in which corruption has a negative correlation with poverty. According to the World Bank's Poverty Reduction Strategy Paper for Serbia⁵⁷, the direct influence of corruption on poverty lies in the fact that public services, which should be a public good, become a paid service. The purchasing power of the poor is small so they are especially sensitive to the existence of corruption. They cannot afford expensive public services that should be free. In other words, corruption discriminates against the poor and has direct negative effects on poverty. Corruption prevents the proper functioning of legally prescribed procedures for

⁵⁵ Idem.

⁵⁶ Trifunovic, M., Devine, V. and Mathisen, H. (2007). Corruption in Serbia 2007: Overview of Problems and Status of Reforms. CHR. Michelsen Institute.

⁵⁷ World Bank (n.d.). *POVERTY REDUCTION STRATEGY PAPER FOR SERBIA*. p.61.

exercising rights, by enabling those who are well-off to exercise even rights they are not entitled to, while the poor, regardless of entitlement, are prevented from exercising their rights.

Additionally, this weakens public trust in the impartiality and independence of government bodies, and blocks the operation of institutions. The indirect effects of corruption on poverty are far more significant. In the first place, corruption does not only involve redistribution in favour of the person carrying it out, it also incurs its own costs since a corrupt deal calls for real resources. This inevitably leads to economic inefficacy (lowering the effectiveness of resource allocation), since it incurs considerable transaction costs. These are, in turn, transferred to end users which leads to rises in prices and falls in the purchasing power of all consumers, especially the poor.

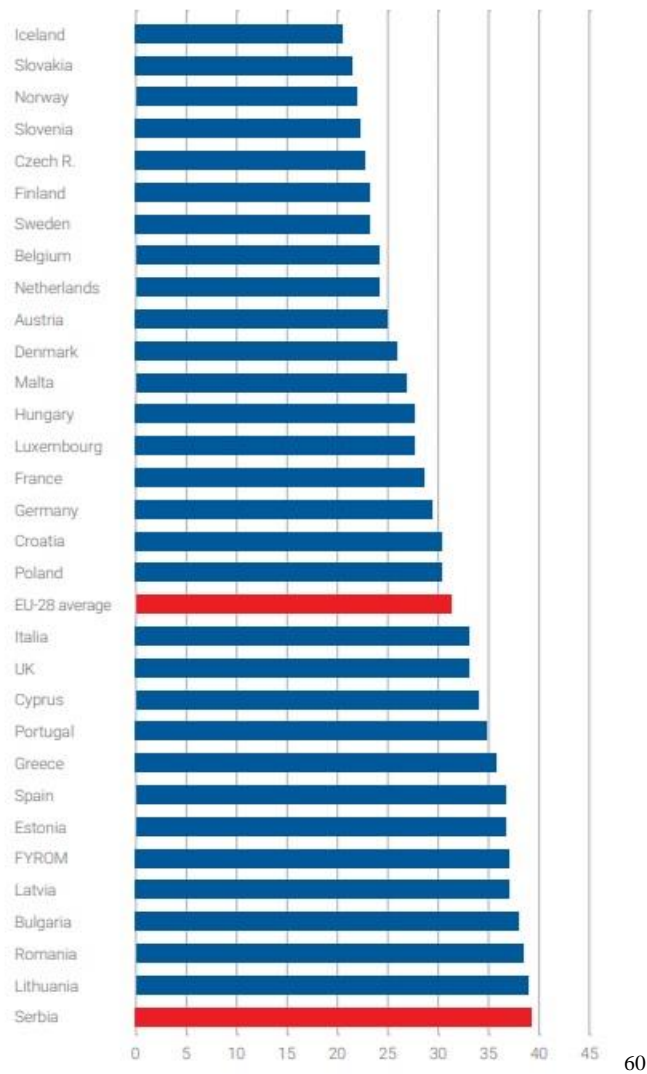
As we saw in the theoretical framework, there is evidence that corruption also exacerbates income inequality; regression analysis has shown a positive correlation between corruption and income inequality. Explanations for this link are that corruption distorts the economy and the legal and policy frameworks allowing some to benefit more than others; there is unfair distribution of government resources and services; corruption reduces the progressivity of the tax system; corruption increases the inequality of factor ownership; and lower income households (and businesses) pay a higher proportion of their income in bribes than do middle or upper-income households.⁵⁸

Along these lines, the latest Friedrich Ebert Stiftung report on Income Inequality in Serbia, 2017, confirms this trend with data that suggests that income inequality has increased since 2000 and is currently the highest among European countries. The Gini of 38.6 points in 2016 is significantly higher than the average Gini for the EU-28 countries (31) and is also higher than in neighbouring countries such as Macedonia (35.2) and Croatia (30.6), and in particular greater than the Gini value for Slovenia (24.5)⁵⁹, see Figure 7 below:

⁵⁸ Chetwynd, E., Chetwynd, F. and Spector, B. (2003). *Corruption and Poverty: A Review of Recent Literature*. Washington: Management Systems International.

⁵⁹ Arandarenko, M., Krstic, G. and Zarkovic Rakic, J. (2017). *Analysing Income Inequality in Serbia Belgrade: From Data to Policy*. Friedrich Ebert Stiftung, pp.2-3.

Figure 7: Gini Coefficient for European Countries, 2015



3.2 Corruption as a risk for Serbia’s peacebuilding process

We will start this section by introducing the main current peacebuilding process in Serbia, the European Union integration process, its nature and characteristics, in order to understand how corruption is negatively affecting its development, as well as our other two central indicators, mistrust in institutions and stability.

⁶⁰ Ibidem.

Keil, Arkan and Chandler present, the EU enlargement process in the Balkan region as ambiguous. Due to the previous connexion of the European Union with the region, in terms of presence of its agencies and special representatives, the relation with the local political elites in the Western Balkans became an unequal one, where the EU holds the high ground and, with the advantage of membership opportunities in their hand, it has taken the opportunity to set its own standards, norms and rules in the region, with uncertain success in occasions.

“It was claimed that, as a response to ‘alleged crises’ in the region, the EU intervened directly in the domestic politics of the Western Balkan states and ‘on the grounds that “European values”, “European identity”, or “European security” are at stake’ argues that the West, including the EU, has focused on institutional design and state building in non-Western societies without a deeper consideration of local practices and long-term legitimacy...As a response, political elites in the Western Balkan states resist the EU’s push for standardized models in contested policy areas, not only because it would threaten their privileges within their own states, but also because they know that the EU’s insistence on reforms is based on a norm driven rather than practical consideration. This does not mean that all suggestions coming from the EU as part of its state-building agenda are necessarily bad or will have negative consequences.”⁶¹

Serbia is a candidate for accession to the European Union, and its current government is in charge of these negotiations. The Third Intergovernmental Conference, held in July 2016, saw the opening of Chapters 23 (Judiciary and Fundamental Rights), and 24 (Justice, freedom and Security), according to which Serbia is expected to respect and enforce democracy, equality, human rights and rule of law as cornerstones of the EU.

Corruption is still one of the biggest challenges for societies, including inside the European Union, as it damages countries in terms of lowering investments, obstructing the functioning of the Internal Market and reducing public finances. 120 billion EUR per year is a general estimate of the economic costs incurred by the EU due to corruption (which represents 1% of the EU’s GDP).⁶² Hence, the European Union is dedicated to the fight against corruption, with a special

⁶¹ Keil, S., Arkan, Z. and Chandler, D. (2015). *The EU and Member State Building: European Foreign Policy in the Western Balkans*. Oxford: Routledge, pp.3-15.

⁶² European Union (2016). *Organised crime, corruption, and money laundering European Parliament resolution of 23 October 2013 on organised crime, corruption and money laundering: recommendations on action and initiatives to be taken (final report) (2013/2107(INI))*. Official Journal of the European Union.

emphasis on the political one as a dangerous form of criminal activity, which can weaken institutions, undermined the rule of law and hamper citizen's trust.

To do this, the European Commission (EC) is tasked with measuring the efforts in the fight against corruption and developing a comprehensive EU anti-corruption policy. According to the Stockholm Programme – An Open and Secure Europe Serving and Protecting Citizens, there is a relation between crimes (especially economic) and corruption⁶³. In cooperation with the Council of Europe's Group of States against Corruption (GRECO), the EC was encouraged to prepare measures and mechanisms to fight corruption, based in common criteria and anti-corruption policies. Additionally, the EU is part of the United Nations Convention against Corruption (UNCAC), about to undergo a review as part of the First Implementation Review Cycle.

As part of these efforts, the EC set up in June 2011 a monitoring mechanism for the periodic assessment of EU states' efforts in the fight against corruption, which helps prepare the grounds for future EU policies in this area. It is also strengthening its legal framework to tackle corruption and organized crime, which resulted in the adoption by the European Parliament and the Council of Europe of the 2014/42 Directive⁶⁴ on the Freezing and Confiscation of Instrumentalities and Proceeds of Crime in the European Union.

In Serbia, overall anti-corruption efforts are streamlined by the country's European perspective and the negotiation process for Chapter 23, and the European agenda will be the main driving factor in the near future.

This fight was given an impetus by the current government, immersed in an ambitious reform process in line with EU accession, and which stated a policy of zero tolerance for corruption, establishing a Secretariat for the implementation of the Action Plan for Chapter 23, tasked with ensuring that this Action Plan is indeed in line with European policies and in coordination with the bodies in charge of supervising strategies and actions in the field of anti-corruption, the reform of the judiciary and legal protection of human rights. The Council for the Implementation of the Action Plan for Chapter 23 was then established in December 2015, along with training on reporting and evaluation for all institutions responsible for this implementation and; in June

⁶³ European Council (2010). *THE STOCKHOLM PROGRAMME — AN OPEN AND SECURE EUROPE SERVING AND PROTECTING CITIZENS (2010/C 115/01)*. Official Journal of the European Union.

⁶⁴ Proposal for a Directive of the European Parliament and of the Council on the freezing and confiscation of proceeds of crime in the European Union (http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/pdf/1_en_act_part1_v8_1_en.pdf#zoom=100).

2016, a Revised Action Plan for the Implementation of the National Strategy Against Corruption (NACS) was adopted and 60 of its measures transferred to the Action plan for Chapter 23.⁶⁵

This paved the way for the opening of Chapters 23 and 24 in July 2016, which screening report (Ch. 23) in December 2016 stated that the NACS and its Action Plan provided an adequate framework for addressing many problems, even if they needed a reassessment of budgets and timelines to prove effective. When it comes to the implementation of anti-corruption measures, special attention was considered to be needed in the following areas:

- “Broaden the political and institutional ownership, including high level coordination, of the fight against corruption and identify clear high level institutional leadership in the implementation of the NACS;
- Ensure systematic consideration of the recommendations of the Anti-Corruption Council;
- Ensure legal alignment with the EU acquis – including as regards the definitions of active and Passive corruption – and with the UN Convention against Corruption (UNCAC);
- Clarify the coordination and cooperation between the different actors in charge of implementing and monitoring the Action Plan.”⁶⁶

Along with these, a number of recommendations to strengthen the framework in the areas of Preventive and Repressive Action against Corruption were issued. The Progress Report⁶⁷ by the European Commission in November 2016 states that “Serbia has some level of preparation in preventing and fighting against corruption.”⁶⁸ However, corruption remains to be a serious problem in many areas, there have been limited results from the implementation of adopted legislation, and the new law on the Anti-Corruption Agency or amendments to the criminal code on economic crimes haven’t been adopted. No progress was made on improving Serbia’s track record of convictions or on stepping up the implementation of the National Anti-Corruption Strategy.

⁶⁵ Republic of Serbia: Negotiation Group for Chapter 23 (2016). *Action Plan for Chapter 23*.

⁶⁶ REPORT ON PROGRESS OF SERBIA IN CHAPTERS 23 AND 24. (2016). PREUGOVOR. Belgrade Centre for Security Policy.

⁶⁷ https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2016/20161109_report_serbia.pdf

⁶⁸ European Commission (2016). *Serbia 2016 Report*. Brussels: European Commission.

Due to these delays in the implementation of key legislation and in the improvement of Serbia's prevention and fight against corruption measures, it is relevant to consider corruption as a delaying factor in its EU accession process, considering that those are fundamental steps in the negotiation process of the first chapters to have been opened.

Therefore, if we consider the EU integration process (taking into account its abovementioned limitations as a predominantly liberal peacebuilding and state building process, but also its constructive policy suggestions), as one of our main indicators for the development of the peacebuilding process in Serbia; we can infer the following:

- Some of the new norms and standards considered as a condition for EU accession in terms of Justice, Fundamental Rights and Rule of Law would bring about positive change for Serbia's development.
- Corruption, the perverse incentive system in place, and the elite's resistance to a change in the status quo have a negative effect in the implementation of these policies.

As a second indicator, and linking with our previous development section, in Transparency International's 2016 Corruption perception index, which highlights the connection between corruption and inequality, Serbia scored 42 points on a scale from 0 (highly corrupt) to 100 (very clean), ranking 72⁶⁹ out of 176 countries, and having experienced almost no changes in the past five years (39 in 2012, 42 in 2013, 41 in 2014, 40 in 2015). This evidences the little progress there has been in terms of prevention and fight against corruption, as well as its systemic nature. Furthermore, it provides an insight into the key link with the country's peacebuilding process, since corruption relates to the unequal distribution of power and the unequal distribution of wealth, creating or furthering instability.

Serbia tops the Balkan states (and ranks 16th out of 143 countries) for illegal financial flows with an estimated US\$5 billion disappearing every year through illicit flows, including the proceeds of crime, corruption and tax evasion.⁷⁰

⁶⁹ The lower-ranked countries in this index are plagued by untrustworthy and badly functioning public institutions like the police and judiciary. Even where anti-corruption laws are on the books, in practice they're often skirted or ignored. People frequently face situations of bribery and extortion, rely on basic services that have been undermined by the misappropriation of funds, and confront official indifference when seeking redress from authorities that are on the take - Transparency International. (2016). Corruption Perceptions Index 2016.

⁷⁰ Ninua, T. (2017). SERBIA: OVERVIEW OF POLITICAL CORRUPTION. Transparency International.

This relation was also mentioned by our interviewed expert, Marijana Trifunovic-Stefanovic, when she stated that corruption “is also perceived as influencing the economic situation of individual citizens and generating additional poverty, which generates overall instability”, and it is linked as well to risks in the political arena, according to Transparency International, “The interplay of corruption and inequality also feeds populism. When traditional politicians fail to tackle corruption, people grow cynical. Increasingly, people are turning to populist leaders who promise to break the cycle of corruption and privilege. Yet this is likely to exacerbate – rather than resolve – the tensions that fed the populist surge in the first place”⁷¹.

Political corruption can have many faces; however, four of the most significant areas that contribute to the mistrust of the population are: elections, party financing, conflicts of interest and asset declaration.

According to Transparency International, Elections in Serbia are administered efficiently and, in general, satisfy the international standards for free and fair elections. The campaigns are usually active and voters express their choices freely on Election Day. However, vote buying and misuse of public resources for campaign purposes continue to be problematic. In 2012, one in five voters reported to have been offered a bribe in exchange for their vote for a particular party in the 6 May 2012 general, local and presidential elections. Two years later, the problems of vote buying and use of administrative resources were still observed during the 16 March 2014 early parliamentary elections.⁷²

Closely linked to this, the legal and institutional oversight framework for financing of political parties has been substantially strengthened by the introduction of the Law on Financing of Political Activities (LFPA) in 2011. The law prescribes strong reporting and transparency requirements for parties, lays out sanctions for violation of rules and places the Anti-Corruption Agency in charge of supervising party financing.

However, despite significant monitoring efforts undertaken by both the Anti-Corruption Agency and civil society, appropriate enforcement of the law remains a serious problem. The lack of

⁷¹ Transparency International. (2016). Corruption Perceptions Index 2016. Available at: https://www.transparency.org/news/feature/corruption_perceptions_index_2016

⁷² Ninua, T. (2017). SERBIA: OVERVIEW OF POLITICAL CORRUPTION. Transparency International.

transparency of sources of party funding is still a concern, illustrated by the low level of credibility of the financial reports provided by the political parties.⁷³

The constitution and a number of laws regulate conflicts of interest of elected and appointed public officials as well as civil servants. While legal provisions are relatively well developed for members of government and public officials, the law contains loopholes when it comes to members of parliament. In practice, there are few examples of conflicts of interest exposed, as the verification process is weak, and the system of supervision remains underdeveloped.⁷⁴

Finally, when it comes to asset declaration, Legal provisions related to the disclosure of personal assets, income and financial interests apply to elected and appointed officials and civil servants appointed to managerial functions. The Anti-Corruption Agency is in charge of receiving and verifying asset declarations, which it does through an electronic system. Asset declarations can be checked and compared to the data obtained from other public agencies, and sanctions can be applied in cases of violations. However, as the National Anti-Corruption Strategy points out, loosely defined powers of the ACA with regard to the control procedure, as well as inadequate cooperation with competent authorities, complicate the procedure of verification.⁷⁵

The most recent example of this third indicator, distrust in the institutions, and expression of civic activism by Serbian citizens, came in the immediate aftermath of the presidential elections. On April 3, a day after the election, a Facebook event titled “Protest Against Dictatorship” called for a protest against the undemocratic conduct of the election and the wider slide towards “dictatorship” in Serbia. Given that the event was created by an (until then) anonymous individual without political party backing, few expected the protests to amount to much, yet, to most people’s surprise, the first event attracted several thousand attendees. Following this initial success, the protest movement spread to other towns and cities in Serbia. For several weeks, thousands of demonstrators took to the streets to protest against perceived election fraud and creeping authoritarianism. Despite claims from government officials that clandestine domestic and international forces were planning a “color revolution” in Serbia, the protests seemed spontaneous and without organization from the political opposition parties. Indeed,

⁷³ Ibidem.

⁷⁴ Ibidem.

⁷⁵ Ibidem.

demonstrators were keen to maintain a “leaderless” image and the protests seemed to be a genuine outpouring of public, particularly youth, discontent with the political elite as a whole.⁷⁶

The fourth major factor in play when it comes to corruption influencing peace building would be the higher likelihood of corruption-related and general crimes. As Trifunovic-Stefanovic explained during our interview, the most present consequence of corruption in citizen’s lives is “the distrust in institutions and the stalling of the reform process. Corruption increases the likelihood of different types of corruption-related crimes and general crimes since punishments are not likely, as well as of cross border crimes related to security, stability and reconciliation.”

Serbia’s Corruption Report in 2015⁷⁷ by GAN Integrity confirms this and provides significant facts related to corruption in the police and law enforcement sectors gathered by the ETH Zurich Centre for Security Studies⁷⁸, Transparency International’s Global Corruption Barometer⁷⁹ (69% of respondents in Serbia felt that the police was corrupt/extremely corrupt) and the World Economic Forum’s Global Competitiveness Report: “There is a moderate risk of corruption when interacting with Serbia’s police administration. Police integrity is limited because of inadequate human resources management, poor internal controls and politicisation. Companies identify the level of crime, violence and organised crime in Serbia to constitute a significant competitive disadvantage and report that police protection from crime is unreliable. Citizens perceive the police to be corrupt. The police is heavily influenced by criminal groups, political parties and tycoons.”⁸⁰

This constitutes one of the most important areas when it comes to the relation between peace and corruption, as we can appreciate in the previously mentioned *Peace and Corruption 2015 Report*⁸¹, mentioning that the two major institutions that are closely linked to violence and peace are the police and the judiciary. These institutions are critical to peace as they govern and underpin the rule of law. Higher levels of corruption within the police and judiciary create

⁷⁶ Damnjanovic, M. (2018). *Nations in Transit 2018: Serbia Country Report*. [online] Freedomhouse.org. Available at: <https://freedomhouse.org/report/nations-transit/2018/serbia>

⁷⁷ Ayed, M. (2015). *Serbia Corruption Report*. [online] Business Anti-Corruption Portal. Available at: <https://www.business-anti-corruption.com/country-profiles/serbia/> [Accessed 25 Aug. 2017].

⁷⁸ EHT Zurich (2013). *Citizens of Serbia on Police Corruption*. BCSP Occasional Papers. Belgrade Center for Security Policy.

⁷⁹ Global Corruption Barometer. (2013). Transparency International.

⁸⁰ Serbia Corruption Report. (2015). GAN Integrity. GAN: Business Anti-Corruption Portal.

⁸¹ Peace and Corruption 2015 - Lowering corruption, a transformative factor for peace. (2015). Institute for Economics & Peace.

inefficiencies by disabling sound legal frameworks and formal and informal codes of conduct. This leads to increased levels of crime and violence within society.

4. RECOMMENDATIONS

Taking into account the considerations made in our case study, the recommendations should be twofold in this case: towards the prevention and fight of corruption as negative impact for the development and peacebuilding processes in Serbia, as well as towards the improvement of the peacebuilding process itself to consider the particular challenges that corruption poses in post-conflict societies.

Due to the pervasive nature of corruption within Serbia, low probability to be punished if involved in corrupt activities and high payoffs, the stigma associated with corruption is not a deterrent. Punishment, by itself, should not be the only disincentive to address corrupt behaviour, the real deterrent is in removing the benefit from corrupt activities.

Additionally, according to our expert Marijana Trifunovic-Stefanovic, and as a way to tackle the incentive system in place for corrupt activities: “there is a need to focus on the professions that are moving this process forward: how to incentivize them to become role models within the group that they are working, recognized in that sense, promoted and respected within their profession and society.”

Rather than relying on privatization and exports, investment should be targeting public goods, infrastructure, and employment⁸²; while establishing effective oversight of the responsible institutions.

A simplification of the taxation system (an area where corruption can be of great damage, by reducing state revenues and limiting government spending) can avoid the overlapping of taxes and thus decreasing the incentive and opportunity for tax evasion and other corrupt practices.

There are still significant improvements to be made in the Public Administration, where internal regulatory frameworks and structures are unclear and inconsistent, and where the meritocratic appointment of civil servants is not generalised. Additionally, in the field of Public Finance management, there is still a lack of appropriate planning, allocation, use and audit of public

⁸² Berdal, M. (2012). Peacebuilding and Development. In: M. Berdal and A. Suhrke, ed., *The Peace In Between: Post-War Violence and Peacebuilding (Studies in Conflict, Development and Peacebuilding)*, 1st ed. Oxford: Routledge, pp.26-30.

funds, where public expenditure is recorded according to international standards and scrutinised by an effective Parliament through its previous evaluation by an external audit institution.

The prevalence rates of “white collar” crime such as bribery and fraud by outsiders are somewhat higher, yet the reporting rates of bribery and fraud are far below those of other conventional crimes. This failure to report corruption implies that there is a lack of trust in authorities and that business organizations need to be more proactive in encouraging and promoting anti-corruption measures, codes of ethics and integrity.⁸³

The issue of business-to-business bribery highlighted in this report sheds new light on illegal “marketing” practices in the form of bribery used to gain an unfair advantage over rival businesses. Further analysis of such practices should be undertaken to help guarantee a “level playing field” in the market place and guarantee that the usually beneficial mechanisms of the free market remain untarnished by corruption. A review of the legal provisions against corruption in the Criminal Code of Serbia should ensure that, in addition to provisions against bribery of public officials, effective legal instruments against bribery in the private sector are available.⁸⁴

The fear of having to pay bribes to obtain requisite services or permits led a total of 9.2 per cent of all businesses leaders in Serbia to not make a major investment in the 12 months prior to the survey. This shows the “ripple effect” that corruption can have, with potentially disastrous consequences for economic growth and development, particularly when only a certain portion of businesses are in a position to make major investments in the first place. Any efforts made to stem corruption need to be widely publicized to prevent further damage to investment and economic development.⁸⁵

Though ostensibly small in numerical terms, the fact that 1 per cent of all businesses in Serbia fall victim to extortion is still significant, not least because extortion is a crime that can be linked to organized criminal groups. This reason alone means that the relationship between extortion and business needs to be explored thoroughly.⁸⁶

⁸³ BUSINESS, CORRUPTION AND CRIME IN SERBIA: The impact of bribery and other crime on private enterprise. (2013). UNODC: United Nations Office on Drugs and Crime.

⁸⁴ Ibidem.

⁸⁵ Ibidem.

⁸⁶ Ibidem.

In addition to the direct consequences of the crime, merely being investigated for corruption and fraud can have negative repercussions on a company's reputation. Many companies around the world are recognizing this and more and more are implementing comprehensive internal compliance policies that specify certain unacceptable practices and sanction violations of established standards. In Serbia, such internal compliance mechanisms are still far from universal and in further need of promotion. In particular, compliance policies are less common among smaller companies. Given that micro- and small companies make up the largest share of all businesses in Serbia, this situation needs to be addressed.⁸⁷

Awareness of corruption and what is considered unacceptable behaviour is high in Serbia and more than half of business representatives consider corruption a major obstacle to doing business, yet bribery often appears to be tolerated as a tool for getting things done or receiving better treatment. A further assessment of corruption awareness among business leaders could be considered and further initiatives might be developed to increase understanding about the pernicious effects of corruption on the efficient allocation of resources in a market economy.⁸⁸

Support from the international community in terms of peacebuilding efforts has to be structured from the perspective of prevention and fight against corruption, with the proper monitoring and audit of funds, since this affects its perception and that of the standards they are trying to convey by a country's society.

Better consideration and in-context response to corruption as a complex, political issue, where the creation of independent institutions for the prevention and fight against corruption, or undergoing a public administration reform, are technical solutions that need to be complemented by real will and support from the political elites. Considering that in conflict-affected societies corruption constitutes an answer to people's limitations, the acceptance and consideration of this kind of motivation is necessary in any attempt of reform, regardless of the technical quality of the initiative, and especially when it comes to externally funded ones.⁸⁹

Limit official discretion by, for example, streamlining and simplifying regulations, expanding the supply of benefits, making eligibility criteria clear, introducing legal payments for services, giving officials overlapping jurisdictions to give citizens choices, or redesigning systems to limit

⁸⁷ Idem.

⁸⁸ Idemm.

⁸⁹ Cheng, C. and Zaum, D. (2013). Corruption and post-conflict peacebuilding. Routledge.

delays. Leaders should consider if reforms in one area will just shift corruption to another part of the government. Programs may need to be comprehensive to have any impact. In addition, service delivery can be improved by civil service reforms that provide better salaries, improved monitoring, and the use of incentives to increase morale.⁹⁰

Improving the accountability and transparency of the government also needs to be taken into account for these reforms to be monitored, and some strategies in this direction would be a properly functioning freedom-of-information law for the public to have access to government actions and information, a strong and free media to deliver this information to the wider public, and the creation of independent oversight institutions for the establishment of a monitoring environment.

Local institutions have to take full ownership of and responsibility for the system of integrity. This, however, can be achieved only when relations with the international community achieve the status of a partnership based on mutual support, rather than the full-scale involvement of the OHR and other international agencies in running the day-to-day business of the country.⁹¹

A potential way forward in terms of external peacebuilding could be the effective monitoring and evaluation of donor-funded projects by the donors themselves. The sub-contracting of international NGOs and subsequent of local ones for the implementation of projects makes this difficult, but the use of some of those funds for top-down audits could be a way forward. Another issue would be the system of fund allocation in donor's budgets: it is typical that these funds are allocated annually and must be spent by the end of the financial year, or otherwise the particular line with unspent funds is eliminated in the following year's budget. If this system were to change to a needs and impact based allocation, and the programme officer's work wouldn't be evaluated in terms of their funds having been spent, it could help to avoid careless and unmonitored funding.

⁹⁰ Rose-Ackerman, S. (2008). Corruption and Post-Conflict Peace-Building. Faculty Scholarship Series. Yale Law School Legal Scholarship Repository.

⁹¹ Divjak, B. and Pugh, M. (2008). The Political Economy of Corruption in Bosnia and Herzegovina. *International Peacekeeping*, 15(3), pp.373-386.

CONCLUSION

Throughout this research paper we have explored, from a theoretical and an analytical approach, the effects that corruption has on two important and interlinked areas for a country in transition: its peacebuilding process and its economic and political development. The overall conclusion we can infer from our case study indicators concurs with the presented theory: corruption can and it does stall both processes. According to our theoretical basis, there are certain areas in the development of a country that should be targeted as part of their parallel peacebuilding process: investment in public goods, infrastructure, and, above all, employment. In our case study, we have seen how these areas are negatively affected by corruption in the Public Administration, health and education sectors. Therefore, by having a negative impact in certain areas of the development of a country, corruption also slows down its peacebuilding process.

Complimentarily to this, by creating mistrust in key institutions, generating additional poverty and creating instability, affecting the institutions which underpin the rule of law and opening the space for corruption-related crimes; corruption can erode the state legitimacy that is necessary for the peacebuilding process of a country to advance.

Thus, it is an issue that needs to be tackled, both with internal awareness raising and creation of a country-wide system of integrity by supporting the institutions and professions that can move the process forward, political will, and import of best practices informed with local knowledge and expectations.

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APPENDIXES

INTERVIEW

Marijana Trifunovic-Stefanovic

Government Accountability, Police and Justice Sector Reform and Anti-Corruption expert

Belgrade, 15/09/2017

(This interview has been edited for length and clarity)

1. Do you think the phenomenon of corruption still has a significant presence in the Serbian society?

Yes. Serbia's corruption is classified as systemic by Transparency International and other international entities specialized in the fight against corruption.

2. Which institutions would you say are most affected by corruption?

The executive branch of the Government, the health, education, police and judiciary sectors, as well as the customs and inspection services.

3. Do you believe Serbia's political transition process is stalled by corruption?

Yes. To a high extent, especially in the context of European integration as a priority of the country, because the EU has set the accession agenda in a way that negotiation chapters 23 and 24 (tackling corruption and overall justice sector reform) are the first ones to be opened and last ones to be closed in the negotiation process. These two chapters along with chapter 35 related to the dialogue with Kosovo are the ones that are placed highest on the political and EU agendas.

4. How do you think corruption influences Serbia's ongoing peacebuilding process?

Even if not directly linked, it is a parallel process seen by the EU as key risk for reform and stabilization of the country and the region itself.

5. What would you say is the most present consequence of corruption in citizen's lives?

The distrust in institutions and the stalling of the reform process. Corruption increases the likelihood of different types of corruption-related crimes and general crimes since punishments are not likely, as well as of cross border crimes related to security, stability and reconciliation. It is also perceived as influencing the economic situation of individual citizens and generating additional poverty, which generates overall instability.

6. What, in your view, would be an efficient approach to tackle this phenomenon in this particular society?

The issue is tackled twofold, firstly with proper prevention mechanisms including transparency, in a 21st century society, especially regarding the planning and executing of public state finances. Another important mechanism is building awareness about corruption in societies with a different culture of business and any other relations, building a system of integrity.

Secondly, the repression of corruption, how to detect and suppress corruption itself, which also relates to the reform of the law enforcement sector, introducing high ethical integrity standards and independence, in order to capacitate them to fight properly in societies with systemic corruption.

- Follow up question: do you think it is possible to overcome the power of the incentive system in place? If so, how?

Serbia is a good example of a society that grew out from a conflict, like Bosnia and Herzegovina. What happened in both countries after the conflict period, was that all of a sudden in the judiciary sector, for judges and prosecutors the salaries were increased to double overnight, and there was the idea that this would contribute to incentivize them to be independent and the holders of the reform, reinstating the justice and trust. However, there was no accountability mechanisms, and no merit-based promotion system in place,

even though soft measures would contribute to have a proper oversight process under those circumstances. Accountability and transparency mechanisms are necessary, without them the incentives are not enough.

There is a need to focus on the professions that are moving this process forward: how to incentivize them to become role models within the group that they are working, recognized in that sense, promoted and respected within their profession and society. Additionally, we could consider the theory of the whistleblower system (in place, for example, in the USA, where whistleblowers are protected and rewarded for information on corrupt activities). The Law on Whistleblowers Protection in place in Serbia, (even if different, since it has to be taken into account how it is perceived in a particular culture) does not offer financial rewards but it works, it produces a lot of inside information (the majority of the disclosures come from inside the system) and protects the person acting as a shield against retaliation, which in post conflict societies with economic instability and a 30 percent unemployment rate, is the best incentive, to protect them from losing their job and provide economic security.

Finally, conflict resolution and peace building in a post-conflict society, when it means support of the international community as relief for conflict areas, has to be tackled from the angle of corruption and transparency, since it influences its perception by the society, and they need to protect the standards they're trying to set. That is why, for example, the UN has integrity measures, whistleblowing procedures developed in detail.