



Centre for socio-economic studies  
'Populari'

The impact of economic development  
and corruption on  
peace building



# What it means?

- Peace building:

‘all measures taken to prevent the renewed outbreak of violence and to create the conditions for self-sustaining peace after a conflict’



# Corruption..

‘the abuse of public power for private  
benefit’

World Bank

# Example 1.

- Money indented to peace building ending up in private pockets of current political elites. Bosnia--(Dragan Covic. Finance minister in FBiH, indicted for misuse of the office for the material gain for himself and others, amounted to 1.736.878 KM from the Federation budget.

# Example 2

- One charge included the theft of \$450,000 in relief aid from Saudi Arabia, which was supposed to buy feed and farm equipment, but instead was allegedly given to the local town Mayor's brother to start a bank.

# Bulgaria 2008

- Veselin Georgiev-man in charge of Bulgarian roads, had granted contracts worth hundreds of millions of euros to a company of his brother. The EU Commission froze 144 m euros for farming and road improvements and he resigned.

# Italy 2008

- Ottaviano Del Turco, former finance minister in Amato's government and center-left governor of Italian region Abruzzo has been taking bribes on a scale of 15 mil euros.

# Bosnian statsics IT

- The economy of Bosnia and Herzegovina is 53.7 percent free, which makes it the world's **121st** freest economy. Bosnia is ranked 38th freest among the 41 countries in the European region, and its overall score is well below the regional average.

# More stats..

- **Business Freedom - 56.1%**
- **Trade Freedom - 79.8%**
- **Fiscal Freedom - 73.7%**
- **Freedom from Government - 48.3%**
- **Monetary Freedom - 76.6%**
- **Investment Freedom - 50%**
- **Financial Freedom - 60%**
- **Freedom from Corruption - 29%**

# Perception


- **Freedom from Corruption - 29%**

Corruption is **perceived** as widespread according to Transparency International's Corruption Perceptions Index for 2008. Judges typically request bribes and respond to pressure from public officials. The business registration and licensing process is particularly fragile to corruption.



# What else..

- Media attention matters too.
- “ it would be impossible for an historian to write a history of political corruption in the United States. What we could write is the history of the exposure of the corruption” (Walter Lippman, 1930).



# Alternative definitions/Corruption

- Corruption creates perception/image, that leads to the appearance of the state.
- The way people talk about corruption is more telling about the state of the society, than corruption itself.

# Implications

- Investors more cautious, that causes long term effects to **economic development**.  
Those who dared faced success.  
(Raiffeisen, Etf group-Doboj success story)



# Communism

I know someone, who knows someone, who  
will know someone...

# Countries in transition

- from war to peace, communism to democracy,
- from rural to an urban population
- Communism (bribe was just another way to say thank you-economy of favors, socially acceptable)
- Democracy (everything is considered to be a bribe-socially unacceptable).

# Better now?

- In communism, corruption was centralized, hence it was sufficient to bribe the boss.
- In democracy, there are many independent monopolists, hence “food” chain becomes greater. (Krastev 2001)

# UN report on the Balkans

The Balkans, once known as a hotbed of crime and violence amid wars in Yugoslavia and the transition from communism, have become one of the safest areas in Europe, a United Nations report said.

While the report has been enthusiastically embraced in the Balkans, some analysts said the region still had a long way to go to **shrug off its reputation as a center for lawlessness.**

# Romania 2008

- The newly elected President Mikhail Saakashvili declared corruption his main priority. To demonstrate his resolve to combat corruption up to the higher levels he targeted top officials.

# Anti-corruption measures

- The chief of Georgian railways, the former energy minister and Shevardnadze's son-in-law were arrested and charged with tax evasion. However, Saakashvili was accused of acting on political grounds and of obstructing the judicial process, as officials eventually paid money to be released in a rather non-transparent procedure.

# Police

- 15.000 officers were fired-another drastic step of the government and has been so far the most visible success in the government's new policy. Car-drivers are no longer stopped and asked to pay bribes by policemen at improvised road check points.



# But...

- However, it soon became clear that the fight against corruption would require more than spectacular measures, hence a complete system change and wide ranging institutional reforms.

# Let's talk governance

- To develop judicial parliamentary practices and procedures -transparency and control;
- To make public contributions to the funds of political parties;
- To ensure the application of laws against **corruption**, in order to make sure that the authority of the law is applied firmly, impartially and without exception.



# A steering wheel...

- Bold vision,
- Uniformed goal,
- Rule of law,
- Investments...




# The challenge: Changing the dynamic

- Corruption could not be separated from a wider range governance reforms.
- No genuine “reformists” like in CZ and PL in early 1990s/
- Civil society and media being largely in tone, with no factual finding critique.
- Corruption cannot be explanation for all the failures and disappointments.



# Think..

- About stories you can tell about the corruption and how they serve as an example.
- Think about the way to fix them and instruments to be used.
- Set the criteria/when corruption surfaces?

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- Thank You!
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  - Sarajevo