

By Dino Jahić and Azhar Kalamujić\*

Bosnia and Herzegovina (BiH) remains a failed state that has yet to apply the rule of law to a corrupt political system whose members act with impunity. Yet 2009 brought some hope for the future. Government agencies made some progress bringing charges against a few high officials, and several anti-corruption investigations were initiated.

The Serb Republic (RS — *Republika Srpska*), the Bosnian Serb political-territorial division of BiH, remains the most problematic part of the country. Acting as the private posse of Prime Minister Milorad Dodik, the RS government continues to be thoroughly corrupt, non-transparent and generally combative toward both the international community and its fellow political-territorial entity, the Federation of Bosnia and Herzegovina (FBiH).

The political situation remains complex and some levels of government are hardly functioning, but the public has become more vocal in pushing for change.

#### Corruption in all spheres of society

The country still hasn't progressed much in the fight against corruption, according to research carried out within Transparency International BiH's (TI BiH) project Promoting Anti-Corruption Reforms. The study also found that what anti-corruption activities do exist are uncoordinated and lack any genuine political will or a systematic approach.

"BiH has not made any progress implementing anti-corruption reforms and, according to our surveys, is unfortunately perceived as the most corrupt country in the region," says Emir Đikić, head of TI BiH's board of directors.

BiH is also well behind in its bid to join the European Union (EU). The country has failed to implement many of the legislative changes designed to conform to EU standards, some of which relate to corruption efforts, and it has not made significant progress implementing its own National Anti-Corruption Strategy and its 2006 Action Plan.

Citizens agree that BiH is corrupt. Other surveys by TI show that people believe corruption is most present in the privatization process and within political parties. Respondents said they were most often asked for bribes by doctors or medical personal, the police and university professors.

A survey conducted by another nongovernmental organization, the Center for Civil Initiatives (CCI), also indicates that people believe a high level of corruption exists, especially in the health and education sectors. Nearly half of respondents said they had witnessed corruption in the health sector.

“The analysis shows that corruption is becoming a model of behavior that is treated as though it weren’t a social evil but rather a fact,” says Majda Behram Stojanov, CCI spokesperson. “Through corruption, one can obtain certain privileges and a better position in society.”

### Massive patronage system

At the heart of corruption in BiH lies a massive patronage system, which is orchestrated by the leading political parties and controls most aspects of governmental life. Municipal and state-level patronage involves governmental, state and even private businesses.

Whether it’s business permits, privatization, tenders or building permits, the patronage system allows political bodies to extend favors and earn money. Private citizens not connected with a local ruling party must use bribery to access the system. Because the system operates at such a local level, efforts to curb the patronage system by the international community have been largely irrelevant.

BiH has done little to nothing to reign in corrupt public officials. Election law does not provide adequate mechanisms to determine whether elected officials acquired their wealth illegally, and the Conflict of Interest Law allows officials who break this law to complete their term in office. Asset-reporting laws are regularly ignored without any penalty.

Government agencies also have been inefficient in fighting corruption. The last study conducted by the Global Corruption Barometer evaluated BiH as among the countries with the most corrupt political parties in southeastern Europe. Legislation, the economy, media, education, the judiciary, the health sector, police and the tax office were described as very corrupt. According to this study, BiH legislative power, media and police are the most corrupt among the same segments in southeast European countries.

### Politicized media

Most mass media are owned or strongly influenced by politicians, political parties, wealthy businessmen or organized crime figures, which limits media organizations' effectiveness. Exceptions do exist, but media face significant problems.

Journalists who report on sensitive issues are pressured by both threats and physical assault. Reporters also face difficulties obtaining information about politicians and large companies, especially in the Serb Republic. Despite a freedom of information law, the RS government has systematically ignored public-records requests with impunity.

The government considered amending the Freedom of Access to Information Act in 2009 to include a fine — ranging from 1,000 to 15,000 KM (US\$732 to US\$10,980) — if agencies ignore requests. Responsible employees would be fined between 200 and 5,000 KM (US\$146 and US\$3,660). Whether this amendment will pass and lead to improved information availability is not clear. Many agencies are likely to continue to deny information to journalists.

Despite the many problems they face, journalists have reported on important corruption issues. Among other things, reporters discovered that millions of convertible marka from the RS credit program, which was set up to help develop the local economy and create new jobs, ended up with foreign companies in offshore accounts. Some of the biggest loans, amounting to 5 million KM (US\$3.7 million), were given to companies with strong political connections. RS Prime Minister Milorad Dodik played an important role.

#### Positive efforts to fight corruption

There were some significant efforts to fight corruption in 2009. In the Federation of Bosnia and Herzegovina, financial police filed a criminal report with the Canton Sarajevo Prosecutor's Office about officials from the FBiH Development Bank, including Ramiz Džaferović, the politically connected director. Police allege that bank officials misused their authority by granting loans in a dubious manner, even to companies that did not meet all the requirements.

Police also allege that bank officials embezzled bank funds and that some employees benefited financially from the banks' actions. For example, loan applicants were asked to provide audited accounts with their application. In a great number of cases, they used a private audit house

owned by Džaferović. Prosecutors have yet to take any action.

(In 2000, the High Representative for BiH, Wolfgang Petritsch, had removed Džaferović from the head post at the FBiH Tax Office and from the board of directors of the Payment Bureau for unprofessional conduct, tax evasion and other charges. He was banned from public office. He became the director of the Development Bank after the ban was lifted in 2006.)

Even in the RS there have been partial successes. The RS Special Prosecutor's Office brought charges against nine persons who played a key role in the privatization of 72 companies. Among other things, prosecutors determined that the privatizations were fixed, that privileged bidders ended up buying the companies and that people from the privatization audit commission were involved in these irregularities. However, the court issued a legally binding decision that no crime was committed.

Another case got a lot of public attention in February when the State Investigation and Protection Agency BiH filed a report with the State Prosecutor's Office against Milorad Dodik, RS prime minister. The investigation started in 2008 after auditors alleged misuse of procedures in granting contracts for the construction of government buildings and a highway, and special treatment of Integral Inženjering, a company close to Milorad Dodik. As another bidder's complaint alleged, Integral Inženjering failed to meet all the requirements of the tender because the company had never built a highway. Indeed, the company has not only missed all major deadlines but costs have skyrocketed, making the new highway one of the most expensive in Europe. The report accuses officials of fixing tenders and charges Dodik and others with misuse of official position or authority.

The report also challenged the process that led to high prices being paid for furnishings — including \$1,200 garbage bins, \$800 ashtrays and a \$32,000 conference table — for the RS Administration Center, the new government edifice built by Dodik's administration.

Another positive step in the fight against corruption was taken in April when charges were brought against former FBiH Prime Minister Edhem Bičakčić (1996-2001) and his deputy Dragan Čović. The two were charged with conspiracy to use taxpayers' money to provide housing for their colleagues and political associates.

According to the indictment, Bičakčić, Čović and others secretly approved a 7.8 million KM (US\$5.7 million) budget expenditure to buy or renovate 64 expensive private houses and apartments. They then gave the residences to their political associates, some of whom privatized them and paid for them with worthless or nearly worthless vouchers. Even Nedžad Branković, FBiH prime minister from 2007-2009, was charged with buying an apartment on Ciglane with vouchers whose market value amounted to only 900 KM (US\$660).

Whether Bičakčić and Čović will be convicted is not clear. Few major politicians have been.

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