By Svjetlana Celic

In a small grocery store in Sarajevo, six women sit dejected. Their shop, despite being very successful, must close, and they will lose their jobs as clerks. The city, which had rented the store to a local family, decided to privatize the space. The new owner is a politically connected businessman with close ties to the Party for Democratic Action (SDA — Stranka Demokratske Akcije), which controls most of Sarajevo. The old owner tried to bid but, in short order, was told he lost. No public bidding was announced, no results were posted, and there is no right to appeal.

“This is Bosnia,” explains one of the clerks.

Political parties have systematically consolidated their power at the municipal level, and now they control everything, from who owns what shops to who serves as police officers, to what information is known. When a reporter from the Center for Investigative Reporting in Sarajevo recently asked for land records of family members of the prime minister, not only was she told there were no records (there were), but she got a message from the prime minister asking that she ask him directly.

While Bosnia and Herzegovina has always been corrupt, the past year has seen some important developments. The introduction of new parties to the governing coalition in the Croat- and Bosnian-controlled Federation of BiH (FBiH) and the landslide victory of the Alliance of Independent Social Democrats (SNSD — Savez Nezavisnih Socijaldemokrata) in the Serb-controlled Republic of Srpska (RS — Republika Srpska) have led to new privatizations, all marred by serious irregularities and a lack of transparency. The handing over of key ministries to new political parties has led to allegations of corruption.

Most experts believe BiH is in crisis and that no progress has been made this year. Government efforts to combat corruption have been almost nonexistent, and the justice system has not indicted any politically connected individuals or major crime figures. It has become, in the words of one report, “a criminalized state.”

The past year has seen a continued trend toward consolidation in the media sector, which has weakened it as an anticorruption agent. The newspaper Oslobodjenje was sold to a successful and politically connected businessman. That leaves all Sarajevo daily newspapers in the hands of only two politically oriented businessmen. The only independent newspaper in the RS, Nezavisne
Novine in the city of Banja Luka, has not scrutinized the ruling SNSD party, possibly because of the close relationship of the owner and party leadership.

Organized crime continues unabated. BiH remains a significant transhipment point for drugs from Afghanistan and Iran, and robust trade continues in illegal arms, human trafficking, cigarettes and gasoline. Corrupt customs officials, police and high-level politicians all are involved.

Political corruption has long been endemic, first under the notoriously corrupt Ottoman Empire, then in the former Yugoslavia, where government officials operated a black-market economy because of the stifling inefficiency of the state, and finally, during the war, when arms had to be smuggled around both U.N. embargoes and enemy states. The Dayton Peace Agreement instituted an unworkable government structure that is redundant and confusing. For instance, BiH has three prime ministers and 13 ministries of education. Attempts this year by the international community to adopt a new constitution failed.

In the past year, the SNSD won the elections in the RS and has taken over most elements of government. It has placed loyal party members in governmental positions throughout the RS, building a strong grassroots network. It has been a tradition that party loyalists make small changes in regulations, policies and laws at the lowest level of government, which has the effect of destroying transparency and accountability.

“In the RS, absolute power resides at the hands of SNSD, and I’m not sure that they are prepared to give all requested information, both to reporters and the NGO sector,” said Srdan Puhalo of Banja Luka-based Partner, a polling firm. “I think they shrewdly doctor information and inform the public in the way that suits them, thus giving off an impression of supposed transparency. To be sure, there are few who dare to ask for records on anything that might potentially put the authorities under scrutiny.”

Over the past year, the SNSD government has sold off many of the RS’s best assets without public bidding or in irregular privatization deals. These include the state phone company, refinery and tobacco factory. Significant public-works projects were also unilaterally negotiated and awarded without public bidding to private companies.

In the FBiH, it is much the same. State industries continue to be gutted by political parties, and privatizations are seldom transparent and without serious irregularities. Following the model commonly used in the region, state
companies are stripped of assets and profits through financial manipulation, while their debts and responsibility to workers are dumped on the state.

An example of irregularities is the ongoing privatization of BiH’s largest exporter, Aluminija Mostar. The privatization of the large aluminum smelter featured the tender commission inventing a new way to privatize the company that is not outlined in any known law. All of this has taken place in a series of secret meetings involving government ministers but no representatives from the Agency for Privatization (PF — Privitizajica u Federaciji).

“This is unheard of. A minister cannot just put a company on sale. This should be carried out by the independent body mandated by the Parliament, which is the Agency for Privatization. While I was the director of the agency until 2000, nothing like this could have happened, and that is why I was replaced,” said Dr. Stijepo Andrijic, former director of the FBiH Agency for Privatization. Despite his public outrage, no investigation or audit has been started by any government agency.

Corruption is also easy to spot in the energy markets, border service, railroads, and the oil and gas business. Most of the corruption involves bribery by organized crime figures or politically appointed managers stealing company assets. Almost no state company or agency has adequate records and bookkeeping to track thefts. Attempts to implement accounting systems have been marginally successful. The financial police in BiH are competent, but they have no resources and no governmental support. Like auditors, their damning reports are ignored.

A number of organizations should be addressing the corruption problems.

Under the Dayton agreement, the Office of the High Representative (OHR) has the power to exercise significant control in BiH, although it often fails to do so. This year saw the change in power from German politician Christian Schwarz-Schilling to new representative Miroslav Lajcak. The ineffectual Schwarz-Schilling was a hands-off representative who initially downplayed corruption. OHR no longer has the resources to effect serious change, so instead it focuses on broad political initiatives and war crimes. Unless OHR dedicates more attention to the pervasive political corruption, it risks allowing the undoing of 12 years of international and local efforts to build democratic institutions.
The people clearly believe their country is corrupt. Billions in international aid have been spent, yet a 2006 survey by the GfK Group, a market researcher, found 58 percent of Bosnian citizens polled said that “corruption is inherent to the society.”

Several anticorruption strategies have gone belly-up because of the lack of institutional responsibility, collaboration and political will.

“This is understandable if the situation is seen through the prism of benefits which local politicians wield over their feudal, nontransparent and self-governed territories, practically without accountability to no one in the way they use economic and financial resources at their disposal,” said a report from Transparency International.

Politics has intruded into the courts as it has into every aspect of life. Over the past year, cases against high-level politicians or organized-crime figures have ended in acquittal, reversal on appeal or escape from custody. In the past year, prosecutors have not brought indictments against any major political figures. Citizens are getting a clear message that their courts will not hold the political elite accountable.

A special department for organized crime run by an international prosecutor in the state court of BiH faces an overwhelming workload and limited resources. An important organized-crime case was dropped in the past year because the prosecutors could not afford forensic accountants (auditors trained in investigation). The RS also has a special prosecutor’s office for combating corruption, but it has only acted against former officials of the former government who now oppose it.

“This definitely fuels suspicion that those (cases) are a form of political showdown, not a sign of a sincere fight against corruption,” Puhalo said.

Prosecutors cannot depend on police or other law enforcement agents to investigate complex cases because they are unskilled, poorly funded and politically influenced. Police have had their hands full with combating a breakout of petty crimes perpetrated by a legion of new drug users.

The one area of hope is in the NGO sector. Transparency International has consistently raised the issue with the government, sought consensus and provided important research data that has furthered understanding. Some media organizations continue to expose corruption, even though the sector as a whole is moving backwards. Brave
citizens and some public officials continue to file complaints, often at personal risk. But the Bosnian government is not a partner, and the finger should be pointed at the party leaders who value political self-preservation and personal gain over building a truly workable democratic government.