

## **Report for the media for 2005.**

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Establishment of the rule of law, functional and self-sustainable government structure, with full authorizations transferred by the international community, present the key challenges that are still before Bosnia and Herzegovina. When we talk about the fight against corruption and organized crime, the Transparency International Bosnia and Herzegovina (TI BiH) evaluates the year of 2005 as the year of insignificant progress. In spite of this evaluation, constant lack of political will for systemic and organized fight against corruption follows the entire post-war period, as well as the year of 2005. High degree of corruptness of political elite, and their connection with organized crime can be characterized as key cause of lack of significant results in the fight against corruption.

The significant step forward in the year of 2005 was signing of the Convention of United Nations against Corruption (UNCAC). The initiative for signing the Convention began by TI BiH in November 2004 and it was necessary a period of one year of hard work on lobbying and persuasion of the representatives of power on the significance and need of its signing. In a positive sense, the work of the Prosecutor's Office of BiH, the Court of BiH as well as Special Section for Organized Crime and Corruption on prosecution of significant number of cases in which former and present officials are involved, should be emphasized.

Two global researches of Transparency International (TI) comprised BiH this year. Global Corruption Perception Index (CPI) in 2005 included 159 countries, classified from the least corrupted, till the one in which corruption entered all society levels in the largest extent. After the fall from 70<sup>th</sup> position in 2003 to 82-84<sup>th</sup> place in 2004, in 2005 BiH again was classified in the countries where the corruption is in increase, reforms are slowly implemented, and property transformation was marked with slowness and inefficiency. BiH is sharing 88-96<sup>th</sup> position, which is, after former 82<sup>nd</sup> place, objectively discouraging result and points out to constant lack of vision and strategy in the fight against corruption. The sum of the points of BiH is only 2.9 out of possible 10, which classified us into the most undeveloped and the most corrupted part of the world. Having in mind the significance of this research for risk evaluation during foreign investments, the message sent by the authorities to the foreign investors is clear and unambiguous. The fact that all the countries, that recently became members of the EU or have that as the development aim, are in front of BiH, is a clear indicator that there is still lot of work waiting in that field.

Global Corruption Barometer presents the research by which 69 countries are comprised and has the aim to evaluate the most corrupted institutions and the influence it has on each country. Political parties are again assessed to be the most corrupted institutions in BiH, and over 70% of the examinees think that corruption has enormous influence on political life of the country. This research additionally confirms the apathy and pessimism of the citizens because more than 40% of the examinees declared that they are expecting increase of corruption level in the

forthcoming period. More than 50% of the examinees think that there are also the types of corruption that unfavourably influence business environment, which for BiH has catastrophic implications for the inflow of foreign as well as domestic investments.

During 2005 Transparency International Bosnia and Herzegovina (TI BiH) has successfully implemented 4 big projects and a few smaller ones, with donor support of the Government of Finland, Canada and Germany, the European Union and the Open Society Fund, working together with the people and institutions, contributing to the strengthening of building of institutional capacities and at the same time with the people in situations in which those institutions have proved to be inefficient. Analyzing the position of corruption on the basis of findings and results, projects and researches, we can conclude that corruption, as an occurrence, is most explicit at local (municipal and cantonal) level. This kind of state is conditioned by the fact that the biggest number of contacts with the state administration people have exactly at the local level. The economic cost price of corruption is certainly bigger at higher levels of authority. The criminal trace of affairs which is especially related to managing of public finances, work of state owned companies and the process of privatization in most cases leads to the highest authorities. It could be concluded that the biggest number of these affairs could not occur without direct engagement or paternalistic relationship of highly ranked officials.

When we have in mind the fact that the key functions in privatization agencies/directorates as well as the managing boards and other managing positions in state companies have personnel whose main qualification for performing of those duties is exclusively party affiliation, we get the answer to the question of who benefited the most from privatization up until now. The change of owner structure of state companies or banks for 1 euro without previous evaluation, or without legal verdicts by which that act is annulled, with death threats even to highly positioned officials, racketing and extortion are just some of the examples of a big number of irregularities which have characterized the course of privatization up to now. What is more worrying than any of those occurrences is the fact that these occurrences in the huge majority of cases did not get the answer from institutions.

The delay of privatization of so called strategic companies causes huge damages to the country considering the state and way of their work. Public state owned companies in most cases have a monopoly in the activities and on the territories in which they do business, but besides that still record multimillion losses. The consequences of such a state are exclusively endured by the people, which other than paying for bad quality and expensive services which are provided by public state owned companies, also pay through subvention of losses of state owned companies by budget funds. An effective and transparent system of public acquisition is not always established, so during the past year many cases of breaking the law have been registered. Positive effects of the new Law on Public Acquisition are still not visible considering the delay in forming of institutions which are foreseen by law.

The work of the Revision Services of the Public Sector needs to be pointed out, because it has, by professionally performing jobs from the domain of its authority, made possible the uncovering of a big number of nontransparent and illegal activities. A significant number of journalistic research contributions about the mentioned themes has made possible for these occurrences to be in the center of public attention, which represents a good path to creating a critically inclined public opinion.

Within local authorities, people have had the most complaints about the transparency and integrity of the inspection authorities (construction, market and working inspection), but a part of those complaints is also related to the way of bringing decisions in local representative bodies, in a way that a small number of local moguls brings and implements decisions in their own interest. In that sense, possibilities for more effective monitoring of work of local administration authorities need to be considered, considering the prominent occurrence of orchestration of these authorities contrary to law but for the purpose of accomplishing own interests and to the detriment of general interests. The reform of the public administration and rationalization of administration costs from current approximately 70% of total budget revenue, represents a strategic priority.

Quoting the areas in which corruption is especially prominent, the areas of health and education certainly cannot be left out considering the devastating consequences which corruption causes. This year's TI Global Corruption Report was dedicated exactly to the corruption in health. This report also contains recommendations which could be very useful for BiH considering the size of this problem in the country. The situation in education which is burdened with a very bad financial situation is additionally worsened by the big presence of corruption and unlawful disposal of budget funds intended for education. As key reform for the establishment of the rule of law, the reform of the legal system has given positive results. However, there is still a lot that needs to be done, primarily the solving of accumulated files and elimination of political influence on the work of the legal system. An occurrence which deserves to get attention is the practice of not respecting legal verdicts even by state authorities. TI BiH has through media appearances as well as through regular reports continually warned about the institutions and occurrences which have gotten out of the rule of law and transparency.

Acknowledgement and confirmation of successful and quality work but also significant contribution to activities of global acting of TI, TI BiH won this year's elections for international board of directors TI, in which the chairman of the board of directors TI BiH Boris Divjak was selected for the Board member.

By resuming the activity of TI BiH in 2005, we must not omit the evaluation of the surroundings in which civil society in BiH is acting. Problems that the civil society organizations in BiH are facing with, are a great deal conditioned by non-recognition and non-understanding of position and role of civil society in democratically arranged states by the representatives of power. TI BiH, in addition to anonymous threats, was marked by some state officials as organization that works against the interests of the country and damages the reputation of the country, and there were also cases of threat by undertaking measures against TI BiH. Considering that these were the cases of completely unargued and crude assessments, TI BiH asked for official position of the Council of Ministers about such statements, but this was not realized.

Instead of the conclusion, it can be stated that the condition for success of all reforms is the fight with organized crime and corruption, as well as clear separation between the sphere of political activism and criminal activities.

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