

Corruption and its Impact on the Kosovo economy

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Abstract

Corruption today is quite a complex phenomenon in Kosovo, which is a serious obstacle for an efficient state. Today experience shows that corruption is bad and affects economic development. Corruption leads governments to intervene where they do not need, and this impairs their ability to formulate and implement policies in the areas in which government intervention is needed, such as: health, environment, welfare people and economic development in general. This paper will address the nature of corruption, its causes and its effects on the country's economic and social development.

Keywords: *corruption, development, economics, policy, process.*

Introduction

Corruption is a major problem for all countries of the world, especially in transition countries and Republic of Kosovo, and it is now doing well as a global disease.

Corruption is one of the main problems faced by many countries,¹ particularly developing countries and less developed ones as is the case of Republic of Kosovo, which is still in transition. According to the World Organization of the United Nations, corruption undermines democratic institutions, slows economic growth and governments become less stable, while the World Bank describes corruption as the main obstacle to economic development. Corruption is a major problem for the violation of human rights in the world, including Kosovo.

Scholars have made attempts to theoretically establish a link among corruption, political instability, and economic development. In explaining the connection between corruption, political instability and economic growth, for instance, Mauro (2000) described a scenario in which an individual politician sets a high bribe rate (Abu, Zaini, Abd and Aziz, 2015). Corruption causes the following crises: social, political, economic, etc. It undermines the state budget, hindering capital investment and other types, such as health facilities, education etc. Also, corruption is linked with the economy tenders in various capacities and political life in general which also affect social life by creating a government crisis. Corruption is even worse, especially when dealing with persons exercising public functions, and causes loss of hope citizens about their prospects and the country in general.

The attendant widespread corruption will have adverse effects on economic performance (that is, sluggish economic growth), leading to the collapse of the government. For example, corruption among government officials or bureaucrats

¹ Education against corruption, Manual for teachers, Project against corruption in albania (PACA), Tirana, September 2012.

reduces the amount of social services such as healthcare and education that alleviate poverty and inequality (Gupta, Davoodi, & Alonso-Terme, 2002) and therefore leads to social discontent, protests, strikes, and political violence (Abu, Zaini, Abd and Aziz, 2015).

In Kosovo, although the government has taken steps to prosecute and punish officials who commit violations, as in the security services also in other government sectors, but many senior officials are suspected to being involved in corruption and acting without legal penalties. Despite the establishment of various state agencies by the government, the presidency and other national institutions, as well as sustained efforts in combating this phenomenon, unfortunately, is a carcinogenic long-term economic development of the disease.

According to the assessment of international institutions, especially the European Union, it is among the main negative indicators in all areas of life in Kosovo. Employment of family members holding more than two seats, employees working in the public and private sectors, conflicts of interest, bureaucracy, the division of tenders party affiliation, judging by economic liberalism all these necessarily lead to possible economic crisis. Despite efforts and regional agreements, fulfilling the required conditions and standards, Kosovo has no right to move freely in the European continent. According to Transparency International corruption is defined as "the abuse of entrusted power for private gains, and as the abuse of entrusted authority for profit." While according to the World Bank: "Corruption is the illegal use of public resources for personal gain". The Kosovo Law on Anti-Corruption Agency, defines corruption as abuse of power or any conduct by public officials or other persons for the purpose of unlawful benefit, as well as to achieve favors or to make good for themselves or others.²

Corruption and organized crime in Kosovo economy

Public sector and businesses in Kosovo face difficulties and many problems of enormous growth of corruption and organized crime. Therefore the authorities are aware of the various challenges in the fight against corruption and organized crime that require further, as ineffective approach with many mechanisms in the fight against corruption, implementation Insufficient law, the lack of sufficient knowledge of public figures in the country's institutions to fight corruption, cooperation not just between the institutions of the central and local levels. Problems are of different nature and types, ranging from legal infrastructure, which is not in favor of economic development and domestic production, but is oriented to favor import of finished products from other countries. Therefore the private sector, especially the manufacturers are stuck, compared with that of services trade, which is advancing every day. Therefore, as soon as changes are made to the fiscal and economic policies, the situation in Kosovo will improve. When it comes to crime, we talk about a very broad term, spheres and sectors.

With the arrival of EULEX in Kosovo, people expect that there will be cases handling corruption cases.

² Law against corruption no. 03/L- 159.

These expectations have not been fulfilled, in order to encourage concrete actions in cooperation with local courts to be effective in terms of reducing and total prohibition of corruption in the country. Even the highest state institutions, starting from the Presidency, have organized various Task-force groups for the prevention of corruption, but still there are no signs to eliminate this phenomenon. Kosovo is faced with bribe money from businessmen. Individuals with power, then political parties and other interest groups have strong links with businesses in Kosovo. But if the relationship is voluntary and operates under the laws and ethical norms, it can be considered harmful to society.

Taking actions to fight corruption

To combat corruption and organized crime, Kosovo needs urgently an "anti-mafia" law, which regulates matters relating to the acquisition of wealth illegally and this is one of the main requests of the reports of the European Commission. Institutions have established institutional and legal framework to deal with this problem and they have updated many times this framework because of their constant failures. Significant steps in combating the phenomenon of corruption were taken, with the adoption of Law on Anti-Corruption Agency,³ Law on Declaration, Origin and Control of Assets and Gifts of Senior Public Officials⁴ and the Law on Prevention conflict of Interest in Public Functions.⁵

The Government has drafted two appropriate strategies such as: Anti-Corruption Strategy and Action Plan for 2009-2011,⁶ and recent Anti-Corruption Strategy and Action Plan for 2013-2017, approved by the Assembly of Kosovo,⁷ which is faced with delays approval for nearly two years. This is the basic document to fulfill the criteria required in order to progress in the dialogue on visa liberalization for Kosovo and is a prerequisite for the future. To fight against these negative phenomena in the country are approved and other legislation such as adoption of legislation for the prevention, investigation, prosecution and adjudication of corruption and organized crime, including money laundering, economic and financial crime, confiscation and return asset.

The legal framework for fighting corruption has been strengthened with the amendment of three laws: the Law on Financing of Political Parties, Law on Declaration, Origin and Control of Property of Senior Public Officials and Declaration, origin and control of gifts of all public officials, as and the Law on Prevention of Conflict of Interest in Public Functions.

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³ See Law in, <http://www.kuvendikosoves.org/common/docs/ligjet/2009-159-ang.pdf>.

⁴ See Law in, <http://www.assemblykosova>.

⁵ See Law in, http://www.kuvendikosoves.org/common/docs/ligjet/2007_02-L133_en.pdf.

⁶ Assembly of Kosovo, Plenary session on 12 october, 2009, <http://www.kuvendikosoves.org/?cid=2,159,2615>.

⁷ Assembly of Kosovo, Plenary session on 11 september 2013, <http://www.kuvendikosoves.org/?cid=2,159,4737>.

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These laws are in accordance with the provisions of the Criminal Code, providing that offenses related to corruption are criminalized. To complete the legal framework in the field of asset seizure, the January 14, 2014 approved the Administrative Instruction for the implementation of legal provisions regarding freezing, seizure and confiscation of assets. Then the policy framework has been further consolidated through the adoption by the Kosovo Prosecutorial Council (GCC) of the Action Plan for Combating Corruption, November 4, 2013.

Kosovo has so far made considerable progress in strengthening the legal and strategic framework in the fight against corruption and organized crime. The six major package of laws that entered into force on January 1, 2013 (Laws on Courts, State Prosecutor, Judicial Council, Prosecutorial Council, as well as the Criminal Code and Criminal Procedure) brought significant changes and deeper reforms in the system justice in Kosovo, as well as completing the legal infrastructure in the area of criminal justice and avoid legal gaps and shortcomings. In January 2014, the strategic framework in the fight against organized crime has been further strengthened through the adoption of the Strategy and Action Plan for the Prevention of Informal Economy (money laundering, terrorist financing and financial crime).

Is corruption an obstacle to foreign investment in Kosovo?

Kosovo as a less developed country, is in the first stages of economic development, is ugly from the everyday phenomenon of corruption. Presence of corruption in these proportions, reflects unfortunately the identification and study of this phenomenon. But despite the efforts of individuals and institutions that realistically represent this phenomenon in Kosovo, it is impossible, as in other countries in the Balkans and beyond. Recent reports, which are providing data to a high degree of corruption in Kosovo, to show negative signal for investment by foreign investors wishing to invest in Kosovo* ...this high level of corruption, but prevents the arrival of foreign investors in Kosovo, seen as the best potential for economic and sustainable development of the country without fighting this phenomenon cannot be expected to improve the economic situation in country. Investments large companies that want to invest in Kosovo, see corruption as a major and difficult problem solvable at the moment. Another problem is obtaining a permit for their activities, creating better conditions

for investors.

Perceptions of corruption are usually more negative than the current spread of corruption practices, and as such are not the main indicator of the level of corruption in the country.

However, perceptions are still being used as an important indicator for assessing corruption environment at the international level. Therefore public institutions in the country which citizens perceive as being the most corrupt are: Government, Parliament, courts, prosecution, the Privatization Agency, EULEX etc. The institutions that citizens feel that they are not corrupt or less corrupt are: KSF, police etc. International organizations overseeing the scale of corruption in the world, Transparency International (TI) has announced the list of countries ranked in terms of the scale of corruption, Kosovo is ranked in 95th place with score of 36 points among 176 countries of the world."

According to this evaluation, Kosovo is ranked as the most corrupt country in the region.

Table of Corruption Perceptions Index 2016

2016 Rank	Country	2016 Score	2015 Score	2014 Score	2013 Score	2012 Score	Region
90	Indonesia	37	36	34	32	32	Asia Pacific
90	Liberia	37	37	37	38	41	Sub Saharan Africa
90	Morocco	37	36	39	37	37	Middle East and North Africa
90	The FYR of Macedonia	37	42	45	44	43	Europe and Central Asia
95	Argentina	36	32	34	34	35	Americas
95	Benin	36	37	39	36	36	Sub Saharan Africa
95	El Salvador	36	39	39	38	38	Americas
95	Kosovo	36	33	33	35	34	Europe and Central Asia
95	Maldives	36	N/A	N/A	N/A	N/A	Asia Pacific
95	Sri Lanka	36	37	38	37	40	Asia Pacific
101	Gabon	35	34	37	34	35	Sub Saharan Africa
101	Niger	35	34	35	34	33	Sub Saharan Africa
101	Peru	35	36	38	38	38	Americas
101	Philippines	35	35	38	36	34	Asia Pacific

Sources: <http://www.transparency.org/country>

The Government has repeatedly emphasized that there is great commitment in creating a positive environment for attracting foreign investments. But in Kosovo are still not created a functional and legal mechanisms that could prevent the occurrence of corruption. Foreign investments in Kosovo during this decade, and specifically, after the Declaration of Independence, are regarded as an important tool for economic and social development. However, reports in the local and international organizations said that in the past three years, foreign investment has declined continuously.

Conclusions and recommendations

Corruption has a negative impact on the overall economic development of all countries in the public sector as well as in the private sector, and are a major obstacle to the investment of local and foreign investors in general. The fight against corruption is both costly and complex activity, because even requires human resources with specific skills and high degree of professionalism. It also requires maintaining a fragile balance between political support and independence that is not always easily accessible. Therefore, corruption is a problem that exists in almost all countries of the world, therefore, for this reason, all countries are obliged to strengthen and improve the strategic policies of institutions, legal norms countries and concrete and sustained efforts to combat and prevent greatly. Therefore, eight years after independence, the country is still regarded as still being corrupt. This is confirmed on the basis of national and international research and reports, and opinions of the citizens of Kosovo have the same impression about the level of corruption. This corruption is widespread in the institutions of central and local level, as well as Court institutions. Due to the enormous growth of this phenomenon, the country has problems with the membership in the European Union, because its fight is one of the main demands of the EU. Therefore we need for a stronger coordination among law enforcement bodies of political will to strengthen existing mechanisms and competent enough and efficient term.

At the moment, corruption is the hot topic in the country today, because due to the investigative work that was supposed to make on this subject, it must be recognized that there may be significant consequences related to this phenomenon enough expressed. Corruption was transformed into a complex phenomenon, because its roots lie deep in bureaucratic and political institutions, and its effect on development varies from country conditions. Although corruption is illegal activity, illegal and dangerous for any society which is carried by the misuse of official position, is more than a crime, because this is not just about individual incurrence but also collective. Among the recommendations of this paper is to raise awareness in the society about the growth and protection from corruption and continuing crimes made by businesses in Kosovo. Raising awareness of the society about corruption and crime will have a positive impact not only in Kosovo society but also in regional and international, since, unfortunately, Kosovo is ranked as one of the countries with the highest level of corruption in the region.

The need for the application of the Anti-Corruption Law in Kosovo society is very much needed; although according to the Government there are numerous adopted

laws and regulations that protect citizens from corruption and crime.

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