Statement of Srdjan Blagovcanin

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Thank you very much, Mr. Chairman, Thank you very much for this opportunity for me to speak on what I consider a very important topic:

There are a lot arguments to rightfully claim that corruption is the biggest problem today in Bosnia and Herzegovina.

Direct damage to the country reaches hundreds of millions of dollars disappearing from the budget due to corruption in public procurement and privatization. Indirect damage, due to a lack of investment caused by corruption, is difficult even to estimate.

The crux of the problem is political corruption, which involves the highest political and public officeholders. There are numerous well-documented corruption cases involving political leaders and top party officials.

Twenty years after the war Bosnia and Herzegovina remains a country completely captured by corruption, where it is virtually impossible to get any public service without having to resort to corruption. Most relevant studies clearly indicate that in recent years Bosnia and Herzegovina has not seen any progress in strengthening the rule of law and the fight against corruption and, as such, is among the worst-ranking countries in the region.

Corrupt political leaders hold sway over key institutions in the country. This allows them to use all the economic resources of the country in their own private interest.

How pervasive corruption actually is can be seen on an everyday basis. Due to corruption in public procurement, taxpayers' money – that is the money of the citizens of BiH – is used to procure goods, services and public works at prices that are severalfold greater than their actual cost.

The example of the two recently collapsed banks also reveals the ruthless extents of corruption, with total damage exceeding half a billion dollars. The two cases involve the highest public officeholders, and the indictments against them have not been brought yet.

Political control over the judiciary and law enforcement agencies allows corrupt leaders to be protected from prosecution. There are almost no cases of corruption that result in judgments of conviction. Political corruption is ignored by public prosecutors because of political influence.

The crux of the corruption problem lies in how political parties are organised. Devoid of basic intra-party democracy, they operate in a mafia-like manner. Their basic principle of operation is based on the distribution of the spoils. Their booty are budgetary funds, public companies and institutions. Political elites use clientelistic appointments as the main method of exercising control over institutions. In this way, political leaders create neopatrimonial-clientelistic networks which they use to run the country.

The real and almost unlimited power lies in the hands of a few ethno-political leaders, while institutions remain devoid of any content and are mere shells without any power.

The political leaders and the ruling political parties are therefore not interested in reform and European integration. They have learned their lesson from Croatia and Romania, two countries that had to tackle political corruption and prosecute their political leaders as part of their process of joining the EU. Therefore, the interest of political elites in the country is solely and exclusively to maintain the *status quo*. Any progress in reform implementation directly affects and limits their unbridled power and exposes them to criminal prosecution. Therefore, their strategy is to rhetorically accept reforms and advocate for the country's progress towards the EU, while in practice they only feign reform.

Pervasive corruption affects human rights and freedoms. Corrupt politicians turn a blind eye and a deaf ear to the criticism coming from civil society organizations and the media. Hence, cases of repression against the media and civil society remain widespread.

Corruption within institutions prevents citizens from accessing justice. A backlog of over 2 million cases, in a country of 3.5 million people, means that the judicial system is completely blocked in practice. Adjudication of disputes takes years to complete. Court rulings, even those made by the Constitutional Court, are not complied with unless they are in the interest of the privileged few.

The consequences of corruption are felt by citizens on a daily basis. Corruption exposes them to additional costs to pay for health, education and administrative services. Administrative corruption is part of everyday life for citizens.

Another consequence of corruption is the growing inequality, where the privileged few have access to all public resources, while the vast majority of citizens are deprived of access to public services.

Also, corruption undermines economic development of the country, trapping the majority of its people in poverty and depriving them of employment opportunities. For years Bosnia and Herzegovina has been among the worst-faring countries in Southeast Europe when it comes to attracting foreign investment.

The way the market is organized has a pernicious effect on the private sector. Privileged access to public tenders and privatization processes is reserved for cronies, operating on the principle that losses are "socialized" while profits are privatized.

Therefore, I want to reiterate what I said at the beginning of my talk. Corruption is the biggest problem in Bosnia and Herzegovina today. Without progress in fighting corruption it is not possible to make progress in the implementation of any other reform. It is impossible to reform the judiciary if it is corrupted. It is impossible to reform education if it is corrupted. Or public administration, or any other field for that matter.

How to make a breakthrough?

As Fukuyama rightly pointed out, all reforms are inherently political;[1] therefore it is about generating political will for reforms and not only strengthening capacities of the institutions. Leveraging and articulating the public's deep mistrust in the government through citizens' active involvement in decision making should be prioritized in order to avoid another wave of destructive protests like those of 2014. Past experience shows that simply calling on leaders to undertake reforms and to take responsibility is insufficient. Generating a genuine and articulated "internal demand" for reforms is key to achieving sustainable progress toward integrating the country into the EU.

[1] Fukuyama (2014).

A viable solution to the problem of political corruption must be found at the level of the political system. Which in this case means the democratization of the political system and, above all, the key actors of the political system, namely political parties. Reforming the way political parties operate and introducing intra-party democracy would create conditions for dismantling the clientelistic networks run by political leaders that have captured the country's institutions.

Furthermore, it would allow a wider range of people to influence the political processes and this would, in turn, lead to better articulation of the demand for change and reforms.

Another important aspect of the reform concerns the strengthening and reforming of the judiciary. The judiciary must finally assume responsibility for prosecuting corruption. For this to happen, it is imperative to ensure that it is independent in its work and free from any political interference. To counter political interference, it is crucial to ensure transparency in the appointment of judges and prosecutors.

The judiciary has to gain public trust. This implies that the work of the judiciary is based on the principles of transparency and accountability.

In any case, Bosnia and Herzegovina still needs strong international support in undertaking reform to strengthen the rule of law and fight against corruption. This also requires that the current EU reform agenda be expanded to include a detailed and specific plan for combating corruption and strengthening the rule of law.

Thank you very much again for the opportunity to serve as a witness at this hearing today.