

1 Introduction

Corruption is nowadays a widely discussed phenomenon, which, until recently, was on the very verge of economic research. Globalisation and raising awareness of negative impacts of corruption on socio-economic development have contributed to greater research and public interest on the problems of corruption. Seizing corruption in Croatia is a political criterion which needs to be fulfilled for membership in the European Union, but also a necessary prerequisite of economic welfare and social progress.

Until 1990s, there were very few empirical studies of the impacts of corruption on economic and social development. This was primarily due to a lack of systematised data on the corruption prevalence. Nowadays, international organisations develop and publish the corruption perceptions indicators for most of the countries in the world. The availability of data enables *benchmarking* of country position according to the perceived corruption prevalence. The most frequently used corruption perceptions indicators are the Control of Corruption of the World Bank¹ and the Corruption Perceptions Index of Transparency International.² Although the corruption perceptions indicators are subjective measures based on a surveyed prevalence of corruption as it is *perceived*, for the time being they are the only methodologically consistent databases for an analysis of corruption. For Croatia and other countries included in the international integration processes, international ranking according to corruption perceptions indicators reflects an external image of how the country is seen by the international community, political partners, business analysts and foreign investors.

The main hypothesis of this paper is that there is a high perception of corruption in Croatia, which is an obstacle to socio-economic development. While seizing corruption stands as the required pre-condition for Croatia's EU accession, combat

¹ *Control of Corruption* is one of the six indicators of good governance published by the World Bank for all countries in the world every two years. *Governance Matters IV: Governance Indicators for 1996-2004* <http://www.worldbank.org/wbi/governance/govdata/index.html>

² *Corruption Perceptions Index, CPI*, is published on an annual basis by Transparency International organisation for a large number of countries world-wide (CPI for 2005 was published for 159 countries). <http://www.transparency.org/surveys/index.html#cpi>

additional problem is an unequal treatment of the corruption deals and legality of its specific forms in criminal law in the world.⁴

In the widest sense, corruption is every abuse of rights or authority over the means or rights of others for personal profit or personal gain (Burak et al., 1999), and it can be present in both the public and the private sectors. Today, the most widely used definition considers corruption as “the abuse of public office for private gain” (the World Bank, 1997). Accordingly, the corruption always involves the public sector, notwithstanding if corruption occurs within the public sector itself (for private gain of its employees) or if corrupt transactions occur between the public and private sectors.

The basic characteristic of corruption is that it arises from public authority and its discretionary power in decision-making. The most frequently distinguished types are political and administrative corruption. Political corruption is present among high government officials and politicians who are authorised to make political decisions, or who are entrusted with high powers which also result in a high responsibility for representing the public interest in discharge of duty. This is grand corruption, as opposed to administrative or bureaucratic corruption (*petty corruption*), which pertains to public administration employees responsible for the enforcement of decisions, regulations, and policy measures (Amundsen, 1999).

2.1 Political and Administrative Corruption Go “Hand in Hand”

The forms of political corruption are embezzlement in the political system of a country by political candidates and politicians, non-transparency of money flows in politics, enabling the private sector to buy political influence, corruption in electoral procedure, influence on the national judiciary to process inefficiently, and thus protect, criminal offences of corruption, influence on the legislative authority to legalise a preferential treatment for specific vested interests.

⁴ For instance, lobbying is a lawful profession in the USA.

frequent ones are embezzlement, theft, fraud and extortion, nepotism and cronyism, influence peddling, patronage and lobbying.

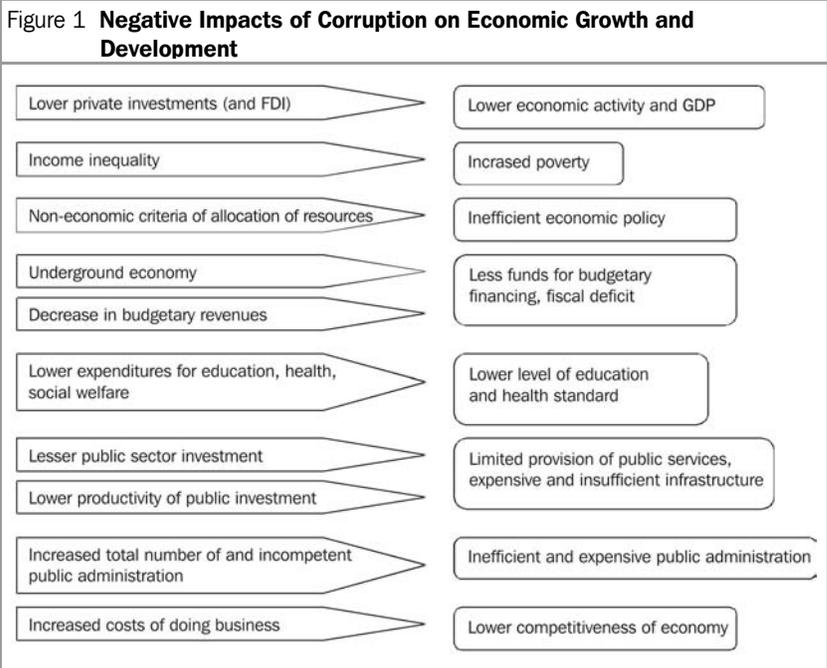
2.2 Negative Impacts of Corruption

Modern theories and empirical research agree upon negative impacts of corruption.⁵ Corruption acts as an arbitrary tax which increases costs and disrupts an efficient allocation of resources and fair distribution of income. Corruption increases income inequality and poverty. Corruption revenues are collected by the minority which becomes disproportionately richer, whereas vulnerable groups of population have too weak purchasing power to pay bribes (Hassan, 2004).

Corruption affects mostly the public sector, directly decreasing state revenues and leading to a number of indirect, but extremely harmful consequences. Those are primarily reduced financing left for education, health and social welfare, and for infrastructure (Tanzi and Davoodi, 1997). Corruption in the public sector is manifested in higher expenditures required for state investments, since it makes public procurement and contracts for the construction and maintenance of infrastructure more expensive, primarily transport infrastructure. Given that corruption activities are performed in high secrecy, corruption makes it easy to change the priorities in public investments from the projects aimed at improvement of education and health to the projects targeting financing of defence or infrastructure, which are by nature less under public scrutiny (Shleifer and Vishny, 1993). If economic policy makers are corrupted, the selection of priority development areas depends on their rent seeking, instead of the criteria of development of the national economy and progress in general. Economic policy is less efficient in a highly corrupt environment (Jain, 2001).

In a country with high corruption prevalence, the society strives towards drawing income from rent seeking instead of increasing the productivity. Public administration becomes impotent in discharging its functions and the state loses

⁵ Some theories in favour of corruption stress the function of corruption as “a greasing wheel” in the conditions of inefficient public administration (Leff, 1964). However, those benefits are surely less than adverse consequences of corruptive activity in disrupting market-based allocation of resources and income in the society.



Source: Author's compilation, Lacko (2004).

It is, therefore, not surprising that countries are trying to combat corruption with a number of anti-corruptive policy measures. However, before looking into the fight against corruption, the presence of corruption in Croatia will be discussed.

3 Perceptions of Corruption in Croatia

Since an analysis of corruption always starts from the perception of its prevalence, the incidence of corruption in Croatia will be reviewed from three different, mutually complementary aspects. The first one indicates the “external” perception of the level of corruption in our country and includes an analysis of the relative position of Croatia in relation to other countries.

Another aspect is the public perception of Croatian citizens. Subjective perception of citizens is, to a large extent, a reflection of anti-corruption awareness and, when

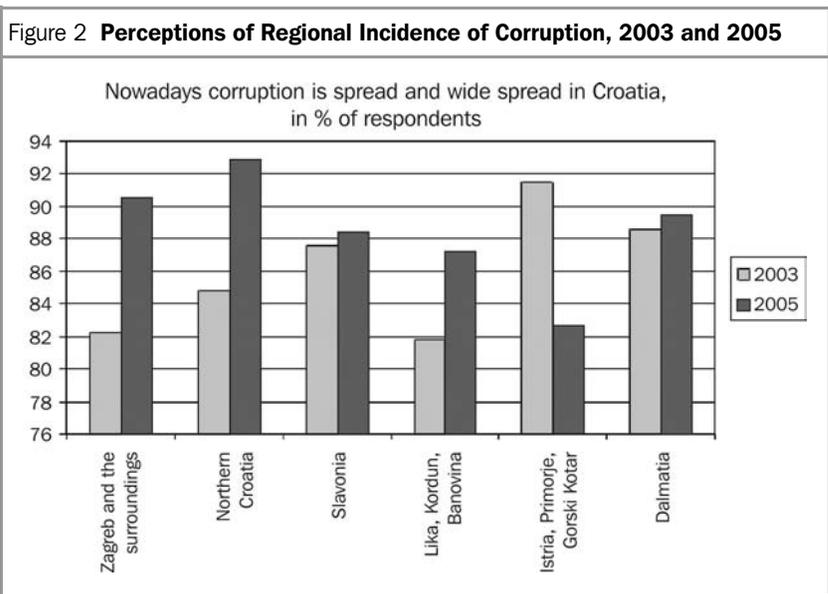
percent of countries were perceived as having a higher presence of corruption than Croatia. However, this change of Croatia's rank is a result of the expansion of the list, which each year included new countries with a higher perception of the corruption. Negative trends of the assessment of the corruption prevalence in a specific country, particularly expressed in comparison with other countries, affect the credit rating of a country, the image investors have about risks and costs of investments, the stability of economic policy, and most of all the rule of law and the political system of a country. Publishing of international indicators enables a comparison with other countries and affects the perception on the observed country. However, in that case it is not the prevalence of corruption that is assessed subjectively, but the indices of corruption are taken as an objective indicator for economic decision-making. Therefore, it is particularly important to recognise the characteristics of the corruption prevalence in Croatia, from the point of view of the perception of the population and entrepreneurs on its incidence and impacts on the quality of life and doing business in Croatia.

3.2 Croatian Public on Corruption

Croatian citizens rate the level of the presence of corruption in Croatia as high, as confirmed by a survey of 1000 respondents that Transparency International Croatia conducted in May 2003 and 2005. In a period observed, the perception of corruption prevalence has increased. As much as one-fifth of the respondents believe that corruption in 2005 was much more present than two years before. The citizens consider the lack of strict sanctioning of corruption and the lack of political will and incompetence of the government to prevent corruption as the most responsible for such a situation.

A large number of survey respondents believe that corruption is a particularly spread phenomenon in our country. While in 2003, 85.9 percent of respondents shared that opinion, in 2005 more than 89 percent of respondents considered corruption a spread and a wide-spread phenomenon. Higher perception of corruption was recorded with highly-educated population with higher income of households living in larger settlements. Regional perceptions of corruption indicated that between 2003 and 2005 a drop in the perceived level of corruption

was observed only in Istria, Primorje and Gorski Kotar, whereas at the same time the northern regions and Zagreb reached the highest level (Figure 2).



Note: Counties in the system of regions are the following: Zagreb and the surroundings - the City of Zagreb, Zagreb County; Northern Croatia - Krapina-Zagorje, Varaždin, Međimurje, Koprivnica-Križevci, Bjelovar-Bilogora, Virovitica-Podravina Counties; Slavonia - Požega-Slavonia, Brod-Posavina, Osijek-Baranja, Vukovar-Srijem Counties; Lika, Kordun, Banovina - Sisak-Moslavina, Karlovač, Lika-Senj Counties; Istria, Primorje, Gorski Kotar-Primorje-Gorski Kotar, Istria County; Dalmatia - Zadar, Šibenik-Knin, Split-Dalmatia, Dubrovnik-Neretva Counties.

Source: Transparency International Croatia www.transparency.hr, Corruption and Public Information, Opinions and Lessons Learned GfK - Centre for Market Research, survey, May 2003, May 2005.

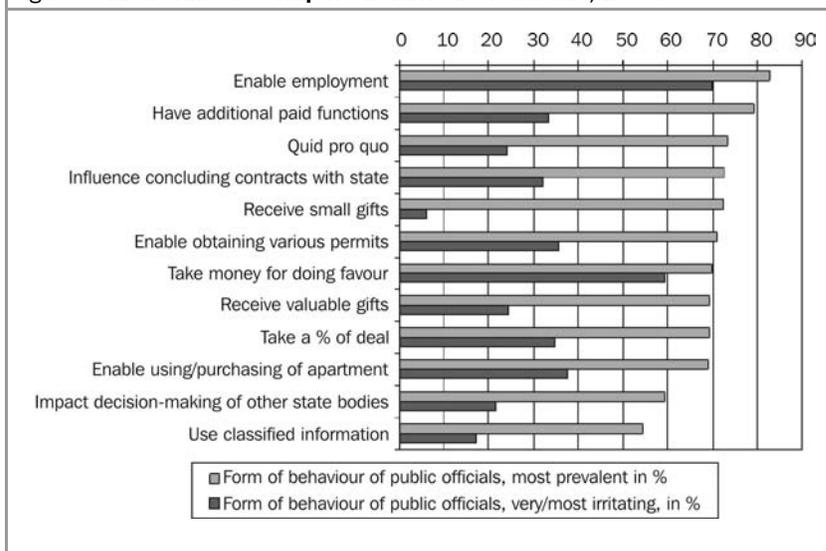
Ranked by the institutions in the public sector, corruption is the most present in the judiciary (80.7 percent of respondents) and health (79.7 percent). Those two sectors on the ranking list of the most corrupt institutions in 2005 surpassed the local government sector, which was rated as the area of the highest presence of corruption in 2003 (Table 2).

Corruption is spread and wide spread	2003	2005
Judiciary	70.0	80.7
Health	71.3	79.7
Local government; counties, municipalities, and cities	72.8	73.1
Police	57.7	66.3
Croatian Parliament	55.0	64.5
Privatisation Fond	57.6	63.9
Government	52.0	63.0
Faculties	54.2	56.6
Army	35.2	40.0
Elementary and secondary schools	22.5	27.8
Church	18.5	18.2

Source: Transparency International Croatia www.transparency.hr, Corruption and Public Information, Attitudes, and Lessons Learned GfK-Centre for Market Research, Survey, May 2003, May 2005.

In the public opinion, prevalent forms of corruption in Croatia are the “traditional” forms of corruption: nepotism, bribery and counter-favours (Figure 3). Although rated as equally present forms, receiving valuable gifts irritates the public considerably less than receiving money. Public is also concerned about corruptive behaviour of officials who have additional paid functions (such as membership in boards etc.), given that this form of corruptive behaviour could be fought relatively easily by legal regulations.

Figure 3 **The Forms of Corruptive Behaviour of Officials, 2005.**



Source: Transparency International Croatia www.transparency.hr, *Corruption and Public Information, Attitudes, and Lessons Learned* GfK-Centre for Market Research, Survey, May 2003, May 2005.

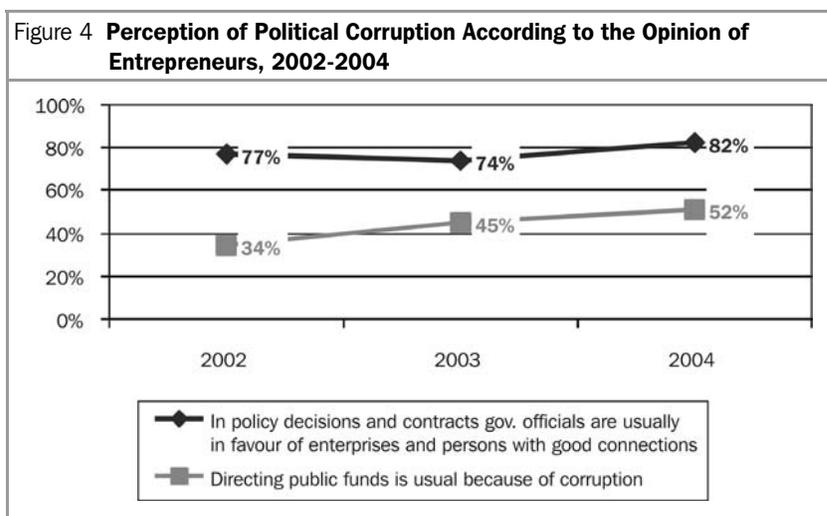
3.3 Corruption as a Barrier for Doing Business

Further analysis explore to which extent the business in Croatia is exposed to corruption by using the perceptions of corruption among the entrepreneurs of approximately one hundred small, medium and large enterprises in Croatia.⁶ Original results - responses to the questions related to corruption⁷ from the survey questionnaire *Executive Opinion Survey* for the annual *Global Competitiveness Report* of the World Economic Forum conducted in 2002, 2003, and 2004 were used.

⁶ The number of surveyed enterprises: a total of 124 enterprises in 2002 (23 small enterprises with up to 100 employees; 61 medium-sized enterprises with up to 500 employees; 40 large enterprises), a total of 109 enterprises in 2003 (45 small enterprises; 42 medium-sized enterprises; 22 large enterprises), a total of 109 enterprises in 2004 (63 small enterprises; 28 medium-sized enterprises; 18 large enterprises).

⁷ The National Competitiveness Council provided the author with the original results of annual surveys related to the selected questions from standardized questionnaire which pertain to the perception of corruption in Croatian economy. The author would hereby like to thank for data provided for research purposes.

Like in the previous analysis of corruption persistence and trends perceived by Croatian citizens, businessmen also believe that the corruption prevalence is growing in comparison with the period three years ago. The corruption perceptions, in particular of political corruption, are very high. Approximately 80 percent of entrepreneurs believe that the criteria in policy decision-making and awarding state contracts to specific companies are based on personal acquaintances with government officials. In this process small enterprises are most concerned with corruption in contracting of public investments and with the impact of corruption activities on laws and policy measures. One-half of the respondents rate as usual the distribution of public fund resources to enterprises or persons through corruption (Figure 4). Also, a high percentage of entrepreneurs (60 percent of respondents) assess that there is a link between financing of political parties through which one can obtain favourable policy measures in favour of donors.

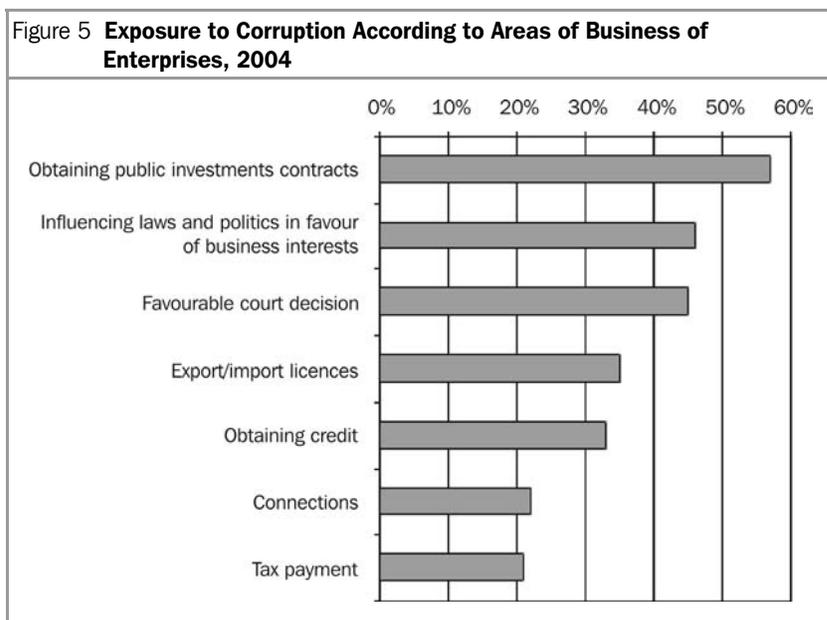


Note: Original responses to the question are assessments of a specific respondent to a provided scale from 1 to 7, with 1 signifying the highest proneness / usual practice, while 7 signifies the highest neutrality of government officials/it never happens. The calculated share of respondents represents the responses rated 1, 2 and 3. The total share was calculated by weighting the share of small, medium and large enterprises in the total number of responses.
Source of original data: Executive Opinion Survey for the Global Competitiveness Report of the World Economic Forum and the University of Harvard in Croatia, 2002, 2003 and 2004.

In 2004, enterprises in Croatia in their everyday business were exposed to or resorted to corruption mostly for the purpose of obtaining public investment

contracts (57 percent of respondents), to impact laws and policy in order to protect their business interests (46 percent), to obtain a favourable court decision (45 percent), and for the purpose of obtaining import and export licences (35 percent). In other words, Croatian entrepreneurs make informal payments most frequently to officials and public administration to get unlawful protection of their business interests or pay the bribe to get around the norms of the rule of law (Figure 5).

The assessed level of corruptive payments in the economy is up to 3 percent of the total annual income of an enterprise (25 percent of respondents), or between 4 and 5 percent of total income (14 percent of respondents). The level of fee perceived as necessary to get public contracts is between 3 and 10 percent of the contract value; 40 percent of enterprises believe that it is not necessary to pay a fee to secure obtaining a public contract (Table 3).



Note: Original responses to the question are assessments of a specific respondent on the provided scale from 1 to 7, with 1 signifying the response “constantly”, and the 7 response “never”. The calculated share of respondents represents the responses rated 1, 2 and 3. The total share was calculated by weighting the share of small, medium and large enterprises in the total number of responses.

Source of original data: Executive Opinion Survey for the Global Competitiveness Report of the World Economic Forum and the University of Harvard in Croatia, 2002, 2003 and 2004.

Payments of entrepreneurs required to ensure public contracts, in % of contracts					
Enterprise	0	Up to 3 %	4-5 %	6-10 %	More than 10 %
small	20	4.7	13	11.8	7
medium-sized	13	13	0	1	0
large	8.2	2.4	4.7	0	0
Total	41.2	20.1	17.7	12.8	7
Informal payments to public sector employees, in % of total income of entrepreneurs					
Enterprise	0	Up to 3 %	4-5 %	6-10 %	More than 10 %
small	33.3	14	9.7	1.1	0
medium-sized	16.1	6.5	3.2	0	0
large	10.8	4.3	1	0	0
Total	60.2	24.8	14	1.1	0

Source of original data: Executive Opinion Survey for the Global Competitiveness Report of the World Economic Forum and the University of Harvard in Croatia, 2002, 2003 and 2004.

It is not surprising that small enterprises (up to 100 employees) believe that the percentage of the requested fee is higher and payment more frequent in comparison with large enterprises (more than 500 employees). Namely, large enterprises compete for large investment projects where the potential amount of informal payments account for a small share of contract value, while on the other hand small entrepreneurs in contracting small-scale projects have to offer a disproportionately high amount for concluding a deal. In addition, since smaller enterprises conclude public contracts to a relatively smaller extent, their responses reflect a subjective perception of a higher fee offered by other, larger enterprises.

An analysis of corruption of Croatian entrepreneurs has indicated a corruption as a rising and very problematic barrier for doing business. In 2002, corruption ranked 11th on the list of 14 obstacles for doing business, and in 2004 it went up to the high 4th position. A group of large enterprises rank corruption the second most important barrier for doing business in 2004 (Table 4).⁸

⁸ "Government instability" ranks the first among problematic factors for doing business as one of the offered answers. The assumption of the author is that in this ranking entrepreneurs were ranking the consistency of Government policy.

4 Corruption and EU Accession

The provision of the European Union Charter (1992) on Prevention and Combating Corruption is a basis for formulating the anti-corruption policy of the European Union. The basic determinants of that policy are specified in the Communication of the European Commission (2003). The listed priorities are strengthening political will in the fight against corruption, introducing the standards of functioning of public administration and public procurement, improving cooperation in the fight against corruption and harmonisation of laws of member states pursuant to the Civil Law Convention on Corruption and Criminal Law Convention on Corruption (adopted by the Council of Europe in 1999). Concrete measures that followed pertain to the ban on acknowledging giving bribes as tax breaks, establishing the Group of States Against Corruption,⁹ establishment of the European Anti-Fraud Office,¹⁰ etc. The guidelines of the anti-corruption policy of the European Union towards accession countries, candidate countries and third countries are explicitly listed in an attachment to the Communication, namely:

- Adoption and implementation of the national anti-corruption strategy and programme;
- Ratification and implementation of international anti-corruption conventions;
- Enactment of anti-corruption laws and their persistent enforcement;
- Transparency in the work of public employees; application of merit criteria in employment, openness of the work of public services, a corresponding system of public sector salaries, rotation of employees in sensitive positions, income and assets declaration of public administration employees;
- Establishment of the principle of accountability of public office and transparency in the work of all public services – the judiciary, police, customs office, tax administration, health, public procurement;

⁹ *Group of States Against Corruption (GRECO), established in May 1999. In December 2004 GRECO had 37 member states of the Group.*

¹⁰ *European Anti-Fraud Office (OLAF), established in 1999.*

membership in the European Union. The national legislation for seizing corruption is in the criminal legislation, and fully harmonised with the ratified Criminal Law Convention on Corruption and the Civil Law Convention on Corruption of the Council of Europe (Official Gazette Nos. 11/00 and 06/03). The following key amendments have been introduced into the Croatian national legislation:¹¹

- The definition of criminal offences has been expanded to include receiving and giving bribes in business operations as well. The bribery includes personal giving or promising of a gift or another benefit as reciprocal favours in concluding business deals or provision of services, as well as mediation in bribery.
- Key amendments to the Criminal Act were also introduced for “influence peddling”. Illegal mediation is performed by a person who offers using of his or her position to another physical or legal person, but also the person asking for such a “favour” (passive unlawful mediation).
- The definition of the term official person has been expanded to include official persons in foreign and /or international law.
- Besides criminal sanctioning of corruption, preventive activity of combating corruption is also regulated by the law (prevention of money laundering, prevention of the conflict of interest).

A number of existing and new legal regulations have contributed to the harmonisation of the Croatian legal framework with the European anti-corruption legislation.¹² 2001 also saw the establishment of the Office for Prevention of Corruption and Organised Crime (USKOK, Official Gazette Nos. 88/01, 12/02 and 33/05) and the Economic Crime and Corruption Department of the Ministry of Interior Affairs of the Republic of Croatia.

¹¹ *Responses of the Government of the Republic of Croatia to the Questionnaire of the European Commission, October 9, 2003, www.mei.hr*

¹² *The Ministry of Justice of the Republic of Croatia: “With the enactment of the package of anti-corruption acts, such as The USKOK Act, The Conflict of Interests Act, The Act on the Responsibility of Legal Persons for Criminal Offences, The Anti-money Laundering Act, The Witness Protection Act, The Act on Protection of Personal Data, and The Act on the Right to Access to Information, Croatia has so far made significant progress on the normative front in the convergence of Croatian legal solutions with the solutions of the international community”, December 2004. www.pravosudje.hr*

Union.¹⁴ The list of short-term priorities in meeting the political criteria at granting to Croatia the status of a candidate country for membership in the European Union in May 2004 stated the following: “Improve the combat against corruption. Take steps to ensure that the legal framework for the combat against corruption is implemented. In particular, administrative and operational capacity of the Office for Prevention of Corruption and Organised Crime (USKOK) should be strengthened. In addition, develop a National Strategy for Prevention of Corruption and Combating Corruption and ensure the necessary coordination of competent Government offices and bodies with regard to operational implementation. Introduce codes of behaviour/codes of ethics for employees and elected representatives. Undertake concrete actions aimed at raising awareness of corruption as a serious crime.”¹⁵

Seizing corruption is one of six poignant issues that need to be resolved as part of the pre-accession strategy of Croatia as a candidate country under the future negotiations on the membership in the European Union.¹⁶ Progress in the fulfilment of that requirement is an important criterion for the membership in the European Union, as indicated by the reports on the candidate countries which can be realistically expected to become members of the European Union before Croatia. The latest reports on Bulgaria and Romania evaluate the efforts made so far in the fight against corruption, but they also state the need for an even more efficient implementation of the law. The importance of seizing corruption in the process of the accession to the European Union is also corroborated by an analysis of a sample of 25 transition countries according to the Corruption Perceptions Index (CPI, 2004). The average Corruption Perceptions Index for transition countries in 2004 was 3.24 on the scale from 0 to 10, where higher values of the index indicate lower perception of the presence of corruption. Four groups of countries were formed from the sample according to the criterion of their status with regard to the European Union. The pertaining average corruption index for

¹⁴ *The Opinion of the Application of the Republic of Croatia for the Membership in the European Union, Communication of the European Commission, Brussels, 20 April 2004.*

¹⁵ *The Decision of the Council on the Principles, Priorities and Conditions Contained in the European Partnership with Croatia, European Commission, Brussels, 20 April 2004.*

¹⁶ *Strategic document of the European Commission on progress in the Enlargement Process, Communication of the Commission to the Council and the European Parliament, Brussels, 6 October 2004.*

4.2 Disclosing and Processing Corruption in Croatia

There is a large disproportion in disclosing and processing corruption and perception of the public on the high corruption prevalence in Croatia. Public awareness of prevalence and adverse consequences of corruption, in addition to incrimination of corruption, has a preventive effect in seizing corruption. The impacts of the anti-corruption policy are, on the one hand, evaluated by the rating of the perception of corruption prevalence, and on the other, by the number of disclosed and processed corruptive acts. The number of reported corruptive acts in the world and in Croatia is insignificant in relation to the presumed real extent of corruption (Kregar, 2003). However, an increase in the number of reported corruptive acts and a strict sanctioning are one of the basic characteristics of an efficient anti-corruption policy.

In Croatian legislation, although there is a criminal culpability of acts related to corruption, there is no unified determination of corruption. In conventional terms, the term corruption in the national strategy, in accordance with the provisions of the Criminal Act (Official Gazette Nos. 110/97, 27/98, 129/00, 51/01 and 105/04) implies receiving bribe (Art. 348) and giving bribe (Art. 347), illegal mediation (Art. 343), misuse of office of state authorities (Art. 338), abuse of office and authorities (Art. 337), disloyal competition in foreign-trade business operations (Art. 289), bankruptcy abuse (Art. 283), concluding harmful contracts (Art. 249), disclosing official secrets (Art. 351), revealing and unauthorised obtaining of official secrets (Art. 295).

USKOK as a body competent for combating corruption has in its legal competence receiving and giving bribes, illegal mediation, abuse of office of state authorities, disloyal competition in foreign-trade business operations, bankruptcy abuse. Originally more narrow defined criminal offences in the competence of USKOK are explained by the fact that each criminal offence specified in the Strategy does not necessarily have to be a corruptive act (Bajić, 2003). Authorities of USKOK were also expanded by the expected amendments to the law in 2005. Criminal offences evidently related to corruption, introduced in the Criminal Act in July 2004 - namely, receiving bribes in business operations (Art. 294a) and giving bribes in business operations (Art. 294b), are also part of the Act on the

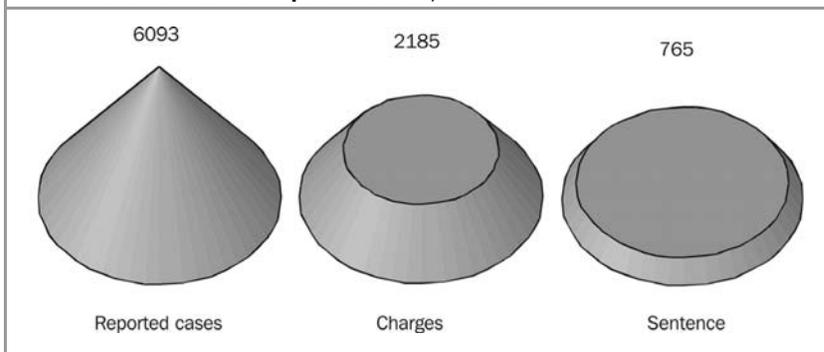
Table 5 Criminal Statistics – Reported Cases, Charges and Sentences, 1998-2004

Year	Criminal corruptive act	Art.	Reported cases	Charges	Charges in % of reported cases	Sentences	Sentences in % of charges	Prison	Financial penalties
2004	Giving bribes	347	64	25	39	24	96	23	1
	Receiving bribes	348	52	22	42	13	100	13	0
	Abuse of office and authorities	337	1139	289	25	81	96	78	3
	Total 2004		1255	336	27	118	97	114	4
2003	Giving bribes	347	44	27	61	40	148	36	2
	Receiving bribes	348	62	23	37	15	65	15	1
	Abuse of office and authorities	337	1070	308	29	74	24	69	5
	Total 2003		1176	358	30	129	36	120	8
2002	Giving bribes	347	51	46	90	36	78	26	10
	Receiving bribes	348	51	31	61	10	32	10	0
	Abuse of office and authorities	337	759	218	29	65	30	62	3
	Total 2002		861	295	34	111	38	98	13
2001	Giving bribes	347	49	52	106	75	144	72	3
	Receiving bribes	348	30	27	90	11	41	11	0
	Abuse of office and authorities	337	769	221	29	35	16	23	6
	Total 2001		848	300	35	121	40	106	9
2000	Giving bribes	347	71	48	68	32	67	31	1
	Receiving bribes	348	31	22	71	12	55	10	2
	Abuse of office and authorities	337	622	219	35	71	32	21	9
	Total 2000		724	289	40	115	40	62	12
1999	Giving bribes	347	31	59	190	35	59	28	7
	Receiving bribes	348	28	48	171	20	42	19	0
	Abuse of office and authorities	337	558	207	37	58	28	56	2
	Total 1999		617	314	51	113	36	103	9
1998	Giving bribes	347	64	54	84	24	44	23	1
	Receiving bribes	348	48	26	54	6	23	6	0
	Abuse of office and authorities	337	500	213	43	28	13	28	0
	Total 1998		612	293	48	58	20	57	1
1998 – 2004	Giving bribes	347	374	311	83	266	86	239	25
	Receiving bribes	348	302	199	66	87	44	84	3
	Abuse of office and authorities	337	5417	1675	31	412	24	337	28
	TOTAL 1998-2003		6093	2185	36	765	35	660	56

Note: In some years, the number of charged and sentenced perpetrators of criminal offence in one year is larger than the number of reported cases for that year. It is due to multiple year duration of the court process.

Source: CBS, Perpetrators of Criminal Offences of Age, Reported Cases, Charges and Sentences.

Figure 7 **Criminal Offences of Corruption - the Number of Sentences against the Number of Reported Cases, 1998-2004**



Source: Central Bureau of Statistics, *Perpetrators of Criminal Offences of Age, Reported Cases, Charges and Sentences*.

Official data of the Central Bureau of Statistics were not elaborated for all articles of the Criminal Act pertaining to corruption, whereas occasional detailed reports of USKOK, Ministry of Justice and Ministry of Interior differ by a larger number of reported criminal offences of corruption (Table 6).

Table 6 **Reported Corruption Offences since the Establishment of USKOK**

Criminal offence	Art. of Criminal Act	2001	2002	2003
Giving bribes	348	58	49	34
Receiving bribes	347	50	89	65
Abuse of office of government officials	338	1	4	5
Illegal mediation	343	5	2	4
Total		114	144	115

Source: for 2001: *National Anti-corruption Programme and Action Plan, OG 34/02*; for 2002: Bajić, M. "Koruptivna kaznena djela", in Kregar, J., D. Palijaš (ed.), *National Program for Combating Corruption, Ministry of Justice, Administration and Local Self-government and Transparency International Croatia, Zagreb, 2003*; for 2003: *Data of USKOK from the Proposal of the Act on the Amendments to the USKOK Act, Croatian Parliament, 2004*.

In official statistical data from Table 5 the total number of offences of giving bribes is higher than the number of receiving bribes, which can be explained as

one person receiving bribes from a number of givers.¹⁷ However, since the foundation of USKOK, according to internal records, the number of reported cases of receiving bribes is growing in comparison with giving bribes. It represents a possible positive progress in raising awareness of citizens and proactive anti-corruption campaign (opening hotlines for reporting corruption, activities of non-governmental organisations such as Transparency International Croatia, etc.). With the announced reorganisation and enhancing the authorities of USKOK in the forthcoming period it is possible to expect a larger number of reported corruption cases, and the judiciary reform would contribute to a more efficient processing of filed charges. Since the legal aspect of the combat against corruption is not a subject of this study, it should only be noted that empirical research for the USA have established a positive correlation between the number of sentences for corruptive acts and expenditures for functioning of institutions entrusted with law enforcement and higher salaries of public administration employees (Goel and Nelson, 1998). Also, stricter sanctions for corruption offences have yielded excellent results in combating corruption in some countries, such as Hong-Kong (Kregar, 1999).

5 Policy Recommendations for Anti-corruption in Croatia

Corruption in Croatia is a systematic phenomenon with a stronghold in all structures of the society. Bribing of public service employees, nepotism in employment and awarding positions by which appointed persons are in conflict of interest are common in public life in Croatia. Freedom of thought and of expression has enabled a more open disclosure of information on corruption prevalence through the media, however, it seems that an endemic characteristic of corruption has demoralised civil society so much that anti-corruption awareness is at a very low level. This has resulted in conciliatoriness of the public and the common view that it is almost impossible to reduce corruption in Croatia. Therefore, it is not easy to answer what measures of the anti-corruption policy should be used to reach the core of the corruption problem.

¹⁷ *This interpretation surely does not exhaust all reasons for the described departure. More detailed interpretations by reviewing the content of a filed charge and court case files exceed the scope of this paper.*

A group of measures pertaining to civic responsibility is the introduction and strict adherence to the ban of the conflict of interest, encouraging the work of civil society organisations and freedom of the press, promoting anti-corruption awareness through education, religious education and other civil society institutions. Particularly important measure of combating corruption is the prevention of the conflict of interest. Although there is an explicit legal ban of the conflict of interest in Croatia, it is treated as an incidental obligation of an official. The conflict of interest frequently does not cease with a formal resignation from a function, because informal connections remain very tight, or vacant functions are only delegated to other close persons. Nepotism is an omnipresent pattern of getting around the civil society norms in Croatia.

In this respect, the proposal of a new *National Anti-corruption Programme 2006-2008*¹⁸ refers to a number of concrete measures of fighting corruption with an action plan, as well as their proponents. In the area of politics and public administration, the measures pertain to regulating the financing of political parties, prevention of the conflict of interest, objectivising of criteria in employment, enabling access to information and democratic takeover of power. Thorough reforms of the health and judiciary systems are considered an efficient way to remove the source of corruption in those sectors, although only in the long term. Control of the work of local government and direct elections for local self-government bodies have been rated, with a general strengthening of the transparency of work of local self-government and the decentralisation process, as key measures of the prevention of corruption at the local level. A novelty in relation to the 2002 National Anti-corruption Programme is also an explicit listing of measures for combating corruption in the economy. The measures are related to encouraging the freedom of market competition and accelerated privatisation to disable an arbitrary influence of the state on economic subjects and market competition. The proposal of the National Programme also provides for a special range of oversight measures and increased transparency in public procurement procedures.

¹⁸ *At the moment of the completion of this paper, the proposal of the new Anti-corruption Strategy was presented to the public on 28 October 2005, before being sent to the parliamentary debate. www.pravosudje.hr.*

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