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Anti-corruption 2030: a foresight analysis of future and current corruption-related challenges

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Introduction

During 2022, the Institute for Democracy “Societas Civilis” organized a series of workshops together with the State Commission for Prevention of Corruption, State Audit Office, Customs Administration, Financial Police, Public Revenue Office, Regulatory Commission for Energy and Water Services, Commission for Protection of Competition, Inspection Council, representatives from the International Republican Institute and with civil society organizations from the Platform for Fighting Corruption. The purpose of these events was to organize the knowledge of these stakeholders and create a so-called foresight analysis of the future challenges in the fight against corruption.

Foresight analysis is a method that aims to communicate with the professional public about likely and possible scenarios in a certain area. It is extremely important to underline that it is not a prediction of the future but a discussion of how the factors and actors involved in corruption may proceed with their operation up to a certain point in time, in this case by 2030. During the discussions, we identified two general scenarios –the first one is with favorable and the second one is with unfavorable climate for reforms in the anti-corruption area.

The purpose of the foresight analysis is to contribute to the strategic planning of the anti-corruption. Quite often, the Government and the institutions start from past and present challenges and base the further development on what is already manifested as a problem. The foresight analysis goes one step further and provides a reflection on what could be the future problems, in order to enable the institutions to cover new areas in their activities and to base their planned development on such an understanding as well. Therefore, at the end of the analysis, a strategic response is provided, which should offer several areas of action as a solution to the identified challenges.

The institutions should be looking at this document as a communication product, which aims at instigating further discussion and is supposed to be a starting point in doing in-depth analysis in their domain and to incorporate the future thinking into their development plan. The foresight analysis focuses on the need for investment in the anti-corruption ecosystem, in people and institutions, and in building long-term development plans. At the same time, it should be the basis for discussion about upgrading the National Strategy for Fight Against Corruption, and incorporating future expectations in this central strategic document in this area.

SCENARIO 1:

Favorable climate for development of anti-corruption

After the end of the war in Ukraine, Europe is on the road to recovery. Despite the initial improvement of relations with Russia, EU member states are building a consensus that its influence should be reduced and are taking more seriously the potential for Russian interference in the Western Balkans. Towards the end of 2023, the European Union restores the credibility of the enlargement process by announcing a clearer accession path. It gives impetus to most of the countries of the Western Balkans. Seven years later, in 2030, North Macedonia is in advanced stage of accession negotiations with the European Union. Albania is at a similar level. Kosovo and Bosnia and Herzegovina are making progress in their approach to the EU, but they are at the beginning of the path. Some member states still have reservations about Kosovo joining the EU before Serbia recognizes it. Montenegro is preparing for the last steps towards becoming a member of the EU. Serbia is also nearing completion, but development is slower due to resolving the dispute with Kosovo only in 2024. Thanks to the Berlin Process, and to a lesser extent the Open Balkans, there is increased regional cooperation and market integration. The political initiative for integration is monitored by the institutions that should supervise the import and export of materials and finance, so they develop capacities to prevent smuggling and tax evasion in this new situation of integrated international markets.

After the war in Ukraine, the economic recovery of the European continent is focused on principles of sustainability and independence, so the green agenda is finding its place as a principle in the economic and security policy of the European Union. Although the countries of the Western Balkans are far from the goals set for the green agenda, "green" investments are accelerating. The energy prices are still increased in 2030, so North Macedonia is attractive for investors in renewable sources of electrical energy. The region is getting new natural gas connections from Azerbaijan, with the goal of greater independence from Russia, but due to the higher price, gas is still attractive primarily for large industrial plants and gas power plants.

The economic progress in Europe is further liberalizing the labor market and attracting workers from the Western Balkans. In 2030, North Macedonia has problems with retaining the essential personnel in the country, which it tries to compensate with imports. However, although this has been a success story in service-oriented activities in recent years, it still remains a noticeable problem in other critical sectors such as healthcare. An additional problem is the lack of staff that is produced for the needs of the public sector, because the new generations choose to educate themselves in sectors that easily transit towards the European market.

The cryptocurrency trading is down due to high fluctuations. Cash is still the main resource of organized crime in the Western Balkans, where the governments, despite the increasing share of electronic transactions, have not yet abandoned cash as a means of payment. Although cryptocurrency trading has declined, blockchain technology is ubiquitous, especially in the form of “smart contracts” and digital decentralized organizations.

Digital transformation is at an advanced stage in 2030, the public services that can be digitalized have been transformed. In addition, the automation of certain internal processes in the public administration has been completed, with the use of new technologies. Thanks to the ongoing reforms and the attention paid to the fight against corruption, the country is implementing a digital transformation that also includes an integrity perspective. For example, digital services and automation are regularly subject to revision and recheck in order not to allow discriminatory or discretionary weaknesses to be built into them, which would call into question the equality and legality of the decisions made with the help of algorithms.

In 2030, North Macedonia is doing reforms in the rule of law. Although they are in an upward trend, and conditioned by the accession process, there are still occasional incidents of nationalism and populism that slow down the process. Parallel to these incidents, external factors try to take advantage of the situation, but the improved resilience that is achieved thanks to the access and investment cycle does work and partially cushions the situation.

In 2030, the fruits of the reforms in the justice sector can be already seen. The pressure from the European integration enables the Judicial Council and the Council of Public Prosecutors, with a reformistic composition, to push for responsibility for key corruption actors in the sector and enable a climate of responsibility. This improves efficiency in the implementation of cases and also improves the climate of the feeling that it does not pay to be involved in corruption.

However, the increased efficiency also raises a risk as cases of connection between politics and the underground are investigated. Investigations of more serious crimes related to organized crime lead towards increased risk for the public prosecutors and judges on the one hand, but also for external actors, specifically journalists, on the other.

The lack of staff in the public sector is visible. Despite the positive atmosphere of reforms, there is a lack of new personnel because human capital is oriented more towards the private sector or immigrates abroad. Importing labor from outside does not work the same way as in the private sector, so the government provides investment in education and higher wages for the public sector. The clientelistic ties of the government with the public administration have been reduced, but not eradicated, which reduces the effectiveness of the reforms. Employment of necessary personnel in the institutions charged with fighting corruption is further hampered by public opinion that is dissatisfied with how large the public administration is.

The revived accession process is a fertile ground for reforms, which in turn open up space for more effective regional cooperation between the institutions in charge of fighting corruption.

The “green” investment boom in the Balkans increases the interest for participation in the market among corrupt networks and the organized crime. In 2030, there are more companies (that are not joint stock companies) participating in this market. Organized crime and corruption networks have “infiltrated” such companies using widespread categories such as “smart contracts” (blockchain bonds) to hide their stake in the companies because of the international standards of transparent ownership. They bypass the openness of technologies such as blockchain bonds by using networks of clients who stand as owners.

In addition to business profitability, the investment cycle in North Macedonia is still driven by government incentives or aid. With the increased access funds, there is also interest among corrupt actors to exploit these incentives. Energy is still vulnerable to such influences in 2030, especially due to the interest for rapid development in order to ensure independence from Russia. Small private companies are still the most numerous in the sector, and behind them there are hidden networks of influence originating from the work of politics or organized crime. The increasing of transparency of transactions and budgets, contributes to the reduction of corruption in the public procurement of coal and natural gas, which existed at the beginning of the energy crisis.

Scenario 2:

Unfavorable climate for development of anti-corruption

The war of Russia in Ukraine has transformed into prolonged instability with occasional escalation of the military clashes. The location of the conflict (on the periphery of Europe) allows for easier illegal trade in weapons that further enriches and strengthens the regional networks of organized crime that also operate in the Balkans. The focus of the EU and NATO members on preventing the hybrid threats to the stability of the Western Balkans leads to an increased focus on the security and stabilization policies. The strategy to satisfy and appease the structures of power in the Western Balkans that can cause conflicts negatively affects the reform potentials in the region. In a situation of slowed down European ambitions, Open Balkans is becoming the dominant process of regional economic integration. This brings the risk of new forms of fraud, in a sense of smuggling and tax evasion, which the institutions will have hard time sanctioning it because of the lack of interest to invest in reforms.

The accession of the country to the EU is not in sight for internal reasons as well. The many narrow majorities in the Parliament reinforces the polarizing rhetoric, laden with nationalism and identity disputes. In such an environment, domestic actors are not in the mood for major anti-corruption wins. Reform-oriented politicians cannot maintain long-term success and mobilize significant support.

Narrow Parliamentary majorities prevent the breaking of clientelistic expectations, so in 2030 the management of the public sector is still burdened with political party appointments. Decision-making at the highest level is encumbered by private interests, due to the need to satisfy different interests in the narrow-majority ruling coalitions. Satisfying the interest of those who can secure votes is the dominant way of decision-making in 2030 as well.

The deepening economic crisis due to the prolonged conflict between Europe and Russia has additional pressure for this type of decision-making. High energy prices negatively affect economic flows. The transformation from global to regional economies is ongoing, so supply chains are also being concentrated in the countries of the Western Balkans. While this improves economic opportunities, there are also negative environmental impacts caused by mining and supplying local resources. There is no control over the provision of standards for protection of the environment and workers, due to the intensified political need to participate in this transformation of economic processes.

In 2030, there are already a number of failures in this field, with the opening of more mines across the Balkans and a reduction in the quality of life. This negatively affects the trust of the citizens in the institutions and their hope in democracy. The need to compensate for such environmental damage is driving subsidies and attracting capital directed at renewable energy sources. It lowers the capital control standards and makes the sector attractive to speculation by adverse actors.

Cryptocurrency trading is down due to high fluctuations. Cash is still the main resource used by the organized crime in the Western Balkans, which are supported in their actions by holders of high public functions. Although cryptocurrency trading has declined, blockchain technology is ubiquitous, especially in the form of «smart contracts» and digital decentralized organizations.

The digital transformation in North Macedonia follows the standards of the medium-developed EU member states. By 2030, most public services are implemented, but thanks to suppliers implementing private standards, the further development and maintenance depends on them. It both increases the costs and slows down the development.

The integrity of digital transformation has not received the attention it needs in the years to 2030, due to political uncertainty and polarization, and the slow movement of reforms across the sector. As a result, the control over the digital services is lagging behind, that is, there is absence of the automation check, allowing the services to still depend on the human factor. Despite the new international standards for digital financial instruments, organized crime and corruption networks still use the technologies to hide the trail of the wealth. The actors successfully hide behind companies that are set up with digital blockchain federated contracts, and exploit the need of the country for investment to launder the proceeds of crime

and corruption. Investments in capability improvement of institutions is low. The situation is further aggravated by the ineffective involvement of the country in international and regional data sharing instruments that would enable more effective tracking of suspicious financial flows.

The strength of the corrupt actors and the weakness of the European conditioning make essential reforms in the judiciary impossible. The need to control the outcome in the judiciary leaves alive the corrupt practices in the judiciary. The effect of this is that the work of the institutions in identifying corruption does not bear fruit because corruption remains insufficiently punished.

Slowed economic growth and deteriorating quality of life are fueling migration and they drain the human capital needed to support reforms and the fight against corruption. The lack of staff in the public sector is visible. There is a lack of new staff because human capital is focused towards the private sector or emigrates abroad. Importing labor from abroad does not work the same way as in the private sector, so the government provides investment in education and higher wages for the public sector.

Human capital

What unites the two scenarios, in terms of availability of human capital, are the factors of "withdrawal" and "escape" into migration by the people in North Macedonia towards Western countries. In a situation of a favorable climate and acceleration of economic development in the West, the migrations will be driven by the "taking" of the necessary personnel. In case of multi-year slowdown in the economic development in the country, it will "push" the citizens to look for their future abroad.

Successful reforms, regardless of whether they will take place quickly or not, depend on how many highly educated human resources will be available in the country that can replace the political-party-appointed officials. It is therefore extremely important for the institutions to have a long-term plan, and financial resources in order to be able to attract and retain quality staff and resist the pressure from more attractive employment in the private sector or abroad. This means strategies for education and specialization of existing and future staff, as well as providing for favorable conditions at the workplace.

A complicating factor is that the decision to stay in the country is not just about money. It certainly depends on the outcome of the mentioned reforms or improvement of economic development, environment, education and health, and freedom from corruption and poor quality of services in these sectors. It is necessary to identify this vicious circle and to walk decisively towards removing the weaknesses in this part of the system. At the same time, it must be recognized that like any capital, human capital is not infinite, so the decision should not be delayed because it is a race against time that could be lost once and for all.

The Republic of North Macedonia should prepare increased resilience and protection of human capital involved in the fight against corruption. Success in organized crime and corruption investigations, especially when the heads of the crime and the politics are the suspects, is a dangerous territory for the life and health of those involved in the fight against corruption. Hence, investment in legal and technical protection of the actors in this sector is needed.

Absence of political will

In a scenario in which political will does not exist, institutions from anti-corruption area should focus on building institutional resistance to the pressures coming along the hierarchy from the political level. This implies a thorough and continuous evaluation of the efficiency of the anti-corruption procedures that are central to the fulfillment of the mandate of the institutions. These tools are already applied in certain institutions in a way that enables detection of corruption risks and preparation of integrity plans. The other institutions should follow the good examples and, in addition to the focus they now have on improving the integrity of the employees, they should also evaluate the external risks that come from political influence and propose improvement of the procedures that should operationally enable independent action.

In order to prevent and sanction perpetrators of crimes related to "high-level corruption", it is necessary to implement quality procedures for examining the origin of assets for public office holders. Financial investigations conducted in a quality manner are needed in order to determine the hidden income acquired as a result of crimes most often associated with "high-level corruption", and implementation of extended confiscation with the aim of reducing the degree of corruption, on the one hand, and allocation of the proceeds from the confiscation in the main Budget of the country in order to increase wages and to retain quality human capital.

Risky sectors

By increasing data transparency and with digital transformation, corruption will focus in areas and levels where decisions are still made by people. This implies that significant corruption will depend, as it is now, on political decisions made at a high level, such as decisions on concessions, public-private partnerships, state and international aid, and on provision of economic privileges for the desirable businesses through the preparation and amendment of laws.

Hence, institutions should prepare their capacities for surveillance, prevention, detection and sanction in two ways.

The first one is to be prepared to prevent or sanction high-level decision-making that is tainted by corruption. It is necessary to pay attention to building capacities that will deal with lobbying

and decision-making that is not accompanied by adequate analyzes and studies. In this way, the degradation of the integrity of the decision-making process, which allows privileges for politically connected companies or entities linked to organized crime, will be prevented.

The second aspect is building capacities that will enable control of specific sectors which, in the coming period, will be subject to increased investments, often encouraged by government benefits such as subsidies and privatization, or doing business in controlled economic sectors based on concessions, where there will be limited competition. Such sectors are energy, exploitation of raw materials and metallurgy, healthcare, as well as the privatization of certain public services. The focus should be on those institutions that decide on state aid and incentives, in order to implement a transparent, non-discriminatory and effective process of awarding support, as well as protecting competition.

The regional integration of the markets needs to be followed by intensive strengthening of the institutions that will have to act in changed environment. The processes of establishing a single market, regardless of whether it is within the framework of European integration or the Open Balkans, should be met with readiness of the institutions to prevent new forms of smuggling and tax fraud that will try to take advantage of the new conditions.

Summary

All this points to the need for extensive investment in a large number of institutions. Political will can be demonstrated with comprehensive investment in improving the integrity of institutions. That investment implies investing in people and resources of the institutions, but at the same time in enabling management staff who will be able to run the institutions independently. Central responsibility for this lies with the Government and the Parliament. The Government should find a way to abandon appointments based on political party affiliation and enable a quality process of defining future anti-corruption goals and policies. It is the duty of the Parliament to protect the institutions by providing them with resources and quality laws by which they should act. However, probably most importantly, in return, the Parliament should be a continuous corrector, through supervision, of the work of those institution, setting out clear objectives and expectations for success in the fight against corruption.

About the project

The "**Encouraging the anti-corruption public debate**" project encompasses activities for research and advocacy with the aim of supporting the reform process in North Macedonia by strengthening the reform agenda in the area of rule of law, and the project foresees cooperation and consultation with all relevant stakeholders in the fight against corruption towards achievement of this objective. The project also aims, together with the anti-corruption institutions, to establish a strategic and long-term vision for development of the institutions in order to make them capable of intercepting future processes and forms of corruption. The institutions and the Institute for Democracy will work in the frames of this project on reviewing the key social processes that will influence the fight against corruption by 2030, and based on that, plans will be drawn up for the institutions to cope with the contemporary challenges brought about by the fight against corruption. By enabling political dialogue between anti-corruption institutions, the Parliament and the civil society, the project aims to achieve three specific objectives:

- Support the improvement of the policy-making process, referring to the long-term visions on corruption risks and identified shortcomings;
- Informing the long-term plans for institutional development, based on strategic thinking and forward-looking analyses;
- Educating the public and creating public demand for improved anti-corruption planning by the authorities.

About IDSCS

IDSCS is a think tank organization that researches the development of good governance, rule of law and European integration of North Macedonia. IDSCS has a mission to help citizen involvement in decision-making and to strengthen a participatory political culture. By strengthening the libertarian values, IDSCS contributes to coexistence between diversities.

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