Corruption as an Obstacle to International Development: The Macedonian Case

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Abstract

It is generally known that high corruption level in the country seriously endanger development, by reducing the reputation of a country and hindering incentives for local and foreign investments.

It also victimises society as a whole, by slowing economic growth, increasing poverty, lowering the quality of public services and infrastructures, draining off scarce public resources to the detriment of the poor, the weak and all others in need of help and assistance. As a result it undermines the credibility of political representation, influences decision-making processes and leaves public institutions unarmed and powerless, destabilising democratic systems. Having regarded the globalization of this problem, the international community continues to straighten its efforts for curbing corruption. It has been realized that the effects of combating corruption taken by each country separately will not be efficient without international cooperation between the competent bodies.

Within the process of establishing appropriate and efficient mechanisms for strengthening the capacities and combating against this international security problem it is necessary to involve different experts who will be able to introduce an inter-disciplinary approach.

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INTRODUCTION

Macedonia as other countries as well, is faced with a phenomenon of corruption as a global problem, which raises serious moral and political concern, undermines good governance, negative influences on the democratic process and economic development, and distorts the general competitive conditions.

The economic base of society in the period of transition is, on the one hand, a limiting factor for establishing democratic relations and a developed legal system, and on the other hand, a stimulating factor for starting an unscrupulous race in redistributing the already limited capital and possible profit.

Corruption is most prevalent where there are other forms of institutional inefficiency, such as political instability, bureaucratic red tape, and weak legislative and judicial systems. This raises the question of whether it can be established that corruption, rather than other factors correlated with it, is the cause of low economic growth. Regression analysis provides some evidence that if one controls for other forms of institutional inefficiency, such as political instability, corruption can still be shown to reduce growth. Nevertheless, it is hard to show conclusively that the cause of the problem is corruption alone, rather than the institutional weaknesses that are closely associated with it. The truth is that probably all of these weaknesses are intrinsically linked, in the sense that they feed upon each other (for example, red tape makes corruption possible, and corrupt bureaucrats may increase the extent of red tape so they can extract additional bribes) and that getting rid of corruption helps a country overcome other institutional weaknesses, just as reducing other institutional weaknesses helps it curb corruption.

Corruption was the most addressed issue in the last several years in Macedonia. It has been top issue in media and public in general. The Government has not adopted a National Strategy for combating corruption. The fight against corruption as a priority tool has been included only in the political party's program during their campaign.

CURBING CORRUPTION IN THE ECONOMY

In the transition countries, the shift from command economies to free market economies has created massive opportunities for the appropriation of rents (that is, excessive profits) and has often been accompanied by a change from a well-organized system of corruption to a more chaotic and deleterious one. With the end of the cold war, donor countries have placed less emphasis on
political considerations in allocating foreign aid among developing countries and have paid more attention to cases in which aid funds have been misused and have not reached the poor.

In the long run, privatization can improve the economic performance of countries, and ultimately reduce corruption, but the process itself can be “fraught with opportunities for corruption and self-dealing.”

It has been pointed out that the Former Soviet Union and Central and Eastern European countries had no alternative but to privatize, given the level of economic stagnation into which central planning had brought them.

The expectations are that the privatization of the economy and a large number of private companies (in Macedonia at the moment there are about 120,000 private companies) will create mechanisms to protect the private ownership from all kind of organized crime, including corruption. The transition period of the economy-transformation of the centralized economy into market, lack of transparency of the privatization process, and lack of legal instruments for prevention, has created various illegal activities, such as smuggling, tax evasion, "gray economy" organized crime, financial fraud which resulted with obtaining enormous funds by individuals in a short period of time. In spite of expectations, the transition period took longer, that it has been predicted, and during this period the Government institutions did not succeed to take effective control on the market and especially in the privatization process by introducing mechanisms to prevent corruption.

Although the corruption excises in all sectors, the risk is highest in the privatization process, especially in the case of large profitable companies and state owned companies. The process of privatization in Macedonia went faster that in the other countries. The first privatization actually began by the end of 80’s and beginning of 90’s, when Macedonia was part of Former Yugoslavia.

The transition period and transformation of the former state owned company, usually is accomplished with lay off and increasing of the poverty. Smuggling of all kind of goods, not reported to the tax administration and not taxed is one of the manners for making funds for living. The officials estimate that the "grey economy" is about 30 per cent. The tax evasion in the last years is also increasing sharply, especially in the western part of the country, where the ethnic Albanians prevails. According

to some data, the tax collection in this part of the country is extremely low. The tax administration and the Government-in-coalition with Albanian political party do not take efficient measures to improve such situation, which indicate their tolerance.

The completion of the post-privatization process, and changing the structure of ownership-their transfer to private ownership, should limit the obstacles for abuse of power and reduce opportunities for corruption practices. The private owners will be more interested to protect their ownership from criminal activities, including corruption. However, the too fast post-privatization indicates non-transparency-for example; in the period less than four months of 2001, 37 stock-companies with Government share were privatized in procedure estimated by the public as non-transparent. The sale of the monopoly-public enterprises, in which the Government influences though various manners, should remove the barriers for functioning of market mechanisms, fair completion, and give a chance to the Government to get rid of the corruption practices.4

These conditions resulted in a lack of transparency and accountability in the rapid privatizations that took place, resulting in grand corruption through “spontaneous privatization” and “stealing from the state”, as referred to above. Some scholars argue that the scope of corruption varied depending on the type of privatization mechanism employed such as voucher-based, liquidation, capital market-based, tenders and trade sales, management-employee buy out, etc. Other factors also included the speed of the transaction, the level of administrative discretion allowed, access to information on the valuation of enterprises involved and the results of transactions, and implementation by independent agencies. Overall, the lack of transparency and accountability made possible the divestment of state assets in favor of personal interests rather than public interest, allowing the massive diversion of potential public funds.5

The power and discretion right of the Ministry of Economy to bring down a number of licenses and other import-export statements has been connected with non transparency, violence of the described procedure and abuse of power. In spite the limitation of bureaucratic barriers for obtaining various licenses from the government institutions, and some progress in removing the obstacles for business, the private sector is still faced with difficulties and non transparent procedure for obtaining such licenses. The Ministry of Economy has full competence and discretion right to issue number of regimes. Several cases of non-

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transparency during issuing licenses for import of certain goods indicate suspicion for abuse of power of the top officials in the Ministry of Economy. Corruption is one of the major obstacles for foreign investment in spite the favorable conditions and tax and customs benefits for foreigners.

In the framework of tax reform, the new *Law on proceeding and collecting of taxes* was enacted on March 2001. The objectives of the law are to improve the organization and functioning of the tax administration and to straighten the authorization of tax inspection in respect to tax control and tax collection. The competent implementation of the Law should decrease the tax evasion, improve the responsibility of tax officials and narrow the opportunities for corruption.

Taxes and excises were reduced for several products, in order to decrease so called "gray economy". The personal income taxes have been reduced from 23%, 27% and 35%, to 15% and 18%, in order to support the private sector.

The interaction of the private business and the state institutions is still weak. The relations between these entities mainly are connected with issuing of various licenses and statement by the government institutions. The private business is not involved in the preparation of the legislation. The relations with the Chamber of Commerce are even weaker. Therefore, it is essential to set up and promote correct relations with the private business, to adopt strict regulations and rules with participation of the private sector, which should provide transparency, free of abuse of the power.

In order to implement the market conditions for fair competition, the *Law against restriction of competition* and the *Law against unfair competition* were enacted in 1999. The Laws were harmonized with the European principles and standards. The main objective of anti-monopoly legislation is to prohibit the coordination activity by competitors, to control the abusive practices by market dominating enterprises and to prohibit the discrimination by market dominating enterprises. According to the Law against the restriction of competition, an Anti-Monopoly Office has been established within the Ministry of Economy, in charge to implement the competition policy. The first results of these practices are positive. However, the further improvement of market conditions and climate should reduce the opportunities for discrimination and abuse of power by the competent authorities.

Priorities of the new Country Partnership Strategy (CPS) are centered on country’s ambition to join European Union and include support the governments’ ambitious goals on accelerated growth and job creation through an integrated and multi faceted program; to support Macedonia in continuing the progress made in improving governance and reducing corruption, while deepening reforms in key sectors where governance weaknesses continue to undermine progress in the economic reforms.
necessary to strengthen the economy and create jobs. Improved transparency and accountability in service delivery is critical to meet the government program on growth, foster human capital, and meet EU standards.\textsuperscript{6}

### CONSEQUENCES OF CORRUPTION

One specific channel through which corruption may harm economic performance is by distorting the composition of government expenditure. Corrupt politicians may be expected to spend more public resources on those items on which it is easier to exact large bribes and keep them secret—for example, items produced in markets where the degree of competition is low and items whose value is difficult to monitor.

Criminalisation of politics is hardly a new phenomenon, and not exclusive to the Balkans. Many countries are challenged with a problem of people with criminal dossiers who get elected, or with politicians who become corrupted during their terms in office.\textsuperscript{7} Probably, it is a Balkan particularity that often criminal activities are disguised with ethno-nationalism as a vulgar form of quasi-patriotism. In a conflict-driven multiethnic society, the fight against crime may easily gain an ethnic connotation and thus transform into a political currency. An overt conflict becomes imminent at the moment that criminalised politics finds a state of emergency as an ideal time for war profiteering. The mirror process takes place with criminal guerrilla groups, which easily find their own interests in the outbreak of violence in the society. The culmination is reached when the former combatants get elected and become a part of the post-conflict ruling elite.\textsuperscript{8}

Empirical evidence based on cross-country comparisons does indeed suggest that corruption has large, adverse effects on private investment and economic growth. Regression analysis shows that a country that improves its standing on the corruption index from, say, 6 to 8 (0 being the most corrupt, 10 the least) will experience a 4 percentage point increase in its investment rate

\textsuperscript{6}www.worldbank.org.mk


and a 0.5 percentage point increase in its annual per capita GDP growth rate. These large effects suggest that policies to curb corruption could have significant payoffs. The association between corruption and low economic growth remains broadly unchanged when estimated for a group of countries with extensive red tape. Therefore, there is no support for the claim that corruption might be beneficial in the presence of a slow bureaucracy. The most important channel through which corruption reduces economic growth is by lowering private investment, which accounts for at least one-third of corruption's overall negative effects. At the same time, the remaining two-thirds of the overall negative effects of corruption on economic growth must be felt through other channels, including those mentioned above. While it is difficult to disentangle those other channels, there is some evidence that one of them—the distortion of government expenditure—plays a significant role.

If the costs of corruption are so high, why don't governments get rid of it? A possible answer is that once a corrupt system is in place, and a majority of people operate within that system, individuals have no incentive to try to change it or to refrain from taking part in it, even if everybody would be better off if corruption were to be eliminated.

Corruption breeds poverty, but does poverty breed corruption? One striking empirical finding is that poorer countries are usually considered to be more corrupt. This result must be treated with caution, since it may well be driven by the observers' perceptions. We have seen that there is evidence that corruption lowers economic growth, thereby breeding poverty over time. At the same time, poverty itself might cause corruption, perhaps because poor countries cannot devote sufficient resources to setting up and enforcing an effective legal framework, or because people in need are more likely to abandon their moral principles. Researchers have begun to analyze the link between civil servants' wages and the extent of corruption (that there is somewhat less corruption where civil servants are paid better, compared with similarly qualified workers in the private sector). It has been suggested that reasonable wages are a necessary condition for avoiding corruption, though not a sufficient one.

Many countries and institutions have paid increasing attention to the problem of corruption, and the debate on possible policy options is still ongoing. In deciding how to allocate aid funds, some donor countries have begun to give more importance to recipient countries' actions to curb corruption. Member countries of the Organization for Economic Cooperation and

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Development have acted to criminalize the bribery of foreign public officials. International institutions, which have always played an important role in reducing the scope for corruption, are now giving more prominence to the issue. For example, the IMF has always encouraged countries to liberalize their economies (for example, by eliminating trade restrictions), terminate off-budget operations, and ensure budget transparency. The guidelines on governance, which were approved by the IMF’s Executive Board in August 1997, formalize the IMF staff’s involvement in such tasks.

CHANGING PUBLIC PERCEPTION OF CORRUPTION

The various pools in the last couple years indicate increasing of corruption as a result of lack of anti-corruption legislation and prevention instruments for combating this problem.

Although, the corruption as a phenomenon existed in the previous system as well, the level of corruption, especially in the last couple years, has increased significantly.

According to the ICG Report, corruption in Macedonia threatens the viability of the state. A poll conducted by the Transparency International team found that 88.6 per cent of respondents believe the Government to be at the centre of fraud. Furthermore, an IDEA public opinion survey identified corruption as the country’s third most pressing problem, with respondents rating it more even more destructive than the inter-ethnic tensions–only unemployment and poverty rated higher. Interestingly, fraud appears to be one of the few areas of life in Macedonia which is truly multicultural.

The high level of worry, i.e. the degree of sensitivity to the priority problems of unemployment, corruption and poverty, indicate that these three are the priority spheres with regard to which the public (in this survey period) is judging the effectiveness of political actions and it expressing its lack of support and confidence.

According to SELDI (Southeast Europe Legal Development Initiative) surveys, only unemployment and low income are ranking higher than corruption in terms of social significance. Other surveys indicate that only red tape-state bureaucracy ranked higher than corruption as an obstacle for foreign investments in Macedonia. The wide scope of corruption as a social phenomenon

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has an extremely negative impact on the whole of social life, development, and the market economy. The assessment of corruption indicates these practices, as an accepted manner for doing business, obtaining some benefits, or to protect some personal interests and property.\textsuperscript{14}

The public accuses the Government for tolerating the corruption. The era of the moral, the discrepancy between the declarations of the politicians for fight against corruption and their tolerance, or even more, the direct involvement of some of them in corruption, arises public disapproval and increase the pressure for changing of such situation.

The dissatisfaction of the public is increasing due to discrepancy between the declarations for rule of the law and tolerating the "big" political scandals by the Government and other competent authorities, to investigate the corruption cases and prosecute the actors. Thus, the moral inadmissibility of corruption practices by the public is increasing which is showed by the various pools and coverage in the media. However, in spite of general inadmissibility of corruption and its conviction, the public attitude hasn't been changed so much in manner to report the persons asking a bribe. There is limit number of cases reported by the citizens for bribery, usually lower public officials. This could be explained as a lack of confidence in the competent institutions, some negative consequences that could arise, but also due to the fact that corruption (especially "small") is still considered as a most effective way for obtaining some benefits. The public disappointment in the public institutions for no considering the corruption as one of main obstacle for functioning of the rule of law is increasing along with the broadening of corruption practices in the last couple years. The public is not optimist for positive progress in decreasing a corruption in a near future. Number of unsolved cases of corruption proves such conclusion.

According to some researches the main factors for corruption are the following:
- Those in power striving for making fast money;
- Low salaries of the officials in the public sector;
- Inefficiency of the juridical system;
- Office duties interfering with the personal interests of the officials;
- Crises of morals in the period of transition.

\textsuperscript{14}Southeast Europe Legal Development Initiative (2001): \textit{Background document on corruption in Southeast Europe}, Center for the Study of Democracy, Sofia, \url{www.seldi.net}. 
Table: Factors for corruption

<table>
<thead>
<tr>
<th>Factor</th>
<th>Albania</th>
<th>Bosnia and Herzegovina</th>
<th>Bulgaria</th>
<th>Macedonia</th>
<th>Romania</th>
<th>Croatia</th>
<th>Serbia</th>
<th>Montenegro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fast personal enrichment sought by those in power</td>
<td>49.00%</td>
<td>41.90%</td>
<td>57.80%</td>
<td>69.10%</td>
<td>55.60%</td>
<td>49.90%</td>
<td>46.80%</td>
<td>53.00%</td>
</tr>
<tr>
<td>Low salaries</td>
<td>67.50%</td>
<td>50.50%</td>
<td>41.60%</td>
<td>56.20%</td>
<td>58.00%</td>
<td>48.70%</td>
<td>52.60%</td>
<td>53.60%</td>
</tr>
<tr>
<td>Imperfect legislation</td>
<td>28.80%</td>
<td>42.20%</td>
<td>40.50%</td>
<td>14.20%</td>
<td>38.70%</td>
<td>35.50%</td>
<td>35.20%</td>
<td>22.20%</td>
</tr>
<tr>
<td>Intertwinement of official duties and personal interests</td>
<td>33.30%</td>
<td>17.50%</td>
<td>32.60%</td>
<td>23.50%</td>
<td>17.90%</td>
<td>9.70%</td>
<td>28.70%</td>
<td>23.70%</td>
</tr>
<tr>
<td>Lack of strict administrative control</td>
<td>40.60%</td>
<td>27.90%</td>
<td>32.30%</td>
<td>17.10%</td>
<td>30.90%</td>
<td>24.10%</td>
<td>21.50%</td>
<td>22.70%</td>
</tr>
<tr>
<td>Ineffectiveness of the judicial system</td>
<td>19.50%</td>
<td>32.50%</td>
<td>22.20%</td>
<td>37.90%</td>
<td>33.80%</td>
<td>33.10%</td>
<td>24.60%</td>
<td>19.20%</td>
</tr>
<tr>
<td>Moral crisis in the period of transition</td>
<td>24.50%</td>
<td>30.50%</td>
<td>17.00%</td>
<td>23.00%</td>
<td>26.50%</td>
<td>36.20%</td>
<td>37.20%</td>
<td>50.00%</td>
</tr>
<tr>
<td>Problems inherited from the communist past</td>
<td>20.70%</td>
<td>17.10%</td>
<td>7.80%</td>
<td>11.80%</td>
<td>18.00%</td>
<td>22.20%</td>
<td>19.20%</td>
<td>12.70%</td>
</tr>
<tr>
<td>Specific characteristics of national culture</td>
<td>7.60%</td>
<td>19.70%</td>
<td>4.20%</td>
<td>9.00%</td>
<td>5.20%</td>
<td>5.30%</td>
<td>15.90%</td>
<td>16.60%</td>
</tr>
</tbody>
</table>

On the other hand, the attitudes of the businessman, is spite their disapproval with corruption practices, indicate the various established links between the managers and powerful public officials and politicians. The connections are even stronger, having in mind the joint business of same politicians with the private sector as well as appointment of high officials based only on membership in ruling coalition parties.

Having regard the negative impact of corruption on the whole society and strategic interest of the country, the public expects from the competent state institutions to introduce anti-corruption measures, adopt the necessary legislation, as soon as possible, and express a political will and power to confront and fight the problem of corruption, no matter who is involved in corruption cases.

The public administration is the most vulnerable sphere to corruption. Among public officials, according to the research of the Center for Strategic Research and Development, the inspection and customs officers are the highest corrupted officials-39% of foreign investors had to pay a bribe to the inspections and 37% to customs. Other research indicates the following of level of corrupted officials: custom officials-72%; municipal councilors-61, 0%; ministers-60, 8%; judges-49%; officials from ministries-47, 5%; members of the Parliament-45% and so on.

The reasons could be found in the power of the public administration in the whole society, desecration right to issue various licenses to the private sector, especially in obtaining some privileges for doing business. The low salaries of the public officials also have impact for corruption practices.

The appointment of honest, skilled professional public servants, no-politicized, should create conditions for efficient, modern and no corrupted administration, competent to respond the citizen’s needs.

The media have extremely positive impact in voicing the public in combating the corruption and in making pressure on the authorities to undertake some measures to prevent and curb corruption. The number independent media in Macedonia play key role in discovering the scandals on political level with involvement of top government officials, (certain ministry's and deputes were involved), as well in mobilizing the public against such illegal activities. Media have discovered almost all scandals connected with abuse of power by the high officials, nepotism, non-transparent privatization process, and not transparent public procurement. The corruption scandals cover the newspaper and TV the last couple years. In the number of coverage pages, corruption was indicate as a stoppage of democracy, barrier for economic development and approaching to the European Community.
Finally, the direct public control on state authorities and other subjects (monopoly-public enterprises) is necessary to implement the rule of the law and prevent abuse of power. The joint action with media—as the most powerful means should contribute in changing the public attitude against non-acceptable practices of the competent institutions.

It is clear that corruption cannot be beaten without the support of the public. As indicated above, civil society played a key role in bringing the topic of corruption to the forefront of the international debate. The role of civil society and the media needs to be further expanded in a number of ways both in the preventive and repressive areas.\textsuperscript{15}

\textbf{STRATEGIES AGAINST CORRUPTION}

In a globalizing world, the strategies to prevent, detect and punish corrupt acts must be formulated at both the national and international levels. National laws, institutions and actors must be invoked in the fight against corruption. However, each country has its own particular historical, cultural, legal and administrative situations that must be taken into account in dealing with the problem of corruption. However, the experience of reforming countries to date has shown that a more active role for civil society is essential. Civil society has been defined as “the realm of organized social life that is voluntary, self-generating, self-supporting, and autonomous from the state, and bound by a legal order or set of rules.”\textsuperscript{16}

Civil society can serve as a countervailing force to either an overbearing or an unraveling state in the fight against corruption. Civil society organizations can watch over government activities, educate the populace of its civic and political rights, and try to refrain from being contaminated themselves. The private sector, which is both a perpetrator and a victim of corruption, must also be engaged in the fight against corruption. A leveling of the playing field will be one sure way of getting businesses to desist from corruption. The increased involvement of civil society and private sector does not preclude the needed reforms within the various arms of the government itself.

To help countries conceptualize a strategy at the national level, several international organizations have developed various frameworks. Transparency International and the World Bank have put out a concept, a national integrity system, to describe the

\textsuperscript{15} European Conference of specialised services in the fight against corruption (2001): “Preventing corruption in Europe: civil society and international community contribution”, Portoroz, Slovenia.

key institutions integral to combating corruption. The nine “pillars” of the system include the executive, civil society, private sector, champion of reform, judiciary, enforcement agencies, media, watchdog agencies, and parliament. They affect the three spheres of rule of law, sustainable development and quality of life. Concurrently, the OECD has developed the concept of the public service “ethics infrastructure” for the executive branch of government which include the following eight elements: political commitment, a legal framework, accountability mechanisms, codes or conduct or statements of values, professional socialization, employment conditions, ethics coordinating bodies, and public involvement and scrutiny which serve the three functions of guidance, management and control in the public service.

The anti-corruption strategy of the government of the Macedonia is set out in the State Programme for Prevention and Repression of Corruption and Action Plan adopted in June 2003. The comprehensive programme sets out the following aims:

• create an atmosphere of a ‘zero tolerance’ for corruption;
• transform corruption from a low risk and high profit into high risk and low profit deed by a system of repressive measures, including confiscation of proceeds.

To achieve its aims, the programme sets out the following areas of activities and main tasks:

• *Reforms of the state and the legal system*: amendments to the Constitution, existing laws and adoption of new legislation;

• *Political system*: insuring division of powers, control of funding of political parties;

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19 The Law on Prevention of Corruption was enacted in April 2002, and its implementation started from November 2002, when the State Commission for Prevention of Corruption was established. The Commission is tasked to: adopt annual plans on implementation of the State Programme; provide opinions on proposed corruption-related laws; submit legislative initiatives; propose controls on the financial and material work of political parties, trade unions and citizens’ associations; and conduct proceedings to discharge, replace, prosecute or apply other measures to elected or appointed civil servants, officials or responsible persons in public enterprises and other legal persons having control over public funds. The Commission is also responsible for implementing the conflict of interest law and monitoring the property and business interests of those covered by this law. Finally, the commission makes records and oversees the assets and any changes therein of elected or appointed officials and responsible persons in public enterprises.

20 The Ministry of Finance is active in the fight against corruption in several ways. It conducts investigations in government departments and other authorities, in particular with regard to public procurement, as well as in companies.
• Decreasing of the discretion rights: control over privatization and use of state property and funds, lifting immunities of government members;
  • Introduction of the merit system: strengthening legal basis of ‘merit’ employment and promotions;\textsuperscript{21}
  • Regulation of conflict of interest: insuring adequate legal basis.

The development of the state anti-corruption programme for the first time was technically and financially supported by the PACO programme of the Council of Europe. The implementation is overseen by the State Anti-Corruption Commission.\textsuperscript{22}

A specialized department for Combating Organized Crime and Corruption was established within the Public Prosecutor’s Office. In 2002 the establishment of such department was recommended to the R. Macedonia by GRECO and in 2003 it was also foreseen in the State Anti-Corruption Programme.

The Law on Changes and Supplements to the Criminal Code of the Republic of Macedonia (Official Gazette of RM, No. 19/04) envisages the introduction of corporate criminal liability, the introduction of confiscation of property and property advantage, and return of confiscated property to another state; the establishment of new criminal offences, sanctioning of new forms of money laundering, computer crime, smuggling of migrants; the redefinition of the sanctions system by introducing an alternative punishment.\textsuperscript{23}

The Criminal Code provides for provisions under which a definition of corruption and corruption related offences is given (active and passive bribery, bribery in elections and voting, unauthorized acceptance of presents, illegal mediation, misuse of official position and powers, forgery or destruction of business books, forging an official document, fraud in the service).\textsuperscript{24}

The research of the Center for Strategic Research and Development on barriers for foreign investment in Macedonia, indicate corruption is one of top obstacles for foreign investors.

Considering the corruption as a global problem, which can not be combated efficiently in the framework of the individual country, the necessity of joint efforts of the neighbour countries and regional approach to the problem, has been arise. Thus, anti-

\textsuperscript{21} According to the State Anti-Corruption Programme, two specialized departments have been established within the Ministry of Interior–Department for Internal Control and Department for Professional. The departments examine internal cases of corruption and are responsible for prevention.

\textsuperscript{22} More information on the Commission at: www.dksk.org.mk

\textsuperscript{23} Ministry of Justice (2002): Information on the activities in combating corruption and organized crime, p.3.

\textsuperscript{24} GRECO (2002): Macedonia Report, p.3.
corruption monitoring was launched between Macedonia, Bulgaria and Albania. Having regarded the widespread corruption in the Balkan countries, a further mutual action will be necessary for successful prevention and fight against this problem.

In 2002 Macedonia underwent both an evaluation of its anti-money laundering measures by MONEYVAL and the first GRECO evaluation. The Compliance report of the first evaluation round was made public by GRECO in January 2005. It concluded that most of the 2002 recommendations were implemented. Concerns remain regarding the following questions: analysis and statistics of corruption prone areas; specialization in detecting and investigating corruption cases; nomination of prosecutors and judges; procedures and scope for lifting immunities.

The international organizations have taken number of activities and adopted international documents, which obliged the member-states to implement in their domestic legislation. Considering corruption as a most serious threat for good governance and economic development in general, especially for countries in transition. Macedonia actively participates in all international activities against corruption. Macedonian participants are present in various committees of the international organizations, such as Council of Europe. As a member of United Nations and Council of Europe, Macedonia introduces the international accepted standards and legal instruments on sanctions imposed against acts of corruption in its own legislation.

During the last few years the fight against corruption has become a subject deserving increased international attention and progressively reached the top of the international agenda. The acknowledgement of corruption as a major international problem owes much to the determination and courage of ordinary citizens who refused to remain silent and passive in face of widespread

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26 As a part of international cooperation and participation in the global fight against corruption, Macedonia has signed and ratified the following Conventions:
- Penal Convention on Corruption of the Council of Europe (signed and ratified);
- The Civil Law Convention on Corruption of the Council of Europe and the UN Convention on Combating Trans-Border Organized Crime with Protocols (signed);
- After several years of active participation in GRECO (Group of European Countries against Corruption), Macedonia has submitted its instruments for acceptance in this organization;
- Macedonia has accepted the Recommendation 10 of the Committee of Ministers of the Council of Europe to the Code of Conduct of the Public Officials, to the member states;
- Macedonia is an active participant in the Octopus program-designed for Southeast Europe on the organized crime, including corruption. The representatives from various ministries participate in the activities of this organization.
corruption, organized themselves and were able to draw the attention of national governments and international institutions about the need for the international community to react strongly and in a concerted manner against this scourge. As a result in recent years a large variety of anti-corruption initiatives—legislation, treaties, institutions, integrity programmes, codes of conduct, technical assistance have been launched or adopted by national Governments and international organizations and institutions alike.

CONCLUSION

This paper has shown that corruption is a complex phenomenon, present in all countries. On the one hand, its causes are engendered by conditions of underdevelopment. On the other, its effects also hinder and impede the development process itself. The paper has explored the pernicious effects of corruption and the importance of the rule of law, transparency and accountability of public sector. These critical conditions serve as the foundation for the good governance and the economic growth of a country, especially through utilizing the opportunities provided by globalization through increased investment and trade.

As has been stated at the outset, globalization brings both opportunities and risks. Both stem from the new connectivity among countries at a global level. Although the risks of this connectivity are derived from a rapid, cross-border transfer of social problems such as corruption, crime and terrorism, the opportunities of this connectivity stem from shared solutions and concerted actions. The national and international strategies outlined above embody such opportunities for raising international standards in the fight against corruption and promoting mutual help, peer review, and harmonized actions.
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