

Assessment of Corruption and Crime affecting the Business Sector in the Western Balkans (2012 -2013)

Project Summary

Project Brief

The **overall objective** of the project is to strengthen integrity and transparency in the business sector of seven Western Balkans economies by providing evidence-based assessments of the patterns and nature of corruption and crime.

The **specific objective** of the project is to produce **assessments of corruption and crime affecting the business sector** based on comparable sample surveys in seven countries/areas of the Western Balkans while simultaneously strengthening national capacities to produce evidence-based assessments of corruption and crime in the business sector through full involvement of national data producers and anti-corruption agencies.

The **results** of the project will be

- ✓ Assessment reports of the nature and patterns of corruption and crime affecting the business sector in the region
- ✓ Increased knowledge to develop, implement and monitor policies to prevent and fight corruption and crime affecting the economy
- ✓ Strengthened capacities of local data producers to carry out national surveys on corruption and crime

Despite much progress in increasing transparency and good governance in Western Balkans countries over the past few years, there is an increasing body of evidence that corruption is still widespread and pervasive in the region and affects large segments of society and public administration.

More specifically, in 2010, the United Nations Office on Drugs and Crime carried out comparable corruption household surveys in the region with funding under the CARDS project '**Assessment of Corruption and Crime in the Western Balkans**'. The surveys produced a strong evidence base on the nature and role of corruption as experienced and perceived by individual households across the region and will help to target and strengthen efforts to fight corruption affecting the population.

At the same time, it is widely acknowledged that corruption and crime, when affecting the business sector, can have devastating consequences on the business climate and economic development of whole countries. This project proposal directly addresses this issue by proposing to carry out '**Assessment of Corruption and Crime affecting the Business Sector**' in the seven Western Balkan countries who are current or aspiring candidate countries to the EU.



The surveys will be implemented in cooperation with national statistical institutes or other local data providers in order to strengthen national capacities to implement similar surveys in the future.

Background and Justification

Corruption and crime affecting the business sector can take on many different forms, all of which are known to **negatively impact the economic performance of affected economies** and to distort the efficient allocation of resources for the production of goods and services. A high level of corruption and crime affecting businesses that is not effectively countered by strong preventive and law enforcement action becomes a **barrier to private and foreign investment**, foreign trade and a drag on economic development. A lack of integrity and transparency can prevent the most efficient enterprises from securing orders and supplying goods and services in the most efficient way. Corruption in the business sector can distort tender procedures, misallocate resources, lead to a corrosion of quality standards and even undermine environmental and health regulations.

Businesses are often further affected by the impact of crime on their operations. This can range from extortion by organized crime groups, to serious fraud and embezzlement of funds by senior managers to vandalism and assaults from competitors. Each of these has the potential to seriously deteriorate the business environment that enterprises are operating in and to **significantly raise the costs of doing business**.

Against this background, the business climate in the Western Balkan economies today is often perceived by domestic and foreign investors as suffering heavily from the impact of corruption and crime. To start addressing this situation, a **comprehensive assessment of corruption and crime affecting the business sector** can show areas of vulnerabilities (e.g. licensing, procurement or access to justice) and guide public interventions in this area (e.g. tender procedures or witness protection). It can be a tool for evidence-based policy making by pointing to the **most effective strategies of prevention, protection and prosecution** of offenders. For this purpose it is necessary to go beyond perception-based and general indicators of corruption and to measure the experience of corruption and crime through representative samples of businesses in the region.

Methodology

The project will be implemented by UNODC **Headquarters**, with operational support of local UNODC **project offices** in Tirana, Albania, and Belgrade, Serbia. Substantive backstopping from headquarters will ensure overall quality of activities and outputs of the project. It will also allow for overall consistency with UNODC programmes and activities in supporting countries in their fight against corruption and crime. The project will seek the services of **subcontractors with specific experience** in carrying out representative sample surveys in the region. Subcontractors will be engaged under close supervision by UNODC in the implementation of the field work, the analysis of data and the drafting of selected reports.

For each survey, a national project partner will be selected to implement the business survey on corruption and crime. In order to strengthen national capacity, priority will be given to **National Statistical Offices** and other project partners who have recently implemented the field work for the above mentioned household surveys on corruption, as they have demonstrated the technical capacity to conduct large-scale sample surveys. A dedicated survey will be carried out in each country/area to collect data on corruption and crime affecting the business sector and on its wider context within the specific business environment. This will allow gathering of comprehensive and regionally comparable information for policy development and monitoring.

The planned sample size (about 2,000 businesses in each beneficiary country/area) will allow **data representativity** with a certain geographical detail (e.g. urban/rural) and sector breakdown (e.g. business size, sector, ownership, etc.). The survey instrument/questionnaire will be elaborated in cooperation with local stakeholders (e.g. anti-corruption agencies, business leaders, officials, experts) and tested in preliminary focus groups. The appropriate modality for the field work to be carried out (e.g. face-to-face interviews, self-administered questionnaire, mailing survey) will be determined in a pilot test phase designed to gather evidence on expected response rates, quality of answers, target groups and other local factors to be taken into consideration.