

Corruption in Transition Countries: “How to Capture a State” – The Example of Montenegro.

Introduction

State capture is a special form of corruption, which is a new issue in the academic discussion about corruption. The concept of state capture was developed within the analysis of transition in Eastern Europe. The authors of state capture Hellman, Jones and Kaufmann focus on the question to what degree private actors especially private firms could influence the transition process for their own purpose (Hellman, Jones, Kaufmann 2000; Hellman, Kaufmann 2001). This is so far interesting that in the common academic research it is just the state, which plays the active and important role in the transition processes.

Analysing the situation in Montenegro, one entity of the state-union “Serbia and Montenegro”, will discover the connection of state capture and transition. One additional item, which is not analysed by the founders of the concept of state capture, is the effect of sanctions. It could be stressed that sanctions might actually have the strongest impact on the development of state capture. Montenegro as part of the Federal Republic of Yugoslavia was subject to sanctions from the EU, the Council of Europe and the UN. Apart from the international sanctions, Serbia introduced a trade blockade against Montenegro when it started to disconnect from the Belgrade regime of Slobodan Milošević.

International political and economic isolation was surely one reason why Montenegro decided to dissociate itself from Serbia and from the regime of Milošević. Once the second period of sanctions had started in 1998¹, Montenegro began to enhance its own genuine politics aiming for independence. But after the regime in Belgrade was toppled in October 2000 Montenegro lost its status as opponent of Milošević and the international partners focused since then more and more on aspects of the political and economic system due to the fact that Montenegro wishes to join the European Union. The international community became aware of smuggling, human trafficking and organised crime in Montenegro and the Balkans.

Because of that, it is interesting to consider to what extent the phenomenon of “state capture” is the reason of organised crime, slow transition process or the weak political system in Montenegro. In the first section of this article it will be given a definition and a description of state capture in Eastern European transition countries. The second part focuses on Montenegro as a case study. Here it will be shown how various economic actors capture the state during sanctions and privatisation. This analysis will refer to the research results of Nebojsa Medojevic who is head of the

1 The first sanctions were introduced from 1992 until 1996.

Montenegrin NGO “Centre for Transition”². The third section will give a short overview about some aspects of the political system referring to the results of the Nation Integrity System. This is a concept of Transparency International to analyse the efficiency, transparency and integrity of political systems. According to these results this article will analyse some reforms which were carried out or which are under preparation in Montenegro.

1. State Capture

The World Bank Institute under the leadership of Daniel Kaufmann in cooperation with the European Bank for Reconstruction and Development developed the concept of state capture while analysing corruption in transition-countries of Eastern- and South-Eastern Europe. The difference between corruption and state capture is explained as follows:

“While most types of corruption are directed toward changing how existing laws, rules, or regulations are implemented with respect to the bribe payer, state capture refers to corrupt efforts to influence how those laws, rules and regulations are formed” (Hellman, Kaufmann 2001, p. 2).

Nevertheless the influence of private interests on the decisions of the state is a normal feature of all political systems. What separates state capture as a form of corruption from conventional forms of political influence, such as lobbying, are the mechanisms by which the private interests interact with the state.

“State capture occurs through the illicit provision of private gains to public officials via informal, nontransparent, and highly preferential channels of access. It can also occur through unclear boundaries between the political and business interests of state officials, which have been a particularly prominent characteristic of many transition countries. In all its forms, state capture tends to subvert, or even replace, legitimate and transparent channels of political influence and interest intermediation, reducing the access of competing groups and interests to state officials (World Bank 2000, p. 3).

Hellman, Jones and Kaufman identified the so-called *de novo* firms as one of the actors who capture the state. The characteristics of these firms are that they are newly set up firms without any state-owned predecessor (Hellman, Jones, Kaufmann 2000, p. 3). During the privatisation process a high degree of legal uncertainty had been observed. This is especially true for new firms which had to maintain their position in the new market economy. At the same time the state was unable to establish new and effective political and economic institutions. Offe gives attention to the problem of simultaneousness of political and economic transition (Offe 1994). After the collapse of former strong communist state with its centralised institutions new powerful actors

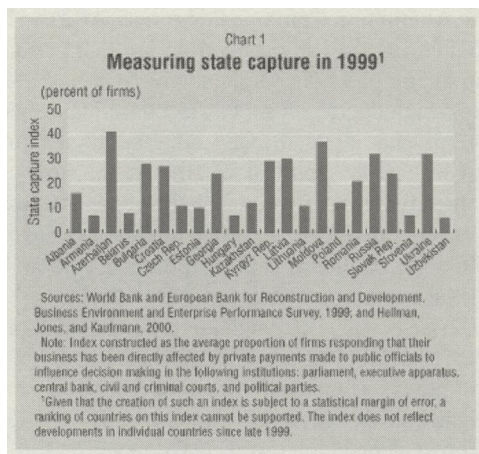
2 Medojevic is very engaged in public debates regarding corruption. His NGO is partner of Transparency International. Furthermore he is also initiator and cofounder of the initiative “Group for Change” which is expected to become sooner or later a political party in Montenegro, comparable with G17 plus in Serbia. The author interviewed Mr. Medojevic on 29 June 2002 and 20 June 2003.

“How to Capture a State” – The Example of Montenegro.

from the economic sphere have used the vacuum of power shaping the new rules for their purposes.

“Yet in the context of weak states and underdeveloped civil societies, such forms of influence have had a powerful impact on the pace and direction of reforms, on the design of economic and political institutions and, ultimately on the general quality of governance in the transition countries“ (Hellman, Jones, Kaufmann 2000, p. 1).

This observation leads Hellman, Jones and Kaufmann to the conclusion that partial freedoms fall together with state capture (2000, p. 3). That means if countries leave the transformation process incomplete or create interruptions and irregularities it will create state capture. Even a low degree of freedoms creates less state captures than just partial freedoms. The chart below shows that in counties like Belarus or Uzbekistan, which are less reformed but have a strong authoritarian or even totalitarian regime, suffer less from state capture than countries with partial freedoms like Croatia, Bulgaria or Russia.



(Hellman, Kaufmann 2001, p. 3)

At this stage two general remarks can be made. First, state capture is not just a phenomenon in transition countries. And second, it is not just private firms and companies who capture the state but also other social groups (e.g. ethnic groups, the military)³ (Worldbank 2000, p. 3). “Therefore state capture itself could be unbundled to reveal a wide range of different relationships“ (Worldbank 2000, p. 3).

2. State Capture in Montenegro

The two main important independent variables to explain the causes of state capture are economic and political transition. But in the case of Montenegro there is an additional variable to be analysed, namely the importance of economic sanctions. The civil war and the imposed international sanctions had a special impact on Serbia and Montenegro.

The problem was that the war abruptly interrupted the sensitive transition process, which started under president Ante Markovic in 1992. In the first stage it was the war itself and than the subsequent sanctions, which caused the disappearance of the middle class (Djuric 2003, p. 144). An oligarchy emerged, which gained wealth and power while they used the vacuum of state power (Medojevic 2001). Medojevic assumes that a huge part of the national wealth belongs just to 2 per cent of the citizens.

2.1. State Capture and Sanctions

Montenegro as part of the Federal Republic of Yugoslavia was subject to sanctions from May 1992, initiated by the UN Security Council, triggered by the war in Croatia and Bosnia-Herzegovina. The sanctions lasted until October 1996. But the starting war in Kosovo led to economic sanctions of the European Union and the Council of Europe in the middle of 1998 and ended in October 2000. The European Union froze all the funds of the FRY⁴ government, its agencies and companies. Following the NATO bombardment, the EU decided to forbid investments in FRY and stepped up restrictions on commercial relations (Nikolic 2002, pp. 90).

The example of the Aluminium Combine Podgorica (ACP) will show in which way the political and economic system had changed during that period. ACP is one of the most important industrial complexes in Montenegro. ACP had a wide range of suppliers, which depended to a high degree on ACP. The consequence was that all positive as well as negative developments effected many other supplying firms and branches as well. Medojevic found out that the political leaders had the strong interest in maintaining the work of this company for national interest under the sanctions, as well. In consequence political leaders supported the emergence of enterprises, which delivered industrial plants with means of production to sell the products abroad. The political leaders rather sacrificed the legal system to avoid a standstill in the industry production and trade. Medojevic calls these newly emerging enterprises “friendly firms” (2001a). They enjoyed legal freedoms because they were of national importance. These new enterprises were sellers and buyers at the same time, determining subsequently the prices. Despite that kind of “help”, the economic situation of ACP declined dramatically whereas the new enterprise gained high profits (Medojevic 2001a).

It could be assumed that the sanctions brought the state into the situation to maintain the economic system by all means and accepted that the economic and legal system got aliened. It could also be assumed that the state lost its control over the eco-

3 Therefore the author would like to mention the work of George Monbiot (2000): *Captive State. The corporate takeover of Britain*. Monbiot describes the influence of companies on public institutions in Britain. On the one side the corporations between state and private sector neglect the public interests because they are not conforming to profit aims. On the other hand these corporations causes a deep interweaving between politics and economy where public servants and their decisions are manipulated. This is possible because the public institutions are allowed to hide information with the justification that they have to secure the legitimate right of trade secret of their trade partners. Monbiot describes state capture as one of the biggest challenges of liberal democracies in the 21st century.

4 Federal Republic of Yugoslavia

conomic transactions and the new actors of the "new market" became politically very influential because their services became indispensable. Furthermore "government bodies in FRY, Serbia and Montenegro were forced to transform import and export transactions into internally-legalised smuggling" and "the entire authoritarian system of the rule of Milošević in FRY was very tightly interwoven in the web of corruption and crime, and thus the everyday life of the ordinary population was criminalized accordingly". "Yet there are huge differences between small-scale and large-scale smugglers; the former ones are engaged in this to earn their subsistence, the latter to increase their wealth. The former were the hostages, the latter the owner of the entire system" (Djuric 2003, p. 145).

As mentioned earlier, not just international sanctions damaged the economic and political system but also the trade blockade, introduced in 2000 by Serbia against Montenegro for all goods except aluminium and steel because Montenegro started to separate economically from Serbia. The most significant Montenegrin step of separation from Serbia was the introduction of the German Mark in 1999 as a parallel official currency next to the Yugoslav Dinar, thereby passing out the Yugoslav monetary system. As a result all electronic transactions between the two republics eventually stopped. The cessation of electronic payment transactions between the banks of the republics challenged the Montenegrin economy, causing companies either to turn to barter system or to make the effort to keep transfers going, the latter of which often involved resorting to illegal means (Huszka 2003, pp. 54).

2.2. State Capture and Privatisation

The process of privatisation could be exposed to manipulation to a high degree because it is often just one actor, the state, responsible for the privatisation. In many cases there is a lack of transparency and openness. The privatisation in Montenegro started when the Law on the Privatisation of the Economy was enacted in mid-1996. One year after the end of the sanctions and the end of the war in Croatia and Bosnia-Herzegovina.

Referring to the previous chapter it should be noticed that Montenegro entered the privatisation process as an already captured state. That has to be taken into consideration in comparison with other Eastern European transition countries.

There had been irregularities in the form of privatisation that was based on selling shares. Shareholders who bought big share packages had to pay just 5 per cent of the nominal value of the shares. But they became owner of 26 to 60 per cent of the property whereas small shareholders could not buy the shares for the reduced price.

One reason of these irregularities was the lack in the legal regulations and not clearly defined contracts with the buyers of state/public property. The buyer had the opportunity to pay the price in rates. But before the buyer paid all the rates or at least a big part of it he got all ownership rights. Therefore it happened that the new owner paid the following rates with the profit he made with his newly privatised company. In the worst cases the new owner did not pay the rates but transferred the capital to other firms he owned before. Some of the buyers were owners of firms to which the state firms had debts. So the buyer used the possibility to balance the costs out against the state company.

Medojevic ascertains that the newly created national privatisation agency had no legal means to counteract against these misuses. It just could be guessed why the agency avoided cancelling these contracts. But it was possible to ignore all the problems because there was no transparency and openness during this first stage of the privatisation process. Almost 60 per cent of all social capital/state enterprises were privatised during this period (Djuric 2003, p. 150). The 40 per cent left are the big and most valuable enterprises e.g. the Aluminium Combine, Telekom Crna Gora, Elektroprivreda Crna Gora (electricity generation and distribution) and various hotels and tourist enterprises (Djuric 2003, p. 150).

2.3. *The National Integrity System (NIS) and Reforms*

The National Integrity System, which was developed by Transparency International, is a method to analyse the susceptibility of the political system for corruption⁵. „The approach is to move instead to a system of ‘horizontal accountability’; to one in which power is dispersed, where none has a monopoly, and where each is separately accountable” (Pope, 2000, S. 33)⁶. In this chapter some of the results of the NIS-survey will be analysed and examples from the author will be added as well on reform efforts, which were undertaken by the Government.

Government and Parliament

Neither the work of the Government nor its spending is transparent. The main tool of the legislation to control the executive power could be a budget review, but the budget is very superficial and not precise. Furthermore the parliamentary parties and committees have no possibility to analyse and comprehend the budget properly because the members of Parliament have just one month time to discuss it according to the Budget Law⁷. Especially political programs or projects sponsored by international donations are not listed in the budget therefore from 1998 till 2002 around one billion DM of donations had not been listed in the respective annual budget (Simonovic, 2003). But since the beginning of 2003 the Parliament is working on a legal framework for a State Institution for External Financial Control supported by GTZ (German Agency for Technical Cooperation). An inter-institutional working group was implemented by Parliament and consists of members of the Parliament and government officials.

The income of MP’s as well as government officials is not transparent and there is no information about additional functions in state enterprises of state officials. But the Parliament voted unanimously for a proposal to disclose their incomes and property from 1.000 DM and upwards. Unfortunately it is just a recommendation of the Parlia-

5 This method is based on an inquiry of politics. The analysis of NIS in Montenegro was published in 2001.

6 Unfortunately NIS leaves out the economic system of a country therefore the part “Economy” is added to the analysis which gives a short analysis of the economic situation and how economy is functioning.

7 The budget of the following year has to be discussed from first of December till the end of the same year.

ment so nobody is obliged doing so and therefore just few members of Parliament obey this recommendation (Simonovic 2003).

Financing of Political Parties

The existing Law on Political Parties from 1997 refers to transparency of party financing. There are no control mechanisms, which keep track of the incomes and expenses of a party and the parties themselves are not obliged to publish their economic transactions and donations. The example of financing the election campaign shows a degree of manipulation. The parties spent more money than it is allowed by the electoral law. The campaign should not cost more than 250 average monthly salaries, which was 25.000 Euro in 2002 (CEMI 2002, p. 59.). While putting simply this regulation opposite to the costs of the TV-spots, which were broadcasted, it could be noticed that much more money has been spent than allowed. This stresses the assumption that incomes of the grey economy flow into the cash register of parties and in return these people take leading party positions or can even become privileged candidates for parliament (Cemi 2002, p. 61, 65).

Judiciary

The previous months proved how deep the deficits of the judicial system are. It happened that a case of human trafficking was not brought to court from the prosecutor of the basic court of Podgrica because of lack of evidences. One of the four suspects in human trafficking is the deputy of the state prosecutor. The decision to bring the case not to court was very much criticised from the local investigative judge, local NGOs and from international organisations like OSCE, UNHCR, Amnesty International, the working group of the Stability Pact for Southeast Europe on Fight against Human Trafficking (Vijesti June 10 2003, p. 7). The critics are convinced that there is enough evidence considering that the main victim is able to give detailed information about persons and places involved (Monitor 2003, pp. 12).

Besides this concrete case, NIS stresses the limited efficiency of the judiciary because of shortages in professional staff and sufficient equipment. Political parties have too much influence regarding the appointment of judges.

Committee of Inquiry

An Anti-Corruption Initiative Agency became operational in February 2001. The installation of this Agency was one result of the Stability Pact Anti-corruption Initiative (SPAI) that is part of the Stability Pact for South-East Europe⁸. The Agency is an independent body and not placed under any ministry. The SPAI general assessment re-

8 The Stability Pact is based on the initiative of the European Union. It is structured in three working tables. Within table III, Fostering Security Sector Reform, the Stability Pact Anti-Corruption Initiative (SPAI) was adopted in February 2000. The work of the SPAI is based on four pillars: 1) adoption and implementation of European and other international legal instruments, 2) promotion of good governance and reliable public administration, 3) strengthening and promotion of the rule of law, 4) promotion of transparency and integrity in business operations and 5) development of an active civil society. More Information on the SPAI website (www.oecd.org/daf/SPAIcom/index.htm).

port from April 2001 describes the tasks and responsibilities of the Agency as follows: drafting relevant legislation, activities aimed at the prevention of corruption, proposing and preparing the accession to European and international legal standards and mechanisms, improving business operations and taking any other measures required in combating corruption. But after two years of work there is just one final result: the adoption of the Law on Public Procurement, which was prepared in cooperation with the US Agency for International Development (USAID), but not with local NGOs (Medojevic 2003, 15). Still the Agency participated in drafting several laws on anti-corruption like the Law on Conflict of Interests, Law on Money Laundering and Law on Anti-Corruption but none of them have yet been adopted by the Parliament (see table on p. 11 of this article).

The Agency itself is confronted with several problems. First, the international community is not providing adequate support and cooperation within the SPAI. Seminars, which are held with international experts involved, are not coordinated in a joint action with the Agency. SPAI is setting standards and guidelines, which have to be fulfilled and implemented. The Agency is neither an equal actor nor involved in thematic preparation. It is not intended that the Agency could ask for individual support. Sukovic criticizes that SPAI is spending money for expensive regional and international seminars and conferences but this money could be better spend for individual action plans or long-term experts, which correspond to the needs of each particular country.

Second, the Agency is not an operative body. That means it cannot react on presumptions of corruption. The Agency is just entitled to draft anti-corruption laws for the Government. Still it is not sure whether the draft laws, which are handed to the Government or to the Parliament, will be adopted without fundamental changes. Nevertheless the Law on Public Procurement is adopted by the Government and Parliament. But in the case of the Law on Conflict of Interests Medojevic is criticising both the government and the Agency because the draft law, which was prepared on an international round table with local and international organisations in December 2002 has in the meantime been changed in some crucial aspects⁹ (Medojevic 2003, pp. 3).

Third, it is the difficulties to hire qualified staff because of the low salary and lack of qualified people (Sukovic 2003).

Besides the long-term committee (the state Agency for Anti-corruption), there was a short-term, so called ad-hoc parliamentary commission established. This committee of Parliament inquired the accusation published in the Croatian magazine "National", that Premier of Montenegro, Milo Djukanovic, and other state officials were involved in smuggling of cigarettes. Their members were politicians from all parties who are represented in the parliament. But during the inquiry members of the "Na-

⁹ e.g. members of parliament and high public officials are not covered by the law, there is no article about punishment and Medojevic fears that the control commission might not be an independent institution because the commission could consist of majority members of the parliament and not with less people from the civil society. Medojevic expects that the members of the parliament who belong to the ruling party will dominate the commission and manipulate its activity in favor of the government.

cial Commission", who belong to the ruling party, left the Commission after first serious indications appeared (Simonovic 2003). The final report of the Commission points out that there were irregularities and some public officials were involved in smuggling of cigarettes (Simonovic 2003). The report of the commission was handed to the state prosecutor. But the case was never brought to court and the results of the report did not lead to further consequences (Simonovic 2003). Considering in general that parliamentary inquiry commissions are not vested with far-reaching competences and rights for investigation, the results and effects of the Commission's report are limited. The right for access to information is very much restricted and the persons who are requested to provide information are not forced to do so (Sukovic 2003).

Economy

The economy of Montenegro is characterised through an unsteady legal system, increasing poverty, rising unemployment and a high scale of shadow economy (Djurić 2003). One of the greatest problems is the incapability of the "legal economy" to fill the budget therefore Montenegro increasingly relies on international donors¹⁰. Due to the fact that Montenegro is receiving international aid to a high amount the Government is able to increase subsidies to struggling companies, to expand administration and increase salaries in the public sector (Huszka 2003, p. 56). Considering this in connection with missing political and economic reforms, it is clear that the political elite and the system were at least indirectly strengthened by foreign aid.

Public Procurement

In September 2001 a Law on Public Procurement was adopted in the Montenegrin Parliament. This was the first law on fighting corruption. The aim of the law is to avoid manipulations between the state or state companies and private economy. According to the Law, the purchase of goods and services by the state has to be transparent and public. A Public Procurement Commission was set up, with the task of cancelling a public tender and in case of any irregularities to make a report to the parliament (Art. 62, 1). It has to be stressed that the report has been handed in to the Government in the beginning of June 2003 but not at first to the Parliament. Furthermore the Commission consists of just three members and its authority is very much limited. It is allowed to react on complaints and reported cases of irregularity (Art. 62, 2). In such a case, it can start an investigation and decide to cancel a tender (Art. 62,63). According to the statement of the Public Procurement Commission in 2002, 40 complaints were handed in and 50 per cent were confirmed by the Commission and the respective tender was cancelled. Unfortunately the report, which could give details about the kind of irregularities is at the Government and could not be viewed by the public.

To sum up, one may say that the economic and political system in Montenegro is not transparent and that no effective control mechanisms exist. All efforts taken are

10 In 1999 and 2000 the sums of aid by EU and the US amounted to at least 485 m Euro (ca. 243 m Euro for two years) (Huszka 2003, p. 56) but the budget revenues for 1999 and 2000 amount 150 respectively 177 m Euro (ISSP 2002, p. 39). That means the international grants are almost higher than the domestic revenues.

quite modest. Many of the legal initiatives agreed within the SPAI framework (Stability Pact Anti-Corruption Initiative) are drafted or in preparation but not implemented or even made use of:

Activity	Deadline	Current situation
Law on Anti-corruption	July 2002	Government adopted the draft Now waiting to be adopted in Parliament
Law on Conflict of Interests	First quarter of 2002	Government adopted the draft Now waiting to be adopted in Parliament
Law on Money Laundering	First quarter of 2002	The government first adopted the draft of the Law and had provided it to the commissions of the parliament. But afterwards it revoked the draft and are now working on a new version
Law for Taxes on Extra Profit	July 2002	Government adopted the draft Now waiting to be adopted in parliament
Law on Financing Political Parties		No activities
Law on Parliamentary Inquiry		No activities
Law on Public Prosecutor	July 2002	Government adopted the draft; Since than it is in process of analysis by foreign experts
Law on State Institution for External Financial Control		Preparation of a draft in the parliament
Changes and Additions to the Law on Public Procurement ¹¹		Preparation of a new draft
Law on Illegal Enrichment		No activities
Code/Law of Conduct for Public Officials	2000	No activities
Law on Police	July 2002	The Ministry of Interior confirmed the Law and since then it is debated within the government
Law on National Security Agency	July 2002	The Ministry of Interior confirmed the Law and since then it is debated within the government
Law on Ombudsman	2002	The government confirmed the Law and since then the public debate is lasting
Law on Free Access to Information	2002	A working group consisting of representatives of media, government and NGOs prepared the Law and had handed in to the government since then no progress was made

(Medojevic 2003a, p. 9)

- 11 The Law was prepared in accordance to the Anglo-Saxon law system and only when the Law came into effect it was noticed that it does not fulfill European standards. It has to be mentioned that US-consultants prepared the Law.

Two more aspects underline the character of measures against corruption: First, Medojevic criticises that the Government has so far made no efforts to coordinate and implement a comprehensive action plan¹². The absence of a strategic plan, where members of the government, the parliament, judiciary institutions, public persecution together with representatives of civil society, the media and the private sector should coordinate their work on anti-corruption, leads to the fact that any reform measure taken by the government is hardly transparent and therefore could easily be interfered and delayed by corrupt bureaucracy (Medojevic 2003, p. 6). Second, Djuric notices that economic and political reforms in general have been carried out unevenly and in unsynchronised manner. The absence of systemic laws has been offset by the continual modification and amendments of republican laws. In consequence, Djuric says, an unregulated legal environment and rule by degree have created an atmosphere of overall insecurity and uncertainty (2003, p. 153). One result for this is the incomplete state structure of the state "Serbia and Montenegro". The Belgrade Agreement from April 2002 and the subsequent Constitutional Charter require the harmonization of international economic relations and the matters of the internal market. Having the possible referendum on independence (2005) in mind, Montenegro does not much seem to be interested in speeding up the process of harmonization.

It has to be stressed that since the beginning of 1990 Montenegro is ruled by one dominating party and its president¹³, although in different coalitions. Unfortunately the opposition is not unified and was not able to provide an alternative at the elections. Instead, they were blockading the Parliament and boycotting political decisions.

3. Conclusion and Perspectives

Considering the concept of state capture, where the main causes of this phenomenon are partial freedom, an incomplete transformation process or interruptions and irregularities, Bieber states

"We can consider Montenegro as a classic case of a hybrid regime in the post-Communist era: not yet qualifying as a liberal democracy, it nevertheless does not constitute an authoritarian system" (Bieber 2003, p. 39).

confirming that Montenegro is very much stuck down by state capture, Medojevic stresses that

- 12 Also the Commission of the EU in its second yearly report of the Stabilization and Association Process of Southeast Europe from 2003 proposes to implement a national Plan how to combat organized crime.
- 13 Democratic Party of Socialists (former socialist party in Yugoslavia) with its party president Milo Djukanovic (former junior partner of Milošević). He was accused by the Italian state prosecutor of Bari for involvement in organised smuggling of cigarettes. The investigation is still in progress. (Spiegel 8/2002).

“Although Montenegro has had a multiparty political system for eleven years, it is still not consolidated. (...) Individuals, contact and clans have become more important than institutions and laws” (Medojevic 2003b, p. 1).

The reform of the legal system, and that of the state institutions seem to be the focus of the current Montenegrin politics as well as of the international community. Considering that these reforms – due to the political instability – have not widely advanced, an alternative concept of reforms should be developed in order to “(...) install formal channels of political influence and interest intermediation, and to enforce organization of countervailing interests both from the economy and civil society” (Worldbank 2000, p. 3). In consequence “(...) reducing state capture involves shifting private sector influence from illicit, non-transparent, and highly preferential channels of access toward legitimate, transparent, and competitive forms of interest intermediation” (Worldbank 2000, p. 3). Pressure groups¹⁴ inside the political system of Montenegro will need help from outside, e.g. through the SPAI, which of course should reform its concept due to the needs of lobby groups with economic impact. Replacing the political and economic elite is impossible and to destroy their illegitimate connection by just focusing on international experts to reform the state and public institutions and the legal system, will obviously not lead to success.

Literature

Bieber, Florian (2003): Montenegrin Politics since the Disintegration of Yugoslavia.

In: Bieber, Florian (ed.): Montenegro in Transition. Problems of Identity and Statehood. Baden-Baden. p. 11-42.

Center for Monitoring (Cemi) (ed.) (2002): Model zakona o finansiranju politickih partija. Podgorica.

Djuric, Dragan (2003): The economic development of Montenegro. In: Bieber, Florian (ed.): Montenegro in Transition. Problems of Identity and Statehood. Baden-Baden. p. 139-157.

Hellman, Joel; Kaufmann, Daniel; Jones, Geraint (2000): Seize the State, Seize the Day. State Capture, Corruption and Influence in Transition.
www.worldbank.org/wbi/governance/pdf/seize_synth.pdf download in Mai 2002.

Hellman, Joel; Kaufmann, Daniel (2001): Confronting the Challenge of State Capture in Transition Economies.
www.imf.org/external/pubs/ft/fandd/2001/09/hellman.htm#author download in Mai 2002.

Huszka, Beata (2003): The dispute over Montenegrin Independence. In: Bieber, Florian (ed.): Montenegro in Transition. Problems of Identity and Statehood. Baden-Baden. p. 43-62.

14 The author takes organisations into consideration, which have effect on economic issues like employer’s associations, trade unions, environmental organizations, consumer organizations, alliance of taxpayers, etc.

- Institute for Strategic Studies and Progress (ISSP) (2002): *Montenegro Economic Trends*. Podgorica.
- Kommission der Europäischen Union (2003): *Der Stabilitäts- und Assoziierungsprozess für Südosteuropa. Zweiter Jahresbericht*.
www.europa.eu.int/eur-lex/de/com/rpt/de_rpt_month_2003_03.html downloaded in June 2003.
- Komnienic, Petar (2003): *Ulje na vatru*. Vol. 14, No. 659, pp. 12. Podgorica.
- Medojevic, Nebojsa (2003a): *Monitoring Implementacije Reformi u Crnoj Gori. Anti-Korupcija*. Podgorica.
- Medojevic, Nebojsa (2003b): *Montenegro: Land of Frozen Reforms*. Podgorica.
- Medojevic, Nebojsa (2001a): *Privatizacija i korupcija u Crnoj Gori*. Podgorica
- Medojevic, Nebojsa (2001b): *Korupcija. Izvjestaj za godinu 2001*. Podgorica
- Nikolic, Milos (2002): *The Tragedy of Yugoslavia. The rise, the reign and the fall of Slobodan Milošević*. Baden-Baden.
- NN (2002): *Rauchen für den Krieg*. In: *Spiegel*, No. 8/2002.
- Offe, Claus (1994): *Der Tunnel am Ende des Lichts. Erkundungen der politischen Transformation im neuen Osten*. Frankfurt.
- Pope, Jeremy; Transparency International (2000): *The TI Source Book. National Integrity System*. Berlin.
- Official Gazette of the Republic of Montenegro (2001): *Public Procurement Law Republic of Montenegro*. No. 40. www.nabavka.cg.yu/english/ppl.pdf, download on June 11, 2003.
- OECD, Stability Pact Anti-Corruption Initiative (SPAI) (April 2002): *Guidelines for the Session on Review of Progress and Priorities for Reform: FRY/Montenegro*. Paris. (unpublished)
- Transparency International (2001): *Global Corruption Report 2001*. Berlin.
- Transparency International (2001): *National Integrity System – Montenegro*. Podgorica
- Vijesti (2003): *Kancelarija UN za ljudska prava pridruzila se protestima Vasingtona, EU I OEBS-a zbog zataskavanja afere trafikung. Postojale vise nego dovoljno dokaza za podizanje optuznice*. 10.06.2003. Vol. 7, No. 1864. p. 7. Podgorica.
- Weltbank (2000): *Anticorruption in Transition. A contribution to the Policy Debate*. Washington.
www.worldbank.org/wbi/governance/pdf/contribution.pdf download in Mai 2002.

Interviews

- Medojevic, Nebojsa, Director of Center of Transition. Contact: Krusevac B/8/7, 81000 Podgorica, Serbia and Montenegro, Tel./Fax: ++381-81-234 332, e-mail: medo@cg.yu, interview on 29 June 2002, 20 June 2003.

Sukovic, Veselin, Director of Anti-Corruption Initiative Agency. Contact: Republic Montenegro, Cetinjski put bb-BC "Vectra" 2, 81000 Podgorica, Serbia and Montenegro, Tel /Fax: ++381-81-234 316, e-mail: aci@mn.yu, interview on 31 June 2002, 22 July 2003.

Simonovic, Vuksan, Head of Parliamentary club of SNP (Socialist People's Party of Montenegro) and former President of the parliamentary commission "Nacional Commission", Contact: Socialisticna Narodna Stranka (Socialist People's Party of Montenegro), Vuka Djurovica 5, 81000 Podgorica, Serbia and Montenegro, Tel./Fax: ++381-81-272 421, e-mail: snp@cg.yu, interview on 05 June 2003.