

THE GEOECONOMICS OF STATE CAPTURE



Reconciling Anti-Corruption and Strategic Imperatives in the WESTERN BALKANS

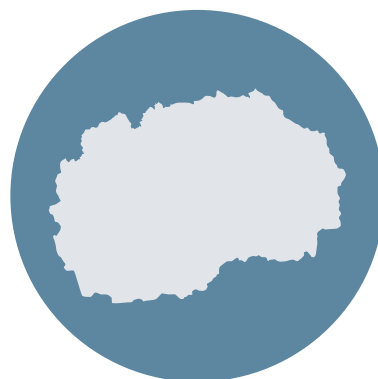
REGIONAL ANTI-CORRUPTION REPORT 2026



Funded by
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Ministry of Foreign Affairs
and International Cooperation



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The Regional Anti-Corruption Report 2026 reveals how entrenched state capture networks manipulate public institutions, procurement, strategic infrastructure, energy dependence, and the media to monopolize growth opportunities and EU financial and technical support, squandering the European prospects, undermining the social cohesion, and weakening the democratic institutions of their countries in the process. Russia and China, which continue to pursue their geopolitical and economic rivalry against the European Union, have sought to weaponize these vulnerabilities, weakening the region's integration in the European democratic space and denying its citizens fundamental human rights standards.

The Southeast European Leadership for Development and Integrity (SELDI) is a regional civil society coalition established in 1998 by the Center for the Study of Democracy to advance anti-corruption and good governance across Southeast Europe. Drawing on SELDI's Corruption Monitoring System, State Capture Assessment Diagnostics (SCAD), and SCAD Scoreboard, the report maps the gaps in anti-corruption policies and their actual enforcement across the Western Balkans. It argues that strengthening the rule of law, institutional independence, and democratic accountability is both a condition for EU accession and a geopolitical imperative for Europe and the Western Balkans.

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LIST OF ABBREVIATIONS

ACER:	Albanian Center for Economic Research	EBRD:	European Bank for Reconstruction and Development
AKSHI:	National Agency for Information Society (Albania)	EPPO:	European Public Prosecutor's Office
AMA:	Audio-Visual Media Authority (Albania)	EU:	European Union
AMLA:	Anti-Money Laundering Authority (EU)	EULEX:	European Union Rule of Law Mission in Kosovo*
ANB:	National Security Agency (Montenegro)	GRECO:	Group of States against Corruption (Council of Europe)
APC:	Agency for Prevention of Corruption (Montenegro / Kosovo*)	IFF:	Illicit Financial Flow
APIK:	Agency for the Prevention of Corruption and Coordination of the Fight Against Corruption (Bosnia and Herzegovina)	IDLO:	International Development Law Organization (Rome, Italy)
BIRN:	Balkan Investigative Reporting Network	IMC:	Independent Media Commission (Kosovo*)
BSCP:	Business State Capture Pressure	IPA III:	Instrument for Pre-Accession Assistance III
CCI:	Centers for Civic Initiatives (Bosnia and Herzegovina)	MAPS:	Methodology for Assessing Procurement Systems
CMS:	Corruption Monitoring System	MCIC:	Macedonian Center for International Cooperation (Republic of North Macedonia)
CSD:	Center for the Study of Democracy (Sofia, Bulgaria)	MEAT:	Most Economically Advantageous Tender
CSF:	Civil Society Facility	OECD:	Organization for Economic Co-operation and Development
CSO:	Civil Society Organization		

OFAC:	Office of Foreign Assets Control (US Department of the Treasury)	TAIEX:	Technical Assistance and Information Exchange instrument
OCCRP:	Organized Crime and Corruption Reporting Project	TIDZ:	Directorate for Technological Industrial Development Zones (North Macedonia)
PEP:	Politically Exposed Person	UAE:	United Arab Emirates
PPDS:	Public Procurement Data Space	UNCAC:	United Nations Convention against Corruption
RGF:	Reform and Growth Facility	UNSCR:	United Nations Security Council Resolution
RS:	Republika Srpska	USAID:	United States Agency for International Development
RTCG:	Radio and Television of Montenegro	VAT:	Value Added Tax
RTSH:	Radio Television of Albania		
SCAD:	State Capture Assessment Diagnostics		
SCPC:	State Commission for Prevention of Corruption (North Macedonia)		
SIGMA:	Support for Improvement in Governance and Management		
SLAPP:	Strategic Lawsuit Against Public Participation		
SOE:	State-Owned Enterprise		
SPAK:	Special Structure against Corruption and Organized Crime (Albania)		
SPS:	Socialist Party of Serbia		



EXECUTIVE SUMMARY

The Western Balkans's European integration is in its third decade of continuous governance deadlock in which the renewed geopolitical urgency of enlargement is being undermined by the weakness such integration is meant to overcome: systemic corruption impunity and state capture. The central obstacle to accession negotiations progress is the consolidation of political-business networks that control institutions, strategic markets and information flows, and increasingly seek to leverage authoritarian state interests. Russia and China exploit and reinforce domestic structures of patronage, monopoly and impunity, converting economic dependence into political leverage and slowing Euro-Atlantic integration.

This changes the strategic meaning of the anti-corruption reform process. Rule of law and good governance cannot be treated as technical conditions to be relaxed when geopolitical competition intensifies; they are the main safeguards against that competition being decided through captured institutions and/or to the detriment of citizens fundamental rights. The geopolitical case for enlargement should therefore strengthen conditionality. Accelerating accession without verified governance transformation would risk importing the same dependencies and informal power networks that now obstruct European alignment.

A region-wide system of capture, with different national configurations

SELDI's pilot 2026 *State Capture Assessment and Diagnostic Scoreboard* shows a region that is failing to converge towards democratic consolidation under an EU accession process. Bosnia and Herzegovina (75.0) and Serbia (71.5) fall in the red zone, where capture has become structural. North Macedonia (63.6) is close to that threshold. Montenegro (56.1), Albania (55.6) and Kosovo* (50.6) remain in the amber, or contested, zone: formal institutions operate, but under persistent partisan and private pressure. The scores are comparative diagnostic profiles, not

a single measure of the "degree" of capture. Their significance lies in the interaction among legislative manipulation, executive dominance and judicial vulnerability, which allows private interests to shape public decisions.

The national configurations differ. Serbia's model of state capture combines executive centralization, state control over media, preferential contracting to oligarchic networks close to the government and increasing dependence on authoritarian state capital in energy and infrastructure. Bosnia and Herzegovina's fragmented order allows parallel patronage systems to control public companies and procurement while diffusing accountability and hampering any attempt at a structural reconstitution of anti-corruption institutions. Albania's business-driven model links corporate power to public executive discretion through revolving doors and non-competitive public-private partnerships. North Macedonia is vulnerable to politicized appointments and constant changes to the anti-corruption legal framework, which stall a genuine accountability push. Montenegro and Kosovo* retain pockets of resilience amid rampant clientelism and fragile oversight. The common state capture model in all countries is based on the ability of shadow networks of businesspeople and politicians to turn domestic resource concentration into strategic influence, undermining democratic checks and balances. Such concentrations of monopoly power become national security vulnerabilities and easy targets for foreign powers that seek to undermine or compete with the European Union and to establish illegitimate control of key resources and decision-making levers in the Western Balkans.

Formal compliance continues to outpace enforcement

The report finds a recurring gap between institutional activity and substantive anti-corruption outcomes. Governments adopt strategies, lobbying laws, asset-declaration systems and specialized anti-corruption bodies to meet EU benchmarks,

but implementation remains selective and enforcement focused on low-level violations. Agencies often check whether asset-declaration forms were filed rather than whether unexplained wealth can be uncovered and investigated according to the highest judicial standards, and punish missing numbering on procurement offers rather than capture networks behind major contracts. Albania's SPAK shows that stronger capacity can generate high-profile cases and asset seizures, while Montenegro recorded more final convictions in 2025. Yet in both countries there is a strong suspicion that the anti-corruption cases are driven more by retribution against political opponents than by a genuine attempt to clean the system. Political influence over judicial appointments, insufficient resources and protracted cases sustain selective justice.

In all Western Balkan countries, asset recovery remains modest, and proceedings against senior officials are slow, politically vulnerable or lost to limitation periods. None of the six jurisdictions has a fully operational and consistently enforced standalone offense of illicit enrichment. Financial-intelligence systems struggle to convert mountains of suspicious transactions into confiscation, perpetuating impunity and undermining citizens' trust in democratic checks and balances.

Administrative corruption is the everyday foundation on which this state capture model rests. SELDI's *Corruption Monitoring System* finds no stable downward trend since 2014 and a relapse across most of the region in 2025-2026. The share of respondents reporting that they had paid a bribe ranged from about 17% in Kosovo* to 59% in Albania. Persistent administrative corruption normalizes informal exchange, erodes trust and helps elite networks present systemic favoritism as simply the way government works.

Public procurement and strategic sectors connect domestic capture to foreign leverage

Public procurement is the principal bridge between institutional capture and sectoral monopolization. Government procurement is close to or above 10% of GDP in much of the region, making governments the single largest customer for many sectors, and sin-

gle-bid procedures are around half of all contracts in Bosnia and Herzegovina, Montenegro and Serbia. EU-aligned rules have improved formal transparency without restoring competition. *Lex specialis* provisions, strategic-investment laws, intergovernmental agreements and security classifications predetermine contractors, conceal terms and weaken oversight. This threatens the EU's EUR 6 billion Reform and Growth Facility and EUR 14.2 billion IPA III envelope: without independent verification and active sourcing and encouragement of wider-EU/EEA company participation, European funds can become the next tool for strengthening monopolization through institutions and markets that captured networks already control.

The concentration of domestic public resources in state capture networks then more easily enables authoritarian powers' entry, leverage and coercion through strategic corruption. For example, Russian economic influence in the region centers on existing energy assets, supply routes and state-owned-company relationships. The transfer of Serbia's NIS to Gazprom Neft created leverage over its main refinery and fuel network. Serbia still sourced up to 90% of its gas from Russia in 2026. Gazprom-linked ventures remained embedded in the country's gas pipeline and storage system including by serving as one of the main transit countries for Russian gas exports to Europe, allowing the Kremlin direct leverage over Serbian and central European citizens' energy, household and food bills, and by extension – their voting preferences. Informal networks of state-owned company officials, leading politicians and Russia-linked business leaders have sustained these aspects of the Russian footprint. Since the Russian invasion of Ukraine, this influence framework has enabled the establishment throughout the region of effective routes for sanctions evasion, specifically in the supply of dual-use or sensitive goods that Russia needs to wage its war in Ukraine.

China's more strategic and less aggressive model operates mainly through the financing and building of new infrastructure. Intergovernmental agreements and policy-bank loans often predetermine the state-owned contractor, the procurement mode and the project governance (including the circumvention of relevant European competition, labor, and environ-

mental laws). The Chinese entity gains protected entry into the market, while the domestic capture network benefits from the public spending and ensures the smooth implementation of the project by securing licenses and exemptions, further concentrating resources and eliminating competition in the respective sector. At the same time, the public inherits the liabilities and cost overruns. The biggest energy and transport infrastructure projects in the region reveal the entrenchment of the capture networks and the deep collapse of accountability, exemplified most starkly and tragically by the Novi Sad railway-station canopy collapse.

Strategic corruption also extends into finance and information. Weak ownership controls and offshore structures allow foreign-linked capital and illicit wealth to circulate through the region. Russian state media spread Kremlin narratives, while “foreign agent” legislative proposals and intimidation target civil society and journalists exposing the state capture model. Opaque finance sustains media influence, media control protects procurement networks, and captured institutions obstruct enforcement.

From formal conditionality to strategic due diligence

The EU should make combating state capture the organizing principle of the accession process. The European Commission should move from qualitative and legalistic assessment of rule-of-law reforms to due diligence of the actual implementation based on independently verifiable outcomes, including through the structural and meaningful engagement of civil society and European private sector associations. Enlargement reports should name the phenomenon and track notable risk indicators, such as single-bid procurement, high-level convictions, action on red-flagged asset declarations, recovered assets, market concentration and political appointments to state-owned companies. Countries in the Scoreboard’s red zone should not close fundamentals chapters or receive Growth Plan tranches until independent evidence confirms improvement. Gradual Single Market access can front-load reform benefits but must be automatically reversible when rule-of-law benchmarks deteriorate.

To dismantle state capture networks, anti-corruption bodies, courts, regulators and financial-intelligence units need protected long-term budgets, merit-based appointments, interoperable data and external scrutiny; illicit-enrichment offenses and civil asset recovery should follow EU and UNCAC standards. No major contract should escape competition as a strategic project or intergovernmental agreement, while firms receiving EU-linked funds should disclose verified beneficial ownership. Sanctions alignment, end-user controls and trade-anomaly monitoring must become accession benchmarks. An open-data early-warning system can connect procurement, ownership, asset, judicial and trade indicators, but must remain independent of the governments it assesses.

To ensure that the governance reforms are not just on paper, civil society, investigative media and independent oversight bodies should contribute formally to enlargement reports and Reform Agenda assessments, gain access to procurement and court data, receive multi-year support and be protected from retaliation.

Ultimately, the EU should become a more geopolitical actor and practice tough love in the region if the accession process is to achieve its goal of overhauling governance. EU accession is first and foremost a voluntary process, which requires the active engagement of the governments, civil society and the private sector of the region for the benefit of citizens’ fundamental rights and freedoms. It cannot be allowed to become a geopolitical bargaining chip of local strongmen who should now they bear the ultimate responsibility for the delay in accession. Europe cannot outcompete authoritarian influence while overlooking the governance failures that make it effective. Faster integration and stricter rule-of-law enforcement are not opposing choices; credible enlargement requires both. Dismantling capture networks, restoring competitive markets and making public authority answerable to citizens would remove the transmission belts through which Russia, China and other malign or competing powers turn economic relations into political control. Investment in well-governed democratic societies is investment in Europe’s resilience, security and peace.

FOREWORD: WHILE INTERESTS ENTRENCH, STAKES ESCALATE

In the past two decades, the convergence of security, economic, and political pressures have led to a considerable socio-economic and political transformation in the Western Balkans. Russia's war against Ukraine has intensified calls for regional alignment with the European security architecture, yet simultaneously exacerbated internal political polarization and socio-political divisions. The risk is that heightened domestic confrontation in countries where ethnic animosity is still smoldering could undermine the kind of consensus needed to revive stalled progress on the rule of law and accession to the EU. To complicate matters further, patronage and clientelist networks shadow official government institutions throughout the region.

Concurrently, external authoritarian actors are undermining an already fragile trajectory of democratic consolidation. Both Russia's and China's continued entanglement in the region's political and economic affairs serve to further entrench state capture networks exerting control over key national decision-making processes¹. Moscow has locked several countries into asymmetric trade and energy dependencies, while Beijing has pursued a strategy of easy-money-infrastructure diplomacy in the region, which has increased its political and economic leverage, and could turn into debt-trap unless proper governance checks are applied². The practical consequence of these developments is that domestic governance has become an input into geopolitical calculation rather than a self-contained national project.

Two mutually reinforcing factors conspire to create governance deadlock in the region: state capture, the entrenchment of private and partisan interests within the formal machinery of government, and strategic corruption, the deliberate use of financial, energy, and political leverage by external powers to convert that entrenchment into geopolitical alignment. Strategic corruption becomes a tool to be deployed specifically to create dependency, which is then convertible into political leverage on demand³.

The reform-driven EU accession process is supposed to counter such malign foreign influences.⁴ Yet the erosion of the integrity of public institutions in the region runs deeper than its outward compliance suggests; that compliance is more akin to legislative mimicry: candidate countries adopt EU-compliant statutes while quietly ensuring they remain unenforceable in practice. Anti-corruption bodies are established to meet Brussels' benchmarks, then left under-resourced or, in the more corrosive cases, repurposed as instruments of the very patronage networks they were created to dismantle. Legislation of consequence increasingly moves through expedited "blue flag" procedures that bypass public scrutiny. The cumulative effect is a box-ticking exercise that leaves the underlying political economy of power untouched, and high-level corruption largely unpunished across the region.

As a result, **state capture has become the mechanism through which EU integration is derailed** once the captured apparatus is available for a foreign power (or the domestically captured elite acting in alignment with it) to use. To stonewall demands for progress on the rule of law, regional leaders have also invoked the term "sovereignty" as a rhetorical shield. Governments use it to deflect accountability and to dress up cosmetic reform as genuine progress.

The geopolitical pivot this rhetoric enables was on display in March 2026, when **Serbia** deepened its military relationship with Beijing through the acqui-

1 Vladimirov M. and Stefanov, R. *The Kremlin Playbook in South-east Europe: Economic Influence and Sharp Power*. Sofia: Center for the Study of Democracy, 2020

2 Vladimirov M. and Gerganov, Alexander. *Chinese Economic Influence in Europe: The Governance and Climate Conundrum*. Sofia: Center for the Study of Democracy, 2021

3 Stoyanov, A, Gerganov, A, and Yalamov, T., *State Capture Assessment Diagnostics*, Sofia: Center for the Study of Democracy, 2019.

4 The leaders of the European Union stressed that enlargement is a geostrategic investment in peace, security, stability and prosperity during the *EU-Western Balkans Summit* held on 17 December 2025.

sition of Chinese CM-400AKG supersonic cruise missiles.⁵ A month later, institutional fragmentation in **Bosnia and Herzegovina** crossed a threshold of its own: the National Assembly of Republika Srpska (RS) formally established a parallel Office for International Cooperation,⁶ installing a ruling-party loyalist at its head.⁷ Framed domestically and abroad as a para-diplomatic assertion of RS sovereignty, the move directly contravenes the state-level competencies enshrined in the Dayton Peace Agreement,⁸ and extends a now-familiar pattern of institutional duplication that previously produced an attempted independent RS Electoral Commission.^{9,10} RS's steady accumulation of parallel state functions builds precisely the kind of para-sovereign infrastructure that a foreign power interested in fracturing Bosnian statehood would have every incentive to exploit.

North Macedonia shows a parallel trajectory of defiance. The government has pursued a sharply polarizing course that marginalizes the pro-EU opposition;¹¹ the latter contends that the ruling coalition has mobilized anti-EU sentiment and identity anxiety to steer the country toward regional, illiberal alignment rather than continued European integration.¹² Domestic polarization and external amplification here are less sequential than mutually reinforcing.

The structural failure beneath these episodes takes one of three forms. A single branch of government – legislative, executive, or judicial – accumulates enough power to bully or neutralize the others. Each branch instead hides behind its own formal independence to escape accountability. Or, most corrosively of all, all three operate in quiet collusion, each reinforcing the others' impunity. Under any of these arrangements, courts, inspectors, regulators, and law enforcement aim to protect the status quo rather than to reform it. This institutional paralysis is compounded by a chronic shortage of human and financial capacity, which leaves oversight bodies structurally unable to monitor the sectors nominally within their remit.

Although the degree of permeability to foreign influence across the region varies, the region has a structural vulnerability, i.e. **the region as a whole** is exposed because fragmentation multiplies entry points for roguish external forces. In such a context, keeping the countries aligned with Europe geopolitically might appear to necessitate a lenient approach – as a motivational gesture – to the assessment of particular governments' performance on anti-corruption. Such leniency risks demotivating the national stakeholders who fight for the promotion of integrity and thus undermining the Union's credibility even among typical EU supporters in that country. Geopolitical risks should prompt an upgrade in the importance accorded to good governance.

This dynamic has been sharpened by the EU's own sequencing choices.¹³ The war restored enlargement to the register of security imperative. Yet across the region this urgency has been read by incumbent elites less as a mandate to reform than as license to consolidate. The prioritization of rapid accession for Ukraine and Moldova has unsettled the reform incentive structure, long assumed to govern Western Balkan candidacies, fueling a sense of marginalization and encouraging hedging of foreign alignment choices.

As Brussels grows wary of importing additional veto-wielding member states, candidate governments

5 Reuters, *NATO-partner Serbia admits buying Chinese missiles after photos leaked*, 13 March 2026.

6 OBCT, *"Republika Srpska's creeping secession,"* 13 April 2026.

7 Oslobođenje, *"A point of contact for American lobbyists, Trišić Babić heads the new RS office,"* April 2026.

8 Radio Free Europe, *"Is the RS entity introducing 'paradiplomacy' outside the state of BiH?"*, 12 March 2026.

9 International IDEA, *"Democracy Tracker Report: Bosnia and Herzegovina,"* July 2024.

10 German Council on Foreign Relations, *Bosnia's Volatile Transition: Waiting for a More Decisive Germany*, 1 October 2025.

11 Media Information Agency (MIA), *"Mickoski: No constitutional changes without a clear end, nor 'puppets' who would implement them,"* 29 March 2026.

12 Centre for Eastern Studies (OSW), *"Waiting for Godot: Prospects for resolving the Bulgaria-North Macedonia dispute,"* OSW Commentary No. 720, 26 March 2026. A 2025 European Parliament resolution notes that "North Macedonia remains a target of foreign malign influence operations, including efforts to fracture the country's social fabric and weaponise anti-EU sentiment, notably via Serbian-language tabloids and media outlets, which function as regional amplifiers of Kremlin narratives." European Parliament, *Resolution on the 2023 and 2024 Commission reports on North Macedonia*, 9 July 2025.

13 Center for the Study of Democracy, *Enlargement without State Capture: A Call for Action for the Next European Commission*, October 2024.

assume correctly that the price of backsliding has fallen, and they adjust their conduct accordingly. Membership timelines compress even as the depth of state capture intensifies, a paradox only legible once domestic reform incentives are understood as a function of the accession process's own credibility. Corrupt elites in the Western Balkans have everything to lose from joining an open, rules-based community but much to gain from accessing its generous subsidies. If, therefore, the EU is to have any transformative role in improving governance in the Western Balkans, it is the problem of state capture that needs to become its primary consideration when deciding how to calibrate the incentives of accession.¹⁴

The way in which the EU factors state capture and strategic corruption into its enlargement strategy matters beyond the case of the Western Balkans. Russia's invasion of Ukraine has turned enlargement into a live experiment being run simultaneously in two directions. To the east, Ukraine, Moldova, and Georgia (the so-called Association Trio) face the same structural test this report documents for the Western Balkans: whether domestic democratic institutions can resist external actors who treat state capture as a lever of geopolitical control. The stakes, however, are sharper, and the paths of the three countries have diverged further than anything observed within the Western Balkans cohort.

When dealing with Ukraine, Moldova and Georgia, the flaws identified in the Western Balkans can be avoided: treating governance as an input to geopolitical calculation rather than an uncompromising prerequisite for state resilience. Granted, these countries are subject to the same geopolitical "force field" as the Balkans, and even to a more intense degree. The Association Trio were granted a European perspective on the explicit premise that accession is an investment in security as much as in governance. However, since then, their paths towards the EU have gone on diverging reform and accession trajectories. Moldova and Ukraine now face precisely the conundrum this report identifies in the Western Balkans:

negotiations open even as the underlying contest over captured institutions intensifies. Georgia offers the opposite lesson: its accession process was declared "de facto halted" by the European Council in 2024, after the governing party's own decision to suspend negotiations unilaterally until 2028.

The EU's own institutions illustrate the ambivalence this report diagnoses with respect to the Balkans. While the European Commission still refrains from referring to "state capture" when describing the Western Balkans, the European Parliament used exactly that language for Georgia in June 2026, calling for coordinated sanctions against "those responsible for repression and state capture."¹⁵ The willingness to name the problem, it appears, grows only once a captured trajectory looks politically unsalvageable – a caution for how the Union treats the Balkans while reform is still possible, and for how it reads early warning signs in Ukraine and Moldova now, rather than after the fact. The lesson from the Western Balkan experience for the EU is that any prioritization of rapid accession for Ukraine and Moldova should not automatically adopt the same reform incentive structure which governed Western Balkan candidacies. The paths of the Association Trio are not a uniform "Eastern case" against which the Western Balkans can be measured, but three distinct stress tests of the same underlying dynamic examined throughout this report: whether institutional independence survives contact with concentrated, externally-leveraged power.

Thus, EU support for both the Western Balkans and the Association Trio remains caught in a familiar loop: new institutions are created, and benchmarks are notionally met but little of substance changes. In a captured state, assistance alone does not neutralize these dynamics; it risks lending international legitimacy to systems explicitly designed to withstand reform. Breaking this cycle requires the EU and its partners to move beyond interventions addressed to the "how" of governance and toward a harder-edged agenda that confronts its "what" and "why." Anti-corruption strategies, conflict-of-interest regulation, and asset-declaration regimes must carry

14 Shentov, O., Stefanov, R., Todorov, B., eds., *Geopolitics, State Capture and Peak Corruption: What Is Next for Anticorruption in the Western Balkans?*, Sofia: Center for the Study of Democracy / SELDI, 2022, p.67.

15 *Georgia and Türkiye: No EU accession progress without reforms*, Press release, 17 June 2026, European Parliament

enforcement consequences rather than reporting obligations alone; internal procedures across public institutions must be opened to independent audit, benchmarked against EU, UNCAC, GRECO, and OECD integrity frameworks, with defined consequences attached to non-compliance. Understood this way, the region's governance crisis reads as the visible surface of a system in which domestic power and external interest have become difficult to tell apart.

* * *

This report stands on a quarter-century of continuous regional monitoring by SELDI, and its diagnosis of state capture is the product of a method that has itself evolved in step with the region it studies. SELDI's first assessment, published in 2002,¹⁶ was made in the aftermath of the Yugoslav wars and the sanctions regimes of the 1990s. Its focus was trans-border organized crime – arms, oil, cigarette and drug smuggling across porous, often unrecognized borders – and the “traditional” bribery of customs officers, police and judges that made it possible. The geopolitical backdrop then was very different from the current one: the breakup of a federation, post-war economies, and embargo-busting. At that time, SELDI advanced corruption assessment in two ways: by insisting that corruption in Southeast Europe required a regional, cross-border approach (the founding insight that gave SELDI its *raison d'être*) and by fielding the first region-wide Corruption Monitoring System (CMS), a victimization-survey methodology later recognized by the United Nations as a benchmark practice.

The subsequent trajectory of SELDI's analyses reflects two distinct dimensions of change that the methodology of the current report has had to track simultaneously. The first is conceptual. The 2001–2002 diagnostics measured administrative corruption: bribery, petty rent-seeking, and irregular payments in citizens' everyday dealings with the state. By the mid-2010s, SELDI's own recurring survey data showed that this measure had plateaued, and in places improving, even as public trust in government kept falling. This divergence pointed to a different,

higher-order phenomenon operating above the level of individual transactions. The conceptual centre of gravity consequently shifted: in 2014 SELDI explicitly recorded “a shift of attention from petty corruption ... to grand [corruption]”.¹⁷ The geopolitical frame remained one of post-conflict stabilization and EU-oriented convergence: two SELDI countries had by then joined the Union, and enlargement, however slow, was still the uncontested organizing logic of reform.

As a result, SELDI's next report, *Shadow Power*,¹⁸ formally introduced “state capture” as a distinct analytical category – a retooling of its survey instrument to trace how informal political-economic networks were rewriting the rules of entire sectors, rather than merely bending individual officials. The mid-2010s were also the point of emergence of the second dimension of SELDI's conceptual framework: a changing geopolitical environment.

The first decade of SELDI unfolded against a comparatively benign strategic backdrop, in which EU accession conditionality was, however unevenly applied, the dominant external force shaping reform. The environment this report now diagnoses is starkly different: Russian energy leverage and disinformation, sharpened first by the 2014 annexation of Crimea and again by the 2022 full-scale invasion of Ukraine, together with Chinese debt-financed infrastructure, now actively compete with EU conditionality for influence over already captured institutions. That competition cuts both ways – it has also pushed the EU itself to harden its own accession methodology, introducing the reversibility clauses and front-loaded fundamentals discussed throughout this report, precisely in response to the state capture dynamics SELDI's monitoring first made visible.

By 2020, SELDI completed the methodological shift by launching the regional application of the State Capture Assessment Diagnostics (SCAD),¹⁹ a tool for

16 SELDI, *Anti-Corruption in Southeast Europe: First Steps and Policies*, Sofia: Center for the Study of Democracy, 2002.

17 SELDI, *Anti-Corruption Reloaded: Assessment of Southeast Europe*, Sofia: Center for the Study of Democracy, 2014, p.13.

18 SELDI, *Shadow Power: Assessment of Corruption and Hidden Economy in Southeast Europe*, Sofia: Center for the Study of Democracy, 2016.

19 SELDI, *Western Balkans 2020: State-Capture Risks and Policy Reforms*, Sofia: Center for the Study of Democracy, 2020.

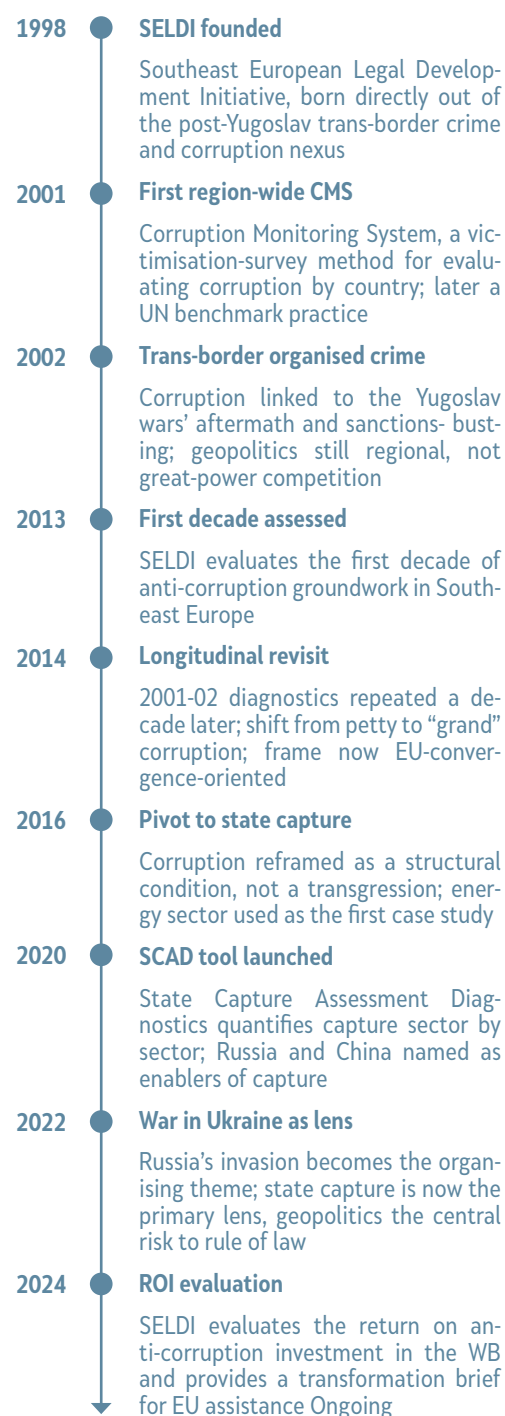
measuring monopolization pressure and institutional enablers of capture sector by sector. It also factored in the resurgence of great power competition with the increasing involvement of Russia and China, which provided national politicians with convenient escape clauses from EU membership conditionality.

After 2022, Russia's full-scale invasion of Ukraine turned that variable into the organizing theme of subsequent analyses. That year, SELDI's regional report *Geopolitics, State Capture and Peak Corruption*²⁰ marked how far the analytical journey had come since 2002: state capture was now the primary diagnostic lens. Geopolitically, the emerging risk (a risk which the current report revisits) was that the EU's urgent strategic response to the war would relax rather than reinforce rule-of-law conditionality.

This edition of SELDI's *Regional Anti-Corruption Report* continues this analytical trajectory on both of its dimensions while building on more than two decades of SELDI's analytical work. Conceptually, it carries the state-capture framework into an explicit theory of strategic corruption as a tool of foreign influence. It extends the line of inquiry explicitly into geoeconomics by treating the expansion of malign influence by authoritarian states as the region's central obstacle to EU integration.

The report is the result of expert input from SELDI's members, associates and supporters. The methodology used here combines a unique measurement of the actual proliferation of corruption and state capture vulnerabilities with an assessment of the anti-corruption infrastructure that is designed to reduce them. The chapters of the report present the dynamics of corruption and state capture levels, developments in national anti-corruption policies and legislation, institutional practices of anti-corruption oversight bodies, linkages between corruption and other types of crime, and the role of civil society, the European Commission and international cooperation against corruption.

Figure 1: The evolution of SELDI's analytical toolbox



20 SELDI, *Geopolitics, State Capture and Peak Corruption: What Is Next for Anticorruption in the Western Balkans?*, Sofia: Center for the Study of Democracy, 2022.

STATE CAPTURE: FROM CONCEPT TO MEASUREMENT

In its essence, state capture represents the privatization of public authority. Political and corporate actors manipulate the design, enforcement, and oversight of laws and regulations to extract long-term private benefits from state institutions²¹. This process transforms the state from an impartial arbiter of public interest into an instrument of particularistic power.

While corruption may be episodic, state capture is systemic and self-reinforcing. It consolidates through the control of three key channels:

1	Economic concentration , where monopolies or oligopolies dominate key industries and related infrastructure;
2	Institutional control , where political elites manipulate appointments, budgets, and oversight in regulatory bodies and SOEs; and
3	Policy distortion , where rules and decisions are tailored to serve the interests of narrow groups or foreign patrons.

These mechanisms are not confined within national borders. Over the past decade, foreign authoritarian states, notably Russia and China, have leveraged investment, credit, energy and resource supply as well as technological cooperation to secure privileged access to strategic sectors across the world, and most visibly, in the Global South. Such partnerships, often presented as mutually beneficial, have in practice

created opaque dependencies and strategic entanglements, particularly where weak institutions and politicized SOE governance prevent adequate scrutiny and accountability.

State capture manifests through several interrelated dimensions: political, institutional, business, and black-market capture, each reflecting a distinct mechanism through which power and resources are appropriated. Political capture occurs when elites manipulate decision-making and oversight institutions to secure partisan or personal advantage. Institutional capture involves the appropriation of public bodies and regulatory agencies for private or political purposes. Business capture emerges when companies exert undue influence over legislation or regulation to obtain preferential treatment. Black-market capture arises when state actors protect or collude with criminal networks, enabling illicit economies and money laundering.

These dimensions often overlap and reinforce one another. State capture dimensions may emerge in different sequences depending on the national context. In some cases, capture originates from business pressure, where corporate interests shape policy and regulation. In others, it is driven primarily by political elites who consolidate power and subsequently extend control over the economy, institutions, and even illicit markets.

The *State Capture Assessment and Diagnostic Scoreboard (SCAD Scoreboard)*, developed by the Center for the Study of Democracy (CSD), provides what is currently the most rigorous available instrument for measuring the degree to which public institutions have lost their operational autonomy and have been functionally subordinated to particularist interests. The *SCAD Scoreboard* goes further by providing a deeper understanding of the structural institutional pathology involving the rewriting, circumvention, or functional subordination of the rules themselves.

21 Stoyanov, A., Gerganov, A., and Yalamov, T., *State Capture Assessment Diagnostics*, Sofia: CSD, 2019.

Table 1. Western Balkans 2026: state capture risks, socio-political indicators and EU membership aspirations

Country	SCAD Scoreboard	EU membership would be good for the economy (%) [*]	Belief that the country will become a member of the EU by 2030 or 2035 (%) [*]	Confidence in government (%) [*]	Nationalist politics are a barrier to regional cooperation (%) [*]	Trust in European Union (%) ^{***}
Albania	55.6	86	70	46	36	80
Bosnia and Herzegovina	75	59	43	12	44	58
Kosovo [*]	50.6	78	66	38	32	79
Montenegro	56.1	59	63	37	39	83
North Macedonia	63.6	62	36	50	40	54
Serbia	71.5	42	33	28	29	37

Source:

SELDI, ^{*}Balkan Barometer 2025/2026, ^{**}CSD's State Capture Assessment and Diagnostic Scoreboard (SCI) 2026, ^{***}Standard Eurobarometer 103 – Spring 2025.**Box 1. State capture assessment and diagnostic scoreboard model**

The SCAD *Scoreboard* is a comparative diagnostic tool for assessing the institutional conditions that create vulnerability to state capture and the observable indicators associated with its actual manifestation. The tool examines the *legislative (L)*, *executive (E)*, and *judicial (J)* branches separately and distinguishes institutional vulnerability from indicators of private or political control. Each of the three dimensions comprises three indicators covering phenomena such as the capture of regulatory consultations, concentration of public procurement, administrative particularism, impunity, appointment manipulation, and case-distribution

interference. All values are normalized on a 0-100 scale, where 0 denotes full institutional independence and 100 denotes complete colonization. The indicators are calculated using predefined and uniformly applied formulas, based on data for a common reference year. When a summary value is presented, it should be interpreted as a synthesis of the diagnostic profile, rather than as a direct assessment of the “degree” of state capture.

The SCAD *Scoreboard* does not claim to directly measure the hidden process of state capture or the likelihood of its occurrence. Its purpose is to construct a comparable institutional profile for each country: where institutional safeguards are weakened, where signs of actual state capture

are observed, and how these characteristics differ across the various branches of government. Therefore, the main analytical output is the profile based on dimensions and indicators, rather than solely the country's position in the overall ranking.

The 2026 SCAD Scoreboard results for the Western Balkans reveal that there is no pattern of convergence towards democratic consolidation.

Bosnia and Herzegovina and Serbia register in the Red (systemic) zone with scores of 75.0 and 71.5 respectively – indicating that state capture is now a structural condition. North Macedonia (63.6) sits immediately below the red threshold, while Montenegro (56.1), Albania (55.6), and Kosovo* (50.6) fall within the Amber (contested) zone – where formal institutions exist but operate under persistent particularist pressure.

Table 2. 2026 State capture assessment and diagnostic scoreboard results for the Western Balkans

Country	L Average	E Average	J Average	SCI Total	Level	Typological Interpretation (Profile)
Bosnia and Herzegovina	75	75	75	75	Red	Primary capture
Serbia	71.7	75	67.7	71.5	Red	Primary capture / executive peak
North Macedonia	65	60	65.7	63.6	Amber	Contested networks
Montenegro	55	55	58.3	56.1	Amber	Contested networks
Albania	60	56.7	50	55.6	Amber	Contested networks
Kosovo*	50	50	51.7	50.6	Amber	Primary capture / lower intensity

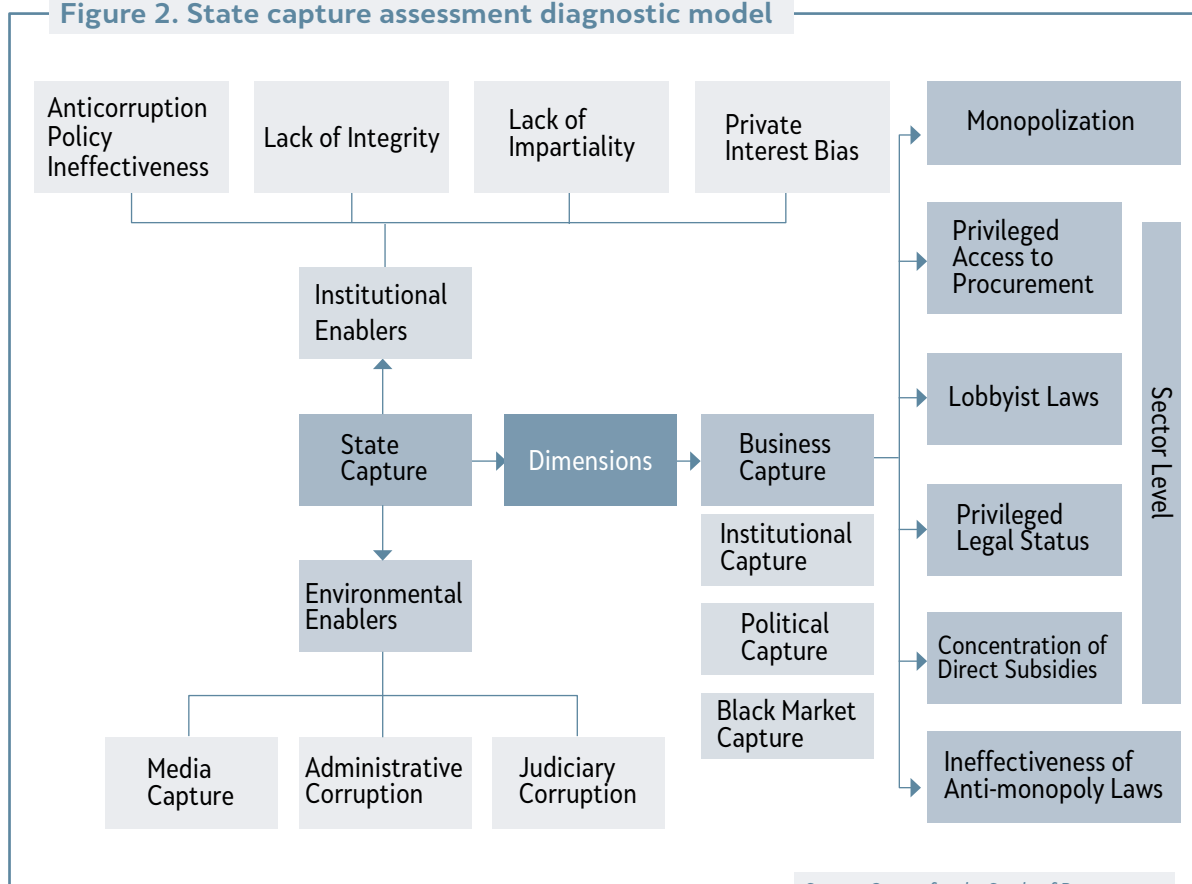
Source: Center for the Study of Democracy, State Capture Assessment and Diagnostic Scoreboard (SCI) 2026.

State capture vulnerabilities in a comparative perspective

The current state capture system is an extension of the communist-era model, where single-party organizations controlled all aspects of life. Following the systemic shifts of the 1990s, a flawed privatization process allowed state assets to fall into the hands of entrenched elites, effectively institutionalizing patronage networks.^{22,23}

The traditional “one-dimensional” control of workplaces has since evolved into a sophisticated, self-reinforcing architecture of state capture – the meta-organization and institutionalization of corruption relations leading to a virtual privatization of governance, which delivers systematically and permanently private goods to captors whilst maintaining the appearance of due process.²⁴ In the Western Balkans, there are three interlocking categories of state capture actors: business-politicians who occupy formal institutions, shadow networks that distort resource allocation from outside these same institutions, and external authoritarian forces leveraging access to these networks to determine the country’s strategic decision-making process.²⁵

Figure 2. State capture assessment diagnostic model



Source: Center for the Study of Democracy.

22 Center for the Study of Democracy / SELDI, *Mind the Trap. Breaking the Anticorruption Deadlock in the Western Balkans*, September 2024.

23 SELDI, *Political Patronage – a Catalyst for Corruption and Misgovernance in the Western Balkans*, Policy Brief No. 22, February 2026.

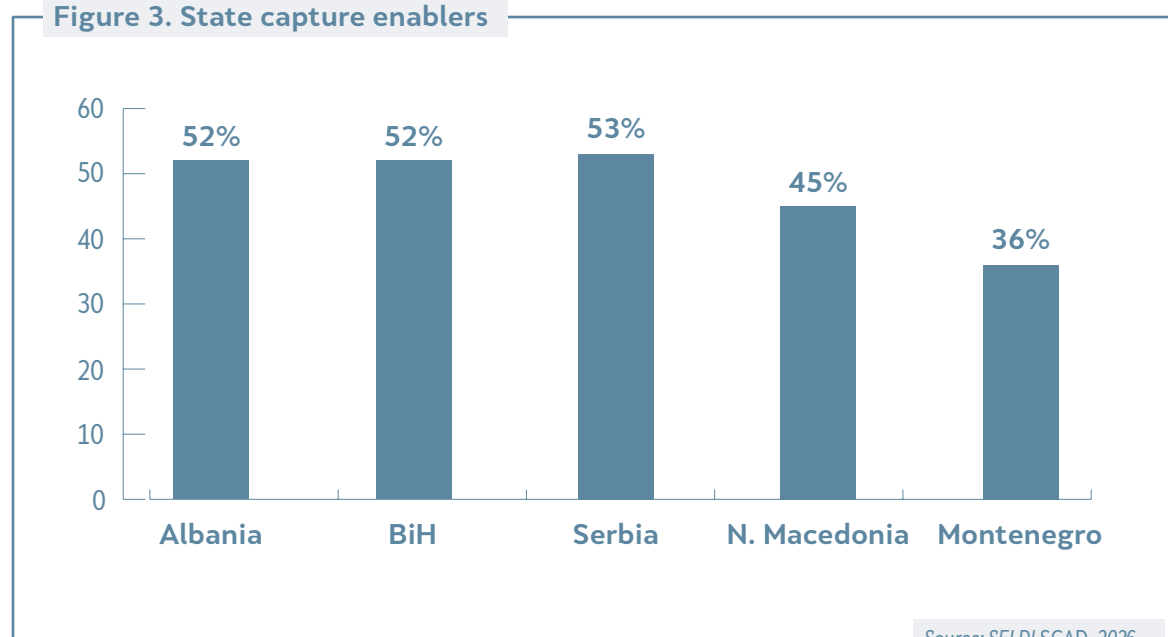
24 Center for the Study of Democracy, *State Capture Assessment Diagnostics*, 2019.

25 Center for the Study of Democracy, *The State of Capture: The Risks to Distributive Politics in Southeast Europe*, Policy Brief No. 139, November 2023.

This architecture rests on three interlocking vulnerabilities, examined in turn below: institutional enablers, which weaken the bodies and policies designed to prevent capture from within the state; environmental enablers, which erode the judiciary, the

media, and public administration as external checks on power; and business state capture, through which private economic interests colonize public decision-making and entrench monopolistic control over strategic sectors.

Figure 3. State capture enablers



Source: SELDI SCAD, 2026.

The SCAD model monitors a number of **state capture enablers**, i.e., characteristics of social domains which affect the system of governance by allowing or facilitating state capture. Enablers may be institutional (e.g. the ineffectiveness of anti-corruption policies, lack of integrity, lack of impartiality and selective enforcement biased to private interests) or environmental (e.g. media, administrative and judiciary corruption).

The SCAD comparative results reveal a clear structural division across the Western Balkans. State capture enablers represent a high state capture risk tier led by **Serbia** (53%), **Bosnia and Herzegovina** (52%), and **Albania** (52%). A lower-intensity, contested capture tier comprises **North Macedonia** (45%) and **Montenegro** (36%), both demonstrating relative resilience despite ongoing vulnerabilities. While overall state capture scores converge at the top of this spectrum, the underlying mechanisms vary significantly across each nation. In **Serbia**, the high level of

vulnerability is driven by strong executive centralization, significant foreign economic and political influence concentrated in strategic sectors such as energy and infrastructure, and the routine use of custom special legislation (*lex specialis*) to bypass public procurement rules, all while the state has gradually taken over most of the media space, squeezing independent outlets politically and financially.

At the same time, state capture in **BiH** is fueled by institutional fragmentation and ethno-nationalist governance, where parallel political patronage networks control public procurement and state-owned enterprises, creating institutional paralysis that neutralizes anti-corruption enforcement.

Albania exemplifies a business-driven model where corporate actors utilize revolving doors, strategic investment laws, and non-competitive public-private partnerships to bypass market oversight and shape legislation in their favor.

INSTITUTIONAL SETUP

Regulatory and oversight bodies reflect the political will to guarantee a transparent, competitive, and effective business environment, especially in sectors prone to market or politically driven concentration. Their performance depends not only on their formal mandates but also on their capacity to cooperate with other enforcement bodies, such as anti-corruption agencies and law enforcement authorities. When these institutions are passive, ineffective, or themselves partially captured, they cease to protect the public interest and instead enable privileged actors to entrench systemic advantages, effectively privatizing parts of the state.

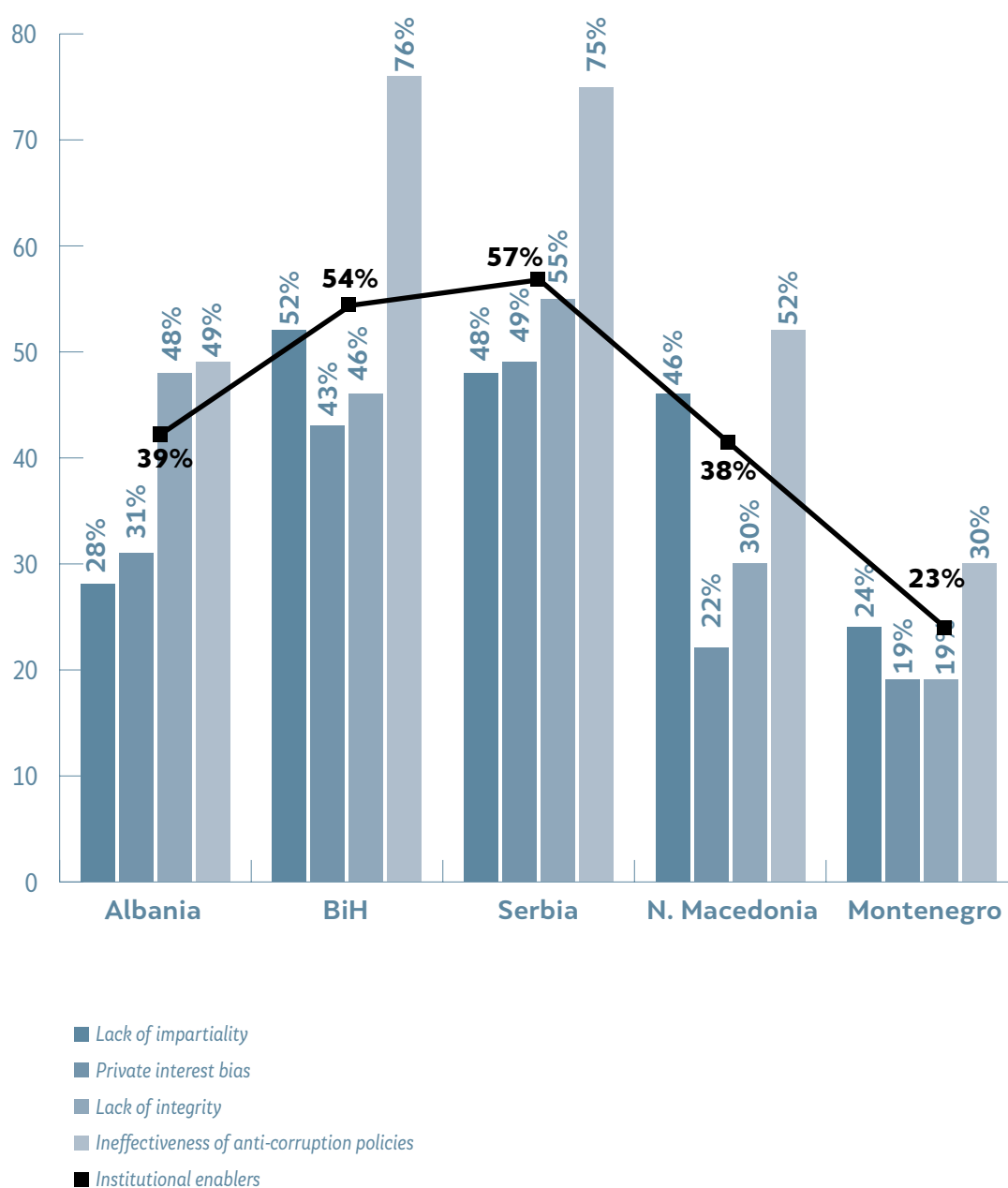
Within the SCAD framework, these qualities are captured by institutional enablers – the functional characteristics that define the rules of the game for all businesses. Institutional enablers determine the integrity and resilience of the environment in which both public and private actors operate. They are measured at the sectoral level, since their influence extends across all organizations regulating or serving the economy.

Four enablers are particularly decisive:

1	Impartiality: the ability to adequately apply rules of fairness and impartiality in everyday transactions and services.
2	Integrity of public officials: adherence to ethical standards, transparency, and accountability in public service.
3	Lack of bias toward particular private interests: competing private interests should be given equal access and chances through rigorous administrative processes.
	Anti-corruption effectiveness: the ability of administrative structures to identify, prevent, and counteract corruption practices among officials.

Measuring these enablers helps identify the current vulnerabilities to state capture and the potential future dynamics of the capture processes. Because they are structural features of governance, their strength or weakness shapes how susceptible institutions are to corruption and how resilient they can be against elite influence.

Figure 4. Institutional enablers



Source: SELDI SCAD, 2026.

The diagnostic of the **institutional enablers** reveals a clear risk hierarchy among the Western Balkan countries, highlighting where institutional frameworks are most vulnerable to state capture mechanisms. **Serbia** and **Bosnia and Herzegovina** represent the highest risk profile, characterized by pervasive systemic vulnerabilities and ineffective anti-corruption policies, with **Serbia** recording the region's highest scores for lack of integrity (55%) and private interest bias (49%), while **Bosnia and Herzegovina** exhibits the highest level of particularism, expressed by the large share of experts claiming that institutions lack impartiality (52%). In both countries, institutions are willing to bend national legislation to serve private or foreign strategic interests – often awarding major infrastructure contracts to political allies or foreign firms at the expense of local businesses, the public good, and environmental standards. In Bosnia and Herzegovina, this is further compounded by the complex ethno-nationalist fragmentation in governance structures, which paralyses oversight bodies and entrenches political patronage across state entities.

Occupying an intermediate risk tier, **Albania** and **North Macedonia** feature moderate institutional enablers of capture alongside **Montenegro**, which demonstrates relatively higher institutional resilience and scores lowest across all measured dimensions. **Albania** and **North Macedonia** post similar overall institutional enabler scores (39% and 38%, respectively), driven in **Albania** by business-driven capture models, strategic investment laws, and non-competitive public-private partnerships, whereas **North Macedonia** contends with legislative instability, judicial bargaining, and targeted procurement interference in high-value tenders. Conversely, **Montenegro** registers the lowest vulnerability across every diagnostic metric (23%), drawing strength from its strong legislative and enforcement base. Even so, Montenegro still faces severe risks in local-level procurement, state-owned enterprise management, and the pervasive influence of informal networks in the concentration of real estate ownership, which is one of the economy's key pillars.

Anti-corruption institutions

A recurring pattern across the region is the gap between institutional activity and substantive outcomes: anti-corruption agencies tend to focus on procedural violations rather than pursuing high-level corruption.

In Serbia, the Agency for the Prevention of Corruption rarely opens investigations involving senior political actors, concentrating instead on administrative infractions. The Agency continues to publish in advance which category of public officials will be subject to substantive checks, risking undermining the effectiveness and deterrent impact of its controls. In addition, the government rarely consults the Anti-Corruption Council on draft legislation or policy enforcement.²⁶ A similar dynamic is visible in Montenegro, where the overwhelming majority of sanctions issued by the Agency for the Prevention of Corruption relate to technical errors in reports or missed deadlines rather than substantive wrongdoing.²⁷ In North Macedonia, only 20% of planned anti-corruption activities were fully implemented by the State Commission for Prevention of Corruption, with a further 35% left unreported.²⁸

Leadership, human, financial and IT shortages further obstruct the work of the agencies. In Bosnia and Herzegovina, the Agency for the Prevention of Corruption and Coordination of the Fight Against Corruption (APIK) operated without an appointed director from October 2024²⁹ until a new director was selected and approved by the House of Representatives in January 2026; approval by the House of Peoples remains pending. Montenegro's Agency for Prevention of Cor-

26 European Commission, Directorate-General for Justice and Consumers, *2026 Rule of Law Report – Country Chapter Serbia*, 17 July 2026.

27 European Commission, *Montenegro 2025 Report*, Brussels, November 2025.

28 OECD, *Anti-Corruption Trends in Eastern Europe and Central Asia*, Paris, 2025.

29 Degirmendžić, S., "Boycott of interview for APIK director: Candidates suspect that the position is reserved for NiP staff, so it makes no sense for them to apply, *Report*, 17 December 2025.

ruption (APC) faced a similar situation: three open calls for a permanent director in 2025 and early 2026 were unsuccessful – a paralysis widely interpreted as reflecting competing interests ahead of the 2027 electoral cycle³⁰ – before a new full-term director was appointed in April 2026. The agency continues to face both staffing (62 of 98 positions filled) and financial independence challenges, with its 2026 budget of EUR 2.19 million falling below the legally required 0.2% of the state budget.³¹

North Macedonia offers a more acute illustration: the President of the State Commission for Prevention of Corruption (SCPC) resigned in July 2025 following allegations of leaking confidential documents in a high-profile corruption case, raising questions about the political nature of the original appointment.³² Parliament elected a new SCPC President in December 2025, in a procedure stakeholders described as transparent and merit-based. Still, as elsewhere in the Western Balkans, the SCPC continues to face challenges around budget allocation, the availability of specialized investigative staff, and the interoperability of data-management systems.³³

In 2025, Albania made significant structural strides through the Special Structure against Corruption and Organized Crime (SPAK), seizing EUR 45.4 million in assets, including cryptocurrency linked to organized crime.³⁴ SPAK plans to recruit 40 new investigators and 10 judicial police officers, while the Agency for the Administration of Seized and Confiscated Assets was expanded from 14 to 36 employees. Yet despite a 7.7% increase in new corruption investigations and a 12.2% rise in completed cases, financial recoveries from corruption offenses – particularly those involving

high-level officials – remain modest, totaling approximately EUR 1.1 million in seizures and EUR 100,000 in confiscations. Meanwhile, magistrates, including SPAK personnel, continue to face personal attacks.³⁵ The detention of prominent figures – including the former President, the Mayor of Tirana, and an ethnic-Greek mayor – often under lengthy pre-trial periods, has fueled allegations of political prosecution, concerns that reportedly intensified following the suspension of USAID operations and funding.³⁶ Critical observers also point to indirect influence over institutional resources, political pressure surrounding sensitive investigations, and weak coordination between preventive and investigative bodies.³⁷

In Montenegro, March 2026 security reforms sparked an institutional crisis over the trade-off between fighting organized crime and protecting civil liberties. To aggressively dismantle mafia networks, the government fast-tracked laws granting the National Security Agency (ANB) warrantless surveillance powers and allowing police recruitment without public competition. The President and critics warn this centralization of power risks creating a police state. This overreach mirrors existing rule-of-law and human rights vulnerabilities, such as the systemic abuse of pre-trial detention, which has already cost the state EUR 2.56 million in compensation for unlawful imprisonment.³⁸ Ultimately, the parliamentary majority overrode the President's veto and re-adopted the laws on 19 March 2026.³⁹

This consolidation of power leaves Montenegro in a difficult position vis-à-vis the European Commission and the Venice Commission, both of which have con-

30 Stankov, N., *Report on the Implementation of Anti-Corruption Policies and Reforms*, CeMI, October 2025.

31 European Commission, Directorate-General for Justice and Consumers, *2026 Rule of Law Report – Country Chapter Montenegro*, 17 July 2026.

32 Dimoski, A., “Anti-corruption commission head resigns after being indicted”, MIA, 25 July 2025.

33 European Commission, Directorate-General for Justice and Consumers, *2026 Rule of Law Report – Country Chapter North Macedonia*, 17 July 2026.

34 Albanian Daily News, “SPAK Submits Report, Major Seizures and Investigations”, 9 March 2026.

35 European Commission, Directorate-General for Justice and Consumers, *2026 Rule of Law Report – Country Chapter Albania*, 17 July 2026.

36 Petrović, L., “Western geopolitics and Balkan corruption: How US and EU justice reform efforts fuelled power centralization and failed justice”, *New Eastern Europe*, 29 January 2026.

37 European Western Balkans, “Key findings on Albania”, 5 November 2025.

38 CeMI, “Montenegro should show concrete results in judicial reform in a short period of time”, 9 October 2025.

39 Mina News, “Parliament readopts laws on internal affairs and ANB”, 19 March 2026.

sistently stressed that combating organized crime must not come at the expense of judicial oversight and institutional transparency.⁴⁰

In Kosovo*, political instability and institutional paralysis throughout 2025 severely hampered anti-corruption enforcement and rule-of-law reforms. The February 2025 parliamentary elections exposed democratic fragilities when the ruling Vetëvendosje won a plurality but failed to form a majority. Political disagreements delayed the constitution of the Assembly for over six months, and after two successive failed attempts to form a government, a snap election was held in December 2025⁴¹, culminating in a new Kurti-led government approved in February 2026.⁴² During this prolonged caretaker period, parliamentary oversight was virtually non-existent, and implementation of the *Rule of Law Strategy 2021–2026* as well as the national *Anti-Corruption Strategy* ground to a near-complete halt.⁴³ While the independent Agency for Prevention of Corruption (APC) maintained operational functionality, achieving modest progress in processing whistleblowing disclosures and asset declarations, systemic anti-corruption enforcement remained stalled. Flagship legislative initiatives, such as the *Law on the State Bureau for Verification and Confiscation of Unjustified Assets*, faced ongoing constitutional scrutiny and civil society concerns over potential politicization and procedural safeguards. Furthermore, actual asset recovery in high-level corruption cases remained minimal. Compounding these anti-corruption gaps are structural weaknesses in public administration: political appointments to boards of state-owned enterprises remain widespread, and campaign-period hiring continues to fuel clientelism.⁴⁴

Anti-corruption policy

Across the Western Balkans, anti-corruption policy tends to follow a familiar cycle: strategies and action plans are adopted to satisfy EU accession benchmarks, yet implementation lags, oversight bodies remain under-resourced, and enforcement continues to concentrate on low-level rather than high-level corruption.

Each incoming administration treats public administration as a prize to be distributed among loyalists rather than as a merit-based service, allowing informal networks bridging political, business, and administrative circles to persist despite changes in formal power. Reforms are routinely adopted as a façade to satisfy international requirements, while implementation remains highly selective and enforcement of anti-corruption provisions is directed preferentially at political opponents rather than at genuine wrongdoing. So long as political appointments to public bodies and state-owned enterprises continue to be determined by proximity to power rather than competence, the institutional substrate for capture will endure regardless of which party holds office.

In September 2023, North Macedonia slashed penalties for official misconduct, triggering a wave of dismissed high-profile corruption cases as statutes of limitations shortened accordingly. Facing intense criticism, Parliament passed temporary amendments on 28 January 2026 to patch the law while a full overhaul is drafted. Watchdogs warn, however, that this “fix” falls short: it narrows “abuse of official position” to rare scenarios, effectively decriminalizing many corrupt practices, while keeping maximum penalties low and leaving prosecutors too little time to investigate complex cases.^{45,46}

Serbia, North Macedonia, Montenegro, and Albania have all **adopted lobbying laws, but enforcement**

40 European Western Balkans, “*Milatović returns the Law on Internal Affairs*”, 10 March 2026.

41 Zeqiri, A., “*Vetëvendosje’s Win Opens Way for Rapid Govt Formation in Kosovo*”, *Prishtina Insight*, 30 December 2025.

42 Al Jazeera, “*Kosovo parliament backs Albin Kurti-led government ending deadlock*”, 12 February 2026.

43 Zeqiri, A., “*Ins and Outs: Kosovo’s New Parliament Takes Shape*”, *Prishtina Insight*, 14 January 2026.

44 US Department of State, *2025 Investment Climate Statements: Kosovo*, 2025.

45 European Commission, Directorate-General for Justice and Consumers, *2026 Rule of Law Report – Country Chapter North Macedonia*, 17 July 2026.

46 Balkan Insight, “*North Macedonia ‘Risks Decriminalising Common Forms of Graft’*”, 28 January 2026.

remains vestigial: Serbia's registry captures only a fraction of real influence activity;⁴⁷ as of June 2026, North Macedonia had just one registered lobbyist and three lobbying organizations;⁴⁸ and Montenegro's registry lists 21 lobbyists and two legal entities.⁴⁹

Albania's 2026 lobbying law, while welcome, defines its scope so broadly that legitimate civil society advocacy risks being captured within it.^{50,51} Kosovo* has no lobbying framework at all: government contracts with foreign lobbying firms remain secret, a gap only partially filled by the US Foreign Agents Registration Act, which exposed, among others, EUR 147,000 in annual contracts to US-based lobbyists for Kosovo*-US relations, a EUR 90,000 contract to a Kosovo-Albanian journalist for "cultural lobbying," and EUR 168,000 to a Paris firm to promote territorial modification.⁵² When the rules governing influence are this weak, the formal legislative process becomes little more than a post-rationalization of decisions already taken in private.⁵³ This same pattern of formal compliance without substantive change extends beyond lobbying to public administration as a whole, where government turnover has done little to alter the underlying structural conditions.

A similar trend is emerging in strategic planning of anti-corruption policies. In November 2024, the European Commission published a mapping analysis on the *High-risk areas of corruption in EU Member States*. The study identifies healthcare, finance, public procurement, defense and security, construction

and infrastructure, and sport as the sectors most exposed to corruption across the EU.⁵⁴ Most Western Balkan countries have largely copied the analysis without following up with actions to close the identified gaps.

Albania's *Intersectoral Strategy Against Corruption 2024-2030* (updated via periodic Action Plans) identified property, taxation and customs, healthcare, public contracts (procurement and concessions), and education as priority risk sectors.^{55,56} Similarly, North Macedonia's draft 2026-2030 Anti-Corruption Strategy places a comparable focus on justice, health, transport and infrastructure, urban and spatial planning, and environment, energy and natural resources.⁵⁷ Serbia has followed a parallel path: its National Anti-Corruption Strategy 2024-2028 designates police, health, education, local self-government, construction, political-party financing, tax and customs, public procurement, and privatization and state-owned enterprises as risk areas.⁵⁸ By contrast, Montenegro's Strategy for the Fight against Corruption 2024-2028 remains organized around institutional objectives – strengthening the integrity and accountability of anti-corruption bodies, improving the investigation and sanctioning of high-level corruption, and deepening international cooperation – rather than sector-specific risk assessments.⁵⁹ Kosovo* has yet to adopt a standalone anti-corruption strategy at all: its anti-corruption objectives remain folded into the broader Rule of Law Strategy

47 European Commission, *Serbia Report 2025*, November 2025.

48 European Commission, Directorate-General for Justice and Consumers, *2026 Rule of Law Report – Country Chapter North Macedonia*, 17 July 2026.

49 European Commission, Directorate-General for Justice and Consumers, *2026 Rule of Law Report – Country Chapter Montenegro*, 17 July 2026.

50 Karanović Partners, "Albania Adopts Its First Law on Lobbying", February 2026.

51 Partners Albania, "Comments and Recommendations on the Draft Law 'On Lobbying'", 14 November 2025.

52 Isufi, A., "Kosovo's Secret Lobbying Contracts a Growing Concern", Balkan Insight, 10 October 2024.

53 OECD, *Anti-Corruption and Integrity Outlook 2026 – Bosnia and Herzegovina*, 2026.

54 European Commission, Directorate-General for Migration and Home Affairs, "Commission presents a new study on areas most at risk of corruption", 4 November 2024.

55 Republic of Albania, Ministry for Public Administration and Anti-Corruption, General Directorate of Anti-Corruption (DPAK), *Intersectoral Strategy Against Corruption 2024-2030*, 2025.

56 Albanian Times, "Draft Anti-Corruption Strategy 2024-2030 unveiled", 22 July 2024.

57 European Commission, Directorate-General for Justice and Consumers, *2026 Rule of Law Report – Country Chapter North Macedonia*, 17 July 2026.

58 Government of the Republic of Serbia, "Government adopts National Anti-Corruption Strategy to 2028", 25 July 2024.

59 Council of Europe, "The Government of Montenegro adopts the Strategy for the Fight against Corruption", 5 June 2024.

2021-2026.⁶⁰ Bosnia and Herzegovina has likewise not adopted a sector-focused anti-corruption strategy, consistent with the broader institutional fragmentation described throughout this chapter.

Illicit enrichment and asset declaration gaps

Illicit enrichment represents a significant yet insufficiently regulated vulnerability within the legal frameworks of both the EU and the Western Balkans. Historically, this offense has proven difficult to prosecute, particularly when it is not tied to a specific predicate crime or when it is challenging to establish that the official acted with direct intent and knowledge. To address these gaps, the *EU Anti-corruption Directive* adopted on 29 April 2026⁶¹ mandates that Member States criminalize “enrichment from corruption offenses” in order to empower authorities to target unexplained wealth.

None of the six Western Balkan jurisdictions has a fully operational and consistently enforced standalone offense of illicit enrichment. Albania and North Macedonia come closest, relying on asset verification regimes and criminal provisions targeting unlawful acquisition or concealment of property that function analogously to illicit enrichment, but still require links to criminal conduct.

Box 2. The Plots on Vodno case in North Macedonia

In North Macedonia, this framework yielded a landmark outcome when in 2022 former Prime Minister Nikola Gruevski was convicted in absentia for money laundering and illegal acquisition of property in the Plots on Vodno case, involving approximately EUR 1.3 million in party donations laundered through offshore structures to acquire real estate.⁶² A 2026 criminal complaint filed by the Ministry of Interior against an Appellate Court judge in Skopje for concealment of property illustrates that the framework, while imperfect, is being used.⁶³

Albania's framework combines criminal, financial, and administrative law, including SPAK's high-profile pursuit of politically exposed persons, but implementation gaps persist – particularly in verifying assets held through family members and business partners.

Bosnia and Herzegovina, Kosovo*, Montenegro and Serbia continue to rely on indirect instruments – including money laundering, tax law, and asset declaration systems – all of which require proof of a predicate offence, creating a structural enforcement gap where unexplained wealth is difficult to prosecute unless uncovered through unrelated criminal investigations. This problem is compounded by weak verification oversight, as seen in Serbia, where the Agency for the Prevention of Corruption's 2025 plan provided for substantive checks on just 1% of public officials' declarations.⁶⁴ In contrast, Montenegro and Kosovo* have recently shown legislative momen-

60 OECD, *Anti-Corruption Trends in Eastern Europe and Central Asia*, Paris, 2025.

61 EUR-Lex, *Directive (EU) 2026/1021 of the European Parliament and of the Council of 29 April 2026 on combatting corruption*.

62 Transparency International, *The “Plots on Vodno” Case: Ex-Macedonian PM Nikola Gruevski Guilty of Money Laundering and Misappropriation of Property*, December 2023.

63 Ministry of Interior of the Republic of North Macedonia, “Criminal complaint for unlawful acquisition and concealment of property and money laundering filed against a judge in the Appellate Court of Skopje”, 20 January 2026.

64 European Commission, Directorate-General for Justice and Consumers, *2026 Rule of Law Report - Country Chapter Serbia*, 17 July 2026.

tum toward direct non-conviction asset recovery. A *January 2026 draft amendment to the Criminal Code* of Montenegro would introduce “illicit enrichment in relation to the performance of public office” as a discrete offence, with sentences of up to eight years for unjustified assets exceeding EUR 50,000, complemented by pre-conviction confiscation provisions. Complementary amendments to the *Law on Seizure and Confiscation of Material Benefit Derived from Criminal Activity* would allow confiscation of assets above EUR 50,000 even before a final conviction. Similarly, the Assembly of Kosovo* reached a milestone in April 2026 by approving the first reading of the *Draft Law on the State Bureau for Verification and Confiscation of Unjustified Assets*. Departing from traditional criminal models that necessitate a specific conviction, this framework introduces a civil confiscation procedure focused primarily on the legitimacy of assets. By targeting significant wealth discrepancies among those enriched at the public’s expense, the mechanism aims to dismantle state-capture networks without affecting ordinary citizens.⁶⁵

Box 3. Conflict of interest in Bosnia and Herzegovina’s public administration

Reportedly at least 265 public officials in the Federation of Bosnia and Herzegovina simultaneously hold positions in public institutions or companies, approximately 20% of officials’ companies engaged in public procurement with publicly funded bodies, and nearly 2 000 officials holding leadership roles in NGOs receiving public funding.⁶⁶ Illicit enrichment is not criminalized at any level of government – state, entity, or Brčko District – and asset declaration verification remains fragmented across jurisdictions.

A cross-cutting weakness unites all six jurisdictions: **asset declaration systems that check forms rather than probe substance**. Verification is typically limited to politically exposed persons (PEPs), rarely extends to family members, business associates, or informal networks, and relies on manual cross-referencing of disconnected registries. Financial intelligence capacity is insufficient to convert suspicious transaction reports into successful confiscation proceedings. The result is a regional architecture that detects illicit enrichment only at the margins, and deters it hardly at all.

Box 4. Systemic asset declaration enforcement deficits

Across the Western Balkans, mandatory asset declaration systems continue to be compromised by weak verification mechanisms, undisclosed foreign assets, and persistent non-compliance among public officials. In Kosovo*, despite broad legal disclosure requirements, the Agency for the Prevention of Corruption (APC) repeatedly issues dozens of monthly fines and criminal referrals, frequently targeting officials within the Kosovo Police and municipal administrations, for failing to declare assets on time or omitting real estate and business revenues.⁶⁷ In North Macedonia, opposition calls in June 2026 prompted the State Commission for the Prevention of Corruption (SCPC) to launch an investigation into the Cabinet Secretary General over allegations that he omitted links to a Bulgarian-registered firm and property holdings from his mandatory filings.⁶⁸

65 Ministry of Justice, *Draft Law on the State Bureau for Verification and Confiscation of Unjustified Assets Approved in First Reading*, 17 April 2026.

66 Federalna Televizija**, ** “Plenum SJMOA”, Federalna.ba, 2025.

67 KOHU, “Kosovo Police leads in the number of officials late in declaring assets”, 12 July 2026.

68 BTA, “SDSM Seeks Probe into North Macedonia Cabinet Secretary General’s Alleged Undeclared Company in Bulgaria”, 23 June 2026.

Meanwhile, in Albania, the Special Anti-Corruption Structure (SPAK) placed Tirana Mayor under pre-trial detention in early 2025 on charges of corruption, money laundering, and concealment of financial assets, illustrating how top officials evade domestic asset checks and underscoring the vital need for rigorous, cross-border verification mechanisms.⁶⁹

Closing the criminalization gap demands measures that are legally precise, institutionally anchored, and regionally coordinated. Western Balkan governments – as well as EU member states still without illicit enrichment statutes – should adopt **standalone criminal offences** explicitly modelled on UNCAC Article 20⁷⁰ and the *EU Anti-corruption Directive*, with confiscation powers operable prior to final conviction where civil asset recovery standards are met. The UK's Unexplained Wealth Order model offers a proven template: enabling asset freezing on the basis of reasonable suspicion, shifting the burden of justification to the asset-holder, and pursuing civil confiscation without requiring a predicate criminal conviction. Montenegro's draft legislation moves in this direction and should be treated as a regional benchmark, contingent on genuine APC independence.

Compliance should be extended beyond PEPs to cover first-degree relatives, business associates, and corporate vehicles – the channels through which illicit wealth is most reliably concealed.⁷¹ The *International Treaty on Exchange of Data for the Verification of Asset Declarations*⁷², already signed by Montenegro, North Macedonia, Serbia, and Moldova, should be

operationalized with binding timelines and a dedicated regional data-exchange mechanism. Montenegro provides a positive example, with efforts already underway to integrate the Agency for the Prevention of Corruption's IT systems with those of the State Prosecution and Police, aiming to streamline data exchange, including asset declaration controls, public procurement records, and beneficial ownership data.⁷³

The EU accession process should be leveraged more directly through conditionality: no chapter closures in the rule-of-law clusters without demonstrated, independently verified capacity to detect and prosecute unexplained wealth. Finally, similar to the obligations for EU member states, as well as the large non-EU companies that operate within the European Union, under the *Corporate Sustainability Due Diligence Directive*⁷⁴, private sector actors operating in the Western Balkans region should face mandatory anti-corruption due diligence obligations, with Sapin II-style compliance programs required of any firm engaged in public procurement or receiving EU-linked financing.

69 Sinoruka, F., "Tirana Mayor Arrested on Corruption and Money-Laundering Charges", *Balkan Insight*, 10 February 2025.

70 UNCAC, *United Nations Convention Against Corruption*, Article 20. Illicit enrichment, 2004.

71 Center for the Study of Democracy, *Rolling Back State Capture in Southeast Europe. Implementing Effective Instruments for Asset Declaration and Politically Exposed Companies*, 2023.

72 Regional Anti-corruption Initiative, *Regional Data Exchange on Asset Disclosure and Conflict of Interest, Status of the International Treaty*, 2025.

73 European Commission, Directorate-General for Justice and Consumers, *2026 Rule of Law Report - Country Chapter Montenegro*, 17 July 2026.

74 EUR-Lex, *Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence*, 5 July 2024.

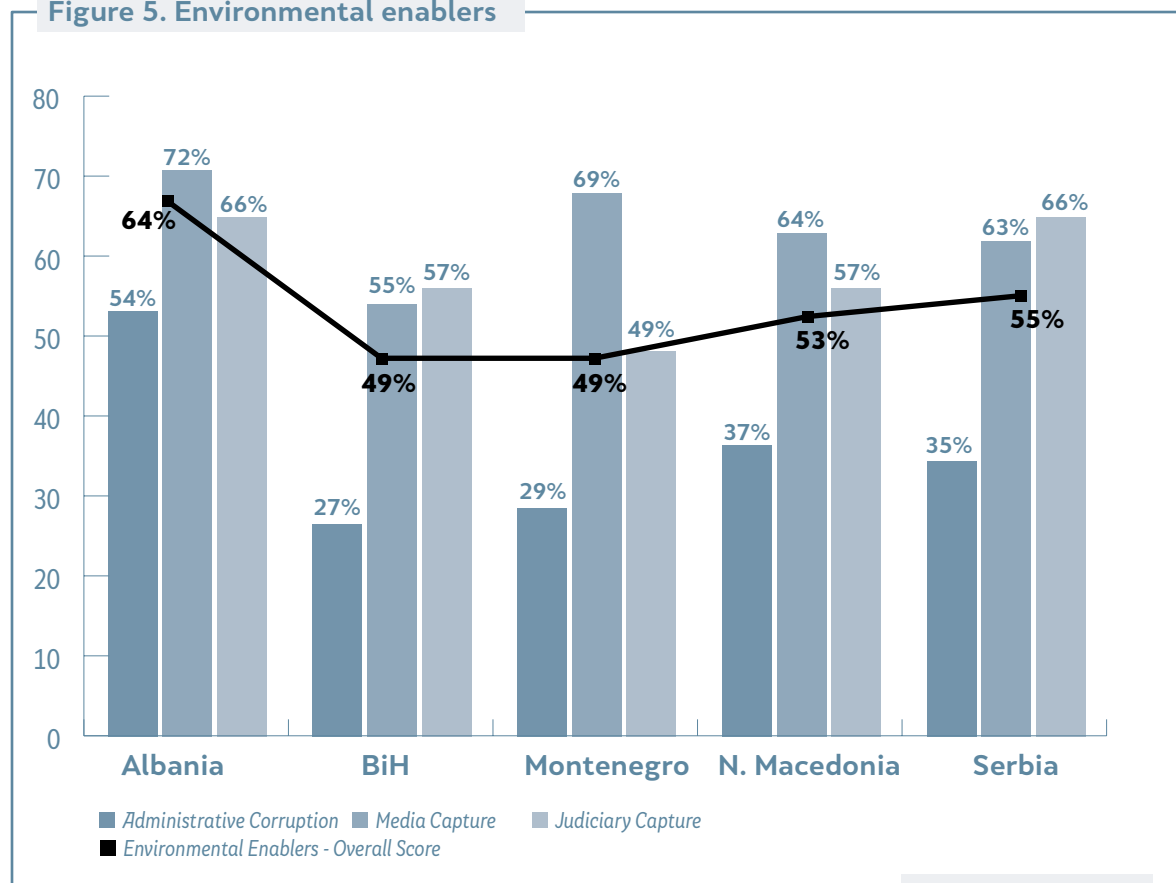
ENVIRONMENTAL ENABLERS

Beyond institutional design, the broader governance environment determines the persistence and resilience of state capture. Environmental enablers, including the levels of media independence, judicial autonomy, and administrative corruption, reflect the health of accountability ecosystems and the capacity of society to constrain elite power.

The SCAD results on **environmental enablers** highlight significant regional vulnerabilities across the Western Balkans, with **Albania emerging as the most exposed state overall at 64%**, driven by high levels of administrative corruption (54%), media capture (72%), and judicial capture (66%). **Serbia follows with an overall score of 55%**, characterized by a judicial

capture score matching Albania's at 66%, media capture at 63%, and administrative corruption at 35%. **North Macedonia** occupies an intermediate tier with an overall score of 53%, influenced by elevated media capture (64%), judiciary capture (57%), and administrative corruption (37%). Meanwhile, Bosnia and Herzegovina and Montenegro record the lowest overall scores at 49% each, though their structural profiles diverge: Montenegro registers higher media capture (69%) alongside lower judicial capture (49%) and administrative corruption (29%), whereas Bosnia and Herzegovina exhibits higher judicial capture (57%) with the region's lowest administrative corruption score at 27%.

Figure 5. Environmental enablers



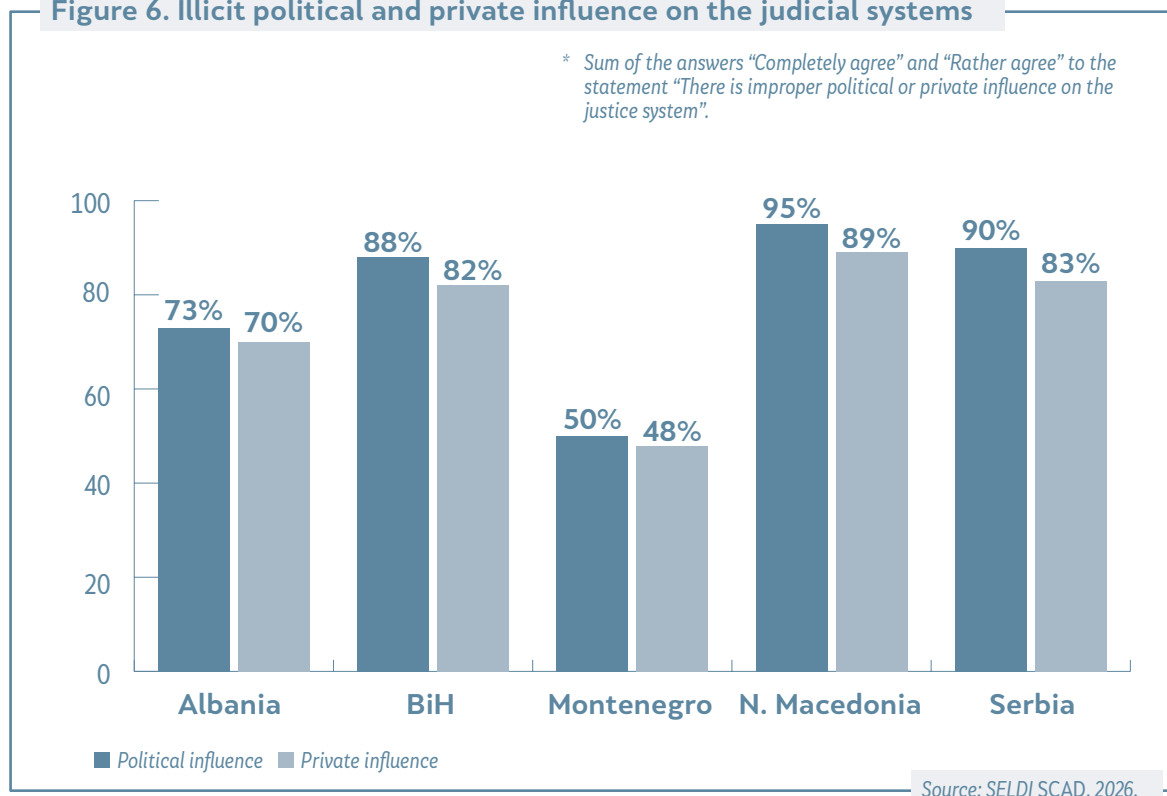
Source: SELDI SCAD, 2026.

Albania's peak diagnostic scores reflect the acute political turbulence, institutional friction, and mounting civic outrage over high-level political corruption observed in 2026. Public distrust in judicial integrity and administrative governance was intensified by SPAK's high-profile anti-corruption investigations into the former Deputy Prime Minister Belinda Balluku linked to major infrastructure procurement tenders initiated at the end of 2025, which triggered a political fallout when the ruling majority attempted to shield her parliamentary immunity.⁷⁵ Concurrently, public perception of media capture reached a regional high of 72% following aggressive political backlash and online smear campaigns directed at investigative journalists exposing cases of executive misconduct. These tensions were further aggravated by fast-tracked legislative amendments to protected area laws that enabled non-transparent luxury investments on Sazan Island and Zvërnec, which erupted into the widespread "Flamingo Revolution" mass protests across Albania in spring 2026 (see Box 12).

Judiciary

Across the Western Balkans, **persistent political influence over the judicial governance** – especially in the selection, appointment, and promotion of judges and prosecutors – remains one of the biggest impediments to strengthening the rule of law. Even where formal safeguards or self-governing judicial bodies exist, political actors often exert **indirect pressure**, shaping outcomes through leadership selection or informal influence that undermines both judicial independence and public trust. As a result, high-profile corruption cases across the Western Balkans rarely end in final convictions, deepening a public sense of impunity. Unravelling complex tender fraud, financial crimes, and top-level corruption takes years of investigation and court battles that often run out of time or momentum.

Figure 6. Illicit political and private influence on the judicial systems



⁷⁵ European Western Balkans, *Indicted Deputy PM Belinda Balluku dismissed by Rama as a part of reshuffle*, 27 February 2026.

The SCAD results from the survey on the **perceived political and private improper influence on the judicial system** reveal a crisis of public confidence across the Western Balkans. **North Macedonia** records the highest vulnerability in the region, with 95% of experts claiming that there is political influence over judicial decisions and appointments and 89% citing private interest influence on the judiciary. **Serbia** follows closely, with 90% of respondents reporting political interference and 83% reporting private influence. **Bosnia and Herzegovina** similarly demonstrates elevated levels of distrust, registering 88% political and 82% private influence. In **Albania**, nearly three-quarters of the surveyed experts perceive political influence (73%) and 70% contend there is private influence over the judiciary. **Montenegro** presents a comparatively lower yet deeply divided assessment, with 50% noting political influence and 48% citing private influence. Across all surveyed countries, the close alignment between political and private metrics reflects a widespread public view that judicial bodies are doubly compromised by state power and commercial interests.

These figures reflect broader regional patterns of institutional vulnerability, including persistent judicial understaffing, funding bottlenecks, and weak internal accountability frameworks. Public perception across the region is further shaped by political pressure on prosecutorial independence, legislative amendments that weaken high-level corruption prosecutions, and recurring enforcement lapses following judicial decisions. Even where anti-corruption bodies actively pursue high-level cases, public skepticism remains reinforced by slow proceedings, lenient disciplinary outcomes, and resistance to independent oversight. These systemic challenges are illustrated by specific institutional developments and staffing constraints across the region.

An apt example of political meddling in the judiciary is the Constitutional Court of Serbia, which underwent massive turnover in late 2025 without implementing Venice Commission recommendations for a qualified-majority election mechanism, while the newly appointed Constitutional Court President sparked wide-

spread alarm in January 2026 by publicly advocating for the dismissal of anti-government judges.⁷⁶

In North Macedonia, leading political figures and government representatives have launched public attacks against the judiciary, accusing judges and prosecutors of inefficiency and systemic corruption⁷⁷. In February 2026, the Parliament used a shortened procedure to amend the laws on magistrates' salaries to tighten the grip of the ruling party over the judiciary. The Constitutional Court annulled these amendments on 8 April 2026, ruling that the financial independence of the judiciary is constitutionally guaranteed⁷⁸. The judiciary has long faced severe budget constraints and staffing shortages that have been used by the government as a way to keep magistrates in check. In 2026, judicial funding hovered around 0.28% of GDP, well short of the statutory target of 0.8%. The Public Prosecutor's Office similarly received only 0.21% of the national budget, against a legally mandated 0.4%⁷⁹. On 16 December 2025, the Chief Public Prosecutor resigned just before Parliament was set to vote on the Government's dismissal proposal, despite the Council of Public Prosecutors having issued a negative opinion on the dismissal – creating what several stakeholders describe as a negative precedent for prosecutorial autonomy.

Continued failure to implement the 2020–2026 human-resource strategies for the courts and the Public Prosecutor's Office compounds these challenges: the Judicial Council's 2015 systematization sets out 636 judicial posts, yet only 432 were filled by the end of October 2025. The Academy for Judges and Public

76 European Commission, Directorate-General for Justice and Consumers, *2026 Rule of Law Report – Country Chapter Serbia*, 17 July 2026.

77 European Commission, *2026 Rule of Law Report: Country Chapter on the Rule of Law Situation in North Macedonia*, SWD(2026) 930 final, 17 July 2026, p. 2; Media Information Agency, "Judicial Council, Supreme Court and Judges Association Issue Open Letter to PM Mickoski", 14 November 2025.

78 European Commission, *2026 Rule of Law Report*, pp. 2–3; Constitutional Court of the Republic of North Macedonia, *Decision U.br.21/2025 and U.br.52/2025*, 8 April 2026.

79 Ministry of Justice of North Macedonia, *Annual Report on the Implementation of the Development Sector Strategy for Justice 2024–2028 in 2025*, April 2026, p. 8; European Commission, *2026 Rule of Law Report*, p. 2, fn. 11.

Prosecutors cancelled the admission process for 130 candidates of its ninth generation (decision of 25 December 2025) owing to insufficient Finance Ministry funding and changes to the exam rules. Because training takes two years and the underlying law has not yet passed, no new judicial candidates will be available before 2028.⁸⁰

Box 5. Political pressure on prosecutors and consequences of criminal code amendments in North Macedonia

In April 2026, a prominent prosecutor resigned from the Skopje Public Prosecutor's Office after being removed from the politically sensitive "Talir 1" and "Talir 2" cases⁸¹ which involve illegal donations and the construction of the ruling party's headquarters (the "White Palace" estimated to be worth around EUR 14 million). Although former Prime Minister Nikola Gruevski was originally sentenced in absentia to six years in 2022 alongside an order to confiscate the party HQ, the controversial September 2023 Criminal Code amendments severely weakened the prosecution's legal standing. Consequently, in July 2026, the Skopje Criminal Court acquitted Gruevski in the "Talir 2" retrial^{82,83}, noting that while the factual evidence was unchanged, the revised legal framework eliminated the grounds for prosecution and state confiscation of the property.⁸⁴

In Albania, the growing pressure from public officials and politicians on judicial bodies is undermining the sustainability of staffing and vetting procedures.⁸⁵ The underfinancing and understaffing of key judicial institutions have undermined the quality of justice in Albania. Judicial vacancies are gradually being filled, with 42 judges and 26 prosecutors appointed as of July 2025, but shortages remain significant, particularly at the appellate level: as of January 2025, only 71% of prosecutor posts (242 of 341) and 73% of judge posts (306 of 417) were filled, and in the Court of Appeal only 40 of 78 posts were filled. In 2026, two new cases in which the vetting process uncovered criminal elements were referred to prosecution, but follow-up remains limited, with 18 proceedings still under investigation and 5 facing dismissal requests. A modern integrated electronic case management system (ICMS) for courts and prosecution offices is yet to be completed.⁸⁶

In Montenegro, high-level corruption cases are slow and often end in acquittals or lenient penalties, while political deadlock over parliamentary appointments has impaired the Constitutional Court's functioning.⁸⁷ At the same time, law enforcement's fight against high-level corruption has strengthened, with final convictions rising from 6 to 25 and final court rulings from 57 to 80 in 2025, even as new investigations dropped from 17 to 8 and defense delay tactics persist. Judicial human resources remain strained, with only 88% of judge posts and 80% of prosecutor posts filled, even as 30% salary increases were extended from 2025 into 2026 and prosecution funding rose. New access-to-information amendments, moreover, now impose court costs on citizens even when information denial is ruled unlawful.⁸⁸

80 European Commission, Directorate-General for Justice and Consumers, *2026 Rule of Law Report – Country Chapter North Macedonia*, 17 July 2026.

81 Marusic, S. J., "Prominent North Macedonia Prosecutor Resigns, Citing Political Pressure", *Balkan Insight*, 2 April 2026.

82 *Balkan Insight*, *North Macedonia's Fugitive Ex-PM Acquitted of Corruption Over Party HQ*, 14 July 2026.

83 *Pravda EU*, *The Prime Minister's case. Corruption remains unpunished*, 19 July 2026.

84 *Balkan Insight / BIRN*, *Prominent North Macedonia Prosecutor Resigns, Citing Political Pressure*, 2 April 2026.

85 Ferreira Gil, C., "2025 Rule of Law Brief: Albania", *Transparency International*, 15 April 2026.

86 European Commission, Directorate-General for Justice and Consumers, *2026 Rule of Law Report – Country Chapter Albania*, 17 July 2026.

87 European Commission, *Montenegro 2025 Report*, 4 November 2025.

88 European Commission, Directorate-General for Justice and Consumers, *2026 Rule of Law Report – Country Chapter Montenegro*, 17 July 2026.

Box 6. The Medenica case: judicial capture in Montenegro

In January 2026, Montenegro's High Court sentenced former Supreme Court President Vesna Medenica to 10 years' imprisonment for corruption and abuse of office after finding that she had used her position to protect a criminal network led by her son, Miloš Medenica, and unlawfully influence judicial proceedings. Her son was sentenced to more than 10 years in prison for organized crime, smuggling, and influence peddling. However, shortly after the verdict, he fled despite being under house arrest, triggering widespread criticism over failures in the enforcement of judicial decisions.⁸⁹

Corruption, weak institutional oversight, and political protection have eroded public trust in Montenegro's judiciary.⁹⁰ Disciplinary mechanisms are frequently ineffective, proceedings are slow, and outcomes often fail to reflect the gravity of alleged misconduct – a pattern of selective justice and perceived impunity echoed in Bosnia and Herzegovina, where judicial systems appear more responsive to political considerations than to legal merit.⁹¹

BiH's judiciary faced renewed scrutiny over systemic impropriety and weak accountability mechanisms. Out of 27 disciplinary proceedings concluded against judicial officeholders, primarily for professional negligence, undue delays, and conduct undermining public trust, 21 resulted in sanctions, but only a single official was dismissed from office. The remaining outcomes reflected a pattern of lenient penalties: 18 judges and prosecutors received temporary sala-

ry reductions, two were issued public warnings, and six were exonerated. Severe lapses were highlighted, including instances where panels of judges delivered verdicts without ever reading the indictments or reviewing the case files. Compounding these integrity issues, 35 judges and prosecutors failed to submit their required asset declarations for 2025.⁹²

In Kosovo*, political influence over appointments and promotions, together with weak accountability within the system, prolongs politically sensitive cases.⁹³ This pattern is reflected in public perceptions captured by SELDI's findings on administrative corruption (see the Administrative Corruption section below), where judges and prosecutors continue to be seen as corrupt and lacking public trust.⁹⁴ Recent high-level cases have reinforced these concerns. At the same time, Kosovo* has seen an increase in grand corruption, abuse of office, and illicit wealth investigations.

Media capture

Media systems in the Western Balkans face dual pressures of political control and economic dependency. The result is a capture of media "outlets through ownership, financial incentives, and various types of government interventions."⁹⁵ By controlling telecommunications and media, Western Balkan elites suppress accountability, fueling democratic backsliding. Oligarchic ownership and state capture blur political and business lines, leaving newsrooms heavily manipulated by their owners.

89 Ljubas, Z., "Montenegro Shaken as Convicted Crime Boss Vanishes After Sentencing", OCCPR, January 29, 2026.

90 Ljubas, Z., "Montenegro Shaken as Convicted Crime Boss Vanishes After Sentencing", OCCPR, 29 January 2026.

91 Transparency International in Bosnia and Herzegovina, "Conflict of Interest in the Appointment of the HJPC Secretariat Director: Ministry of Justice Secretary Evaluated the Minister's Chief of Cabinet", TI-BiH.org, 13 July 2025.

92 Radić-Dragić, R., *Sanctions Imposed on 21 Judges and Prosecutors Following Disciplinary Proceedings*, CIN, 25 March 2026.

93 Kika, A., "EU concerned about how corruption cases are allocated to judges and prosecutors", KOHA, 5 November 2025.

94 CMS Findings [full citation to be supplied by the authors].

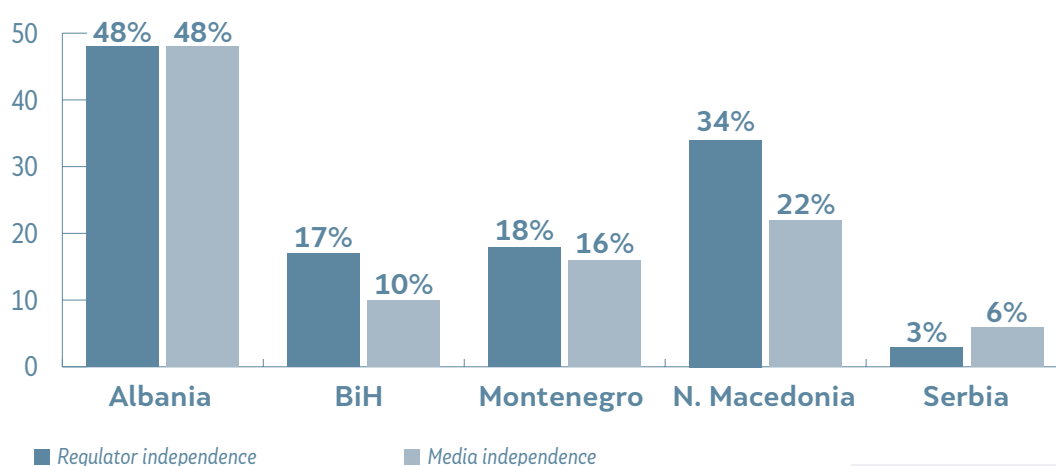
95 Sabev, M., Georgiev, G. McLaren, R., *Safeguarding the Foundations Strengthening Civil Security in Bulgaria, Montenegro, North Macedonia and Serbia*, Center for the Study of Democracy, 2024, p.28.

The same architecture creates an entry point for authoritarian foreign influence⁹⁶. Direct foreign ownership was only one among several channels of control. Opaque ownership networks, untraceable retransmission arrangements, politically connected intermediaries, and large advertisers could exert comparable influence over editorial content⁹⁷. The deeper an outlet's political and economic entanglement with Russia-linked interests, the more closely its content reproduced Kremlin narratives and the less space it provided for independent analysis or nationally originating perspectives. These opaque mechanisms of control intersect with illicit and corrosive financial flows across the Balkans: Russia and China frequently rely on existing domestic oligarchic and political networks rather than building separate influence systems.

Over time, these material dependencies can produce what CSD has termed cognitive capture. Sustained exposure to politically or geopolitically aligned content gradually shapes how journalists, public officials, and citizens interpret events, normalizing the interests and narratives of the actors controlling the information environment. Captured media shields domestic elites from scrutiny while disseminating narratives that legitimize authoritarian governance, weaken public confidence in democratic institutions, and undermine support for Euro-Atlantic integration⁹⁸. A newsroom may therefore be captured without receiving a direct political order: dependence itself encourages editorial accommodation, self-censorship, and avoidance of investigations that threaten the interests of owners, advertisers, or government patrons⁹⁹.

Figure 7. SCAD scores for media regulator and media market independence

Note: Regulator independence is the average of the "Staff appointment independence", "Budget autonomy", "Media content regulations", "Licensing decisions" and "Investigations and sanctions"; Media independence is the average of "Editorial independence", "Institutional independence", "Ownership independence" and "Financial independence" across experts. Scores are expert-assessment averages on a scale from 0 to 100. Higher values indicate greater perceived effective independence and, therefore, lower exposure to media capture. The results assess independence in practice rather than formal legal guarantees alone



Source: SELDI SCAD, 2026.

96 Georgiev, G., Petrova, V. and Tsalala, K., *Breaking the Code: Tackling the Interlocking Nexus of Russian and Chinese Disinformation and Illicit Financial Flows in Southeast Europe*, Center for the Study of Democracy, 2023, pp. 32–41.

97 Galev, T. and Filipova, R., *Russian Influence in the Media Sectors of the Black Sea Countries: Tools, Narratives and Policy Options for Building Resilience*, 2018, pp. 5–8 and 22–29; Georgiev, Petrova and Tsalala, *Breaking the Code*, pp. 19–34.

98 Sabev, M., Georgiev, G. and McLaren, R., *Safeguarding the Foundations: Strengthening Civil Security in Bulgaria, Montenegro, North Macedonia and Serbia*, Center for the Study of Democracy, 2024, pp. 28–31.

99 Center for the Study of Democracy, *Supporting Media Freedom in Europe*, Policy Brief No. 150, 2024, pp. 1–3.

The SCAD results regarding media regulatory mechanisms and media market autonomy highlight **serious deficits in press freedom and institutional oversight** across the Western Balkans, revealing how regulatory bodies and news outlets are increasingly vulnerable to political and corporate capture. SCAD assessments are done at two interconnected levels: the effective independence of media regulators and the autonomy of the media market and its outlets. Higher scores signify greater perceived independence and, correspondingly, lower exposure to capture. The results should not be read as a ranking of national media systems. Instead, they demonstrate whether formal regulatory institutions are capable of constraining the political and economic networks operating through ownership, financing, licensing, and editorial control.

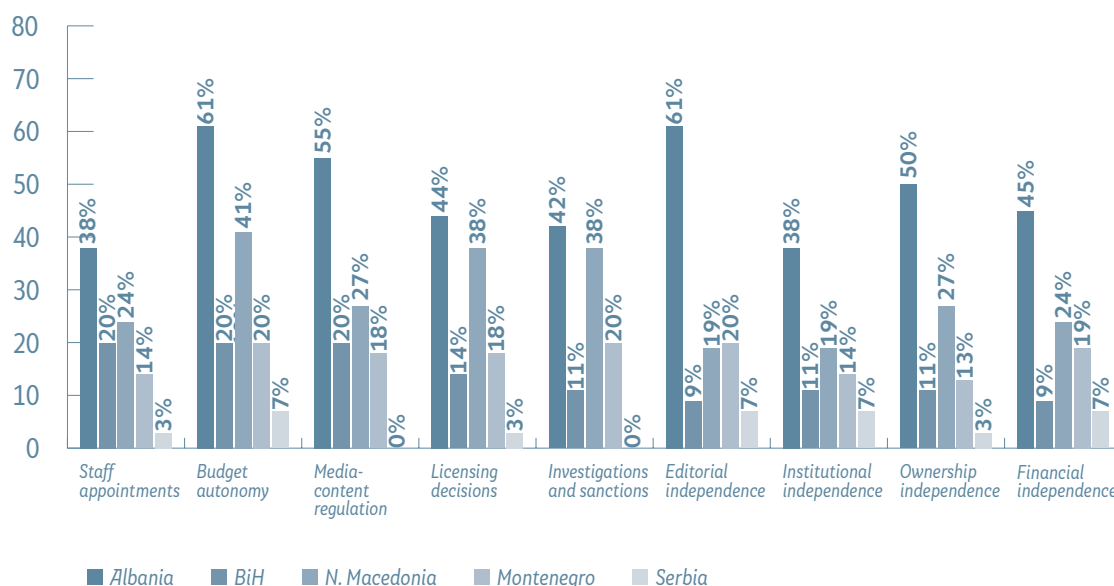
None of the assessed countries reaches the midpoint of the scale for overall regulator or media independence. Albania has the strongest relative results, but its scores of 48% cannot be treated as evidence of consolidated independence. Serbia lies at the opposite extreme, with near-zero assessments at both

regulatory and market levels, indicating systemic capture rather than an isolated institutional failure. Between these poles, Bosnia and Herzegovina, Montenegro, and North Macedonia display varying gaps between regulatory and media independence. The particularly visible gap in North Macedonia suggests that relatively stronger formal regulatory capacity does not necessarily translate into editorial, ownership, or financial autonomy. More broadly, the regional dispersion is especially consequential because telecommunications operators, media groups, content providers, and linguistically accessible narratives operate across national borders. Capture concentrated in one influential national market can generate spillovers throughout the wider regional information space.

The disaggregated results clarify the different modalities of capture. Serbia's uniformly negligible scores across appointments, budget autonomy, content regulation, licensing, sanctions, ownership, and editorial and financial independence indicate that capture operates across the entire institutional chain. Albania's comparatively higher results are

Figure 8. Perceived independence of media regulatory mechanisms and outlets across the Western Balkans

Note: Results are based on averages within the questions related to media independence in the SCAD survey. Scores are expert-assessment averages on a scale from 0 to 100. Higher values indicate greater perceived effective independence and, therefore, lower exposure to media capture. The results assess independence in practice rather than formal legal guarantees alone



Source: SELDI SCAD, 2026.

more uneven: stronger perceptions of budgetary and editorial autonomy coexist with weaker assessments of appointment and institutional independence. This points to partial resilience rather than an absence of capture. North Macedonia performs relatively better on several regulatory dimensions than on the independence of outlets themselves, while Bosnia and Herzegovina and Montenegro remain weak across both sets of indicators.

These differences also reveal why formal compliance alone is an inadequate measure of media freedom. A regulator may possess a separate budget but remain vulnerable through politicized appointments or selective enforcement. Ownership disclosure may exist formally while failing to reveal the financing, commercial dependencies, or political affiliations behind an outlet. An editorial office may enjoy nominal autonomy but practice self-censorship because its survival depends on state advertising, public contracts, politically connected private advertisers, or access to distribution infrastructure. Conversely, licensing and sanctioning powers provide little protection where the regulator is unwilling or unable to apply them against politically favored actors.

The ongoing structural media capture risks such as market consolidation, state intervention, and political pressure continue to undermine genuine media pluralism across the region. In particular, state-backed market expansion and telecommunications consolidation are severely eroding media pluralism. In **Serbia**, state-owned Telekom Srbija acquired rival United Group's NetTV Plus, Total TV, and regional sports-broadcasting rights for over EUR 650 million. Simultaneously, it launched or acquired major outlets including Euronews Serbia, Bloomberg Adria, and Newsmax Balkans, leaving the country with virtually no independent broadcasting outlets and placing United Media's N1, Serbia's last remaining major independent broadcaster, under severe threat.¹⁰⁰

At the same time, the mandate of the Regulatory Authority for Electronic Media's Council lapsed in November 2024. Owing to procedural boycotts and

political interference in electing new members, the regulator remained completely inactive for over 20 months. To break the deadlock without addressing the underlying governance issues, the Serbian Parliament passed an "authentic interpretation" of the media law in July 2026 to force the reinstatement of former members. During this enforcement vacuum, local broadcasting operated without state oversight: a prime example was Niš TV, an outlet broadcasting without a valid official license. Despite its illegal status, the station received public funding through municipal media co-financing schemes and was granted high-level political access, hosting senior ruling-party leaders and government ministers.¹⁰¹

Similar to the situation in Serbia, media capture in Bosnia and Herzegovina has increasingly manifested through public sector expansion in the information space. A prime example is state-controlled telecommunications operator BH Telecom's acquisition of Telemach BH – the country's largest private cable and broadband provider. Marking the country's first conditional merger clearance by the Competition Council, the transaction has drawn intense scrutiny from competition experts and media watchdogs over market monopolization and political leverage. By bringing a dominant independent telecommunications and distribution network under state control, political authorities gain unprecedented leverage over infrastructure, digital distribution channels, and information flows. This alignment of state capital and regulatory approval effectively marginalizes independent market competitors, consolidates control over critical digital infrastructure, and weaponizes market regulation to entrench political patronage.¹⁰²

Media independence is also fragile in Albania due to widespread allegations of interference with journalistic autonomy and instances of intimidation.¹⁰³ The Audio-Visual Media Authority (AMA) faces persistent

100 European Western Balkans, *United Group to sell independent Serbian media to Euronews owners with ties to Orbán*, 14 May 2026.

101 European Commission, Directorate-General for Justice and Consumers, *2026 Rule of Law Report – Country Chapter Serbia*, 17 July 2026.

102 Gajin, D., *Main Developments in Competition Law and Policy 2025 – Western Balkans*, Kluwer Competition Law Blog, 3 February 2026.

103 OSCE, International Election Observation Mission, *Statement of Preliminary Findings and Conclusions*, 11 May 2025.

questions over its independence due to the political affiliations of board members appointed under a bipartisan formula, alongside limited enforcement of the Broadcasting Code. The Parliament has tightened its grip on the public broadcaster, Radio Television of Albania (RTSH). The legislature voted to dismiss the TV's entire steering board in February 2025 amid a disputed procedure for the selection of a new director-general. The new council's political ties have raised further concerns, prompting a European Broadcasting Union reform mission in 2026. While the Parliament adopted amendments to the media law in January 2026 to improve media-ownership transparency, market concentration by business groups with political links remains a serious, unaddressed risk. State advertising allocation still lacks transparent rules, creating opportunities for political influence. Journalists, meanwhile, continue to face threats, smear campaigns, and SLAPP suits, even as partial defamation decriminalization was introduced for registered journalists.¹⁰⁴

Box 7. Evicting independent media for opaque state ventures in Albania

On 25 August 2025, the International Press Institute and allied press freedom groups sent an open letter urging Albanian authorities to enforce a court order restoring journalists' access to their equipment at Focus Media Group in Tirana following a 9 August 2025 raid in which police and military forces cut power, took broadcaster News24 off the air, and blocked roughly 230 media workers from their newsrooms under the guise of a property dispute. The state's eviction action was designed to hand control of the premises over to KAYO sh.a., a state-owned defense and military holding company created via

expedited Law No. 88/2024¹⁰⁵ to bypass standard procurement frameworks, shield high-value security contracts from public oversight¹⁰⁶, and grant politically connected private partners, including ventures tied to Timak Defence, Gun Tactical, and Elbit Systems¹⁰⁷, unmonitored access to state assets without public bidding.¹⁰⁸ Although the Tirana First Instance Court ruled on 12 August 2025 that the police raid was disproportionate and mandated the immediate return of newsroom materials, state authorities refused to execute the binding decision, leading international watchdogs to warn that prioritizing KAYO's land takeover while defying judicial orders directly undermines Albania's rule of law and its commitments to EU accession.¹⁰⁹

Similarly, media capture in Kosovo* has centered on political control over regulatory bodies, public outlets, and independent newsrooms. A prime example was the July 2024 *Law on the Independent Media Commission (IMC)*, which expanded political influence over the IMC board and imposed heavy fines and registration

104 European Commission, Directorate-General for Justice and Consumers, *2026 Rule of Law Report – Country Chapter Albania*, 17 July 2026.

105 Ministry of Defence, Law No. 88/2024 “*On the Establishment of the State-Owned Company for the Production and Trade of Weapons, Ammunition, Military Equipment and Technologies*,” adopted 26 July 2024, promulgated 6 August 2024.

106 SELDI, *Political Patronage – a Catalyst for Corruption and Misgovernance in the Western Balkans*, Policy Brief No. 22, February 2026.

107 TELLALLI, *Military industry: Who are the 5 companies co-producing weapons and accessories, including Ardi Velu's KAYO uniforms?*, 9 April 2026,

108 CNA, Balliu: *Kayo Company, part of a corrupt scheme with Prime Minister Rama's friend*, 23 April 2026.

109 International Press Institute, “*Albania: Media freedom groups write to authorities over Focus Media Group obstruction*,” 25 August 2025.

demands on media outlets.^{110,111} Although Kosovo's Constitutional Court annulled these key provisions in April 2025¹¹², systemic pressures persist – most notably editorial interference at public broadcaster RTK and hostile smear campaigns targeting critical journalists.¹¹³

In Montenegro, the key media regulators including the Councils of the Agency for Audiovisual Media Services (AMU) and Radio and Television of Montenegro (RTCG) were restored to full composition. However, civil society and media business representatives have claimed that there has been increasing political pressure on the selection procedures for the Councils' composition including by attempts to force out existing members well before their mandates expire. The RTCG Director-General has still not been appointed even after the passing of legal amendments in August 2024, which had lowered the required work experience for the role from 10 to 5 years¹¹⁴. The Basic Court of Podgorica annulled the appointment for a third time in February 2025. With an appeal pending and criminal proceedings ongoing against Council members for abuse of office, the 2026 Media Pluralism Monitor ranked public-broadcaster independence under medium to high risk.¹¹⁵ Still, media-ownership transparency is improving after AMU launched a digital disclosure platform in November 2025. Yet, gaps persist for online news portals alongside rising concerns over the influence of Serbian-owned outlets. Public funding transparency also improved, particularly regarding the Media Pluralism and Diversity Fund, though weak enforcement allowed funds to reach unregistered me-

dia, raising concerns over financial dependencies compromising editorial independence.¹¹⁶

North Macedonia's media landscape remains severely weakened by political pressure, chronic underfunding, gaps in the legal provisions on state-funded advertising, declining protections for the freedom of the press, and a lack of transparency around digital media ownership. Although long-overdue appointments were finally made to key media-oversight bodies and to the public broadcaster, both institutions face compromised independence due to non-transparent selection processes and state budget cuts. Transparency is further hindered by rampant "administrative silence" and arbitrary rejections of public-records requests, compounded by a complete four-month operational freeze at the access-to-information agency in early 2026 due to leadership vacancies. Meanwhile, journalists operate in an increasingly hostile environment marked by a sharp rise in ethics complaints over unverified reporting (a record 244 cases in 2025), targeted online harassment of female reporters, and intensifying legal intimidation – highlighted by a surge in defamation lawsuits (from 15 in 2024 to 40 in 2025) and a complete absence of anti-SLAPP protections.¹¹⁷

Overall, capture-proofing media in the Western Balkans requires ensuring the transparency of ownership of media outlets, with a focus on tracing the financial assets of media owners. In particular, national media regulators should be able to monitor the actions of foreign state-sponsored media subsidiaries more closely.¹¹⁸ Furthermore, in order to limit the impact of hostile foreign takeovers of critical media organizations, media capture considerations should be part of an FDI screening regime.¹¹⁹

110 OSCE Mission in Kosovo, *Statement on the new Law on the Independent Media Commission*, 11 July 2024.

111 ARTICLE 19 & Media Freedom Rapid Response, *Kosovo: New media law grants political control of regulatory body*, 23 July 2024.

112 European Western Balkans, *The fall of media freedom in Kosovo*, 27 October 2025.

113 International Press Institute, *Analysis: The erosion of media freedom in Kosovo*, 24 July 24 2026.

114 State Media Monitor, *Radio and Television of Montenegro (RTCG)*, 5 September 2025.

115 Vujnovic, A., *Group of NGOs: RTCG and Parliament to dismiss convicted RTCG Council members*, 24 June 2026.

116 European Commission, Directorate-General for Justice and Consumers, *2026 Rule of Law Report – Country Chapter Montenegro*, 17 July 2026.

117 European Commission, Directorate-General for Justice and Consumers, *2026 Rule of Law Report – Country Chapter North Macedonia*, 17 July 2026.

118 Center for the Study of Democracy, *Policy agenda for countering media capture in Europe*, Policy Brief No. 116, October 2022.

119 Center for the Study of Democracy, *Supporting Media Freedom in Europe*, Policy Brief No. 150, November 2024.

Administrative corruption

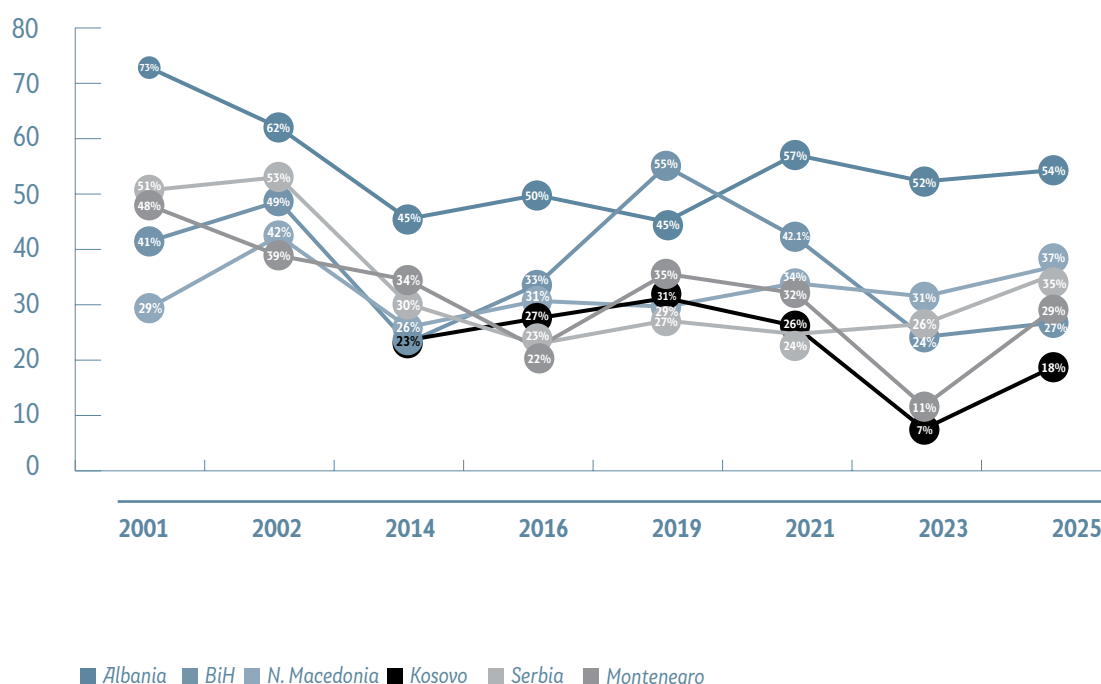
Administrative corruption remains endemic throughout the region, particularly in subnational and sectoral administrations. Such corruption functions as the operational lubricant of capture, ensuring that rents and favors flow smoothly through bureaucratic hierarchies. The 2026 findings from *SELDI's Corruption Monitoring System (CMS)* indicate that progress in the control of corruption across the Western Balkans has been disappointing and uneven. Since 2014, involvement in corruption has not followed a stable downward trend but instead a series of short-term reductions followed by relapses, with a distinct increase in 2025 – a pattern that suggests anti-corruption

policies in the region fail to produce a consistent effect. State capture networks block the work of institutions, ensuring that while administrative corruption may fluctuate, high-level illicit financial streams remain largely undisturbed.

Susceptibility to corruption remains a critical policy challenge, since the majority of citizens are willing to take part in corrupt transactions to solve a personal problem, and most who were asked for a bribe give one. Susceptibility rose in five of six countries, compared to 2023. Albania leads at 82%, followed by North Macedonia at 74%, Serbia at 70%, Bosnia and Herzegovina at 68% and Montenegro at 58%. The single reversal is Kosovo*, down from 64% to 41%, now the least vulnerable society in the region.

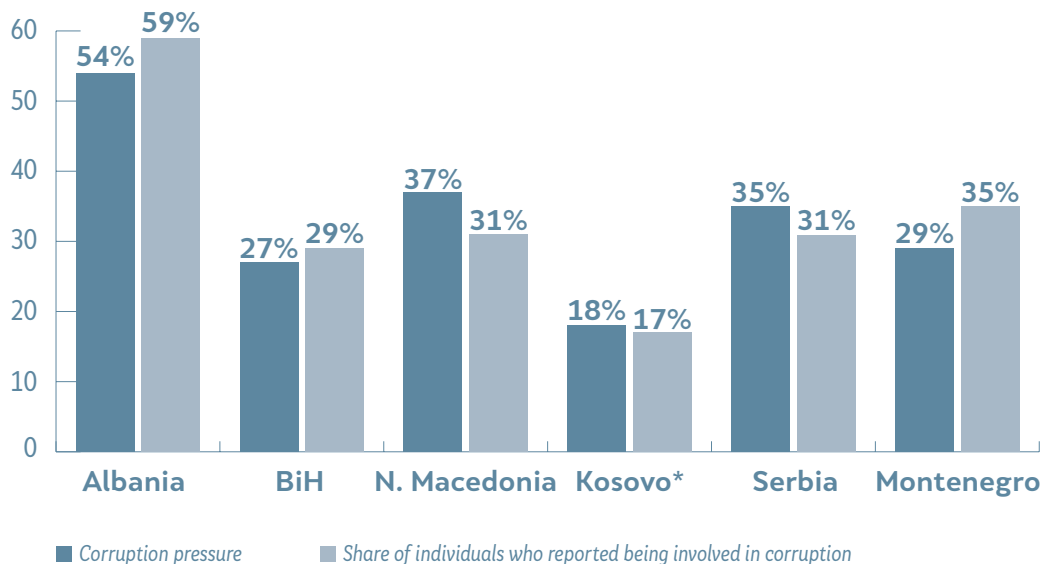
Figure 9. Corruption pressure levels in the Western Balkan countries between 2001 and 2025

* Share of the population 18+ who have been asked to give and have given a bribe/money/favor/gift.



Source: SELDI CMS, 2025.

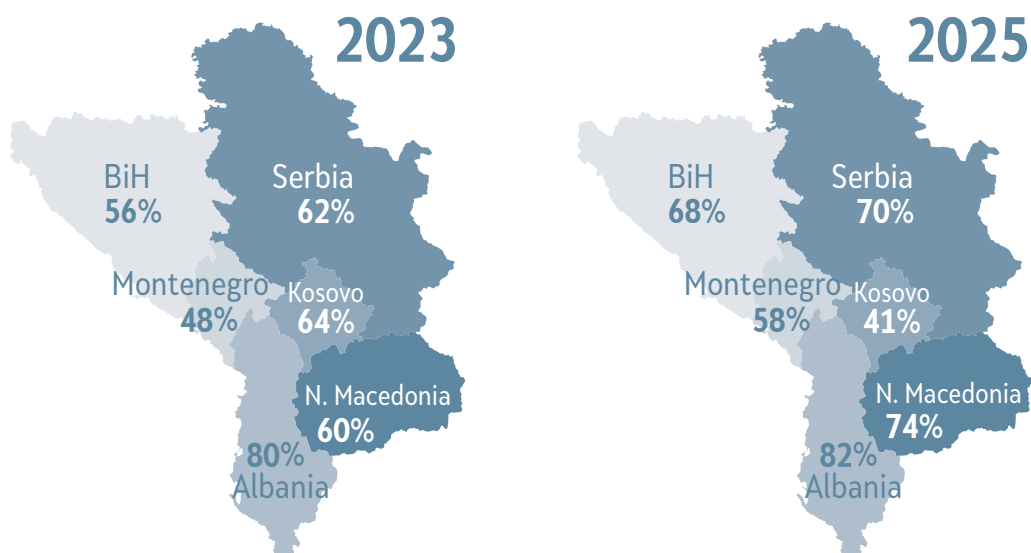
Figure 10. Pressure versus involvement in corruption, 2025



Source: SELDI CMS, 2025.

Figure 11. Susceptibility to corruption*

* Share of individuals who would pay a bribe or accept one, if they were a public official



Source: SELDI CMS, 2025.

Meanwhile, public confidence in government anti-corruption efforts, a precondition for any successful policy, has barely moved in a decade. Between 2014 and 2025, optimism fell ten points in Serbia to 48%, four points in both Albania (to 22%) and

Bosnia and Herzegovina (to 33%), and held flat in North Macedonia at 33%, while Montenegro rose two points to 49%. The main outlier is now Kosovo*, up sixteen points to 63%.

BUSINESS CAPTURE: PRIVATE INTERESTS AND SHADOW NETWORKS

The penetration of public institutions by **business interests** constitutes the most direct and visible form of capture. Across the region, wealthy entrepreneurs routinely enter parliamentary or executive roles not to advance public policy but to shape the legislative and regulatory environment in favor of their own commercial aims. Once embedded in strategic positions across the government bureaucracy, they can, for example, exercise control over public tenders and the licensing of natural resources – rewarding political loyalty and entrenching patronage networks that outlast any single electoral cycle. Political loyalty consistently supersedes professional merit, and the “revolving doors” between public office and the private sector that officials once regulated remain a defining integrity risk. Albania’s parliamentary elections of May 2025 illustrated this dynamic with particular clarity: several prominent entrepreneurs secured re-election whilst maintaining nominal “passive” ownership arrangements in their firms a common mechanism used to circumvent conflict-of-interest regulations – including the founder of the country’s largest supermarket chain “Big Market”.^{120,121}

Shadow networks often exert influence through **informal lobbying and influence peddling** (disguised as consultancy, legal advocacy, or feasibility analysis), opaque financial instruments, and the selective distribution of public resources outside any transparent framework. Moreover, the **revolving door** between public office and private gain operates without effective brakes.¹²² At the intersection of political and

business elites, enablers of state capture exploit regulatory gaps and weak oversight to bend regulatory decisions, procurement allocations and investment flows to partisan ends.

In **Serbia**, the Vista Rica Alternative Investment Fund illustrates the sophistication of these mechanisms: a 2022 legislative amendment enabled high earners to redirect up to 50% of their tax obligations into the fund, creating a de facto tax relief scheme for the ruling party’s inner circle; the Prosecutor’s Office for Organized Crime only began examining the relevant financial flows in March 2026.¹²³

In **Bosnia and Herzegovina**, the same logic manifests through electoral clientelism: political parties distributed approximately EUR 30.5 million in one-off payments to pensioners and other social groups immediately before elections with no subsequent legal consequences.¹²⁴ **Montenegro**, for its part, relies on the systematic pre-electoral expansion of public sector payrolls to consolidate political support during electoral cycles.¹²⁵ Across all three cases, the common thread is the instrumentalization of state resources as a mechanism of political reproduction rather than public welfare.

These broader dynamics of state capture and shadow networks manifest in concrete, high-value schemes across the region. The case studies below demon-

120 Pamfleti, *After becoming MP Vullnet Sinaj; tax evasion, income concealment and false balance sheets in his businesses “Big Market” and “BigAlb Group”*, 9 August 2024.

121 BalkanWeb, *Who are the 140 deputies of the Albanian Parliament, elected from the May 11 elections?*, 17 May 2025.

122 SELDI, *Western Balkans 2020: State-Capture Risks and Policy Reforms*, 2020.

123 Kljajic, S., *“Inside Serbia’s elite investment network”*, Deutsche Welle, 6 March 2026.

124 Transparency International in Bosnia and Herzegovina, *“Ko plaća izbornu kampanju? Stranke u izvještajima prikrile 2,6 miliona KM, izmjene Izbornog zakona nisu spriječile zloupotrebu resursa”*, [Who pays for the election campaign? Parties concealed 2.6 million KM in reports, amendments to the Election Law did not prevent misuse of resources], 17 March 2025.

125 SELDI, *Political Patronage – a Catalyst for Corruption and Misgovernance in the Western Balkans*, Policy Brief No. 22, February 2026.

strate how political influence is directly leveraged to rig public procurement, evade taxes, and move illicit funds with systemic impunity.

Box 8. Money laundering, tax evasion and public procurement corruption

In June 2024, the U.S. Treasury's Office of Foreign Assets Control (OFAC) sanctioned Bosnian Serb leader Milorad Dodik, his son Igor, and seven affiliated companies, including Prointer, Sirius 2010, and Kaldera, for using political influence to manipulate public procurement and channel state revenues into family accounts and secessionist activities.¹²⁶ These three firms alone had secured around 1,400 public tenders worth over EUR 250 million, often through uncompetitive procedures.¹²⁷ Although the State Investigation and Protection Agency (SIPA) repeatedly investigated these procurement irregularities, criminal prosecutions were historically stalled by Dodik's political influence over the Republika Srpska entity. He took advantage of this institutional paralysis to prevent Bosnian authorities from passing formal sanctions legislation. However, separate state-level judicial proceedings against Dodik for violating the High Representative's rulings eventually led to a conviction that stripped him of his presidency.¹²⁸

While state institutions failed to take legal action against the corrupt procurement network, domestic commercial banks were forced to shut down the companies' accounts to avoid secondary U.S. sanctions.

Similarly, in mid-2025, Macedonian authorities arrested Strumica-based entrepreneur and honorary consul Risto Krmzov following an extensive Ministry of Internal Affairs investigation into tax fraud, money laundering, and organized financial crime. Between 2019 and 2024, Krmzov allegedly orchestrated a network of dozens of interconnected shell companies to generate fake commercial transactions and fictitious invoices, defrauding the state budget of an estimated EUR 90 million, including EUR 38 million directly through fraudulent Value Added Tax (VAT) refunds.¹²⁹ Despite operating this multi-million-euro scheme for five years, Krmzov's businesses spanning retail, energy, and construction continued to secure lucrative state procurement contracts and build cross-border commercial assets in Serbia. The case sparked severe public concern over political patronage and institutional failure, as the network ran without triggering red flags at the Public Revenue Office or financial intelligence units. Following the freezing of bank accounts, real estate holdings, and corporate shares, formal indictments were filed in early 2026, putting Krmzov and six key associates on trial at the Basic Criminal Court in Skopje for organized criminal association, tax evasion, and money laundering.¹³⁰

126 Mujkic S., and Trepanic, A., "Firms Linked by US to Bosnia's Dodik Earned €250 Million in Tenders", *Balkan Insight*, June 25, 2024.

127 Balkan Insight / BIRN, *Firms Linked by US to Bosnia's Dodik Earned €250 Million in Tenders*, 25 June 2024.

128 Western Balkans Center, *After Dodik's Historic Removal, Bosnia's Sovereignty Crisis Still Smolders*, 8 August 2025.

129 Radio Free Europe, *94 million euros embezzled through tax fraud*, 10 June 2025.

130 Skopje Diem, *Charge against Krmzov and Others Approved by Criminal Court*, 2 January 2026.

While procurement manipulation drains public coffers, its consequences are particularly devastating when systemic corruption permeates essential public services. In the healthcare sector, opaque contracting and official misconduct translate directly into severe institutional abuse, placing financial profit above patient well-being.

Box 9. Profit over patients: institutional abuse in healthcare

Systemic corruption and weak oversight in the Western Balkans' public health sectors have resulted in severe financial losses, compromised medical care, and widespread public outrage across the region.

In North Macedonia, directors and staff at the Skopje State Oncology Clinic allegedly systematically stole life-saving chemotherapy medications from cancer patients, replaced them with harmless saline solutions, and resold the drugs on black markets in neighboring countries; the scheme left the clinic over EUR 20 million in debt and sparked mass nationwide protests in 2023.¹³¹

In Albania, investigations by the Special Anti-Corruption Structure (SPAK) exposed widespread bid-rigging and massive cost inflation surrounding public-private partnership concessions worth over EUR 100 million for medical sterilization and diagnostic check-ups, leading to the arrest and indictment of top officials, including a former Deputy Minister of Health in 2024.¹³²

Meanwhile, in Bosnia and Herzegovina, anti-corruption prosecutors confirmed 2026 indictments against senior officials at University Clinical Centre Tuzla and a private provider for manipulating tender procedures in the procurement of critical radiotherapy apparatus.¹³³ In another high-profile healthcare case, Kosovo* authorities indicted eight defendants, including two major private institutions, the American Hospital in Kosovo* and the Kosovo Cardiac Center, on charges of document forgery and laundering EUR 3.4 million.¹³⁴ However, the prosecution collapsed: the forgery charges were dismissed after exceeding the statute of limitations, while the money laundering charges were dropped when prosecutors failed to substantiate their claims.¹³⁵ This outcome mirrors the landmark "Stenta 1" case, in which former Health Minister Ferid Agani was accused of illegally diverting public healthcare funds to private clinics. Despite initial convictions, widespread public scrutiny, and years of retrials, the case ended in a full acquittal in 2022 after the prosecution failed to prove financial damages or statutory violations.¹³⁶ Together, these high-profile cases illustrate how opaque procurement practices and deliberate official misconduct drain public health funds and endanger patient lives across the region.

131 Radio Free Europe, *The Human Toll of Corruption in Macedonian Cancer Care*, 9 September 2023.

132 Albanian Daily News, *Sterilization Concession, Ex-Deputy Health Minister Interrogated by SPAK*, 10 January 2024.

133 N1, *POSKOK has confirmed the indictment against former v.d. UKC Tuzla and Blue Medical Groupe: Malversations when procuring radiation apparatus*, 16 January 2026.

134 Brahimi, M "Indictment: 5 businessmen laundered money worth 3.4 million euros", Kroha, 14 December 2024.

135 Kilka, A., "Indictment against eight defendants for money laundering and document forgery is dropped", Koha, 30 June 2025.

136 KOHA, "Doctors accused of abuse of office and taking bribes are released", 24 July 2024.

The reach of these corrupt networks extends beyond financial institutions and healthcare systems into the domain of natural resources. Weak oversight and official complicity routinely enable environmental crimes that inflict long-term economic and ecological damage across the Western Balkans.

Box 10. Illegal logging facilitated through corruption

Illegal logging is one of the most pervasive forms of environmental crime fueled by corruption in the Western Balkans, despite legal frameworks intended to protect forest resources. In Kosovo*, more than 700 hectares of forest are lost annually to illegal logging and wildfires, driven by inadequate enforcement and limited institutional capacity. In Bosnia and Herzegovina, illegal logging is associated with unauthorized construction projects and money laundering, while in Montenegro decades of mismanaged forest concessions have resulted in an estimated EUR 20 billion in financial losses.¹³⁷ In September 2025, the police in North Macedonia arrested 15 individuals for illegal logging responsible for approximately EUR 104 million in damage, operating through bribery of public officials.¹³⁸ Less than a year later, another major operation was discovered involving abuse of office by officials responsible for forest management and document forgery, resulting in the loss of over 1,100 trees.¹³⁹

Ineffective market oversight and monopolization through public procurement

The concentration of public contracts, regulatory privileges and market access of politically connected networks is the principal bridge between institutional capture and sectoral monopolization. Public procurement in the Western Balkans has evolved into a primary mechanism for state capture. Through the allocation of public resources, ruling elites reward politically connected companies, finance party structures, and consolidate economic control. While the formal architecture of the national procurement laws has improved through electronic portals and EU-aligned frameworks, the legal and digital modernization has failed to translate into genuine competition or accountability. This persistent failure is now colliding with significant global economic uncertainties, inflationary pressures and supply chain disruptions.

With procurement spending hovering around or exceeding 10% of GDP across the region, the lack of competitive pressure heavily exposes these economies to corruption, cost overruns, and diminished public service quality. Data from 2024-2025 confirm that non-competitive single-bid procedures have become the norm across Bosnia and Herzegovina, Montenegro, and Serbia, and the “lowest price” criterion remains predominant across the region.

137 Agović, A., *Unveiling Green Crimes*, Gi-TOC, 2025.

138 Dimitrievska, V “North Macedonia busts major illegal logging ring causing €104mn forest damage”, Intellinews, 21 September 2025.

139 Ministry of Interior, “Criminal charges filed against eight persons from Vinica and the Vinica region for multiple offences related to illegal logging and transport of firewood”, Republic of North Macedonia, 11 February 2026.

Table 3. Procurement integrity indicators (2024-2025)

Country	Public procurement market (% of GDP) (2024)	Negotiated procedures (without publication) (2024)	Most economically advantageous tender (MEAT) criteria use (2024)	Single bidder rate (2023-2024)
Albania	16.5%	2.3% (by number) / 0.4% (by value)	4.8% (by number) / 41% (by value)	25% (2024)**
Bosnia and Herzegovina	9.8%	5.1% (by number)	24.8% (by number)	> 50% (2024)
Kosovo*	9.3%	5.71% (by number)	13.1% (by number) / 13.5% (by value)	25% (2023)**
Montenegro	11.38%	10.77% (by value) in H1 2025*	MEAT became mandatory in mid-2020, however price remains the dominant factor (~80-90 points)***	52% (2024)**
North Macedonia	8.8%	1.5% (by number)	5.4% (by number) / 5.8% (by value)	29% (2023)**
Serbia	10.87%	N/A	9.78% (by number)	50.75% (2024)

Sources:

European Commission, EC Enlargement package 2025, 4 November 2025. * Montenegro Business, Montenegro's public procurement value declines in H1 2025 as electronic system boosts transparency and efficiency, 10 October 2025. ** SIGMA/OECD, Overview of public procurement systems in the Western Balkans, SIGMA Paper No. 76, December 2025. *** MAPS Initiative, Assessment of Montenegro Public Procurement System, 2024.

The systemic capture of procurement procedures poses an acute threat to the EU financial flows into the region including the EU's EUR 6 billion Reform and Growth Facility (2024-2027) and the EUR 14.2 billion IPA III envelope. The financial risks will rise with the simultaneous launch of the EUR 150 billion SAFE initiative, which opens access for acceding countries to the enormous EU joint defense procurement plan.¹⁴⁰

Rather than isolated incidents, cross-country data reveals calculated patterns of **rewarding political allies**. For example, in Albania one analysis revealed EUR 650 million in tenders awarded without competition between 2020 and 2023. Around 77% of these tenders were awarded to a small group of politically connected companies.¹⁴¹ Moreover, between 2018 and 2025, over 27,000 contracts were awarded to political party donors in Bosnia and Herzegovina, while entities owned by elected officials secured at least 2,450 state contracts.¹⁴²

The dominant strategy for bypassing procurement safeguards mirrors the broader playbook of state capture in the region: the institutionalization of parallel legal tracks.

Through *lex specialis* (special laws),¹⁴³ strategic investment designations, and intergovernmental agreements, governments systematically shield high-value projects from public oversight. Even when procedures superficially follow standard regulations, the process remains heavily rigged. In Serbia for example, for the past five years, approximately EUR 24 billion has been awarded through various statutory exemptions, which accounts for almost half of the total value of all procurements carried out in this period (see further Box 11).¹⁴⁴

Other common tactics include disqualifying all competitors save one, enabling dominant firms to collude on joint bids, leaking tender information to a designated winner ahead of time, and weaponizing artificially short advertising and bid-preparation windows to lock out rivals. Post-award enforcement is equally weak, leading to severe drops in the quality of public services. This was starkly demonstrated by a recent EUR 4 million fraud scandal in Kosovo*, where a corrupt network replaced promised EU-manufactured equipment with cheap imports from China and Turkey.¹⁴⁵

140 European Commission, *Commission approves first wave of defence funding for eight Member States under SAFE*, 15 January 2026.

141 BalkanWeb, "Over 650 million euros were awarded without competition to a group of companies. Most of the tenders were with the firm of Evis Berber, SPAK is investigating the procedures," 5 December 2024.

142 TI BiH, *Politics and Private Business: Nearly 20% of Companies Owned by Elected Officials Do Business with the State*, 30 December 2025.

143 European Policy Centre, *Lex Specialis as Modus Operandi: Analysing Public Procurement Systems in the Western Balkans*, December 2025.

144 European Commission, Directorate-General for Justice and Consumers, *2026 Rule of Law Report - Country Chapter Serbia*, 17 July 2026.

145 Balkanweb, *Kosovo, fraud and abuse of tenders, 15 accused of damaging the budget by almost 4 million euros*, 31 December 2025.

Box 11. Parallel legal tracks: bypassing procurement oversight

Serbia stands out as the most prominent practitioner of this model. The “EXPO 2027” law exempted over EUR 330 million in contracts from standard procurement oversight, resulting in an 86% single-bidder rate.^{146, 147} Similarly, the National Stadium was contracted directly to PowerChina as part of the 2027 World Expo,¹⁴⁸ while Belgrade Waterfront uses bilateral agreements with China and the UAE to select contractors directly.¹⁴⁹ Both **Albania and North Macedonia** utilize “Strategic Investment Laws” to fast-track public works for preferred actors. In **Albania**, Law No. 55/2015 “On Strategic Investments in the Republic of Albania” facilitates this process, while 2024 legal amendments allowing central government institutions to negotiate and conclude international consultancy agreements in ‘areas of strategic interest’ drew explicit criticism from the European Commission.¹⁵⁰

Moreover, a major 2025 investigation by the special anti-corruption prosecution (SPAK) revealed that the National Agency for Information Society (AKSHI) routinely used “classified” national security labels to bypass transparency for routine IT contracts.¹⁵¹

In **North Macedonia** a 2020 law¹⁵² created a “strategic” category, followed by a July 2021 Law on Determining the Public Interest Law and Nominating a Strategic Partner for the Implementation of the Project for the Construction of Infrastructure Corridor 8.¹⁵³

Montenegro established a 2025 agreement with the UAE that explicitly exempts UAE-backed programs from national procurement laws.¹⁵⁴ Meanwhile, in **Bosnia and Herzegovina**, 2026 legislation for the critical Southern Interconnection gas pipeline specifically named a newly founded U.S. firm as the project investor, bypassing open selection.¹⁵⁵

146 TI Serbia, *With the Constitutional Court remaining silent, EXPO projects continue to be awarded without competition*, 2024.

147 Baletic, K., “As Discontent Grows, Serbia’s Vucic Seeks Expo Glow”, *Balkan Insight*, September 18, 2025.

148 Radio Free Europe, *China-Backed Bridge Project In Belgrade Draws Scrutiny Over Hidden Contracts*, 9 December 2025.

149 Seenews, *Belgrade Waterfront to develop new district in Serbia’s capital*, 28 January 2026.

150 European Commission, *Albania 2024 Report*, 30 October 2024.

151 BalkanWeb, “Scandal at AKSHI, Vangjeli: 104 million euros without transparency! Here are the companies that benefited from classified contracts”, 6 January 2026.

152 UNCTAD, *Regulations on Strategic Investments adopted*, 20 January 2020.

153 European Western Balkans, *Corrupt Practices Thrive in North Macedonia’s Murky Contracting Landscape*, 13 April 2023.

154 European Western Balkans, *European Commission raises concern over Montenegro-UAE Agreement*, 9 May 2025.

155 Deutsche Welle, *How a gas pipeline deal could stall Bosnia’s EU accession*, 28 April 2026.

The European Union has a decisive role to play in reversing this trend of state capture through public procurement concentration. The EU's ongoing **overhaul of its Public Procurement Directive**, shifting from lowest-price contracting to value-for-money-based purchasing, signals a move toward smarter procurement that the region must be compelled to adopt. The long-awaited **Public Procurement Data Space (PPDS)** should become fully operational as

soon as possible in the hope of that it would bring to light the 80% of procedures currently invisible on traditional platforms. Brussels must set strategic conditionalities that prioritize the independence of procurement oversight bodies and tie funding to measurable integrity outcomes, including the mandatory use of red flag algorithmic screening systems for all high-value contracts.

Box 12. The pitfalls of transactional diplomacy: The Sazan Island resort scandal in Albania

In May 2026, thousands joined the “Flamingo Revolution” across Albania to protest a EUR 1.6 billion luxury resort on Sazan Island and the protected Zvërnec wetlands.¹⁵⁶ Demonstrators opposed the project's environmental damage and recent legislative amendments (Law No. 21/2024 and Law No. 55/2015)¹⁵⁷ that deregulated protected conservation areas for commercial development.¹⁵⁸

The controversy escalated when Albania's SPAK launched a fraud investigation, revealing that Artur Shehu, a fugitive wanted for international cocaine trafficking, allegedly used forged deeds to sell pristine coastal land to developer entities linked to the project. While investors were not accused of direct wrongdoing, prosecutors froze USD 126 million in suspicious sale proceeds and issued 20 arrest warrants.¹⁵⁹ On 17 June 2026, the European Parliament formally urged Albania to halt construction until EU environmental and anti-corruption standards are met.¹⁶⁰

156 The Guardian, *Protests in Albania grow over Jared Kushner-backed luxury resort*, 4 June 2026.

157 Albania Invest, *How Albania was Put Up for Sale*, 8 June 2026.

158 Smith, H “‘We want a new Albania’: protests against Jared Kushner-backed resort turn anger on government” The Guardian, 22 June 2026

159 Al Jazeera Staff and Reuters, “Land sold for Kushner-backed Albania resort suspected of forged deeds”, 11 July 2026.

160 Politico, *European lawmakers urge Albania to halt construction on Kushner-linked project*, 17 June 2026.

STRATEGIC CORRUPTION

The evolution from transitional oligarchy to strategic corruption represents a structural vulnerability of the first order for the Western Balkans. Strategic corruption extends the state capture logic across borders, deploying illicit financial flows, information and other forms of irregular warfare, and covert influence operations as instruments of **geopolitical penetration and coercion**. The intersection of state capture and strategic corruption occurs when foreign actors exploit domestically captured institutions as **entry points** for control.¹⁶¹

Infrastructure financing and energy dependency constitute the primary conduits for this penetration, creating durable political leverage that outlasts individual transactions. Authoritarian actors, principally Russia and China, have systematically used opaque investment structures, concessional loans with non-transparent conditionalities, and energy supply relationships to generate compliance among regional political elites.

Serbia, for its part, has deepened bilateral infrastructure commitments with Beijing under the Belt and Road Initiative through more than USD 10 billion worth of projects launched in just 15 years, generating substantial leverage over domestic political and economic priorities.¹⁶²

Box 13. Strategic corruption shadows over the crippled investigation of the Novi Sad railway station collapse

The deadly collapse of the Novi Sad railway station canopy in 2024 illustrates how strategic corruption and state capture yield fatal real-world consequences. By leveraging a bilateral agreement with China to bypass standard public procurement laws, the state shielded the EUR 55 million canopy construction from public scrutiny, traded political influence for elite patronage, and stripped away essential engineering oversight. Opaque procurement procedures, the lack of accountability, and the involvement of subcontractors tied to the ruling party epitomized this systemic phenomenon.¹⁶³ Despite the resignation of the Construction Minister, when mass protests pursued accountability, the state apparatus actively crippled the judicial response: in September 2025, the Interior Ministry removed 17 key task-force investigators under the guise of introducing a “new job classification system”, directly leading to the release of primary suspects from detention.¹⁶⁴

Energy sector entrenchment amplifies strategic corruption vulnerability considerably. Russian-linked firms hold monopoly-power positions across the region’s oil refining, fuel distribution, gas infrastructure, and district heating sectors.

161 Center for the Study of Democracy, *Fortifying Freedom*, Policy Brief No. 161, November 2025.

162 Mackey, É., “Hidden Costs – China’s Growing Economic Grip on Serbia”, *CEPA*, 5 August 2025.

163 SELDI, *Procurement at a crossroads: Western Balkans struggle between reform and corruption*, June 2026.

164 European Commission, Directorate-General for Justice and Consumers, *2026 Rule of Law Report – Country Chapter Serbia*, 17 July 2026.

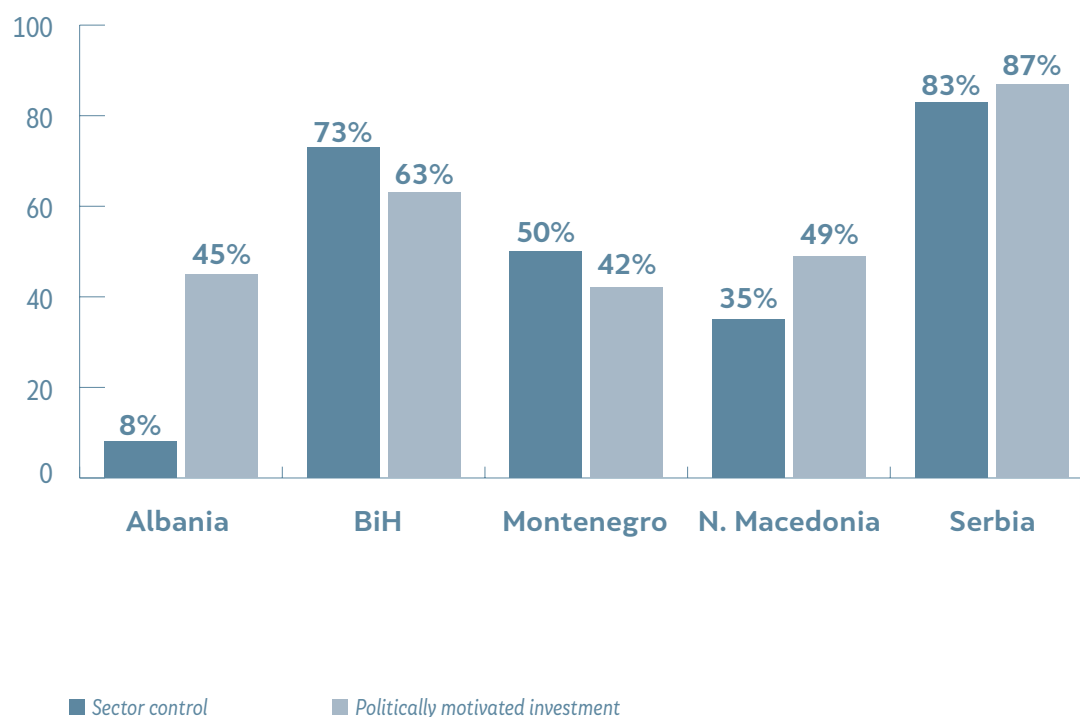
Box 14. Subsidized hydropower, regulatory failures, and environmental degradation in Serbia

A 2020 BIRN investigation found that Serbia's rapid expansion of small hydropower plants, encouraged by renewable energy subsidies and supported through broader EU-backed clean energy policies, was marked by significant regulatory failures and weak environmental oversight. The investigation revealed that at least 24 of the 116 small hydropower plants connected to Serbia's national grid

in 2019 had been built without key environmental permits, yet authorities launched investigations into only three cases, all of which ended without prosecutions. The combination of generous state subsidies, inadequate enforcement of environmental regulations, and limited accountability enabled developers to profit while causing environmental damage, including the diversion of mountain streams that threatened local livelihoods and ecosystems.¹⁶⁵

Figure 12. Investments driven by political objectives and economic sectors controlled by a foreign entity

* Sum of the answers "Probably" and "Definitely" to the question "In your opinion, are there any investments in sectors of the national economy made by companies from outside the EU or OECD that are driven not only by profit, but also by political objectives?" and "In your opinion, is there an economic sector in your country that is controlled by a foreign entity (cartel, oligopoly, or monopoly) originating from outside the EU or OECD?"

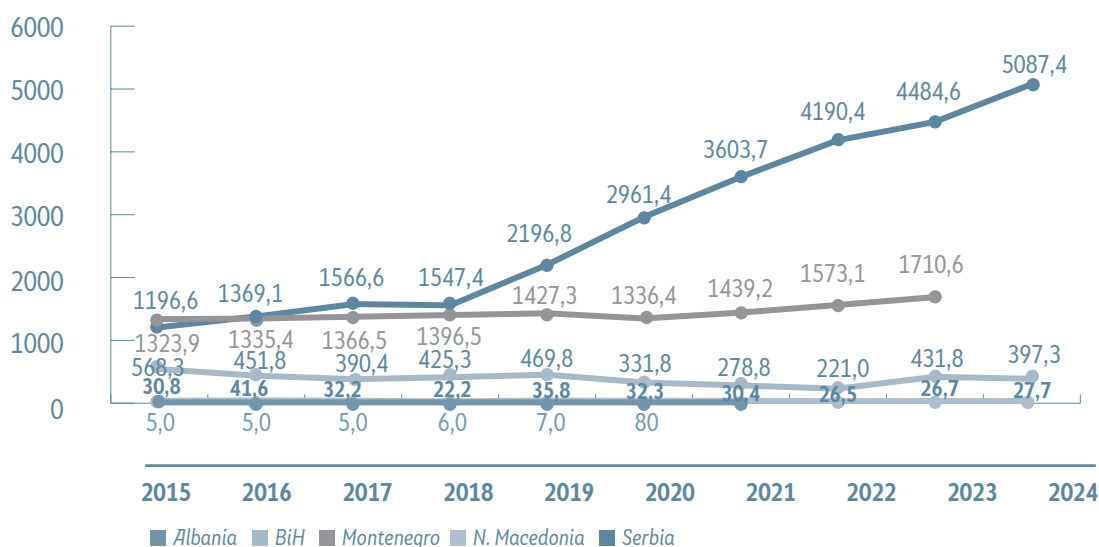


Source: SELDI SCAD, 2026.

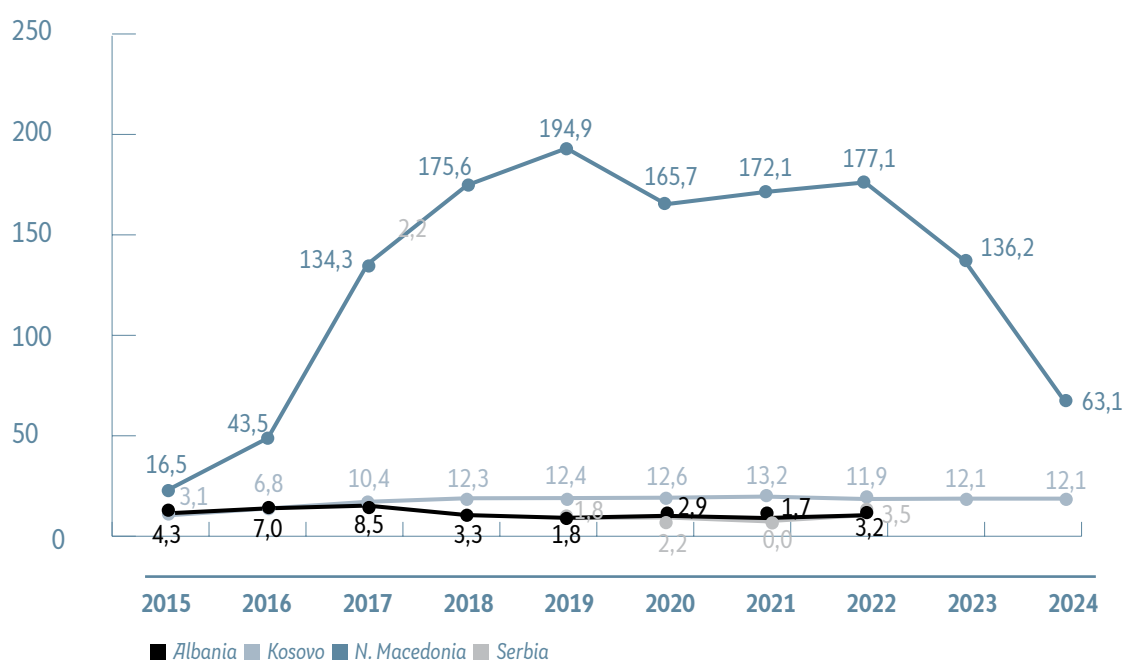
165 Djordjevic, D., "EU-funded hydropower projects linked to environmental destruction, corruption in the Balkans", *Business and Human Rights Center*, December 24, 2020.

Figure 13. Russian and Chinese FDI Stocks (in USD million)

Russian Inward FDI Stocks



Chinese and Hong Kong Inward FDI Stocks



Sources:

Albania: Central Bank of the Russian Federation (Bank of Russia), Bosnia and Herzegovina: Central Bank of Bosnia and Herzegovina (CBBH), Montenegro: Central Bank of the Russian Federation (Bank of Russia), North Macedonia: National Bank of the Republic of North Macedonia (NBRM), Serbia: National Bank of Serbia (NBS).

The assessment of the economic influence of authoritarian states such as Russia and China across the Western Balkans reveals a strong alignment between actual capital flows from non-EU/OECD powers and expert perception of foreign-driven economic capture. Data tracking Russian Foreign Direct Investment (FDI) stocks demonstrates a sharp upward trajectory in **Serbia** where inward investment stocks have surged from approximately USD 1.2 billion in 2015 to over USD 5 billion by the end of 2024.

This accumulation of Russian capital – coupled with expanding Chinese investments that exceeded USD 5.7 billion by 2024 – increases the risk that it might be used for strategic corruption purposes, exploiting and furthering observed high state capture vulnerabilities and economic power concentration in the strategic sectors of energy, infrastructure, finance and dual-use goods manufacturing and trading. The SCAD results reveal that an overwhelming 87% of respondents in Serbia have identified politically motivated foreign investments and 83% have evaluated that foreign entities originating outside the EU or OECD have gained complete control of a strategic sector.

Bosnia and Herzegovina exhibits the second-highest level of risk of state capture that facilitates foreign economic influence, with 73% of the surveyed experts assessing total economic sector control and 63% noting politically driven investment from authoritarian states, mirroring the size and scope of Russian capital in strategic energy and infrastructure assets (Russian FDI stocks reached USD 397 million in 2024).

Montenegro has been among the most vulnerable countries in the region to Russian capital inflows, while Russian FDI stocks have hovered between USD 1.3 billion and 1.7 billion over the last decade – mostly concentrated in real estate. This direct economic footprint coincides with heightened risk of strategic corruption with 50% of the surveyed perceiving non-EU sector control and 42% noting politically motivated inflows.

North Macedonia presents a more nuanced dynamic: while Chinese FDI stocks peaked near USD 177 million in 2019 before sharply declining to under USD 30 million by 2024, 49% of the respondents still view foreign investments as politically driven. Conversely, Albania registers the region's lowest perception of foreign sector control (8%), though 45% of experts still acknowledge the political motivations behind foreign non-EU/OECD capital.

These economic footholds provide authoritarian regimes with crucial structural leverage over national economies, creating financial dependencies that facilitate institutional access and strategic political alignment.

In addition, **offshore structures** and, increasingly, **cryptocurrency** have been used to channel illicit funding into media outlets, advertising networks, and digital platforms, influencing editorial lines and amplifying disinformation narratives without clear attribution to hostile foreign actors. The **informational domain** has become a critical frontier for narrative capture and the suppression of democratic dissent. Regional governments, supported by aligned private actors, have systematically consolidated control over media markets in ways that insulate power from accountability and create platforms for the dissemination of foreign-aligned narratives. Russian state media, including RT Balkan and Sputnik Srbija¹⁶⁶, have proved resilient actors in the region's information space, exploiting Serbia's non-alignment with EU sanctions to circumvent the bloc's successive broadcasting restrictions and continuing to disseminate Kremlin narratives – particularly among Serb populations in Serbia, Bosnia and Herzegovina, and Montenegro – despite their formal prohibition within EU member states.

Several regional leaders have sought to adopt **“foreign agent” laws** modelled on restrictive Russian and Georgian legislation as a tool for suppressing civil society and independent media under the guise of protecting national sovereignty. Republika Srps-

166 Center for the Study of Democracy, *Illicit Financial Flows and Disinformation in Southeast Europe*, Policy Brief No.126, March 2023, 2023.

ka adopted such a law in February 2025, though it was subsequently annulled by the state-level Constitutional Court of Bosnia and Herzegovina in May 2025 and later by the Republika Srpska Constitutional Court in February 2026.¹⁶⁷ Parallel initiatives in Montenegro and Serbia did not advance to adoption¹⁶⁸; Serbia instead relies on criminalized defamation and restrictive media legislation to maintain control over public discourse. The early 2025 suspension of USAID funding in Serbia provided the government with an additional pretext, enabling it to frame crackdowns on civil society organizations as a response to foreign interference rather than as a suppression of domestic accountability.¹⁶⁹

The deployment of **surveillance technology against journalists, activists, and opposition figures** completes this picture of systematic institutional subversion. Governments across the region have utilized spyware, including Pegasus and NoviSpy, to monitor and intimidate those who challenge captured power structures.¹⁷⁰ These practices expose the fundamental limitations of the European Union's traditional enlargement methodology, which prioritizes formal legislative alignment over the underlying political economy of power.

Sanctions evasion and illicit financial flows

The structural vulnerabilities of the Western Balkans' governance system have made the region a significant **conduit for illicit financial flows (IFFs)**, which have undermined the EU's sanctions enforcement architecture.¹⁷¹ Weaknesses in the rule of law and enforcement, together with deficient financial intelligence capacity, have created conditions in which **sanctioned capital, dual-use goods, and proceeds of corruption circulate** with limited interdiction.

The **trade-related illicit financial flows** increased substantially in the Western Balkans and the Black Sea region after the full-scale invasion of Ukraine, reaching **USD 31 billion in 2023**.¹⁷² Among the Western Balkan economies, total trade-related IFFs had increased further by 2025, reaching **USD 18.57 billion**.¹⁷³ North Macedonia recorded the highest illicit financial outflows, followed by Serbia and Kosovo*. On the inflows side, North Macedonia again leads, followed by Albania, Montenegro, and Bosnia and Herzegovina.

167 Balkan Civil Society Development Network, *Constitutional Court of Republika Srpska Confirms "Foreign Agents" Law Unconstitutional, Ending Pressure on Civil Society and Media*, 13 February 2026.

168 European Union, *Serbia: Draft law on foreign agents risks democratic and EU integration goals*, 3 December 2024.

169 European Western Balkans, *Condemnations of police raid on Serbian CSOs: "Government continues repression of civil society"*, 26 February 2025.

170 KoSSev, "Nova.rs: IMSI-catcher, Pegaz, "NoviSpy": What all Serbian services use to eavesdrop on people", 10 February 2025.

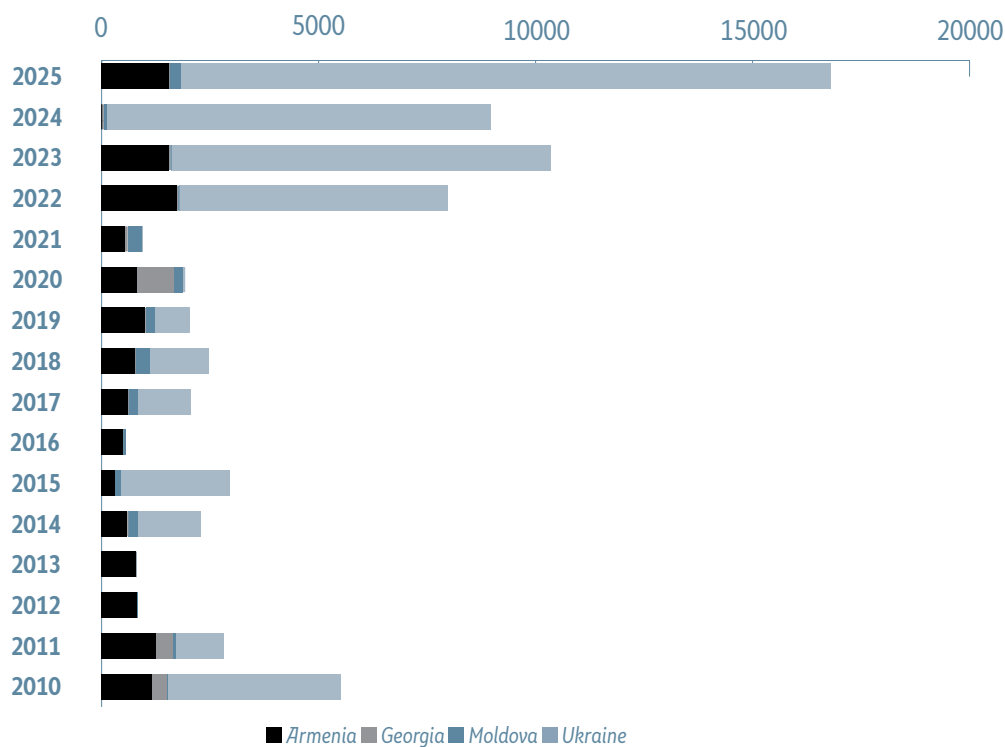
171 Center for the Study of Democracy, *Safeguarding the Foundations. Strengthening Civil Security in Bulgaria, Montenegro, North Macedonia and Serbia*, 2024.

172 Center for the Study of Democracy, *Illicit Financial Flows and Strategic Corruption*, Policy Brief No. 157, 2025.

173 Center for the Study of Democracy estimations using UNCTAD's Partner Country Method.

Figure 14a. Evolving trends in illicit financial outflows and inflows, Black Sea region countries, 2010-2025 (USD million)

Illicit Financial Outflows, 2010-2025



Illicit Financial Inflows, 2010-2025

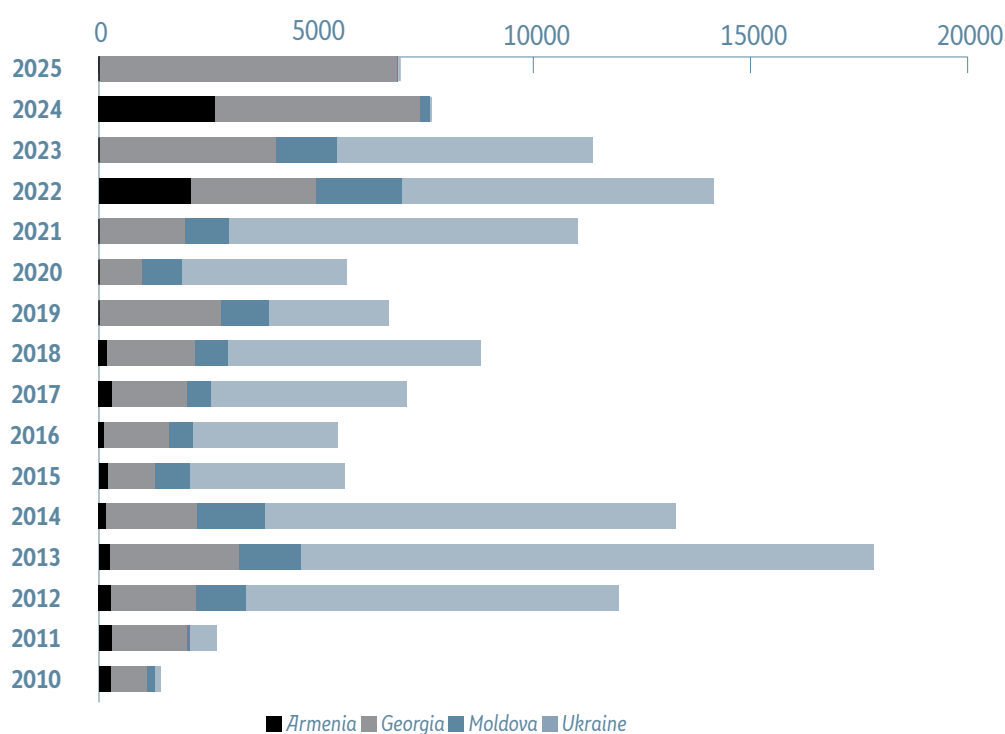
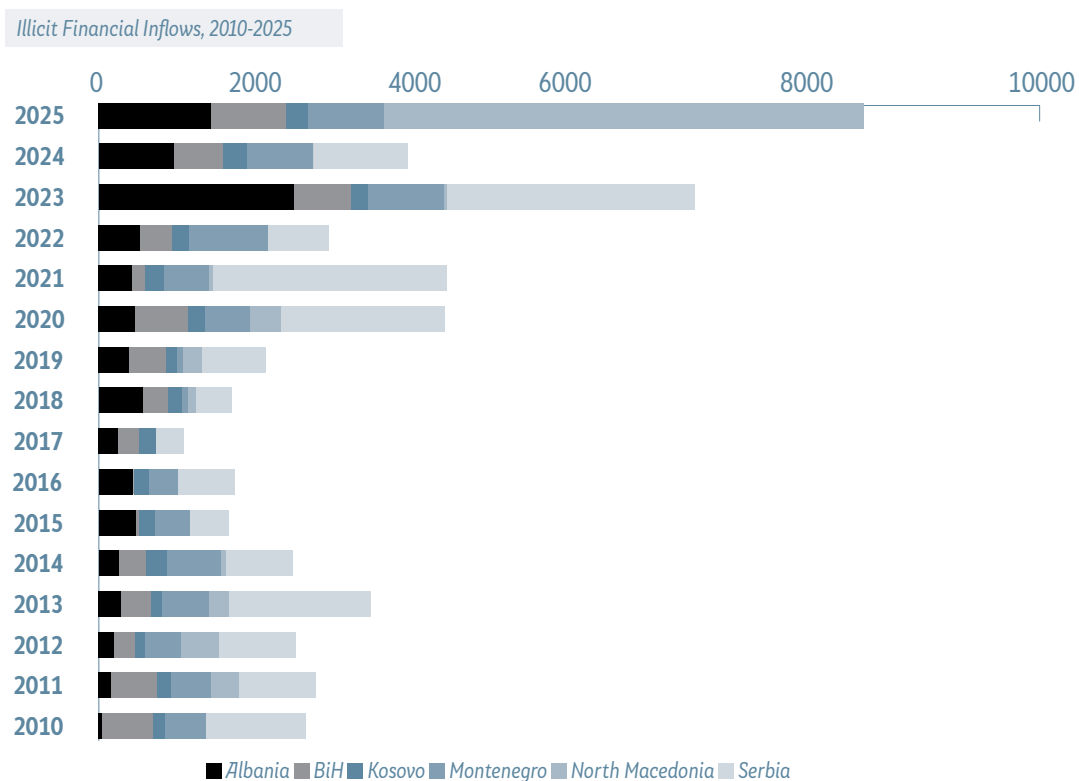
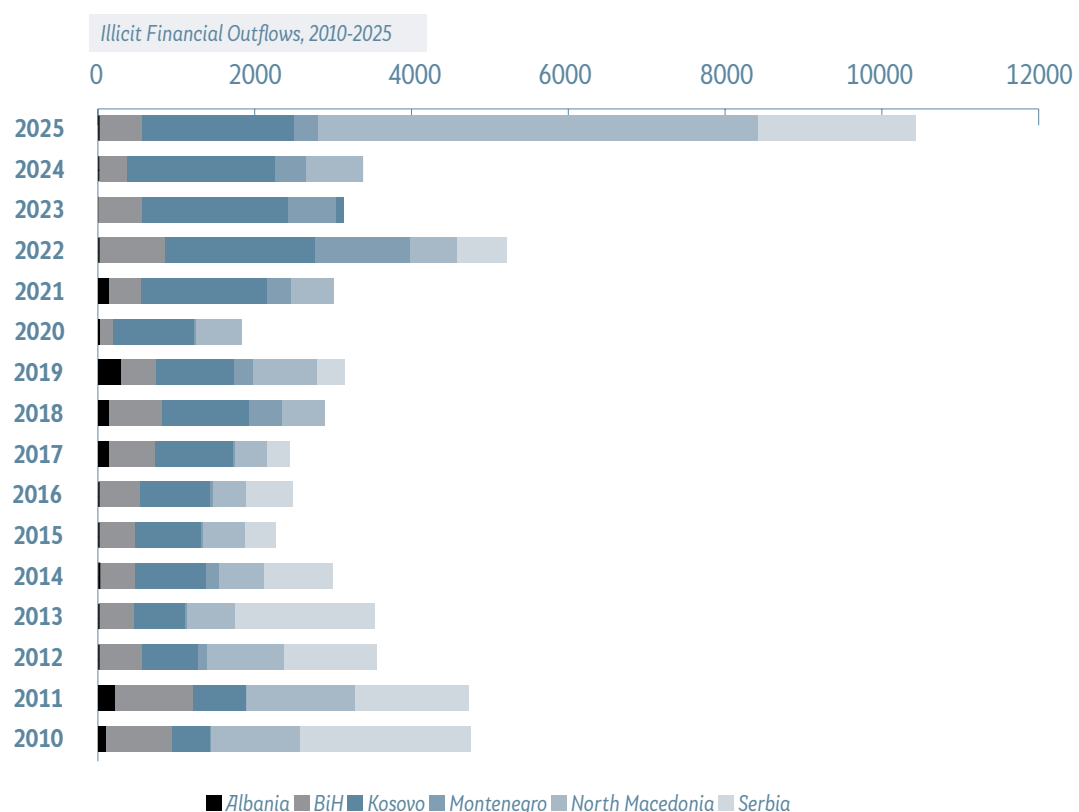


Figure 14b. Evolving trends in illicit financial outflows and inflows, Western Balkans countries, 2010-2025 (USD million)



A significant and growing share of these trade-related illicit financial flows is attributable to sanctions circumvention, particularly the **re-export of sanctioned dual-use goods and other sensitive technologies** from the EU and other Western countries to Russia.

Established **smuggling routes** – many tracing back to the narcotics and arms trafficking networks of the Soviet and Yugoslav eras – have been systematically repurposed to channel such items towards Russia and launder the proceeds through regional financial systems. Trade misinvoicing, re-export schemes, and front company networks form the operational backbone of these flows, with local intermediaries providing plausible distance between Western-origin goods and their ultimate Russian end-users.

Serbia has emerged as the region's most significant transit hub. Its decision not to align with EU sanctions, combined with a strategic free trade agreement with Moscow, placed it in a structurally advantageous position for the re-export of controlled goods. In 2022-2023, Serbian exports to Russia rose by 220%, with at least USD 71.1 million in sanctioned dual-use goods including machine tool parts, electrical equipment, and advanced electronics exported since the start of the war.¹⁷⁴

Two cases illustrate the scale and sophistication of these flows. “Ventrade” DOO, founded in April 2022, was connected to “Promsvyazradio”, a Russian firm specialising in radio equipment and dual-use technology imports. Meanwhile, “Soha Info” exported USD 18 million in goods to Russia between October 2022 and July 2023.¹⁷⁵ Although export volumes declined in late 2023 under intensified US and EU pressure, the pattern has persisted in Serbia. In 2024, eleven Serbian companies were placed on Western sanctions lists for supplying electronics and high-technology equipment to Russia's military-in-

dustrial complex.¹⁷⁶ In addition to direct exports, the Serbian route actively uses grey zones through Central Asian countries. Statistical data shows an abnormal rise in shipments of machinery and electronics from Serbia to Kyrgyzstan, Uzbekistan, Turkmenistan, and Tajikistan – regions with little prior cooperation before the war.¹⁷⁷

Beyond intermediary firms in the Western Balkans, Russia has made **extensive use of offshore structures** to channel illicit financial flows and corrosive capital into the region. Russian actors and their networks rely on less visible but far more complex multi-layered ownership chains spanning multiple jurisdictions to conceal beneficial ownership trails and insulate assets from scrutiny and sanctions exposure.

Between 2016 and 2024, **Cyprus** emerged as the principal offshore hub for Kremlin-linked companies operating across Montenegro, Serbia, and North Macedonia, with its role as a key destination for shareholding structures growing steadily over this period.¹⁷⁸ The Netherlands, the **British Virgin Islands**, and **Luxembourg** played secondary roles as jurisdictions hosting the operational European subsidiaries of large-scale Russian companies.¹⁷⁹ Established in offshore hubs, these corporate structures typically pursue three objectives: legitimizing capital as ostensibly Western-origin investment; shielding disputes in international arbitration venues beyond domestic regulatory reach; and enabling profits to be transferred onward to sink jurisdictions with minimal transparency.

Russian interests funneled through such offshore structures since 2022 remain deeply integrated into the Western Balkans' critical infrastructure. A telling example is BITAR Holdings Limited, a Cypriot-registered entity that controls 19 direct and indirect sub-

174 Center for the Study of Democracy, *Illicit Financial Flows and Strategic Corruption*, Policy Brief No. 157, 2025.

175 *Serbian companies export sanctioned dual-use technology to Russia, new investigation shows*, Business and Human Rights Centre.

176 Radio Free Europe Balkan Service, “*Sanctions are working, but... How Serbian firms are aiding Russia's war effort*”, 5 April 2026.

177 *The Odessa Journal*, “*Russian military industry turns to Serbian companies to bypass sanctions*”, 6 April 2026.

178 Center for the Study of Democracy, *Strategic Corruption Unplugged: Exploring the Nexus between Russian IFFs and Offshore Finance*, 2026 (forthcoming).

179 *Ibid.*

subsidiaries with combined revenues of approximately EUR 155 million, concentrated primarily in the electricity and district heating sectors. Its largest subsidiary, TE-TO AD Skopje – a combined heat and power plant operating in North Macedonia – illustrates how Russian energy interests have penetrated Southeast European energy infrastructure through offshore holding vehicles. BITAR is connected to Gazprom through an ownership chain involving Territorial Generation Company No. 2 (TGC-2), one of Russia's major power generation companies. Critically, neither BITAR nor TGC-2 is currently subject to comprehensive international sanctions – a gap that, despite Gazprom facing extensive sanctions-related restrictions, continues to allow Russian interests to retain a foothold in critical national infrastructure across the region.¹⁸⁰

Energy dependence and large infrastructure projects

Energy and transport infrastructure have become two of the most consequential channels through which external economic leverage intersects with state capture in the Western Balkans. Russia and China have followed different models. Russia has largely sought to control what already exists: hydrocarbon supply, refineries, storage, transmission routes, trading intermediaries and the state-owned companies that govern them. China has sought to finance and build what comes next: power plants, motorways and railways delivered through state-to-state agreements, policy-bank lending and contracts with Chinese state-owned enterprises (SOEs). The common denominator is domestic political brokerage. Neither model could have produced durable strategic influence without local executives, party-linked SOE managers, favored contractors and institutional gatekeepers willing to suspend competition, conceal contracts, dilute regulatory scrutiny or socialize losses.

In the Western Balkans, Russian leverage has been deepest where import dependence is combined

with ownership of critical assets and politically connected intermediaries¹⁸¹. Chinese leverage has been strongest where the financing package determines the contractor, procurement route, governing law and allocation of project risks before public scrutiny begins¹⁸².

Russia: from import dependence to institutional lock-in risks

The center of Russia's regional energy dominance position is Serbia. The 2008 sale of a controlling stake in Naftna Industrija Srbije (NIS) to Gazprom Neft, embedded in a wider state-to-state energy agreement, gave a Russian state-controlled company command over Serbia's principal refinery and a dominant downstream fuel network. The transaction was concluded without a competitive tender and at a price widely assessed at the time as below the company's underlying value; the promised modernization was subsequently financed substantially through NIS itself. The arrangement therefore combined three forms of leverage: ownership of a strategic asset, control over refining capacity, and privileged access to political decision-makers.

The ownership structure has shifted under sanctions pressure but the strategic exposure has not disappeared. As of 30 June 2026, Gazprom Neft held 44.85% of NIS, the Republic of Serbia 29.87% and JSC Intelligence (a company linked to Gazprom) 11.30%¹⁸³. The United States designated NIS in January 2025 as part of the Gazprom Neft group. When sanctions took effect later that year, crude deliveries were interrupted and the Pančevo refinery, which normally supplies roughly four-fifths of Serbia's domestic fuel needs, shut for 36 days. Temporary US waivers allowed operations to resume

181 Vladimirov M. and Stefanov, R. *The Kremlin Playbook in Southeast Europe: Economic Influence and Sharp Power*. Sofia: Center for the Study of Democracy, 2020

182 Vladimirov M. and Gerganov, Alexander. *Chinese Economic Influence in Europe: The Governance and Climate Conundrum*. Sofia: Center for the Study of Democracy, 2021

183 NIS, "Shares and ownership structure", data as of 30 June 2026.

180 Ibid.

while a possible sale to Hungary's MOL was negotiated; by the end of July 2026, the transaction had still not been completed.¹⁸⁴ The episode demonstrated how a concession granted almost two decades earlier can transmit geopolitical sanctions directly into national energy-security and fiscal risks.

Gas dependence is organized through an overlapping network of supply contracts, pipelines, storage and corporate joint ventures. Following the end of Russian gas transit through Ukraine, TurkStream and its Balkan extension became the principal route for Russian gas into Serbia and onward to Bosnia and Herzegovina. Serbia continued to receive up to 90 per cent of its gas from Russia in 2026, while negotiations for a new long-term contract repeatedly gave way to short extensions.¹⁸⁵ The Serbia-Bulgaria interconnector and a contract for up to 400 million cubic meters of Azerbaijani gas per year are important diversification measures, but remain modest relative to Serbian annual consumption of around 3 billion cubic meters.¹⁸⁶

The physical dependency is reinforced institutionally. Gastrans, the Serbian section of the TurkStream extension, is controlled through a Gazprom-Srbijagas joint venture and was granted a long exemption from core EU rules on ownership unbundling, regulated tariffs and third-party access. Banatski Dvor, Serbia's only underground gas-storage facility, is also jointly owned by Gazprom and Srbijagas. These arrangements allow the incumbent network to influence not merely the price and source of gas, but also the capacity available to competitors and the pace at which alternative supply can gain market share.¹⁸⁷

At the center of this system stands Srbijagas. Its long-serving general director, Dušan Bajatović, is simultaneously a senior figure in the Socialist Party of Serbia (SPS) and has occupied management roles in Serbian-Russian gas joint ventures. This concentration of party, SOE and commercial authority is the archetypal domestic brokerage mechanism: policy choices, company strategy and relations with the foreign supplier converge in a small and weakly accountable decision-making circle. Chronic losses and state guarantees at Srbijagas have repeatedly transferred commercial risk to the public budget, while delayed unbundling and limited transparency have protected the incumbent position.¹⁸⁸ Russia's influence is therefore not reducible to Gazprom's market share. It is embedded in the governance of the sector and in the political value of the rents, appointments and discretionary decisions that the system generates.

Bosnia and Herzegovina is the downstream extension of this architecture. Its gas market is small, but almost entirely dependent on Russian gas delivered through TurkStream and Serbia. In Republika Srpska (RS), Russian state companies also retain a significant oil-sector footprint. NIS operates through NIS Petrol/G-Petrol and participates in the Jadran-Naftagas exploration venture, while Zarubezhneft controls the Brod refinery, the Modriča lubricants refinery and the Nestro retail network through NeftegazInKor and Optima Group. These assets connect Russian corporate interests to entity-level political and business networks and provide economic ballast to the foreign-policy alignment of the RS leadership.¹⁸⁹

The long-delayed Southern Gas Interconnection with Croatia and the Krk LNG terminal could break Bosnia and Herzegovina's single-route, single-supplier vulnerability. Yet the way the project is governed is as important as the new source of supply. In April 2026, the Federation government and Croatia

184 US Department of the Treasury, "Treasury Intensifies Sanctions Against Russia by Targeting Russia's Oil Production and Exports", 10 January 2025; Reuters, "Serbia secures US sanctions waiver for its Russian-owned NIS oil firm", 31 July 2026.

185 Reuters, "Serbia secures three-month extension of gas supply deal with Gazprom", 5 June 2026; Reuters, "Serbia seeks EU gas deals as it reduces Russian supplies", 4 February 2026.

186 Reuters, "Azerbaijan's gas flows to Serbia suspended, Serbian president says", 11 January 2025.

187 CSD, *The Gas Networks of Power* (draft, 2026), sections on Gastrans, Banatski Dvor and Serbian gas-market governance.

188 Srbijagas, "Management", accessed 12 August 2026; CSD, *The Gas Networks of Power* (draft, 2026).

189 Vladimirov M. and Stefanov, R. *The Kremlin Playbook in Southeast Europe: Economic Influence and Sharp Power*. Sofia: Center for the Study of Democracy, 2020.

selected the little-known American company AAFS to develop the interconnector without an open competitive tender, prompting the European Commission to warn that the arrangement could conflict with accession obligations and jeopardize EU support.¹⁹⁰ Replacing Russian gas does not constitute genuine diversification that breaks energy capture if one opaque monopoly is exchanged for another politically brokered arrangement.

In North Macedonia, Russian leverage is less visible in current import statistics but persists through legacy ownership structures and corporate networks, including the ownership of the district-heating company of Skopje, which, as discussed in the preceding section, is under ultimate beneficial control of Gazprom through layers of offshore companies in Cyprus. Across the region, the Russian model has thus proved resilient four years after the invasion of Ukraine even as the number of corporate links to Gazprom has contracted. The remaining network is smaller but more concentrated around high-value nodes in the oil and gas sector that bridge Russian state capital with domestic party and SOE structures¹⁹¹.

China: tied finance as an infrastructure governance model

The Chinese model of influence in the region has a different structure. A typical project begins with an intergovernmental agreement, followed by a loan from the Export-Import Bank of China or another Chinese state institution covering up to 85 per cent of the contract value. The borrower then appoints a named Chinese SOE without an open tender, often under a special law or exemption from ordinary procurement. Non-disclosure provisions restrict public access to the contract; Chinese labor, equipment and materials may be tied to the loan; and politically connected domestic firms receive subcontracts. The host state assumes construction, demand, currency

and sovereign-repayment risks, while most of the financing cycles back to the Chinese contractor¹⁹².

Western Balkan political leaders have actively chosen the model because it accelerates the realization of PR visible projects, provides them with discretionary resources for entrenching their hold of the local business and economy, and reduces parliamentary, procurement and environmental constraints. The Chinese partner's willingness to operate within opaque and personalized systems then strengthens those systems. The result is a mutually enabling bargain: the foreign SOE obtains market entry and political protection; the governing network controls subcontracting, land acquisition, licensing and information; and the public inherits contingent liabilities and diminished oversight. Serbia's 2009 intergovernmental agreement with China is the region's clearest institutional gateway, allowing major projects to be awarded outside competitive procurement. The European Commission's 2025 Serbia report again warned that infrastructure projects continued to be implemented with insufficient transparency and that procurement under third-country agreements should comply with EU principles.¹⁹³

The Kostolac B3 lignite unit shows how financial, industrial and strategic dependence can be bundled. The 350 MW unit was constructed by China Machinery Engineering Corporation (CMEC) with a USD 608.3 million China Exim Bank loan (85 per cent of a USD 715.6 million engineering contract) awarded under the Serbia-China agreement without an open tender. Commissioned in December 2024 after years of delay, the project extends Serbia's reliance on lignite while giving a Chinese SOE a flagship position in the power sector.

190 Radio Free Europe/Radio Liberty, "EU Warns Bosnia Over Gas Pipeline Deal With US Investor", 2026; Associated Press, report on the Bosnia-Croatia gas interconnector agreement, 28 April 2026.

191 CSD, *The Gas Networks of Power* (draft, 2026), network analysis and Western Balkans country studies.

192 Vladimirov M. and Gerganov, Alexander. *Chinese Economic Influence in Europe: The Governance and Climate Conundrum*. Sofia: Center for the Study of Democracy, 2021

193 European Commission, *Serbia Report 2025*, 2025.

Its capture risk lies not only in the procurement exemption, but in the combination of sovereign debt, limited disclosure, weakened environmental scrutiny and long-term technological lock-in.¹⁹⁴

The Belgrade-Budapest railway applies the same model to transport infrastructure. Chinese lending financed 85 per cent of the contract for the Belgrade-Stara Pazova section, implemented by a China Railway International Corporation-China Communications Construction Company consortium. The collapse of the renovated Novi Sad station canopy on 1 November 2024, which killed 16 people, transformed procurement secrecy into a national political crisis. The tragedy does not by itself establish the criminal responsibility of the Chinese contractors. It did, however, expose the accountability gap created by classified contracts and fragmented supervision. In August 2025, Serbia's organized-crime prosecutor arrested six people and alleged that inflated invoices had caused approximately USD 115.6 million in losses to the state and USD 18.8 million in benefit to the consortium. In May 2026, the prosecution further stated that police had repeatedly failed to act on requests to question representatives of the Chinese companies. The investigation remains ongoing, but the institutional pattern is already clear: exceptional contracting rules can obstruct reconstruction of who authorized, supervised and profited from a public project.¹⁹⁵

North Macedonia's Kičevo-Ohrid motorway is an equally instructive case of cost escalation and failed accountability. Sinohydro was selected under a special law and financed with a China Exim Bank loan. The initial contract was worth EUR 411.3 million. After repeated redesigns, annexes and deadline extensions, a further EUR 186 million agreement signed in March 2026 brought the announced total to approximately EUR 803 million, with completion post-

poned to May 2027.¹⁹⁶ The "Trajectory" investigation, launched after intercepted conversations indicated political interference and alleged losses in the choice and management of the Chinese-financed motorways, did not produce the final conviction claimed in earlier accounts. Proceedings were discontinued in 2023 following amendments to the Criminal Code and the expiry of limitation periods. The outcome is a central capture finding in its own right: the combination of executive discretion, a special procurement route and later legal changes prevented judicial resolution of a project whose cost has nearly doubled.¹⁹⁷

Montenegro provides an informative case about the role of proper governance in avoiding potential debt traps, both involving Chinese contractors. The first section of the Bar-Boljare motorway was financed by a USD 943.9 million China Exim Bank loan covering 85 per cent of the contract with China Road and Bridge Corporation. A special law granted broad tax exemptions and the project generated serious fiscal and currency exposure before opening in July 2022. Montenegro continued servicing the loan and substantially hedged its dollar risk, while strong growth later reduced the public-debt ratio.¹⁹⁸ More importantly, the second section, Mateševsko-Andrijevica, was awarded in 2025 to a PowerChina-Stecol consortium through an open EBRD tender and is supported by an EBRD loan and an EU grant. The contractor nationality remains Chinese, but competitive procurement, public multilateral financing and the withdrawal of the special-law model materially reduce capture risk. The contrast demonstrates that the decisive variable is the governance regime surrounding the investment.¹⁹⁹

194 AidData, "Kostolac B3 thermal power project"; CEE Bank-watch Network, "Kostolac lignite power plant, Serbia", accessed 12 August 2026.

195 AidData, "Belgrade-Stara Pazova railway project"; Reuters, "Six arrested over Serbia railway station roof collapse", 1 August 2025; European Western Balkans, "Serbian police repeatedly ignored requests by prosecution office to examine Chinese contractors", 7 May 2026.

196 SeeNews, "North Macedonia, Sinohydro sign annex to Kičevo-Ohrid motorway deal", March 2026; AidData, "Kičevo-Ohrid motorway project".

197 Center for Research and Policy Making/Support4Partnership, "Steel silence: It's a long way to the highway", accessed 12 August 2026; CSD, *Chinese Economic Influence in Europe* (2021), North Macedonia case study.

198 AidData, "Bar-Boljare motorway project"; International Monetary Fund, *Montenegro: 2024 Article IV Consultation*, 2024.

199 European Bank for Reconstruction and Development, *TEN-T Route 4: Mateševsko-Andrijevica – Board Report*, 2025.

Table 4. Selected examples of procurement irregularities in transport and construction (amounts in EUR)

Project	Contractor	Cost: initial → current/final	Inflated/overrun costs	No tender / direct award	Lex specialis	Sovereign debt risk	Conviction or arrest	Accountability
Albania								
Albania-Kosovo* Highway Tirana-Vermice	Bechtel-ENKA	418mln → -950mln	✓	✓	–	–	–	Case against Minister of Transport dropped (2009)
Port of Durrës marina Porto Romano	State company Archirodon withdrew (tender cancelled)	400mln est. → not started	–	✓	–	–	–	Russian-linked offshore; NATO risk
Bosnia and Herzegovina								
Corridor Vc	FBiH Motorways (state)	1.1bln est. → 4.5bln+ (ongoing)	✓	–	–	–	✓	15 arrests (2025)
Kosovo*								
Albania-Kosovo* Highway Vermice-Pristina	Bechtel-ENKA	400mln → -838mln	✓	✓	–	–	–	EULEX probe, no conviction; US ambassador to Kosovo* later hired by the firm he lobbied for (Bechtel-ENKA)
Route 6 / Arben Xhaferi Hwy Kosovo*-N. Macedonia	Bechtel-ENKA	600mln → -608mln (+53mln disputed)	✓	–	–	–	✓	Minister imprisoned, several officials convicted (2024)

Project	Contractor	Cost: initial → current/final	Inflated/overrun costs	No tender / direct award	Lex specialis	Sovereign debt risk	Conviction or arrest	Accountability
Montenegro								
Bar-Boljare Highway Section 1 and Section 2	China Road and Bridge Corporation / PowerChina-Stecol	Section 1: 809mln → ~1bln (financed through a 944mln Chinese Exim Bank loan) Section 2: 694mln → ongoing	✓	–	–	✓	–	Minister accused (2019); geopolitical debt trap risk
North Macedonia								
Shtip-Kočani Expressway Phase 2	Sinohydro/PowerChina	17.9mln → increased (delays)	✓	–	–	✓	–	No indictments
Gradsko-Prilep Road	Sinohydro/PowerChina	39.5mln → ongoing	✓	–	–	✓	–	No indictments
Serbia								
Belgrade Bypass, Section B	PowerChina	207mln → 382mln	✓	✓	–	–	–	No indictments
Morava Corridor	Bechtel-ENKA	900mln → 2.15bln est.	✓	✓	✓	–	–	No indictments

Source: SELDI/CSD, based on articles by BalkanInsight/BIRN, China-SEE, CEPA, The Geo Post, SEE News, Bankwatch, Ekapija, and Western Balkans Investment Framework (WBIF).

In Bosnia and Herzegovina, Chinese finance has interacted primarily with entity-level political and business networks. At the Stanari thermal power plant, China Development Bank financing and construction by Dongfang Electric were paired with regulatory changes that allowed the concession to be transferred and reduced the concession fee for the private developer, EFT, controlled by regional energy trader Vuk Hamović. The model persists in the 160 MW Dabar hydropower project in RS: China Exim Bank is financing EUR 190 million of a project estimated at roughly EUR 338 million, China Gezhouba Group is the main contractor, and prominent domestic firms Integral Inženjering and Elnost are involved as subcontractors. Limited contract disclosure, environmental disputes and the project's integration into the contested Upper Horizons water-transfer system heighten the risk that public liabilities and ecological costs will outlast the political coalition that approved them.²⁰⁰ By contrast, the cancellation of the China-financed Tuzla 7 lignite unit in 2024, after the Energy Community found that the Federation guarantee constituted illegal state aid and the selected technology could no longer be supplied, shows that external legal scrutiny can interrupt an entrenched project even at an advanced stage.²⁰¹

Governance vulnerabilities enabling strategic corruption

Across the Western Balkans, **mega-infrastructure** has become the primary vehicle for state capture and strategic corruption. It is defined by a consistent and mutually reinforcing set of integrity failures. Governments routinely bypass competitive procurement through direct awards or purpose-built legislation (*lex specialis*) that names contractors in advance (e.g. for the Morava Corridor and Corridor 8) and strips oversight bodies of their mandate, while bilateral intergovernmental agreements with Chinese

state-linked entities effectively place entire projects outside domestic legal scrutiny. Contracts are shielded from parliamentary review, dispute resolution is offshored to foreign jurisdictions (e.g. Bechtel-ENKA contracts governed by English and Welsh law), and key documents are classified as business secrets – creating conditions in which costs double or triple with impunity, sovereign debt accumulates as a geopolitical instrument, and politically connected intermediaries capture the inflated margin, while national jobs and the environment suffer.

Where different degrees or inceptions of accountability do occur, such as for example in the case of imprisonment of Kosovo's infrastructure minister²⁰² over Route 6, or the arrest of 15 FBiH officials linked to Corridor Vc irregularities,²⁰³ or the indictment of North Macedonia's PM Gruevski amid the wiretap scandal in 2015²⁰⁴ and later conviction in separate corruption case²⁰⁵, or Albania's Deputy Prime Minister charged with allegedly manipulating the EUR 190 million Llogara Tunnel tender²⁰⁶, and/or Serbia's arrest of former construction minister over the Novi Sad railway station disaster, with court case later dropped²⁰⁷ – it is the exception that proves the rule: the system was designed to resist it. And in many cases, the lack of capacity to conduct human-rights compliant, full-scale investigation have left the impression of politically motivated, haphazard cases, rather than sustained accountability efforts.

200 CEE Bankwatch Network, "Obstacles pile up for the Dabar hydropower plant in Bosnia and Herzegovina", 18 May 2026; AidData, "Dabar hydropower project".

201 Energy Community Secretariat, "Ministerial Council confirms that the guarantee for Tuzla 7 constitutes illegal State aid", 5 July 2022.

202 BalkanInsight/BIRN, *Kosovo Jails ex-Minister Over Extra 53-Million-Euro Payment for Motorway*, 31 January 2024.

203 Sarajevo Times, "Federal Police Administration arrests 15 Persons for Corruption in FBiH Highways", 18 February 2025.

204 Center for the Study of Democracy, *Chinese Economic Influence in Europe. The Governance and Climate Conundrum*, 2021.

205 Transparency International, *The "Plots on Vodno" Case: Ex-Macedonian PM Nikola Gruevski Guilty of Money Laundering and Misappropriation of Property*, December 2023.

206 European Western Balkans, *Indicted Deputy PM Belinda Baluku dismissed by Rama as a part of reshuffle*, 27 February 2026.

207 BalkanInsight, *Serbian Court Rejects Ex-Minister's Indictment Over Novi Sad Disaster*, 24 December 2025.

In Montenegro, UAE investment agreements signed without parliamentary scrutiny granted preferential access to foreign investors free from competitive constraints²⁰⁸, whilst the Mozura Wind Farm changed hands through offshore intermediaries before acquisition by Malta's state energy company, extracting significant profits amid minimal transparency.²⁰⁹ Initially presented as a European Union-member investment, the Mozura wind park was revealed through 2026 documentation to involve Maltese and Chinese entities, illustrating how strategic infrastructure transactions can be designed to obscure the identity and interests of ultimate beneficiaries.²¹⁰

In North Macedonia, a shell company managed by a postal worker with zero employees was awarded a EUR 6 million sole-bidder contract to deliver coal additives for state power plants immediately after re-registering its business activity.²¹¹ Further examples in North Macedonia include the investigation into fuel-oil procurement for the Negotino thermal power plant where prosecutors alleged in tender rigging and money laundering²¹², in parallel to public procurement abuses in the Directorate for Technological Industrial Development Zones (TIDZ) linked to a manipulated tender for infrastructure construction (power lines, roads, water, and sewage) in the Shtip and Strumica zones resulting in an estimated loss of about EUR 10 million.²¹³

Box 15. Anti-corruption head convicted of disclosing secrets related to the coal additives case in North Macedonia

Elected with unanimous cross-party support in early 2024, Tatjana Dimitrovska, President of North Macedonia's State Commission for the Prevention of Corruption (SCPC), was suspended in April 2025 after becoming the subject of a criminal investigation. Prosecutors revealed that between May and December 2024, Dimitrovska systematically used encrypted messaging apps to leak confidential investigative files, case proceedings, and asset checks to the former head of the Negotino power plant and a key defendant in the EUR 6 million "Additive" public procurement corruption probe. On 14 July 2026, the Skopje Basic Criminal Court convicted Dimitrovska of disclosing official secrets (8-month sentence) and computer forgery (6-month sentence for having a state auditor fraudulently take her classified security test), merging them into a single one-year suspended sentence with three years of probation.²¹⁴ The scandal triggered widespread public outrage, as the conviction of a cross-party vetted anti-corruption chief exposed severe vulnerabilities in oversight and vetting mechanisms for the country's primary integrity institutions.²¹⁵

208 Popović, S., "European Commission raises concern over Montenegro-UAE Agreement", *European Western Balkans*, 9 May 2025.

209 Muscat, C., "New documentation raises questions about handling of Mozura wind farm project and Enemalta's involvement", *The Shift*, 11 March 2026.

210 The Shift News, *New Documentation Raises Questions about Handling of Možura Wind Farm Project*, 11 March 2026.

211 BalkanInsight, *North Macedonia's Anti-Corruption Chief Suspected of Sharing Official Secrets*, 25 April 2025.

212 Business & Human Rights Resource Centre, "North Macedonia: RKM and Pucko Petrol under investigation for rigging tenders & money laundering in sales of low-quality fuel oil; incl. cos. non-responses - Business and Human Rights Centre", 30 June 2025.

213 MIA, "Eight people suspected of public procurement abuses at TIDZ Directorate", 30 December 2024.

214 MIA, *Former SCPC head Tatjana Dimitrovska handed one-year suspended sentence*, 14 July 2026.

215 Marusic, S. J., "North Macedonia's Anti-Corruption Chief Suspected of Sharing Official Secrets", 25 April 2025.

FROM CONDITIONALITY TO DUE DILIGENCE: REWIRING EU ENLARGEMENT IN A CAPTURED REGION

The evidence assembled across this report points to a sobering conclusion: the Western Balkans are not stuck in transition; they are being abandoned in it. Flawed privatizations, entrenched patronage networks, and systemic state capture form the shared baseline of what analysts have aptly termed *stabilocracy* – a governance model in which local autocrats trade the appearance of external stability to Brussels in exchange for a blind eye to democratic backsliding. This creates a mutually reinforcing dynamic: they weaponize existential crises to gain political leeway (presenting state capture as the defense of sovereignty), while blaming stalled accession progress on the EU to bolster their legitimacy at home. It also allows corrupt politicians to hedge their geopolitical bets by getting Chinese infrastructure financing or cheap Russian energy supply.

The EU's current enlargement model has reached the limits of what formal alignment can deliver in terms of prodding the Western Balkans towards cleaner government. Even today, the European Commission still avoids using the term “state capture”,²¹⁶ while progress reports have historically relied on vague qualitative assessments, such as “some progress,” “limited progress,” and “moderate progress”. Such deliberate ambiguity risks functioning as a political indulgence for corrupt governments. Captured institutions collect pre-accession funds and political legitimacy for transposing laws which they have no intention of enforcing, whilst the EU continues to reward process over outcomes. Breaking this deadlock requires a pivot from conditionality to governance due diligence, from measuring legislative inputs to demanding demonstrable and documented improvements in the rule of law.

As Germany's Chancellor Friedrich Merz rightly observed in May 2026, the process has become “much too long”.²¹⁷ The findings in this report warrant a number of recommendations built around a single premise: EU enlargement must be treated as a strategic investment guided by verifiable benchmarks. Such an approach would front-load financial rewards for reform while imposing automatic costs for backsliding.

Building an AI-powered capture risk detection system

Digital tools deployed across the region to date have largely functioned as a digital façade presenting a modern institutional face whilst leaving capture structures intact. Albania's AI procurement assistant Diella lacks enforcement powers. Kosovo's e-procurement upgrades have done little to curb unpublicized negotiated procedures. The gap between digital form and operational function must be closed by imposing binding outcome metrics rather than process milestones.

The EU should establish an open-data AI state capture early warning system – a real-time platform that scans high-level cases, procurement patterns, sectoral monopolization, beneficial ownership chains, asset-declaration checks, and judicial and regulatory appointment patterns for red-flag anomalies. OLAF should coordinate the early warning layer; the EU Anti-Money Laundering Authority (AMLA) should provide the financial intelligence backbone; Europol should contribute organized crime threat data; Eurojust should enable cross-jurisdictional prose-

²¹⁶ SELDI, *Tackling Corruption: On the Road to EU Accession in the Western Balkans*, Policy Brief No. 21, January 2025.

²¹⁷ European Western Balkans, *Merz proposes “innovative solutions” for integration of Ukraine, Balkans and Moldova*, 21 May 2026.

cution coordination; and EPPO, whose cooperative mandate should be formally extended to candidate countries, should act on actionable referrals.

Romania's PREVENT system²¹⁸, Estonia's X-Road platform²¹⁹, and Ukraine's Prozorro^{220,221} and Centralized Procurement Organization²²² have already demonstrated that this architecture is achievable. What is required is the political will to mandate genuine operationalization and to tie EU funding disbursement to verified performance, not the formal installation of systems.

Such an approach carries its own risk: when a captured state builds the algorithm, outputs serve capture rather than expose it. This is precisely why open-source architecture and insulation from government control should not be optional design features. Public registers covering property, company ownership, tax records, and procurement must be interlinked and made machine-readable across the region, with beneficial ownership verification conducted to criminal-grade standards as a precondition for disbursement rather than a future milestone. The EC has acknowledged the risk of captured governments controlling the algorithm and has put in place a robust yet still quite cumbersome and untested AI governance safety system in place, which it would need to enforce in the Western Balkans. EU assistance supported AI capture risk detection systems in the Western Balkans would need to specify governance safeguards as part of the system design: independent ownership, transparent model rules, auditable data sources, human review, appeal mechanisms, and controls against false positives

Closing critical capture loops: media, illicit enrichment, and sanctions evasion

Media and the information domain. Media ownership should fall under the same beneficial-ownership transparency regime proposed above for property and procurement, with disclosure extending to the offshore and cross-border financing behind nominally independent digital outlets. State advertising should be allocated only against transparent, externally audited criteria. Alignment with EU broadcasting restrictions on RT and Sputnik should become an explicit, monitored accession benchmark, closing the option of claiming EU media-standard compliance while declining the sanctions regime that gives those standards force. Documented spyware use against journalists and civil society should trigger the same automatic consequences proposed elsewhere in this report for verified backsliding.

Illicit enrichment and asset recovery. Because none of the six jurisdictions maintains a fully operational illicit-enrichment offense, unexplained wealth becomes unprosecutable absent a predicate crime. Governments should adopt standalone offenses modeled on UNCAC Article 20 and the EU Anti-Corruption Directive, with the UK's Unexplained Wealth Order (reasonable-suspicion freezing, reversed burden of proof, conviction-independent civil confiscation) as the template. Montenegro's draft amendments should serve as the regional benchmark. Verification should extend beyond PEPs to relatives, associates, and corporate vehicles. No rule-of-law chapter should close without independently verified capacity to prosecute unexplained wealth, and private actors engaged in procurement or receiving EU-linked financing should face Sapin II-style due diligence obligations, consistent with the Corporate Sustainability Due Diligence Directive.

Sanctions evasion and illicit financial flows. The region's role as a transit corridor for sanctioned dual-use goods and Russian-linked offshore capital is the most direct point of contact between domestic capture and EU security interests, yet sits outside conditionality entirely. EU-Western Balkans ex-

218 European Commission, Anti-Fraud Knowledge Centre, *PREVENT system*.

219 E-Estonia, *X-Road Interoperability services*.

220 Yukins, C., and Kelman, S., "Overcoming Corruption and War – Lessons from Ukraine's ProZorro Procurement System," NCMA Contract Management Magazine, July 2022, pp. 22-27.

221 Prozorro website and analytical hub.

222 Kostezh, S., "Ukraine Centralizes Procurement for All Recovery Programs," Kyiv Post, 23 April 2025.

port-control coordination should be formalized, with mandatory end-user verification for the electronics and machine-tool categories already identified as re-export channels to Russia, and sanctions-list alignment itself should become a monitored benchmark. Beneficial-ownership registries should be extended to flag offshore chains whose ultimate owners trace to sanctioned entities. Trade-flow anomalies, such as the abnormal rise in regional shipments to Central Asian states with no prior trading relationship, should feed the Early Warning System as a standing indicator, with AMLA and Europol's roles extended explicitly to trade-based sanctions evasion.

Reforming anti-corruption institutions and restoring constitutional balance

The EU Anti-Corruption Directive²²³, adopted in April 2026, mandates the establishment of independent and effective anti-corruption bodies in all member states and, by extension, in candidate countries. Anti-corruption agencies that display signs of being repurposed to whitewash corrupt schemes or persecute political opponents must face immediate structural review. Where centralized bodies cannot be adequately insulated from political pressure, their functions should be decentralized across tax authorities, financial intelligence units, audit offices, regulators, and the Ombudsman – ensuring that no single entity becomes a tool for political weaponization at either national or local level. All anti-corruption bodies must operate under parliamentary oversight including opposition representation, protected non-discretionary budgets, non-renewable leadership terms, and cooling-off periods for senior appointments.

In reforming judicial institutions, Western Balkan countries should take care to avoid a scenario like the one in Albania: the mass dismissals during the vetting process there (2016-2026)²²⁴ left the Supreme Court with a backlog of nearly 35,000 cases and rendered it unable to form adjudicating panels for extended periods.^{225,226} Gradual, continuous rolling integrity audits, combined with investment in the education and training of a new generation of judicial professionals, offer a more resilient path than episodic political purges.

State capture is most resilient when all three branches of government reinforce each other's impunity. Parliaments and their anti-corruption committees in particular, must be empowered and adequately resourced to exercise meaningful oversight of both the executive and the judiciary. They should hold dedicated annual hearings on civil society shadow reports alongside government progress assessments, and commission independent civil society analyses as official inputs to EU accession monitoring. Preventing the concentration of power further requires automatic corruption-proofing of major legislation; independent appointment mechanisms; mandatory public beneficial ownership registries; and statutory five-year cooling-off periods for senior public officials.

223 EUR-Lex, *Directive (EU) 2026/1021 of the European Parliament and of the Council of 29 April 2026 on combatting corruption*.

224 Albanian Times, *Albania's 'Vetting Commission' concludes after 7 years of judicial reform*, 17 December 2024.

225 European Western Balkans, *Despite its weaknesses, the vetting process remains the reform of paramount importance in Albania*, 16 June 2022.

226 Council of Europe, Committee of Ministers, *Supervision of the Execution of the European Court's Judgments*, CM/Notes/1377/H46-1, 1377th Meeting of the Ministers' Deputies, 4 June 2020.

Scaling up political assistance and civil society support

While technical assistance through TAIEX and Twinning remains valuable, its traditional classroom-style approach is insufficient for systemic institutional capture. What is required is a shift toward what elsewhere is known as “operational mentoring”. Utilizing a peer-to-peer mentoring model, the EU should deploy embedded advisory teams, comprising judges, financial intelligence experts, and prosecutors from member states with recent anti-corruption transition experience (such as Romania, Croatia, and the Baltics). These experts should work directly within candidate country institutions to provide on-the-job mentoring on live, anonymized case files, modeling advanced evidentiary strategies without infringing on judicial independence. Particular focus should be placed on enhancing regulatory and anti-monopoly enforcement procedures in economic sectors with a high density of politically exposed companies, thereby building structural integrity within those targeted regulators and inspectorates.

Finally, to ensure strict accountability for the Reform and Growth Facility (RGF), the Commission should utilize the existing Civil Society Facility (CSF) framework under IPA III to issue targeted, multi-year operating grants. These grants must be explicitly earmarked for regional CSOs to conduct independent shadow-monitoring of the strictly binding fundamentals cluster within national Reform Agendas, tying civil society oversight directly to the RGF’s financial disbursements. The reason is that these agendas are assessed twice annually before disbursement²²⁷, yet every single measure within them is designed to be implemented by a public body. This is a structural blind spot in which the institutions being reformed are simultaneously the institutions certifying those reforms. Civil society organizations, investigative journalists, bar associations, and independent oversight bodies must become genuine partners in the

accession process: regularly consulted, formally accredited as data providers for Commission enlargement reports, and legally protected against political retaliation. Investigative media consortia such as BIRN and OCCRP should be given structured access to procurement databases and court records under a formal disclosure protocol, with their findings treated as evidence rather than commentary.

Rethinking the logic of accession

The most urgent reform is methodological. Enlargement progress reports and rule-of-law country chapters must move from descriptive narrative to hard numerical benchmarks, applying to accession countries the same quantitative standards already deployed in the EU Justice Scoreboard²²⁸ for member states. Descriptive assessments allow governments to manage perceptions; numbers deprive corrupt political elites of deniability. Concrete indicators should include:

→	% of total value awarded via single-bidder procedures (aligning with the EU Single Market and Competitiveness Scoreboard’s 20% “red” threshold);
→	% of indictments for high-level corruption reaching trial, and % of indictments ending in conviction;
→	number of months needed to proceed from indictment to first-instance verdict for high-level cases;
→	% of red-flagged asset declarations for PEPs (politically exposed persons) triggering formal legal action;

²²⁷ Reform and Growth Facility for the Western Balkans, *Scoreboard and Reform Agendas*, 2026.

²²⁸ European Commission, *EU Justice Scoreboard*, 1 July 2025.

→	% of value recovered within 36 months of asset seizure;
→	% annual reduction in market concentration in state-capture-vulnerable sectors (energy, telecom, infrastructure), qualified with indicators, measuring contestability, entry barriers, procurement concentration or abuse of the dominant position;
→	% of political appointments to state-owned enterprise boards.

Countries registering in the red zone of CSD's **State Capture Assessment and Diagnostic Scoreboard** should not be eligible for provisional closure of fundamental reform chapters or for disbursements as part of the Growth Plan.

The binary structure of accession as it is imagined currently (entirely out until entirely in) has become a primary source of both reform stagnation and geopolitical vulnerability. Moving towards a merit-based, step-by-step access to the Single Market in transport, energy, and the digital domain, with strict reversibility clauses that revoke access when democratic or anti-corruption metrics deteriorate, is the right direction.²²⁹ The credibility of such reversibility, however, depends entirely on the quality of the methodology which triggers it. Without robust, independent, impact-based evaluation drawing on civil society diagnostics, the State Capture Assessment Diagnostics,²³⁰ and TAIEX expertise, reversibility clauses will become yet another form of opaque discretion. Critically, sec-

toral conditionality must apply to existing member states as well as to candidates in order to have both legal coherence and political legitimacy.

Qualified majority voting should be introduced for the opening and closing of individual negotiating chapters, with unanimity reserved only for final ratification of the Treaty of Accession. A single member state should not be able to weaponize a chapter for bilateral purposes, as Hungary's veto on Ukraine's accession clusters and Bulgaria's veto on North Macedonia's accession path have demonstrated at enormous geopolitical cost. The veto on accession chapters is a structural defect in European democracy, and it should be removed.

Closing the *lex specialis* and intergovernmental agreement loophole is equally urgent: no public contract above a defined threshold, regardless of financing source or legal instrument, should bypass competitive procurement; exemptions structured to exclude procurement law should trigger automatic suspension of EU funding to the relevant sector.

Recovered assets from Western Balkan capture networks traced through EU financial centres should not return to government budgets, where they risk recirculating into the same networks, but should flow instead into ring-fenced civil society accountability funds and victim restitution mechanisms.

The Western Balkans do not need more process. The tools are proven, the models exist, and the cost of continued inaction is no longer abstract: it is measured in young people leaving, in captured courts, in oligarchic networks expanding their reach, and in the growing gravitational pull of Moscow and Beijing in a region that remains geographically, economically, and strategically European. The shift from narrative assessments to hard benchmarks, i.e. from measuring inputs to demanding outcomes, from rewarding legislative transposition to insisting on verified governance transformation, is not a technical adjustment. It is a strategic choice about the kind of European neighborhood the EU is willing to invest in building. Investment in well-governed societies is investment in peace. The discipline to apply that principle consistently, transparently, and without exception – to candidates and member states alike – is what this moment requires.

²²⁹ Euroactiv, Austria, Italy pitch 'step-by-step' membership model for Western Balkans, 20 May 2026.

²³⁰ Center for the Study of Democracy, *State Capture Assessment Diagnostics*, 2019.

