

# The Economic Reverse of the Corruption Suppression in Croatia

---

Piplica, Damir

Source / Izvornik: **Montenegrin Journal of Economics, 2021, 17, 195 - 205**

Journal article, Published version

Rad u časopisu, Objavljena verzija rada (izdavačev PDF)

<https://doi.org/10.14254/1800-5845/2021.17-2.16>

Permanent link / Trajna poveznica: <https://urn.nsk.hr/urn:nbn:hr:227:409179>

Rights / Prava: [Attribution 4.0 International](#)/[Imenovanje 4.0 međunarodna](#)

Download date / Datum preuzimanja: **2024-11-03**

SVEUČILIŠTE  
U  
SPLITU



SVEUČILIŠNI  
ODJEL ZA  
FORENZIČNE  
ZNANOSTI

Repository / Repozitorij:

[Repository of University Department for Forensic Sciences](#)



UNIVERSITY OF SPLIT

The logo for 'dabar', featuring a stylized red and black graphic above the word 'dabar' in a bold, lowercase font.  
DIGITALNI AKADEMSKI ARHIVI I REPOZITORIJI



ELIT

Economic Laboratory Transition  
Research Podgorica

## Montenegrin Journal of Economics

Piplica, D. (2021), "The Economic Reverse of the Corruption Suppression in Croatia",  
*Montenegrin Journal of Economics*, Vol. 17, No. 2, pp. 195-205.

# The Economic Reverse of the Corruption Suppression in Croatia

DAMIR PIPLICA<sup>1</sup>

<sup>1</sup> Associate professor, University Department of Forensic Sciences Split, Croatia, e-mail: damir.piplica@gmail.com

---

### ARTICLE INFO

Received December 27, 2020  
Revised from January 29, 2020  
Accepted March 02, 2021  
Available online June 15, 2021

**JEL classification:** K 14, E 60, E 61

**DOI:** 10.14254/1800-5845/2021.17-2.16

**Keywords:**

Croatian economy,  
criminal code,  
economic consequence,  
good corruption,  
perception of corruption

---

### ABSTRACT

*Corruptive activities can result with certain economic consequences, to a larger or smaller extent. That is why even more authors research influence of the corruption to the inflation, investments, economic growth and development, quality of the infrastructure, foreign investments, education, health etc. The goal of the conducted research is to establish that the Croatian criminal code has not implemented economic consequences of the corruption as one of the important factors in conceiving the responsibility of the corruption perpetrator, but also for creating the priority in suppression of those corruptive activities that are most damaging for the Croatian economy. Although every form of the corruption is socially unacceptable, there are corruptive activities, that, directly or indirectly can have milder negative, or even certain positive economic influences, that should be mildly sanctioned by criminal code. Basic hypothesis of the research is that bodies of the legal prosecution should put higher weight in suppression of these corruption activities that cause larger damage to the Croatian economy, which will result in better perception of the public towards lowering of the corruption. Despite certain improvement of the institutional structure of the government bodies for the prosecution of the corruptive activities and introducing new legislative determinants, so far, the methods of the suppression of the corruption have not been efficient, which have had a negative influence on the Croatian public perception of the height of the corruption. Changing of the paradigm of the corruption suppression will at the same time result with certain positive economic effects.*

---

### INTRODUCTION

Contemporary phenomenon of the corruption has a broad social significance, and it appears in all parts of the society. The conceiving of the corruption can have different contexts; thus, it became the research object of legal experts, sociologists, historians, political scientist, economists, etc. It is the economic reverse of the corruption that presents bigger challenge for many scientists, as it is becoming apparent that corruption has influence to numerous macroeconomic indicators, to larger or smaller extent. Its suppression is becoming a part of total social policy, as this is the only way to efficiently realize certain economic goals. Although criminal code determinants of the Croatian legislative do not recognize corruption in an adequate way, it is necessary to point out that not all corruption forms have the same negative

influence on the national economy. Therefore, hereby, we shall demonstrate that such recognition is essential to put higher weight to suppression of such corruptive forms, that are economically, and at the same time socially, more damaging, in comparison to such corruptive forms that, beside negative consequences, can also have positive influence on the economy.

History has irrefutably shown that the corruption is a very resilient phenomenon, and in the future, some new forms of it can be expected, at "the border of criminal liability". Technical and technological development, and the development of the internet businesses especially, will result in certain forms of corruptive activities that are not sufficiently recognized, and their bad consequences as well. That is the reason to give more importance to recognition and criminal prosecution of such forms of the corruption that result in larger economic damage to the society.

## **1. A SHORT OVERVIEW OF EMPIRIC RESEARCH OF THE INFLUENCE OF THE CORRUPTION TO THE ECONOMY**

There is a lot of authors that research the influence of the corruption to certain economic indicators in their works. The phenomenon of "rent-seeking" has interested Baumol (1990), who has concluded that „rent-seeking“ has a negative influence on the entrepreneurship and economic growth, whereas the structure of awarding is aimed against production and entrepreneurship. Furthermore, some other authors, such as Mauro (1995) have concluded that the corruption and the "rent-seeking" influence movement of certain economic resources towards non-productive activities. On the other hand, Murphy et al. (1991) have concluded that "rent-seeking" has negative influence on the economic growth. Cole et al. (2002), have also, among other things, established an indirect negative influence of the "rent-seeking" to public investments and public services.

A lot of authors have established negative influence of the corruption to the economic growth, such as Pellegrini et al. (2004) et al. Moreover, Mendez et al. (2006) think that the negative influence of the corruption to the economic growth is the most obvious in "free" countries. On the other hand, Aidt et al. (2008) think that corruption has a strong negative influence on the economic growth in the countries where there is a higher level of the institutionalization, but at the same time, economic growth influences the reduction of the corruption. Furthermore, a negative influence of the corruption to the economic growth have been established by the researches of numerous other authors, such as Poirson (1998), as well as Gyimah-Brempong (2002). Piplica et al. (2011) have established certain negative influence of the corruption to the economic growth in Croatia and ten transition countries EU members. However, Pellegrini et al. (2004) considered that corruption has a negative influence on the investment, education, business policy and political stability, and that it only indirectly influences the economic growth. A lot of authors such as Neeman et al. (2004) have established negative influence of the corruption to the economic growth. However, authors, such as Rock et al. (2004) have in their researches established that there is an interesting phenomenon of some East Asian countries, where a high economic growth was noticed, although there was also a high level of the corruptions in these countries. This phenomenon is known as „East Asian Paradox “.

Numerous authors, such as Brunetti et al. (1998), Pellegrini et al. (2004), have concluded that the corruption reduces the investment rate. Wei (1999) concluded that the corruption, just like taxes, reverses direct foreign investments. Abed et al. (2002) have also shown that the corruption substantially reduces foreign investments at an example of transition countries. Lambsdorff (1998) has concluded that there is a problem in the international exchange between exporters from the countries with the lower level of the corruption and importers from the countries with high level of corruption. Similarly, Hines (1995) has shown that the growth rate of the export of the American airplanes is significantly lower to the countries with high level of corruption. Alesina et al. (2002) have concluded that some corruption elements have positive relation to inflow of supportive funds per capita. Tanzi et al. (2002) have established, among other things, that the corruption has an influence to lowering of the road's quality. Friedman et al. (2002) concluded that corruption influences the growth of the grey market. Johnson et al. (1997) have also concluded that corruption influences the growth of the grey market. Mauro (1998) has shown that corruption influences lowering of public expenditure for education. Gupta et al. (2001) have

concluded that a corrupted state administration influences increase of military expenditures. Some other authors, such as Kaufmann et. al. (1999), Gupta et al. (2002) in their researches have concluded that there is a significant influence of the corruption to the children's' deathrate. Mo (2001) has established that the corruption is reducing an annual average of the education of the citizens. The same author has established that the corruption encourages political instability of some countries. Some other authors have aimed their researches to the connection of the corruption with income inequality and citizens' poverty. Gupta et al. (2002) have concluded that the corruption encourages income inequity, while Foellmi et al. (2003) have concluded that the corruption influences increase of the wealth for already wealthy parts of the society in the total income. Welsch (2004) has established that the corruption influences the increase of the concentration of certain harmful particles in the air of the urban areas.

Several authors aimed their researches to the relation of the corruption and inflation. Thus, Rahmani et al. (2009) have established that the corruption has positive influence on the inflation, which was also confirmed by researches of Al-Mahrubi (2000). Abed et al. (2002) have also confirmed a positive influence of the corruption to the inflation but have also concluded that by realization of the structural reforms in transition countries such a positive influence has ceased. Piplica (2011) has concluded that the influence on the inflation in transition countries EU members is positive, but very weak. Furthermore, Honlonkou (2003) has concluded that the corruption strongly influences changing of the consumer prices. Of course, some other authors have researched the influence of the corruption to the economy, whereas they were considering various economic indicators, not only on macro- but also on micro-economic level. All the above mentioned researches have clearly shown the important economic reverse of the corruption, of which understanding depends efficient conduction of economic policy, i.e., reaching of set up goals of the economic policy. It is obvious that authority must implement adequate measures of the economic policy in accordance with measures of the corruption suppression, to encourage economic growth, lower the inflation, create righteous income distribution, increase education level of its citizens, enhancing the rule of law, etc.

## **2. ECONOMIC REVERSE OF THE CORRUPTIVE CRIMINAL OFFENCES IN CROATIAN CRIMINAL CODE**

A short overview of the empiric research has clearly shown that the corruption is, to a stronger or weaker extent, connected to various aspects of economic activities with negative final consequences. But does the corruption solely result in harmful consequences, or besides varying intensity of the harmful consequences, there can even be a positive influence on the economy? Of course, in any case corruptive activities are not moral or lawful, i.e., socially acceptable. However, considering such effects is very important to clearly separate corruption activities which are more harmful in the economic sense from these activities that are less harmful, which implicates conducting of different criminal policy, whereas a higher weight should be put onto suppression of the corruptive activities that result in higher damage to the economy. This matter is important to the Croatian society, to, by preventing corruptive activities, efficiently encourage economic growth, employment, more efficient filling of central state, local and regional budgets.

In the sequel of this work let us see how Croatian Criminal Code describes corruptive criminal offences, as well as their respective economic consequences. Comprehension of the corruptive criminal offences according to the statistical evidence of Ministry of Interior of the Republic of Croatia is somewhat narrower than comprehension of the criminal corruptive activities of the Ministry of Justice of the Republic of Croatia. Therefore, in analysis of corruptive criminal offences we will use a broader comprehension of the Ministry of Justice of the Republic of Croatia:

- “Abuse of Trust in Business Dealings” from the Article 246. of the CC
- “Receiving or Giving Bribes during Bankruptcy Proceedings“ from the Article 251. of the CC
- “Receiving Bribes in Business Dealings“ from the Article 252. of CC
- “Giving Bribes in Business Dealings“ from the Article 253. of CC
- “Misuse of Public Procurement Procedures“ from the Article 254. of CC
- “Money Laundering“ from the Article 265. od CC

- “Abuse of Position and Authority“ from the Article 291. of CC
- “Unlawful Favouritism“ from the Article 292. of CC
- “Taking a Bribe“ from the Article 293. of CC
- “Giving a Bribe“ from The Article 294. of CC
- “Trading in Influence“ from the Article 295. of CC
- “Giving a Bribe for Trading in Influence“ from the Article 296. of CC
- “Bribing Representatives“ from the Article 339. of CC

Economic “substance“ in the corruptive criminal offences in Criminal Code is primarily defined through obtaining of proceeds of crime, as well as material damage caused by corruptive activity, without specifying the size of the corruptive amount as an aggravating circumstance in the qualified form of the deed. On the other hand, the size of the material damage, as a rule, defines a qualified form of a corruptive criminal offence, which is related with more severe sanction. Thus, for criminal offence from the article 246., item 2. of the Criminal Code, “Abuse of Trust in Business Dealings“ it is said that the perpetrator of this offence will be punished with prison sentence from one to ten years if the proceeds of crime or damage from the offence are substantial. Therefore, this penalty is twice higher compared to the same criminal offence from the item 1. According to the legal understanding of Criminal Department of the Supreme Court of the Republic of Croatia from the 27<sup>th</sup> December 2012., substantial criminal proceeds or significant damage exists, when its value exceeds HRK 60,000.00.

In criminal offence “Receiving or Giving Bribes during Bankruptcy Proceedings“ from the Article 251. of the Criminal Code there are no established economic values, and no size of the bribe is being established as an aggravating circumstance for perpetrating such an offence. In criminal offences “Receiving Bribes in Business Dealings“ from the Article 252. of CC and „Giving Bribes in Business Dealings“ from the Article 253. of CC there are no established economic values, and no size of the bribe is defined as an aggravating circumstance in performing such criminal offences, so only committing of the damage is mentioned, without defining of its scale. Also, in criminal offence “Misuse of Public Procurement Procedures“ from the Article 254. of the Criminal Code, just like in “Abuse of Trust in Business Dealings,“ from the Article 246. of Criminal Code, it is said that the perpetrator of these criminal offences will be punished with the prison sentence in duration of one to ten years, if substantial criminal proceeds is obtained, or a substantial damage has been caused. Such a penalty is two times longer in comparison to the same criminal offence from the item 1. However, criminal offence “Money Laundering,“ from the Article 265. of the Criminal Code is better defined, which is logical considering the substance of the deed and the aim of suppression of unlawful activities. Even in first three paragraphs of this work, criminal proceeds obtained by criminal offence is mentioned, while in the fifth paragraph criminal proceeds of substantial value is mentioned, which as per legal understanding of the Criminal Department of the Supreme Court dd 27<sup>th</sup> December 2012 amounts HRK 60,000.00 and is to be sanctioned by higher prison sentence. Criminal proceeds are also mentioned in paragraphs 6., 7. and 8., whereas paragraph 9. clearly states for criminal proceeds that such proceeds will be confiscated.

Criminal offence “Abuse of Position and Authority“ from the Article 291. of CC, item 1. states the obtaining of the criminal proceeds and causing of the damage without making difference between material and non-material damage. However, in criminal offence qualified in the item 2. it is stated that obtaining of substantial criminal proceeds or causing significant damage is to be punished with significantly longer prison sentence, that can be higher more than two times compared to the prison sentence the offence from the item 1. In “Unlawful Favouritism“ from the Article 292. of CC there are no defined economic values, although it is very important legal regulation of the unlawfulness related to the public procurement, which is a significant part of GDP of the Republic of Croatia. Also, there are no established economic values in criminal offences “Taking a Bribe“ from the Article 293. of CC and “Giving a Bribe“ from the Article 294. of CC and no size of the bribes is established as an aggravating circumstance in committing such criminal offences. Furthermore, even in the description of the criminal offence “Trading in Influence“ from the Article 295. of CC, “Giving a Bribe for Trading in Influence“ from the Article 296. of CC and “Bribing Representatives“ from the Article 339. of CC no economic values are established, and no aggravating circumstances in perpetrating for these criminal offences are mentioned.

**Table 1.** Corruptive Criminal Offences in Croatia and Economic Context in Definition of the Criminal Offence

<i>Corruptive Criminal Offences</i>	<i>Economic Substance in Definition of Criminal Offence</i>
“Abuse of Trust in Business Dealings” from the Article 246. of the CC	Substantial criminal proceeds or substantial damage
“Receiving or Giving Bribes during Bankruptcy Proceedings” from the Article 251. of the CC	Not contained
“Receiving Bribes in Business Dealings” from the Article 252. of CC	Not contained
“Giving Bribes in Business Dealings” from the Article 253. of CC	Not contained
“Misuse of Public Procurement Procedures” from the Article 254. of CC	Substantial criminal proceeds or substantial damage
“Money Laundering” from the Article 265. of CC	Criminal proceeds, substantial criminal proceeds, confiscation of the proceeds
“Abuse of Position and Authority” from the Article 291. of CC	Criminal proceeds or damage, substantial criminal proceeds or substantial damage
“Unlawful Favouritism” from the Article 292. of CC	Not contained
“Taking a Bribe” from the Article 293. of CC	Not contained
“Giving a Bribe” from The Article 294. of CC	Not contained
“Trading in Influence” from the Article 295. of CC	Not contained
“Giving a Bribe for Trading in Influence” from the Article 296. of CC	Not contained
“Bribing Representatives” from the Article 339. of CC	Not contained

Source: author's analysis

Off course, the absence of the established economic values, the size of the bribe or some other economic value, can be understood in a way that legislator would like to process efficiently all the forms of unlawfulness that these deeds comprise, regardless of the higher or lower value of the deed. It is important to point out, that in the description of the mentioned criminal offences no other impacts to the Croatian economy have been conceived, and they can vary a lot, as we have seen from the mentioned research. Differentiation of the corruptive activities that can cause large damages to the Croatian economy in comparison to such corruptive activities of which consequences are smaller, or that can even have some positive effects, should be adequately entered in legal determinants of the Criminal Code. Such important facts should not be only the object of subjective evaluation of the bodies of the criminal prosecution or legal authority, but also a part of legal determinants. Taking into consideration, that implementing of such laws is conducted by legal experts as a rule, an adequate economic component would be a certain connection to the efficient conduction of the economic, i.e., social policy.

### 3. SUPPRESSION OF THE CORRUPTION IN CROATIA

#### 3.1 “Good” Corruption and its Economic Consequences

Corruption can be observed and analysed in various ways. Corruptive activities can result in small, but also extremely large damage to the society. The number of corruptive perpetrators can range from only two persons, to a bigger number of participants on different corruptive levels and with varying levels of organization. Corruptive activities can be done only once, or they can be repeated in some time frame. Corruptive forms on higher levels of the social power are different to those on lower levels. We can separate corruptive forms according to the corruptive execution, whereas in modern society it is favoured by the development of the technic and technology. The clarity of the corruptive activity is not always obvious, and not all countries have the same legislative system.

Some authors, like Morris (2011) differentiate corruption on high and low level. Corruptive activities of the perpetrators from higher positions in authority or legislative would represent corruption on high level. Corruption on low level would be represented through corruptive activities of “plain“ public officials and the like. Morris (2011) has analysed corruption according to the position of the state official so he deemed it can be in authority, legislative, local authorities, customs offices, police, etc. Morris thinks that corruptive greed can be only subjective, but it can also comprise an organized group of persons. Grubisa (2010) differentiate active corruption, when someone’s activities initiate state official to the corruptive activity, but it can also be passive, if the initiator is state official by himself. Derencinovic (2001) thinks that the corrupter has an active, while a person he evolves into corruption has a passive role. Amundsen (1999) differentiate corruption between two perpetrators from corruptive activities that involve a bigger number of participants. On the other hand, Heywood (1997) differentiate corruption on local and on national level.

We have mentioned only smaller portion of various aspect of observing corruption. However, in the context of this work's theme, we shall analyse specific influence of the corruption to certain economic activities, that should not always result in economic damage, but that can consequently have positive effects to the economy, hence we call it “good“ corruption. Moreover, some East-Asian countries, like China, South Correa, Japan, Thailand and Indonesia have larger economic growth and development, despite relatively high level of the corruption in these countries, and this phenomenon is called “East-Asian Paradox“. Thus, Wedeman (2012) has especially researched reasons for strong economic growth of China, despite high corruption dispersion in the country. In the sequel, we will observe what consequences to the Croatian economy can be, through examples from the legal practice.

*Case study no. 1. “After conducted investigation, USKOK (Croatian State Prosecutor's Office for the Suppression of Organized Crime and Corruption), has filed an indictment against I.S. due to criminal offence of receiving bribe. The indictment charges I.S., that as a Prime Minister of the Croatian government, at the beginning of 2008, In Zagreb and in Budapest, with highly positioned official from the board of directors of MOL has arranged for the amount of EUR 10,000,000.00 to do anything in his power to conclude amendments of the Agreement of mutual relations of the shareholders, by which Republic of Croatia will with no grounds secure to MOL prevailing influence to INA (Croatian Oil Industry), and that, for the aforementioned amount a deal and an agreement would be concluded to separate gas business from INA, i.e. separation of the gas business section that produces loss and its overtaking from Croatian side. To realize the agreed, I.S. has, although he knew that conclusion of such agreements is not in the interest of the Republic of Croatia, by using his authority as a Prime Minister of Croatian Government, stated and enforced his conclusions, prepared in advance, of essential elements of these agreements and finally on 30<sup>th</sup> January 2009 such agreements were concluded, completely accepting all requests from MOL, and total agreed amount has been paid to I.S. in arrears.“<sup>1</sup>*

From the above mentioned concrete example it is obvious that County Court of Zagreb has filed indictment against I.S. whereas the accused is charged that as a consequence of his possible corruptive activities “*amendments of the Agreement of mutual relations of the shareholders, by which Republic of Croatia will with no grounds secure to MOL prevailing influence to INA (Croatian Oil Industry), and that, for the aforementioned amount a deal and an agreement would be concluded to separate gas business from INA, i.e. separation of the gas business section that produces loss and its overtaking from Croatian side*“. Therefore, negative effects of the possible corruptive activity to one of the most important economic subjects in Croatia are obvious. Moreover, additionally a part of gas business that creates loss and it is to be taken by the Republic of Croatia. However, there is the reverse of the medal, so we can also analyse effects of possible corruptive activities to the Hungarian economic subject. There are no such negative consequences, but as a result we have just the opposite, that by described circumstances “MOL has insubstantially secured prevailing influence on INA“ and in addition there would be “*separation of the gas business section that produces loss to the disadvantage of the Croatian side*“. According to the indictment the charge to the Hungarian partner would amount 10 million EUR. Economic benefit of the described activities significantly exceeds the above-mentioned amount, and for Hungarian side, it would definitely be a “good“ corruption. Certain political and legal parts of Hungarian society have strongly re-

---

<sup>1</sup> Modified according to <http://www.dorh.hr/PodignutaOptuznicaProtivIveSanadera01>, July 28, 2020

sisted to legal prosecution of “highly positioned person from the board of directors of MOL,” whereas the exact reason can be benefits to Hungarian society.

*Case study no. 2. “Based on a criminal report from PNUSKOK (Police National Office for Suppression of Organized Crime and Corruption), USKOK (Croatian State Prosecutor's Office for the Suppression of Organized Crime and Corruption) has ordered conduction of the investigation against four Croatian citizens, due to reasonable doubt to criminal offences of giving and receiving of the bribe and assistance in receiving bribe. There is a reasonable doubt that, in the period of 18<sup>th</sup> March until 15<sup>th</sup> of April, in Split and Zagreb, the 1<sup>st</sup> accused as a Chief of the Independent Department of Legal Affairs with Ministry of Physical Planning, Construction and State Assets, through 2<sup>nd</sup> accused, former employee of the Ministry of Physical Planning, Construction and State Assets, and at request from 3<sup>rd</sup> accused, founder of one Company and the 4<sup>th</sup> accused, actually in charge of the business of the Company, have been taking actions in order to obtain from Administrative department of Construction and Physical planning of the city of Split changing and amendment of the building permit issued to the Company in question as an investor in one hotel to be built to keep the size and the number of floors of the hotel, despite the fact that as per original building permit the size and number of floors were reduced. With the goal to realize the above-mentioned, 4<sup>th</sup> and 3<sup>rd</sup> accused have requested 2<sup>nd</sup> accused to intermedate in order for the Ministry of Physical Planning, Construction and State Assets to issue an opinion to their Company which would be basis to avoid pulling down the hotel's floor, and in the end for issuing changed and amended building permit, after which 2<sup>nd</sup> accused, using as a former employee of the Ministry of Physical Planning, Construction and State Assets, has used his acquaintance with 1<sup>st</sup> accused, has arranged a meeting of the 1<sup>st</sup> accused with 3<sup>rd</sup> and 4<sup>th</sup> accused in Zagreb, where 2<sup>nd</sup> accused also was present. After the 4<sup>th</sup> and 3<sup>rd</sup> accused have promised to financially award 1<sup>st</sup> accused for issuing of the mentioned opinion, 1<sup>st</sup> accused have first composed the text of the inquiry, that 4<sup>th</sup> and 3<sup>rd</sup> accused would send to the Ministry of Physical Planning, Construction and State Assets, on behalf of the Company, while 2<sup>nd</sup> accused was instructed to convey to them about the ways of delivery and to whom it should be addressed, all in order for 1<sup>st</sup> accused to issue to them the requested opinion on behalf of the Ministry of Physical Planning, Construction and State Assets. Then, 4<sup>th</sup> and 3<sup>rd</sup> accused, following the instructions of the 1<sup>st</sup> accused, have submitted the request for the opinion on behalf of the Company, and then 1<sup>st</sup> accused has, on behalf of the Ministry of Physical Planning, Construction and State Assets have issued the opinion adequate for obtaining changing and amending of the building permit, and 4<sup>th</sup> accused, according to the agreement with 3<sup>rd</sup> accused, has given the amount of EUR 660,00 to the 1<sup>st</sup> accused.<sup>2</sup>*

From the above-mentioned example it is obvious that the perpetrators have taken certain activities to “change and amend building permits issued to the mentioned company as an investor in a hotel building, so that, although the shape and size of the building have been reduced, final building size and number of floors remained the same“. At the same time, activities of the perpetrators were aimed to obtain “opinion as a basis not to pull down one floor of the hotel and based of this opinion a changed and amended building permit would be issued“. Thus, mentioned activities, for which there is a reasonable doubt that are a part of corruptive activities, would result with finishing of the hotel building, that would then commence its economic activity. The entrepreneur would be obliged to employ a certain number of persons, he would be obliged to fulfil his tax obligations, bank would be able to receive funds for the loan, etc. It is obvious that the described activities, which are allegedly corruptive, for a consequence have had certain positive economic results, so we can consider them a “good“ corruption.

### **3.2 Suppression of the Corruption in Croatia and Public Perception of the Suppression**

During last ten years legislative and institutional frames for the suppression of the corruption have been improved (Iacobuta et al., 2019; Simovic, 2020). The catalogue of the corruptive criminal offences has been broadened by defining of new corruptive activities, while the bodies of the prosecution have been strengthened by establishing special police national troops for corruption suppression and organized crime, a separate department for financial investigations within the Ministry of Finance, etc. De-

---

<sup>2</sup> Modified according to <http://www.dorh.hr/17042019>, July 28, 2020



spite positive movements in revealing and penal processing of the large corruptive affairs with substantial damages to the Croatian economy, there were no significant movement in the perception of the Croatian citizens of the efficiency of the corruption suppression in Croatia, which can be seen from the Table No. 2.

**Table 2.** Suppression of the Corruption in Croatia and CPI in the Period 2011 – 2019.

Years	Registered criminal offenses	Number of registered perpetrators	Damage in HRK	Corruption perceptions Index
2019	785	186	53.309.307	47
2018	515	99	18.051.381	48
2017	761	185	86.707.228	49
2016	905	181	130.584.318	49
2015	759	302	244.906.339	51
2014	920	280	310.797.557	48
2013	1940	615	941.965.674	48
2012	825	298	568.505.910	46
2011	911	383	1.054.309.386	40

Source: <https://mup.gov.hr/pristup-informacijama-16/statistika-228/statistika-mup-a-i-bilteni-o-sigurnosti-cestovnog-prometa/283233> , <https://www.transparency.org/en/countries/croatia#>

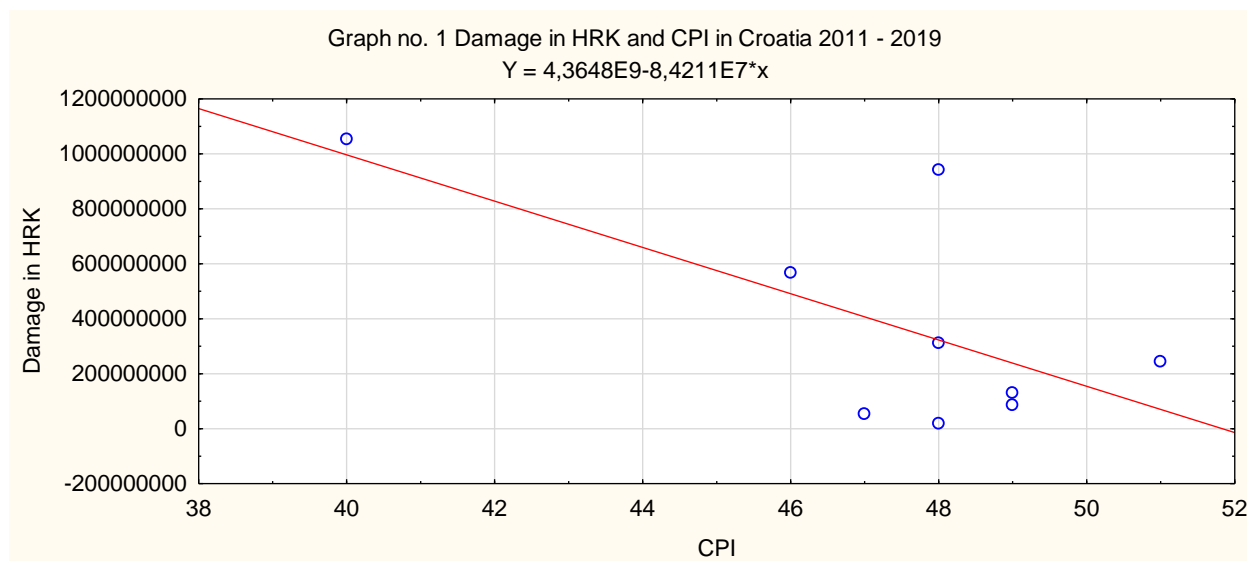
It is in the period from 2011 – 2019, when penal prosecution of economic affairs related to important economic subjects in Croatia occurred, such as INA, Agrokor, Uljanik, etc., and for important authority persons in governmental level, or in cities such as Zagreb, Split, etc. Thus, in the mentioned time frame 2529 perpetrators were reported for committing 8321 corruptive criminal offence, whereas established corruptive damage amounted HRK 3.409.137.100. However, still the biggest number of the processed cases of the corruptive criminal offences is related to the so called “street corruption,” i.e., corruption of lower ranked public officials.

**Table 3** Regression Results

<i>Number of corruption offenses and CPI in the period 2011 - 2019</i>				
Dependent: CPI	R = 0,02356	F = 0,00389	R <sup>2</sup> = 0,00056	df = 1,7
No. of cases: 9	adjusted R <sup>2</sup> = -0,14222	p = 0,952022	St. err. of est.: 3,29410	Intercept: 47,50099
Std.err: 2,90436	t (7) = 16,355	p = 0,0000	Corr. offenses b* = - 0,02	Y = 1069,462- 3,0614*x
<i>Number of perpetrators of corruption offenses and CPI in Croatia 2011 - 2019</i>				
Dependent: CPI	R = 0,23742	F = 0,41818	R <sup>2</sup> = 0,05637	df = 1,7
No. of cases: 9	adjusted R <sup>2</sup> = -0,07843	p = 0,53847	St. err. of est.: 3,20079	Intercept: 48,68905
Std.Error: 2,35235	t (7) = 20,698	p = 0,0000	Perp. of corrupt crimes b* = -0,24	Y = 834,0526- 11,6842*x
<i>Damage in HRK and CPI in Croatia 2011 - 2019</i>				
Dependent: CPI	R = 0,66601	F = 5,58029	R <sup>2</sup> = 0,44357	df = 1,7
No. of cases: 9	adjusted R <sup>2</sup> = 0,36408	p = 0,05017	St. err. of est.: 2,45788	Intercept: 49,32859
Std.Error: 1,17672	t (7) = 41,921	p = 0,0000	Dam. b* = -0,67	Y = 4,3648E9- 8,4211E7*x

Source: own calculation

The results of our research clearly show that processing of bigger number of perpetrators of corruptive criminal offences, just like enlarged number of disclosed corruptive offences have no significant impact to the perception of Croatian public opinion of the scale of the corruption in Croatia. Namely, “spectacular” actions of the police arrest, are often aimed to corruptive offenders on lower levels of social danger, that admit their responsibility for the crime to get milder punishments. It is interesting that the public perception reacts negatively to the processing of the larger corruptive affairs, that cause more significant consequences for Croatian economy, considering the perpetrators of the mentioned deeds would not be punished, or would not be adequately punished during long legal proceedings, which is obvious from the following graph.



Croatian citizens clearly feel consequences of the corruptive activities, as their standard is lowering, they are losing their jobs, they do not have equal possibility of obtaining a job and career advance, they do not have equal possibility of using health services, they do not have equal education possibilities, etc. Therefore, the suppression of the corruptive activities demands changing of the very paradigm of its suppression, that must be strategically oriented to those corruption forms that are most socially damaging, and especially such corruption that damages Croatian society. The point of the suppression of the corruption is not only in the quantity of the figures, but in suppressing the most damaging forms of the corruption, which are felt by citizens themselves.

## SUMMARY

Corruption, in its essence, is a negative social phenomenon, and as such it is morally and legally sanctioned in all social communities. However, not all corruptive activities are the same, moreover, they can substantially differ and result in different consequences. Despite its negative essence, corruptive activities can result with positive effects to a certain economy, which can refer to the growth of the GDP, employment rate, filling of the state budget, etc. Legislator in criminal legislative did not recognize possible positive effects of some economic activities, but they are treated just like all other corruptive activities. Just the opposite, it would be completely justified that the description of certain corruptive criminal offences comprises also mitigating circumstances for perpetrators of the corruptive activities that have positive effects to the society. In this way a positive movement would be made in penal policy and a higher weight would be put to suppression of such corruptive activities that produce bigger economic damage. This, off course, does not mean that perpetrators of the “good” corruptive activities would be not be investigated, but it would only change the priorities in criminal prosecution.

## REFERENCES

- Abed, G.T., Davoodi, H.R. (2002), "Corruption, structural reforms, and economic performance in the transition economies" in George T. Abed and Sanjeev Gupta (Ed.), *Governance, corruption & economic performance, International Monetary Fund, Publication Services, Washington, D.C.*, pp. 489-537.
- Aidt, T., Dutta, J., Sena, V. (2008), "Governance Regimes, Corruption and Growth: Theory and Evidence," *Journal of Comparative Economics*, Vol. 36, pp. 195-220.
- Alesina, A., Weder, B. (2002), "Do Corrupt Governments Receive Less Foreign Aid?," *American Economic Review*, Vol. 92, No. 4, pp. 1126-1137.
- Al-Marhubi, F.A. (2000), "Corruption and Inflation," *Economic Letters*, Vol. 66, pp. 199-202.
- Amundsen, I. (1999), "Political Corruption – an introduction to the issues", *Working Paper, Chr. Michelsen Institute, Bergen*: [http://www.consocia.org.br/uploads/biblioteca\\_arquivos/122/arquivo\\_05f01e79ad.pdf](http://www.consocia.org.br/uploads/biblioteca_arquivos/122/arquivo_05f01e79ad.pdf) , September 28, 2018
- Baumol, W.J. (1990), "Entrepreneurship: Productive, Unproductive, and Destructive", *Journal of Political Economy*, Vol. 98, No. 5, pp. 893-921.
- Brunetti, A., Kisunko, G., Weder, B. (1998), "Credibility of Rules and Economic Growth: Evidence from a Worldwide Survey of the Private Sector", *The World Bank Economic Review*, Vol. 12, No. 3. pp. 353-384.
- Cole I.M., Chawdhry, M.A. (2002), "Rent Seeking and Economic Growth: Evidence from a Panel of U.S. States," *Cato Journal, Cato Institute*, Vol. 22, No. 2, pp. 211-228,
- Derencinovic, D. (2001) "Corruption Myth", *NOCCI, Zagreb*: pp. 33-42 <https://www.transparency.org/what-is-corruption>, September 28, 2018
- Foellmi, R., Oechslin, M. (2003), "Who Gains From Non-Collusive Corruption?," *IEW Working Paper, University of Zurich*, No. 142.
- Grubisa, D. (2010), "Anti-corruption Policy in Croatia: Benchmark for EU Accession", *Political thought*, Vol. 47, No. 5, pp. 69-95 (in Croatian), <http://hrcak.srce.hr/file/102664>, October 1, 2018
- Gyimah-Brempong, K. (2002), "Corruption, Economic Growth, and Income Inequality in Africa," *Economics of Governance*, Vol. 3, No. 3, pp. 183-209.
- Gupta, S., De Mello, L., Sharan, R. (2001), "Corruption and Military Spending," *European Journal of Political Economy*, Vol. 17, No. 4, pp. 749-777.
- Gupta, S., Davoodi, H.R., Tiongson, E.R. (2002), "Corruption and the Provision of Health Care and Education Services," in George T. Abed and Sanjeev Gupta (Ed.): *Governance, Corruption, & Economic Performance, International Monetary Fund, Publication Services, Washington, D.C.*, pp. 254-279.
- Heywood, P. (1997), "Political Corruption: Problems and Perspectives," *Political studies*, Vol. 45, No. 3, pp. 417-435. URL:<http://onlinelibrary.wiley.com/doi/10.1111/1467-9248.00089/pdf>, October 1, 2018
- Hines, J. R. (1995), "Forbidden Payments: Foreign Bribery and American Business After 1977", *NBER Working Paper*, National Bureau of Economic Research (NBER), *Cambridge*, No. 5266.
- Honlonkou, A., (2003), "Corruption, inflation, croissance et développement humain durable: Y a-t-il un lien?," *Mondes en Développement*, Vol. 31, No. 3, pp. 89-106.
- Johnson, S., Kaufmann, D., Shleifer, A. (1997), "The Unofficial Economy in Transition," *Brookings Papers on Economic Activity, Brookings Institution*, Vol. 2, pp. 159-239.
- Iacobuta, A-O., Mursa, G.C., Mihai, C., Cautisanu, C., Cismas, L.M. (2019), "Institutions and Sustainable Development: A Cross-Country Analysis", *Transformations in Business & Economics*, Vol. 18, No. 2A (47A), pp.628-646.
- Friedman, E., Johnson, S., Kaufmann, D., Zoido-Lobaton, P. (2000), "Dodging the Grabbing Hand: The Determinants of Unofficial Activity in 69 Countries", *Journal of Public Economics*, Vol. 76, No. 3, pp. 459-493.
- Mauro, P. (1995), "Corruption and Growth," *Quarterly Journal of Economics*, Vol. 110, No. 3, pp. 681-712.
- Mauro, P. (1998), "Corruption and the Composition of Government Expenditure", *Journal of Public Economics*, Vol. 69, No. 2, pp. 263-279.
- Méndez, F., Sepúlveda, F. (2006), "Corruption, Growth and Political Regimes: Cross Country Evidence", *European Journal of Political Economy*, Vol. 22, pp. 82-98.
- Morris, S.D. (2011), "Forms of Corruption", *CESifo Dice Report*, Vol. 2, pp. 3-7.

- Murphy, K.M., Shleifer, A., Vishny, R.W. (1991), "The Allocation of Talent: Implications for Growth", *The Quarterly Journal of Economics*, Vol. 106, No. 2, pp. 503-530.
- Neeman, Z.D. Paserman, S.A. (2004), "Corruption and openness", *Department of Economics, Working Paper*, No. 353, *Hebrew University, Jerusalem*.
- Pellegrini, L. Gerlagh, R. (2004), "Corruption's Effect on Growth and its Transmission Channels", *Kyklos*, Vol. 57, No. 3, pp. 429-456.
- Piplica, D. (2011), "Corruption and Inflation in Transition EU Member Countries", *Economic thought and practice*, Vol. XX, No. 2, pp. 469-506 (in Croatian).
- Piplica, D., Covo, P. (2011), "Corruption and Economic Growth in Croatia", *Oeconomica Jadertina*, Vol. 2, pp. 85-99
- Poirson, H. (1998), "Economic Security, Private Investment, and Growth in Developing Countries", *IMF Working Paper*, No. WP/98/4, Washington D.C.
- Rahmani, T., Yousefi, H. (2009), "Corruption, Monetary Policy and Inflation: A Cross Country Examination", Unpublished manuscript.
- Rock, M.T., Bonnett, H. (2004), "The Comparative Politics of Corruption: Accounting for the East Asian Paradox in Empirical Studies of Corruption, Growth and Investment", *World Development*, Vol. 32, No. 6, pp. 999-1017.
- Simovic, M. (2020), "Deficit in the Rule of Law as an Institutional Phenomenon in the Countries of Southeast Europe", *Transformations in Business & Economics*, Vol. 19, No. 2 (50), pp. 171-181.
- Tanzi, V., Davoodi, H.R. (2002), "Corruption, Public Investment, and Growth," in G.T. Abed and S. Gupta (Ed.), *Governance, Corruption, & Economic Performance*, International Monetary Fund, Publication Services, Washington, D.C., pp. 280-299.
- Wedeman, A. (2012), "Double Paradox: Rapid Growth and Rising Corruption in China", *Cornell University Press*; 1 edition.
- Wei, S.J. (1999), "Does Corruption Relieve Foreign Investors of the Burden of Taxes and Capital Controls?", *World Bank, Policy Research Working Paper*, No. 2209, Washington D.C.