

REDUCING CORRUPTION IN POST-COMMUNIST COUNTRIES

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ABSTRACT

International experience in combating corruption is relatively easily identify the causes and single out the societies with high levels of corruption in their bureaucracies and private sectors. It is much more difficult to prescribe effective remedies and even more problematic to get new approaches applied in an appropriate and sustained fashion. This is particularly true with respect to the post-communist countries that embarked on the road of transition to a new economic and political reality over a decade ago. Making significant advances along this road has turned out to be much more difficult than expected at the beginning and has revealed risks and obstacles not anticipated. The article explores to what extent the task of containing corruption was on the agenda of public management reforms in these countries, the impact of these reforms on the level of corruption, if any, and seeks to identify more effective approaches for combating corruption in transitional states.

INTRODUCTION

Following the demise of the communist system many CEE (Central and Eastern European) and CIS (Commonwealth of Independent States) countries announced reform of their state administrations. The article explores to what extent the task of containing corruption was on the agenda of public management reforms in these countries, the impact of these reforms on the level of corruption, if any, and seeks to identify more effective approaches for combating corruption in transitional states.

International experience in combating corruption shows that it is relatively easy to identify the causes of this “disease” and to single out the societies with high levels of corruption in their bureaucracies and private sectors, whereas it is much more difficult to prescribe effective remedies and even more problematic to get new approaches applied in an appropriate and sustained fashion. This is particularly true with respect to the post-communist countries that embarked on the road of transition to a new economic and political reality over a decade ago. Making significant advances along this road has turned out to be much more difficult than expected at the beginning and has revealed risks and obstacles not anticipated.

From the perspective of this article, it is observed that in its many forms corruption exists everywhere -- in rich countries and in poor, in the public as well as in the private sectors, and in virtually all regions of the world. What varies among nations and regions are the extent and the prevailing forms of corruption -- and also the level of tolerance of society toward this phenomenon. To quote a respected source, “...corruption has been increasing in virtually all kinds of politico-economic system since the 1980s,” (Holmes, 1999) and it is commonly recognized that corruption is wide spread in former communist countries. Since late 1980s corruption has grown considerably in dimensions

and in the variety of forms it takes, and at present it poses a serious threat to the democratic gains and the advance of public sector reform in these countries.

A recent World Bank study of the corruption in the transitional countries points out that,

In those countries where the problem is most entrenched corruption undermines the driving force behind the reform. New firms are driven into the underground economy. Vital resources are siphoned off shore. Foreign investors turn away in frustration. As a result some countries risk of becoming trapped in a vicious circle in which pervasive corruption reduces public revenues, undermines public trust, and weakens the credibility of the state, unless decisive leadership can push through the necessary reforms (World Bank, 2000: 24).

Apart from obvious distortion of economic activity, corruption increases inequality and hits the poor hardest either directly or indirectly, e.g., instances of squandered or stolen development loans. As Miller notes, "The state is cheated out of revenue by those who bribe officials, and consequently has to impose greater tax burdens on those who cannot avoid payment by bribing officials and/or let public services, on which the poor in particular depend, collapse." (Miller, 2002).

Furthermore, corruption undermines the rule of law, leads to double ethical standards and results in alienation of citizens from the state. At the same time, examples of successful anti-corruption strategies do exist (some of them are described below) and this fact should encourage developers and managers of future reforms to be consistent and resolute in their efforts in spite of temporary failures and setbacks.

THE ROOTS OF CORRUPTION IN THE TRANSITION COUNTRIES

It appears that corruption has reached new proportions worldwide (e.g., witness the recent scandals in the US corporate environment with Enron, TYCO and other firms), but perhaps this perception is due to more and better media coverage of corruption. After all bad news sells better than good news. In the transition countries, corruption has become generally less risky because it has become institutionalized, leading to increased public cynicism about the power of new governments to stop it. Corruption also has become more cash-oriented to avoid detection and taxation and, as a result of cartel formation and mergers, has become more profitable. This reminds one of what has happened since 1980 in the worldwide illegal drug business, despite a U.S. led international "war on drugs", e.g., from Columbia to Southeast Asia and Afghanistan. In some transition countries corruption is so institutionalized that it has become the norm to the extent that market have developed for monopoly operation of formerly state-owned enterprises, portfolios and services. As many former government officials, government appointees and civil servants have become involved in management of commercial activities, some of these entities have grown strong enough to define state policy at least in certain areas.

In Russia, for example, rights to operate some monopolies were essentially distributed as political "spoils" during economic transition in the early 1990s to former high ranking government officials and prominent businessmen. This action essentially

guaranteed that no real markets would develop for provision of many services, i.e., markets for services will not develop and an absence of competition will prevent production of promised consumer benefits.

EXPLAINING THE PREVALENCE OF CORRUPTION

There are many reasons for the upsurge of corruption in Central and Eastern Europe. The legacy of the past -- not only that of the communists -- but originating further back in history, e.g. from Austrian-Hungarian empire or tsarist Russia) explains to a considerable extent a long-term departure from ethical standards of good governance, accountability, transparency and the steady movement toward private rent seeking in the bureaucracy, and continuing domination by the state in the economy so typical of the former command structures. This is combined with a deeply rooted bureaucratic mentality of treating citizens as “inferiors”. Furthermore, citizens have been conditioned to wait for the state to tell them what to do as producers and consumers, particularly the older generations that grew up under communist regimes.

Economic decline and uncertainty has been produced political instability. Poverty and low salaries of civil servants as well as low job security in particular for high-level officials feeds large-scale corruption. At the same time, political and economic instability, along with a lack of clear, stable rules, reduces the planning horizons of market agents and induces them to undertake the risks of unlawful deals with government officeholders in pursuit of beneficial pay-offs.

Shortage of appropriate legislation and, what is more important, poor, if any, enforcement of the existing laws and norms complicates the situation in these nations. Legal reforms fail to meet the rapidly expanding and evolving demand for rules to support and regulate the emerging market economies and civil societies.

Weak and inefficient state bureaucracy of previous regimes aim to survive transition and spares no efforts to insure its self-preservation. Under these conditions the state fails to provide the rule of law and other mandated public inputs and services. Again, legitimate businesses, who are denied official protection of their rights, seek “special” relations with government officials to stay in operation.

Undeveloped civil society and weakness or lack of democratic traditions is an underlying cause of corruption. Socio-economic crisis leads to common frustration with the inability of the state to perform its basic functions, resulting in even greater alienation of citizens from the government. Low respect for the rule of law undermines attempts to create effective safeguards against corruption.

All of this has created favorable conditions for the emergence or continuation of various types of corruption. Furthermore, these “traditional” stimuli for corruption have been complemented by new opportunities for corrupt behavior that have emerged following collapse of the repressive but somewhat effective command-and-control structures in the CEE and CIS countries. The establishment of new political and economic institutions was accompanied by massive redistribution of state assets and thus created favorable conditions for administrative corruption. New horizons for embezzlement and graft opened up with the launch of privatization, lessened control of exports and imports, and the expansion of the shadow economy. In some extreme but far from

exceptional cases, state officials sold off state assets to themselves, at prices considerably below what the market would have defined.

For example, it is estimated that in the early 1990s in Russia, approximately 30% of all decisions on privatization were taken in violation of the existing legislation and normative tenets. (INDEM, 1998.) Attempts to pass anticorruption laws and have them adequately enforced have been attempted regularly since 1993 but, so far, with little or no success. The annual damage to the Russian state budget and economy caused by corruption is estimated at around \$16 billion (Ustinov, 2001).

The demise of the communist system also meant that the former "master", the communist party, which exercised strict control over conduct of its members and citizens, disappeared, but a new regime, one of democratic institutions, was not strong enough to effectively make the bureaucracy serve the democratic state and the people. While appropriate legislation, control and accountability were virtually absent, resource allocation has remained in the hands of government officials, who in most cases decided on their own which strategic enterprises were to be privatized, the rules for purchasing them, and in some cases who would win new ownership rights -- although typically such decisions were made by political insiders and not bureaucrats..

In addition, corruption in the post-communist countries has been to a considerable extent generated by old customs and views. Due to the persistent tradition of patronage (inherited from the pre-communist and communist times) the state is still considered by high-ranking officials and citizens as the main actor in resource allocation, and also as a patron dealing with a select clientele. Therefore, many bureaucrats find it difficult to draw a clear line between public and private domains and, consequently, are complicit with corrupt practices.

AN ALGORITHM TO EXPLAIN CORRUPTION AND POTENTIAL CURES

A well-known formula to explain corruption is: $C = M + D - A$ (corruption equals monopoly plus discretion, minus accountability). This formulation adequately reflects the origin of corruption, in particular in post communist states. From the view of Robert Klitgaard, Dean of the Rand Graduate School in the USA and a highly regarded scholar in the field of corruption, "...whether the activity is public, private or non-profit, and whether it is carried out in Ouagadougou or Washington, one will tend to find corruption when an organization or person has a monopoly power over a good or service, has the discretion to decide who will receive it and how much that person will get, and is not accountable." (Klitgaard, 1998: 24). In his view combating corruption, therefore, begins with improving public management systems. Monopolies must be reduced, or be carefully regulated. Official discretion must be clarified. Transparency must be enhanced. The probability of getting caught must increase, and the penalties for corruption for both givers and takers must rise.

One may conclude, quite justifiably, that it is easy to declare these objectives, but it is much more difficult to achieve them in practice. This is particularly true, if we consider countries with a relatively high degree of political instability, economic turmoil, undeveloped institutional frameworks and weak civil societies and traditions.

In the end, corruption comes down to two dimensions -- people and opportunity. As highlighted at the First Global Forum on Fighting Corruption (February 1999), about 90% of corruptive behavior has everything to do with the opportunity to corrupt. Changing the public mentality also is important. However, these things take time and effort, whereas curtailing some opportunity can be achieved in a relatively short period of time and with relatively limited resources. Furthermore, less opportunity produces a different environment. The latter in turn fosters a different mentality in government, business and society. Therefore, the priority objective is to diminish opportunities for corruption through a change in some of the incentives that stimulate it.

There exists a close link between opportunity and patterns of government and governance. Rose-Ackerman explains that the nature of corruption depends both on the organization of government and on the power of individuals. These two elements are rooted in the patterns of government and governance and directly affect the scope of opportunities for corrupt behavior. Patterns of government and governance can be improved, in particular through carefully designed and consistently implemented public management reform. Within the framework of public management reform, opportunities for graft and embezzlement may be dealt with and reduced through enhanced deregulation, transparency and accountability (Rose-Ackerman, 1999). The example of Thailand may be one of success in this regard, but it is too early to tell. The Thai government has institutionalized anti-corruption measures through passage of law, creation of an anti-corruption court and stronger enforcement effort but the results of reform are not yet clear.

Therefore, public management reform offers, "...new modes of action by new sorts of actors, in a joint effort to reveal, destabilize, and subvert corruption." (Klitgaard, 2000: 48) This is particularly important in cases when corruption is endemic as in the post-communist CEE and CIS nations.

CORRUPTION AND THE PROMISE OF PUBLIC MANAGEMENT REFORM

In late 1980s and early 1990s of the past century the governments of CEE and CIS countries regarded political and economic reform as their obvious priority and placed this on the top of their agendas. Declarations to launch reform of public management were also made, but in most cases they reflected long-term intentions rather than immediate plans. In those states where such reform was actually undertaken, the process turned out to be fragmentary, incomplete and confined mainly to the adoption (versus enforcement) of a new legislation. In some cases, initiatives were limited to policy statements and strategy reports. The necessity for genuine public management reform, not just cosmetic measures, was realized in most countries later, in the second half of the 1990s. At this time, weaknesses of state institutions became apparent and its impact on slow progress of economic and other reforms in the region was evident. Countries that applied for accession to the European Union were subjected to pressure from Brussels to speed up improvement of their administrative capacities to meet EU standards in this field, and this may have helped to some extent. But, it did little for non-applicants.

The majority of countries in the CEE and CIS regions have adopted new legislation in the areas of public administration roles and standards of ethical behavior for civil

servants. However, the laws prove to be of little worth unless there exists a sound mechanism of their enforcement. In illustration, in 1992 the President of the Russian Federation signed a decree, "On fighting corruption in the civil service", which stipulated in particular that every civil servant should regularly submit income and property declarations. It took more than five years and another presidential decree in 1997 before this requirement started to be enforced (INDEM, 1998).

In broad terms, reform of public administration in CEE and CIS countries has achieved little progress to date in addressing such basic issues as developing management and policy making capacity, defining appropriate accountability systems, creating employment conditions capable of attracting highly qualified staff, streamlining relations between politicians and career civil servants, and reducing opportunities for corruption. This is in particular reflected in the reports and dialogue of the European Commission (1997, 1998, and 1999) on the progress of reforming public administration systems in the country candidates for accession to the EU. These reports described fragmented and politicized administrations, rife with allegations of corruption, underpaid staff and high level of staff turnover in most states.

As a rule, the anticorruption component of reforms was not distinctly articulated in the agendas of the above-mentioned nations, or at best it was confined to improvement of ethical standards of civil servants. During these period there have been numerous anticorruption "campaigns" in CEE and CIS countries launched separate from public management reforms. However, coordination with the latter has been generally weak, or non-existent. Many such campaigns were very ambitious, relied on untested instruments of enforcement in addressing the roots of the problem and usually ended half-way through the implementation stage, producing in the end less than modest results. At the same time even these rather modest attempts to constrain corruption exposed powerful opposition of vested interests. The accumulated experience demonstrates also that anticorruption campaigns frequently are used as an instrument to undermine the positions of political opponents, i.e., these initiatives become part of "politics as usual."

It may be concluded that there has not been a systematic and consistent effort made yet on the part of CEE and CIS governments to challenge expansion of corruption in their countries. As the Global Corruption Report 2001 indicates, "The region's relative success stories in terms of reform -- advances and openness Hungary, Poland and Slovenia -- have come far in the transition process, witnessing considerable corruption along the way." (Transparency International, 2001).

CITIZEN ATTITUDES TOWARD CORRUPTION

Analysis of the 2001 Corruption Perception Index compiled by Transparency International (see Annex A), reveals some important facts and lessons. Such countries as Hungary, Slovenia, Poland, considered to be relatively more advanced in implementing public management reform within the former "Soviet block", place higher on the list and therefore are assessed to be less infected by corruption compared to their neighbors. The only exception is Estonia, which has the best anti-corruption rating among CEE and CIS states, but has achieved, so far, rather average progress in reforming public administration. This supports the rather obvious conclusion that public management reform is only one of the factors that affects levels of corruption in any

country. In the case of Estonia, this may well be the product of the Nordic tradition of relative “immunity” from corruption, reflected also in the high ratings of Finland, Denmark and Sweden. Still, even in Estonia, instances of corruption by police are plentiful, e.g., in “looking the other way” on vice crimes and in corrupt enforcement of automobile traffic laws. Bribe-taking still is commonplace in a police force dominated by former “Soviet” security officials and police. This appears to be a worse problem in Estonia than in Latvia or Lithuania in fact, despite the CP Index scoring.

Another survey on the corruption climate in eleven post-communist countries carried out in 1999 by the Institute of Market Research in Prague resulted in some interesting findings (see Annex 2). The survey actually confirmed that citizens of Central and Eastern European countries are extremely critical of the problem of corruption in their state administrations. An overwhelming majority of respondents believe they live in a corrupt state and that their governments do not want to take effective measures against corruption. At the same time, most people prefer to adopt an attitude of passive observation rather than that of active opposition in relation to corruption. According to the survey findings, Slovakia is the country with the highest proportion of citizens who consider living with corruption as absolutely necessary to lead a normal life. Close to Slovakia in this respect came Hungary and Czech Republic. These findings refute a commonly held regional stereotype, “the further to the East the more essential to give bribes.”

The passive attitude of citizens of Central and Eastern Europe is very illustrative. To a considerable extent it stems from unfulfilled promises and numerous failures to contain corruption in these countries. One may suggest that unless this attitude is transformed into more active opposition, there is little chance for success of anti-corruption efforts in Central and Eastern Europe. Public apathy in Eastern Europe regarding anti-corruption policies, “...represents a formidable stumbling block.” (Cirtautas, 2001) Therefore, it is essential to achieve even partial improvements in this area to encourage people, to raise their hopes and promote changes in their attitude so they feel more empowered to support fights against corruption. However, without significant state anti-corruption reform, such change in public attitudes and expectations will not come to pass.

CAUSALITY AND CONSTRAINTS

Is there a line of causality between public management reform and reduction of corruption? If we proceed from a logical approach we may assume that a more professional, well motivated, better educated and trained, more transparent and accountable state administration should be less vulnerable to corruption than a corps of poorly educated, badly paid and poorly motivated administrators constrained by archaic rules and norms and working in an unstable and elite clientele-based environment. “Post-communist countries that have implemented less reform are generally perceived to be more corrupt than those that have introduced more reform.” (Holmes, 1999) This assumption appears to be generally correct and it is reaffirmed by the findings of Transparency International and the World Bank. A report prepared by the World Bank based on the findings of detailed surveys conducted in Albania, Georgia and Latvia concludes that, “...anticorruption efforts should focus on reforming public policies and institutions.” (World Bank, 1998: 54)

The examples of successful anti-corruption programs in Hong Kong and Singapore also highlight the crucial role of public administration reform in tackling corruption, even when it is deeply entrenched. We should bear in mind however that “allergy” to corruption may come from factors other than successful administrative or economic reform, e.g., peculiarities of historical development or well rooted democratic traditions, e.g., as in Estonia..

It is widely acknowledged that effective anti-corruption strategy should contain a comprehensive set of measures that go far beyond issues of organization, procedures, ethics and punishment. Recommendations advocated in particular by the World Bank are undoubtedly justified but, at the same time, as a rule are highly resources and time consuming, e.g., the WB states the need “...to target broader structural relationships, including the internal organization of the political system, relationships among core state institutions, the interactions between the state and firms, and the relationship between the state and civil society” (World Bank, 2000: 24).

Typically, the political leadership in the region, even if it is highly committed to changing the existing situation, does not have enough resources or sufficient support to implement a full-scale anticorruption program. As a body it is confronted with powerful resistance from vested interests. This is particularly true with regard to most CEE and CIS states. Therefore, identification of priorities in anticorruption strategy that are most likely to achieve progress in a few selected areas is crucial.

Remarkable in this respect are the marginalist recommendations of the World Bank Office in Poland, “...it is not always practical to tackle the worst areas first. It can be more important to identify committed leaders in areas where practical results can be achieved, creating demonstration effects and raising the credibility of the anti-corruption programme... ” (World Bank, 2001: 56). Such an approach is more likely to enable hope and gain needed support in the broader society and, hence, more useful to build a sound platform for further resolute and comprehensive actions. Something needs be done to show even small but exemplary results in the short run, to generate confidence that change is possible, to convince citizens of good prospects for anticorruption efforts and to encourage their participation. In societies where the state has led in the past, some evidence of “frying even small fish” will be helpful.

Advocating a marginalist approach does not mean that larger initiatives are any less important. Rather, economic deregulation, reducing the discretionary power of the state, removal of excessive and non-value adding administrative rules, complemented by increased transparency and accountability and strengthened by attempts to build broad anti-corruption social and economic coalitions appear to be pivotal for achieving critical mass in the fight against corruption.

THE ROLE OF LEADERSHIP, DEREGULATION, TRANSPARENCY AND ACCOUNTABILITY

Managers of public management reform in CEE and CIS countries should focus on identification of “bad practices”, and “vulnerable” arrangements that create administrative barriers and artificial deficits of services by the state and facilitate “administrative blackmail” and other corruptive behavior. The powers of officials to exercise control and impose possible sanctions should be reviewed to assess their

vulnerability. Measures to reduce interference by the state in business affairs also should be considered. Particular attention should be paid to handling of public procurement and elimination of excessive administrative burdens, e.g., unnecessary licenses, permits, fees etc..

An interesting illustration is provided by Timothy Fry, who, after having studied the business environment in Poland and Russia, advocates public management reform as an effective instrument for reducing corruption. His main recommendation is to curtail the discretionary power of the state bureaucracy. He compares Polish and Russian experience and gives an example of an average shopkeeper, who in order to open his business needs has to visit six different agencies in Moscow and four in Warsaw. After the start of business this businessman is inspected by various agencies on an average of nine times annually in Warsaw and nineteen times in Moscow. The key to the problem is apparent in Fry's view – get rid of monopoly and introduce strict and transparent rules for operation and inspection (Fry, 1998: 31).

On June 6, 2002 the Russian State Duma adopted amendments to the Criminal Code, which impose criminal responsibility for creating impediments to the legitimate entrepreneurial activities. From now on, unfounded refusal to register a legal entity or to grant license will be prosecuted by law (Rossijskaya Gazeta, 2002).

In another example, until recently Russian traffic policeman were empowered to determine on the spot the amount of fine (within a certain range -- usually from \$5 to \$40) that should be imposed on drivers for virtually every type of traffic violation, depending on the “graveness” of misconduct. This created very favorable ground for graft. Recently the police have been largely deprived of this discretionary power because precise levels of fines were fixed for almost every type of traffic violation. Still, some corrupt discretion still is present; only better training and hiring practices, increased professionalism and adoption of ethical standards of behavior will curb such practices in a comprehensive manner. And the importance of role of the public in objecting to fines that fall outside the rules cannot be understated. Some corruption can be prevented by direct citizen action – however, at some risk.

In spite of some advances in the right direction made recently, the major anticorruption battles are still to come in CEE and CIS nations. In Moscow in May 2003, the issue of cutting redundant functions of individual ministries (assessed by a special commission to be approximately 500 functions) was discussed at a meeting of the Russian government. The event revealed that canceling even the 35 most obviously irrelevant functions turned out to be difficult as this measure met with strong opposition from state bureaucrats (Zvereva, 2003).

Deregulation and removal of administrative barriers should be complemented by measures enhancing transparency and accountability. These are directed above all at introducing a clear-cut and transparent mechanism of decision making, regular briefing of public on the results of all investigations in the field of corruption and organised crime, ensuring greater public oversight in particular over fiscal management and administration of public procurement, taking appropriate criminal, administrative and disciplinary measures against persons involved in embezzlement and graft.

In most CEE countries, punishments of officials convicted of corruption generally remain soft. For instance, out of the 70 sentences passed in 1996 on Polish officials accused of accepting bribes, the most severe was two years of imprisonment (Holmes, 1999). In the opinion of Holmes, it could be argued that if officials perform a crude cost-benefit analysis, for many of them it is economically rational to engage in corruption even if they get caught and are found guilty. Obviously, such situation can hardly be defined as optimal if the CEE and CIS governments are serious about combating corruption.

The role of media in strengthening transparency should not be underestimated. A major police corruption scandal in the city of Poznań, Poland erupted in March 1994 primarily as the result of a front-page article in the newspaper *Gazeta Wyborcza*. And a late-1996 scandal concerning the Hungarian privatization board broke with the publication of an article in the economic weekly *Figyelo*. (Holmes, 1999)

Related to the role of the media, the accumulated experience of formation of broad coalitions in some of the post communist countries deserves special attention. A coalition of this type in the Ukraine called “The Freedom of Choice” was established by several hundred NGOs in 1999 to monitor and trace possible campaign violations during presidential elections. The coalition continued its activities after the elections and served as a good starting point for better coordinated support of country-wide anti-corruption measures. (Sikora, 2002)

It is noteworthy that the basic elements of approaches advocated here have been tested in an environment similar to that of Central Eastern Europe at least with respect to the scale of corruption. Lessons may be drawn from the South Korean experience, where bureaucracy was once widely acknowledged to be exceptionally corrupt. It is not an exaggeration to state that Seoul civil servants had often regarded abuse of their official positions as part of their “job descriptions”. A systematic approach to eradicate corruption adopted by the South Korean government brought about positive and relatively quick results. The basic elements of this approach consisted of: a) radical deregulation that led to the abolishment and revision of 80% of regulations that were unduly confining; b) introduction of internet based systems to monitor the real-time processing of citizen applications, accessible to everyone; c) strengthening partnership with citizens and NGOs, in particular establishing direct dialogue between citizens and city mayors; d) regular evaluation of the level of integrity of each administrative unit against an Anti-Corruption Index and introducing competition between government units (Rekhviashvili, 2002).

Hong Kong and Singapore provide other examples of effective anti-corruption strategy. “Once among the world's most corrupt places, they have become two of its cleaner business centers.” according to Philip Segal. The keys to the success of anti-corruption measures among the “Asian tigers” consisted of strong commitment of top leadership, ensuring transparency, hard-edged law enforcement, exclusion of police from the reform process, and wide public participation and support (Segal, 1999).

SITUATIONS OF SYSTEMATIC CORRUPTION

Some clues to dealing with cases of embedded corruption have been described above. However, as Klitgaard notes, “When systems are so thoroughly corrupted, there may be little if any political will. Calling for better agents, improved incentives, better

information, more competition, less official discretion, and higher moral costs is well and good. But who's going to listen? Who's going to act? When corruption reaches this point, the usual anti-corruption remedies may have little traction.” (Klitgaard, 2000: 44)

Klitgaard argues that “...when corruption becomes systematic, coping with it must go beyond implementing liberal economic policies, enacting better laws, reducing the number and complexity of regulations and providing more training, helpful though these steps may be.” He suggests that fighting systematic corruption requires administering a shock to disturb a corrupt equilibrium (Klitgaard, 1998). This may be appropriate provided there is strong support for the anti-corruption measures by the society and political opposition, which, as we know, is not always the case. Without this support the chances of failure are high and failure can move the whole process many years backwards.

Therefore, more relevant is another argument by Klitgaard, “If we cannot engineer incorruptible officials and citizens, we can nonetheless foster competition, change incentives and enhance accountability - in short fix the systems that breed corruption.” (Klitgaard, 1998). Changing systemic and institutionalized practices in government and business that provide incentives which encourage and support corrupt behavior is essential.

Leadership is essential in fighting corruption. A recent World Bank publication emphasized that, “...where state institutions with weak administrative capacity co-exist with a high concentration of vested interests and a state highly susceptible to capture, the problem of corruption is particularly challenging...in developing anticorruption strategy in the countries with systematic corruption it is critical to search for a feasible entry point to break the obstacles that prevent further reforms.” (World Bank, 2000) Leaders in government and business can provide critical entry points if they are so inclined. The World Bank suggests further that, “...efforts to build up demonstration effects through intensive work with carefully selected organisations, sectors or regional authorities might provide a method of entry into broader anticorruption work.” (World Bank, 2000) The approaches advocated by Klitgaard and the World Bank largely coincide with the views advocated in this article.

Finally, there is one rather obvious consideration that, however, continues to be neglected in practice. As stressed at a recent meeting of OECD Anti-Corruption Network, “Outsiders can never fundamentally root out corruption for others. Rather, people and societies must create their own integrity and incentive systems for achieving good governance and reducing corruption. On the other hand, because outside aid can either contribute to corruption or be a positive force for its eradication, it is important that donor agencies design their efforts to avoid negative impacts and maximize positive impacts.” (Rekhviashvili, 2002)

CONCLUSIONS

Based upon the description and analysis of corruption in post-communist nations provided in this article the following conclusions may be drawn:

1. In 1990s public management reforms in CEE and CIS countries failed to achieve many of their proclaimed objectives. As a rule these reforms did not comprise a distinct anti-corruption component;
2. CEE and CIS countries considered to be relatively more advanced in implementing public management reform are generally less afflicted by corruption than their neighbors with less advanced records of reform implementation;
3. People in Central and Eastern Europe tend to adopt an attitude of passive observation rather than active opposition in relation to corruption. Unless this attitude is transformed into more active opposition there is little chance for success of anti-corruption efforts in Central and Eastern Europe. Therefore, it is essential to achieve even limited improvements in constraining corruption to encourage people to resist corrupt practices, to raise their hopes, and to promote changes in their attitudes.
4. Leaders in post-communist countries who have committed themselves to resolute actions against corruption often face evident shortages of resources, little stakeholder support and powerful resistance by vested interests. In such cases, implementation of a full-scale comprehensive anti-corruption program is problematic. The situation necessitates elaboration of a more marginal strategy aimed at changing the existing patterns and norms of governance and achieving progress at least in separate selected areas, i.e., picking and hitting targets that are achievable and that will have high visibility in the media and with average citizens. This is crucial for gaining much needed support of citizens and society in formation of a broad anti-corruption coalition;
5. In most cases corruption is linked to opportunity. Reduction of opportunity, especially at grass root levels, as part of public management reform efforts may result in notable improvements and ensure greater public support and participation in anti-corruption programs. These improvements can be achieved through a focused policy of deregulation, reducing some types of discretionary bureaucratic power (e.g., that which permits petty rule enforcement without producing any value except to bureaucrats), removal of unnecessary administrative burdens on legitimate and legal free enterprise, all complemented by enhanced transparency and accountability supported by the media and anti-corruption interest groups and coalitions.

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ANNEX A

The Transparency International Corruption Perception Index

The 2000 C P Index Score relates perceptions of the degree of corruption by business people, risk analysts and the general public. Scoring ranges between 10 (highly clean)

and 0 (highly corrupt). Surveys Used - refers to the number of surveys that assessed country performance. Sixteen surveys were used and at least three surveys were required for a country to be included in the CPI. Standard Deviation indicates differences in the values of the sources: the greater the standard deviation, the greater the differences of perceptions of a country among the sources. High-Low Range provides the largest and smallest values of the sources. And, because of statistical factors it is possible, as with the three cases in the CPI, that the highest value exceeds 10.0.

Country Rank	Country	2001 CPI Score	Surveys Used	Standard Deviation	High-Low Range
1	Finland	9.9	7	0.6	9.2 - 10.6
2	Denmark	9.5	7	0.7	8.8 - 10.6
3	New Zealand	9.4	7	0.6	8.6 - 10.2
4	Iceland	9.2	6	1.1	7.4 - 10.1
	Singapore	9.2	12	0.5	8.5 - 9.9
6	Sweden	9.0	8	0.5	8.2 - 9.7
7	Canada	8.9	8	0.5	8.2 - 9.7
8	Netherlands	8.8	7	0.3	8.4 - 9.2
9	Luxembourg	8.7	6	0.5	8.1 - 9.5
10	Norway	8.6	7	0.8	7.4 - 9.6
11	Australia	8.5	9	0.9	6.8 - 9.4
12	Switzerland	8.4	7	0.5	7.4 - 9.2
13	United Kingdom	8.3	9	0.5	7.4 - 8.8
14	Hong Kong	7.9	11	0.5	7.2 - 8.7
15	Austria	7.8	7	0.5	7.2 - 8.7
16	Israel	7.6	8	0.3	7.3 - 8.1
	USA	7.6	11	0.7	6.1 - 9.0
18	Chile	7.5	9	0.6	6.5 - 8.5
	Ireland	7.5	7	0.3	6.8 - 7.9
20	Germany	7.4	8	0.8	5.8 - 8.6
21	Japan	7.1	11	0.9	5.6 - 8.4
22	Spain	7.0	8	0.7	5.8 - 8.1
23	France	6.7	8	0.8	5.6 - 7.8
24	Belgium	6.6	7	0.7	5.7 - 7.6
25	Portugal	6.3	8	0.8	5.3 - 7.4
26	Botswana	6.0	3	0.5	5.6 - 6.6
27	Taiwan	5.9	11	1.0	4.6 - 7.3
28	Estonia	5.6	5	0.3	5.0 - 6.0
29	Italy	5.5	9	1.0	4.0 - 6.9
30	Namibia	5.4	3	1.4	3.8 - 6.7
31	Hungary	5.3	10	0.8	4.0 - 6.2
	Trinidad & Tobago	5.3	3	1.5	3.8 - 6.9
	Tunisia	5.3	3	1.3	3.8 - 6.5
34	Slovenia	5.2	7	1.0	4.1 - 7.1

35	Uruguay	5.1	4	0.7	4.4 - 5.8
36	Malaysia	5.0	11	0.7	3.8 - 5.9
37	Jordan	4.9	4	0.8	3.8 - 5.7
38	Lithuania	4.8	5	1.5	3.8 - 7.5
	South Africa	4.8	10	0.7	3.8 - 5.6
40	Costa Rica	4.5	5	0.7	3.7 - 5.6
	Mauritius	4.5	5	0.7	3.9 - 5.6
42	Greece	4.2	8	0.6	3.6 - 5.6
	South Korea	4.2	11	0.7	3.4 - 5.6
44	Peru	4.1	6	1.1	2.0 - 5.3
	Poland	4.1	10	0.9	2.9 - 5.6
46	Brazil	4.0	9	0.3	3.5 - 4.5
47	Bulgaria	3.9	6	0.6	3.2 - 5.0
	Croatia	3.9	3	0.6	3.4 - 4.6
	Czech Republic	3.9	10	0.9	2.6 - 5.6
50	Colombia	3.8	9	0.6	3.0 - 4.5
51	Mexico	3.7	9	0.6	2.5 - 5.0
	Panama	3.7	3	0.4	3.1 - 4.0
	Slovak Republic	3.7	7	0.9	2.1 - 4.9
54	Egypt	3.6	7	1.5	1.2 - 6.2
	El Salvador	3.6	5	0.9	2.0 - 4.3
	Turkey	3.6	9	0.8	2.0 - 4.5
57	Argentina	3.5	9	0.6	2.9 - 4.4
	China	3.5	10	0.4	2.7 - 3.9
59	Ghana	3.4	3	0.5	2.9 - 3.8
	Latvia	3.4	3	1.2	2.0 - 4.3
61	Malawi	3.2	3	1.0	2.0 - 3.9
	Thailand	3.2	12	0.9	0.6 - 4.0
63	Dominican Rep	3.1	3	0.9	2.0 - 3.9
	Moldova	3.1	3	0.9	2.1 - 3.8
65	Guatemala	2.9	4	0.9	2.0 - 4.2
	Philippines	2.9	11	0.9	1.6 - 4.8
	Senegal	2.9	3	0.8	2.2 - 3.8
	Zimbabwe	2.9	6	1.1	1.6 - 4.7
69	Romania	2.8	5	0.5	2.0 - 3.4
	Venezuela	2.8	9	0.4	2.0 - 3.6
71	Honduras	2.7	3	1.1	2.0 - 4.0
	India	2.7	12	0.5	2.1 - 3.8
	Kazakhstan	2.7	3	1.3	1.8 - 4.3
	Uzbekistan	2.7	3	1.1	2.0 - 4.0
75	Vietnam	2.6	7	0.7	1.5 - 3.8
	Zambia	2.6	3	0.5	2.0 - 3.0
77	Cote d'Ivoire	2.4	3	1.0	1.5 - 3.6
	Nicaragua	2.4	3	0.8	1.9 - 3.4
79	Ecuador	2.3	6	0.3	1.8 - 2.6
	Pakistan	2.3	3	1.7	0.8 - 4.2

	Russia	2.3	10	1.2	0.3 - 4.2
82	Tanzania	2.2	3	0.6	1.6 - 2.9
83	Ukraine	2.1	6	1.1	1.0 - 4.3
84	Azerbaijan	2.0	3	0.2	1.8 - 2.2
	Bolivia	2.0	5	0.6	1.5 - 3.0
	Cameroon	2.0	3	0.8	1.2 - 2.9
	Kenya	2.0	4	0.7	0.9 - 2.6
88	Indonesia	1.9	12	0.8	0.2 - 3.1
	Uganda	1.9	3	0.6	1.3 - 2.4
90	Nigeria	1.0	4	0.9	-0.1 - 2.0
91	Bangladesh	0.4	3	2.9	-1.7 - 3.8

Source: www.nobribes.org.

Note: On the Bangladesh score, data for this country in 2001 was available from only three independent survey sources, and each of these yielded very different results. While the composite score is 0.4, the range of individual survey results is from -1.7 to +3.8. This is a greater range than for any other country. TI stresses, therefore, that this result needs to be viewed with caution.

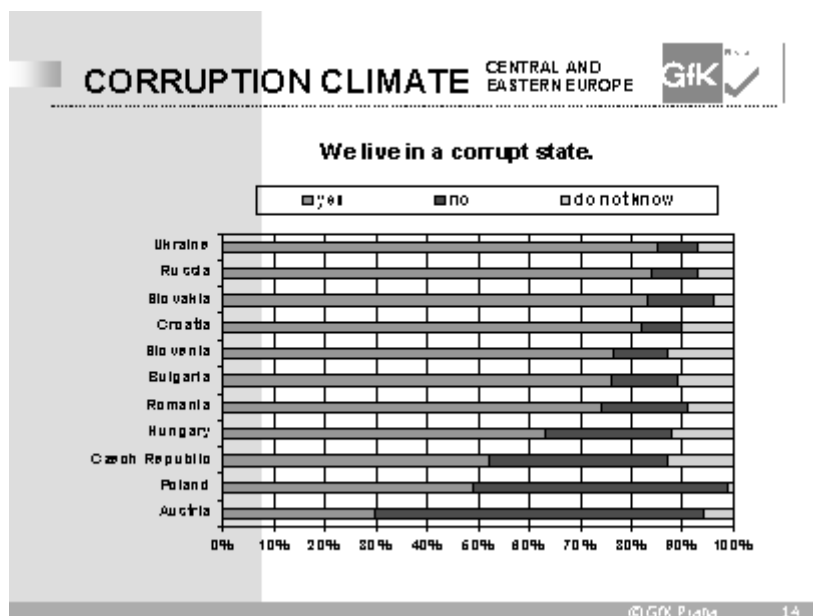
ANNEX B

In June, July and August 2001 GfK Praha, a Czech Republic-based Institute for market research, carried out a sociological survey on corruption climates in eleven Central and Eastern European countries: Bulgaria, Czech Republic, Croatia, Hungary, Poland, Austria, Romania, Russia, Slovakia, Slovenia and Ukraine. Results of the survey are provided below in Exhibits 1 and 2.

The level of corruption in the Central and East European region is usually estimated as moderate to very high, which casts an unfavorable light on the countries of this region, linking them to the position of the developing countries in Africa, Asia or South America. This assumption is underpinned by data from the index of corruption perception (CPI) annually published by Transparency International.

The research project GfK does not conclude this assumption is untrue, but highlights major variances between the countries of this region. For example, corruption most affects everyday life of people in Slovakia. Almost half of the Slovak population feels that the problem of corruption is absolutely pressing, corruption is quite necessary to be able to manage private life – 48 % of respondents in this country answer that bribes are natural part of life in their country and this supports the view “those who want to live, must give.” Their figure highly exceeds the average in the whole of the region and thus Slovakia, in perception of corruption as absolutely necessary for people to be able to live a normal life provides an exceptional position in the region. Surprisingly, among these countries where corruption is perceived as very high are the Czech Republic and Hungary. A quarter of the population in these countries perceives corruption as absolutely essential in life. This finding contradicts the stereotype that the farther the East one moves in CEE and CIS nations, the more essential it is to engage in bribery.

Exhibit 1: The Corruption Climate I: Perception of Corruption

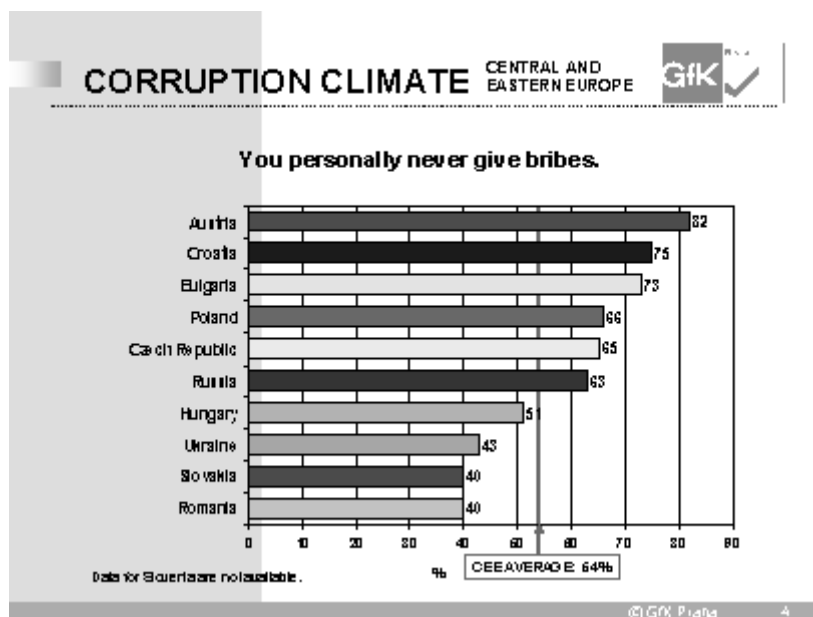


Source: GfK Praha, 2001.

If the people living in the Central and Eastern European countries tell us that they do not give bribes, how come they live in corrupt states? The answer is very simple, it is not enough to passively resist corruption, but it is necessary to actively fight against it. The passive corruption immunity of most people does not guarantee that the remaining minority would not make the state corrupt. However, the active resistance of individuals to corruption around them is pitifully low in the whole of the region.

The majority of the population living in the region do not perceive themselves as part of public control over adhering to generally accepted rules of state institutions functioning, and, speaking about a possible corruption behavior of clerks and politicians are more likely to take an attitude of passive observer than active initiator of their punishment. Obviously, the percentage of those determined to collectively fight against corruption is different between the individual countries. The greatest mobilization potential of anti corruption collective resistance exists in Romania and in Croatia, where the share of the respondents willing to demonstrate to support the fight against corruption comes close to two thirds of all respondents. Conversely, those least willing to get mobilized in the fight against corruption are the respondents from Austria, Ukraine and Poland.

Exhibit 2: Corruption Climate II: Personal Bribery



Source: GfK Praha, 2001.

Note: For further information see the GfK Praha website: www.gfk.cz/corruption

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