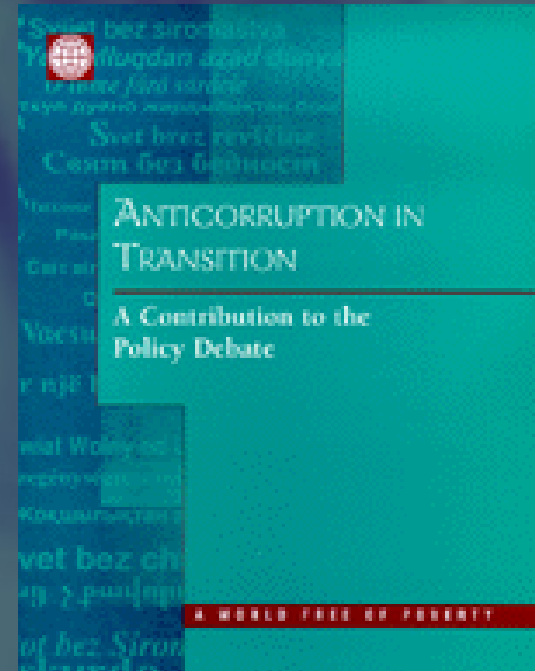


Anticorruption in Transition 2:
Corruption in Enterprise-State
Interactions in Europe and Central
Asia 1999-2002

May 5, 2004

Anticorruption in Transition—A Contribution to the Policy Debate (published in 2000)

- Unbundled corruption into both *Administrative Corruption* and *State Capture*
- Proposed differentiated approaches based on mix of types of corruption



Anticorruption in Transition 2

(just published)

- Examines changes between 1999 and 2002
- Focuses on enterprise-state interactions
- Tries to understand reasons for differences among countries
- Expected to be regularly updated about once every three years

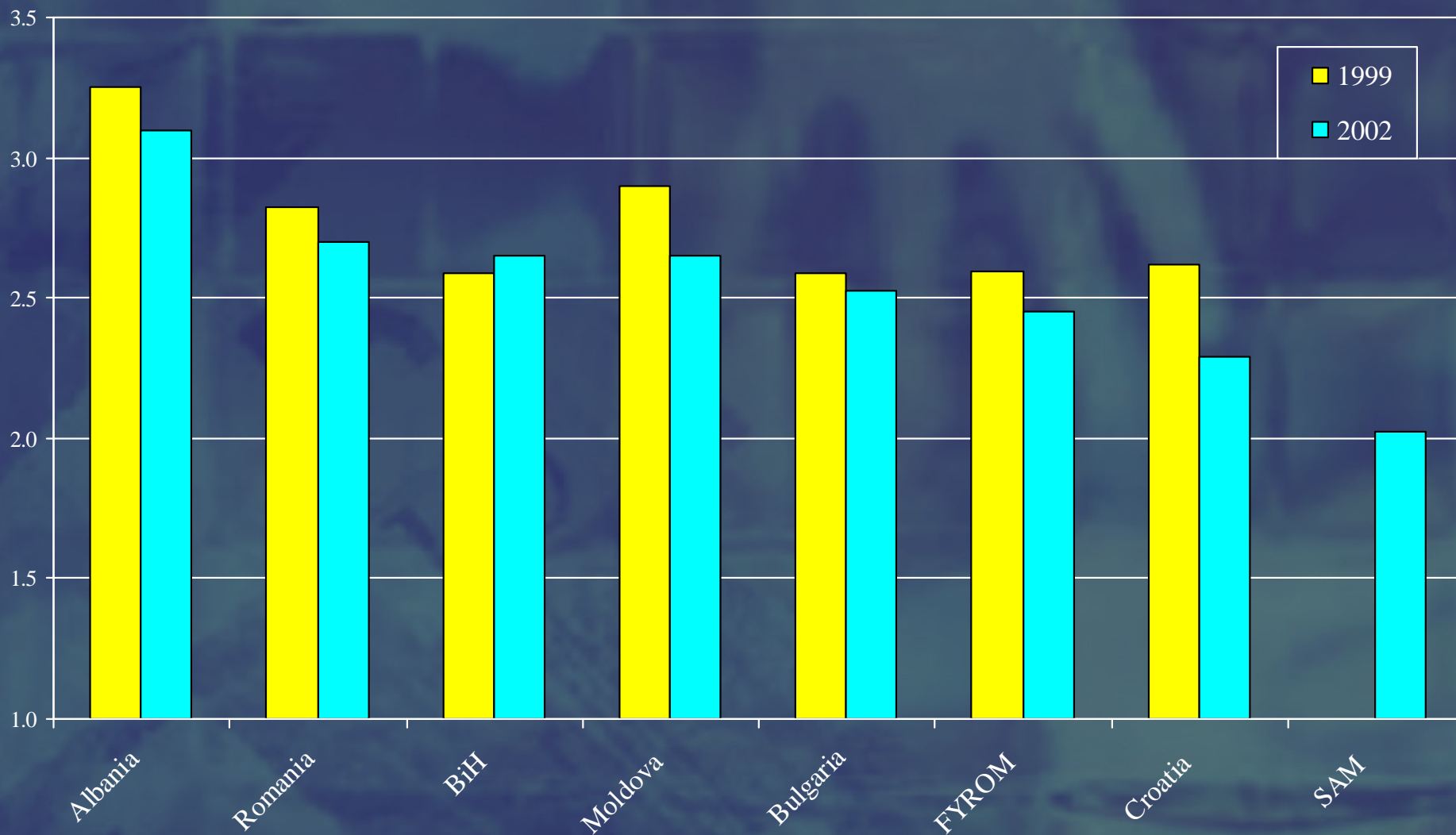
The Business Environment and Enterprise Performance Surveys (BEEPS 1 and 2)

- BEEPS in 1999; BEEPS2 in 2002
- Undertaken cooperatively with the EBRD; first presented in Transition Report
- Over 6,000 firms in 26 transition countries
- Sample sizes per country from 170 to 600
- Stratified samples

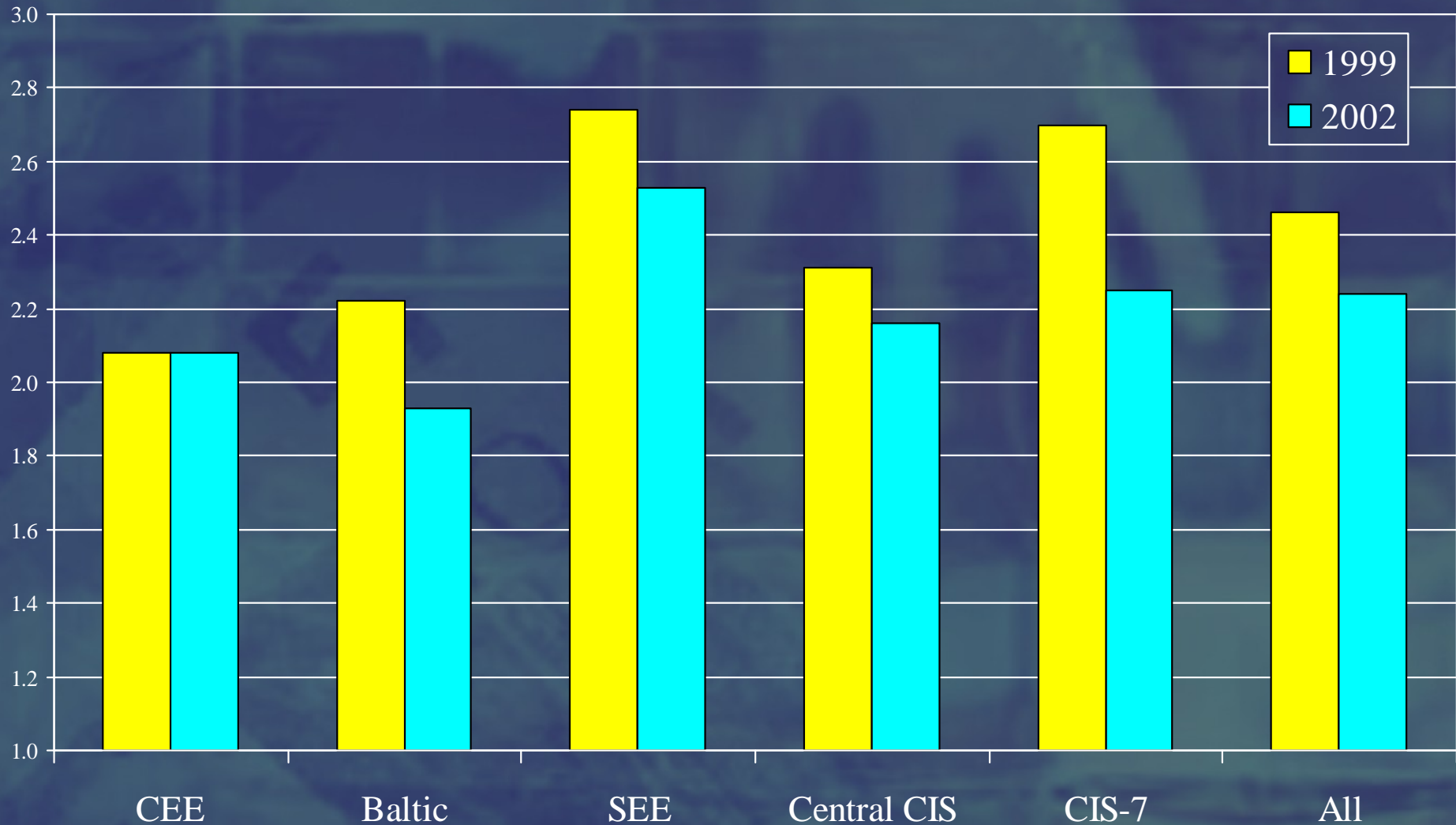
What has happened to corruption?

- Five dimensions of corruption
 - Obstacle to business
 - Frequency of bribes
 - “Bribe Tax”
 - Impact of state capture
 - Participation in state capture

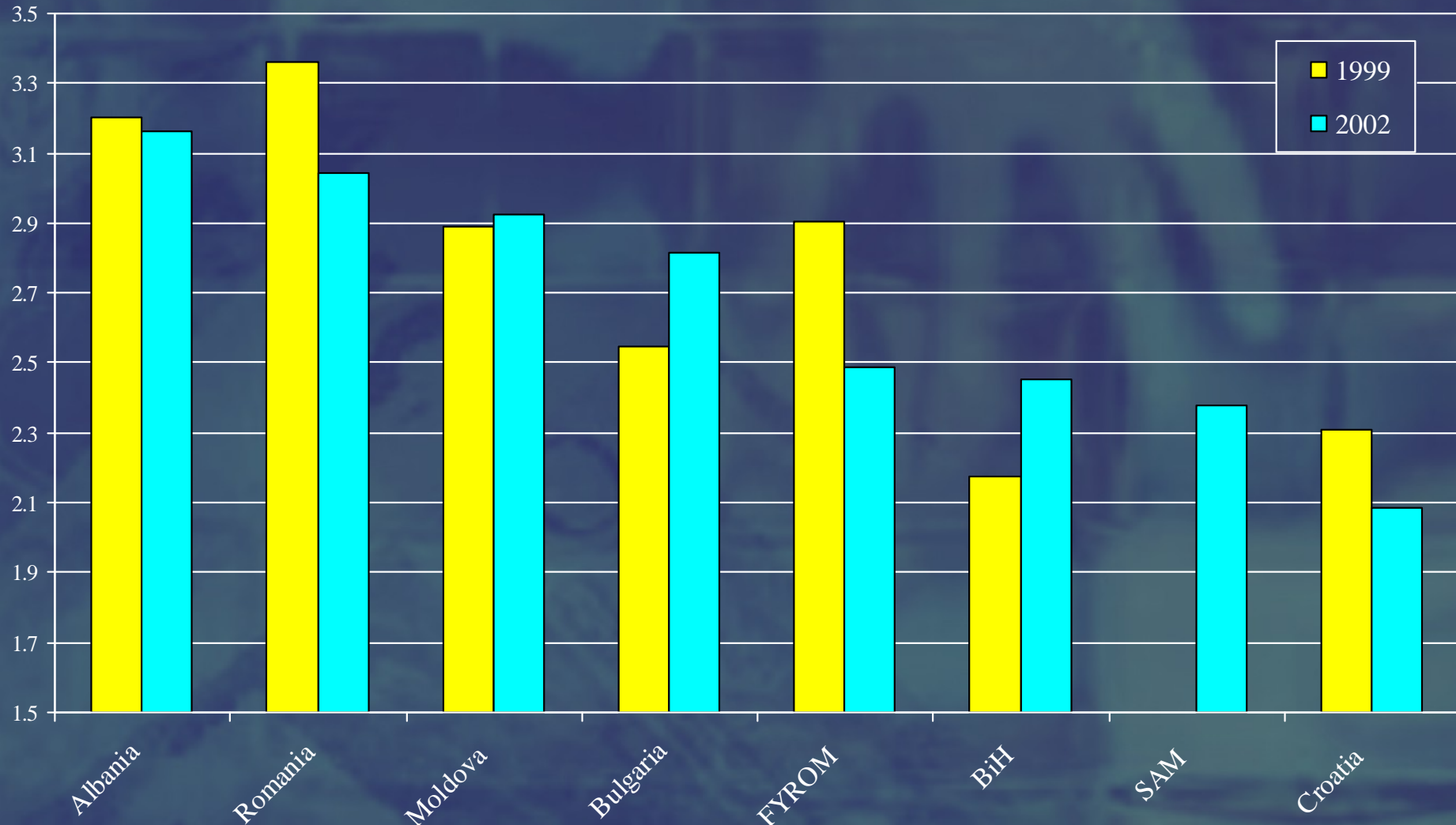
Corruption as an Obstacle to Doing Business



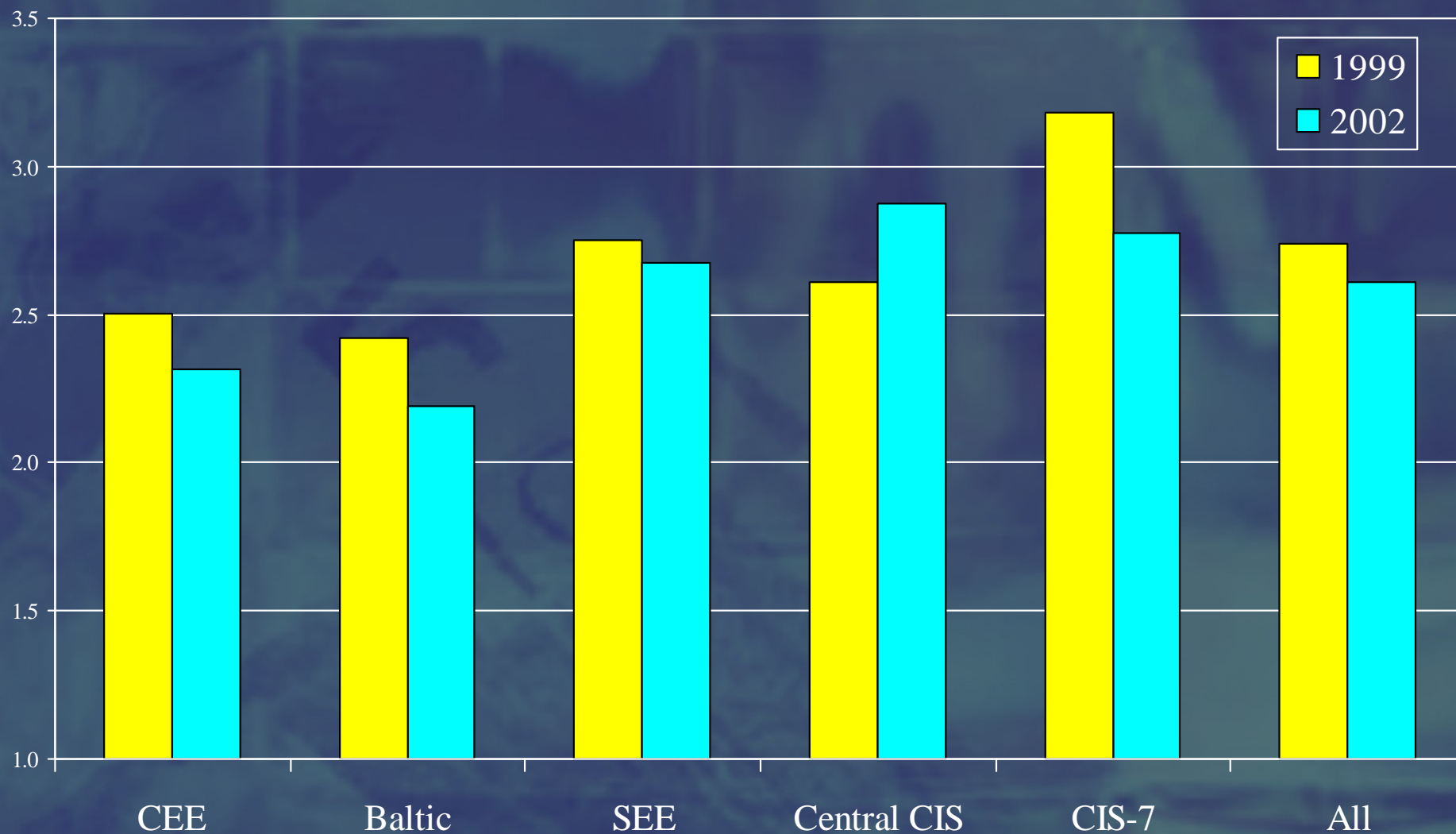
Corruption as an Obstacle— Sub-Regional Groupings



The Frequency of Bribe Payments

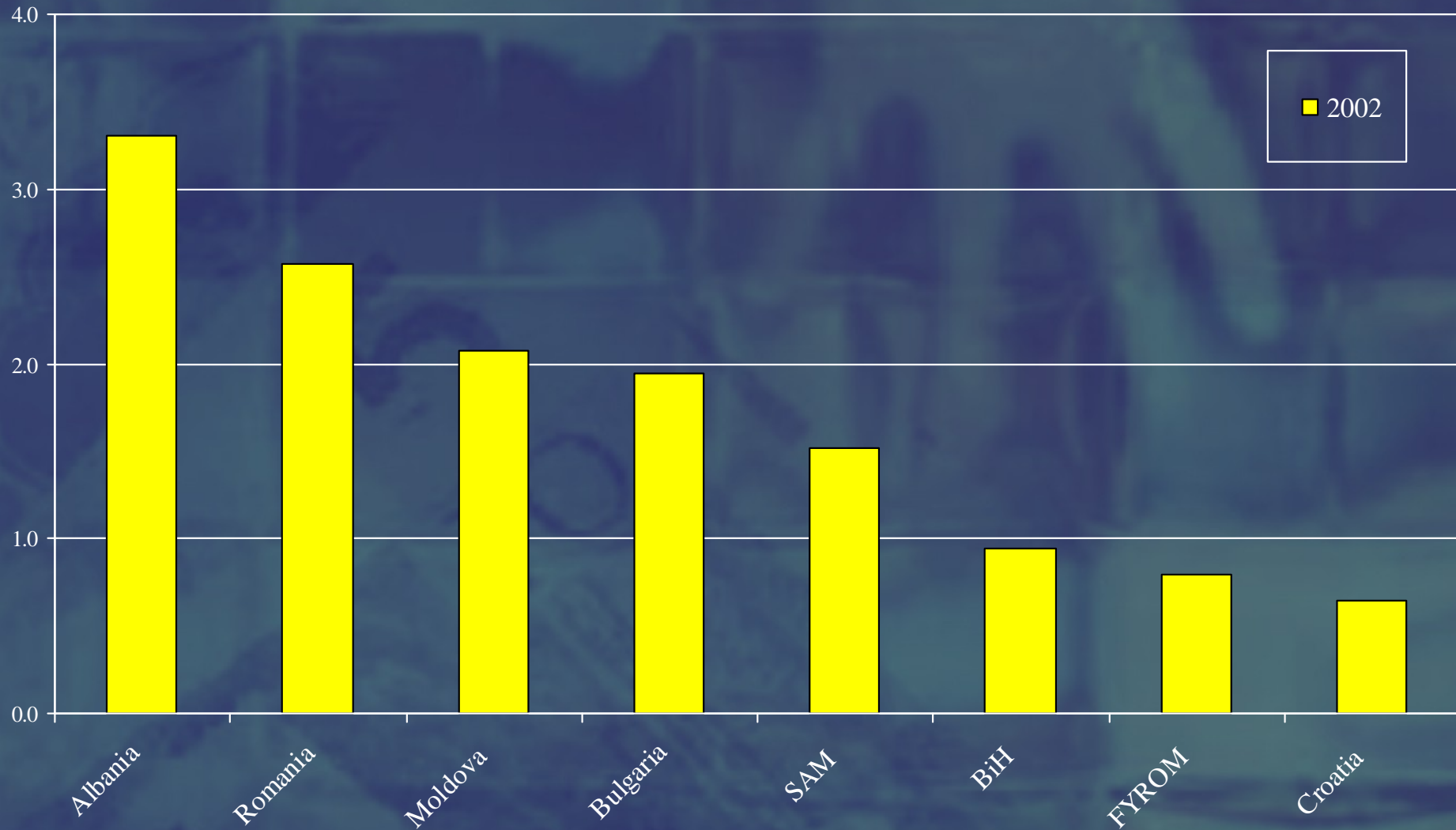


Frequency of Bribes by Sub-Region

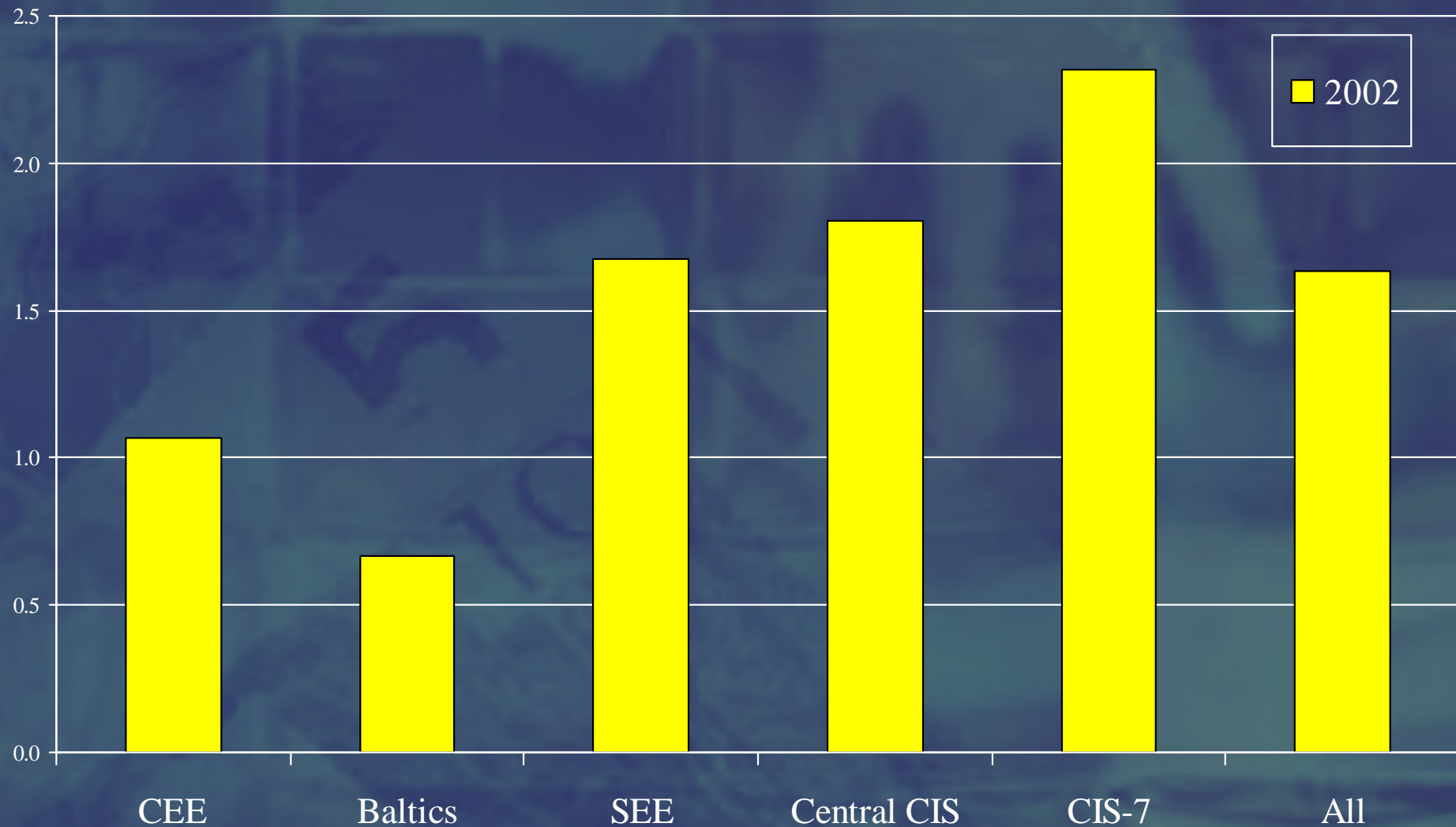


The Bribe Tax

(share of revenue)



Bribe Tax by Sub-Region

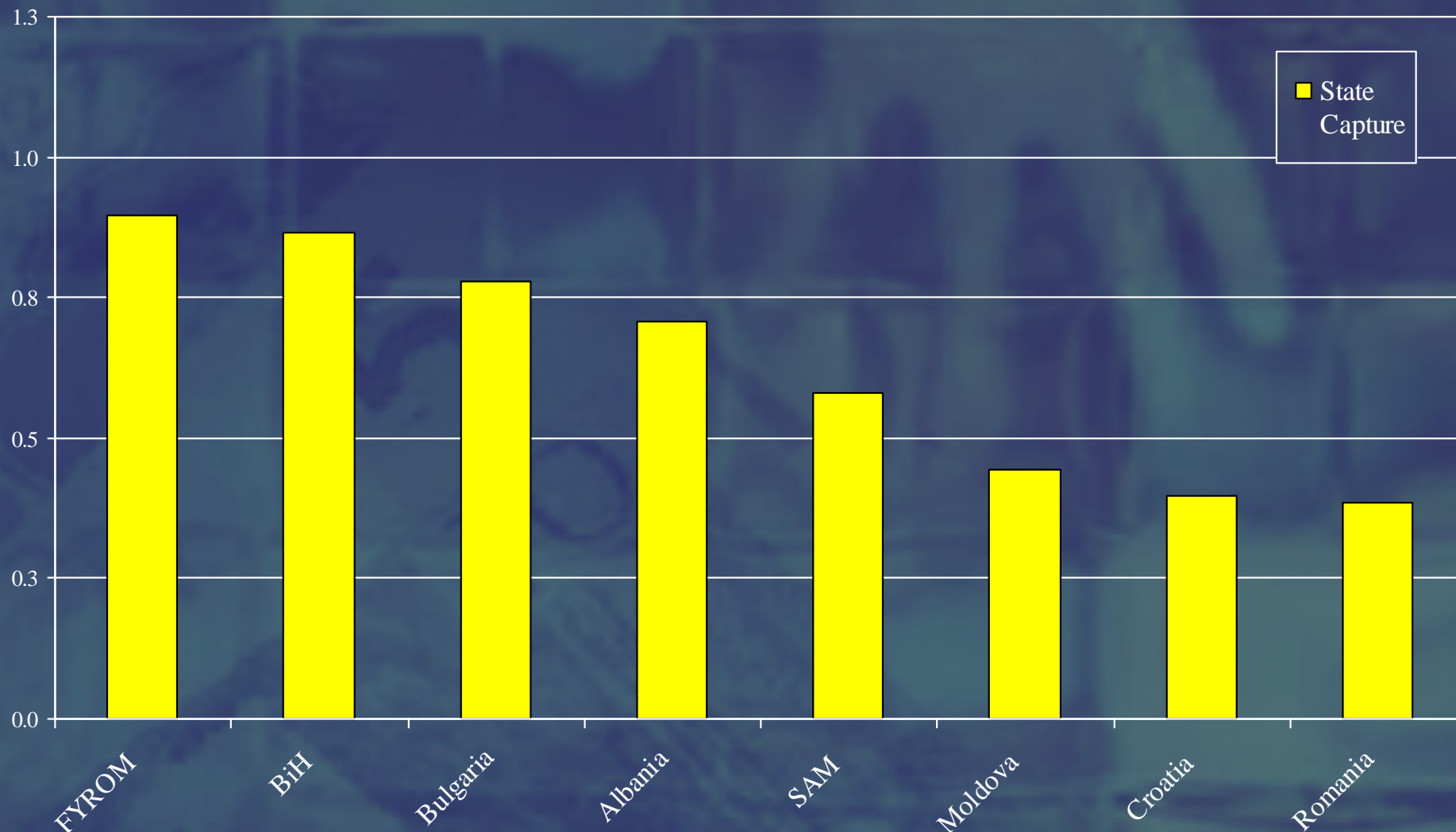


Survey-Based Measurement of Corruption

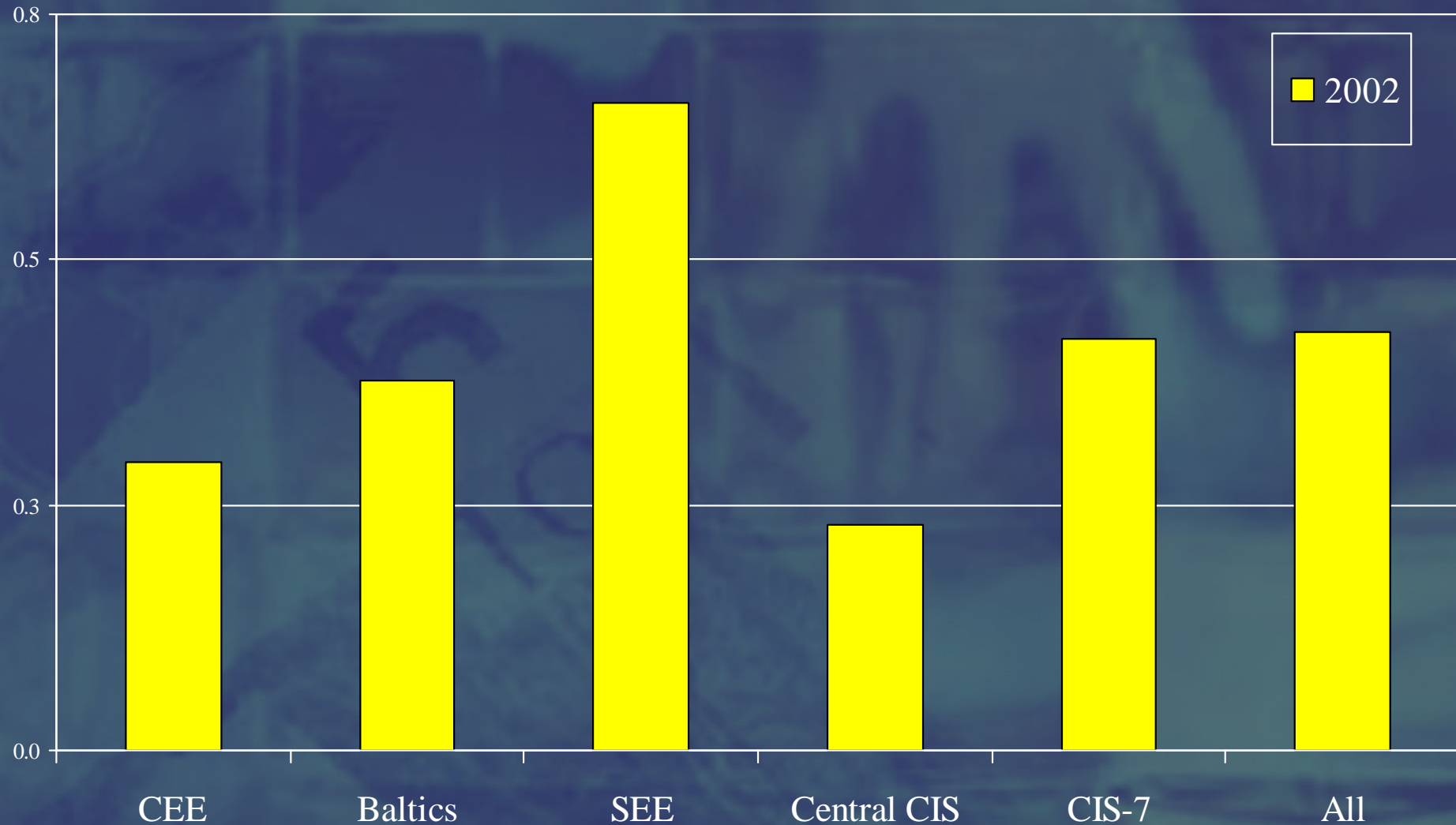
- Whose experiences are covered?
 - ACT-2 focuses on enterprise-state relations
- What gets measured?
 - Focus on bribery, both administrative corruption and state capture
- How is the complexity of corruption addressed?
 - Assessments of size, frequency, and impact on enterprises
 - Examination of corruption for many types of corruption, e.g., customs, tax, utilities, courts, etc.

State Capture Index

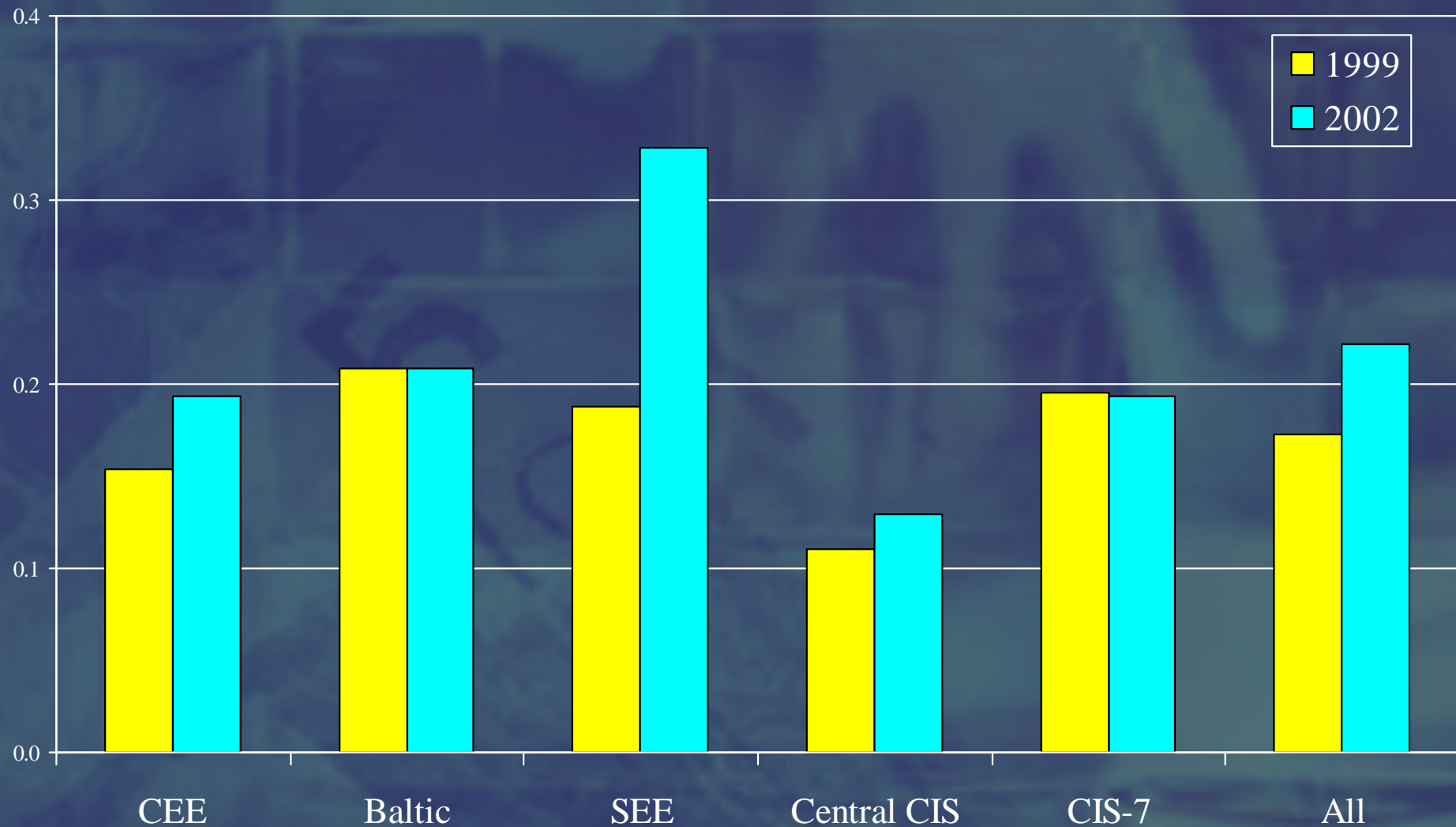
(average over several subcomponents)



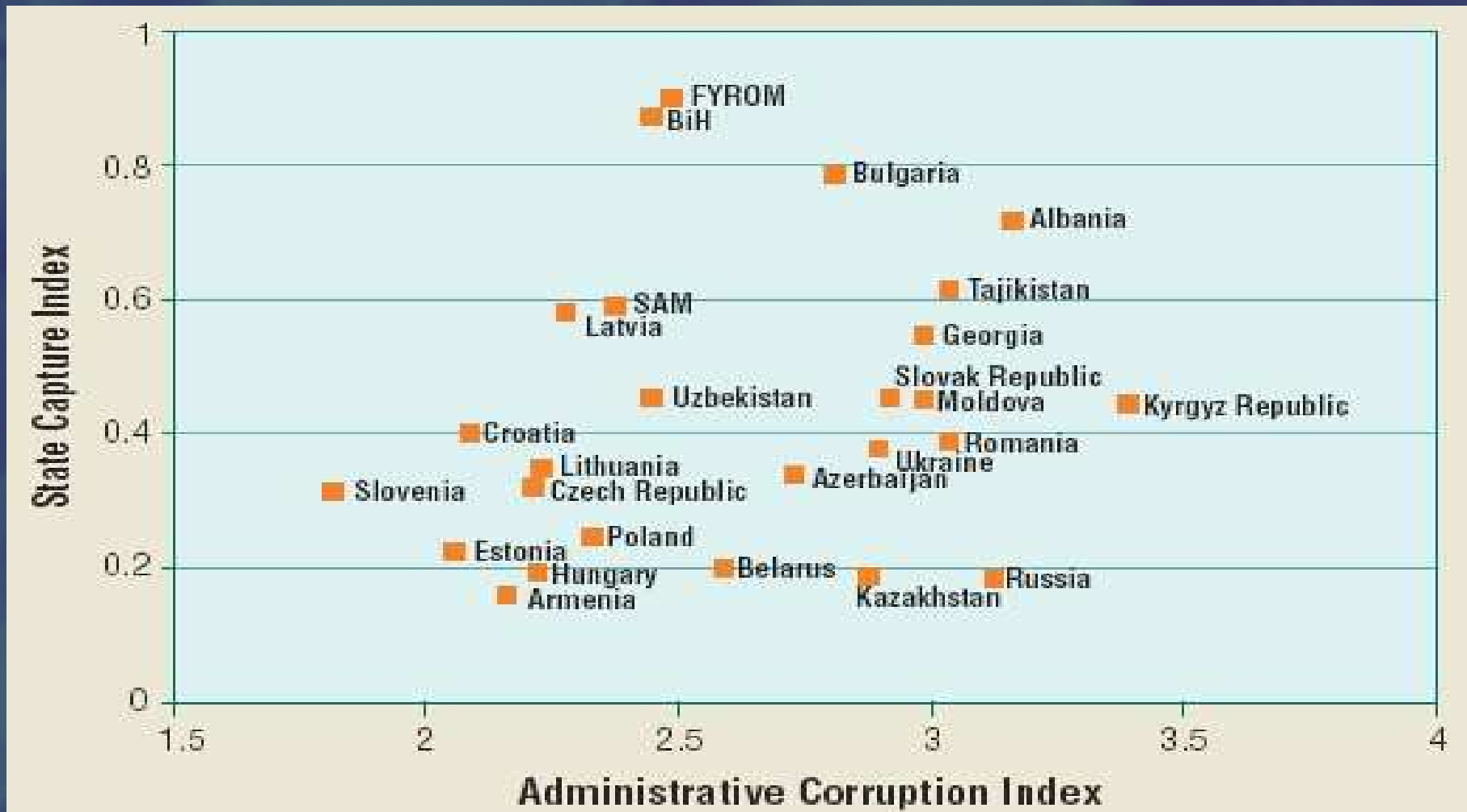
State Capture Index by Sub-Region



Percentage of Firms Engaging in State Capture by Sub-Region



Two Dimensions of Corruption: Administrative Corruption and State Capture



Economic and Political Context of the Surveys

■ 1999

- Russian financial crisis fresh in the entrepreneur's mind
- Balkans just emerging from conflict

■ 2002

- Three years of solid growth
- “Second-generation” institutional reforms

What influences the extent of corruption?

- ***Firm characteristics:*** Small private firms pay more bribes on average; foreign firms pay fewer bribes on average
- ***Policy and institutional environment:*** Reforms reduce corruption
- ***Managers' optimism:*** Strong influence
- ***Economic growth rates:*** Little influence in short run
- ***Tenure and contestability of political leadership:*** Little measured influence (but inadequate data for careful analysis)

Multi-pronged Strategy for Reducing Corruption

Institutional Restraints

- Independent and effective judiciary
- Legislative oversight
- Independent prosecution, enforcement

Political Accountability and Monitoring

- Transparency in party financing
- Disclosure of parliamentary votes
- Asset declaration, conflict of interest rules

Civil Society Participation

- Freedom of information
- Public hearings of draft laws
- Role of media/NGOs

Anticorruption

Public Sector Management

- Meritocratic civil service with monetized, adequate pay
- Budget management (coverage, treasury, procurement, audit)
- Tax and customs administration

Competitive Private Sector

- Regulatory simplification for entry
- Competitive restructuring of monopolies
- Transparency in corporate governance

For full version of the report in
English and Russian, see
www.worldbank.org/eca/prem