

Obstacles to Open and Honest Government: An Overview of Corruption:

Corruption as a Problem (ethical, moral, economic and political) Affecting the Whole Society

Daniela Zemanovičová¹

Emília Sičáková²

Miroslav Beblavý³

1. DEFINITION

Defined simply, **corruption is the misuse of entrusted power for private benefit⁴**. Yet it is not so long ago that the word itself was completely taboo in professional and political environments. The word seldom appeared in newspapers and economists rarely mentioned it, although political scientists had begun to take an academic interest in it. Normative statements about corruption require a point of view, a standard of "goodness" and a model of how corruption works in particular instances.

While corruption is defined as "the misuse of entrusted power for private benefit", it can also be described as **representing non-compliance with the "arm's-length" principle, under which no personal or family relationship should play any role in economic decision-making, be it by private economic agents or by government officials.**

Once the arm's-length principle has been breached and a distinction made based on relationships, corruption will often follow. Conflict of interest situations and nepotism are examples. The arm's-length principle is seen as fundamental to the efficient functioning of any organisation.

A core, but unstated assumption underlying theoretical work on the role of the public sector is that public sector officials (both policy-makers and civil servants) are knowledgeable, neutral and impersonal in their pursuit of the social welfare. But are they? What do officials see as the pursuit of the social welfare and what do they, themselves, consider to be "corruption"? And what of their willingness--or otherwise--to take action against it? These questions are all too seldom asked.

¹ CPHR – Transparency International Slovakia, Bajkalská 25, 82718 Bratislava 212, Slovakia danielaz@transparency.sk, ema@transparency.sk

² CPHR – Transparency International Slovakia, Bajkalská 25, 82718 Bratislava 212, Slovakia, ema@transparency.sk

³ SGI – Slovak Governance Institute, Bajkalská 25, 82718 Bratislava 212, Slovakia, beblavy@governance.sk

⁴ Transparency International Source Book, Berlin 2000

Corruption has been defined in lots of ways in the literature.⁵ **The basic distinction is between normative and positive definitions, summarised in Table 1.** Two variants of normative are provided in definitions 1 and 2 in Table 1. The first looks at acts and is clearly normative while second looks at the consequences of acts. The second remains normative definition because the definition of the public interest may differ across observers. It is also problematic to define corruption in terms of its consequences because this defines out of existence cases of beneficial corruption. Economic and sociological comparisons most often use the third, positive definition using the standard of legal norms to identify the deviations. Thus corruption is defined as deviation from the formal rules governing the allocative decisions of public officials in response to offers to them of financial gain or political support. (based on Nye, 1967)

Table 1 Definitions of corruption

<i>Normative definitions</i>	<i>Positive definitions</i>
1. Deviations from Ethical Norms	1. Deviations from Legal Norms
2. Actions which Harm the Public Interest	

The stipulation that corrupt transactions should violate formal rules rather than simply ethical norms rules out any disagreements about the appropriate ethical standards. The additional stipulation that public officials are involved in distinguishes corruption from theft which is illegal but which exclusively involves decisions by private individuals. The definition is still open to the problem that formal rules can vary across countries. A strict application of the definition could lead to different sets of practices being identified as corrupt. Fortunately, the corrupt practices which economists have wished to analyse would in fact violate formal rules in most countries.

Corruption can be also divided to **active and passive**. Active corruption refers to accepting bribes⁶ and passive corruption refers to offering bribes.

2. WHY IS CORRUPTION HARMFUL?⁷

Apart from the negative impacts on ethics and moral of the society, harmfulness of corruption rests upon the fact that due to it important decisions (in public interest) are made on the basis of private motives, not taking into consideration the impacts on the society and on the citizens. The decisions made are motivated by personal advantages (including financial advantages), and not by the needs of people. Thus:

- **There is an interest to preserve the extent of activities where “non-private money” is decided on, and there is a pressure on the growth of re-distribution, centralised funds, subsidies, etc.**

Internalities (private motives of people making decisions in public interest) cause that unnecessary projects are implemented (the construction of “palaces” for banks, boards of

⁵ Explaining corruption edited by Robert Williams, The Politics of Corruption, Cheltenham, Uk. Northampton, MA, USA, 2000.

⁶ Transparency International developed indexes that try to show the extent of these phenomenon:

- Corruption Perception Index (please see Attachment 1)
- Bribe Payers Index (please see Attachment 2).

⁷ For more detail see Zemanovičová, Sičáková (2001)

inland revenue or other institutions, funded wholly or in part from public funds, may serve as an example), as well as business trips of employees of these institutions to exotic countries, covered from public funds (e.g. business trips to crocodile farms).

It is apparent that internalities are related to corruption. On the other hand, resources are missing in other areas, e.g. in the education and health care sector. Preservation of the range of activities paid from public funds exerts pressure on the increase of taxes and charges, which does not motivate business and hinders economic development, resulting in negative social impacts following from unemployment. It is known that a portion of funds is simply “lost” in the re-distribution process.

- **If private motives influence the decision making on public funds, then the resources (financial, material, human) do not get where their valuation is best.**

Ineffective transfers are performed, resources are withdrawn from the efficient in favour of the inefficient subjects and activities. Thus, the allocation efficiency of the economy is worsened as well as its competitiveness. This means that the best ones are not supported, their competition is not supported, conditions for their development are not supported, but advantages are granted to those with the most powerful lobby. Thus, not creation of wealth is supported, but its distribution. Businesspeople focus on “rent seeking” rather than on “profit seeking”. Thus, they are not motivated to create wealth, but to re-distribute it in their favour. As a consequence, the general wealth of the country is diminishing.

- **Corruption and non-transparent rules mean high administrative demandingness and high transaction costs.**

The great number of permits, licenses, authorisations, and complicated procedures in order to be granted those, present obstacles to business on the one hand, and open up space for corruption on the other hand. It is the transaction costs (costs of contact with the surroundings, paid by businesspeople, but also by citizens,) that to an ever-increasing extent determine the prosperousness of economies. This, on the one hand, gives the civil servants freedom in their decision-making, and on the other hand, poses uncertainty for businesspeople, impairing quality of the business environment, and demotivating business.

Moreover, if the rules are ambiguous, uncertainty leads the businesspeople and the citizens towards ensuring their certainty by bribery.

- **Uncertainty about whether the rules are valid, and how they will be applied, also increases the investment risk.**

If businesspeople are not certain whether the rules and laws will be observed and enforced, or if they enter an environment, in which establishment and operation of the business are to be secured by giving bribes, the investment risk in the respective country is increased for them. Thus, corrupt climate results in reduction of foreign investments. It is the foreign investments that are for several reasons a very important factor for transition economies. Mass need of restructuring in the transition economies hits against the problem of limited internal resources – foreign investments facilitate the currency exchange rate stabilisation, enable integration into global economic relations, entry to foreign markets, they bring along know-how in the areas

of management and marketing, as well as a new business culture, they create a natural foreign lobby for our integration ambitions, etc. Thus, the economies that have succeeded in attracting more foreign investments are more successful in their transition, as a rule. Several voices from the business circles abroad and from international institutions are warning that corruption is the obstacle to business in Slovakia.

- **Corruption causes that the citizens receive less than they could receive at the respective level of resources at the disposal of the economy.**

A corrupt environment causes prices to increase, and on the other hand, the quality and accessibility of goods and services decreases. For example, a businessperson having been awarded a public contract via a bribe will include this bribe into the price paid by us for his/her services, or the public funds for funding of other services will be reduced. The fact that the amounts involved are not minor is evidenced by estimations, according to which a corrupt environment may cause the public contracts to be overcharged by 30 to 50%. However, also non-transparency in other areas means losses for the citizen. For example, if the funding of political parties is not transparent, if the offices in state-owned monopolies are held by persons on the basis of a political key, without any possibility of public control, it may result in pouring of the funds from one place to another, in inefficiency, and in the increase of prices for services paid by the citizen.

Economic impact in particular countries differ and there are differences between strong and weak kleptocrats. As Ackeman (1999) states, a strong kleptocrat operating with impunity would not have to worry about “cover story”. He can just take public funds or aid monies, send them to his off-shore bank account, and earn international rates of return. This contrast between strong and weak kleptocrats recalls a familiar joke, repeated in various versions in the development community.

Ruler A shows off his new mansion to ruler B. Pointing out a new highway, A explains his new house by saying, “Thirty percent”. Later A visit B at his even more lavish mansion. Asked how it was financed, B says , : “See the highway out there?” A looks puzzled because no highway can be seen. “That is just the point,” says B, “one hundred percent. “

Apart from the economic and social consequences, it is necessary to realise the broader political impacts as well. In a corrupt environment, the citizens loose their confidence in the country and in the rules. Not only the rule of law is put in question, but also equality in front of the law, and democracy as such. The moral declines, and on the other hand, criminality grows.

There is a strong indirect relation between corruption and democracy (the less corruption, the more democracy). If we base our statements on the Corruption Perception Index (CPI), we can conclude that corruption is least widespread in the countries with stable democracies, and on the other hand, countries with non-democratic, often dictatorial regimes are usually on the opposite side of the scale.

In many countries we may speak about institutionalisation of corruption, i.e. that it is considered as a common phenomenon, and it is becoming beneficial not only to individuals, but also to certain groups, e.g. political parties or some professions. “The expected profit

from participation in a corrupt transaction compared to non-participation therein depends on the number of other people engaged therein.”⁸ For example, if the rules for funding of political parties are of little transparency, then the fundraising to cover their activities may be related to corruption. If one political party engages therein, the remaining political parties tend to behave in a similar way. Scandals related to funding of political campaigns did not become a subject of political fight (for example in Slovakia), whereupon it may be concluded that other parties proceed in much the same way. The higher the number of parties with similar behaviour, the higher the costs for the party, which does not want to use such money. The problem may only be dealt with by means of changing rules and exerting pressure to provide information on the funding.

- **Corruption also causes inequality of citizens according to whether they dispose of funds for the bribe or not, which divides them into those who have access to e.g. education, or to quality health care services, and those without such access. The division is also into prosecutable and non-prosecutable citizens according to whether they are able to ensure a “favourable” settlement of the legal dispute by means of a bribe.**

Corruption is also dangerous due to the fact that it has broader social relations, deeper roots. It works as a system, having its own playing rules, internal mechanisms. It works on the principle of a perpetuum mobile, thus, once it had originated and got spread to certain dimensions it is being spread further by its own mechanisms. The larger its extent, the higher the increase in its potential to be spread further. Thus, the present extent of corruption to a certain degree determines spreading of corruption in the future, unless radical steps are implemented in the system.

Corruption undermines democratic development, inhibiting the performance of public institutions and the optimal use of resources. It feeds secrecy and suppression. Ultimately, it denies development and an increased quality of life to the most vulnerable members of society. While corruption might, at least in theory, be tamed in an autocratic and dictatorial manner using a "big stick", the inexorable decline into corruption and other abuses of power on the part of totalitarian administrations suggests that this can only be temporary. The promotion of national integrity across the board is crucial to any process of sustainable reform. By raising levels of national integrity, corruption can be reduced; and this approach is vital if other efforts to promote sustainable and equitable development are not to be undermined.

As is well known, corruption engenders wrong choices⁹. It encourages competition in bribery, rather than competition in quality and in the price of goods and services. It inhibits the development of a healthy marketplace. Above all, it distorts economic and social development, particularly damaging in developing countries. Too often, corruption means that the world's poorest, who are least able to bear the costs, must pay not only for the corruption of their own officials, but also for that of companies from developed countries. Moreover, evidence shows that if corruption is not contained, it will grow, and grow exponentially. Once a pattern of successful bribes is institutionalised, corrupt officials have an incentive to demand larger bribes, engendering a "culture" of illegality that in turn breeds

⁸ For more detail see Andvig, 1991.

⁹ TI Source Book 2000.

market inefficiency. Once the moral authority of managers is lost, through corruption at higher levels, their ability to control their subordinates evaporates.

At the conceptual level, there are many costs associated with corruption. However, it is hardly surprising that there is little hard evidence on the incidence and magnitude of corruption. Surveys of business people indicate that the problem varies widely across countries and that even within countries, some public agencies (for example, customs and tax collection) are more prone to corruption than others. Surveys also indicate that, where corruption is endemic, it imposes a disproportionately high cost on small businesses. Most importantly, the heaviest cost is typically not so much in the bribes themselves, but rather in the underlying economic distortions they trigger and in the undermining of institutions of administration and governance.

Emerging democracies, in particular, brave considerable political risks if corruption is not contained, as the corrupt can greatly weaken the authority and capacity of the fledgling state.

3. REASONS FOR CORRUPTION

Corruption flourishes in areas where the profit from corruption is high and the risk of detection low. It is related to the level of formal and informal rules.¹⁰

3.1. FORMAL RULES

Corruption potential is formed, if rules:

- do not exist,
- if there are loopholes and drawbacks therein, or
- if they are not clearly-defined, unpredictable, which discretion power in decision making, if the conflict of interests is not efficiently countered at all levels (public officials, state administration, public administration, self-administration).
- if the valid legislation and enforceability of law cause that the risk of detection and bearing of consequences is of minor, or low value, compared to the profit. It depends on the control and sanctioning mechanisms

Corruption potential is formed in certain economic situations (which at the same time indicates answer to the question of how it may be restricted):

- **If the demand is higher than supply** (from the point of view of amount, or quality) there arises an attempt to obtain the shortage goods via a bribe. Some services in health care, education, or in granting of social flats may be used as examples.
- **If there is a high engagement of public administration in economy**, i.e. too much regulation, or re-distributing processes, potential space for corruption is formed. The surveys clearly demonstrate that corruption is related to bureaucracy, as it forces citizens as well as businesspeople to buy speedy or favourable settlements of the required formalities or advantages via bribery.

¹⁰ The formal rules pursuant to the new institutional economy shall be understood as rules, laws, standards and institutions. The informal rules shall be understood as behaviour models, habits, unwritten rules, values.

- **If there is a low degree of political life transparency and its low controllability.**
Despite several scandals, the issues of funding of political parties did not become a subject of political fight, signalling that other political parties are applying similar methods as well. This situation is accurately characterised by a quotation of the US President R. Nixon regarding the Watergate scandal: “There is no tree in the forest, which does not have to fear the storm.”
- **If imperfection of the legislative, regulatory and control systems** enables private companies to turn politicians and civil servants to their vassals in the sense that they approve legislation and regulations “a la carte” – suiting the particular companies. This phenomenon (capture economy) is especially known in the transition economies.

Table 2

**State capture and administrative corruption according to countries
(selected countries 1999)**

Country	Index of state capture by companies								Corruption in administration
	PL	PR	CB	PC	CC	FPP	MCI	C	R
Albania	12	7	8	22	20	25	16	M	4,0
Azerbaijan	41	48	39	44	40	35	41	H	5,7
Bulgaria	28	26	28	28	19	42	28	H	2,1
Croatia	18	24	30	29	29	30	27	H	1,1
Czech Republic	18	11	12	9	9	6	11	M	2,5
Estonia	14	7	8	8	8	17	10	M	1,6
Georgia	29	24	32	18	20	21	24	H	4,3
Hungary	12	7	8	5	5	4	7	M	1,7
Kyrgyzstan	18	16	59	26	30	27	29	H	5,3
Latvia	40	49	8	21	26	35	30	H	1,4
Lithuania	15	7	9	11	14	13	11	M	2,8
Moldavia	43	30	40	33	34	42	37	H	4,0
Poland	13	10	6	12	18	10	12	M	1,6
Romania	22	20	26	14	17	27	21	H	3,2
Russia	35	32	47	24	27	24	32	H	2,8
Slovakia	20	12	37	29	25	20	24	H	2,5
Slovenia	8	5	4	6	6	11	7	M	1,4
Ukraine	44	37	37	21	26	29	32	H	4,4
Mean									3,0

Note:

PL – parliamentary legislation

PR – presidential regulations

CB – central bank

PC – penal courts

CC – commercial courts

FPP – funding of political parties

MCI – mean capture index

C – capture, M – medium, H – high

R – ratio of the amount of bribes to income in the company

Source: Hellman, Jones and Kaufmann, 2000; see also <http://www.worldbank.org/wbi/governance>

The above-mentioned problem is also related to **non-existence of lobbying rules**. Lobbying may be characterised as direct influence of an individual or an interest group, or its representative, on an elected public administration representative or employee, with the aim to influence the result of a legislative or regulatory process. It does not present conflict of interests or corruption. A necessary feature of lobbying is that it is a **public activity, or publicly controllable**. As far as lobbying is performed on a public basis and as far as the possibility of more or less equal access to the elected representatives and to public administration is provided to all interest groups, then lobbying contributes to mediation of information on the legislative and political market and supports the quality of the legislative process. Too often, however, the content of the word lobbying is confused with the content of the word corruption. Compared to the above-mentioned definition of lobbying, there is a difference in that corruption involves a direct impact of an individual or an interest group, or its representative, on the elected representative or government official, with the aim to influence the result of a legislative, regulatory or executive process via exchange for financial or other reward in favour of the elected representative or government official, or a political subject represented by them. As a rule, corruption is non-public.

International comparisons¹¹ show that corruption in the public sector is manifested in the same areas, regardless of the fact whether the country in question is an industrial or a developing one. The following public sector areas tend to corruption:

- public procurement,
- allocation of land,
- levying of taxes,
- appointment to governmental functions,
- local self-administration.

The methods used in corruption were also very similar:

- nepotism, connexions, preference of relatives and family members,
- political corruption by means of pre-election campaign support,
- commissions for being awarded public contracts (including consultations at the conclusion of contracts),
- fraud of all kinds.

It is therefore possible to know the corruption-sensitive areas, and on the other hand, it is possible to use the international know-how in the area of anti-corruption tools.

3.2. INFORMAL RULES¹²

Behaviour is also regulated by more subtle rules, by the moral system and by acceptance of ethical and moral values.

¹¹ Pope, 2000.

¹² For more detail see Zemanovičová (2000).

If the citizens' tolerance towards corruption is high, there exists no efficient pressure towards change. The power of public opinion exerts pressure on the politicians, and the political will may result in system changes restricting the space for corruption. Much experience from abroad shows that corruption is less thriving in societies with sound and active civil society¹³.

Formation of the society's value orientation is a long-term process influenced by historical, cultural and economic conditions. Informal rules, unlike the formal, cannot be quickly changed, they have their natural inertia.

If we want to understand the informal rules, it is necessary to see our near as well as more distant past. Already the pagan habits of reconciliation of divinities, or buying of indulgences include inherent germs of corrupt behaviour.

For many countries there was political corruption in the conditions of the past regime, when citizens paid for their relatively high standard of living by loyalty towards the regime, although provision of this standard still more and more collided with the limited possibilities of the unsound economic system. In the period of centrally planned and administered economy and society, the relationship citizen – public administration was being deformed in two directions. On the one hand, there was paternalism, when the state assumed responsibility for everything and the citizens got the feeling that someone is here to care for them. On the other hand, the citizen's rights were suppressed, administration of public affairs got alienated to the citizen, public administration was a suppression tool of civil rights and liberties. The citizens' passivity formed part of the system. The citizen's initiative was being suppressed. A double-moral environment was formed within the society (outwardly, compulsory acceptance of the "values of socialism" was expressed, whereas in private, "pragmatic" behaviour models were being formed)¹⁴. Behaviour norms and ethical values (e.g. of the builders of communism, norms for children in the pre-pioneer organisation and for the pioneers) were downgraded in the past. Not only that they were not complied with, but also efforts to implement them by force elicited dislike in the citizens.

According to several authors¹⁵, the elites of that regime exchanged their political capital for the economic one. "Social capital is of disadvantage compared to the economic one due to the fact that it is contextually bound, whereas money has the most beautiful quality that it is contextually absolutely neutral... Dirty connexions may not be deposited in a bank and then used in a different context, whereby with dirty money this is possible."¹⁶ This is one of the reasons why the change of the system was relatively easy to bring about. It, however, at the same time indicated the risk that relations of clientelism have been preserved, and the more difficult it will be to combat them.

The actual transition process provides further corruption opportunities. Absence of rules, their non-functioning and very restricted enforceability of law enabled limited interest groups to profit from this situation.

¹³ See e.g. Putman, 1993.

¹⁴ E.g. the motto "who does not rob, robs his family" or "who greases moves better" ("to grease" – in literally translation it is the Slovak idiom for "to give bribes")

¹⁵ See e.g. Frič, 1999.

¹⁶ Možný, 1991.

Corruption is flourishing in the conditions of the so-called unrepeated game, and on the contrary, the more the conditions approach the rules of repeated game, the smaller the corruption space becomes, and there is an interest to establish correct playing rules.

Deformation took place in the areas of successful behaviour models, values and ethics. The citizens have to come to terms with the fact that even the biggest cases related to privatisation and tunnelling, the investigation of which was the subject of pre-election promises of the present coalition, remain unpunished. Underrating, or conscious imperfection of the institutional framework, provided considerable space for corrupt behaviour. After more than ten years of transition in many transition countries the state is strong and weak at the same time. For example, its engagement in the economy is still high, implementation of the public administration reform as well as its decentralisation have not taken place, the extent of re-distributing processes is also high. On the other hand, the state's weakness is manifested in its inability to guarantee the observation of rules¹⁷.

This elicits pessimism and scepticism in the citizens, they get the feeling of impossibility to influence the administration of public affairs, and they also perceive corruption to be inherent, whereby they expect that the state, or someone else, will liberate them from this phenomenon.

Such environment only enables to implement changes by radical intervention into the prevention and repression system. Moreover, activities of the government and the parliament, but also of the civil society are required. Some surveys show¹⁸ that the citizens perceive the problems of corruption rather at the level of individuals and their immoral attitudes. There is less perception that it is not enough to throw the "rotten apples" out of the basket, because if the basket remains clammy, i.e. if the environment is not changed, then also the new apples will become rotten. This requires enlightenment, and it is necessary to cultivate the active attitude of citizens by means of informing on the particular tools that may be applied in the fight against corruption. Although no quick results may be expected due to the already mentioned conservativeness of the informal rules. It is also very important to exert influence in the area of information and education, and to provide information to citizens, which is not only related to corruption and its harmfulness, but also informs about the possibilities of how to restrict the space for its existence, and what the citizens can do if they encounter it.

Also the foreign countries provide several examples supporting the statement that corruption has long-term bonds to the historical and cultural context, however, it also was often imported, e.g. during colonial domination.

Homework exercise:

- 1) according to the text above analyse situation in your country, define the main reasons why corruption has become that widespread, identify common marks as well as the specifics of each transition country

¹⁷ E.g. the degree of central re-distribution of funds and audit of licences, permits and subsidies at the particular ministries showed its considerable extent and unclear decision-making criteria.

¹⁸ See Zemanovičová – Gyárfášová, 2000.

- 2) identify key players - groups that could have interest and yield from corruptive environment and similarly groups, which regularly loose from corruption and could form an anti-corruption alliance and enforce necessary reforms.

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Attachment 1:

Corruption Perception Index (CPI) 2001

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: Transparency International, www.transparency.org

Attachment 2:

Bribe Payers Index (BPI)

The BPI ranking is based on scores that derive from responses to the following exact question:

1999 Transparency International Bribe Payers Index (BPI) Ranking 19 Leading Exporters						
Gallup International asked: “In the business sectors with which you are familiar, please indicate whether companies from the following countries are very likely, quite likely or unlikely to pay bribes to win or retain business in this country.”						
Rank	Country	Score		Rank	Country	Score
1	Sweden R	8.3		11	Singapore n.s.	5.7
2	Australia R	8.1		12	Spain S	5.3
2	Canada R	8.1		13	France S	5.2
4	Austria R	7.8		14	Japan R	5.1
5	Switzerland S	7.7		15	Malaysia n.s.	3.9
6	Netherlands S	7.4		16	Italy S	3.7
7	United Kingdom R	7.2		17	Taiwan n.s.	3.5
8	Belgium R	6.8		18	South Korea R	3.4
9	Germany R	6.2		19	China n.s.	3.1
9	United States	6.2				

Source: Transparency International

Notes: the questions related to leading exporters paying bribes to senior public officials. The standard error in the results was 0.2 or less. In the scoring: 10 represents a perceived level of negligible bribery, while 0 represents responses indicating very high levels of bribery.

Questioning found that many respondents said it was difficult to distinguish between mainland and Hong Kong companies since a growing number of mainland companies now operate from Hong Kong. Accordingly, the survey used the term 'China including Hong Kong.'

Status of OECD Convention: R = ratified, S = signed but not ratified, n.s. = not signed

Bribery in business sectors

Business executives and business professionals in leading emerging market countries see international bribe-paying to be greatest in the public works and construction sectors, followed by the arms industry.

Bribery in Business Sectors	
<p>Gallup International asked: <i>Which are the sectors in your country of residence where senior public officials would be very likely, quite likely, unlikely to accept or extort bribes?</i></p> <p>The scores below are mean averages from all the responses on a 0 to 10 basis where 0 represents perceptions of very high levels of corruption, while 10 represents perceptions of extremely low levels of corruption.</p> <p>The standard error in the responses was small at 0.2 or less.</p>	
Public works contracts and construction	1.5
Arms and defence industry	2.0
Power (including petroleum and energy)	3.5
Industry (including mining)	4.2
Healthcare/social work	4.6
Telecommunications, post (equipment and services)	4.6
Civilian aerospace	5.0
Banking and finance	5.3
Agriculture	6.0

Source: Transparency International

