Leila Mamedova

Do Transitions Have To Be Corrupt?
A Case Study of Slovakia

Syracuse University
Maxwell School of Citizenship & Public Affairs
Department of Public Administration

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Abstract

The paper analyzes a case study of an anticorruption program in the Slovak Republic. It discusses the three prerequisites to a successful anticorruption program: initial conditions - the condition of institutions, civil society and entrepreneurship at the start of transition; political will - the commitment of government to fight corruption; and internal/external pressure from citizens and multilateral organizations on government to reform. The analysis shows that whereas the initial conditions were strong in Slovakia, it was the generation of political will and the existence of internal and external pressure on government that led to a successful implementation of the anticorruption program.
1. INTRODUCTION

The countries of Eastern Europe and the Former Soviet Union (FSU) embarked on simultaneous political and socioeconomic transitions to democratic, market-based societies in the early 1990s. At that time no one envisioned that the road to redefining the role of the state in the newly emerging democratic societies would be paved with so many obstacles. An international team of economists advised – with some success – various governments of Eastern Europe and the Former Soviet Union (FSU) on issues related to the transition to capitalism, and advocated *inter alia* policies such as shock therapy and rapid privatization of state assets. However, reformulating the role of the state turned out to be more complicated and lengthier than expected, and entailed building new institutions and new sectors, as well as defining the interaction between the state and these sectors. In the process, a simple but powerful idea from Adam Smith was neglected: market economy requires not only private ownership, but also adequate oversight and institutions. To paraphrase Madison in *Federalist No. 51*: “If businessmen were angels, no government regulations would be necessary.” As a result of misguided policies and wrongful interventions, the challenge of governance has emerged as one of the most pervasive barriers to development during the last ten years of transition. Corruption in the region is reaching new heights, developing new dimensions, and poses monumental challenges (World Bank 2000a).

All of the variables of Klitgaard’s corruption equation – Corruption = Monopoly + Discretion - Accountability – were present in the countries of Eastern Europe and FSU during the socialist years, but became more prevalent during transition. Focusing on privatization and redistribution of state-owned assets, the countries in transition overlooked the creation of the necessary institutional and governance structures – a vital precondition for a successful transfer
of assets. When assets were privatized in an institutional vacuum, with a lack of accountability and lots of discretion, corruption is bound to set in (World Bank 2000a). Concurrently, astronomical rates of inflation combined with slow wage-increases have dramatically decreased the real wages of civil servants, doctors, and teachers, forcing them to seek rents by essentially “privatizing” their public offices. The result has been a spike in corruption in all sectors of society, including the newly emerging private sector, which in many countries of Eastern Europe and the FSU was essentially being built by means of corrupt practices.

Consensus on the high costs of corruption for political, economic and social development emerged relatively recently (Klitgaard 1988). During the 1960s, 70s and even as late as the 1980s, economists argued over the benefits of corruption to society and its contribution to growth, but these theories have since been disproved. Several studies in recent years present powerful empirical evidence on the enormous economic and social costs of corruption. They show that corruption hinders investment, reduces growth, restricts trade, distorts the size and composition of government expenditure, weakens the financial system, neutralizes government policies, and strengthens the underground economy. The most important policy implication, however, has been the demonstration of a strong connection between corruption and increasing levels of poverty and income inequality. In other words, the poor have been carrying a disproportionately large burden of corruption.

Basic agreement exists around the globe on the proper way to tackle corruption: an anticorruption program should first focus on eliminating the structural causes of corruption (low salaries) and then on limiting the discretionary powers of state officials to intervene in the economy, using both “carrot” and “stick” measures. These anticorruption measures must be holistic and be a part of a broad public sector reform, because piecemeal solutions will not...
provide success or achieve sustainable results (World Bank 2000a). However, in spite of this awareness of the most effective approach to combating corruption, the experience of the countries in Eastern Europe and the FSU during the first decade of transition has been mixed (World Bank 2000a). Efforts to reform basic state institutions have had limited impact. Anticorruption campaigns have served narrow political agendas, and governance reforms have been blocked by powerful vested interests. The political will and commitment to implement and sustain structural reforms have often been lacking (EBRD 1999). This might suggest that although we may know a lot about the causes and consequences of corruption, we know less about the factors underlying the persistence of corruption and, most importantly, ways to eradicate it (World Bank 2000a).

The rest of the paper is organized as follows. Section 2 discusses issues related to governance and corruption, and traces the theoretical linkages between the two. The case study of the Slovak Republic’s fight against corruption is presented in Section 3, followed by a discussion of the Slovak strategies in Section 4. The paper concludes in Section 5 with a reflection on lessons learned.

2. GOVERNANCE AND CORRUPTION

Corruption is considered an outgrowth of government failure, and thus low levels of corruption are one of the major indicators of good governance (Klitgaard 1988). Corruption is also closely linked to the discretionary powers of the state in society. Studies show that the greater the government’s regulatory discretion in society, the more the country is susceptible to corruption and the weaker and less effective its governance (Kaufmann, et al., 1999a and b).
During the Communist era, governments in the countries of Eastern Europe and the FSU were heavily involved in every sphere of society. This overwhelming monopoly of the state is dramatically different from the government’s role in democratic, market-oriented economies (see picture 1 below). During the period of transition, the governments of Eastern Europe and the FSU began a slow process of “withdrawal” from certain areas/sectors of society, but the implementation of this withdrawal was not well thought out. The process of withdrawal was based on the assumption that the necessary private and non-profit institutions were already in place and ready to take over certain government functions. It was assumed that effective public and private sectors were already functioning, and the only missing part was the “redefinition” of the relationship between the two. In reality, however, it was the actual development of institutions and effective public and private sectors that was needed.

These mistakes were particularly prominent in the FSU, where government’s withdrawal did not bring the benefits of the markets, civic participation, and checks and balances on the executive power. The executive power continues to be strong and dominating in the FSU, and not fully committed to allowing the private sector, NGOs, and the media to play their roles in society. The executive power also exerts heavy influence on the legislative and judicial branches, as well as the local governments (see picture 2 below). This heavy involvement and strong influence of the executive branch is central to the perpetuation and scope of corruption and must be addressed if an anticorruption program is to be successful.
It is useful to identify the different types of corruption, since policy solutions would have to be tailored accordingly. When thinking about the types of corruption in transitional economies, as related to the political and bureaucratic spheres of the state, two images come to mind: the owner of a small shop that gets endlessly harassed by “inspectors” from various ministries, each demanding a bribe, and an “oligarch” at the head a major corporation buying off politicians to shape a country’s legal and regulatory framework to his advantage. The first is an image of the state using its influence—or what Shleifer and Vishniy refer to as the “state’s grabbing hand”—to extort payments through the discretionary imposition of red tape. The second is an image of a powerful private interest with the ability to essentially “capture” the state and make it serve the financial interests of the oligarch (Hellman, et al. 2000).

The difference between administrative corruption and “state capture” is significant and much larger than a simple distinction between petty and grand corruption. Administrative corruption capitalizes on the discretionary implementation of existing laws to provide advantage to either state or non-state benefactors. Administrative corruption includes such activities as
extortions, bribery, and paying officials either to speed up legal paperwork or to avoid
punishment for illegal activities (World Bank 2000a). State capture, on the other hand, refers to
the actions of individuals, groups, or firms in both the public and private sectors to influence the
formation of laws, regulations, decrees and other government policies to their own advantage by
means of illicit and non-transparent provision of private benefits to public officials (World Bank
2000a). For example, an influential oligarch can buy off legislators to erect barriers to entry in a
particular sector.\textsuperscript{15} In other words, while administrative corruption capitalizes on the
discretionary implementation of existing laws, state capture allows certain interests to essentially
write the laws.

\textit{Measure of Corruption}

Policy recommendations can best be made after conducting quantitative analyses of
country-specific situations. While it is difficult to empirically “measure” corruption, it is possible
to measure the perception of corruption. There has been some discussion of the subjectivity of
such an approach (Hellman, et al., 2000). However, measuring the perception of corruption is
nonetheless just as important as measuring corruption itself and is probably more indicative of
the extent in corruption.\textsuperscript{16} The perception of corruption has a significant impact on the level of
legitimacy the state carries, and the perception of high levels of corruption can arguably cause an
increase in the actual occurrences of corruption. Nevertheless, it is important to note that it is the
perception of corruption that is being measured, not the actual incidence of corruption itself. This
is an important distinction in formulating anticorruption programs since the programs will be
based upon the existence of corruption as measured by the perception of its existence, though it
is hoped that these programs will nonetheless be effective in reducing the actual occurrence of corrupt practices.

There are several measures of the perception of corruption. The first one is the Transition Economies Enterprise Survey, a survey commissioned jointly by the World Bank and the European Bank for Reconstruction and Development (EBRD) to assess obstacles in local business environments in transitional economies. The second one is Transparency International’s famous Corruption Perceptions Index (CPI), which compares and ranks 90 countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. The third one is the Freedom House Index, which is an annual comparative assessment of the state of political rights and civil liberties in 192 countries. The fourth is Heritage Foundation’s and Wall Street Journal’s Index of Economic Freedom, which measures economic “unfreedoms” in the areas of taxes, tariffs, banking regulations, monetary policies, rule of law, and black markets. The fifth one is PricewaterhouseCoopers’ Opacity Index, which measures the opacity and ambiguity of the legal system, economic policies, accounting guidelines, regulatory frameworks, as well as the cost of doing business in countries with high opacity. The sixth one is the World Bank’s Governance Indices, which aggregate indicators from various studies to show correlations between civil liberties, accountability, political instability, good governance, regulatory burden, rule of law, and corruption indicators and quality of life indicators such as income per capita, child mortality, and literacy.

Factors Contributing to Corrupt Practices

Corruption that exists today in Eastern Europe and Former Soviet Union is deeply rooted in the legacy of Communism. Communist regimes attempted to fuse the state and economy into
one and used a combination of incentives and repression to control the behavior of public officials. One key incentive was “nomenklatura” appointments – key positions in the government and economy with unique access to goods and services, as well as rent-seeking opportunities. As a result of the use of such measures, petty administrative corruption existed in the provision of public services such as education, health, pension, and disability benefits. Citizens were expected to “thank” public servants for providing constitutionally guaranteed services. Another post-Communist legacy is the state’s intervention in enterprise affairs: in centrally planned economies bureaucrats determined suppliers and consumers, set prices and wages, and provided finance. Today’s bureaucrats are still instinctively tempted to “fix” private-sector problems through direct intervention. This form of state intervention breeds opportunities ripe for corruption, and external entities have few avenues of appeal when attempting to redress grievances brought on by the state’s actions (World Bank 2000a).

It is important to note that the amount and type of state intervention in the society during the Communist era varied far more across the region than the Communist facade ever revealed, and thus the institutional legacies of the transitional economies differ significantly. These differences have had and continue to have a profound effect on the susceptibility of countries in transition to state capture and administrative corruption (Treisman 2000). Eastern European countries – like Slovakia - have spent only 45 years under Communist rule and had a relatively lower degree of state intervention than the republics of the FSU. In addition, they also had a more developed civil society and a stronger tradition of collective action as a part of the political process. The former Soviet Republics, on the other hand, spent a much longer period under a Communist regime that was also more repressive, with no opportunity for private ownership of land or enterprise. In the FSU, the Communist regime wiped out any opposition to the state,
completely cleansing the countries of socio-democratic institutions that challenged the regime in any way. For 75 years, the state has stressed the unimportance of the individual and instilled complacency in people, in order to exert greater control over its citizens. This pacification of the population continues to play a major role in the development of the FSU countries today, since many people continue to undervalue individual contribution to development and change. Such public complacency is a damaging remnant of the Communist era and remains a threat to both the development of entrepreneurship in the FSU and the fight against corruption.

These variations in institutional and economic legacies across countries, often referred to as “initial conditions,” thus present a partial explanation for the high levels of corruption in the Former Soviet Union versus the relatively low levels of corruption in Eastern Europe (Treisman 2000). However, other factors have also had a major impact on the nature and extent of corruption. Such factors include the rise of ineffective leaders and the strategic policy choices made by them, and the involvement of and conditions set by multilateral and bilateral organizations.

Unfavourable initial conditions contribute to the vicious circle of partial political and economic reforms in which many countries get trapped and which make it difficult to undertake and, most importantly, complete fundamental change. The persistence of this trap depends on the underlying incentives and pressures for reform. Countries in which the civil society is repressed, political competition is constrained, and institutional restraints within the state are limited generally face weak internal pressures for reform. If these countries are less reliant on foreign aid or are not candidates to join international bodies such as the European Union or the World Trade Organization, they also face fewer external pressures for reform (World Bank 2000a).
Combating Corruption

The studies of international success stories in combating corruption cite strong political commitment at the highest levels of government as a necessity for a successful anticorruption program. These studies also outline a set of holistic, large-scale structural public-sector reforms that involve strengthening institutional restraints and correcting incentive structures (Rauch and Evans 2000). One of the most prominent anticorruption approaches is the holistic strategy developed by the World Bank depicted below. It is a multi-pronged strategy designed to address both state capture and administrative corruption (see picture below).

World Bank’s Multi-pronged Strategy to Combating Corruption

This strategy is all-encompassing, requiring a strong commitment on the part of the government to enforce laws, allow civil society participation, regulate and develop a strong private sector, and, most importantly, reform itself and the way it manages the public sector. However, as Rose-Ackerman (also from the World Bank) notes, “Behind all proposals for civil
service reform is an effective set of internal controls or of anti-bribery laws with vigorous enforcement, leaving one to wonder what can be done if *vigorous enforcement is not available* [emphasis added]” (Rose-Ackerman 1997). In this case, the strategy also leaves one to wonder: if the government was indeed strong and committed enough to conduct a sweeping reform of this nature, would they even require assistance in combating corruption or would they be capable of single-handedly dealing with the corruption problem once and for all? The World Bank report on anticorruption readily admits that no country has the capacity to carry out simultaneous reforms of this nature, and thus the sequencing and selection of policies is extremely important.

Nevertheless, the most significant challenge to an anticorruption campaign remains the task of working within the constraints of a non-caring, non-committal government. What is the best way to handle technical assistance programs in tough environments such as these? How much external pressure can be applied, and does it achieve anything if there is no internal pressure for reform? These questions remain moot, and the answers would vary from country to country.

3. THE FIGHT AGAINST CORRUPTION: THE CASE OF THE SLOVAK REPUBLIC

The Slovak Republic has registered one of the best macroeconomic performances in Central Europe since its independence from the Czechoslovak Federation in 1993. Inflation has declined steadily and GDP has grown, and in the coming years the World Bank expects Slovakia’s GDP growth to be twice the EU average.²⁶ This recovery has been driven mostly by the private sector,²⁷ with the government fully involved through the bank-privatization and enterprise-restructuring process.²⁸ As part of these efforts, the legal framework for bank
regulation and supervision was strengthened, an agency for bad debts was created, and legal
reforms in areas such as bankruptcy law were enacted. In addition, the Slovak
telecommunication sector has been successfully privatized, with gas, power, and other utilities
next on the agenda (World Bank 2001).

One of the primary factors contributing to Slovakia’s success has been the political will
displayed by Slovakia’s leaders and their commitment to comprehensive public sector reforms.
The high level of political will was generated by internal and external pressures on the
government to prepare the country to join the European Union by 2004. As part of the
sweeping reforms necessary for this preparation, the government instituted an anticorruption
program that was well sequenced and formulated with inputs and support from NGOs and
multilateral and bilateral partners.

The government of Slovakia defined corruption as “the abuse of power regarding another
person’s property or rights with a desire to obtain improper advantages for oneself” (Government
of the Slovak Republic 2001). The fight against corruption was given a prominent place in
Slovakia’s political agenda under the coalition government headed by Mikulas Dzurinda that was
sworn in on October 30, 1998. The Dzurinda administration’s primary focus in combating
corruption was the elimination of its underlying social causes, with a particular emphasis on
restoring the operation of market mechanisms. In addition, the government focused on
criminalizing the activity of bribery and implementing international anticorruption agreements
(Government of the Slovak Republic 2001).
Slovakia’s anticorruption program originated at the highest levels of government and encompassed the entire central government. A Deputy Prime Minister for Economic Affairs was appointed to coordinate the fight against corruption, and a national Steering Committee on the Fight against Corruption was created that consisted of high-ranking officials and representatives from various ministries, the private sector, and civil society. Additionally, a Central Coordination Unit for Fighting Corruption at the Government Office of the Slovak Republic was established, and departments in various ministries were assigned the task of coordinating the program within their ministries and sectors (Government of the Slovak Republic 2001).

The document that outlined the strategy for the program was the *National Programme for the Fight against Corruption*, which was developed in cooperation with NGOs and was approved by the government in June 2000. Three main objectives were outlined in the *National Programme*:

1. Eliminating situations in which corruption can potentially occur.
2. Increasing the risk of participating in corrupt practices.
3. Making government work transparent to the public and increasing public awareness of corruption.

The implementation document for the *National Programme*, which was entitled the *Action Plan for the Fight against Corruption*, set out 1,684 concrete tasks for central administration bodies. The state administrations were asked to develop their own plans to fight corruption, geared to unique issues within their agencies (Government of the Slovak Republic 2001).
Implementation

The Central Coordination Unit for Fighting Corruption estimated that 51.5% of tasks under the *Action Plan* have been implemented by June 2001 (Government of the Slovak Republic 2001). Furthermore, the evaluation conducted by the government concluded that many agencies were able to implement the assigned tasks relatively smoothly, and signs of improved performance were noticeable (Government of the Slovak Republic 2001).

Under the three main objectives outlined in the *National Programme*, some of the specific results accomplished include:

1. **Eliminating situations in which corruption can potentially occur.**
   - A computer-based system of random distribution of cases to judges was introduced in all district courts. This system sped up court procedures and guaranteed the observation of constitutional rights by preventing arbitrary assignment of cases and handling of court files.
   - Internet registration of licenses, concessions, and permits was created to limit the interaction between the public and street-level bureaucrats, where the opportunity for “grease” to trade hands is high.30
   - The monitoring of privatization-tender proceedings by independent institutions was made possible.

2. **Increasing the risk of participating in corrupt practices.**
   - Corruption was criminalized and harsher sentences for corruption-related offences were introduced.31

3. **Making government work transparent to the public and increasing public awareness of corruption.**
   - A Company Register was published on the Internet that would contribute to creating a transparent business environment. The creation of accelerated procedures for entering company info into the register within a certain time limit was also expected to curb corruption.
   - Public officials were required to declare their assets.
   - The listing of various licenses, concessions, and permits became available on the Internet to increase public awareness of the documents issued by central government agencies.
   - Information regarding the privatization of state-owned enterprises was published on the Internet to increase transparency in the privatization process.32
Has the Slovak Program been Successful?

In evaluating anticorruption programs, linking the changes in perception and occurrences of bribes with specific anticorruption policies remains a challenge. In the absence of any factors exogenous to Slovakia’s anticorruption program that could have had such an impact on the perception of corruption in the country, it is highly probable that such a correlation exists. With this assumption in mind, I will analyze the Slovak anticorruption program with the data currently available, using the results of Transparency International’s Corruption Perceptions Index, the World Bank’s Governance Indices, as well as the scarce national data available.

Perception of Corruption

A questionnaire survey on the perception of corruption conducted in June 2001 by the Slovak Public Opinion Polling Institute showed that the perception of the occurrence of corruption in Slovakia is on a downward trend (see graph 1). Other studies conducted by the Public Opinion Polling Institute on the perception of corruption from the standpoint of businesses support this conclusion. In particular, these studies registered substantial declines in the perception of corruption in the process of privatization (see Annex 1, Graph 1) and in the banking sector (see Annex 1, Graph 1) in 2001. This reduction in the perception of corruption can be partially attributed to various measures adopted by the government, including

Graph 1: Percentage of persons who gave a bribe


31.98 33.03 29.07 27.46 25.73
macroeconomic stabilization, legislation and tax reforms, restructuring of the banking sector, and implementation of bankruptcy and public procurement laws. Moderate decreases in the perception of corruption were also observed in the area of state administration (see Annex 1, Graph 2). The perceived need to give a bribe in cash or in kind to tax authorities went down by 2 percentage points – that is almost 25% – from 7.81% in 1999 to 5.9% in 2001 (see Annex 1, Graph 2).\textsuperscript{34}

The perception of corruption is particularly high in the judiciary, police, and in the area of education (see Annex 1, Graph 3). Interestingly, education, where the perception to give a bribe has been rising since 1999 (see Annex 1, Graph 3) is scheduled to begin decentralization in January 2002.\textsuperscript{35} It will be interesting to observe the effects of decentralization on the occurrences of corruption in the education sector.

\textit{Prosecuting Corruption}

Another indicator of the effectiveness of Slovakia’s efforts to combat corruption is the increase in the number of corruption cases prosecuted, or the number of persons indicted and sentenced for participating in corrupt practices, that has occurred in recent years. In 2000, 116 corruption cases were pursued, representing an increase of 132\% over 1999 when 50 corruption cases were recorded (Government of the Slovak Republic 2001). The spike in prosecutions is even more evident when comparing the figures from 1996 (20 cases prosecuted) and 1998 (15 cases prosecuted) to 2000 (35 cases prosecuted).\textsuperscript{36} In addition, surveys done by the Polling Institute indicate an increase in the number of persons who did not give any bribes – from 70.9\% in 1999 to 72.54\% in 2000 – possibly as a result of the criminalization of the act of bribery in 1998 (Government of the Slovak Republic 2001).
There is, however, no qualitative information available regarding the types of corruption cases prosecuted or the level of the officials indicted. Therefore, it cannot be determined whether the indicted officials were lower-level civil servants and/or one-time offenders or whether they were high-level public officials with a history of bribery and corruption. Consequently, the integrity of the prosecution process could not be established because it is not known whether, and if so to what extent, the criminal prosecutions have been used as a mechanism of political revenge rather than as a tool for fighting corruption.

Public Attention to Corruption

The topic of corruption has become increasingly prevalent in the Slovak media, as is evidenced by the increase in the number of articles devoted to corruption in Slovak newspapers and magazines (see graph 2). Media coverage of corruption is critical in increasing public awareness of the anticorruption program and sustaining its momentum. Widespread attention given to the incidence of corruption and actions taken on the part of government have helped garner public support for the anticorruption program, which is the first step in rebuilding public trust in the government.
Slovakia does not compare favourably to V4 countries when it comes to corruption, according to Transparency International (see graph 3). However, Slovakia is the only V4 country that has shown a marked decrease in the perception of corruption during the period from 1999 to 2001, the period during which the National Programme was being implemented. Slovakia’s Corruption Perception Index (CPI) of 3.7 in 2001 represents an improvement from the previous year, when Slovakia ranked 52nd in the world with a CPI index of 3.5. Compared with 1999, however, Slovakia’s CPI value dropped by 0.2, which was mainly due to shifts in the rankings of other countries. If the current improvement trend is real and not simply a fluctuation, Slovakia should be able to close the gap with the other V4 countries by 2002, with a corruption level comparable to that of the Czech Republic and Poland – a significant improvement, considering that the anticorruption program has been in place for only a few years.

Probably the most prominent feature of Slovakia’s anticorruption program has been its focus on the incidence of administrative corruption. Whether this approach was taken purposefully or by accident, it has proven to be effective because administrative corruption is highly visible and is, therefore, the easiest to address. Anticorruption policies targeting administrative corruption must address it from both angles: by reducing the demand for income acquired through bribes – which can be accomplished through gradual increases in the wages of civil servants to the recommended level of 3-7 times manufacturing wages – and by reducing...
the supply of bribes – which can be accomplished by limiting or monitoring the interaction
between street-level bureaucrats and the public.

While many Former Soviet Republics had a pressing need to increase civil servants’
wages as part of their anticorruption programs and subsequently, ran into budget constraints,
Slovakia’s anticorruption program did not have to face such challenges, because the government
wages were approximately equal to the GDP per capita. The average real salary of a government
employee in 1997 was 119,000 Korunas, which was approximately $3,500 in 1997 US Dollars.42
However, controls were badly needed to check the power of civil servants. Limiting the
interaction between civil servants and the public by making the registration of licences and
permits available over the Internet was not the most effective strategy to reduce administrative
corruption, since Internet penetration was not ubiquitous in Slovakia.43 Slovak officials could
have addressed the problem most effectively by instituting a circular system of accountability
checks, whereby civil servants are financially motivated to hold each other accountable to a
bribe-free work standard. The circular accountability checks must be implemented carefully,
however, because a chance of “organized bribery” exists, whereby civil servants in one
accountability circle unite to maximize their returns by both taking bribes and giving each other
excellent peer reviews.

Once the Slovak government instituted a system of checks on the incidence of
administrative corruption, the next step it took was to convey to the public the seriousness of its
intention to address corruption. The noticeable decline in the perception of corruption and its
widespread media coverage sent a visible message of warning to both the public and civil
servants – a warning to change or be punished. The criminalization of bribery and the newly
instituted controls would inevitably have an impact on the incidence of “state capture,” since
individuals from the private sector would be more hesitant to approach a politician heavily involved in an anticorruption program.

According to the World Bank’s governance studies, Slovakia’s governance is better than that of Eastern Europe and the Former Soviet Union (see Annex 2). However, in comparison to a higher benchmark – the OECD Average – Slovakia, naturally, has a lot of room for improvement (see Annex 2). The regulatory framework is Slovakia’s weakest point; it also needs improvement in the areas of government effectiveness, political stability, and accountability (see Annex 2). The government’s strategy against corruption will eventually have to address these areas and produce long-term results in order to obtain the public’s trust, build an effective and transparent public sector, and increase investments in the country. In particular, the weakness of new state institutions and apathy and disenchantment with the government on the part of the population are serious obstacles to further implementation of the anticorruption strategy, but these problems must be explicitly addressed and overcome if future actions are to produce results.

5. CONCLUSION

Slovakia has been successful in implementing its anticorruption program largely because of the government’s commitment to reform and the strong internal and external pressures it faces to join the European Union. This makes Slovakia’s case somewhat unique and the lessons learned from it strictly applicable only to other Eastern European countries in a similar situation. Nonetheless, Slovakia’s case indicates that strong political commitment and leadership able to generate ‘political will’ are of utmost importance in a large-scale anticorruption program. This commitment has to penetrate the entire system at different levels, originating at the highest levels
of government (President/Prime Minister), but seeking support and commitment of trusted civil servants on all levels. The middle-level civil servants, who will be overseeing the implementation, must also buy-in to the goals of the program. This buy-in can be encouraged by creating widespread support for the anticorruption program among the public. Civil society and the media must be brought onboard from the beginning to indicate the transparency of the anticorruption process itself, to disseminate information, and to signal the government’s true commitment to changing the status quo.

Since early successes are symbolic and can both infuse energy into the program and dictate its future, it is vital to start the anticorruption program in areas where early wins are virtually guaranteed. Showing noticeable improvement in one agency or sector will immediately bring the spotlight of the media and the public, thus giving the anticorruption program momentum. Once momentum is gained, the reforms must be prioritized carefully, addressing the areas where corruption is most noticeable to the public. The reforms must also be sequenced in an effective manner, without jumping ahead, and the scope of reforms must be gradually expanded to include high-level state-capture, since addressing administrative corruption alone is not enough to ensure good governance and show that nobody is above the law.

The most significant aspect in the implementation stage of the anticorruption program remains consistency on the part of the government. The perception that the government is fighting corruption is vital to safeguarding the integrity of the process, and government leaders must not allow the program to be compromised by vested interests or narrow political agendas. In other words, the leaders of the program must abide by the same rules they are hoping to institute, and they must be publicly accountable to people in all actions taken.
The problem of corruption in transitional economies is endemic, as indicated by the indices measuring corruption, and therefore requires sustained action. All of the components of the multipronged strategy must be gradually addressed, in order to improve the governance indicators (see Annex 2). Slovakia and other Eastern European countries are strategically placed for the challenge. With favorable initial conditions, great internal and external pressure for change, and a high level of political will in the government, these countries have all the right ingredients for tackling corruption. The one piece that is missing is the appropriate recipe that will bring all of the ingredients together in a well-designed and implementable anticorruption program.

Some areas for future research that may help in constructing such recipes include the identification of the opportunity costs (in the form of GDP loss) of administrative and state-capture corruption in various sectors, which will empirically show that the benefits to growth and development in fighting corruption are tangible. We should also attempt to better understand the relative influence and importance of the three prerequisites to a successful anticorruption program: initial conditions, political will, and internal/external pressure. Issues that need further examination include the various methods of creating and strengthening political will, and examining its influence on the design, implementation, and outcomes of anticorruption programs. Similarly, the modus operandi of the generation and sustenance of appropriate levels of external pressures need to be further examined to understand its utility in situations where the initial conditions are not favorable and political will is low.

Designing, sequencing, and sustaining anticorruption programs poses tremendous challenges, but not impossible ones. As the preceding case study of Slovakia and others suggest, it is possible. (World Bank 2000a). These success stories demonstrate that progress comes
slowly, and is the result of internal and external pressure from society and a sustained commitment on the part of government. After ten years of transition, the building blocks of reform are better known, but the challenge remains to prioritise and implement these reforms in a manner that can build credible support for a sustained process of change.
REFERENCES


NOTES

1 The actual quote is: “If men were angels, no government would be necessary,” Federalist No. 51.
2 See, also Stiglitz’s criticisms of the IMF’s policies in Eastern Europe - http://www.thenewrepublic.com/041700/stiglitz041700.html
3 Klitgaard 1988.
4 Economist Francis Lui, in a 1985 issue of the Journal of Political Economy, asserted that “bribing strategies… minimize the average value of the time costs of the queue…[and the official]…could choose to speed up the service when bribery is allowed.” See Kaufmann 1997.
5 For an extensive literature overview of “pro-corruption” theories and their disproval, see Mauro 1995.
7 World Bank 1999.
8 Without minimizing the importance of ethics and morality in anticorruption programs, this paper focuses on the “fixable” structural problems, which can be addressed through policy. Also see Bardhan 1997.
9 See Klitgaard 1988.
12 From the Financial Times: “The oligarchs were so called because they had real power, state power. They wrote laws. They appointed ministers, often entire cabinets, and made sure that their interests were served. They corrupted the new governing, legislative and bureaucratic class of Russia, in the centre, in the regions and abroad.”
13 A Russian oligarch once said: “The best investment in Russia today is in politics.”
14 Shleifer and Vishny (1994) developed the “grabbing hand” image of the state. The cost of bureaucratic harassment and bribery is addressed by Kaufmann and Wei 1999.
15 Anecdotal evidence of state capture is illustrated in an example from Russian political reality. Amidst the rage of foot-and-mouth disease in Europe, the Russian Ministry of Economic Development and Trade ordered the prohibition of imports of beef and fish (!) from European countries affected by the disease. While the ban on the import of beef is somewhat understandable, the ban on fish is rather perplexing, not only because fish cannot get foot and mouth disease, but also because fish do not even have feet. There were rumors that the Ministry was “greased” by the lobbies interested in boosting the “demand” for local fish.
16 Not to mention that empirically measuring corruption itself is virtually impossible because of the secrecy—and in some cases criminalization—that surrounds such activities.
24 Some of the international case studies documenting successful anticorruption programs include, but are not limited to, Quah 1997, De Speville 1997, and Hors 2001.
25 Taken from the World Bank 2000a.
30 The creative use of information technology (IT) is used increasingly more in fighting corruption. For example, the mayor of Seoul, South Korea, the winner of Innovation in Public Service Award, used IT and the Internet to improve the delivery of public services by introducing the on-line registration of licenses, permits, etc., in order to limit the interaction between the public and the bureaucrats.
The sentence for bribery was increased from 1 to 2 years of imprisonment; the sentence for the abuse of public office was increased from 2 to 3 years of imprisonment.

This action can be considered the first attempt to address state capture.


Ibid.


As of June 2001, the Ministry of Communication has recorded 222 articles on the topic of corruption. See Government of the Slovak Republic 2001.

The Visegrad Four Countries include Czech Republic, Hungary, Poland, and Slovakia. As of December 2001, Visegrad Four became Visegrad Five, as Slovenia joined the alliance.


International Monetary Fund 1998.

Slovakia has 39 Internet hosts per 10,000 people and 109 personal computers per 1,000 people (1999 data), World Development Indicators, World Bank. See, http://devdata.worldbank.org/data-query/