

Summary Report

Regional Workshop on Eastern and Central Europe and the CIS – Fighting Corruption in Transition Economies

The workshop participants considered the special nature and effects of corruption in countries that had during the 1990s been making the difficult multiple transitions that are peculiar to post-communist societies. Simultaneously, these countries were moving away from centrally-planned and largely state-owned economies towards marketised and increasingly privatised arrangements; from essentially one-party to multiparty political systems; from high levels of censorship to a situation in which the media were in most cases much freer; from social structures in which there was virtually no bourgeoisie towards ones which would be increasingly dominated by a new property-owning class; and from a situation in which the previous dominant ideology had been thoroughly discredited, but in which the task of creating an internalised new set of values (including ethical ones) was proving far more difficult than had originally been anticipated.

Four papers were presented during the first session, which was chaired by Mr. Daniel Blais (Project Co-ordinator, UNDP/PACT in Bratislava, Slovakia). The first was by **Vladimir Bykov, Head of the Main Administration for Co-operation with Entrepreneurs Associations, Chamber of Commerce and Industry of the Russian Federation**. Bykov focussed on the role of the private sector in the fight against the apparently high levels of corruption in the Russian Federation. In attempting to explain these high levels, Bykov highlighted the turbulent history of Russia. Now, he argued, the most effective way to overcome the general crisis in Russia was to increase the role of entrepreneurship. He emphasised the high levels of bureaucratism in his country, and that many laws contradicted each other. The combination of the fact that so many activities formally required state regulation with the confused nature of so much legislation was seen as highly conducive to corruption.

One manifestation of the dysfunctionality of the current system was that the Russian state often attempts to levy taxes to a higher value than the profits made by companies. In such a situation, companies often look for loopholes in the legislation and/or seek to avoid such high levels of taxation through bribing officials. But the situation was not without hope. A program entitled 'Development of a Russian Business Culture' was elaborated three years ago. This included a number of recommendations that should, if properly implemented, assist in the development of more regularised business practices and a proper business ethos. A linked initiative has been the establishment of regional centres for the development of business culture. These should help the development of civil society, and to strengthen the business community's leverage over the state bureaucracy. All this should be conducive to the reduction of corruption in Russia.

The second paper was delivered by **Mr. Alexander Stoyanov of the Centre for the Study of Democracy in Sofia, Bulgaria**. Stoyanov informed the workshop

participants about the Coalition 2000 initiative in his country. This program, launched in April 1998, appeared to be unique in the region, representing as it did a coalition of government agencies, NGOs and individuals concerned about corruption. The Coalition was being assisted by the USAID office in Bulgaria, and was working on and to an Action Plan. This plan had several features, including an emphasis on open processes; the encouragement of a dialogue between the public and private sectors; transparency at all stages of its operation; and the development of a distinct identity and public profile. Its main foci were to be on monopolies (especially the state's); areas in which public officials had excessive discretionary power (particularly where there were too many regulations and/or where rules are ambiguous); and levels of accountability.

Stoyanov then elaborated the stages of Coalition 2000's work. The first was completed in December 1998, and primarily involved defining objectives. One part of this involved a Small Projects Competition, in which NGOs were invited to submit proposals on how best to implement aspects of the Action Plan. The second stage focuses on implementation of various parts of the plan. But, as Stoyanov emphasised, much of this could not be done by the Coalition itself, since it required changes to legislation. However, the Coalition would be able to play a major role in the Awareness Campaign it had adopted. This involved four main approaches – public education; use of the media for publicising its work and aspects of corruption; television clips, and posters.

During this part of his presentation, Stoyanov played two versions of an anti-corruption television clip that had been produced by the Coalition for raising public awareness of what constituted corruption and of its unacceptability. Following the awareness campaign, the next step in the Coalition's approach is to be monitoring. A corruption monitoring system was being developed, as was a corruption perception index based on time-series survey-based data. The latter revealed that public tolerance of corruption in Bulgaria was declining. Finally, the implementation and organisational elements comprised three main elements – a Steering Committee, a Secretariat, and regional dimensions.

The third presentation was made by **Mr. Zbigniew Wesolowski, Vice President of Poland's Supreme Chamber of Control (NIK)**, who explained the role played by NIK in combating Polish corruption. He explained that NIK is the supreme body of state auditing in Poland. The body is formally subordinate to parliament, though it also collaborates closely with parliament. At the same time, it is quite independent of the government. Wesolowski informed the audience that NIK had conducted some 700 audits in the past three years, as a result of which it had notified the appropriate authorities of 279 cases of serious irregularities.

Wesolowski went on to identify some of the recent legislation adopted in Poland that is at least partly concerned with overcoming corruption. One such law was the 1998 Public Finance Act, which in fact constitutes a public finance code. This establishes, *inter alia*, clearer rules on the accumulation and expenditure of public resources, and ways to ensure greater transparency. He also provided some detail on the 1997 Political Parties Act, the Act on Limited Economic Activity by Persons Performing Public Duties

(August 1997), the amendments to the Criminal Code (September 1998), and the Act on the Mandate of Parliamentary Deputies and Senators (May 1996). Like Mr. Stoyanov, Mr. Wesolowski emphasised his belief that reducing corruption levels would be possible only if government bodies and NGOs co-operated closely.

The final paper was delivered by **Mr. Gia Kiknadze, Deputy Chair of the Anti-Corruption Research Centre in Georgia**. He emphasised that, as the representative of an NGO engaged in combating corruption, he felt it was appropriate to discuss the scale of corruption and the measures being taken to reduce it. His analysis began by outlining the economic problems Georgia had faced since the collapse of the USSR. During the Soviet era, the Georgian economy had been closely integrated with those of the other Soviet republics. But this had all changed since 1991, resulting in severe economic difficulties. The Georgian state had almost gone bankrupt, and in recent years many officials had not received their salaries for months, if at all. At the same time, the state had been unable to deliver many services that citizens had traditionally expected.

This combination of under- or unpaid officials and a shortage of goods and services was highly conducive to corruption, which had increased substantially. In addition, in many areas, the Georgian state had not passed legislation appropriate to the new, post-communist transitional situation; as pointed out by many speakers at the workshop, including Kiknadze, contradictory or inadequate or non-existent legislation is fertile soil for corruption.

However, the dismal situation in Georgia began to improve in 1995, since when there has been a sustained effort to rebuild the Georgian state and develop civil society. Initially, the state's efforts to combat corruption had tended to be rather heavy-handed, which is rarely effective. But attempts to bring more finesse and variety into the anti-corruption struggle became evident in 1996, which was officially declared an anti-corruption year. Several ministers were dismissed, and a number of criminal cases opened. In line with the arguments of Mr. Bykov and Mr. Stoyanov, Mr. Kiknadze maintained that one of the most effective ways to reduce corruption was to reduce the discretionary role of state officials. In this connection, he pointed out that corruption had declined as the state's role in allocating residence permits had disappeared.

On the other hand, as in other countries, the privatisation process had increased opportunities for corruption. One area in which there had been a significant improvement in Georgia was in judicial matters; there had been a major reform, in the design of which foreign agencies and countries (particularly the World Bank, the USA and Germany) had played a very useful role. Finally, the Georgian parliament is deliberating on a new law on conflicts of interest and corruption.

Following the four papers, contributions from the floor were invited. One of the points made was that 'beating the system' was virtually considered a civic virtue during the communist era; overcoming this way of thinking was a major task of post-communist governments and NGOs, even though many citizens were simultaneously highly critical of corruption. Another point made (by Prof. Josip Kregar of Croatia) was that corruption

is endemic and systemic in post-communist systems, partly because of the still underdeveloped nature of political institutions (inc. political parties) in the region. Only as institutions crystallised and parties developed clearer ideas of the way forward could serious inroads into the problem of corruption be expected. One other point made from the floor was that a World Bank survey had suggested that corruption was more deeply entrenched in Central and Eastern Europe and the CIS than in other parts of the world.

The first session closed with the comments of Mr. Rainer Geiger, Deputy Director of the OECD's Directorate for Financial, Fiscal and Enterprise Affairs. He agreed with several of the points made in both the papers and from the floor, including Prof. Kregar's point that a long-term perspective was needed to understand the problem of corruption in the region, and that such an understanding was vital if successful anti-corruption strategies were to be adopted. He argued persuasively that the relationship between corruption and privatisation is more complex than is usually assumed, and that different methods of privatisation had varying effects on the nature and scale of corruption.

He pointed to the need for the development of a corporate culture, proper competition, and better modes of governance in the region if corruption levels were to be brought down. Like several other speakers, he also emphasised the need for coalitions in the fight against corruption. Action Plans are a useful tool, particularly if four points are borne in mind – there should be macro-regional co-operation; plans must be comprehensive and fully integrated; anti-corruption strategies must involve co-operation between domestic and international agencies; and plans should be really long-term, not merely short-term.

The second session was chaired by Mr. Donald Bowser, Program Officer for Transparency International. Most of the session was devoted to summaries of the measures being taken in individual CEE and CIS countries, including new laws, new agencies, the growth of relevant NGOs, etc. In addition to papers on many European and Central Asian countries, one speaker reported on the situation in Mongolia; while outside the specified region in a geographical sense, its status as a post-communist country meant it shared many of the structural and attitudinal problems of the post-communist countries to its West.

The report of this regional workshop to the day's plenary session was delivered by Ms. Katya Hristova, Executive Director of TI in Bulgaria. She listed four main recommendations:

1. CEE and CIS countries need to establish long-term anti-corruption strategies;
2. further developments need to be based on coalitions between government agencies and civil society;
3. a macro-regional approach (or holistic) is vital (this can include publicising methods tried in individual countries, and an assessment of which have been successful and which less so);
4. there is a need for more joint programs between the West and the CEE/CIS countries.

Ms. Hristova finished by listing some of the major concerns relating to the fight against corruption in the region. These included the possibility that some countries were becoming more dictatorial, which in general hinders the struggle against corruption; and the susceptibility of new private enterprises to fraud. Much work remains to be done in the region!

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October 11, 1999, Durban, South Africa

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