

# 5

## Closing Thoughts

Corruption is now getting the attention it deserves, not just in rhetoric but in actions as well. By getting detailed information periodically from firms, the BEEPS is helping to monitor progress. At the broadest level, the progress is more encouraging than ever. Firms in many transition countries are reporting that corruption is less frequent, less of a drain on resources, and less of a problem than in the past. Chapter 2 examined four summary indicators of corruption for the period 2002–2005. Not a single country showed deterioration on all four, while numerous countries showed improvement on all of them. Even for the detailed questions about specific types of enterprise-state interactions, most countries showed improvement for most of these indicators, as shown in Chapter 4.

What explains the success achieved to date in some countries in Europe and Central Asia? The data and the evidence both reinforce the fact that rapid progress can be made through the appropriate design and determined implementation of reforms in policies and institutions. The policies that work best are those that simplify rules and regulations, limit interactions between firms and public officials, and reduce burdens on the private sector. Efforts to increase transparency and carefully monitor progress—for example, with the measurement of border crossing times noted in Chapter 4—are powerful tools to highlight remaining areas of corruption and address them. Of course there will always to be an important role for the state, and it is not possible to eliminate all interactions between the public and private sectors. The challenge is rather to think carefully about the governance implications of public policies and to try to minimize opportunities and incentives for corruption wherever feasible.

The trend is favorable but by no means irreversible. Corruption never goes away completely, and even the world's most advanced countries

must be constantly on the watch (see Box 5.1). Continued progress in transition countries will require persistent attention to weaknesses and to new challenges as they arise. While many countries have made considerable progress with regard to taxes, customs, and inspections, little if any progress is evident in the judiciary or in public procurement. Usage of the courts and needs for public procurement are both likely to expand with economic growth, and thus the need to address these weaknesses is clear.

An important driver for many countries has been external—most notably the goal of joining the European Union (see Box 5.2). For countries in central and southeast Europe and the Baltics, the EU has provided both the “carrot” of actual or potential membership and the “stick” of conditions and standards, particularly with regard to governance. The EU has also provided technical assistance and regular monitoring of performance. The accession process has had a major

#### **Box 5.1 Monitoring corruption and anticorruption in countries at all levels of development**

For the past few years the Council of Europe has engaged member countries in a process of peer review of each other's anticorruption legislation and implementation through its “Group of States Against Corruption” (GRECO). These evaluations, which cover many transition countries and all of the BEEPS comparator countries, underscore the fact that all countries encounter corruption and must be constantly vigilant in addressing it. For example, GRECO's review advises Spain to develop better legislation on conflicts of interest. Ireland needs to revise its freedom of information legislation, devote more resources to the detection of corruption, and increase sanctions in corruption cases. Germany is thought to have controlled corruption quite successfully during the privatization and reconstruction process in eastern Germany, but it still needs to address potential conflicts of interest and strengthen its rules on freedom of information.

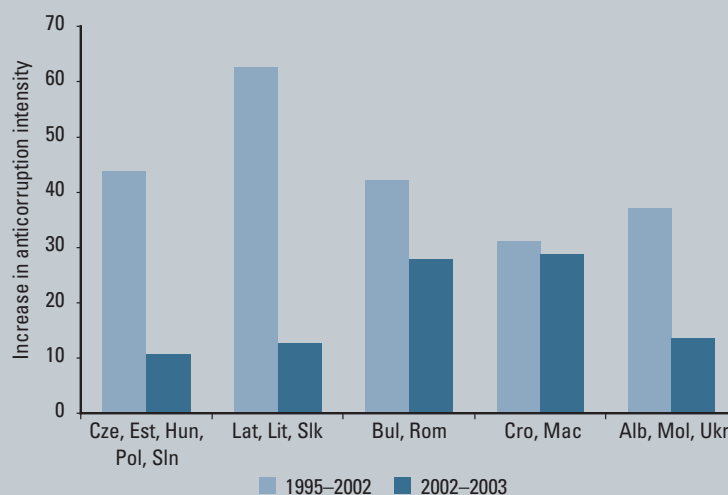
Greece and Portugal have been highlighted by GRECO—as in the BEEPS—as countries with significant ongoing problems of corruption. Bribery in Portugal is thought to be particularly prevalent at the local level and in certain key central government agencies (including the police, tax administration, and the judiciary, as well as in sports). The evaluation recommends reforms in criminal procedure rules and in immunities given to members of parliament. In Greece, corruption is considered to be significant in public hospitals, the police, tax administration, and the judiciary. Stronger legislation and implementation is thought to be needed in numerous areas, including whistleblower protection, anti-money laundering, ethics rules, and confiscations of proceeds in corruption cases.

For further information, see GRECO reports available at <http://www.greco.coe.int/>.

### Box 5.2 The pull of the European Union

Data reinforce the view that EU membership has provided a major incentive for countries in Central and Eastern Europe to address corruption. Figure 5.1 shows the intensity of anticorruption legislation in two periods—1995–2002 and 2002–2003—for 15 countries in various stages of EU accession. The first group covers the first “wave” of five accession countries, while the second group covers the three countries that were originally referred to as the second wave but subsequently merged with the first wave. The third group covers Bulgaria and Romania, two countries expected to join the EU in 2007 or 2008 (depending on progress), and the fourth includes Croatia and FYR Macedonia, two of the three current candidate countries. The final group includes Albania, Moldova, and Ukraine, European countries that would like to join the EU in the future but are not currently candidates. As is evident, anticorruption activity was most pronounced for countries whose accession was probable but not certain—the second wave of countries in 1995–2002 and the third and fourth waves in 2002–2003.

**Figure 5.1 Anticorruption intensity and the pull of the European Union**



Source: Based on the Anticorruption Assessment Index created by Dorhoi (2005).

impact in stimulating recent anticorruption efforts in Romania and Bulgaria and is likely to have a similar impact in many other countries in the region. Indeed, the desire to meet European standards is a motivator for governance improvements far beyond the borders of the EU.

This study also underlines the importance of a country’s political system as either a driver or inhibitor of reform. The political system inevitably defines the incentives and sets the boundaries within which policies and institutions are formed. Chapter 3 discussed the fact that countries with less open and competitive political and economic regimes tend to have more moderate indicators of corruption as reported by firms. These survey outcomes could reflect the strong control environment, the

low level of private-sector activity, different conceptions of what constitutes corruption, or the hesitation of respondents to answer questions freely. But no matter the reason, it is clear that technocratic reforms are not likely to have the same effect in closed environments. Without a substantial move toward greater openness and transparency, these countries are unlikely to make real progress in improving public-sector accountability and performance. It is possible that the opening up of closed political systems will lead to higher corruption in the short term, but over time more political and economic competition helps foster the transparency and accountability that is essential in controlling corruption.

Finally, individuals matter, and strong leadership is essential in shaping and pushing reform.<sup>1</sup> Every country that has achieved some success on the anticorruption front has had leaders who have tenaciously pushed the reform agenda. Romanian leaders strengthened the asset declaration law immediately upon taking office and have worked to support prosecutors who are also keen to tackle corruption. Slovak leaders have been instrumental in pursuing far-reaching tax and budget reforms. The Georgian government has doggedly pursued fundamental reforms in many areas since the Rose Revolution in late 2003. On the other hand, a lesson from countries with less success to date is that reforms will not achieve the desired results unless there is real support from the leadership and a strong push on implementation. Leaders cannot expect to eliminate corruption, but the experience of the countries of Europe and Central Asia shows that those with strong commitment, courage, and support can make an important difference in a relatively short period of time.

## Note

1. “Political will” has for years been cited as key for reducing corruption, almost to the point of cliché. Nevertheless, the importance of political will remains as unmistakable as it is difficult to analyze. A recent study used a novel approach to test assertions about what factors help generate success in anticorruption interventions. Employing a meta-analysis of 35 case studies, Spector, Johnston, and Dininio (2005) find that political will is key for making reforms sustainable. Interestingly, they also find that while anticorruption programs are less likely to be successful under generally worsening economic and social conditions, they tend to be more successful under crisis conditions “when leaders and the general public may be jolted into seeking fixes that will resolve the crisis...” (p. 222).