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“Grand Corruption in Transition Economies-Triangular of Circular Setting of the Play?”

Usually, it is considered that public officials are those who abuse their office, and the state is the one that should defend the society from the negative impact of bribery, which affects their well being. It is presumed that it is the state’s role to fight against corruption. But when talking about ‘the state’ we should always keep in mind that we deal with people again, as the state authority is inevitably represented by humans. Hence, they are exposed to the same temptation, which is namely the so-called ‘grand’ corruption. In this sense, the greatest problem occurs when the one that should lead and consolidate the anti-corruption fight is missing, reluctant or ineffective in this field. This is the fundamental fault in transition countries – the weakness of the state and its still reforming institutions, that create fertile ground for the corruption to thrive in these countries.

THE PHENOMENON OF ‘GRAND’ CORRUPTION

By definition, corruption is “the abuse of public office for private gain”¹. In cases where large-scale transactions and high-level politicians are involved we deal with “grand” corruption. It aims at influencing the basic legal and regulatory framework and the state policy in general, in order to provide benefits for particular powerful individuals’ or groups’ interests. In this essay we focus on “grand” (high-level) corruption by describing why and how it turned to be the most harmful type of corruption in transition countries like Bulgaria, and what appeared to be the public response to it. We suggest that it has a stronger negative impact than “petty” corruption (includes small payments and low-level officials only), which we tend to isolate from the present analysis.

THE MODEL

Corruption encompasses a range of different interactions within the state and between the state and the society. The main actors that are involved, aside from the very economy, are the society (general public), officials, firms and the government (the state authority). Commonly, the explanatory model of corruption resembles a kind of a complicated social triangle in which case, the three main actors (state authority, officials and the public) stand at its angles, and the economy is probably in the very centre of it. On this base prescriptions are given as to how to deal with corruption practices, i.e. how each of the actors should impose anti-corruption measures and control over the other two. But in such a model, the side on which each of the actors stands predetermines his behaviour towards the other two, which are always opposite to him. For example, when standing at the side of the public, one should probably blame both the state and the officials for corruption, but when moving to the officials’ side he would more likely offend state and public interests, when aiming at his own interests. And finally, being on the side of the authority, he would have both the society and administration as his opponents to blame for the bribery.

We do not aim at viewing corruption from any of these angles of the triangle, which is the common approach for suggesting regulations or constraints. We shall rather view at it through a circular model, that creates a kind of a “partnership” for a joint defensive action, in which all actors gather their efforts around the suffering economy. The question in point is what could serve as a stimulus, whose the initiative should be and whether there is a less costly but still effective way to mobilise the efforts. In our view it is the state that should lead this process, as it is lately believed to happen in Bulgaria. The key is the assumption that corruption is a half-social, half-economic phenomenon. It is true that corruption involves people and affects the economy. Probably it is the economy itself that suffers much and the point is how to create a defensive circle around it.

THE STORY OF BULGARIA.

Bulgaria became notorious with its long transition process and its poor experience in its attempt to separate the powerful private interests from the public ones. Actually, it took too long to happen, thus allowing the corruption in the country to thrive¹. The murky process of privatisation created the easy opportunity for the former nomenclatura to extract significant benefits from the process, causing tremendous damage to the economic development¹. For example, in industry the mechanism of plundering involved not only corrupt managers, but also bureaucrats and politicians, who together redirected all profitable deals to private firms. There are views that all this resulted in a very powerful and dangerous symbiosis between corruption and the mafia (Yotov, 1999).

Then it came the severe economic crisis in 1997-98 that again allowed only certain people to personally benefit from it. In fact, the mechanism of making money by receiving not provided bank credits became notorious for its high efficiency among the friends and families of state officials (unsurprisingly, most of them did not return their loans).

At this time, in Bulgaria, there was a general absence of political will to fight against corruption because of the great benefits that such a situation could create. No determined massive state anti-corruption measures have been launched by the governments for all these years. Silence was kept about high-level politicians who have been publicly accused of bribery¹. But we have to consider that when a state's anti-corruption initiative is missing or blurred, then not only is the social unification impulse missing, but more than that, it probably provokes even the very opposite effect – encouragement of corruption practices among all levels of the administration. At the same time, when the society feels no defensive treatment from the state, then the erosion becomes deeper. In 2001, in a survey of Coalition 2000, in answer to the question "How widespread, according to you, is corruption among the following groups", the public opinion suggested as the most corrupt Customs officers (74.3%), Members of Parliament (52,6%), and Ministers (52,3%). Also, according to MBMD Survey 70 % of the public in Bulgaria disapproves of "grand" corruption. This shows presence of high public awareness which, unfortunately, was not met by any real state actions.

All this caused great harm to the social, political and economic life of the society. It undermined people's trust in state institutions, weakened their support for democratic and market reforms and also implied to the public a dark and unfair conduct of the state governance. The same impact it had on the economic activity of small and medium size entrepreneurs mainly, as well as on foreign investors. Many times foreign investors in Bulgaria have pointed out bureaucracy and corruption as one of the main obstacles for their business in the country. In addition, corruption caused also great losses to the state budget, because of the well-known reasons like reduction the collection of taxes, diversion of resources from effective projects and impediment of public service delivery. This provoked greater popular distrust, as it is known that finally, it is the poor who bear the heaviest burden of corruption.

It was high time to tackle corruption but during the last years there were only few government's attempts to demonstrate concern through legislative measures (including the Law of Public Officials, amendments in Commercial Act etc). Thus, the government tried to enhance transparency in the privatisation process by revealing more information, liberalisation of registration and licensing regimes etc¹. But all this has been hardly perceived as a beginning of any anti-corruption campaign in Bulgaria. It remained somehow away of the popular sight as it did not observe any massive efforts or resources engaged in it. It did not arise significant public interest or support, or simply the measures seemed fruitless in the eyes of the general. This leads us again to our initial point - the circular model was not still established.

THE NEW SETTING OF THE PLAY.

For implementation of any effective state's anti-corruption strategy it is the public support that matters at first. A good example of this is again the unique case of Bulgaria, after the 2001 parliamentary elections. It shows how a simple step in this direction could provoke popular trust and support. Bulgarian people believed a single person who is different as he stands against corruption with his leading appeal for "New morality in politics". Since then, no such voices or personal example from the highest levels of the authority had been given in such an articulated manner. He hit the only weak point of the former government, namely grant corruption, which has otherwise been extremely successful in its policy and was highly appreciated even abroad. This man became the Prime Minister and is greatly honoured among the public, although it is not clear yet how exactly corruption will be uprooted, except the declared intentions (like the accomplishment of the full set of administrative and market reforms towards deregulation and liberalisation, in which direction steps had already been undertaken). But the very fact that people gave strong support¹ to someone who is simply known to be noble, identifies himself with the public concern, and imposes a moral binding on his political team, is the important point that was perceived as a new beginning. It showed what a great potential such an initiative could have. Also, it became obvious how important is the leadership, transparency and publicity coming from above.

Hence, the first step was the change in political will for combating corruption. This illustrates the beginning of a circular anti-corruption model – joint efforts coming from the very high levels and supported from the public. In this sense, in tailoring a successful anti-corruption strategy, we must always consider that it is a joint venture of all parties affected from corruption – the state, the society and business. Such a case is closer to a circle in which all sides gather their efforts, rather than a triangle in which each side looks at the matter differently according to the angle at which it stands. In our view transition economies need implementation of circular approach, rather than the triangular setting of the play. Thus, the state should resume its place as a partner in this circle around the epicentre of the inevitably suffering transition economy, rather than simply imposing new regulations and constraints.

However, when confronted with systematic corruption, public support is not in itself enough. The theory suggests focus on the very system as an important part. This means economic liberalisation and removal of administrative barriers for businesses like excess licensing, registration, permits and other restrictions; clarity as to officials' roles, duties and responsibilities, privatisation regimes, concession rights etc; strengthening the penalties and control, and at the same time improving the incentives schemes – for officials according to their performance.

Provided that the good initiative in Bulgaria proves sustainable, it is more likely to expect the state to finally start playing its crucial role in allying to all other actors. Undoubtedly, for this purpose, it has to also seek co-operation from other institutions and not just the public. Thus, only through further permanent co-operation with institutions, unions and NGOs, and involvement of citizens and the media, the process could be successful enough to overcome the bad social and economic injuries of the past.

Still (two month after the elections), no creation of any anti-corruption institutions has taken place in Bulgaria, neither involvement, nor co-operation with national or international communities and associations, which could be very important for the introduction of new anti-corruption 'know-how' in a country without any significant anti-corruption experience. The easiest start that requires no investment was put. The 'circle' has been created. Now it is a matter of time to see whether the promised tightening of the administrative control and enhancing of accountability will be put in practice in order to satisfy the public pressure to limit corruption. Otherwise, any attempt like this could remain ineffective, will have the opposite social effect and will continue to affect the economy irreversibly.

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