

**CORRUPTION MONITORING BY  
*COALITION 2000***

*(Business Sector)*

**April 2004**



## I. METHODOLOGY

Sample: All of the surveys referred to in the present report were conducted among representatives of business organizations. Sample size:

	Fieldwork	Sample size <i>(number of business organizations)</i>
1.	January 2000	331
2.	October 2000	560
3.	December 2002	530
4.	March 2003	447
5.	June 2003	442
6.	November 2003	421
7.	February 2004	471
8.	April 2004	478

Method of registration: face-to-face interview.

Fieldwork: March 30 – April 20, 2004.

## II. FINDINGS

### 1. IMPORTANCE OF CORRUPTION TO THE BUSINESS COMMUNITY

Unlike the more favorable assessments of various aspects of corruption registered by the latest survey, businesspersons' disapproval of the phenomenon persists and even deepens. Entrepreneurs still consider *corruption* the gravest problem faced by the country.

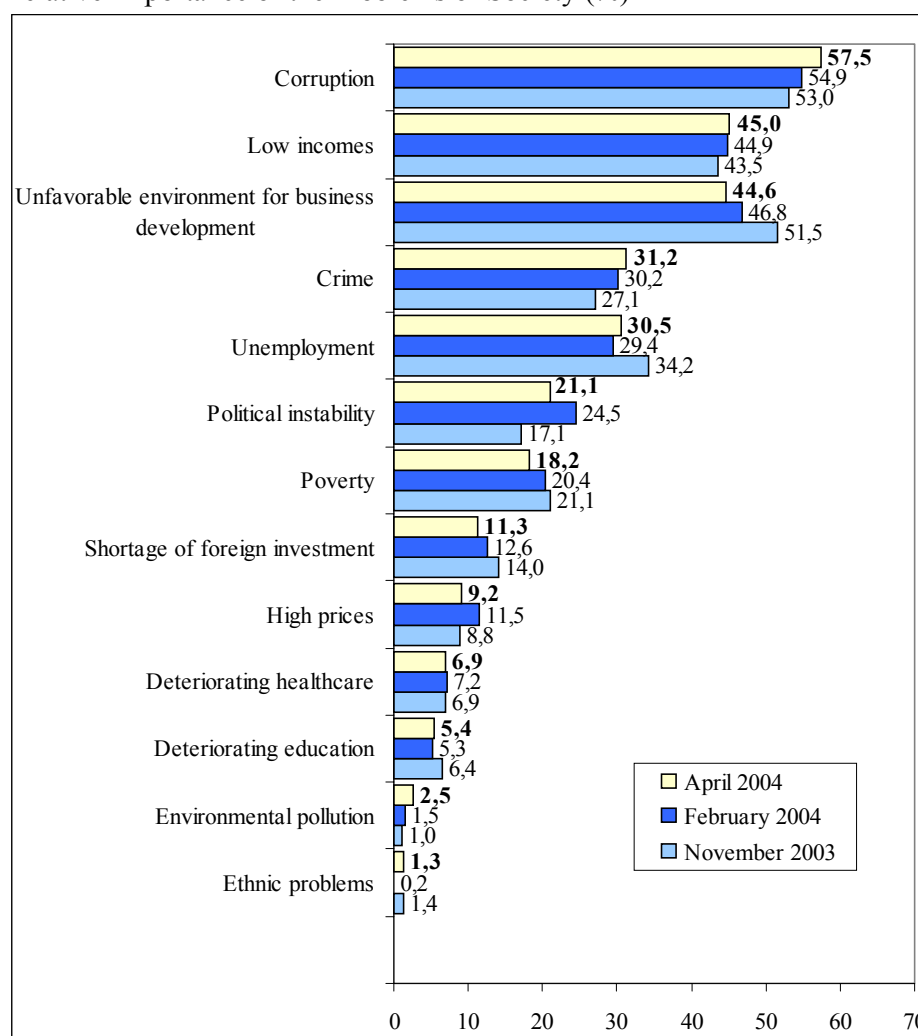
It is traditionally followed by *low incomes* and *unfavorable conditions for private business*. (Figure 1)

The Government's more active efforts in the past few months and the undertaking of a number of specific measures nevertheless find reflection in slightly less critical attitudes regarding the *conditions for private business, unemployment, and the political situation in the country*.

In contrast, corruption and crime continue to rise in importance as major concerns of society, still waiting to be resolved.

**Figure 1.**

Relative Importance of the Problems of Society (%)



Base: All respondents

This tendency is equally observed in the ranking of the problems faced by the business community itself. While some of them have undergone considerable changes, corruption remains at a constant level both among administrative officials and within the business sector. (*Appendix 3, Table 1*)

The importance has declined of problematic issues to the business community such as: *access to financing of business operations, the macroeconomic situation in the country, rules and procedures for land acquisition, and inspections by control authorities.*

Overall, there appears to be a certain improvement of the business climate in the country although the major problems remain and it is still too early to speak of any radical change in the environment in which Bulgarian private business is operating.

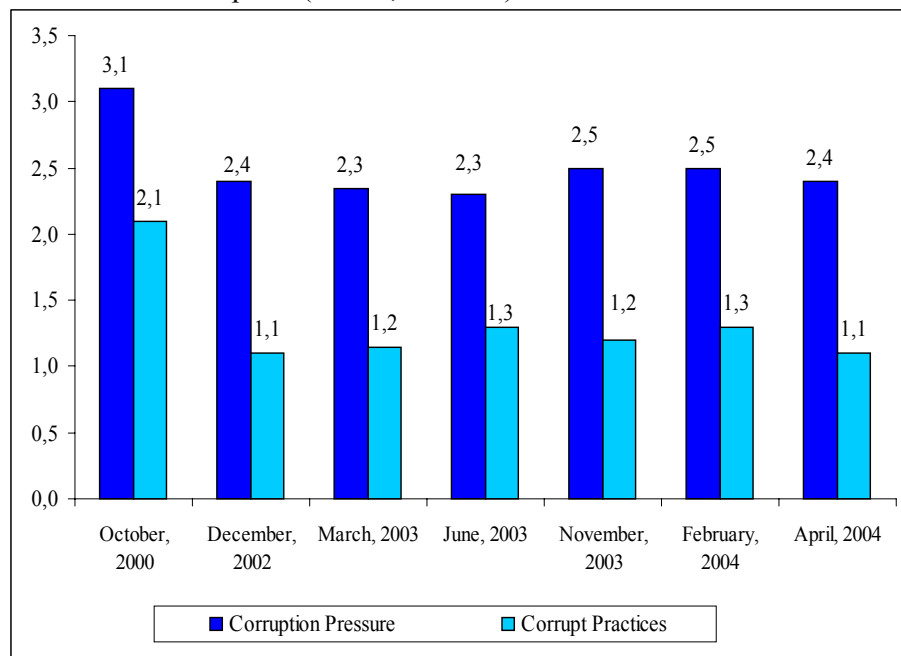
## 2. RATE OF CORRUPTION

### REAL CORRUPTION

Real corruption is measured through the average monthly incidence of acts of corruption in which the representatives of business organizations were reportedly involved.

The latest survey interrupts the upward tendency observed in the preceding ones and registers a record low value for the last 2 years of the indicator on actually concluded corruption deals in this (*Figure 2*). Although it is still too early to draw any general conclusions, the data from the latest survey indicate that the anti-corruption measures taken by the Government are gradually beginning to yield results.

**Figure 2.**  
Rate of Real Corruption (min=0, max=10)



*Base: All respondents*

### PUBLIC SERVICES MOST TYPICALLY ASSOCIATED WITH INFORMAL PAYMENTS

The impact of the measures taken is equally visible in terms of the proportion of companies that have been involved in some form of corruption related to the delivery of a definite type of public service. A decline in corruption pressure is observable with nearly all types of public services and it is most notable as regards the *issuing of construction permits* and the *granting of loans*. (Figure 3)

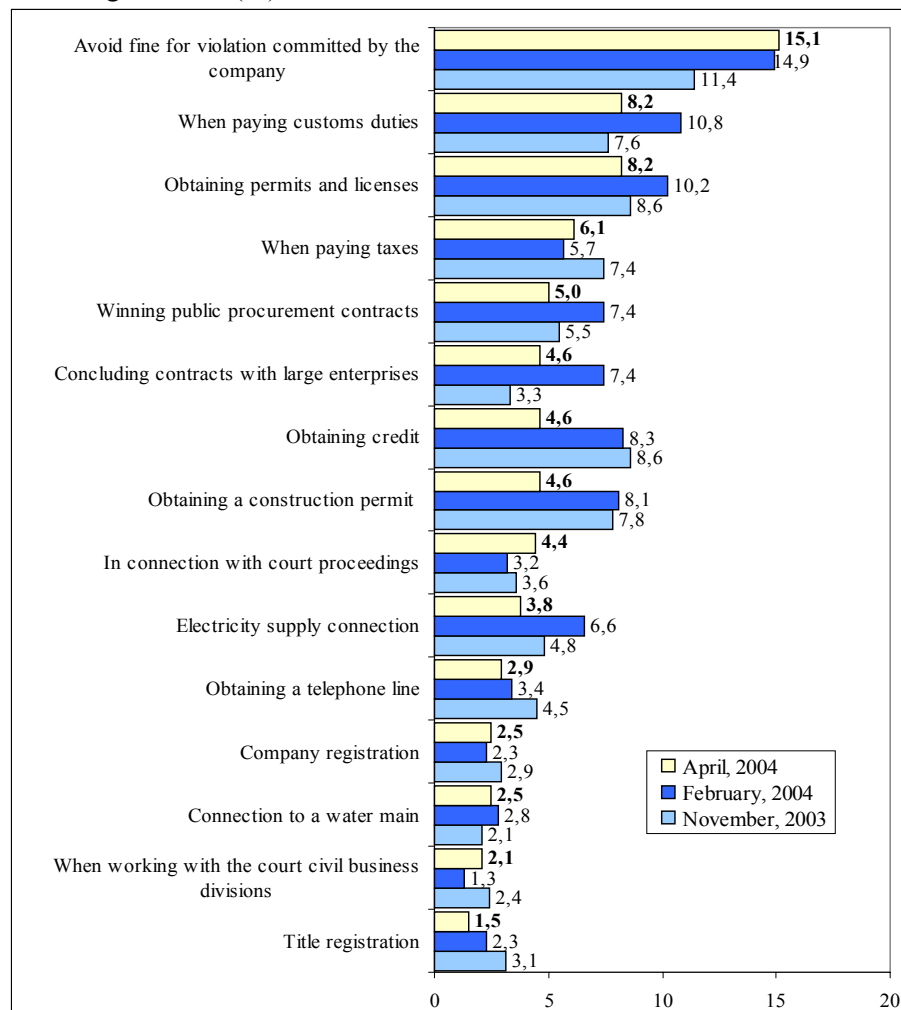
However, the proportion of the companies paying informal amounts in order to *avoid a fine for some violation committed* by them continues to increase.

The latest survey points to an increasingly marked differentiation between the two types of corruption – initiated by public officials or by businesspersons themselves.

And whereas the second type of corrupt practices prove more difficult to control, the Government’s anti-corruption measures have definitely had a positive impact on public officials.

**Figure 3.**

Relative share of the companies that have paid informally for the following services (%)



Base: All respondents

## AMOUNT OF THE INFORMAL PAYMENTS

In contrast to the declining number of concluded corruption deals, the amount of the unofficial payments continues to increase. Amounts up to 250 Leva still predominate for some of the services – *obtaining a telephone line, company registration, dealings with the court business divisions, water and electricity supply connection. (Table 1)*

For others, such as *title registration, concluding contracts with big companies, and services related to lawsuits*, most of the irregular payments ranged between 250 and 500 Leva.

In some cases, the amount of the informal payments is closely related to the size of the “deal” and its importance. The extra payments made by businesspersons in order to obtain a *construction permit; an authorization or license; a loan; in connection with lawsuits, and when concluding contracts with large enterprises* range widely – from 250 to more than 5,000 Leva. *(Table 1)*

A special case is the *winning of public procurement contracts*, which increasingly appears to involve larger payments – six out of ten companies paid more than 1,000 Leva. And one-fifth of the businesspersons who did secure such a contract had paid a bribe exceeding 5,000 Leva to this end.

**Table 1.** Bribe Amount

	<i>Up to 250 Leva</i>			<i>251 – 500 Leva</i>			<i>501 – 1000 Leva</i>			<i>1001 – 5000 Leva</i>			<i>Over 5000 Leva</i>		
	<i>Nov 03</i>	<i>Feb '04</i>	<i>Apr '04</i>	<i>Nov 03</i>	<i>Feb '04</i>	<i>Apr '04</i>	<i>Nov 03</i>	<i>Feb '04</i>	<i>Apr '04</i>	<i>Nov 03</i>	<i>Feb '04</i>	<i>Apr '04</i>	<i>Nov 03</i>	<i>Feb '04</i>	<i>Apr '04</i>
Obtaining a construction permit	44,4	26,7	<b>18,8</b>	25,9	30,0	<b>25,0</b>	11,1	16,7	<b>37,5</b>	18,5	13,3	<b>6,3</b>	-	13,3	<b>12,5</b>
Obtaining permits and licenses	60,6	37,5	<b>68,8</b>	18,2	50,0	<b>28,1</b>	9,1	7,5	-	9,1	2,5	-	3,0	2,5	<b>3,1</b>
Electricity supply connection	60,0	68,0	<b>78,6</b>	26,7	24,0	<b>7,1</b>	-	-	<b>7,1</b>	6,7	4,0	<b>7,1</b>	6,7	4,0	-
Connection to a water main	28,6	66,7	<b>75,0</b>	28,6	22,2	-	28,6	-	<b>12,5</b>	14,3	11,1	<b>12,5</b>	-	-	-
Obtaining a telephone line	87,5	71,4	<b>92,3</b>	12,5	28,6	<b>7,7</b>	-	-	-	-	-	-	-	-	-
Company registration	77,8	57,1	<b>90,0</b>	-	14,3	-	-	28,6	<b>10,0</b>	22,2	-	-	-	-	-
Obtaining credit	32,3	43,8	<b>42,1</b>	38,7	15,6	<b>36,8</b>	16,1	12,5	<b>5,3</b>	12,9	15,6	<b>10,5</b>	-	12,5	<b>5,3</b>
In connection with lawsuits	23,1	25,0	<b>27,8</b>	23,1	33,3	<b>38,9</b>	15,4	-	<b>22,2</b>	38,5	25,0	<b>11,1</b>	-	16,7	-
When working with the court business divisions	71,4	100,0	<b>87,5</b>	28,6	-	<b>12,5</b>	-	-	-	-	-	-	-	-	-
Title registration	72,7	33,3	<b>16,7</b>	9,1	33,3	<b>66,7</b>	9,1	33,3	<b>16,7</b>	9,1	-	-	-	-	-
Winning public procurement contracts	17,6	12,0	<b>13,3</b>	17,6	-	<b>13,3</b>	11,8	24,0	<b>13,3</b>	41,2	40,0	<b>40,0</b>	11,8	24,0	<b>20,0</b>
When paying customs duties	46,7	53,8	<b>35,3</b>	16,7	17,9	<b>20,6</b>	20,0	7,7	<b>35,3</b>	16,7	17,9	<b>8,8</b>	-	2,6	-
When paying taxes	74,2	94,1	<b>56,5</b>	19,4	5,9	<b>39,1</b>	6,5	-	-	-	-	-	-	-	<b>4,3</b>
Concluding contracts with large enterprises	33,3	20,0	<b>12,5</b>	11,1	24,0	<b>43,8</b>	11,1	24,0	<b>12,5</b>	22,2	24,0	<b>6,3</b>	22,2	8,0	<b>25,0</b>
In order to avoid a fine for a violation committed by the company	62,8	79,3	<b>71,4</b>	23,3	10,3	<b>19,0</b>	14,0	8,6	<b>6,3</b>	-	1,7	<b>3,2</b>	-	-	-
Other service relevant in your case	33,3	62,5	<b>66,7</b>	-	12,5	-	33,3	12,5	<b>16,7</b>	33,3	12,5	<b>16,7</b>	-	-	-

## CORRUPT PRACTICES RELATED TO CONCLUSION OF CONTRACTS

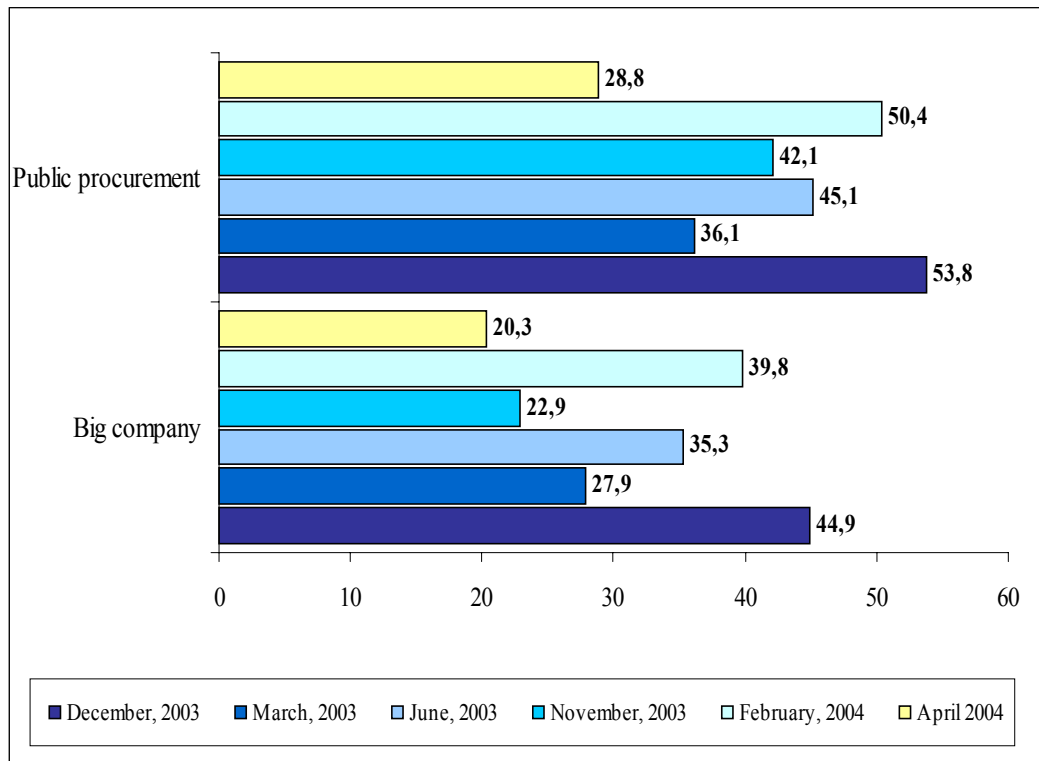
Despite the increasing amounts paid to secure *public procurement contracts* and *contracts with big companies*, the actual incidence rate has dropped considerably compared to the previous survey. (Figure 4)

Due to the significant fluctuations in the values, it is still impossible to conclude definitively whether the registered high rates were an exception from the overall downward tendency regarding the payment of extra, irregular amounts as a means of securing business contracts.

Should this tendency persist in the future, there will be reason to speak of a certain progress in achieving greater transparency and ever more clear-cut regulation of tender procedures in the public as well as the private sector.

**Figure 4.**

Relative share of those who have paid informally in order to secure a *public procurement contract* or *contract with a big company*



*Base:*

*December 2002: N=147 (contract with big company); N=155 (public procurement);*

*March 2003: N=98 (contract with big company); N=91 (public procurement);*

*June 2003: N=136 (contract with big company); N=133 (public procurement)*

*November 2003: N=140 (contract with big company); N=121 (public procurement)*

*February 2004: N=123 (contract with big company); N=119 (public procurement)*

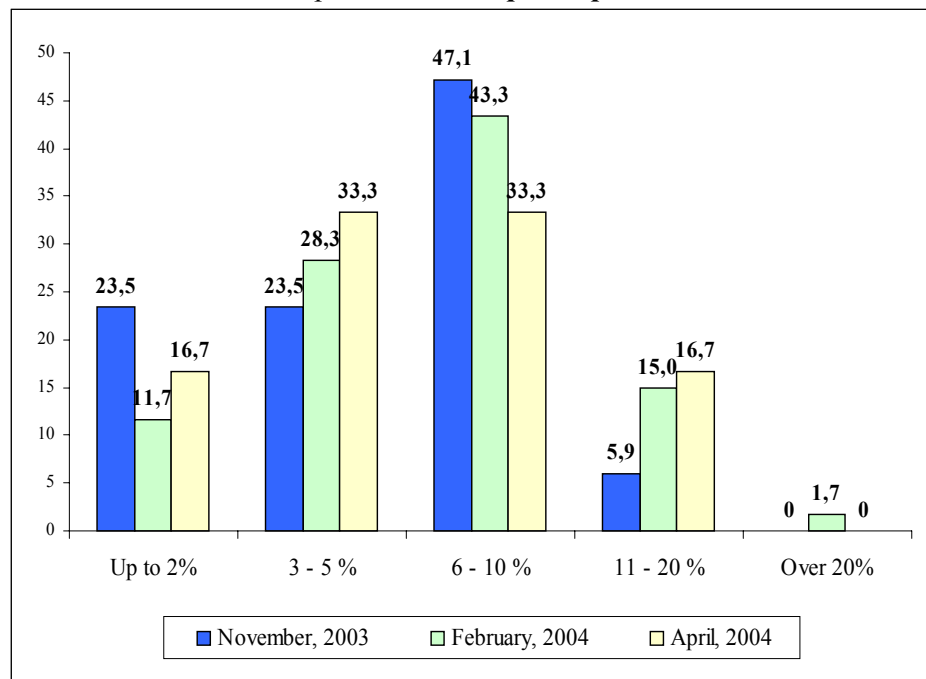
*April 2004: N=133 (contract with big company); N=125 (public procurement)*



Unofficial payments made to secure a *contract with a big company* remain relatively constant as a proportion of the deals concluded. Nearly equal shares have been registered for the amounts ranging up to 2%, between 3 and 5%, and between 6 and 10% of the contract amount. One in ten of the companies that have given bribes paid extra 11 to 20% of the amount of the deal in order to secure it. (Figure 6)

In the public sector, on the other hand, there predominate amounts ranging between 3 and 10% - paid by two-thirds of the companies that had resorted to bribery in order to secure a *public procurement contract*. There has also been an increase in the proportion of bribes ranging between 11 and 20% of the contract amount. (Figure 5)

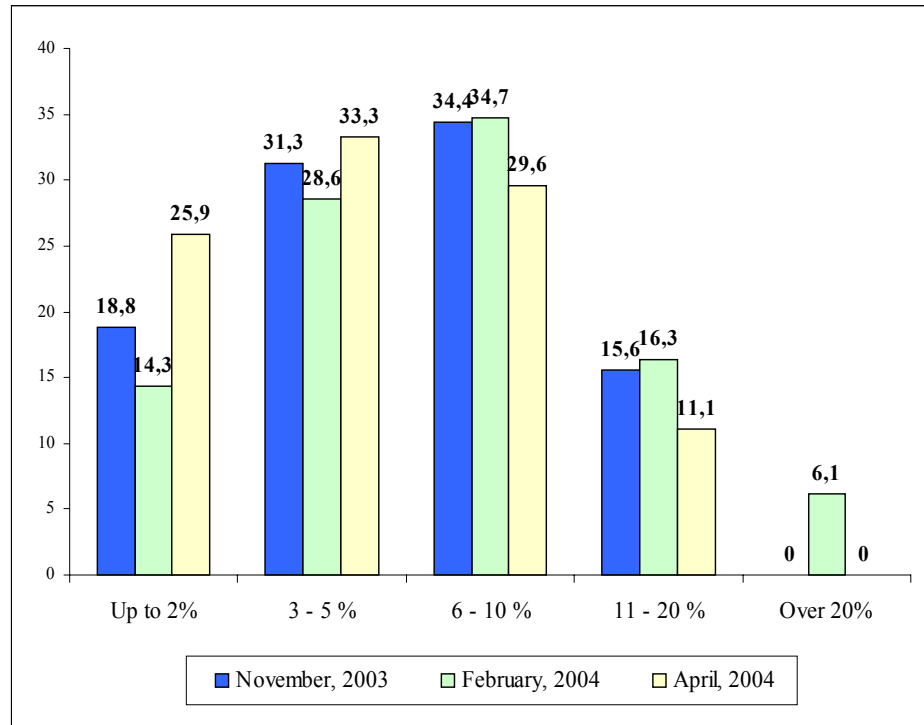
**Figure 5.**  
Share of contract amount paid to secure a *public procurement* contract



Base: The respondents who have paid to secure a public procurement contract (November'03: N=51; February'04: N=60; April'04: N=36)

**Figure 6.**

Share of contract amount paid to secure an order from a *big company*

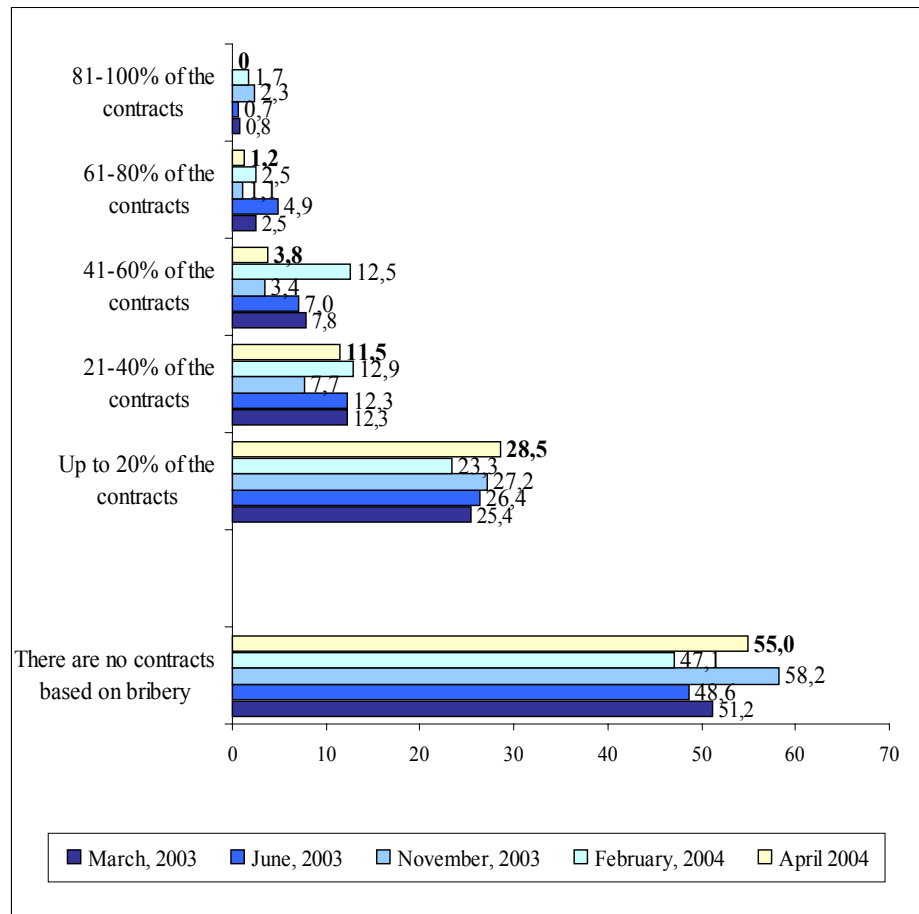


*Base: The respondents who have paid to secure an order from a big company (November 2003: N=32; February 2004: N=49; April 2004: N=27)*

Even the assessments of business relations within the various sectors display certain fluctuations. After the more markedly critical opinions of the previous survey, there has been a return to more optimistic assessments. More than half of the respondents thought bribery was not practiced in their sector in connection with the conclusion of contracts and 28.5% said that, if any, such contracts did not exceed 20%. (Figure 7)

**Figure 7.**

Share of contracts between business partners in the same sector based on bribery



Base: March 2003: N=244; June 2003: N=284; November 2003: N=261; February 2004: N=240; April 2004: N=260

## THE BUSINESS REACTION TO CORRUPTION

Even if there emerge certain changes in the business environment and in businesspersons' attitudes to corruption, the proportion of those who are inclined to take some action when faced with corruption remains invariably low. One out of ten respondents actually did something to expose a corrupt official or to prevent an attempt to arrange a corruption deal (*Appendix 3, Table 2*).

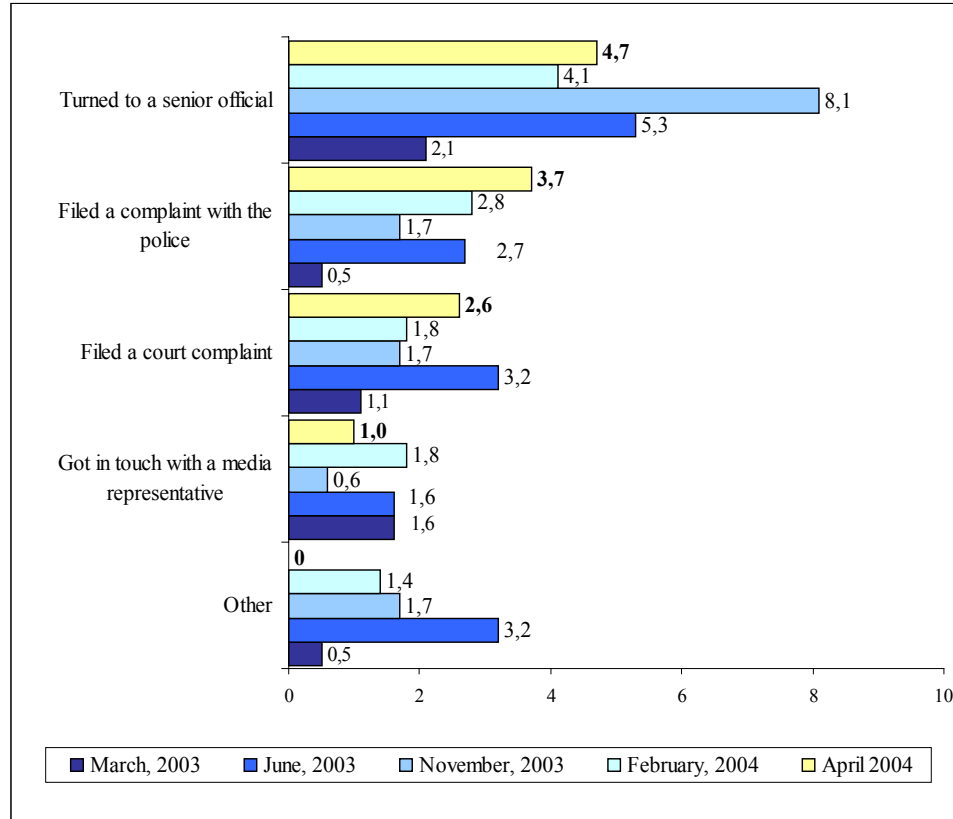
Despite the schemes in place at some state institutions, for ex. the Ministries of Finance, of Justice, of Agriculture, and of Youth and Sports, as well as five territorial tax directorates, for obtaining feedback and filing corruption-related complaints, these measures are still not familiar and popular enough among the general population and the business community. Such steps rather tend to have a deterring effect and are a means of limiting the attempts by officials to take advantage of their public office and powers. They can hardly persuade businesspersons that the respective

investigative authorities will intervene in a timely and expedient manner in cases of committed or solicited acts of corruption.

The lack of an expedient mechanism for responding to corruption-related reports accounts for the largely passive attitude and reactions of the entrepreneurs. Those who nevertheless choose to stand up for their rights, for the most part *complain to a superior or to the police*. (Figure 8)

**Figure 8.**

Relative share of the steps taken by businesspersons in cases of corruption



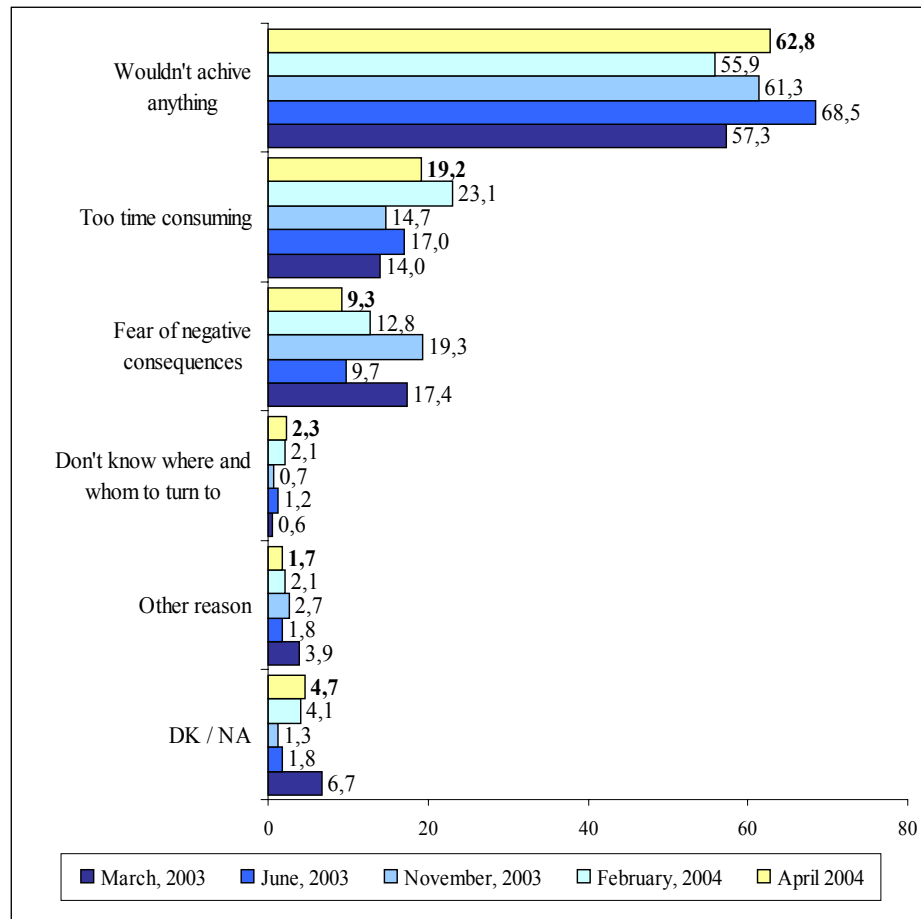
Base: The businesspersons who have been confronted with corruption in the past year (March 2003: N=189; June 2003: N=187; November 2003: N=174; February 2004: N=217; April 2004: N=195)

There has not occurred any notable change in the reasons why businesspersons typically refrain from taking action when confronted with cases of corruption. The most notable one remains the conviction that *their efforts would be futile*, followed by the feeling that this would *waste too much of their time*. (Figure 9)

The only positive development is the gradually subsiding *fear of negative consequences* to them and their business.

**Figure 9.**

Relative share of the reasons why no action was taken in cases of corruption



*Base: The respondents who have been confronted with cases of corruption and have not taken any action (March 2003: N=178; June 2003: N=165; November 2003: N=150; February 2004: N=195; April 2004: N=172)*

## POTENTIAL CORRUPTION

Potential corruption refers to the sum of all instances when business representatives have found themselves under corruption pressure from public sector employees.

The adoption of codes of ethics and more clear-cut rules for dealing with citizens and companies is undoubtedly part of the successful counteraction of corruption in the public sector. However, these measures are still insufficient to reverse the established attitudes or to do away with the so far smoothly operating corruption channels.

Setting tougher rules and penalties for corrupt officials is the next step towards curbing corruption in public administration.

The weak impact of the measures taken to date is confirmed by the data from the latest survey. The corruption pressure exerted over the business community by officials in the public sector has declined only slightly (*Figure 2*).

## CORRUPTION PRESSURE BY OCCUPATIONAL GROUPS

The diminishing corruption pressure is observable with regard to the individual occupational groups, as well. Nearly all display a slight drop in the values obtained. The decline is more notable in the case of *politicians and political party leaders, MPs, ministers, university officials, and investigators*. (*Appendix 3, Table 3*)

Some groups, however, continue to exert increasing corruption pressure. This tendency is particularly pronounced among *judges, lawyers, and customs officers*.

Some of the occupations keep the values registered in the previous survey though at a level higher than typical. These are the groups of *police officers, doctors, and prosecutors*. Others, such as *university professors*, keep up the favorable tendency observed in February of the current year.

## IMPACT OF GOVERNMENT EFFORTS TO CURB CORRUPTION

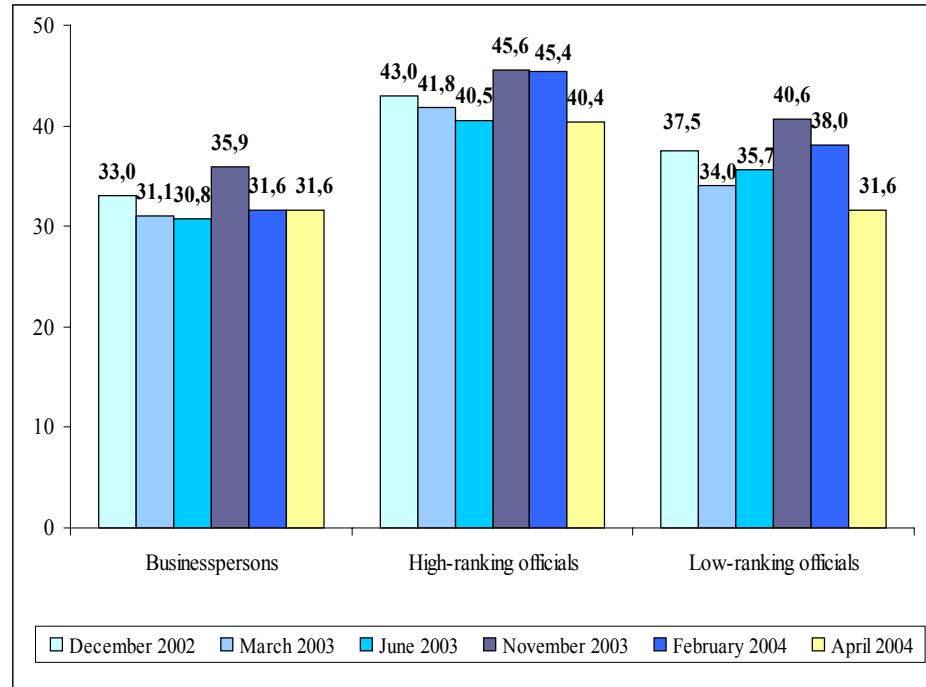
The Government's efforts to curb corruption are gradually beginning to yield results and this is recognized by the business community.

The assessments of government anti-corruption policy and actions are more favorable, particularly as regards *public officials*. The only area that appears largely unaffected is *business*, yet it still obtains the lowest of the three values. (*Figure 10*)

The change perceived by entrepreneurs is most notable as regards the *lower-ranking officials*, who are also the ones interacting most frequently with the business community.

**Figure 10.**

Assessments of the impact of government efforts to curb corruption \*



*Base: All respondents*

\* *Relative share of those who answered, "The Government does nothing"*

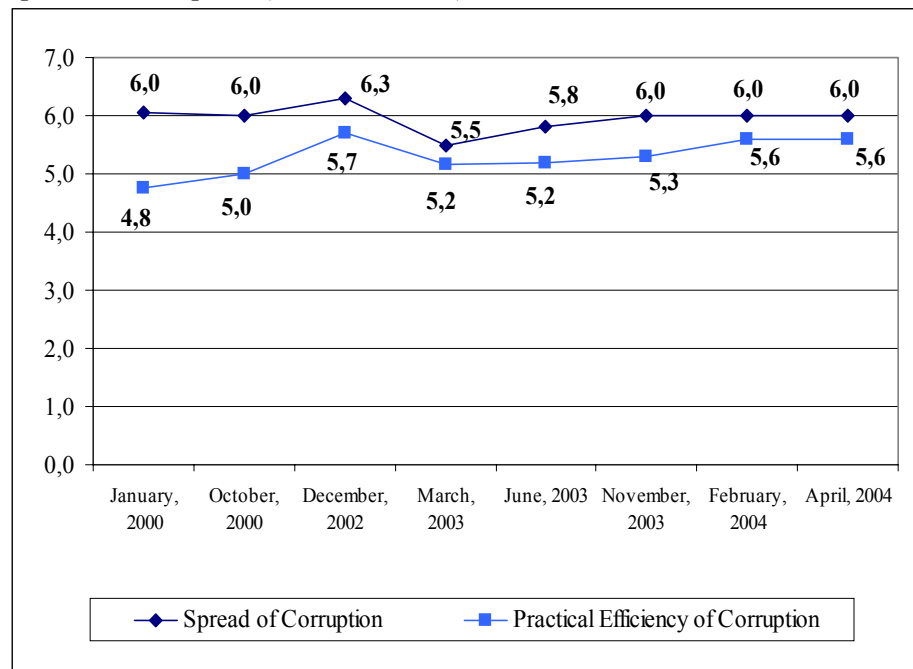
### 3. SPREAD OF CORRUPTION

#### PERCEIVED SPREAD OF CORRUPTION

Unlike the reported actual incidence of corruption, when it comes to its perceived scope, businesspersons still consider it very widespread. (Figure 11)

It will take more time and perseverance in the implementation of anti-corruption measures for the actual decline in corruption to come to be reflected in the assessments of its spread.

**Figure 11.**  
Spread of corruption (min=0 max=10)



*Base: All respondents*

### PRACTICAL EFFICIENCY OF CORRUPTION

The assessments of the practical efficiency of corruption also remain unchanged (*Figure 11*). Regardless of the number of actually concluded corruption deals, the created mechanisms continue to operate successfully.

Businesspersons do not demonstrate any hesitation regarding the efficiency of unofficial payments. It would seem that at this stage, the problem is not how much and whom to pay, but whether it is necessary to pay “under the table” in order to get things done. In the situations when they deem it unavoidable or more expedient for their business, entrepreneurs know the mechanism works quite well.

### FACTORS SHAPING THE PERCEIVED SCOPE OF CORRUPTION

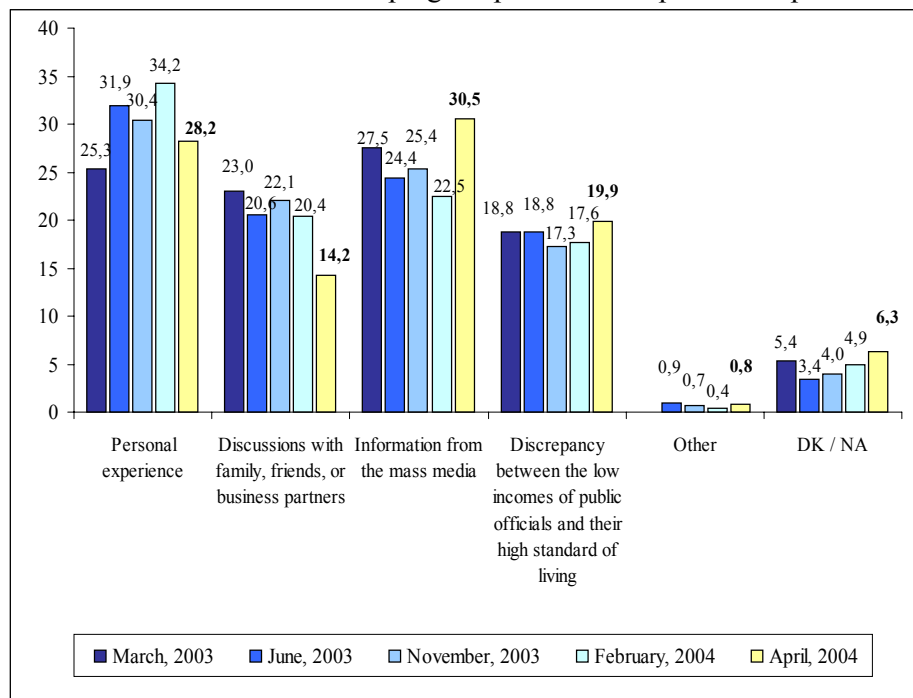
It is worth noting the fact that, for the first time in a year, personal experience falls behind information from the media and the observed discrepancy between officials’ low incomes and high standard of living in terms of shaping businesspersons’ perceptions about the scope of corruption. (*Figure 12*)

The reference to indirect sources of information is another indicator of a certain curbing of corruption in business. Notwithstanding this favorable tendency, it should be noted that four out of ten respondents form their opinions based on actual confrontation with corrupt practices – experienced in person or by friends, family, or business partners.



**Figure 12.**

Relative share of the factors shaping the perceived scope of corruption



*Base: All respondents*

### **SPREAD OF CORRUPTION BY OCCUPATIONAL GROUPS**

The lower pressure exerted by the officials in the various institutions comes to be reflected, though more slowly, in the perceived spread of corruption among the individual groups.

All of the occupational groups, with the exception of that of the businesspersons themselves, have been assessed more favorably compared to the previous survey.

As regards some occupations, the drop is part of a long-term positive tendency. These are: *ministry officials, politicians and political party leaders, and MPs.* (Table 2)

The data from the last few surveys suggest the conclusion that the current Government and the governing elite associated with it are generally perceived to be less corrupt than their predecessors and are viewed in a more favorable light.

**Table 2.**  
Spread of corruption by occupational group (%)

	“ Nearly all and most are involved in corruption”						
	<i>Oct 2000</i>	<i>Dec 2002</i>	<i>Mar 2003</i>	<i>Jun 2003</i>	<i>Nov 2003</i>	<i>Feb 2004</i>	<i>Apr 2004</i>
Customs officers	80,0	80,3	73,6	74,9	80,3	82,4	81,1
Police officers	57,7	59,8	53,5	62,7	62,5	64,5	56,0
Politicians, political party leaders	64,5	59,6	55,3	57,5	62,7	64,3	54,4
Judges	53,4	57,4	47,7	50,4	53,4	53,7	52,7
MPs	60,2	60,8	53,9	54,3	58,7	58,2	51,4
Tax officials	58,8	62,7	50,3	58,0	62,9	58,0	51,1
Prosecutors	49,3	56,5	49,0	50,2	52,0	52,0	51,0
Doctors	38,2	53,1	46,8	45,4	53,4	54,8	50,2
Lawyers	52,0	53,0	47,0	50,3	49,4	52,0	50,0
Municipal officials	49,3	54,2	43,2	49,6	47,5	50,1	47,1
Mayors and councilors	36,9	54,0	47,4	52,9	54,9	54,6	47,1
Ministers	60,2	54,5	42,1	51,4	55,6	56,1	45,4
Investigators	43,2	52,2	43,6	47,5	46,8	44,4	44,0
Ministry officials	60,0	57,8	43,2	49,1	46,8	50,1	41,6
Businesspersons	50,9	47,6	38,9	38,9	41,1	36,7	37,0
Administrative court officials	34,2	43,6	33,1	35,7	32,1	35,2	33,4
Bankers	43,1	46,4	37,4	39,6	40,6	39,9	33,2
University officials and professors	29,6	30,0* 42,6**	25,1* 30,9**	23,1* 32,6**	24,5* 38,2**	23,6* 34,8**	19,5* 29,7**
NGO representatives	25,0	30,7	22,4	28,1	32,1	30,1	23,9
Journalists	21,6	24,3	14,1	15,4	17,3	14,9	14,2
Teachers	8,9	17,2	10,7	10,9	12,8	11,7	10,3

\* *University officials*

\*\* *University professors*

### SPREAD OF CORRUPTION BY INSTITUTIONS

The perceived spread of corruption in most state institutions is still declining.

Exceptions to the general tendency are *customs* and the *judicial system*, with the perceived corruptibility of their staff marking a steady increase. To a lesser extent, this applies to the *Interior Ministry and its agencies*, *healthcare*, and the *tax system*. (Table 3)

Even when assessing the institutions, the business community proves ever more favorably inclined towards the *National Assembly*, the *Government*, the *ministers*, and *central public administration*.

**Table 3.**  
Spread of corruption by institution\*

	<i>March 2003</i>	<i>June 2003</i>	<i>November 2003</i>	<i>February 2004</i>	<i>April 2004</i>
In customs, among customs officers	62,4	59,5	55,6	59,2	64,4
In the judicial system	36,7	36,4	32,1	34,8	38,3
Ministry of Internal Affairs and its agencies	20,4	24,9	27,8	23,1	25,1
In healthcare	18,3	17,9	16,6	18,9	22,0
In the agencies issuing various permits and certificates (Institute of Hygiene and Epidemiology, etc.)	22,1	20,6	16,2	18,0	18,8
In the National Assembly / among MPs	24,2	19,5	20,7	21,2	17,2
Government, ministers	20,1	19,2	18,5	18,9	16,5
In the tax system on	12,1	17,0	10,7	13,6	16,1
In municipal administrations	17,4	17,0	12,4	15,3	15,9
In central public administration	12,8	13,3	13,3	10,2	9,4
In big business	13,0	8,4	9,3	7,0	6,1
In the education system	2,5	1,4	3,3	3,2	2,5
In the presidency	0,9	0,7	0,2	-	0,4
<b><i>Everywhere</i></b>	<b><i>6,3</i></b>	<b><i>8,6</i></b>	<b><i>14,3</i></b>	<b><i>14,2</i></b>	<b><i>10,3</i></b>
<i>Other</i>	<i>0,4</i>	<i>0,2</i>	<i>1,9</i>	-	<i>0,6</i>

Base: All respondents

\* The percentages add up to more than 100 because respondents could give up to three answers.

## SPREAD OF VARIOUS CORRUPT PRACTICES IN BUSINESS

The overall favorable tendency is equally observable as regards the particular aspects of corrupt behavior.

In two months alone, there has occurred a significant drop (3 to 8 points) in all of the surveyed corrupt practices in business. (*Appendix 3, Table 4*)

The decline is most notable regarding the *acceptance of bribes by officials and politicians in connection with the issuing of licenses and authorizations for legal activities, tax evasion, and the performance of official duties* by public officials in general.

### 4. VALUE SYSTEM AND MORAL PRECONDITIONS FOR CORRUPTION

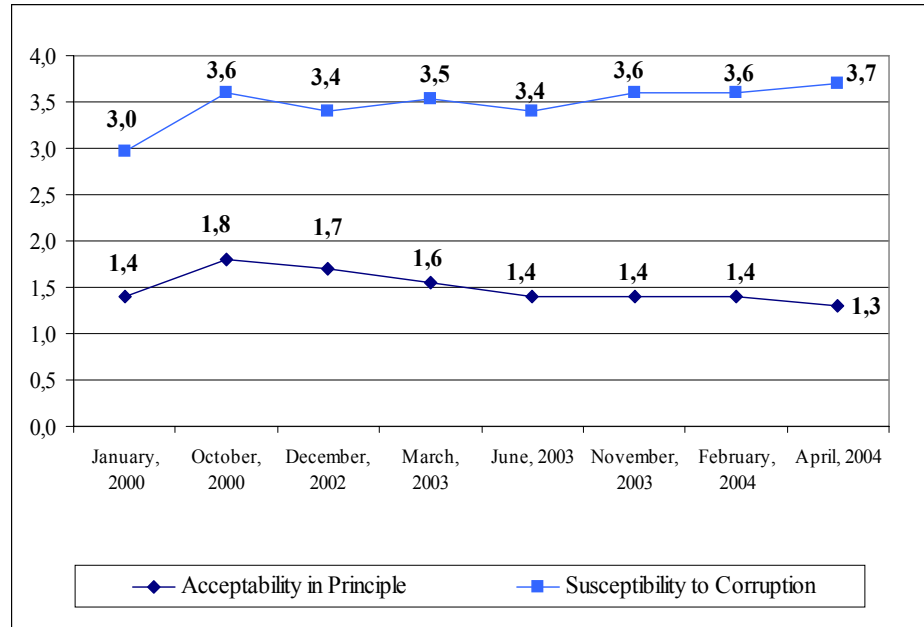
#### ACCEPTABILITY IN PRINCIPLE

The latest survey registered a continuing steady tendency towards increasing disapproval of corrupt practices in business. (*Figure 13*)

As actual pressure subsides and the business environment is gradually regulated, the need recedes for businesspersons to compromise on their moral values and principles. Ever fewer businesspersons say it is an established practice in their sector to pay extra unofficial amounts in running one's business. (*Appendix 3, Table 5*)

**Figure 13.**

Preconditions for the presence of corruption (min=0, max=10)



*Base: All respondents*

## SUSCEPTIBILITY TO CORRUPTION

It is worth noting the fact that even as the moral rejection of corruption becomes more pronounced, businesspersons' susceptibility to involvement in corrupt practices remains relatively constant. (Figure 13) One possible explanation for this inconsistency might be the persistent attitude that corruption is an effective means of resolving problems.

## 5. EXPECTATIONS REGARDING THE CURBING OF CORRUPTION

### ANTI-CORRUPTION MEASURES

The slow pace at which the business environment is changing makes the business community more skeptical about the prospects of actually curbing corruption. (Appendix 3, Table 6).

Still perceived as the most effective measure is the *establishment of independent governmental and non-governmental bodies to investigate corruption in the high ranks of power and expose the corrupt public officials*. However, mistrust prevails even as regards these specific measures – barely three out of ten businesspersons think the operation of such an authority is likely to have a tangible impact in terms of limiting corruption.

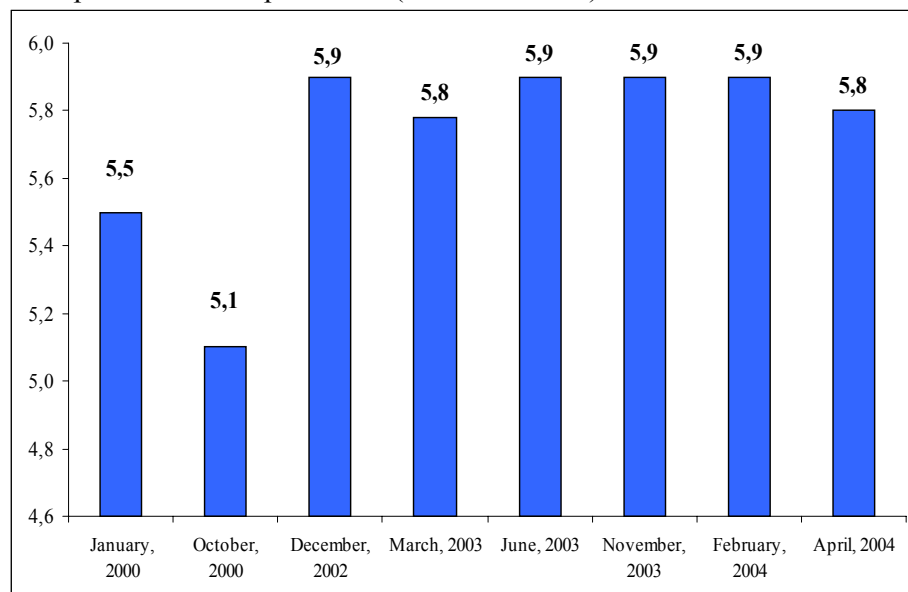
### EXPECTATIONS REGARDING THE CURBING OF CORRUPTION

Notwithstanding certain unmistakable positive indications regarding the particular aspects of corruption in the business sector, entrepreneurs' overall attitude remains skeptical. (Figure 14)

It is yet to be seen whether the Government's declared intention to pursue a consistent anti-corruption policy and institutional reforms will bring about a tangible change in the business environment and a lasting transformation of attitudes to corruption among public officials and among the entrepreneurs themselves.

**Figure 14.**

Corruption-related expectations (min=0 max=10)



Base: All respondents

## APPENDIX 1

### **Corruption indexes – theoretical principles and methodology**

The Corruption Indexes summarize the basic indicators used by the Corruption Monitoring System (CMS) of *Coalition 2000*. Each index sums up several questions posed to the respondents and allows comparative analysis over time. The Corruption Indexes assume values from 0-10. The closer the value of the indexes is to 10, the more negative are the assessments of the current state of corruption in Bulgaria. Index numbers closer to 0 indicate approximation to the ideal of a “corruption-free” society. The Corruption Indexes are based on a system of indicators exploring corruption-related behavior and attitudes. The theoretical model of corruption underlying the CMS surveys distinguishes between the following aspects and elements of corruption:

#### 1. Acts of corruption.

The acts of corruption fall into two basic types: giving a bribe and accepting a bribe. These occur in two basic kinds of situations: 1.) When citizens offer a bribe to get something they are entitled to by law (“greasing the wheels”), and 2.) When citizens offer a bribe to get something they are not entitled to by law. The registered frequency of acts of corruption shows the level of corruption in this country. The phrasing of the questions is essential when measuring the values of this index. In this respect CMS builds on a number of principles meant to ensure neutrality, objectivity, and anonymity: 1.) Instead of using the term “bribe”, the questions refer to the “offer of money, gift, or favor”; 2) the questions focus on whether or not respondents did make such an “offer” and the latter are not asked to provide information concerning how much and whom they paid, etc., in order to have their problem addressed; 3) besides information about the “offer” of bribes, respondents are asked about the incidence of bribe solicitation, i.e., the amount of pressure exerted by public officials.

The Corruption Indexes formed on this basis are the following:

- Personal involvement. This index records the incidence of cases of “offer of money, gift, or favor” in order to have a problem solved as reported by the citizens themselves. Essentially this index registers the level of real corruption in this country over a given period of time.
- Corruption pressure. This index records the incidence of cases when citizens were reportedly asked for “money, gift, or favor” in order to have a problem solved. It measures the level of potential corruption in this country over a given period of time.

It should specifically be noted that the indicators concerning acts of corruption do not reflect evaluations, opinions, or perceptions, but the self-reported incidence of definite kinds of acts. This type of indicators underlies the methodology of the victimization surveys, which have a long history and are used to assess the real crime rate in a given country. The term “real” is essential since for a number of reasons not all crimes are registered by the police and only part of those reported to the police actually end up in court.

#### 2. Value system and moral preconditions.

Although they do not directly determine the level of corruption, the value system and moral principles have a significant influence on citizens’ behavior. Of the numerous indicators in this area, CMS monitors the following corruption-related attitudes: 1.) The level of toleration of various forms of corruption; 2.) The degree of awareness of the various types of corruption; 3.) Citizens’ inclination to resort to corrupt practices in order to address arising problems.

The Corruption Indexes produced on this basis are the following:

- Acceptability in principle. This index measures the toleration of a range of corrupt practices by MPs and ministry officials.
- Susceptibility to corruption. The index sums up a series of questions intended to assess citizens' inclination to resort to corruption in addressing their daily problems.

Both of the indexes from this group reflect assessments and opinions. Their positive dynamics are indicative of growing rejection of corruption and the reinforcement of moral norms proscribing involvement in acts of corruption.

### 3. Estimated spread of corruption.

Citizens' subjective assessments of the spread of corruption reflect the general social environment and prevailing outlook on corruption, as well as the related image of the institutions and basic occupational groups under the three branches of power. These assessments do not directly reflect the level of corruption since they are the outcome of perceptions and impressions produced by the ongoing public debate, media coverage of corruption, personal preconceptions, etc. In more general terms, they show the extent to which citizens feel that those in power protect public interests or take advantage of their official positions to serve private interests. This aspect of corruption is covered by two indexes:

- Estimated spread of corruption. This index sums up respondents' assessments of the extent to which corruption permeates society (as well as individual institutions and occupational groups).
- Practical efficiency. This index sums up respondents' assessments of the extent to which corruption is an efficient problem-solving instrument. Efficiency is another indicator of the spread of corruption: a high level of efficiency makes it worth resorting to corruption and implies that corruption is in fact a commonly used means of addressing problems.

### 4. Corruption-related expectations.

The corruption-related expectations reflect the degree of public confidence that the problem of corruption can be dealt with. In this sense, the expectations are the combined reflection of respondents' perception of the political will demonstrated by those in power and their assessment of the magnitude and gravity of the problem of corruption.

## APPENDIX 2

### Corruption Indexes

**Table 1. Acts of Corruption**

<i>Index value</i>	<i>October 2000</i>	<i>December 2002</i>	<i>March 2003</i>	<i>June 2003</i>	<i>November 2003</i>	<i>February 2004</i>	<i>April 2004</i>
<i>Personal involvement</i>	2,1	1,1	1,2	1,3	1,2	1,3	1,1
<i>Corruption pressure</i>	3,1	2,4	2,3	2,3	2,5	2,5	2,4

**Table 2. Value-System and Moral Preconditions**

<i>Index value</i>	<i>October 2000</i>	<i>December 2002</i>	<i>March 2003</i>	<i>June 2003</i>	<i>November 2003</i>	<i>February 2004</i>	<i>April 2004</i>
<i>Acceptability in principle</i>	1,8	1,7	1,6	1,4	1,4	1,4	1,3
<i>Susceptibility to corruption</i>	3,6	3,4	3,5	3,4	3,6	3,6	3,7

**Table 3. Perceived Spread of Corruption**

<i>Index value</i>	<i>October 2000</i>	<i>December 2002</i>	<i>March 2003</i>	<i>June 2003</i>	<i>November 2003</i>	<i>February 2004</i>	<i>April 2004</i>
<i>Perceived spread of corruption</i>	6,0	6,3	5,5	5,8	6,0	6,0	6,0
<i>Practical efficiency</i>	5,0	5,7	5,2	5,2	5,3	5,6	5,6

**Table 4. Corruption-Related Expectations**

<i>Index value</i>	<i>October 2000</i>	<i>December 2002</i>	<i>March 2003</i>	<i>June 2003</i>	<i>November 2003</i>	<i>February 2004</i>	<i>April 2004</i>
<i>Corruption-related expectations</i>	5,1	5,9	5,8	5,9	5,9	5,9	5,8



### APPENDIX 3

**Table 1.**

Obstacles to business operation and development (%) (*Defined as “major problem” only*)

	<b>February 2004</b>	<b>April 2004</b>
Unfair/illegal competition	46,7	47,1
The tax rates	45,4	43,7
Crime	47,3	39,7
Permit-issuing rules and procedures	39,7	38,9
Access to financing of business activities	43,7	34,3
<b><i>Corruption among administrative officials</i></b>	<b>34,6</b>	<b>33,7</b>
The macroeconomic situation in the country	35,7	30,1
Rules and procedures for the acquisition of land	28,0	23,8
<b><i>Corruption among business counterparts</i></b>	<b>20,2</b>	<b>21,3</b>
Inspections/checks by control authorities	24,4	19,0
The judicial system	20,6	18,4
The operation of the local administration	16,8	15,9
The operation of the central administration	16,1	14,4
The current political situation	17,2	14,0
Rules and procedures for staff appointment and dismissal	13,6	10,5
Rules and procedures for starting a company	8,5	5,0

*Base: All respondents*

**Table 2.**

Relative share of the businesspersons who in the past year have taken some action in cases of corruption (%)\*

Action	March 2003	June 2003	November 2003	February 2004	April 2004
Filed complaint with the police	0,5	2,7	1,7	2,8	3,7
Filed court complaint	1,1	3,2	1,7	1,8	2,6
Turned to a higher-ranking official	2,1	5,3	8,1	4,1	4,7
Contacted a media representative	1,6	1,6	0,6	1,8	1,0
Other	0,5	3,2	1,7	1,4	-
<b><i>Did not undertake any action</i></b>	<b>94,2</b>	<b>88,2</b>	<b>86,7</b>	<b>89,9</b>	<b>90,1</b>

*Base: The businesspersons who have been confronted with cases of corruption in the past year (March '03: N=189; June '03: N=187; November '03: N=174; February '04: N=217; April 2004: N=195)*

*\* The percentages add up to more than 100 because respondents gave more than one answer.*

**Table 3.**  
Corruption Pressure by Occupational Group (%)

	December 2002		March 2003		June 2003		November 2003		February 2004		April 2004	
	Yes	Base	Yes	Base	Yes	Base	Yes	Base	Yes	Base	Yes	Base
Customs officers	34,2	249	31,9	182	35,6	163	39,6	144	37,7	212	43,0	165
Police officers	32,9	320	26,7	288	27,3	278	30,9	265	31,6	307	33,1	278
Doctors	33,2	363	21,7	345	20,1	319	27,0	319	31,3	358	31,3	345
Lawyers	24,5	-	14,4	187	12,8	196	14,3	168	16,7	198	28,8	139
Municipal officials	29,6	356	22,5	334	20,9	316	21,9	306	24,8	379	23,2	332
Judges	12,2	181	11,1	126	6,9	131	9,6	114	13,4	112	19,4	93
Tax officials	21,9	356	18,3	361	17,0	348	23,8	344	18,4	396	17,8	371
Mayors, municipal councilors	17,6	225	12,7	212	12,3	212	8,6	186	15,9	245	17,3	196
Ministers, ministry officials	4,8 <sup>♦</sup> 25,4 <sup>♦♦</sup>	184	8,8 <sup>♦</sup> 15,8 <sup>♦♦</sup>	68 139	8,7 <sup>♦</sup> 26,2 <sup>♦♦</sup>	69 141	6,1 <sup>♦</sup> 16,7 <sup>♦♦</sup>	33 108	8,6 <sup>♦</sup> 14,8 <sup>♦♦</sup>	58 176	4,2 <sup>♦</sup> 14,5 <sup>♦♦</sup>	48 124
Politicians, political party leaders	12,1	-	20,0	115	18,7	107	24,7	73	19,0	116	14,3	84
University officials and professors	10,5 <sup>**</sup> 11,9 <sup>***</sup>	189	9,6 <sup>**</sup> 1,0 <sup>***</sup>	104 109	11,4 <sup>**</sup> 25,0 <sup>***</sup>	70 76	12,7 <sup>**</sup> 22,4 <sup>***</sup>	55 58	10,5 <sup>**</sup> 14,0 <sup>***</sup>	95 93	3,3 <sup>**</sup> 13,0 <sup>***</sup>	61 69
Prosecutors	7,6	156	3,8	106	7,2	111	5,4	93	12,1	99	12,3	81
Teachers	12,9	218	4,1	169	8,8	136	7,9	140	6,6	183	11,9	126
Bankers	16,3	281	13,8	275	9,8	265	9,7	207	10,8	287	11,8	254
Businesspersons	13,4	392	12,9	334	12,0	324	11,7	308	11,6	370	11,5	331
MPs	10,6	139	9,6	83	13,6	88	11,4	44	15,8	76	10,5	57
Administrative court officials	12,2	211	7,8	180	12,0	175	14,9	161	11,7	196	10,3	136
Investigators	10,3	170	7,9	101	7,9	114	9,7	93	12,1	99	8,0	75
Journalists	1,5	-	3,9	129	3,7	107	5,0	80	5,2	116	3,5	85
NGO representatives	14,2	16	7,3	109	5,6	90	9,5	63	6,8	103	2,4	84
Other	41,0	81	12,1	33	11,1	36	12,9	31	7,7	65	-	33

\* Relative share of those who have interacted with the respective group and have been solicited for money, gifts, or favors

\*\* University officials.

\*\*\* University professors.

♦ Ministers

♦♦ Ministry officials

**Table 4.**  
Estimated Spread of Various Corrupt Practices in Business (%)

	December 2002		March 2003		June 2003		November 2003		February 2004		April 2004	
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
The acceptance of bribes by officials and politicians to influence the granting of public procurement orders	5,1	<b>82,3</b>	8,1	<b>77,2</b>	3,6	<b>80,3</b>	4,3	<b>81,2</b>	5,7	<b>80,9</b>	5,6	<b>76,1</b>
The acceptance of bribes by officials and politicians in connection with privatization tenders	4,0	<b>85,1</b>	6,0	<b>82,3</b>	6,1	<b>80,5</b>	3,1	<b>83,8</b>	6,4	<b>83,4</b>	4,8	<b>80,1</b>
The acceptance of bribes by officials and politicians in connection with issuing of licenses and permits for legal activities	8,1	<b>81,3</b>	13,2	<b>75,4</b>	9,0	<b>80,5</b>	7,8	<b>79,6</b>	10,2	<b>82,4</b>	14,8	<b>74,3</b>
The acceptance of bribes by officials and politicians in connection with tax evasion or reduction	18,5	<b>67,7</b>	25,7	<b>56,4</b>	19,2	<b>63,1</b>	17,6	<b>65,6</b>	17,4	<b>68,8</b>	22,2	<b>61,3</b>
The acceptance of money or gifts in performing one's official duties	15,7	<b>73,8</b>	19,7	<b>69,8</b>	16,7	<b>73,3</b>	14,7	<b>73,0</b>	16,3	<b>76,6</b>	17,1	<b>68,8</b>
The acceptance of money or gifts to secure favorable outcome of criminal trials	5,1	<b>82,3</b>	9,8	<b>60,2</b>	7,5	<b>64,7</b>	8,6	<b>60,4</b>	7,4	<b>65,4</b>	9,2	<b>60,4</b>
Using connections to have family and friends appointed to high-ranking official positions	4,0	<b>85,1</b>	7,6	<b>81,0</b>	5,0	<b>84,8</b>	5,3	<b>83,3</b>	4,7	<b>86,6</b>	8,5	<b>81,0</b>
Financing of political parties and election campaigns in order to advance private interests	8,1	<b>81,3</b>	3,8	<b>77,2</b>	4,5	<b>76,2</b>	5,2	<b>75,8</b>	3,4	<b>79,0</b>	8,3	<b>71,8</b>

**Table 5.**  
Business-Related Corrupt Practices (%)

<i>Answered "Agree"</i>	<b>February 2004</b>	<b>April 2004</b>
Once the company pays the amount requested, the service is usually performed as agreed	45,4	44,8
Bribes are paid by those who don't have the right contacts to get things done	37,6	40,4
Even when the company pays extra, there is a risk of being asked for more, for ex., by another official	36,5	35,8
For the companies in my sector it is an established practice to pay extra in order to get things done	42,0	34,5
In the past year, the informal payments serving to bypass the laws have increased	37,6	31,3
The companies in my sector usually know in advance how much they are supposed to pay extra	37,8	26,5

*Base: All respondents*

**Table 6.**  
Perceived Impact of Anti-Corruption Measures (%)

	Small		Average		High		DK/NA	
	Feb 2004	Apr 2004	Feb 2004	Apr 2004	Feb 2004	Apr 2004	Feb 2004	Apr 2004
Establishing an independent body to investigate corruption in the high ranks of power	43,7	<b>50,8</b>	18,3	<b>16,2</b>	31,8	<b>28,1</b>	6,2	<b>5,0</b>
Setting up commissions of ethics in state agencies	66,7	<b>72,7</b>	17,6	<b>11,2</b>	9,6	<b>9,2</b>	6,2	<b>6,9</b>
Adopting codes of ethics in state agencies	65,4	<b>69,2</b>	20,4	<b>14,6</b>	8,1	<b>8,4</b>	6,2	<b>7,7</b>
Adopting codes of ethics in business	61,4	<b>66,1</b>	16,8	<b>15,0</b>	14,2	<b>10,8</b>	7,6	<b>8,1</b>
Creating a neutral, non-governmental, anti-corruption organization to expose corrupt persons without publicly disclosing the names of those who have reported them	32,9	<b>35,0</b>	20,6	<b>18,8</b>	41,6	<b>36,6</b>	4,9	<b>9,6</b>

*Base: All respondents*

**Table 7.**

The Business Reaction to Cases of Corruption by Type of Companies Surveyed (%)

<b>A. Readiness to pay a given amount to an official in order to have a business problem resolved</b>	<b>Number of employees</b>			
	<b>Up to 10</b>	<b>11 to 50</b>	<b>51 to 100</b>	<b>Over 100</b>
Would always pay	3,5	3,7	3,3	1,2
Would pay if the amount is reasonable	22,1	23,7	6,7	15,9
Wouldn't pay if I can solve the problem by some other means	54,8	51,9	55,0	48,8
Would never pay	14,1	12,6	21,7	24,4
<i>Don't know / No answer</i>	5,5	8,1	13,3	9,8
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>
<b>B. Instances, during the past year, when respondents failed to conclude a deal because a competitor had paid a bribe or "pulled strings".</b>	<b>Number of employees</b>			
	<b>Up to 10</b>	<b>11 to 50</b>	<b>51 to 100</b>	<b>Over 100</b>
Every time	1,0	0,7	-	-
Most times	7,0	11,9	3,3	3,7
Occasionally	22,6	28,1	26,7	19,5
Never	57,8	45,9	55,0	52,4
<i>Don't know / No answer</i>	11,6	13,3	15,0	24,4
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>
<b>C. Effect of refusal to pay bribe on respondent's business</b>	<b>Number of employees</b>			
	<b>Up to 10</b>	<b>11 to 50</b>	<b>51 to 100</b>	<b>Over 100</b>
Positive effect	0,5	-	-	2,4
Negative effect	15,1	16,3	13,3	12,2
It had no effect on my business	7,5	13,3	1,7	11,0
<i>I haven't been asked for a bribe</i>	53,8	48,1	63,3	63,4
<i>I haven't refused to pay a bribe</i>	9,0	8,9	5,0	-
<i>Don't know / No answer</i>	14,1	13,3	16,7	11,0
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>
<b>D. Reasons why respondents did not take any action to expose the corrupt person</b>	<b>Number of employees</b>			
	<b>Up to 10</b>	<b>11 to 50</b>	<b>51 to 100</b>	<b>Over 100</b>
<i>I don't know where and whom to turn to</i>	1,4	-	5,9	10,0
<i>It would be too time-consuming</i>	17,6	28,3	5,9	10,0
<i>I wouldn't achieve anything with my actions</i>	63,5	55,0	76,5	70,0
<i>I'm afraid of negative consequences</i>	10,8	10,0	-	10,0
<i>Other reason</i>	1,4	3,3	-	-
<i>Don't know / No answer</i>	5,4	3,3	11,8	-
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>

Base: All respondents