PRIVATE SECTOR SECTOR CORRUPTION IN BULGARIA

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The analysis is one of the first attempts to explore the phenomenon of private corruption in Bulgaria. A methodology (*Private corruption barometer*) has been developed and applied to assess levels of prevalence and specific characteristics of corruption in the private sector. The problem of private corruption is relatively new in terms of research practice as the prevailing view of corruption is that it is a governance problem and does not strictly apply to private sector management. *Private corruption barometer* data show that the practices and mechanisms observed in the private sector are very similar to the overall corruption situation in the country and should therefore not be neglected.

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SUMMARY

Corruption in the private sector is a relatively new topic in corruption studies. Most researchers assume that corruption practices occur mostly in the interaction between the state and the private sector (when public servants provide illegitimate paid services to the private sector or citizens). Within the private sector, however, similar illegitimate practices are defined as theft, fraud, embezzlement, etc.[1] Under this approach, corruption is seen primarily as a problem of governance, associated with the use and abuse of public power.

The reason that certain practices within the private sector may be viewed as corruption stems from the specific structure of companies as collective actors. In most cases, company employees are delegated discretionary power by their superiors; some employees can take advantage of that power in making deals for their own benefit and to the detriment of the company, thus abusing their power.[2] The main results presented here is primarily of methodological importance, as the methodology for the study of corruption in the private sector is still being developed. Nevertheless, the collected data shed light on the phenomenon itself and allows some (not very positive) conclusions to be made:

The private sector in Bulgaria assesses **the regulatory activity of state authorities as moderately hindering**. In this respect, Bulgaria ranks close to the middle among EU Member States – roughly one third of companies regard regulations as a barrier to business development. A major problem, according to most companies, is posed by non-competitive practices in the country. These practices exist because of the state regulations, the way they are applied, and the market practices that have been established. Obviously, the state's efforts to counter non-competitive practices are insufficient and poorly targeted.

The three types of crime that affect the business environment most severely are **corruption (69.5 %), the non-regular labour market (56.7 %) and fraud (53.7 %)**. These crimes are identified by all companies, regardless of their size and the business sector. Corruption is seen as the most critical crime by the large majority of small (85.7%) and medium and large companies (85.7 %). Another crime affecting a relatively high share of the companies is **money laundering (43.3 %)**. Overall, the structure of responses is indicative of serious problems in the business environment:

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[1] See Andvig, J., Fjeldstad, O.-H., Amundsen, I., Sissener, T., Søreide, T., 2001. Corruption. A Review of Contemporary Research. Chr. Michelsen Institute., p. 1-5.

[2] Some recent studies in the area of private corruption which apply similar methodology include: Sööt, M.-L., Johannsen, L., Pedersen, K.H., Vadi, M., Reino, A., 2016. Private-to-private corruption: Taking business managers' risk assessment seriously when choosing anticorruption measures, in: 2016 OECD Integrity Forum.; Johannsen, L., Pedersen, K.H., Vadi, M., Reino, A., Sööt, M.-L., 2016. Private-to-Private Corruption.

companies are not comfortable with the level of crime and they are aware laws and rules are not respected.

The **blocking of market principles** through corruption and various collusion agreements seems to occur quite frequently. On average, one-fifth of the companies believe collusion is practiced 'very often' or 'often'.

Reflecting on the most frequently mentioned scenarios and forms of corruption in the interaction with state agencies, business executives paint a rather alarming picture. On average, between 70 % and 75 % of them indicate that bribes to (or for) politicians, bribes to employees of the public administration, clientelism and state capture occur often or very often.

Regarding the **frequency of private corruption** (i.e. relation between companies in the private sector and relation of companies and their employees), the main observation is that most corruption practices (with the exception of fraud committed by employees) occur often or very often. The most frequently mentioned scenario is 'nepotism and conflict of interest in tenders' (64.9 %) and 'bribing intermediary companies' (66.9 %). However, perception of the negative impact of various corruption practices are significantly lower. Overall, **corruption practices and practices that affect transparency and fairness are widespread in the private sector**. In this environment, the probability of detection and prosecution is relatively low, and many of the illegitimate dealings of companies and their employees remain unsanctioned.

Company executives are exposed to **substantial corruption pressure**. About one in five executives is aware that some of their employees have been offered bribes within the past year. This level of private corruption distorts the market environment and leads to mass resort to practices that destroy normal competition and eventually lower the efficiency and competitiveness of the private sector in general. At the same time, combating private corruption is by and large a responsibility of company owners and the usual anticorruption measures applied in the public sector cannot be copied here.

Propensity to corruption in the private sector is high. Only 46.3 % of the executives would reject a corruption deal, if it would have a positive impact for their company. The share of business leaders who would unconditionally reject such a deal is 9.4 %. This share goes up to 65.4 % provided the deal is not favourable for the company. Willingness to get involved in corrupt practices is relatively high both among the clients of private companies and among their staff. However, clients who claim they would never engage in corrupt practices are about 10 % less than company employees.

Despite their **utilitarian attitude to corruption,** the majority of company employees view corruption deals as negative. Only about 13 % of companies consider corruption (partially) **useful**. While on average there is a negative attitude to the utility of corruption, certain groups of

business actors are an exception: employees of medium and large companies, managers in financial/accounting positions and employees with relatively long service. Representatives of these groups tend to accept that corruption practices may contribute to the faster growth of their companies.

In terms of the available **„soft" anticorruption measures**, the most widespread one is the so called ethical code, i.e. a set of norms for business behaviour, contacts with clients and suppliers. The share of companies which have adopted such ethical codes is 32.9 %, and in about 70 % of the cases company employees comply with these codes. The other two 'soft' measures are significantly less common: special protection for whistle-blowers for corruption practices (7.3 %) and anticorruption training (3.2 %).

Asked about the relative effectiveness of various anticorruption measures, company executives **overwhelmingly prefer the so called 'hard' measures**, i.e. policies and measures which support the system of delegation of powers from principal to agents (employees), and the system of control and sanctions for compliance with the established rules of conduct. In this respect, the most effective measure is believed to be 'releasing the non-complying employees', followed by 'development of an internal control system'. The least effective are considered the so called 'soft' measures, such as training, hot lines for anonymous signals, etc.

1. METHODOLOGY

Corruption research has a relatively long history and includes two types of relations, "public authority – business sector" and "public authority – citizens". Most analyses of corruption usually use specific definitions about the sphere where corruption relations are realized: the relations between governments (the state) and the market economy. The endogenous factor in this relationship is most often the government (the state)[3] because its structure and operation mechanisms pre-empt the possibility of abuse of public power. The initial and most often used and modified definition is that 'corruption is abuse of power for private gain'.[4] Corruption research proves problematic theoretically and empirically because of the hidden character of this phenomenon. As a result, corruption research most often relies on measurements which are regarded as "soft" and/or "unreliable".

The first corruption analysis and research of the Center for the Study of Democracy date back to 1998.[5] In the twenty-year period after 1998 both corruption theory and the practice of empirical corruption research have developed substantially. A considerable experience was accumulated with regard to the countering of corruption – the development and implementation of anticorruption policies and measures. In this period CSD developed and implemented a series of new methods for corruption research, analysis and assessment. The annual publication of the Corruption Assessment Report has gauged considerable public attention and includes trend information about the corruption situation in the country.[6] The initiative for transparency and development (SELDI) implemented in the countries of South East Europe included a number diagnostic research efforts and analyses covering most countries in the region in 2001, 2002 and 2015.[7]

Despite the efforts (including those of several Bulgarian governments) it would be difficult to claim that the corruption problem in the country has been contained or resolved and/or that anticorruption measures have become indispensable part of the governance model. The periods of progress (reduction of corruption) have been followed by periods of regress. With regard to administrative corruption the situation in the

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[3] See: Andvig, J., Fjeldstad, O.-H., Amundsen, I., Sissener, T., Søreide, T., 2001. Corruption. A Review of Contemporary Research. Chr. Michelsen Institute., p. 1-5.

[4] See: Tanzi, V., 1998. Corruption around the World: Causes, Consequences, and Cures. IMF Working Paper.

[5] Clean future. Anti-Corruption Action Plan for Bulgaria. Monitoring. Corruption Assessment Indices., 1998. Center for the Study of Democracy, Sofia.

[6] All Corruption Assessment Reports published by CSD are available at: http://www.csd.bg/artShow.php?id=1339

[7] For more details, please refer to: Shentov, O., Stefanov, R., Todorov, B., 2016. Shadow Power. Assessment of Corruption and Hidden Economy in Southeast Europe. Center for the Study of Democracy, Sofia.

country in 2016 is not radically different from the situation in 1999 or 2000.[8]

Anticorruption difficulties are not an exclusively Bulgarian phenomenon. They have been encountered in most countries where the situation is characterized as systemic corruption, i.e. corruption is observed with high intensity, at all government levels and most known forms. This problem is embarrassing for post-communist countries of Central and Eastern Europe as most of them are EU members, i.e. they operate in an environment where systematic corruption cannot be tolerated. One of the efforts to address this problem was the methodology to measure and assess the implementation of anticorruption policies and measures in public institutions developed by CSD in the period 2013 – 2015.[9]

The direct research through the Corruption Monitoring System started parallel to the study of administrative corruption. In the period 2000 – 2015 business sector diagnostics was conducted annually and includes a system of indicators measuring both experience with corruption and perceptions of corruption. It is based on national random samples of 400 to 500 companies. Analyses related to the business sector have been published in the *Corruption Assessment Reports*. The main indicators for the business sector corruption diagnostics include:

Experience based indicators

- Involvement in corruption transactions (bribing public sector officials)
- Experience with corruption pressure (proposals to participate in corruption transactions)

Perception based indicators

- Importance of corruption as a social problem
- Perceived prevalence of corruption
- Identification of corruption practices
- Susceptibility to corruption
- Motivation to participate in corruption transactions
- Assessments of the anti-corruption measures of the government

Results from this surveys in Bulgaria identified a corruption problem in the private sector and it was first analysed in 2005.[10] Overall, they show uneven fluctuation trend of improvement and deterioration which lead to several conclusions:

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[8] State Capture Unplugged. Countering Administrative and Political Corruption in Bulgaria, 2016. Center for the Study of Democracy, Sofia.

[9] For more details on MACPI methodology, please refer to: Stoyanov, A., Gerganov, A., Di Nicola, A., Costantino, F., 2015. Monitoring Anti-Corruption in Europe. Bridging Policy evaluation and corruption measurement. Center for the Study of Democracy, Sofia.; Stoyanov, A., Gerganov, A., Di Nicola, A., Costantino, F., Terenghi, F., 2015. Mapping Anticorruption Enforcement Instruments. Center for the Study of Democracy, Sofia.; Stoyanov. A., Gerganov, A., Anticorruption. Implementation and assessment of anticorruption measures (MACPI), Center for the Study of Democracy, Sofia, 2005.

[10] See: Anticorruption reforms in Bulgaria, 2005, Center for the Study of Democracy, Sofia, 2005, p. 106-110.

First, the trend of corruption pressure and the transformation of pressure into actual involvement in corruption transactions marginally improves in the period until 2007 when the country became member of the EU. The main reason for that is the obliteration of one of the most important pro-corruption factors – corruption in the customs administration.

Second, after 2007 new spheres of corruption relations emerged (e.g. EU funds procurement) and their relative importance has grown because of the increasing amount of EU subsidies the country is receiving. As a result, the corruption situation in the country in 2015 is more favourable, but still very similar to the situation in 2000, when the first *Corruption Monitoring System* observations were made.

TABLE 1. CORRUPTION PRESSURE IN THE BUSINESS SECTOR

Hint that corruption payment is expected	2000 (%)	2015 (%)
In all cases	2.0	1.9
In most cases	18.7	3.0
Rarely	34.1	12.2
Never	45.2	83.0

Source: Corruption monitoring system.

TABLE 2. INVOLVEMENT IN CORRUPTION TRANSACTIONS IN THE BUSINESS SECTOR (2015, %)

Illegitimate allocations made	Money	Gift	Services
In all cases	1.9	2.2	1.9
In most cases	3.0	3.0	3.0
Rarely	12.2	13.3	15.2
Never	83.0	81.5	80.0

Source: Corruption monitoring system.

Third, despite the declining susceptibility to corruption in the business sector, the dominant view is that the public administration is corrupt and that the use of corruption is inevitable and a kind of defence strategy for the business sector.

Business corruption (government – business sector) and different types of crime against the business sector is a widely researched phenomenon. Most analytical and audit companies evaluate on a regular basis business

risks like corruption like offences and/or bad practices like collusion, theft, conflict of interest, etc. the public aspect of relations between governments and the private sector is getting increasing attention on behalf of the EU and the EC. The corruption survey of Eurobarometer already has been conducted three times.[11]

An important corruption research problem is that the "business – business" corruption relations have not been studied intensively and therefore **corruption inside the private** sector is a relatively new research area. Existing work in the last years is scarce.[12] The characteristics of this type of corruption relations have still not been clarified and need additional definitions.

The definition of forms and manifestations of corruption is most often made by specifying the type of power it is connected to, and the types of abuse of power and gain that are related to certain corruption scenarios. Among of the analytic approaches for a descriptive analysis of corruption relations are rational choice theory (in the interpretation of J.Coleman) and the PAC analysis (Principal-Agent-Client). These two approaches, or rather aspects of the same approach, are used to describe corruption as an element or type of social exchange. Corruption includes exchanges between collective and individual actors and in this respect the PAC analysis provides the tools to describe these relationships and derive their principle characteristics. Some authors consider an approach based on the PAC analysis to be either too economic (as it analyses relations of ownership and control) or not good enough as anticorruption interventions based on PAC analysis prove unsuccessful.[13] However, the rationale in favour of PAC analysis is that its good descriptive power provides possibilities to derive a consistent descriptive definition of corruption that could be broken down into indicators for empirical research. When the objective is operationalization a descriptive definition proves more useful than a definition aimed at explanation of a phenomenon.

The typical social exchange transaction on which social exchange in general is based is the exchange of resources between actors. Based on the division of labour every actor produces resources of a certain kind and these resources are his reason for participation in social exchange with others. His relation to resources is that of **control**, i.e. the possibility to decide how the resource will be used/utilized. Due to the limited variety of resources created by one actor his reproduction is dependent on exchange with the resources produced by others. Resources that a given actor does not control but are necessary for his reproduction are

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[11] Виж: TNS Opinion&Social, 2015. Flash Eurobarometer 428: Businesses' attitudes towards corruption in the EU.; TNS Political & Social, 2017. Flash Eurobarometer 457: Businesses' attitudes towards corruption in the EU. Report. European Union, Brussels.; TNS Political & Social, 2014. Flash Eurobarometer 374: Businesses' attitudes towards corruption in the EU. European Commission, Directorate-General for Home Affairs, Brussels.

[12] New research in this area are analyses of private corruption in Denmark and Estonia. See: Sööt, M.-L., Johannsen, L., Pedersen, K.H., Vadi, M., Reino, A., 2016. Private-to-private corruption: Taking business managers' risk assessment seriously when choosing anti-corruption measures, in: 2016 OECD Integrity Forum.

[13] See: Heywood, P.M., 2017. Rethinking Corruption: Hocus-Pocus, Locus and Focus. Slavonic and East European Review 95, 21-48.

those resources for which the actor has an **interest**. In this sense social exchange is a series of exchange transaction where actors exchange resources over which they have control for resources of interest. The most common types of resources are material goods (commodities, services), control over the outcome of events (the possibility of an actor to influence the outcomes of processes), control over one's own actions (the possibility of the actor to control his activity or the access to his qualities, like strength, beauty, disposition, etc.), control over results of collective processes (voting). This classification of the types of resources exchanged practically encompasses all social exchange transactions.

While every resource is in itself an interesting field of analysis, the description of structures of the social process focus the attention on the control over one's own actions because it forms the foundation of **collective actors**. In the context of this descriptive model business entities (companies) are possible when an actor controls material resources (facilities, equipment, raw materials, etc.) and hires a number of employees. Employment is a transaction where the employee exchanges the control of his own actions for remuneration (money, good, etc.), provided by the employer.

For corruption relations the resource 'control over one's own actions' is important because: First, it describes the way collective actors like companies are socially constructed – employment relations. The core of this relationship is that the employer controls what employees will do for a certain period. Second, it defines the distribution of power between the employer and the employees. The employer is the Principal and controls all the resources of the collective actor. The employee is an Agent of the principal who has transferred the control over his own actions to the employer and is therefore obliged to follow the instructions and orders of the principal. The principal-agent relationship is both a relationship of power (command and control) and trust. Trust, because if the principal needs to supervise all activities of all agents, agency becomes meaningless for the principal (all the time of the principal is used to supervision). Third, irrespective of the character of his work, the principal grants the agent power to control a certain aspect of the work in the company (delegated power over people or processes). The reciprocal obligation of the agent is to use the delegated power in a way defined by the principal and always protect the interest of the principal. Abuse of delegated power on behalf of the agent is possible under two principle scenarios: the agent does not follow the principals' prescriptions, or the actions of the agent harm the interest of the principal.

The above description shows that employment relations with collective actors presupposes work in a highly structured environment (multitude work rules and prescriptions) and an environment where a multitude of mechanisms to supervise the implementation of rules exist, with the responsibility for the design and implementation of these rules lying with the principal. As the agent works for the principal, the latter is responsible for all his actions; both the benefits and the incurred losses are at the expense of the principal. With a degree of simplification, collective actors fall into two categories: collective actors based on **property** relations

(government owned and private companies) and collective actors which are constructed to implement **public power**. The difference between these two types of collective actors is in the status of the principal and the mechanism which define the behaviour of the principal.

The behaviour of the principal of business organizations is realized in a market environment and its main optimization principles are the **property interests** – to reproduce invested resources and generate a profit. Limiting factors of the principal's activity are laws, rules and existing moral norms. The inability of the principal to deal with this environment and limitation leads to loss and eventually bankruptcy. The behaviour of principals of public organizations which are designed to serve a public function is governed by different optimization criteria. The limiting factors of the public organization principal are laws and rules in society in combination with the laws and rules regulating the specific public organization. The criterion of success of public organizations and the bureaucratic system is not profit but level of serving a public function and/or fulfilling certain goals or political pledges made at elections. The assessment of whether these functions are accomplished successfully is not provided by the market (like business entities) but based on elections in which all citizens with the right to vote participate. Because of that the bureaucratic system has a specific structure (multiple subordinate levels, political and administrative leaders, distributed structures by function, region, etc.), and public evaluation is not personal (for each public official or subsystem) but indirect through the election of the political leadership of the country.

In the business sector power is derived based on property and its principals can also be defined as ultimate or final principals – they bear the final responsibility for the respective collective actor. In the public sphere the issue of the final/ultimate responsibility is complex because of the hierarchy of public power. Most principals are on the one hand subordinate to the higher levels of the bureaucratic hierarchy and are "their agents", on the other, most public officials are agents of their specific principal (directors of public organizations). Due to the above features of **property-based power, corruption in the private sector cannot be considered comparable to corruption in the public sector**. In the private sector corruption generated losses are at the expense of the owner/principal and do not affect public resources or interests. Rather, these relations express a breach of trust in the relations between the principal and the agent. A private organization works well if it offers demanded goods or services at a reasonable price. Relative to this objective, the obligations and functions of each employee that lead to the fulfilment of this objective could easily be formulated. In addition, the principal of the private organization has all rights to modify the structure of obligations in order to achieve optimal results.

In the context of the described structure of relations, corruption (defined as abuse of power for private gain) is the activity of the agent who in coordination with an outside third party starts working for his own interest thereby abusing his entrusted discretionary power. Such abuse is both possible in private and in public entities. The difference is that

in private organizations the abused power is entrusted by the principal, who is the ultimate principal, i.e. working with his own capital/money and for his own interest. In public organizations the principal fulfils a public function and represents the public interest. Abusing power in private organizations redistributes private resources, while in public organizations pubic resources are redistributed in favour of the corrupt and the execution of public functions is modified. Some authors define abuse of power in private organizations as theft, fraud because the target of crime is private interest and resources, while at the same time they regard the abuse of public power as corruption because the final target of the abuse is society and/or the public interest.

The possibility to consider private corruption is to a large extent dependent on the way the term is defined as activities that define corruption are mostly related to violation of rules, laws, norms and principles of work. For example, both the public and the private sector use procurement procedures to select vendors for goods and services; the forms of corruption associated with this procedure are similar and their effects are also similar. An increasing amount of analysis is devoted to the growing homogenization of the public and the private sectors. As a result, the borderlines between both sectors are "blurred". In addition, many public functions/activities are being outsourced to private subcontractors at an increasing rate, e.g. health services, prisons, social assistance and care, etc.[14]

The research on private corruption addresses the assessment of the scale and level of penetration of different forms of corruption behaviour, corruption attitudes in private organizations, the effects of private corruption for companies and the existence of anticorruption measures and policies. In this respect the survey instrument used includes several groups of indicators (Figure 1).

Methodologically, this structure of indicators has several specific features:

First, indicators attempt to measure the prevalence of corruption relations based both on experience and on perception indicators. In the first group, the most often used indicator is experience with corruption pressure (proposal to initiate a corruption transaction). No attempt is being made to assess the level of involvement in bribery, as this would force respondents to make self-accusations and, respectively, provide unreliable information.

Second, the assessment of the prevalence of different forms of corruption is made using the perceived level of prevalence of different corruption scenarios (forms of corruption).

Third, where possible the analysis includes comparable Eurobometer data,[15] taking into account the lack of possibilities for direct comparability.

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[14]   See: Heywood, P.M., 2017. Rethinking Corruption: Hocus-Pocus, Locus and Focus. Slavonic and East European Review 95, 21-48.

[15]   TNS Political & Social, 2017. Flash Eurobarometer 457: Businesses' attitudes towards corruption in the EU. Report. European Union, Brussels.

Figure 1. **Structure of indicators used in Private corruption barometer (PCB)**
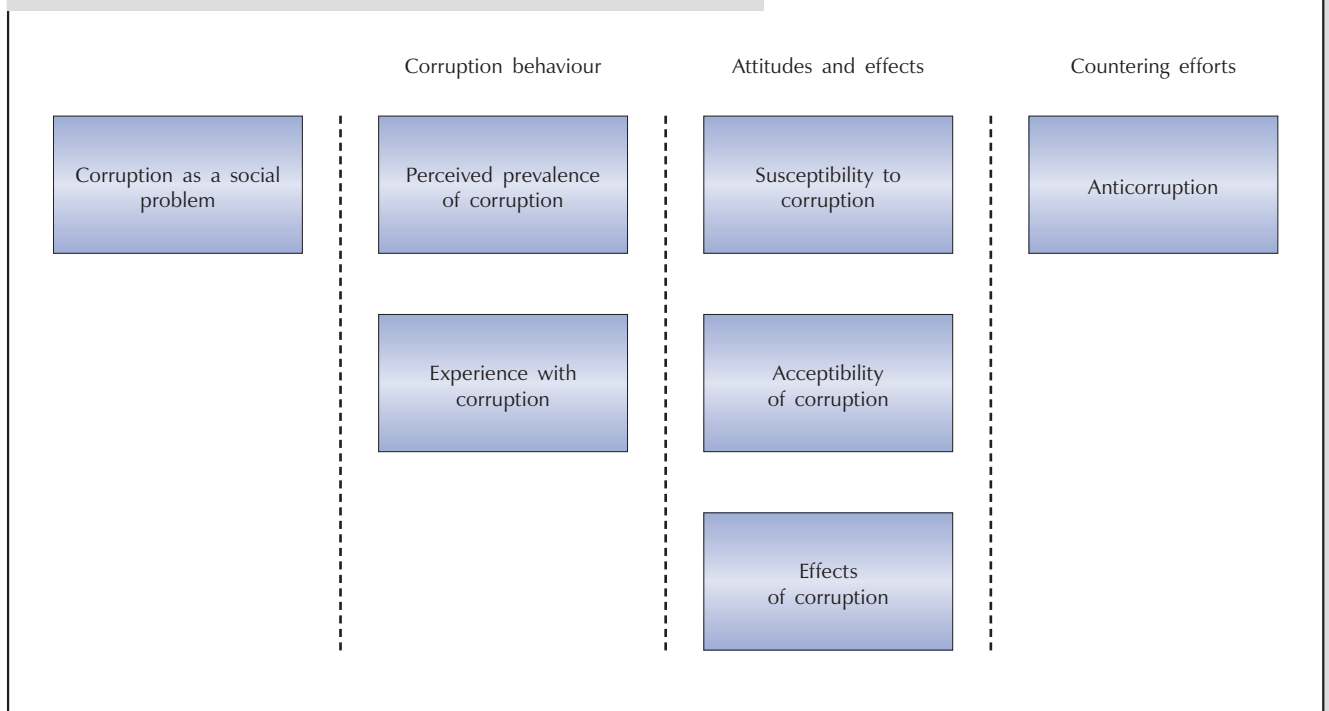
The main reason for that is to cross check the PCB information that is similar or directly comparable. Data show that there is a certain level of overlap of comparable indicators between the Eurobarometer 2017 survey and the PCB.

Fourth, the structure of PCB indicators is designed to make possible the construction of a map of private corruption. In this respect PCB is not a survey that aims to explain private corruption but rather a survey with a descriptive objective: to measure and assess the frequency and prevalence of corruption in the private sector. Because of the descriptive character of the survey model, the variables of the survey cannot be grouped into factor and result variables (dependent and independent variables) and to test explanatory hypotheses through regression and/or factors analyses. Also, due to the relatively small size of the sample, such analyses are in most cases not feasible.

2. OBSTACLES TO BUSINESS DEVELOPMENT: CORRUPTION AND REGULATIONS

The general environment in which companies work is defined by a multitude of parameters. Especially important among them are the regulatory interferences of the state; they could both contribute to business growth and present obstacles to development and investment. Most analyses show that excessive government interference through control or regulatory practices (laws, regulations, standards, etc.) could lead to two principle consequences. On the one hand, these policies could stifle company activities and reduce the rate of new company creation, as regulations tend to impose additional (often too big) costs. On the other hand, many companies would be forced to "optimize" their interactions with government institutions resorting to more or less informal mechanisms. The latter most often involve different forms of administrative corruption and are aimed at reducing the cost of compliance with new/additional regulations or at speeding up administrative response in the implementation of new regulations on behalf of the bureaucracy.

Regulations, however, have another effect: too little regulations in a regulated environment create opportunities for some companies to abuse market freedom and competition rules. In this way market self-regulation is being limited and competition rules are skewed in favour of some companies at the expense of others. In this respect the problem of quality and quantity of regulations is always topical and demands constant attention. The principle function of the state in such an environment is to promote market competition and counter forces and processes aimed at introducing limitations – non-market and anti-competitive practices.

The assessment of the impact of regulations and the business environment on business development are related to the assessments of the impact of corruption on business effectiveness. From the corruption perspective, methods and mechanisms of government regulation often have a pro-corruption effect, as efforts to bypass regulations are one of the primary motives of corruption relations between the state and the market players. Though not directly linked to private corruption, the relative level of administrative burden imposed on businesses is a factor shaping the business environment and tends to enhance or prevent pro-corruption interests.

Regarding the impact of regulations, several general conclusions could be made:

First, about **one third of companies perceive problems imposed by the character of regulations on the business environment as significant**

or very significant (Figure 2). In this respect the assessment of the environment is rather unfavourable. This situation is characterized similarly by the Eurobarometer survey (Table 3), where the sample is national. The practices appearing most problematic are: frequent changes in the legislation complexity of administrative procedures and lack of appropriate procedures for debt recovery. Though PCB and Eurobarometer data are not directly comparable,[16] they show that assessments of regulatory obstacles to business development are fairly similar.

Second, with regard to the impact of regulations on the business environment, **Bulgaria is not unique compared to other EU member states**. The values of assessment on many indicators are close to the EU28 averages. Bulgaria, however, is lagging behind on indicators of corruption relations, infrastructure development and financial sector development. A conclusion could therefore be made that business environment in the country is not markedly different as compared to the business environment in the EU.

Third, regulations impose relatively small difficulties in the sector of hotels and restaurants and relatively big obstacles in the services sector (Table 4). Regarding company size, no notable differences in this respect have been observed.

FIGURE 2. LEVEL OF NEGATIVE IMPACT OF REGULATIONS ON BUSINESS DEVELOPMENT OF COMPANY (%)
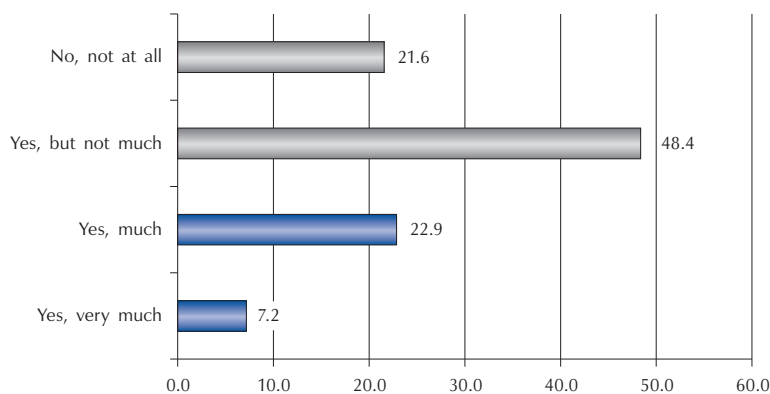
Base: all respondents (n=164).

Source: Private corruption barometer.

The review of the main factors which have negative impact on business development shows that the specific obstacles faced by companies are only partially related to corruption relations. Problems that stand out most are uncompetitive practices (39 % of companies), taxes and regulations (32.2 % of companies), access to credit and political instability (Table 5). Corruption and infrastructure rank fifth (9.1 % of companies).

The fact that the taxes and regulations indicator has relatively high values on the scale of factors generating problems points to two principle conclusions. On the one hand it shows that the state influence on business relations is notable; however, the values of this indicators are close to "normal" (i.e. not exceptional). On the other hand, this indicator is directly linked to corruption relations and this means that this

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[16]   The cited Eurobarometer survey is conducted in 2017 and includes nationally representative samples of companies in the respective countries. Its use in this analysis is not based on strict comparability – the PCB is based on a representative sample of companies registered in Sofia. However, both surveys make it possible to compare the main aspects of the business climate in the country.

regulatory role should be used with precision and care. Maintaining a healthy business environment is one of the principle responsibilities of any government and its respective agencies. The existence of problems in this respect (pointed out by every fourth company) shows: 1) that the work of regulatory agencies most probably ineffective and problem generating; 2) that agencies working in the area of competition regulation most probably have low capacity and/or motivation to work efficiently.

In terms of company size, assessments of obstacles to business development show some level of differentiation. The factor "uncompetitive practices" is assesses as significant by medium and large companies – 57.1 % (Table 6), and companies in the industry sector – 65.2 % (Table 7). This confirms hypotheses that in some sectors deliberate attempts to block competition exist and that this most probably is achieved by the use of corruption or mechanisms of illegitimate lobbying. In comparison, the relative weight of "uncompetitive practices" in the services sector is substantially lower (37.8 %).
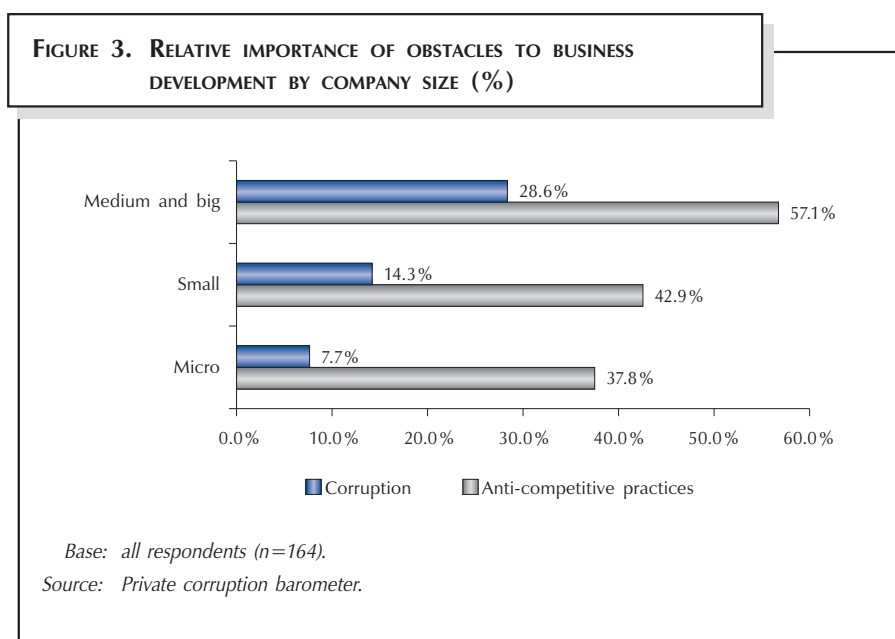
The relative importance of the "corruption as an obstacle to business" factor is relatively small – 9.1 % in average for all companies. By company size some differentiation exists: for medium and large companies this is a factor with big relative importance – 28.6 %. On the whole the importance of this factor increases as the size of the company grows and shows that business environment elements influence differently companies of different size (Figure 3).

FIGURE 3. RELATIVE IMPORTANCE OF OBSTACLES TO BUSINESS DEVELOPMENT BY COMPANY SIZE (%)

Base: all respondents (n=164).

Source: Private corruption barometer.

The factor "uncompetitive practices" appear the leading obstacle to business development for all companies. It has been marked respectively 38.8 % of micro companies, 42.9 % of small companies and 57.1 % medium and large companies. Following in importance for micro companies are the factors taxes and regulations, access to credit. For small companies these factors are access to credit and political instability, while for medium and large companies factors coming after uncompetitive practices are taxes and regulations, corruption and inflation.

The largest number of obstacle-factors are marked in the industry sector – overall three factors have been indicated as issues of concern by 30 % or more of companies (Table 7). Respectively, in the trade sector indicated factors are two, in the hotels and restaurants sector the factor is one, while in the services sector no factor is mentioned by more than 25 % of companies.

Tables to Chapter 2: Obstacles to business development: corruption and regulations

TABLE 3.   PROBLEMS DOING BUSINESS (EUROBAROMETER)[17]

Criterion	Bulgaria (%)	Negative rank of BG[18] (1=worst, 28=best)	EU28 average (%)	Best value (%)	Worst value (%)
Business environment: problems doing business (Total "is a problem", %)					
– Tax rates (p. 8)	31	27	63	20 (UK)	95 (EL)
– Fast-changing legislation and policies (p. 10)	65	12	61	23 (IE)	93 (EL)
– Complexity of administrative procedures (p. 12)	72	7	60	18 (EE)	87 (EL)
– Lack of means or procedures to recover debt (p. 14)	68	9	49	7 (FI)	82 (IT)
– Restrictive labour regulations (p. 16)	47	15	48	9 (UK)	81 (IT)
– Inadequate infrastructure in the country (p. 18)	62	5	44	11 (EE)	93 (RO)
– Access to financing, including credits (p. 20)	25	20	39	16 (UK)	76 (EL)
– Patronage and nepotism (p. 22)	58	5	38	6 (IE)	82 (RO)
– Corruption (p. 25)	62	4	37	(2 (DK)	85 (RO)

Source: Eurobarometer, 2017.

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[17] TNS Political & Social, 2017. Flash Eurobarometer 457: Businesses' attitudes towards corruption in the EU. Report. European Union, Brussels.

[18] Negative ranking reflects the position of the country (Bulgaria) in reverse order, given the content of the indicator. E.g. if the indicator is about problems or whether forms of corruption are widespread, the higher the percentage, the more negatively the situation is perceived. For some indicators (e.g. perceived likelihood of corrupt businesses being reported or sanctioned), lower percentage values point to a negative evaluation. Maximum rank is 1 and indicates the worst possible evaluation, while minimum rank is 28 and indicates the most favourable situation.

TABLE 4. ASSESSMENTS OF THE IMPACT OF REGULATIONS ON BUSINESS DEVELOPMENT BY COMPANY SIZE AND SECTOR (%) [Q14 AND Q1, Q2]

		Yes, too much	Yes, much	Not especially	No	Total
Sector	Industry	4.3%	26.1%	43.5%	26.1%	100%
	Trade	12.1%	24.1%	53.4%	10.3%	100%
	Hotels and restaurants	1.6%	14.8%	**49.2%**	**34.4%**	100%
	Services	**18.2%**	**54.5%**	27.3%	0.0%	100%
Company size	Micro (0-9)	7.5%	22.6%	46.6%	23.3%	100%
	Small (10-49)	7.7%	23.1%	61.5%	7.7%	100%
	Medium and large (50+)	0.0%	28.6%	57.1%	14.3%	100%

Base: all respondents (n=164).

Source: Private corruption barometer.

TABLE 5. ASSESSMENTS OF OBSTACLES TO BUSINESS DEVELOPMENT [Q25_1 – Q25_12]

	Relative share (%)
Anti-competitive practices	**39.0%**
Taxes and regulations	**32.3%**
Access to finance	**21.3%**
Political instability	**18.3%**
Corruption	**9.1%**
Infrastructure	**9.1%**
Inflation	7.9%
Organized crime	7.9%
Functioning of the judiciary	6.7%
Street crime, theft, disorder	6.7%
Exchange rate	0.6%
None of the above	12.2%
Total	171.3%

* Sums of relative share exceeds 100 % as respondents have provided more than one answer.

Base: all respondents (n=164).

Source: Private corruption barometer.

TABLE 6. ASSESSMENT OF FACTORS HINDERING THE DEVELOPMENT OF BUSINESSES, BASED ON COMPANY SIZE [Q25_1 – Q25_12 AND Q1]

	Micro (0-9)	Small (10-49)	Medium and large (50+)
Anti-competitive practices	37.8%	42.9%	57.1%
Infrastructure	9.1%	7.1%	14.3%
Taxes and regulations	34.3%	7.1%	42.9%
Functioning of the judiciary	7.7%	0.0%	0.0%
Access to finance	21.0%	28.6%	14.3%
Organized crime	9.1%	0.0%	0.0%
Political instability	18.2%	28.6%	0.0%
Street crime, theft, disorder	7.0%	7.1%	0.0%
Exchange rate	0.7%	0.0%	0.0%
Inflation	6.3%	14.3%	28.6%
Corruption	7.7%	14.3%	28.6%
None of the above	13.3%	7.1%	0.0%

* Sums of relative share exceeds 100 % as respondents have provided more than one answer.

Base: all respondents (n=164).

Source: Private corruption barometer.

TABLE 7. ASSESSMENT OF FACTORS HINDERING THE DEVELOPMENT OF BUSINESSES, BASED ON BUSINESS SECTOR [Q25_1 – Q25_12 AND Q1]

	Industry	Trade	Hotels and restaurants	Services
Anti-competitive practices	**65.2%**	**40.3%**	**32.8%**	16.7%
Infrastructure	0.0%	9.7%	9.0%	25.0%
Taxes and regulations	**34.8%**	**45.2%**	20.9%	25.0%
Functioning of the judiciary	0.0%	6.5%	9.0%	8.3%
Access to finance	26.1%	14.5%	26.9%	16.7%
Organized crime	0.0%	16.1%	3%	8.3%
Political instability	**30.4%**	19.4%	14.9%	8.3%
Street crime, theft, disorder	4.3%	3.2%	11.9%	0.0%
Exchange rate	0.0%	1.6%	0.0%	0.0%
Inflation	4.3%	8.1%	6.0%	25.0%
Corruption	8.7%	9.7%	9.0%	8.3%
None of the above	8.7%	6.5%	17.9%	16.7%

* Sums of relative share exceeds 100 % as respondents have provided more than one answer.
Base: all respondents (n=164).
Source: Private corruption barometer.

3. PREVALENCE OF CRIME AND CORRUPTION

Perceptions of prevalence of crime and corruption should not be interpreted as indicators measuring their effective prevalence. Rather such assessments show the existence of such problems for companies and indicate the level of concern they generate for company leadership. However, the fact that these indicators reflect perceptions does not make them less valuable. Interpretation of such indicators is specific: perceptions show how important (or problematic) a given issue is. Respectively, **issues assessed important form the motivation for specific company activities, including whether to counter or participate in illegitimate practices**.

Some forms of private corruption (e.g. cash in exchange for obtaining a business deal) are relatively common. Based on this **knowledge company managers face the dilemma of paying a commission as a form of specific "tax" or lose a contract**. Very often the decision is to pay a commission as the alternative is loss of business opportunities.

The main indicators used[19] to assess the prevalence of corruption and other types of crime are as follows:

- Perceptions of the spread of different types of crime in the country
- Perception of the proliferation of non-competition agreements
- Perceptions of the spread of different corruption scenarios
- Spread of corruption scenarios at national level
- Spread of corruption scenarios at company level
- Assessments of the risk of corruption in the sector
- Assessments of the risk of corruption in the own company

Assessments of prevalence of crime in the country[20]

Three types of crime emerge as most problematic: corruption (69.5 %), grey labour market (56.7 %) and fraud (53.7 %), (Figure 4).

Companies of all sizes and sectors seem to be affected by these issues. Corruption is perceived as a problem by a significant share of small companies and medium and large companies (85.7 % for both groups).

Assessment of various types of crime does not vary greatly by sector. In the trade sector, the score for corruption is higher than the average, while in the industry and services sectors money laundering is perceived as substantially more problematic than in the other sector. Assessment distribution by company size follows a similar pattern.

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[19] The listed indicators are described with interpretative terms. Please refer to Appendix 2 for the exact wording of the questions asked.

[20] Question 11, Appendix 2.

The overwhelming perception is that companies operate in insecure environment where compliance with the law and accepted rules is not guaranteed. This is probably the reason why corruption is viewed as the most problematic crime. Another issue is non-compliance with labour laws. Violations refer both to the existence and reproduction of a significant grey sector in the labour market, and to the use of corruption practices designed to preserve these informal relations (Figure 4).

FIGURE 4. ASSESSMENTS FOR THE PREVALENCE OF DIFFERENT TYPES OF CRIME IN COUNTRY (% OF ANSWERS FOR EACH GROUP)
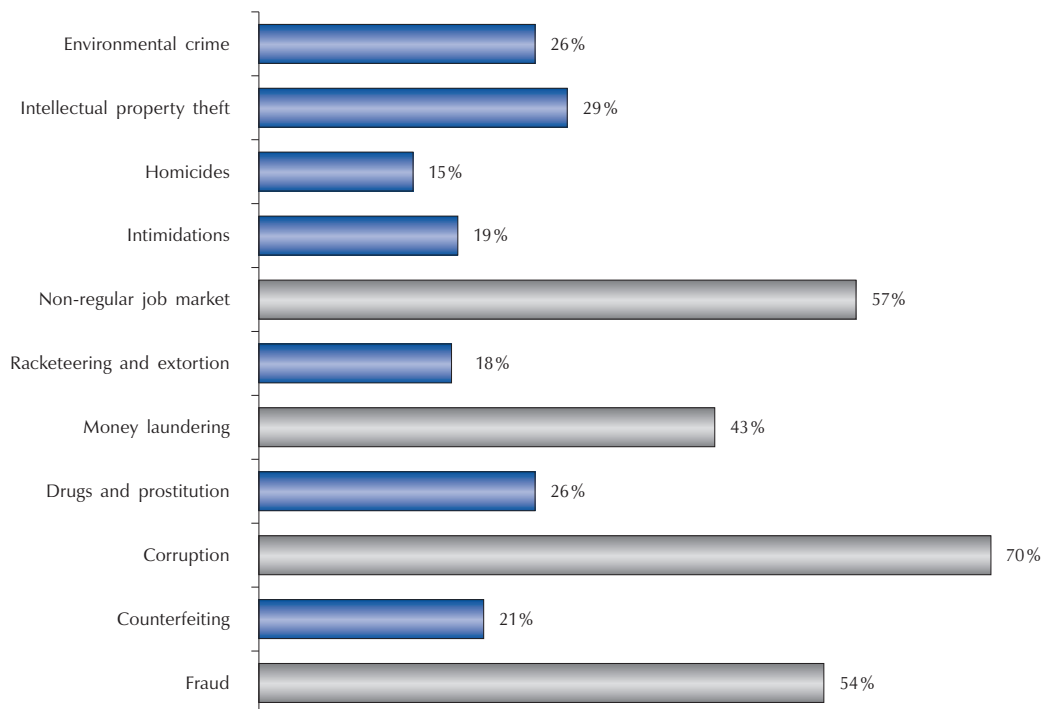
Base: all respondents (n=164).
Source: Private corruption barometer.

Prevalence of collusion (non-competition agreements)[21]

The practice of blocking market principles through various forms of corruption and collusion are relatively widespread in the private sector (Figure 5). Executives of every fifth company believe such illegitimate agreements occur often or very often. However, about half of the executives have never witnessed such agreements.

The prevalence of this problem varies by company size and by sector (Table 11). It is most prevalent in the trade sector, and among small companies (10-49 employees), while it is least often reported in the industry sector and among medium and large companies (Figure 6).

[21] Question 35, Appendix 2.

FIGURE 5. PREVALENCE OF NON-COMPETITION AGREEMENTS

Base: all respondents (n=164).
Source: Private corruption barometer.

FIGURE 6. NON-COMPETITION AGREEMENTS BY SECTOR AND COMPANY SIZE (% OF "VERY OFTEN" AND "OFTEN" ANSWERS)

Base: all respondents (n=164).
Source: Private corruption barometer.
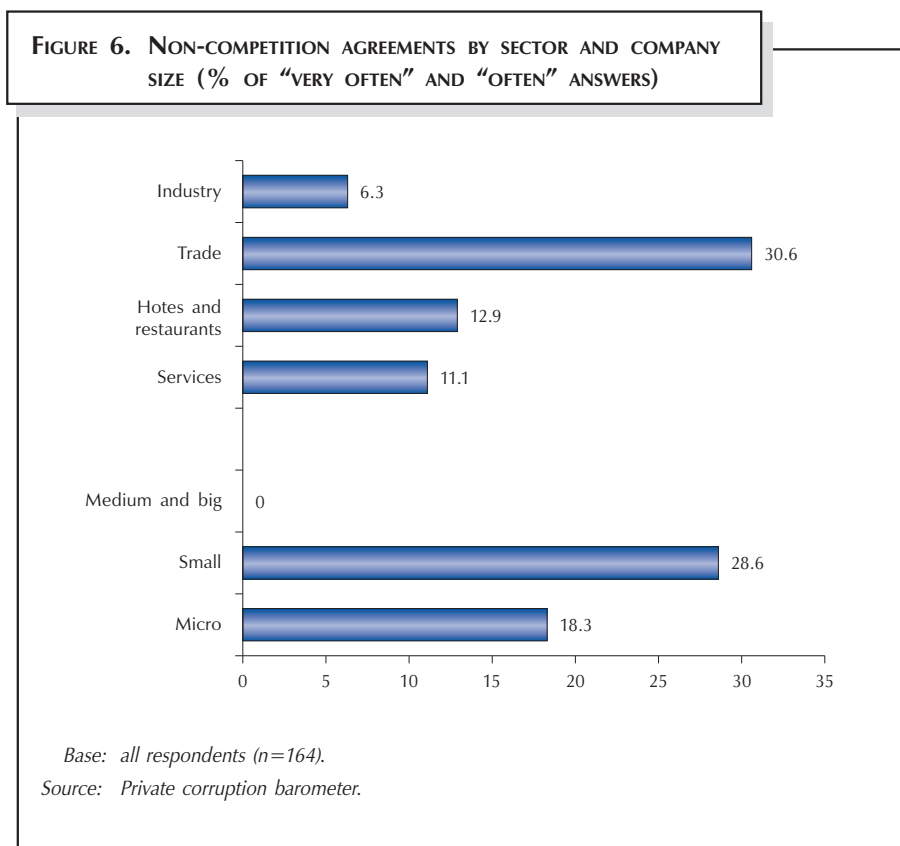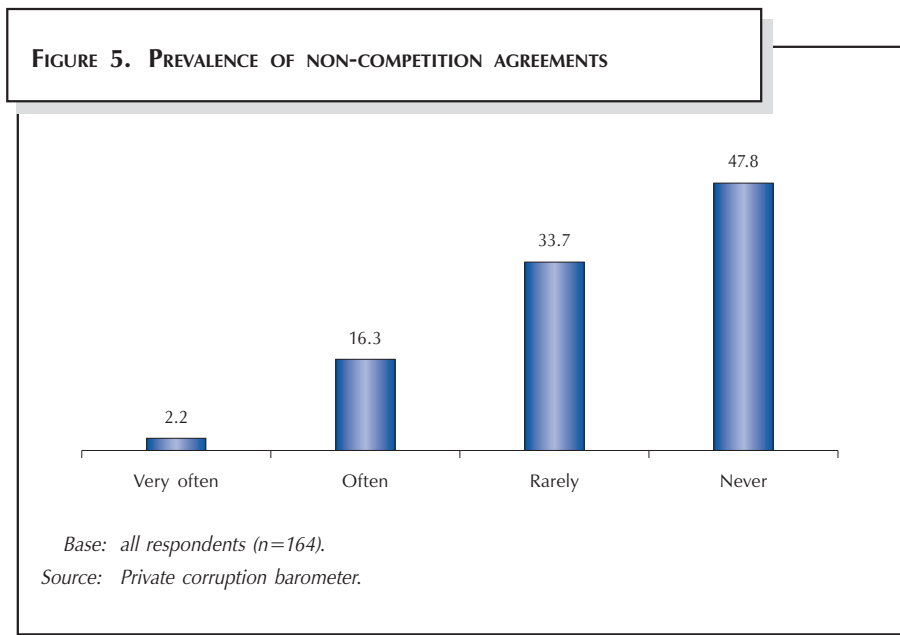
Non-competition agreements occur most often in relation to tenders, and in particular in public tenders. Bulgaria ranks close to the middle among EU Member States on this indicator. According to Eurobarometer data (2017),[22] 44 % of company executives report of non-competition agreements in public tenders. The average score for the EU is 51 %

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[22] TNS Political & Social (2017) Flash Eurobarometer 457: Businesses' attitudes towards corruption in the EU. Report. Brussels: European Union., c. 87.

(EU28), with Denmark having the lowest level (22 %), and Slovenia, the highest one (79 %).

Prevalence of corruption scenarios at national level[23]

The Barometer revealed a highly disturbing picture of the most frequent scenarios and forms of corruption in relations between the state and the private sector. On average, between 70 % and 75 % of company executives indicate that scenarios like bribes to or for politicians, bribes to public administration, clientelism and state capture occur often or very often (Table 12). The worst scores are registered in the services sector, where the prevalence of these practices is as high as 90 % (Figure 7). Based on the size of the company, executives of medium and large companies report even more negative perception of prevalence of corruption scenarios (Table 14).

FIGURE 7. PREVALENCE OF CORRUPTION AT ADMINISTRATIVE AND POLITICAL LEVEL (% OF "OFTEN" AND "VERY OFTEN" ANSWERS)

Base: all respondents (n=164).
Source: Private corruption barometer.
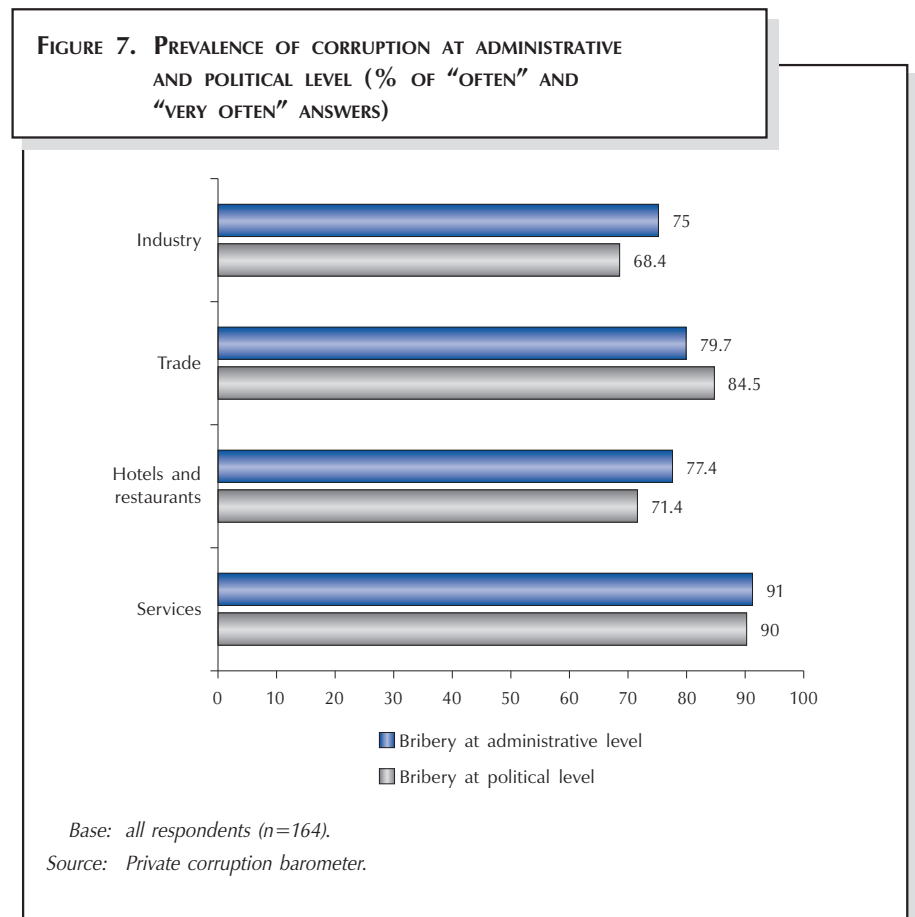
In summary, company executives assess their business environment as highly corrupt, as far as relations with the state is concerned. This implies that in their dealingc with the public administration company executives are highly likely to consider various corruption practices and/or to assume that such practices are indispensable for doing business. This perception is shared by all companies, regardless of their size and the sector of operation.

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[23] Questions 10.1-10.4, Appendix 2.

Prevalence of corruption scenarios at company level[24]

The most important finding about the prevalence of various corruption scenarios in the private sector (i.e. relations between private companies and between employees and their company) is that most form of corruption, with the exception of fraud by employees) occur often or very often (Figure 8). The share of company executives who report various forms of corruption is between 52 % and 67 %. The two most widespread scenarios are 'nepotism and conflict of interest in tenders' (64.9 %), and 'bribes from intermediary companies' (66.9 %).

FIGURE 8. ASSESSMENTS OF LIKELIHOOD OF CORRUPTION SCENARIOS AT COMPANY LEVELS (Q24, % OF ANSWERS "HAPPENS VERY OFTEN" AND "HAPPENS OFTEN")

Likelihood of carrier loss in corruption cases	31.0%
Likelihood of corruption reputational loss	19.5%
Likelihood of corruption financial loss	18.4%
Likelihood of sanction for bribes	8.3%
Likelihood of discovery of bribery	13.4%
Bribery of controllers	52.3%
Bribery to obtain intelligence information	52.8%
Bribery of financial institutions	53.2%
Bribery of client companies	54.7%
Embezzlement by employees	35.2%
Nepotism/conflict of interest in procurement	64.9%
Bribery by mediating companies	66.9%
Kick-back in procurement	50.3%

Base: all respondents (n=164).
Source: Private corruption barometer.

At the same time, assessment of the probability of negative impact of various corruption scenarios is substantially lower. The lowest scores are for 'likelihood of sanctions for bribes' (8.3 %) and 'likelihood of discovery of bribery' (13.4 %).

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[24] Question 24, Annex 2.

In general, it can be claimed that **various business practices related to corruption and affecting fairness and transparency are widespread in the private sector**. In an environment dominated by corruption practices at company level, the probability of detection and sanctions is relatively low, and many of the illegitimate deals completed by companies and their employees remain unpunished. The highest likelihood of a sanction (termination of contract) is for an employee who is caught in corruption or fraud (31 %).

Risks of corruption in the sector and in the own company[25]

FIGURE 9. ASSESSMENT OF THE RISK OF CORRUPTION IN OWN COMPANY (%)
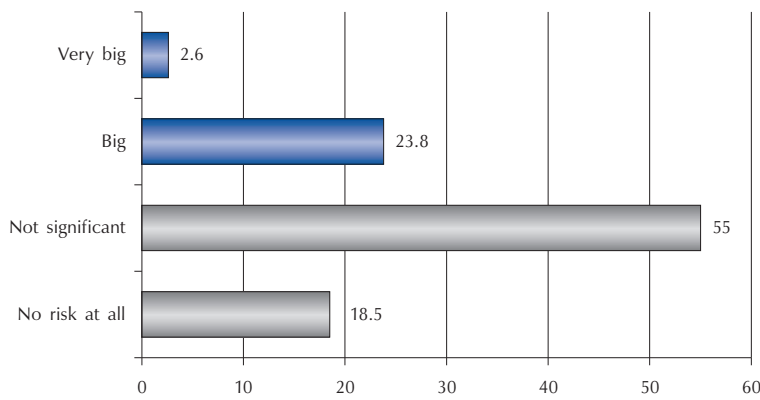
Base: all respondents (n=164).
Source: Private corruption barometer.

The risk of corruption in the own company is assessed as big or very big by every fourth company (Figure 9). This coincides with data about corruption pressure and depicts a problematic situation in the private sector. As expected (based on data from other indicators) the most risky area in terms of corruption is procurement (Figure 10).

FIGURE 10. ASSESSMENT OF THE RISK OF CORRUPTION IN OWN COMPANY BY ACTIVITIES (%)
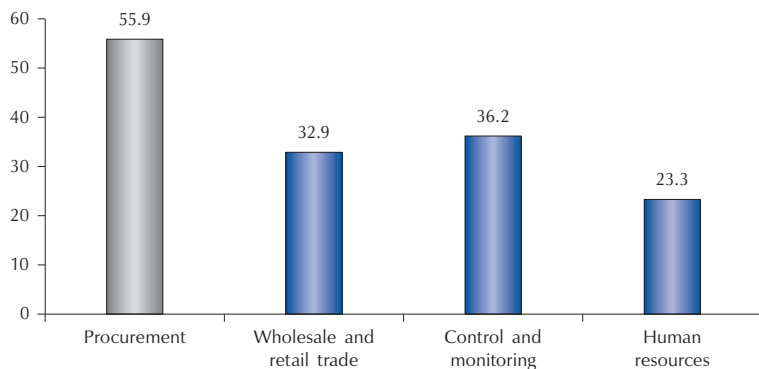
Base: all respondents (n=164).
Source: Private corruption barometer.

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[25] Questions 15 and 18, Appendix 2.

Tables to Chapter 3:
Prevalence of crime and corruption

TABLE 8. ASSESSMENTS OF PREVALENCE OF DIFFERENT TYPES OF CRIME IN THE COUNTRY BY SECTOR (% OF ANSWERS FOR EACH GROUP, Q11)

	Industry	Trade	Hotels and restaurants	Services
Fraud	**47.8%**	**59.7%**	**49.3%**	**58.3%**
Counterfeiting	8.7%	41.9%	6.0%	25.0%
Corruption	**60.9%**	**79%**	**64.2%**	**66.7%**
Drugs and prostitution	4.3%	37.1%	20.9%	41.7%
Money laundering	**52.2%**	43.5%	38.8%	**50.0%**
Racketeering and extortion	13.0%	24.2%	11.9%	33.3%
Non-regular job market	**47.8%**	**62.9%**	**52.2%**	**66.7%**
Intimidations	4.3%	25.8%	16.4%	25.0%
Homicides	4.3%	12.9%	17.9%	25.0%
Intellectual property theft	**47.8%**	25.8%	28.4%	16.7%
Environmental crime	30.4%	38.7%	11.9%	33.3%

Base: all respondents (n=164).
Source: Private corruption barometer.

TABLE 9. ASSESSMENTS OF PREVALENCE OF DIFFERENT TYPES OF CRIME IN THE COUNTRY BY COMPANY SIZE (% OF ANSWERS FOR EACH GROUP, Q11)

	Micro (0-9)	Small (10-49)	Medium and large (50+)
Fraud	**53.8%**	**50.0%**	**57.1%**
Counterfeiting	21.0%	35.7%	0.0%
Corruption	**67.1%**	**85.7%**	**85.7%**
Drugs and prostitution	25.2%	21.4%	**57.1%**
Money laundering	42.7%	**57.1%**	28.6%
Racketeering and extortion	18.2%	21.4%	14.3%
Non-regular job market	**55.2%**	**64.3%**	**71.4%**

TABLE 9. **ASSESSMENTS OF PREVALENCE OF DIFFERENT TYPES OF CRIME IN THE COUNTRY BY COMPANY SIZE (% OF ANSWERS FOR EACH GROUP, Q11) (CONTINUED)**

	Micro (0-9)	Small (10-49)	Medium and large (50+)
Intimidations	19.6%	21.4%	0.0%
Homicides	14.0%	28.6%	0.0%
Intellectual property theft	29.4%	35.7%	14.3%
Environmental crime	26.6%	21.4%	28.6%

Base: all respondents (n=164).
Source: Private corruption barometer.

TABLE 10. **NON-COMPETITION AGREEMENTS BY SECTOR AND COMPANY SIZE (%, Q35)**

		Very often	Often	Not especially often	Never
Sector	Industry	0.0%	6.3%	31.3%	62.5%
	Trade	**5.6%**	**25.0%**	25.0%	44.4%
	Hotels and restaurants	0.0%	12.9%	38.7%	48.4%
	Services	0.0%	11.1%	55.6%	33.3%
Company size	Micro (0-9)	1.2%	17.1%	31.7%	50.0%
	Small (10-49)	**14.3%**	**14.3%**	28.6%	42.9%
	Medium and large (50+)	0.0%	0.0%	100.0%	0.0%

Base: all respondents (n=164).
Source: Private corruption barometer.

TABLE 11. PERCEIVED PREVALENCE OF BASIC CORRUPTION SCENARIOS AT NATIONAL LEVEL (%, Q10_1-Q10_4)

		Relative share (%)
Bribes at political level	Very often	**44.7%**
	Often	**32.7%**
	Rarely	18.0%
	Never	4.7%
Bribes at administrative level	Very often	**33.6%**
	Often	**45.4%**
	Rarely	15.1%
	Never	5.9%
Clientelism	Very often	**36.6%**
	Often	**35.9%**
	Rarely	17.0%
	Never	10.5%
State capture	Very often	**44.0%**
	Often	**32.7%**
	Rarely	17.3%
	Never	6.0%

Base: all respondents (n=164).
Source: Private corruption barometer.

TABLE 12.   PERCEIVED PREVALENCE OF BASIC CORRUPTION SCENARIOS
            AT NATIONAL LEVEL BY SECTOR (%, Q10_1-Q10_4)

		Industry	Trade	Hotels and restaurant	Services
Bribes at political level	Very often	31.6%	41.4%	46.0%	**80.0%**
	Often	36.8%	43.1%	25.4%	**10.0%**
	Rarely	21.1%	12.1%	23.8%	10.0%
	Never	10.5%	3.4%	4.8%	0.0%
Bribes at administrative level	Very often	25%	37.3%	30.6%	**45.5%**
	Often	50.0%	42.4%	46.8%	**45.5%**
	Rarely	15.0%	18.6%	12.9%	9.1%
	Never	10.0%	1.7%	9.7%	0.0%
Clientelism	Very often	31.8%	38.2%	31.3%	**66.7%**
	Often	31.8%	27.3%	46.9%	**25.0%**
	Rarely	18.2%	23.6%	12.5%	8.3%
	Never	18.2%	10.9%	9.4%	0.0%
State capture	Very often	40.0%	44.8%	40.3%	**70.0%**
	Often	30.0%	32.8%	35.5%	**20.0%**
	Rarely	5.0%	20.7%	19.4%	10.0%
	Never	25.0%	1.7%	4.8%	0.0%

Base: all respondents (n=164).
Source: Private corruption barometer.

TABLE 13. PERCEIVED PREVALENCE OF BASIC CORRUPTION
SCENARIOS AT NATIONAL LEVEL BY COMPANY SIZE
(%, Q10_1-Q10_4)

		Micro (0-9)	Small (10-49)	Medium and large (50+)
Bribes at political level	Very often	44.2%	50.0%	42.9%
	Often	31.8%	28.6%	57.1%
	Rarely	18.6%	21.4%	0.0%
	Never	5.4%	0.0%	0.0%
Bribes at administrative level	Very often	32.8%	42.9%	28.6%
	Often	42.7%	57.1%	71.4%
	Rarely	17.6%	0.0%	0.0%
	Never	6.9%	0.0%	0.0%
Clientelism	Very often	33.8%	46.2%	71.4%
	Often	36.8%	30.8%	28.6%
	Rarely	18.0%	15.4%	0.0%
	Never	11.3%	7.7%	0.0%
State capture	Very often	43.4%	35.7%	71.4%
	Often	31.8%	42.9%	28.6%
	Rarely	20.2%	0.0%	0.0%
	Never	4.7%	21.4%	0.0%

Base: all respondents (n=164).
Source: Private corruption barometer.

TABLE 14. PERCEIVED PREVALENCE OF BASIC CORRUPTION SCENARIOS AT COMPANY LEVEL BY SECTOR (Q24, %)

		Industry	Trade	Hotels and restaurant	Services
Kick-back in procurement	Very often	0.0%	13.8%	19.0%	25.0%
	Often	22.7%	46.6%	31.7%	25.0%
	Rarely	50.0%	29.3%	25.4%	8.3%
	Never	27.3%	10.3%	23.8%	41.7%
Bribery by mediating companies	Very often	18.2%	13.2%	26.6%	11.1%
	Often	50.0%	56.6%	39.1%	44.4%
	Rarely	9.1%	18.9%	6.3%	11.1%
	Never	22.7%	11.3%	28.1%	33.3%
Nepotism/conflict of interest in procurement	Very often	13.6%	27.3%	31.3%	20.0%
	Often	40.9%	43.6%	34.4%	30.0%
	Rarely	18.2%	23.6%	14.1%	10.0%
	Never	27.3%	5.5%	20.3%	40.0%
Embezzlement by employees	Very often	0.0%	7.7%	14.8%	8.3%
	Often	20.0%	23.1%	31.1%	16.7%
	Rarely	45.0%	51.9%	21.3%	33.3%
	Never	35.0%	17.3%	32.8%	41.7%
Bribery of client companies	Very often	18.2%	12.7%	14.5%	22.2%
	Often	31.8%	38.2%	43.5%	44.4%
	Rarely	27.3%	40%	16.1%	11.1%
	Never	22.7%	9.1%	25.8%	22.2%
Bribery of financial institutions	Very often	19.0%	24.5%	13.8%	11.1%
	Often	38.1%	30.2%	37.9%	33.3%
	Rarely	19.0%	37.7%	15.5%	22.2%
	Never	23.8%	7.5%	32.8%	33.3%
Bribery to obtain intelligence information	Very often	19.0%	17.0%	11.7%	20.0%
	Often	28.6%	43.4%	40.0%	10.0%
	Rarely	23.8%	37.7%	20.0%	40.0%
	Never	28.6%	1.9%	28.3%	30.0%

TABLE 14. PERCEIVED PREVALENCE OF BASIC CORRUPTION SCENARIOS AT COMPANY LEVEL BY SECTOR (Q24, %) (CONTINUED)

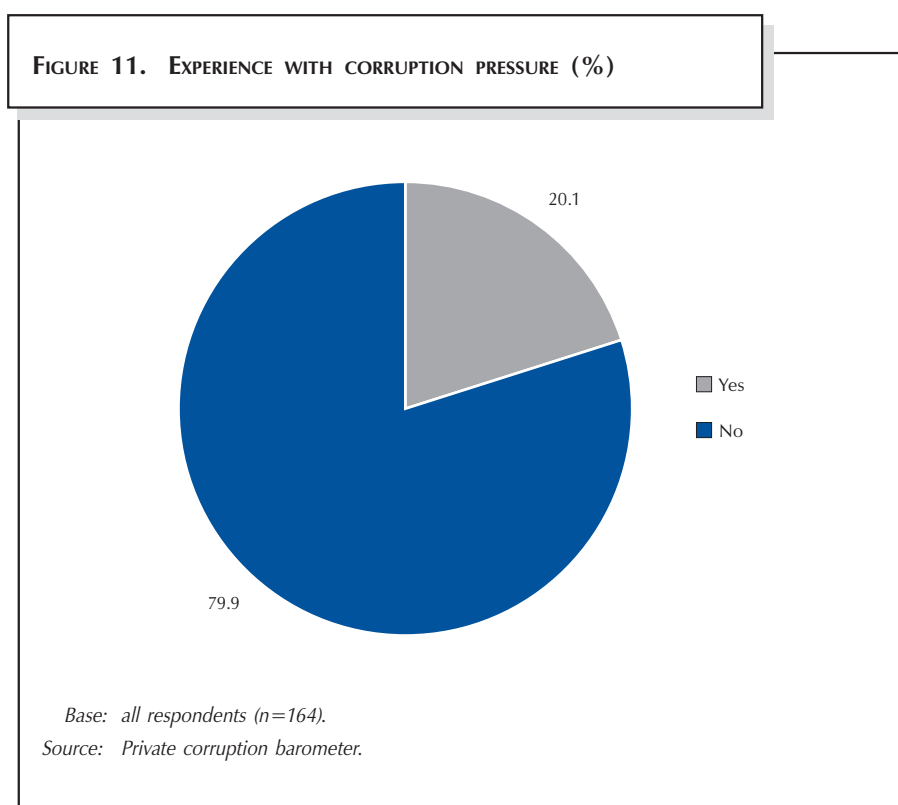|		Industry	Trade	Hotels and restaurant	Services
Bribery of controllers	Very often	23.8%	13.2%	10.8%	20.0%
	Often	19.0%	43.4%	43.1%	20.0%
	Rarely	42.9%	37.7%	20.0%	20.0%
	Never	14.3%	5.7%	26.2%	40.0%
Likelihood of discovery of bribery	Very often	4.8%	6.8%	0.0%	0.0%
	Often	0.0%	13.6%	10.6%	9.1%
	Rarely	66.7%	61%	42.4%	54.5%
	Never	28.6%	18.6%	47.0%	36.4%
Likelihood of sanction for bribes	Very often	0.0%	1.7%	1.5%	0.0%
	Often	9.5%	5.1%	7.6%	9.1%
	Rarely	66.7%	64.4%	42.4%	36.4%
	Never	23.8%	28.8%	48.5%	54.5%
Likelihood of corruption financial loss	Very often	5.0%	3.8%	1.5%	10.0%
	Often	15.0%	19.2%	12.3%	10.0%
	Rarely	60.0%	40.4%	41.5%	40.0%
	Never	20.0%	36.5%	44.6%	40.0%
Likelihood of corruption reputational loss	Very often	0.0%	3.6%	6.1%	10.0%
	Often	27.3%	17.9%	10.6%	0.0%
	Rarely	40.9%	48.2%	45.5%	40.0%
	Never	31.8%	30.4%	37.9%	50.0%
Likelihood of carrier loss in corruption cases	Very often	4.8%	12.3%	1.5%	18.2%
	Often	23.8%	28.1%	16.7%	45.5%
	Rarely	42.9%	49.1%	40.9%	27.3%
	Never	28.6%	10.5%	40.9%	9.1%

Base: all respondents (n=164).

Source: Private corruption barometer.

4. EXPERIENCE WITH CORRUPTION

Corruption pressure[26]

In general, corruption relations occur in two phases: 1) arrangement, i.e. an offer for a corruption deal, and 2) execution of the corruption deal. In most studies of corruption, including the Barometer, it is assumed that questions pertaining to the second phase tend do not prompt candid responses, as the respondent would admit involvement in a crime. Thus, the accepted indicator of experience with corruption is the arrangement of a corruption deal, or the first phase of a corruption relation. Studies indicate that a significant share of such arrangements (which we here call 'corruption pressure') evolve in actual corruption deals. Therefore, these arrangements can be viewed as a reliable indicator of the level of corruption in a given area.

FIGURE 11. EXPERIENCE WITH CORRUPTION PRESSURE (%)

20.1

79.9

☐ Yes
☐ No

Base: all respondents (n=164).

Source: Private corruption barometer.

Data on experience with corruption of company executives indicate that corruption pressure is significant. **About one fifth of them are aware that bribes have been offered to some of their employees within the previous year** (Figure 11). This level is relatively low, as population surveys conducted by the Center for the Study of Democracy suggest that about 35 % of people age 18+ have experience with corruption.[27] On the other hand, the 2017 Eurobarometer data indicate similar level of corruption pressure[28] – 16 % of company executives (nationwide). Bulgaria has the second highest level in the EU, where the average is 5 %. The country with the highest corruption pressure is

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[26] Questions 12 and 13, Appendix 2.

[27] See: Shentov, O., Stefanov, R. and Todorov, B. (2016) Shadow Power. Assessment of Corruption and Hidden Economy in Southeast Europe. Sofia: Center for the Study of Democracy.

[28] TNS Political & Social (2017) Flash Eurobarometer 457: Businesses' attitudes towards corruption in the EU. Report. Brussels: European Union., p. 117. The services included in this question are: license plates or permits related to vehicles, building permits, environmental permits including waste and water management, business permits, state aid and social, structural funds, change of land use, other.

Romania (19 %), while the lowest level of 0 % is reported for Belgium, Finland, Sweden and Ireland.

Certain variances in corruption pressure were observed based on sector, the size of the company and position and experience (Table 16). Corruption pressure is above the average in the trade sector (25.8 %), medium and large companies (57.1 %), and among management and accounting positions (24.2 %).

As far as the mechanism of corruption pressure is concerned, the Barometer indicated that **most often corruption deals are initiated by people who are acquaintances of an employee or manager in the company** (Figure 12). This finding is quite natural due to the secret nature of corruption relations and the need of mutual trust that the illegitimate actions would not be disclosed.

FIGURE 12. INITIATORS OF CORRUPTION TRANSACTION/CORRUPTION PRESSURE (%)

Base: all respondents (n=164).
Source: Private corruption barometer.
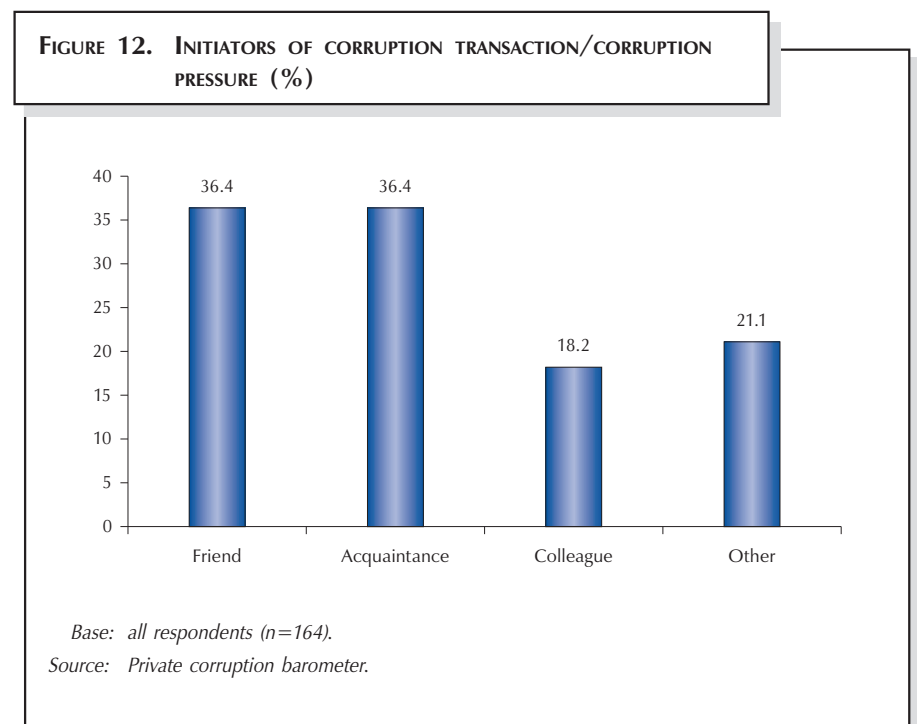
Comparative analysis with other countries confirm the conclusion that **the frequency of corruption practices in the private sector is significant and by far exceeds the levels observed in more developed economies**. It is hard to estimate the extent to which corruption in the public sector impacts corruption pressure in the private sector. While such dependence is possible, the methodology of the Barometer cannot gauge with any precision its magnitude. The real problem is that the high level of corruption pressure among private companies distorts the market environment and establishes business practices that destroy normal competition and eventually erode the effectiveness and competitiveness of the private sector as a whole. Another aspect of the same issue is that business owners are the ones who should combat private corruption, and the usual policies and measures applied in the public sector cannot be used here.

Corruption pressure in own company[29]

Experience with corruption in their own companies is less frequent but is not altogether non-existent. On average, **about 76 % to 79 % of company executives have not heard of attempts by external parties to offer directly or indirectly bribes**, while the rest have been aware of such attempts. Offers for bribes have more often been extended directly (55 %), while in the rest of the cases a mediator has been involved (45 %).

The share of those who have no experience with corruption in their own company is predominant in all sectors, with the highest levels reported in the hotels and restaurants sector (Table 18). Distribution is quite different when taking into account the size of companies (Table 19): the larger the company, the less the share of executives who are not aware of corruption pressure. The lowest share is observed in medium and large companies (14.3 %). This finding is in line with the level of power delegation – there is a qualitative difference between medium and large companies, on the one hand, and small and micro companies, on the other. The multitude of positions with delegated powers in large and medium companies is a pre-condition for certain employees (agents) to abuse the power delegated to them by company executives (principal). As the Barometer revealed, given these pre-conditions, the offers for corruption deals increase substantially. It is highly likely, as indicated by data discussed above, that most of the extended offers evolve into actual corruption deals.

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[29] Questions 19 to 23, Appendix 2.

Tables to Chapter 4:
Experience with corruption pressure

TABLE 15. EXPERIENCE WITH CORRUPTION PRESSURE BY SECTOR, COMPANY SIZE, POSITION AND EXPERIENCE IN THE COMPANY (%)

		Yes	No
Sector	Industry	21.7%	78.3%
	Trade	**25.8%**	74.2%
	Hotels/Restaurants	16.4%	83.6%
	Services	8.3%	91.7%
Company size	Micro (0-9)	18.2%	81.8%
	Small (10-49)	21.4%	78.6%
	Medium and large (50+)	**57.1%**	42.9%
Position in company	Owner/CEO	18.9%	81.1%
	Employee	20.0%	80.0%
	Management and accounting	**24.2%**	75.8%
Experience in company	Up to 5 years	19.3%	80.7%
	5-10 years	19.0%	81.0%
	10-20 years	22.2%	77.8%
	20+ years	21.1%	78.9%

Base: all respondents (n=164).
Source: Private corruption barometer.

TABLE 16. DIRECT AND INDIRECT EXPERIENCE WITH CORRUPTION PRESSURE (%) [Q20]

	Directly offer money	Indirectly offer (hint) money
Very often	0	0
Often	2.5	4.4
Rarely	18.6	19.0
Never	**78.9**	**76.6**
Total:	100.0	100.0

Base: all respondents (n=164).

Source: Private corruption barometer.

TABLE 17. DIRECT AND INDIRECT EXPERIENCE WITH CORRUPTION PRESSURE BY SECTOR (%) [Q20]

		Industry	Trade	Hotels and restaurants	Services
Direct corruption pressure	Very often	0.0%	0.0%	0.0%	0.0%
	Often	0.0%	3.3%	3.0%	0.0%
	Rarely	30.4%	18.3%	13.6%	25.0%
	Never	69.6%	78.3%	83.3%	75.0%
Indirect corruption pressure	Very often	0.0%	0.0%	0.0%	0.0%
	Often	0.0%	6.8%	3.1%	8.3%
	Rarely	31.8%	16.9%	16.9%	16.7%
	Never	68.2%	76.3%	**80.0%**	75.0%

Base: all respondents (n=164).

Source: Private corruption barometer.

TABLE 18. DIRECT AND INDIRECT EXPERIENCE WITH CORRUPTION
          PRESSURE BY COMPANY SIZE (%) [Q20]

		Micro (0-9)	Small (10-49)	Medium and large (50+)
Direct corruption pressure	Very often	0.0%	0.0%	0.0%
	Often	1.4%	14.3%	0.0%
	Rarely	13.6%	35.7%	85.7%
	Never	85.0%	50.0%	14.3%
Indirect corruption pressure	Very often	0.0%	0.0%	0.0%
	Often	2.2%	16.7%	28.6%
	Rarely	16.5%	25.0%	57.1%
	Never	**81.3%**	**58.3%**	**14.3%**

Base: all respondents (n=164).
Source: Private corruption barometer.

5. SUSCEPTIBILITY TO CORRUPTION

*Conditional and unconditional support for involvement
in corruption transactions*[30]

One of the factors contributing to corrupt deals is the way corruption relations are perceived by the people involved in them. Ideally, employees in the company should have a negative attitude to corruption relations and would reject any involvement in such relations on moral grounds. The rejection should come regardless of the impact, utility or effectiveness of the potential deal, as any corruption deal is a crime and a breach of the assumed relation between principal and agent.

The Barometer attempts to measure attitudes to corruption and the likelihood of accepting corruption deals based on the type of actors involved or the expected impact of the deal. Survey results suggest the **susceptibility to corruption is high** (Table 20). Only 46.3 % of business executives would reject a corruption deal if its impact would be favourable for their company, while 9.4 % would unconditionally approve of such a deal. Rejection rate goes up to 65.4 % if the deal is unfavourable to the company, while only 0.6 % would unconditionally support a deal under this scenario.

Considering the legality of deals, if a corrupt deal does not break the law, 32.1 % would support it even if it is not favourable to their company, and 40.6 % would support it if it is favourable. Having in mind that corrupt deals in principle are illegal, these findings suggest that susceptibility to corruption is quite high. It can be claimed with a great degree of certainty that **corruption has become a factor of utility that defines the behaviour of company executives**. Regardless of its illegal nature, most executives view corruption as a necessary tool for reaching their business objectives.

Attitudes to corrupt deals with favourable or unfavourable impact vary somewhat based on the sector, size of the company, position and experience of employees. When deals with **unfavourable impact** are considered, the lowest rejection rate was observed in the trade sector (50 %), while the highest rate of unconditional acceptance came from the services sector (8.3 %) and from large and medium companies (Table 21). The least likely to reject such deals are management and accounting positions, and also employees with relatively long experience.

Rejection of corrupt deals with **favourable impact** is less common, as despite the shady aspect of the deals the expected gains prove stronger than the moral constraints. The lowest rejection rates of favourable

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[30] Questions 8 and 9, Appendix 2.

corrupt deals is among companies in the trade sector and micro firms (Table 21). While the rejection rate in the large and medium companies is high, they are also the ones with the highest unconditional acceptance rate (14.3 %). Owners and executives of companies are also less likely to reject such deals, along with employees with longer than average experience.

Susceptibility to corruption in own company and with company clients[31]

Susceptibility to corruption is relatively high both among the clients and employees of private companies (Table 23). Still, clients of companies seem to have an edge: those who would never get involved in a corrupt deal are about 10 % less than company employees.

In regard to external partners, the highest susceptibility is observed among clients in the industry and trade sectors, clients of large and medium companies, clients who are in contact with management and accounting employees and employees with longer than average experience (Table 24).

Within the companies, the same groups of employees are the most susceptible to corruption: employees in large and medium companies, management and accou8nting positions, and those with longer than average experience (Table 25).

The above findings support two main conclusions. First, **susceptibility to corruption among clients and employees of companies in the private sector is high.** Second, **susceptibility to corruption is highest where employees have delegated powers**, i.e. they are authorised to make deals on behalf of the principal of the company.

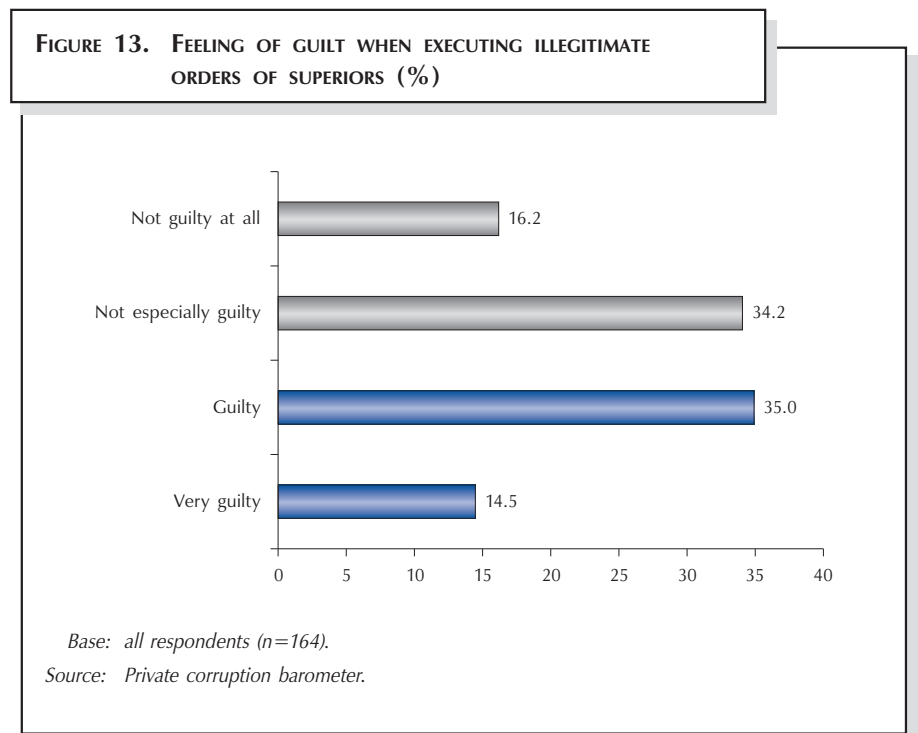*Corruption and delegated discretionary power*[32]

In organizations where mechanisms for delegating power and responsi-bilities from the principal to employees (agents) are in place, two main corruption related problems have been identified. First, when a breach of confidence between principal and agent (superior – subordinate) occurs, the agents can take advantage for their personal gain at the expense of the principal. Second, the principal (or a representative of the principal) may instruct the agents to perform activities which are in contradiction with their business responsibilities. Under this second scenario, most often some corruption relations are involved, and the principal requires the agents to take part in them. In this case the problem is twofold: on the one hand, there is a problem with the chain of command (order – compliance), and on the other there is a problem with the employee who in violation of established good prac-tices enters (as ordered by his-her superior) into illegitimate relations. If employees feel they would be guilty for taking illegitimate actions, this may act as a barrier for wrongdoing. However, if awareness of guilt

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[31] Questions 16 и 17, Appendix 2.

[32] Question 27, Appendix 2.

prevails and the employee does not perform the action he is ordered to perform, the superior may punish or fire the employee for not following orders.

The moral dilemma accompanying orders to perform illegitimate actions may be overcome if the employee assumes that following orders from the superior (even if they are illegitimate) removes any responsibility from the employee. Perceptions revealed in the survey are more or less symmetrically split – the share of those who feel guilty when executing illegitimate orders are roughly equal to those not feeling guilty (Figure 13). The size or sector does not have any significant impact on how the moral dilemma of executing illegitimate orders is perceived. Still, certain exceptions have been observed (Table 26), indicating that employees in the trade sector, and in large and medium companies, have somewhat higher awareness of their moral responsibilities.

FIGURE 13.   FEELING OF GUILT WHEN EXECUTING ILLEGITIMATE
             ORDERS OF SUPERIORS (%)

Base: all respondents (n=164).

Source: Private corruption barometer.

Tables to Chapter 5: Susceptibility to corruption

TABLE 19. SUSCEPTIBILITY TO CORRUPTION DEPENDING ON TRANSACTION PARTICIPANTS AND TRANSACTION RESULTS (%) [Q8, Q9]

	Susceptibility to corruption if deal is not good for the company	Susceptibility to corruption if deal is good for the company
Would accept (everyone does it)	0.6%	9.4%
Would accept on condition 1 (if contact is friend or relative)	1.9%	3.8%
Would accept on condition 2 (if deal does not violate the law)	32.1%	40.6%
Would reject (morally unacceptable)	**65.4%**	**46.3%**

Base: all respondents (n=164).
Source: Private corruption barometer.

TABLE 20. SUSCEPTIBILITY TO CORRUPTION IN CASE THE DEAL IS *UNFAVOURABLE* FOR THE COMPANY BY SECTOR, COMPANY SIZE, POSITION AND EXPERIENCE IN THE COMPANY (%) [Q8]

		Accept	Accept with condition 1	Accept with condition 2	Reject
Sector	Industry	0.0%	0.0%	21.7%	78.3%
	Trade	0.0%	3.3%	**46.7%**	**50.0%**
	Hotels and restaurants	0.0%	1.5%	25.4%	73.1%
	Services	**8.3%**	0.0%	16.7%	75.0%
Company size	Micro (0-9)	0.0%	2.1%	**34.8%**	**63.1%**
	Small (10-49)	0.0%	0.0%	14.3%	85.7%
	Medium and large (50+)	**14.3%**	0.0%	14.3%	71.4%

TABLE 20. SUSCEPTIBILITY TO CORRUPTION IN CASE THE DEAL IS *UNFAVOURABLE* FOR THE COMPANY BY SECTOR, COMPANY SIZE, POSITION AND EXPERIENCE IN THE COMPANY (%) [Q8] (CONTINUED)

		Accept	Accept with condition 1	Accept with condition 2	Reject
Position in company	Owner, CEO	0.9%	2.8%	29.4%	67.0%
	Employee	0.0%	0.0%	20.0%	80.0%
	Management and accounting	0.0%	0.0%	**48.5%**	**51.5%**
Experience in company	Up to 5 years	1.8%	0.0%	21.4%	76.8%
	5-10 years	0.0%	4.9%	29.3%	65.9%
	10-20 years	0.0%	2.2%	**51.1%**	**46.7%**
	20+ years	0.0%	0.0%	26.3%	73.7%

Base: all respondents (n=164).
Source: Private corruption barometer.

TABLE 21. SUSCEPTIBILITY TO CORRUPTION IN CASE THE DEAL IS *FAVOURABLE* FOR THE COMPANY BY SECTOR, COMPANY SIZE, POSITION AND EXPERIENCE IN THE COMPANY (%) [Q9]

		Accept	Accept with condition 1	Accept with condition 2	Reject
Sector	Industry	0.0%	4.3%	26.1%	69.6%
	Trade	8.3%	1.7%	**55.0%**	**35.0%**
	Hotels and restaurants	10.8%	4.6%	35.4%	49.2%
	Services	25.0%	8.3%	25.0%	41.7%
Company size	Micro (0-9)	8.6%	3.6%	41.4%	46.4%
	Small (10-49)	15.4%	0.0%	30.8%	53.8%
	Medium and large (50+)	**14.3%**	**14.3%**	**42.9%**	**28.6%**

TABLE 21. SUSCEPTIBILITY TO CORRUPTION IN CASE THE DEAL IS *FAVOURABLE* FOR THE COMPANY BY SECTOR, COMPANY SIZE, POSITION AND EXPERIENCE IN THE COMPANY (%) [Q9] (CONTINUED)

		Accept	Accept with condition 1	Accept with condition 2	Reject
Position in company	Owner, CEO	12.1%	4.7%	**38.3%**	**44.9%**
	Employee	5.0%	5.0%	35.0%	55.0%
	Management and accounting	3.0%	0.0%	51.5%	45.5%
Experience in company	Up to 5 years	10.5%	1.8%	28.1%	59.6%
	5-10 years	12.2%	7.3%	36.6%	43.9%
	10-20 years	4.7%	4.7%	**55.8%**	**34.9%**
	20+ years	11.1%	0.0%	**55.6%**	**33.3%**

Base: all respondents (n=164).

Source: Private corruption barometer.

TABLE 22. READINESS TO PARTICIPATE IN CORRUPTION TRANSACTIONS AMONG CLIENTS AND EMPLOYEES (%) [Q16, Q17]

	Clients ready to participate in corruption	Employees ready to participate in corruption
Very often	1.3	0.6
Often	9.1	4.4
Rarely	30.5	27.8
Never	59.1	67.1

Base: all respondents (n=164).

Source: Private corruption barometer.

TABLE 23. READINESS TO PARTICIPATE IN CORRUPTION TRANSACTIONS AMONG *CLIENTS* OF COMPANY BY SECTOR, COMPANY SIZE, POSITION IN COMPANY AND EXPERIENCE IN COMPANY (%) [Q16]

		Very often	Often	Rarely	Never
Sector	Industry	4.3%	0.0%	**34.8%**	**60.9%**
	Trade	1.7%	10.2%	**37.3%**	**50.8%**
	Hotels and restaurants	0.0%	9.7%	25.8%	64.5%
	Services	0.0%	20.0%	10.0%	70.0%
Company size	Micro (0-9)	0.8%	8.3%	29.3%	61.7%
	Small (10-49)	0.0%	0.0%	35.7%	64.3%
	Medium and large (50+)	14.3%	42.9%	**42.9%**	**0.0%**
Position in company	Owner, CEO	0.9%	10.4%	24.5%	64.2%
	Employee	6.7%	0.0%	33.3%	60.0%
	Management and accounting	0.0%	9.1%	**48.5%**	**42.4%**
Experience in company	Up to 5 years	1.9%	9.6%	19.2%	69.2%
	5-10 years	0.0%	10.5%	31.6%	57.9%
	10-20 years	2.3%	6.8%	**43.2%**	**47.7%**
	20+ years	0.0%	10.5%	31.6%	57.9%

Base: all respondents (n=164).
Source: Private corruption barometer.

TABLE 24. **READINESS TO PARTICIPATE IN CORRUPTION TRANSACTIONS AMONG *EMPLOYEES* OF COMPANY BY SECTOR, COMPANY SIZE, POSITION IN COMPANY AND EXPERIENCE IN COMPANY (%) [Q17]**

		Very often	Often	Rarely	Never
Sector	Industry	0.0%	0.0%	30.4%	69.6%
	Trade	1.6%	4.9%	27.9%	65.6%
	Hotels and restaurants	0.0%	3.2%	29.0%	67.7%
	Services	0.0%	16.7%	16.7%	66.7%
Company size	Micro (0-9)	0.0%	4.4%	27.7%	67.9%
	Small (10-49)	0.0%	0.0%	21.4%	78.6%
	Medium and large (50+)	14.3%	14.3%	**42.9%**	**28.6%**
Position in company	Owner, CEO	0.0%	6.5%	25.0%	68.5%
	Employee	5.9%	0.0%	11.8%	82.4%
	Management and accounting	0.0%	0.0%	**45.5%**	**54.5%**
Experience in company	Up to 5 years	1.8%	7.1%	14.3%	76.8%
	5-10 years	0.0%	2.6%	28.9%	68.4%
	10-20 years	0.0%	2.3%	**38.6%**	**59.1%**
	20+ years	0.0%	5.3%	**36.8%**	**57.9%**

Base: all respondents (n=164).

Source: Private corruption barometer.

**TABLE 25.   FEELING OF GUILT WHEN EXECUTING ILLEGITIMATE ORDERS
OF SUPERIORS BY SECTOR, COMPANY SIZE, POSITION
AND EXPERIENCE IN THE COMPANY (%) [Q27]**

		Very guilty	Guilty	Not especially guilty	Not guilty at all
Sector	Industry	37.5%	18.8%	18.8%	25.0%
	Trade	13.0%	23.9%	47.8%	15.2%
	Hotels and restaurants	8.0%	46.0%	30.0%	16.0%
	Services	**20.0%**	**80.0%**	0.0%	0.0%
Company size	Micro (0-9)	13.3%	34.7%	35.7%	16.3%
	Small (10-49)	25.0%	25.0%	25.0%	25.0%
	Medium and large (50+)	**14.3%**	**57.1%**	28.6%	0.0%
Position in company	Owner, CEO	18.2%	33.3%	33.3%	15.2%
	Employee	5.6%	61.1%	11.1%	22.2%
	Management and accounting	12.1%	24.2%	48.5%	15.2%
Experience in company	Up to 5 years	19.5%	46.3%	17.1%	17.1%
	5-10 years	13.3%	40.0%	33.3%	13.3%
	10-20 years	11.4%	22.9%	48.6%	17.1%
	20+ years	10.0%	20.0%	60.0%	10.0%

Base: all respondents (n=164).
Source: Private corruption barometer.

6. ATTITUDES TO PRIVATE CORRUPTION AND CORRUPTION BEHAVIOUR

FIGURE 14. ASSESSMENTS OF USEFULNESS OF CORRUPTION FOR BUSINESS DEVELOPMENT (%) [Q26]
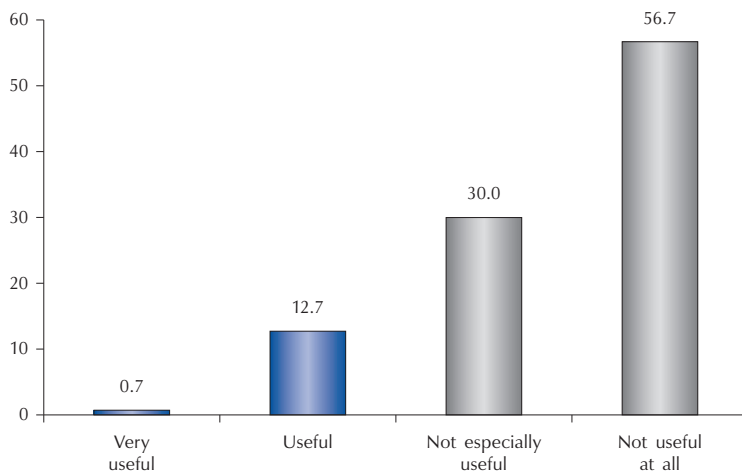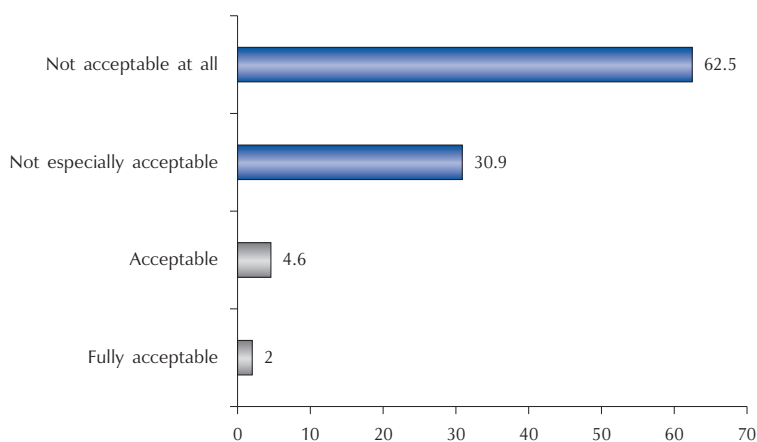
Base: all respondents (n=164).
Source: Private corruption barometer.

Despite their utilitarian attitude to corruption, employees of private companies overwhelming disapprove of deals involving corruption. Only about 13 % of company executives regard corruption as useful (Figure 14). Still, certain categories of employees do not entirely share this negative attitude: employees in mid-size and large companies, management and accounting positions and employees with longer experience (Table 27). In these groups some of the employees believe corruption practices can impact positively the development of their businesses.

Attitudes to the acceptability of corruption are similar, i.e. overwhelmingly negative (Figure 15). Respondents were asked to what extent corrupt relations are acceptable if they are common among employees in the company. Again, while most regarded corrupt relations as unacceptable, the same groups of employees (large and mid-size companies, longer experience, management and accounting positions) tend to have a more utilitarian view of corruption (Table 28).

FIGURE 15. ACCEPTABILITY OF CORRUPTION IF WIDESPREAD AMONG EMPLOYEES (%) [Q28]

Base: all respondents (n=164).
Source: Private corruption barometer.

Effects of private corruption[33]

FIGURE 16. EXPECTED EFFECTS OF PRIVATE CORRUPTION
ON REVENUES (%)
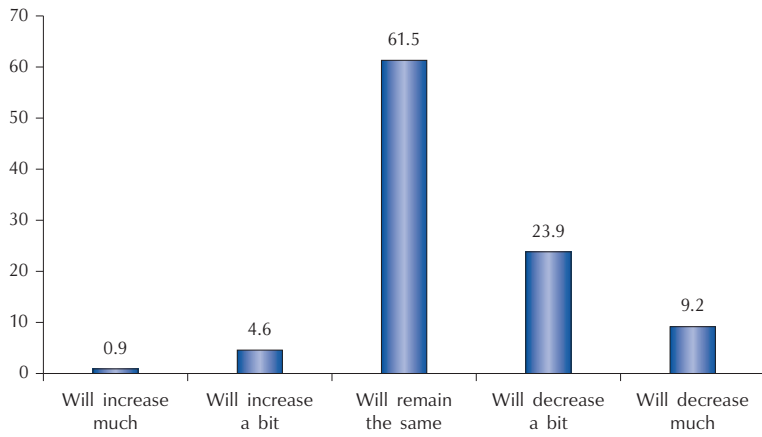
Base: all respondents (n=164).
Source: Private corruption barometer.

The most frequent perception of the effect of elimination of private corruption is that **company revenues** would go up or would not change (Figure 16). Overall, relatively few respondents believe revenues would go down, with the exception of representatives of the services sector and of large and medium companies, where a significant share of employees think lack of corruption would bring revenues down (Table 29).

Business executives are **aware of conflict of interest** in the business practices of their companies but are more likely to downplay its significance. About one fifth of executives register the negative impact of conflict of interest, while the rest assume this factor has no impact on their businesses (Figure 17).

FIGURE 17. EFFECTS OF CONFLICT OF INTEREST ON BUSINESS
DEVELOPMENT (%)
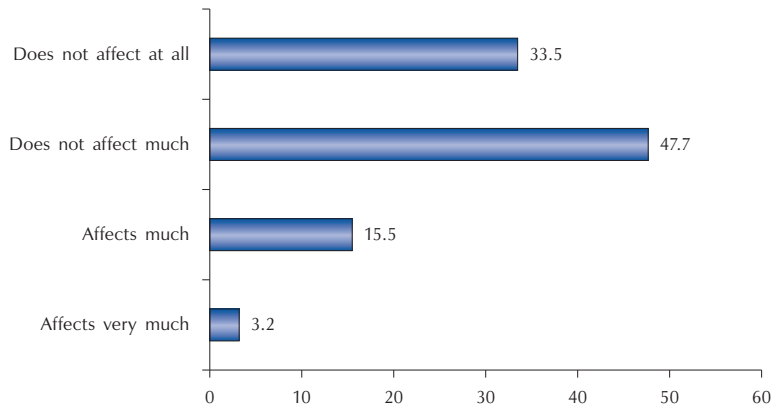
Base: all respondents (n=164).
Source: Private corruption barometer.

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[33] Questions 34 and 36, Appendix 2.

Tables to Chapter 6: Attitudes to private corruption and corruption behavior

TABLE 26. ASSESSMENTS OF THE USEFULNESS OF CORRUPTION FOR BUSINESS DEVELOPMENT (%) [Q26]

		Very useful	Useful	Not especially useful	Not useful at all
Sector	Industry	4.8%	4.8%	47.6%	42.9%
	Trade	0.0%	10.0%	35.0%	55.0%
	Hotels and restaurants	0.0%	20.7%	22.4%	56.9%
	Services	0.0%	0.0%	9.1%	90.9%
Company size	Micro (0-9)	0.8%	13.2%	29.5%	56.6%
	Small (10-49)	0.0%	7.1%	14.3%	78.6%
	Medium and large (50+)	0.0%	14.3%	**71.4%**	**14.3%**
Position in company	Owner, CEO	1.0%	10.8%	24.5%	63.7%
	Employee	0.0%	12.5%	25.0%	62.5%
	Management and accounting	0.0%	18.8%	**50.0%**	**31.3%**
Experience in company	Up to 5 years	0.0%	7.8%	21.6%	70.6%
	5-10 years	0.0%	7.7%	28.2%	64.1%
	10-20 years	2.4%	26.2%	**35.7%**	**35.7%**
	20+ years	0.0%	5.9%	47.1%	47.1%

Base: all respondents (n=164).
Source: Private corruption barometer.

Table 27. Acceptance of corruption, if common among employees of the company (%) [Q28]

		Fully acceptable	Acceptable	Not especially acceptable	Not acceptable
Sector	Industry	0.0%	0.0%	22.7%	77.3%
	Trade	3.4%	5.1%	33.9%	57.6%
	Hotels and restaurants	1.6%	6.6%	32.8%	59.0%
	Services	0.0%	0.0%	20.0%	80.0%
Company size	Micro (0-9)	2.3%	4.6%	31.3%	61.8%
	Small (10-49)	0.0%	0.0%	14.3%	85.7%
	Medium and large (50+)	0.0%	14.3%	57.1%	**28.6%**
Position in company	Owner, CEO	2.0%	2.0%	26.0%	70.0%
	Employee	0.0%	10.5%	36.8%	52.6%
	Management and accounting	3.0%	9.1%	42.4%	**45.5%**
Experience in company	Up to 5 years	2.0%	3.9%	23.5%	70.6%
	5-10 years	2.4%	2.4%	24.4%	70.7%
	10-20 years	2.4%	7.3%	46.3%	**43.9%**
	20+ years	0.0%	5.6%	33.3%	61.1%

Base: all respondents (n=164).

Source: Private corruption barometer.

TABLE 28. EXPECTATIONS ABOUT THE EFFECT OF PRIVATE CORRUPTION ON REVENUES BY SECTOR, COMPANY SIZE, POSITION IN COMPANY AND EXPERIENCE IN COMPANY (%)

|		Will decrease much	Will decrease a little	Will remain the same	Will increase a little	Will increase much
Sector	Industry	0.0%	0.0%	43.8%	50.0%	6.3%
	Trade	0.0%	5.0%	65.0%	17.5%	12.5%
	Hotels and restaurants	0.0%	2.3%	65.1%	25.6%	7.0%
	Services	**10.0%**	**20.0%**	60.0%	0.0%	10.0%
Company size	Micro (0-9)	0.0%	4.0%	61.6%	24.2%	10.1%
	Small (10-49)	0.0%	0.0%	85.7%	14.3%	0.0%
	Medium and large (50+)	**33.3%**	**33.3%**	0.0%	33.3%	0.0%
Position in company	Owner, CEO	0.9%	4.6%	61.5%	23.9%	9.2%
	Employee	0.0%	0.0%	0.0%	0.0%	0.0%
	Management and accounting	0.0%	0.0%	0.0%	0.0%	0.0%
Experience in company	Up to 5 years	2.9%	2.9%	65.7%	22.9%	5.7%
	5-10 years	0.0%	3.3%	56.7%	26.7%	13.3%
	10-20 years	0.0%	7.1%	57.1%	28.6%	7.1%
	20+ years	0.0%	6.3%	68.8%	12.5%	12.5%

Base: all respondents (n=164).

Source: Private corruption barometer.

7. COUNTERING CORRUPTION

Anticorruption measures in the private sector[34]

There are two types of anticorruption measures: 'hard' ones refer to the was discretionary power is delegated and the control systems monitoring the delegation; 'soft' ones refer to measures designed to influence employees' perceptions and training in activities and mechanisms that prevent them from entering in corrupt relations.

FIGURE 18. EXISTENCE OF ANTICORRUPTION MEASURES IN THE PRIVATE SECTOR (%)
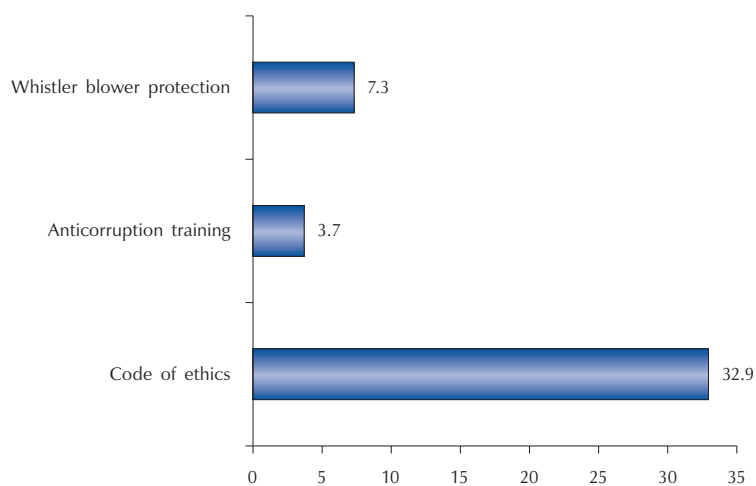
Base: all respondents (n=164).
Source: Private corruption barometer.

Among the reviewed 'soft' anticorruption measures the most frequently used on is the so-called Code of Ethics, i.e. a set of rules regulating business behaviour in the company and contacts with customers and suppliers. Ethical codes exist in 32.9 % of the companies (Figure 18), with 70 % of them reporting that employees comply with the respective code. The other two 'soft' measures are applied significantly less often: special protection for whistle-blowers (7.3 %) and anticorruption training (3.2 %).

The relatively low application of the above mentioned anticorruption measures can be explained by **the prevailing utilitarian attitude to corruption in the private sector** and the still missing counteraction to corrupt relations.

Effectiveness of anticorruption policies[35]

Assessing the effectiveness of various anticorruption measures, **business executives tend to favour 'hard' measures**, i.e. company policies and measures which support the delegation of power from the principal to the agents (employees) and the system of control and sanctions designed to uphold the established company rules. The most effective measure is believed to be 'termination of the employment contract', followed by

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[34] Questions 30 and 31, Appendix 2.
[35] Question 29, Appendix 2.

'development of an internal control system' (Table 30). The least effective measures are 'soft' measures like training, hotline for anonymous signals, etc.

Preferences remain quite similar across all sectors and sizes of companies (Table 31, Table 32), with 'termination of contracts of wrongdoers' strongly preferred as most effective measure. Along with other measure which are valued as relatively efficient, it is obvious that companies strive to establish some control and order in their business practices, and to overcome the weaknesses that company management is well aware of.

Tables to Chapter 7: Countering corruption

TABLE 29. COMPARATIVE EFFECTIVENESS OF ANTICORRUPTION POLICIES (%) [Q29]

	Relative share (cases)
Reduction of the employee's degree of discretion	7.3%
Development of an internal control system	**31.1%**
Punishing wrongdoers by terminating employment contracts	**53.0%**
Punishing wrongdoers by decreasing salary, demotion etc.	16.5%
General ethics training to all employees	16.5%
Declaration of (financial) interests	22.6%
Control of access (intermediaries, suppliers)	22.0%
Adoption of code of ethics and/or instructions	7.9%
Standard system of monitoring and evaluation of the activities	8.5%
Setting up of an anonymous hotline	23.8%
None of the above	9.1%

Base: all respondents (n=164).
Source: Private corruption barometer.

Table 30. Comparative effectiveness of anticorruption policies by sector (%) [Q29]

	Industry	Trade	Hotels and restaurants	Services
Reduction of the employee's degree of discretion	4.3%	8.1%	6.0%	16.7%
Development of an internal control system	30.4%	**43.5%**	17.9%	**41.7%**
Punishing wrongdoers by terminating employment contracts	**60.9%**	**51.6%**	**49.3%**	**66.7%**
Punishing wrongdoers by decreasing salary, demotion etc.	8.7%	17.7%	17.9%	16.7%
General ethics training to all employees	21.7%	16.1%	14.9%	16.7%
Declaration of (financial) interests	13.0%	29.0%	20.9%	16.7%
Control of access (intermediaries, suppliers)	43.5%	24.2%	16.4%	0.0%
Adoption of code of ethics and/or instructions	13.0%	4.8%	6.0%	25.0%
Standard system of monitoring and evaluation of the activities	4.3%	19.4%	1.5%	0.0%
Setting up of an anonymous hotline	**47.8%**	17.7%	22.4%	16.7%
None of the above	0.0%	6.5%	14.9%	8.3%

Base: all respondents (n=164).

Source: Private corruption barometer.

TABLE 31. COMPARATIVE EFFECTIVENESS OF ANTICORRUPTION POLICIES BY COMPANY SIZE (%) [Q29]

	Micro (0-9)	Small (10-49)	Medium and large (50+)
Reduction of the employee's degree of discretion	7.7%	0.0%	14.3%
Development of an internal control system	**30.1%**	**42.9%**	28.6%
Punishing wrongdoers by terminating employment contracts	**53.1%**	**42.9%**	**71.4%**
Punishing wrongdoers by decreasing salary, demotion etc.	18.2%	0.0%	14.3%
General ethics training to all employees	16.1%	28.6%	0.0%
Declaration of (financial) interests	24.5%	7.1%	14.3%
Control of access (intermediaries, suppliers)	21.7%	28.6%	14.3%
Adoption of code of ethics and/or instructions	7.0%	7.1%	28.6%
Standard system of monitoring and evaluation of the activities	7.7%	7.1%	28.6%
Setting up of an anonymous hotline	26.6%	0.0%	14.3%
None of the above	7.0%	28.6%	14.3%

Base: all respondents (n=164).

Source: Private corruption barometer.

CONCLUSION

The reason that certain practices within the private sector may be viewed as corruption stems from the specific structure of companies as collective actors. In most cases, company employees receive discretionary power from their superiors; some employees can take advantage in making deals for their own benefit and to the detriment of the company, thus abusing their power.

Corruption in the Bulgarian private sector is widespread. The key problem in the market is posed by non-competitive practices. These practices are facilitated by both state regulations and by the routine tendency of businesses **to eliminate or limit the principle of free competition**. Corruption and various collusion agreements seem to be relatively widespread methods in the private sector.

The major conclusion about the frequency of private corruption (i.e. the relations between private companies and between companies and their employees) is that most forms of corrupt practices (with the exception of fraud by employees) occur often or very often, as reported by between one half to two-thirds of the companies. The most widespread corruption scenarios are 'nepotism and conflict of interest in tenders' and 'bribing intermediary companies' (experienced by two-thirds of the companies). In this environment of prevalent corruption, the probability of detection and prosecution is relatively low, and many of the illegitimate dealings of companies and their employees remain unsanctioned.

Data on **immediate experience by company executives of corruption pressure** indicate its very high level. About one in five executives is aware that some of their employees have been offered bribes within the past year. This level of private corruption distorts the market environment and leads to mass resort to practices that destroy normal competition and eventually lower the efficiency and competitiveness of the private sector in general.

As private corruption is an issue of the private sector, obviously the intervention of the state faces certain limitations. It can focus its efforts in several areas:

First, it can enhance its efforts to **maintain rule of law and compliance with accepted standards in the business sector**. The most widespread corruption practices in the private sector are also economic crimes, and they need to be detected and sanctioned by law-enforcement institutions. Collaboration between private companies and law-enforcement, however, is hampered by lack of interest from the authorities, on one hand, and unwillingness of companies to draw public attention to their internal issues.

Second, the role of the state **to maintain a competitive environment** in the business sector is indispensable. **Countering of any attempts for cartel agreements and monopolization** of certain business sectors should be improved. State policies so far have been both contradictory and scarce, while imposing cartel and other non-competitive arrangements with the participation of the state is becoming the norm.

Third, compliance with various standards and business rules presents a constant challenge to the **state control system**. Blocking the control system by certain companies has become an effective tool for getting privileges and advantages in the market. It is critical to improve the relationship between the state and private companies, as a key element of the business climate.

As long as private corruption is concerned, **self-regulation** is very important. Business associations can support their members in identifying and countering various emerging illegitimate practices:

First, it is high time for companies and executives to take seriously any instances of corrupt practices in their own entities. Too often corruption remains an internal issue which companies have two reasons to ignore: on the one hand, corruption is regarded as a common evil ('everybody does it'), and there is no cure for it; one the other, companies are afraid that public discussion of corruption problems would affect their reputation and hurt the confidence the company enjoys. Breaking these dilemmas is an important challenge for business associations, as they should take the lead in building an attitude that any form of private corruption is unacceptable.

Second, it is obvious that many companies lack the capacity to adequately identify and counter corruption practices of their employees. Business associations should develop and provide to their members training materials to help them identify corrupt behaviour and risks and relevant mitigation strategies.

Third, business associations should develop models facilitating the reporting of corrupt practices in companies, including tools to protect whistle-blowers in cases of corruption.

Fourth, business associations can be instrumental in developing and adopting by companies of ethical conduct codes. This would enhance the level of confidence within companies and help companies improve their internal business operations and reporting.

APPENDIX 1. DATA AND METHODS

The Private corruption barometer information was structured and collected based on several more important methodological decisions:

Questionnaire: it includes a total of 36 questions which operationalize the basic concepts of the survey. The list of basic concepts is described in Figure 1. Most questions are close-ended. However, some of the questions are complex and therefore the total number of variables in the survey (excluding technical variables) is 105. Overall, depending on content, questions can be subdivided into several categories:

– Experience based questions, measuring the prevalence of corruption pressure (proposal to initiate a corruption transaction);
– Attitude based questions, measuring inclinations and predisposition related to corruption activities;
– Perception based questions, measuring perceived prevalence rates of corruption and corruption related phenomena.

Survey method: the main research method used has been the online survey. Respondent companies have been selected at random based on Sofia company registers, which included all registered companies operating in the city. All respondent companies have been sent link to the online questionnaire hosted on the Vitosha Research Lime survey server with an invitation to fill in the questionnaire also including description of the objectives of the survey, privacy details and contact details.

The expected response rate, especially with regard to experience in Bulgaria, was low. This expectation proved right in the course of administering the survey. Out of the 2014 sent out invitations 16 completed surveys were obtained (see table below). The additional procedure adopted to increase survey response was to contact (by phone) the companies in the sample and asked them to complete the online questionnaire and/or to agree to conduct a phone or face-to-face interview. The selection of companies in the sample for second contact sample was based on a random selection procedure (simple random selection) in order to preserve the proportion of types of companies in the initial sample.

A number of companies agreed to proceed with a phone or face-to-face interview (additional interviews) and in this way the final completed sample increased to 164. The number of respondent companies who completed the survey by recruitment method is as follows:

Methods used	Number
Administered online questionnaires (planned sample)	2,014

Methods used	Number
Completed online questionnaires (online survey)	16
Additional interviews (secondary sample)	148
Total respondents (realized sample):	164

The survey methodology included selecting the specific person to answer the survey questions for each respondent company. The appropriate respondents for the survey were the owner of the company or members of the management. To a large degree, this requirement has been fulfilled – 67.7 % of survey respondent have been management personnel and/or company owners. The remaining part of survey respondents have been management staff members (financial director, chief accountant of director of sales/marketing).

Main sample: includes 2014 companies. The population this sample represents includes all companies registered in Sofia in the sectors of industry, services, hotels and restaurants and trade. The structure of the population and the sample are presented in Table 32 and Table 33:

TABLE 32. STRUCTURE OF COMPANIES IN SOFIA BY SECTOR AND SIZE

Sector	Micro (0-9)	Small (1-49)	Medium and large (50+)	Total	%
Industry	13,552	2,245	665	16,462	15%
Services	45,196	2,775	699	48,670	43%
Trade	37,305	2,783	464	40,552	36%
Hotels and restaurants	5,685	981	159	6,825	6%
Total:	**101,738**	**8,784**	**1,987**	**112,509**	**100%**

TABLE 33. STRUCTURE OF THE MAIN SAMPLE OF COMPANIES

Sector	Micro (0-9)	Small (1-49)	Medium and large (50+)	Total	%
Industry	241	40	12	293	15%
Services	804	50	13	867	43%
Trade	664	50	10	724	36%
Hotels and restaurants	102	18	10	130	6%
Total:	**1,811**	**158**	**45**	**2,014**	**100%**

Fulfilment of the sampling plan. Due to low return rates, the data collection method used (online survey) presupposed sending out additional letters to companies in the sample in order to increase participation. This method however did not prove especially efficient and was replace by phone call backs. Companies that agreed to participate in the survey were offered two possibilities: to conduct a telephone interview or to schedule a face-to-face interview. Due to low return rates, selection of companies to be included in the call back procedure was random. However, due to the low return rates of the online survey, call backs practically included most of the companies in the sample. The call back sample forms a second sample (sample of the sample), but random selection ensured good representation of all company categories in the main sample. The distribution of companies in the realized sample is presented in Table 34.

TABLE 34. NUMBER OF COMPANIES BY SIZE AND SECTOR IN THE REALIZED SAMPLE

Sector	Micro	Small	Medium and large	Total	%
Industry	18	3	2	23	14%
Services	55	5	2	62	38%
Trade	62	4	1	67	41%
Hotels and restaurants	8	2	2	12	7%
Total:	**143**	**14**	**7**	**164**	**100%**

The achieved result shows a fairly close match between the structures of the main sample and the realized sample. This is due to the random selection of companies in the secondary sample (companies who have been contacted a second time). The low response rate of the online survey (less than 1 %) shows that this method is not the most suitable for company survey in Bulgaria. The structure of the realized sample also shows that it represents fairly well the company population of Sofia (in the sampled sectors). The relatively small size of the realized sample, however, does not allow for very detailed breakdowns of surveyed cases by multiple variables; small sample size also means that stochastic error is relatively big and conclusion based on the data should be considered carefully.

The main results presented in this publication follow the structure of the methodology employed. In this respect the analysis cannot override the limitations of the adopted approach. The chosen model of analysis of private corruption is descriptive: it does not attempt to explain attitudes and activities but rather account for prevalence rates of different corruption and corruption related phenomena among companies of different sizes and sectors.

In order to ensure proper interpretation of results and further use of the data presented, the questionnaire used in the field (*Appendix 2*) should be consulted. In the analysis variables and concepts are named and interpreted based on the models of private corruption used. These interpretation-based names do not perfectly coincide with the concrete texts of questions respondents have answered.

APPENDIX 2. QUESTIONNAIRE

PRIVATE CORRUPTION BAROMETER

Sofia, July-August, 2017

Q1.   SECTOR OF ACTIVITY

1. Industry
2. Trade
3. Hotels/Restaurants
4. Services

Q2.   NUMBER OF EMPLOYEES

1. 0-9
2. 10-49
3. 50 or more

Q3.   YOU ARE:

1. Man
2. Woman

Q4.   AGE

_ _ Years

Q5.   WHICH IS YOUR POSITION WITH YOUR COMPANY?

1. Owner/CEO
2. Employee
3. Other (specify)

Q6.   HOW MANY YEARS OF EXPERIENCE DO YOU HAVE WITHIN THE COMPANY?

1.	Less than 6 months	2.	4-5 years
3.	6 months – 1 year	4.	5-10 years
5.	1-2 years	6.	10-15 years

7. 2-3 years	8. 15-20 years
9. 3-4 years	10. More than 20 years

Q7. WHICH OF THE FOLLOWING ACTIVITIES ARE CARRIED OUT BY YOUR COMPANY/THE COMPANY YOU WORK FOR?

1. Procurement
2. Retail/Wholesale
3. Control or/and monitoring
4. Human resources
5. None of the above

Q8. A PERSON HAS OFFERED YOU MONEY, GIFTS OR FAVOURS FOR HELPING HIM/HER TO MAKE A DEAL THAT IS <u>NOT GOOD</u> FOR YOUR COMPANY. WHAT WOULD YOU DO?

1. I would accept. Everyone does it.
2. I would accept only if that person is a relative or a friend.
3. I would not accept if the deal would imply the breaking of laws/codes.
4. I would not accept, I do not approve similar behaviours.
5. I do not know/I prefer not to answer.

Q9. A PERSON HAS OFFERED YOU MONEY, GIFTS OR FAVOURS FOR HELPING HIM/HER TO MAKE A DEAL THAT IS <u>GOOD</u> FOR YOUR COMPANY. WHAT WOULD YOU DO?

1. I would accept. Everyone does it.
2. I would accept only if that person is a relative or my friend.
3. I would not accept if the deal would imply the breaking of laws/codes.
4. I would not accept, I do not approve morally those behaviours.
5. I do not know/I prefer not to answer.

Q10. COULD YOU PLEASE INDICATE WHICH OF THE FOLLOWING BEHAVIORS DO YOU RECKON AS THE MOST COMMON IN [INSERT YOUR COUNTRY]?

		Very often	Often	Rarely	Never	*DK/NA*
10.1	Politicians make decisions in change of money or favours for them or their families/friends	1	2	3	4	*9*
10.2	Civil servants/public employees make decisions in exchange of money or favours for them or their families/friends	1	2	3	4	*9*
10.3	Clientelism: the use of power (public or private) favouring friends and/or members of a political network	1	2	3	4	*9*
10.4	Political and economic elite networks favouring each other through the use of resources or biased regulations	1	2	3	4	*9*

Q11. **WHICH TYPE OF CRIMES DO YOU FEEL AS MOST COMMON IN [SPECIFY THE REGION]?**
(It is possible to indicate more than an answer)

01. Fraud	08. Intimidations
02. Counterfeiting	09. Homicides
03. Corruption	10. Intellectual property theft
04. Drugs and prostitution	11. Environmental crime
05. Money laundering	12. None of the above
06. Racketeering and extortion	13. DK/NA
07. Non-regular job market	

Q12. **IN THE LAST 12 MONTHS, HAVE YOU HEARD ABOUT SOMEONE WHO HAS BEEN OFFERED MONEY, GIFTS OR FAVOURS TO MAKE A DEAL FOR HIS/HER COMPANY?**

1. Yes
2. No

Q13. **[IF Q12 YES] WHO WAS THIS PERSON?** *(It is possible to mark more than an answer)*

1. Friend
2. Acquaintance
3. Colleague
4. Relative
5. Other

Q14. **ACCORDING TO YOUR OPINION, REGULATIONS IN YOUR COUNTRY ACT AS A LIMIT FOR THE DEVELOPMENT OF YOUR BUSINESS?**

1. Yes, very much
2. Yes, much
3. Yes, but not much
4. No, not at all
9. DK/NA

Q15. **HOW DO YOU ASSESS THE RISK OF PRIVATE-TO-PRIVATE[36] CORRUPTION LINKED TO THE BUSINESS SECTOR OF YOUR COMPANY/COMPANY YOU WORK FOR?**

1. Very big
2. Big
3. Not significant

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[36] Private-to-private corruption refers to corrupt practices within and between legal entities outside the public sector. It occurs when a manager or employee exercises a certain power or influence over the performance of a function, task, or responsibility within a private organisation or corporation, that is contrary to the duties and responsibilities of his position in a way that harms the company or organisation in question and for his own benefit or the benefit of another person or organisation.

4. No risk at all
9. DK/NA

Q16. **IN THE ACTIVITIES OF YOUR COMPANY/COMPANY YOU WORK FOR, HOW OFTEN HAPPENS THAT EXTERNAL STAKEHOLDERS (E.G. CUSTOMERS, INTERMEDIARIES ETC.) SHOW THEIR AVAILABILITY TO OFFER MONEY, GIFTS OR FAVOURS IN CHANGE OF A PREFERENTIAL TREATMENT?**

1. Very often
2. Often
3. Rarely
4. Never
9. DK/NA

Q17. **IN THE INTERNAL WORK RELATIONSHIPS OF YOUR COMPANY/COMPANY YOU WORK FOR, HOW OFTEN HAPPENS THAT SOMEONE SHOWS HIS AVAILABILITY TO OFFER MONEY, GIFTS OR FAVOURS IN CHANGE OF A PREFERENTIAL TREATMENT?**

1. Very often
2. Often
3. Rarely
4. Never
9. DK/NA

Q18. **ACCORDING TO YOUR OPINION, WHICH IS THE LIKELIHOOD THAT AN EMPLOYEE IN CHARGE OF THE FOLLOWING ACTIVITY WOULD ACCEPT/ASK MONEY, GIFTS OR FAVOURS?** *[List activities marked in Q7]*

1. Very often
2. Often
3. Rarely
4. Never
9. DK/NA

Q19. **IN THE ACTIVITIES OF YOUR COMPANY/COMPANY YOU WORK FOR HAVE YOU HEARD IN THE LAST 12 MONTHS OF SOMEONE SUGGESTED FOR A JOB POSITION IN CHANGE OF MONEY, GIFTS OR FAVOURS?**

1. Yes
2. No

Q20. IN YOUR COMPANY/COMPANY YOU WORK FOR, HOW MANY TIMES HAVE YOU HEARD OF SOMEONE WHO:

		Very often	**Often**	**Rarely**	**Never**	*DK/NA*
20.1	Directly offered money, gifts or favours in change of a favour/ service	1	2	3	4	*9*
20.2	Has not directly offered, but shown the availability to give something (e.g.money, gifts or favours) in change of a favour/service	1	2	3	4	*9*

Q21. [IF IN Q20 IS 1,2,3] IN THE LAST CASE, THE OFFER/AVAILABILITY TO GIVE SOMETHING CAME FROM THE PERSON ITSELF OR THROUGH INTERMEDIARIES?

1. Directly
2. Through intermediaries

Q22. IN THE ACTIVITIES OF YOUR COMPANY/ COMPANY YOU WORK FOR, HAVE YOU HEARD OF SOMEONE WHICH HAS BEEN OFFERED MONEY, GIFTS OR FAVOUR IN CHANGE OF HIS POLITICAL VOTE? (LAST 12 MONTHS)

1. Yes
2. No

Q23. [IF Q22 IS "1"] WHO WAS THIS PERSON? *(It is possible to mark more than an answer)*

1. Friend
2. Acquaintance
3. Colleague
4. Relative
5. Other

Q24. ACCORDING TO YOUR EXPERIENCE, HOW OFTEN IN THE MARKET OF YOUR COMPANY/ COMPANY YOU WORK FOR HAPPENS THAT:

		Very often	**Often**	**Rarely**	**Never**	*DK/NA*
24.1	An employee responsible for procurements or purchases receives cash or goods in return for an order?	1	2	3	4	*9*
24.2	A mediating company instead of recommending the best and cheapest offer, suggests another firm that in turn kicks part of the sales back to the mediating company?	1	2	3	4	*9*

		Very often	Often	Rarely	Never	DK/NA
24.3	An employee responsible for procurements or purchasing goods and services hands over the order to a close friend or relative?	1	2	3	4	9
24.4	An employee responsible for inventory management makes false account entries and instead of storing the goods, resells them?	1	2	3	4	9
24.5	A company offers money, favours or gifts to a buyer of a customer company in order to obtain favours in future?	1	2	3	4	9
24.6	A company offers money, favours or gifts to the employees of a financial institute in order to obtain favourable conditions for loans of financial facilitations?	1	2	3	4	9
24.7	A company offers money, favours or gifts to the employees of a competitor in order to obtain strategic or commercial information (e.g. new products, customers list, terms offered by competitors for a tender, future investments)	1	2	3	4	9
24.8	A company offers money, favours or gifts to independent professionals with specific roles of control (e.g. consultants, auditors) to convince them to make an act in contrast with their duties	1	2	3	4	9
24.9	Who asks/gives a bribe is actually discovered	1	2	3	4	9
24.10	Who asks/gives a bribe is actually sanctioned	1	2	3	4	9
24.11	A company is subjected to a financial loss in case of involvement in corruption cases	1	2	3	4	9
24.12	A company is subjected to a reputational loss in case of involvement in corruption cases	1	2	3	4	9
24.13	Giving/receiving a bribe have a negative impact on an employee's career	1	2	3	4	9

Q25. WHICH OF THE FOLLOWING FACTORS DO YOU CONSIDER A MAJOR OBSTACLE TO FIRM'S ENTRY/DEVELOPMENT IN THE MARKET? *(Max 2 answers)*

01.	Anti-competitive practices	07.	Policy instability/Uncertainty
02.	Infrastructure	08.	Street Crime/Theft/Disorder
03.	Taxes and regulations	09.	Exchange Rate
04.	Functioning of the Judiciary	10.	Inflation
05.	Access to finance	11.	Corruption
06.	Organized Crime/Mafia	12.	None of the above

Q26. DO YOU THINK THAT PRIVATE-TO-PRIVATE CORRUPTION,[37] IN PARTICULAR SITUATIONS, CAN BE USEFUL TO SPEED UP THE BUSINESS OF YOUR COMPANY/THE COMPANY YOU WORK FOR?

1. Very useful
2. Useful
3. Not especially useful
4. Not useful at all
9. DK/NA

Q27. WOULD YOU FEEL LESS GUILTY IF A BEHAVIOUR WHICH IS CONTRARY TO THE DUTIES OF YOUR COMPANY/COMPANY YOU WORK FOR IS REQUESTED BY A SUPERIOR?

1. Very guilty
2. Guilty
3. Not especially guilty
4. Not guilty at all
9. DK/NA/I do not have superiors

Q28. DO YOU THINK THAT A BEHAVIOR WHICH IS CONTRARY TO THE DUTIES OF YOUR COMPANY/COMPANY YOU WORK FOR WOULD BE MORE ACCEPTABLE IF COMMON AMONG ITS EMPLOYEES?

1. Fully acceptable
2. Acceptable
3. Not especially acceptable
4. Not acceptable at all
9. DK/NA

Q29. WHICH OF THE FOLLOWING ACTS DO YOU CONSIDER EFFECTIVE AGAINST CORRUPTION?
(Max 3 answers)

01.	Reduction of the employee's degree of discretion	11.	Control of access (intermediaries, suppliers)
02.	Development of an internal control system	07.	Adoption of code of ethics and/or instructions
03.	Punishing wrongdoers by terminating employment contracts	12.	Standard system of monitoring and evaluation of the activities
04.	Punishing wrongdoers by decreasing salary, demotion etc.	10.	Setting up of an anonymous hotline
05.	General ethics training to all employees	13.	None of the above
06.	Declaration of (financial) interests		

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[37] Private-to-private corruption refers to corrupt practices within and between legal entities outside the public sector. It occurs when a manager or employee exercises a certain power or influence over the performance of a function, task, or responsibility within a private organisation or corporation, that is contrary to the duties and responsibilities of his position in a way that harms the company or organisation in question and for his own benefit or the benefit of another person or organisation.

Q30. DOES YOUR COMPANY/COMPANY YOU WORK FOR FEATURE A CODE OF CONDUCT WHICH APPLIES TO ALL ITS EMPLOYEES (AND INTERMEDIARIES)?

1. Yes
2. No

Q31. [IF Q30 IS "1"] DO YOU THINK THAT THIS CODE IS OBSERVED BY ALL THE EMPLOYEES OF YOUR COMPANY?

1. Yes
2. No

Q32. DOES YOUR COMPANY/COMPANY YOU WORK FOR HAVE AN ANTI-CORRUPTION TRAINING PROGRAMME FOR ITS EMPLOYEES?

1. Yes
2. No

Q33. DOES YOUR COMPANY/COMPANY YOU WORK FOR HAVE A SYSTEM OF PROTECTION FOR THE "WHISTLEBLOWER"?[38]

1. Yes
2. No

Q34. HOW MUCH THE ANNUAL INCOME OF YOUR COMPANY WOULD VARIATE IN ABSENCE OF PRIVATE-TO-PRIVATE CORRUPTION?[39] [IF Q5 IS "1"]

1. Would decrease a lot
2. Would decrease a bit
3. Would be the same
4. Would increase a bit
5. Would increase a lot

Q35. ACCORDING TO YOUR EXPERIENCE, HOW FREQUENTLY HAPPENS THAT THE COMPANIES OF YOUR SECTOR AGREE ON THE SPECIFIC GOAL OF NOT BEING COMPETITORS? [IF Q5 IS "1"]

1. Very often
2. Often
3. Not especially often
4. Never
9. DK/NA

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[38] A person who discloses improper or criminal activity within an organization.

[39] Private-to-private corruption refers to corrupt practices within and between legal entities outside the public sector. It occurs when a manager or employee exercises a certain power or influence over the performance of a function, task, or responsibility within a private organisation or corporation, that is contrary to the duties and responsibilities of his position in a way that harms the company or organisation in question and for his own benefit or the benefit of another person or organisation.

Q36. ACCORDING TO YOUR EXPERIENCE, HOW MUCH CONFLICT OF INTEREST[40] AFFECTS THE ACTIVITIES OF YOUR COMPANY/COMPANY YOU WORK FOR?

1. Affects very much
2. Affects much
3. Does not affect especially (much)
4. Does not affect at all
9. DK/NA

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[40] A situation that has the potential to undermine the impartiality of a person because of the possibility of a clash between the person's self-interest and professional interest.

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