

Corruption in Slovakia

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Abstract

In the market economy there is a sound competitive environment considered as a drive of prosperity. Such system is functioning based on a „rule of the law“, which must be precisely a clearly established and at the same time actively implemented not only in favor of those, being connected with a ruling elite but equally for all. The application of equality of chances is so one of basic prerequisite for establishment of a sound competitive environment. A next important precondition is a transparency. Even in a market economy the invisible arm of market can be supplemented by an arm of a rule. However this one must be visible, transparent with an unambiguous definition of tasks, duties as well as responsibility. In a whole process the state has a function of a creator of conditions, rules of economic competition – „rules of a game“. It has to impose measure aiming to ensure the „equality on a playground“ and the same time to act as a watch of their compliance. The aim is that a performance of this function is the most possible legible for all participating persons. Transparency of relations in economy is needed on all levels (public administration, citizens, businessmen), but if a public administration enters into economic relations on the offering or a demanding part, it becomes inevitable.

Introduction

Transparency therefore represents such openness of activities of a public sector, which enables an active participation of a whole society on a management process. At the same time it drives the public representatives to be reliable, responsible for their activity. The implementation of transparency is so in a direct relation with creating a reliable, responsible, credible and a controlled public sector. Creation of barriers against all forms of corruptibility, lawlessness and cowardice, illegitimate favoritism, preference should be a result of implementation of transparency. Increase of transparency and so also of a public responsibility of government at the same time facilitates a performance of control over an activity of the government; the tax payer is entitled to. An increase of transparency relates with an achievement of extra economic positive effects (enhancing of democracy, decreasing of crimes), as well as its projection into an improvement of economic parameters: grow of gross domestic product, decrease of unemployment, decrease of a deficit in a state budget, decrease of pressure on an increase of a tax burden, increase of inflows of foreign investments, enhancing of a correct economic competition, using the public funds in a more effective way, etc. Transparency leads to an enforcement of a principle of equality of chances – distribution of the wealth of the country so in a maximum range depends on a rate, in which each person had participated in its creation.

The morale is not an issue of fancy. It is a very important, nevertheless an unwanted restriction, which shows us, which of things we are willing to do, we are not allowed to do, if we are to keep order, the survival of majority of us is dependent of. A perception, that morale is an instrument for achieving what we want, is absolutely wrong. A non-transparent activity of a public sector causes its instability. Thus undermines not only a development of a public sector, but even a development of a whole society. A deformed morale of a public sector has a negative impact on a view of citizens on a purity of a public life and on an objectiveness of a decision-making process, on rights and duties of natural and legal persons. It leads to a deterioration of interpersonal relations, to a violation of an objectiveness of an economic competition, to an illegal and inadequate profit resulting in a misuse of functions and positions in a public life etc. One of negative impacts of a non-transparency of a public sector is an increase of corruption. The term „corruption“ has a Latin origin, derived from a term „rumpere“ meaning to break, rip apart, to cut.

A Latin term „corruptus“ means a result of a break – this one, who had undergone a break, is corrupt, perverse or depraved. The majority of people link the term of corruption with a failure in confidence, an ideal and moral principles, it represents a betrayal in virtues and engagements with a whole. There are several definitions of a corruption. Maybe one of the simplest ones defines a corruption in such a way: „The corruption represents such behavior of representatives of a public sector, whether it relates politicians or civil officers enriching themselves illegally through a misuse of their authorities they had been granted with. The corruption represents therefore a misuse of authority over a foreign property, or rights aiming to gain proper private benefits.

Draft of the UN Convention on a anti-corruption procedure defines a corruption in this way: As a corruptive behaviors is considered „an offer, promise or any profit in somebody’s profit as an inadequate drive for a performance or an omission of a duty and negotiation of requirements, accepting of any advantage as an inadequate driving motive for a performing or an omission of a duty“. At the UN IX Congress in Cairo in 1995 the corruption was defined as „a bribery or another behavior relating with other persons, who have been granted with a responsibility, having impact on performance of their duties resulting from their position and leading to an acquisition of inappropriate benefits of any kind for themselves or for other persons.“ It is needed to note, that the corruption is paid by citizens. Simple mathematics is valid. If somebody gains money or other profit, another person must lose it. In such a case, the citizen is losing.

Reasons of a Corruption in a Public Sector

Inclination of individuals to a corruption is often anchored in informal rules, which had been developing during many years. A subsequent corruption behavior then depends mainly on existing following economic situations, which create a place for corruption.

- If demand prevails over an offer (from a point of view of quantity, quality), there is an effort to gain a limited property through a bribery. (As an example we can note some services in health service or in educational system).
- If a valid legislation, law enforcement causes that a risk of disclosure and suffering from consequences is negligible or low comparing with a profit). (In the SR it is possible to speak about a higher rate of corruption, minimum inflictions, a lower transparency relating with corruption than in developed economies).
- If a tolerance of citizens relating with a corruption is high, there is no efficient opposition to the politicians to force them to change the situation. (Aiming to create a pressure of citizens it is needed to ensure them an access to information and to work with public opinion – in terms of an explanatory campaign, in which way the transparent relations will contribute to a profit of a citizen).
- If in an economy there is a high involvement of a public administration, i.e. there is a space for corruption created where large regulations and re-distribution processes are applied.
- The Slovak Republic can be characterized as an economy with a permanently strong intervention by a public administration into economic processes.

If the businessmen act on a side of an offer and demand, they are naturally interested in non-closing contracts, which are unfavorable for one of parties to the contract. Therefore the interests of private persons are reciprocally balanced. In case, that a public administration is involved in a process, (Fig. 1) the situation is characterized by a triangle.

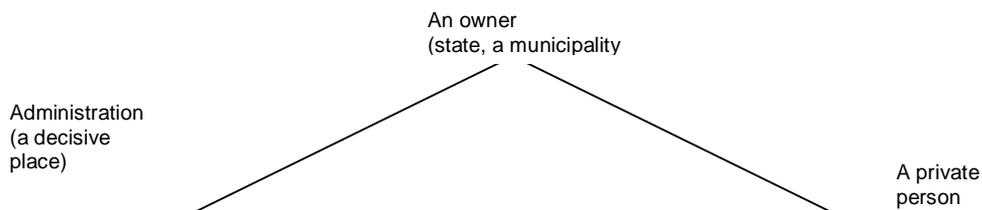


Fig. 1 Chart of a situation

This situation enables a taking a decision favorable for two subjects but unfavorable for the third one (as a rule for a state or a municipality). A decisive subject takes a decision disadvantageous for an owner but in profit of a private person, in which he is interested as well in form of a bribery. It gives a significant room for a corruption, rent seeking behavior (behavior oriented to a rent seeking, not for a profit), an uneconomical spending of public funds.

The answer to a question, why it is possible to accept such decision is related with the following facts:

- Separation of persons, suffering from consequences from decisions from persons accepting them. As a rule there is no link between a decision taken and a responsibility for its consequences. In contrast to the market mechanism, which is using an effective way (a price mechanism) the definition of volume of production of private property, decision-taking about allocation of sources into a public sector is more complex. For example the citizens vote for their deputies, who take a vote on public budgets. The administration, bringing own interest into a process, is charged with an execution. This mechanism is very indirect and has no integral direct link between a decision and bearing the consequences. If a politician takes a vote for increase of public funds or for their use, it does not mean, that he is really going to pay them and to suffer from consequences of a wrong decision. For example, if a ministry officer takes a decision on exclusive rights so that he impairs the interest of the state, it does not mean, that he will personally feel the results of his wrong decision on his finances. In contrast to the decisions of market subjects, there the mistakes are strictly penalized. As a rule the costs are globally divided on the taxpayers (citizens, businessmen) or on buyers through fees for services. So the consequences of unreasonable decisions are borne by citizens or by inhabitants of a particular municipality, but a profit are concentrated on a small group. As the winners (taking a profit in a group) are quickly organized, in contrast to the victims (the subjects bearing the costs) are more numerous and less informed and organized, often an non-effective decision is taken, which is advantageous only for a small group, for a businessman, which had gained a tender, an exclusive right, he advantageously obtained possession in privatization, a position of an officer, which in form of a bribery had obtained as an income). The consequences are brought over the citizens directly or indirectly (e.g. building of hospital is more expensive, incomes from a sale of a license are lower ones, the incomes from privatization are lower etc.). And all of this is reflected on an income or expenses part of state budgets.
- Separation of expenses and consequences results in additional and increasing expenses. If an economical policy is based on numerous interventions of a public administration, on large re-distribution processes, so on interventions into economical activities, there is a space for an increase of excess costs, resulting from their inefficiency of rent seeking behavior. It creates a space for a corruption.
- **A limited control over an administration.** The Government proposes and the Parliament passes laws which are implemented into the life by an administration, which can have a significant influence on the application of rules. In application of the legislation the original intentions may be deformed through implementary regulations and an access of the administration to the application. Also own motives of the administration play its role. The **internalities** – that are own objectives, standards inside a public administration rise in such system. They are often in contradiction to a publicly presented aims of their rise. Therefore a deviation can occur between socially preferred and real results (outcomes). The effect resulting from internalities is comparable with an effect of externalities v area of market activities. With regard to externalities, some expenses and profits are not included into a calculation of private subjects. As for internalities the private or organizational expenses and profits are decisive for calculations of decisive bodies. Then a decision, which is to be accepted, is influenced by a private interest.

Basic problems relating with formal rules in relation with ethic in a public administration are shown in the Table 1.

Table 1: Official rules

| |
|---|
| STANDARDS OF ETHIC BEHAVIOR |
| <ul style="list-style-type: none"> ○ There is no relevant legislativ ○ The standards are non-complex, non-consistent |
| A REFORM OF A STATE ADMINISTRATION |
| <ul style="list-style-type: none"> ○ Definition of functions in a state administration is missing ○ De-centralizations has not been executed ○ Manpower management is not an active one ○ Politicizing of a state administrativ ○ Community control is missing |
| A LARGER INSTITUTIONAL FRAMEWORK |
| <ul style="list-style-type: none"> ○ Control mechanisms ○ Penal mechanisms |
| TRANSFORMATION OF THE ECONOMY |
| <ul style="list-style-type: none"> ○ Deregulation ○ Privatization ○ Inviolability of an institutional framework |
| INFORMATION, TRANSPARENCY |
| CORRUPTION |

The Impacts of Corruption – High Economic and Social Costs

It is necessary to perceive a transparency as a mean to prosperity. Based on actual experience we can conclude that the nations with non-transparent relations and with corruption achieve worse results, their economy is more easily vulnerable. That is to say that non-transparency and corruption **decrease investments and an economical growth**. The transaction expenses, risks and problems with a credibility resulted from a corruption system are too high so that the businessmen could bear them. It is caused by several facts:

- A principle of equality is being discredited upon the law.
- A rent seeking is stimulated but not a profit seeking behavior, it means that there is not a creation of worth stimulated, but the effort is concentrated on its distribution. In such environment the strongest ones are not supported neither developed, only those, having the strongest lobby.
- The inadequate decisions are taken, the sources are used in a sub-optimal way, the businessmen and a whole society work with high transaction expenses.
- Comparing with economies, where the corruption is lower and transparency is higher (such environment gives rise a tension on an effectiveness and presses upon relevant bodies to be responsible), the competitiveness decreases. One of significant factors of competitiveness is nowadays a reliable, functional and transparent public sector.
- A competitiveness of business men, for whom the corruption is expensive, decreases. In a corruptive environment the managers lose a lot of time to bargain about informal payments instead of concentrating on possibilities of profitable investments.
- Non-transparency and corruption are closely linked with criminality with all negative consequences.
- In a non-transparent environment the morale weakens, which is an important prerequisite for establishment of conditions for a long-term economic development.

Situation in Slovakia, Perception and Official Surveys**1. Official indicators**

The corruption is penalized in the Slovak Republic. Based on the Penal Code Nr. 140/1961 Coll. in wording of next regulations, namely in accordance with par. 160 (a bribery and other inappropriate advantage taking) par. 161 (a barratry) and par. 162 (an indirect corruption). The Table 2 reflects an officially reported state of corruption in Slovakia.

Number of prosecuted persons and sentenced persons for the above mentioned crimes do not correspond with a real rate of corruption in Slovakia. Its revelation so depends, inter alia, also on quality of preventive and repressive proceeding against corruption, including activities of police, prosecution and judicial system.

Table 2: Official corruption in Slovakia

| Crime | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|--|-------|------|-------|-------|-------|-------|-------|
| § 160 Taking a bribery and other inappropriate advantage | 18/13 | 24/2 | 30/12 | 28/17 | 23/13 | 35/16 | 28/13 |
| § 161 Bribery | 0/0 | 0/0 | 0/0 | 3/0 | 0/0 | 4/4 | 21/7 |
| § 162 An indirect corruption | 5/3 | 4/2 | 5/3 | 0/2 | 0/0 | 1/0 | 1/1 |

Note: An entry in the numerator is a number of prosecuted persons, in the denominator there is a number of sentenced ones.

Source: General Prosecution of the SR.

2: Results from public opinion poll

In case that we are going to observe the official results of the corruption state in the Slovak Republic, we could conclude that there is almost no corruption in the Slovak Republic. Therefore let us see the results of diagnostic studies made in Slovakia. (Table 3) In summer 1999 the Slovak government asked the World Bank USAID to perform a diagnostic study and to help in obtaining information about a type and character of corruption in Slovakia. The results of this diagnostic study form a part of the following analysis:

A summary of key results

- The results of a poll indicate that the unofficial payments to the officers of a public administration are common and the public considers them as for a corruption.

Table 3: Indicators of experience with corruption in general

| | | |
|----------------|---|------|
| Households | A percentage of unofficial payments for the last 2 months | 14,4 |
| | A percentage of unofficial payments for the last 3 years | 41,3 |
| Businessmen | A percentage of unofficial payments for the last 2 months | 17,6 |
| | A percentage of unofficial payments for the last two years | 41,4 |
| State officers | A percentage, that was offered a small gift during the previous 2 years | 42,3 |
| | A percentage, that was offered Money of an expensive gift during the previous 2 years | 9,7 |

Source: The World Bank (2000)

- The corruption is perceived as a wide-spread (Fig. 2) and especially problematical is within health service, judicial system, in the Foundation of the National Property of the Slovak Republic, within Customs offices, Police and ministries. Such perception is supported by real experiences, many businessmen and normal people stated that they had given bribery and many officers stated that the clients have offered gifts or money.

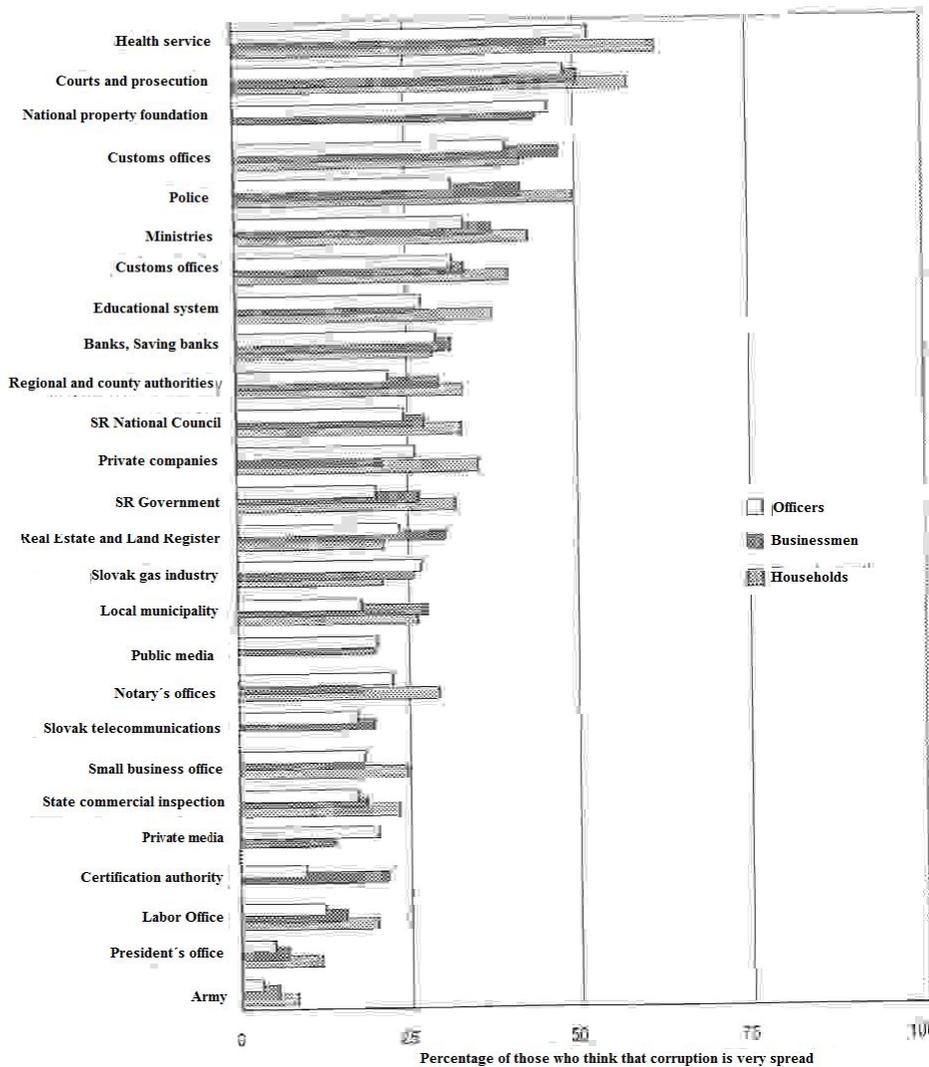


Figure 2. Poll on perception on corruption

Note: A missing column means that a perception of a corruption in a particular organization is not available from the organization. Within the poll in households and businessmen, the traffic police and other police were differentiated. The responses were averaged for a police in total.

- Corruption is more spread than it had been ten years ago.
- Although there are proofs that a problem with corruption in comparing with the period several year ago has improved in a certain rate, many people think that it is spread as it has been before. A corruption remains a significant problem, which is to be solved. At the same time the polls helped in drawing an attention to the departments, which are impacted the most and to the reasons of an occurrence of unofficial payments therein.
- All three samples of respondents have labeled the courts as slow ones. The courts slowness and low law enforcement have been defined by businessmen as a significant problem in an undertaking and the households as well as businessmen stated, that they had been challenging a corruption in their contacts with courts.
- The department of health service was perceived by all three groups as a department with an extensive corruption.
- The poll within the households confirmed this perception – a gift was given for a stay in hospital more often than for services of any other body of a public sector or for a service, the households reported on. Despite a fact, that many of them gave a gift voluntarily, these voluntary payments are considered by a population as a form of a corruption. If there is no regulation defining an acceptable acknowledgement and would separate them from unacceptable bribery, so the unclarities rise and a corruption is perceived in a more intensive way.

- Corruption in an educational system is concentrated the most in respect with the universities. In addition there is a wide opinion that without paying a bribe is not possible to be admitted to school. The reforms within department of a judicial system and the health service labeled as departments with a wider corruption should deal also with educational institutions bringing up new personnel of experts.
- Some regulatory and licensing bodies have been labeled as recipients of bribes, import and export licenses, building permissions and other licenses, The Business Register (controlled by courts), the Certification authority, Customs and the State Commercial Inspection – all of them were alleged by businessmen, who come into contact with them as frequent recipients of bribes.
- Approximately one of nine businessmen stated, that he sponsored political parties. The majority of businessmen think that it is a common practice, while the greater percentage supposes that it was a common practice before selections in 1998. A clearing up and making the relations among politicians and private businessmen transparent should be the first-rate priority. The attempts to make influence on politics are natural and even useful – when an influence comes through a non-transparent sponsorship, it results often in a corruption. In fact, the businessmen sponsoring the political parties use the political pressure as a mean for obtaining of state grants.
- Similarly, many businessmen stated that they had paid bribes in order to obtain state grants and many others admitted that to this end they had used a political influence and relations with friends or acquaintances. Many companies, which regularly sell their products to the state, stated that they routinely give bribes in order to obtain the orders and a majority of businessmen taking part in tenders think that it is very difficult to win a tender without having paid bribes.
- Remuneration of relatives through favorable, non-transparent privatization decisions can be much more harmful than any other form of corruption; as such an approach institutionalizes a corruption. There exist a perception, that within the Foundation of a National Property of the Slovak Republic there is a corruption widely spread and the same way it was perceived by a sub-group of businessmen of privatized enterprises.

Notes:

For more details see Sičáková, E. Jurzyca, E. Švec. P.: *Transparentnosť v ekonomike SR*. CPHR, 1998.

Under a term of unofficial rules we understand mainly conventions and personal standards of honesty.

As an example of a high tolerance of citizens can be mentioned a privatization, when a state property had been sold without providing any information, a connection between political and economic power was enabled. The citizens or management sometimes even had not learned who real owners were. The citizens indeed had a negative attitude to a manner of privatization but even well-known scandals did not shake down a popularity of politicians or political parties. A disclaimer attitude to a non-transparent, clientelistic privatization underwrote the results of elections in 1998. After elections the government stated a transparency as one of priorities and a fight against corruption. But after having experience with privatization and provision of information but as well after causas relating with privatization (e.g. Nafta Gbely) nowadays we can have doubts about principal changes. Just an area of privatization labeled with non-transparency and scandals should be strictly monitored by Medias and non-governmental organizations.

In more details see: Zemanovičová, D. a kol.: *Regulačné bariéry pre hospodársku súťaž v transformujúcich sa krajinách*, štúdia ACE PHARE, CPHR, 1998.

For example in state monopoly corporations there occur ineffective expenses and their tunneling.

In more details: Wolf, Ch.: *Markets or Governments (Choosing between Imperfect Alternatives)* London, Cambridge: M.I.T. Press 1993.

For more information see Sičáková, E., Zemanovičová, D.: *Konflikt záujmov, etika a etický kódex vo verejnej správe*. CPHR – Transparency International Slovensko, 2000.

For more information see: Mauro Paolo: *Corruption and Growth*. In: *Quarterly Journal of Economics*, August 1995 and Kaufmann Daniel: *Corruption: The Facts*. In: *Quarterly Journal of Economics*. August 1995.

In more details see: Sičáková, E.: *Transparentnosť a skrytá ekonomika, navzájom sa vylučujúce fenomény*. CPHR, September 1999.

In total 352 Slovak employees in a public administration, 407 business managers and 1131 citizens were involved in a poll, who agreed with their involvement in this survey took part In a diagnostic survey.

Sičáková E, CPHR – Transparency International Slovensko,: *Korupcia, príčiny jej vzniku, dôsledky a podoby na Slovensku*.