

Corruption in Slovakia

Results of Diagnostic Surveys



Prepared at the request of the
Government of the Slovak Republic
by the World Bank and the United
States Agency for International
Development



Funding for this report was provided by the United States Agency for International Development (USAID) and the World Bank. However, the views expressed in this report are entirely those of the author and should not be attributed to either institution.

This report was prepared by James Anderson (World Bank), based on surveys developed in a collaborative effort with Emilia Sicakova, Eugen Jurzyca, Daniela Zemanovicova (Center for Economic Development and Transparency International Slovakia), Olga Gyarfasova and Ivan Dianiska (Focus Agency), Gustav Mathiek, Maria Mamlouk, and Kathy Stermer (USAID). The questionnaires drew upon those carried out in other countries by the World Bank (ECSPE) and the World Bank Institute (WBI). The report benefited from the detailed comments of Carlos Silva-Jauregui, Rick Staphenurst and Jack Titsworth (the peer reviewers), and from helpful comments provided by Lubomira Zimanova Beardsley, Jean-Jacques Dethier, Helga Muller, Randi Ryterman, and the participants at discussions of the early results held at the World Bank and with the Anticorruption Steering Committee in Bratislava in February, 2000. The report benefited from the leadership provided by Ivan Miklos (Government of Slovakia), Sanjay Pradhan (World Bank) and Paula Goddard (USAID).

This report would not have been possible without the cooperation of 352 Slovak officials, 407 enterprise managers, and 1,131 ordinary people who agreed to be surveyed for this project. Their cooperation is greatly appreciated.

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Executive Summary

1. Overview

Following elections in late 1998, the new coalition Government of the Slovak Republic recognized the harmful effects of corruption and placed anticorruption high on the official agenda. A key milestone was reached in late 1999 when first draft of the *National Program for the Fight Against Corruption* was prepared. The openness demonstrated by including non-governmental bodies as active participants in developing a strategy – Transparency International Slovakia was instrumental in drafting the *National Program* – is congruent with the openness of public administration that will help fight corruption. The *National Program* seeks “to combat corruption in Slovakia, especially in public life and in the use of public funds and resources.” The *National Program* itself provides the framework that the effort to fight corruption will take – an *Action Plan*, due out in mid-2000, will contain specific commitments, assign specific responsibilities, and outline a timetable for completion.

Recognition of the devastation corruption wreaks on economic development has led some major donors to move anticorruption to positions of prominence on their development agendas. In 1996 James Wolfensohn, president of the World Bank, extended an open offer to help member countries with the struggle against corruption, and many have formally requested assistance. Similarly, the United State Agency for International Development (USAID) has long been a leader in the battle against corruption by promoting transparency, establishing checks and balances, and strengthening the rule of law. Slovakia is one of a growing number of countries have sought to tackle the problem of corruption, requesting that these institutions conduct a diagnostic study of corruption in Slovakia.

For this study, the survey research firm “Focus” was selected in a tender to administer questionnaires on perceptions and experiences with corruption to three distinct groups: households, enterprise managers, and public officials. Each of the samples was designed to be national in scope, with respondents drawn from all eight of the regions of Slovakia. Over 350 public officials, 400 enterprise managers, and 1,100 ordinary people participated in the study.

The surveys reveal that corruption is common and affects all key sectors of the economy. Individual citizens were most affected in the social sectors, with 60 percent indicating payment of *pozornost*¹ (some of which were expressions of gratitude, but most of which were non-voluntary) to obtain hospital services and between a quarter and a third for other medical services and higher education. Enterprises are most affected by licensing and regulatory bodies, courts and customs, with incidences of bribes reported by one-third for a number of these offices. Many firms reported that they unofficially sponsor political parties. All three groups of respondents identified the judicial system as a major area of corruption, with enterprises reporting frequent bribes in court cases and citing slow courts and low execution of justice as the most important obstacles to doing business. Moreover, households report paying frequent bribes to court personnel, especially to speed up the process, and those who found experiences with courts to be inefficient and slow were much more likely to report that the process was corrupt.

The public officials survey demonstrates that corruption is closely related to the quality of the institutions of public administration. The bodies with the lowest levels of corruption were those in which the lines of internal communications were clear, administrative rules were well-implemented, personnel decisions were based on merit rather than connections or corruption, and the organization’s mission was widely understood by staff. The level of meritocracy is particularly strong for explaining levels of corruption. The surveys also make clear that while most public officials at all levels of government support public sector reforms, they are relatively more concerned about the practical implementation of the reforms.

¹ Gifts, tips and bribes. See the main text for discussion.

2. Levels and Trends of Corruption in Slovakia

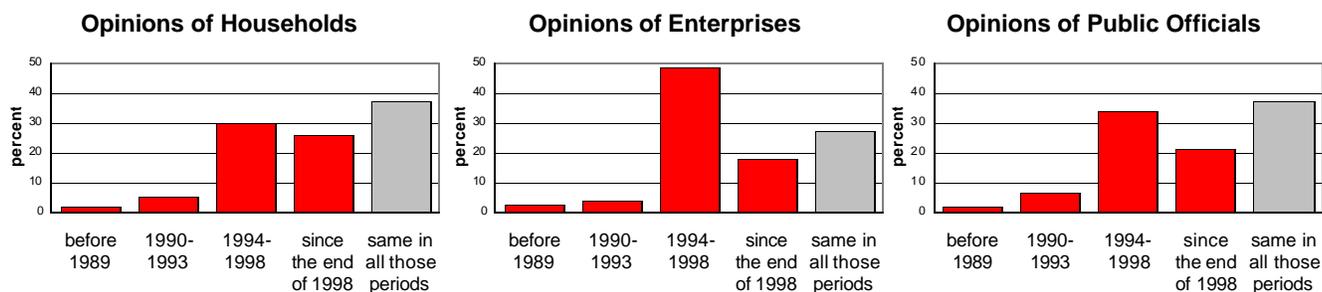
How bad is corruption in Slovakia? The survey results show that unofficial payments to government officials are common, that these payments are viewed by the public as “corruption”, and that corruption is hindering the public sector’s delivery of quality services to the citizenry. Roughly one out of seven households and one out of six enterprises reported having made unofficial payments in the previous two months; in the three years before the surveys, more than 40 percent of households and enterprises made unofficial payments. The public officials confirm the ubiquity of the practice. Over 40 percent said they had been offered small gifts in the previous two years, and 10 percent said they had been offered cash or an expensive present.

Summary Indicators of Experiences with Corruption

| | | |
|------------------|--|------|
| Households | Percent making unofficial payments in previous two months | 14.4 |
| | Percent making unofficial payments in previous three years | 41.3 |
| Enterprises | Percent making unofficial payments in the previous two months | 17.6 |
| | Percent making unofficial payments in the previous three years | 41.4 |
| Public Officials | Percent offered a small gift in the previous two years | 42.3 |
| | Percent offered money or an expensive gift in the previous two years | 9.7 |

While most bribes revealed by survey respondents were small, some were quite large: one respondent reported paying 100,000 SK² for a hospital stay, and some enterprises reported paying up to 100,000 SK for certain types of licenses. As a share of revenues, bribe payments can also be large. On average, enterprises reported that firms like theirs pay more than two percent of revenues in bribes. Resources that could otherwise be used for investment and training are instead transferred to the subset of officials who abuse their positions. The net cost that corruption imposes on firms can also be measured by whether or not they would be willing to pay additional taxes to eliminate corruption. Despite the fact that high tax rates are viewed as a problem for business development, one in four enterprises expressed a willingness to pay additional taxes if doing so would eliminate corruption – of those that had paid bribes recently, one in three were willing. Those willing to pay additional taxes to eliminate corruption responded, on average, that they would be willing to pay 7.6 percent more in taxes, spotlighting the implicit tax that corruption places on these firms.

When was corruption the highest in Slovakia?



Is Corruption Getting Worse? For Slovakia, three sets of survey questions allow some insights into the trends. First, the questionnaires implemented in Slovakia included a question very similar to one that had been asked in sociological studies in Czechoslovakia (1989), and the Czech Republic (1998).³ Comparing

² The approximate exchange rate is 40 SK = 1 USD.

³ See the main text for sources.

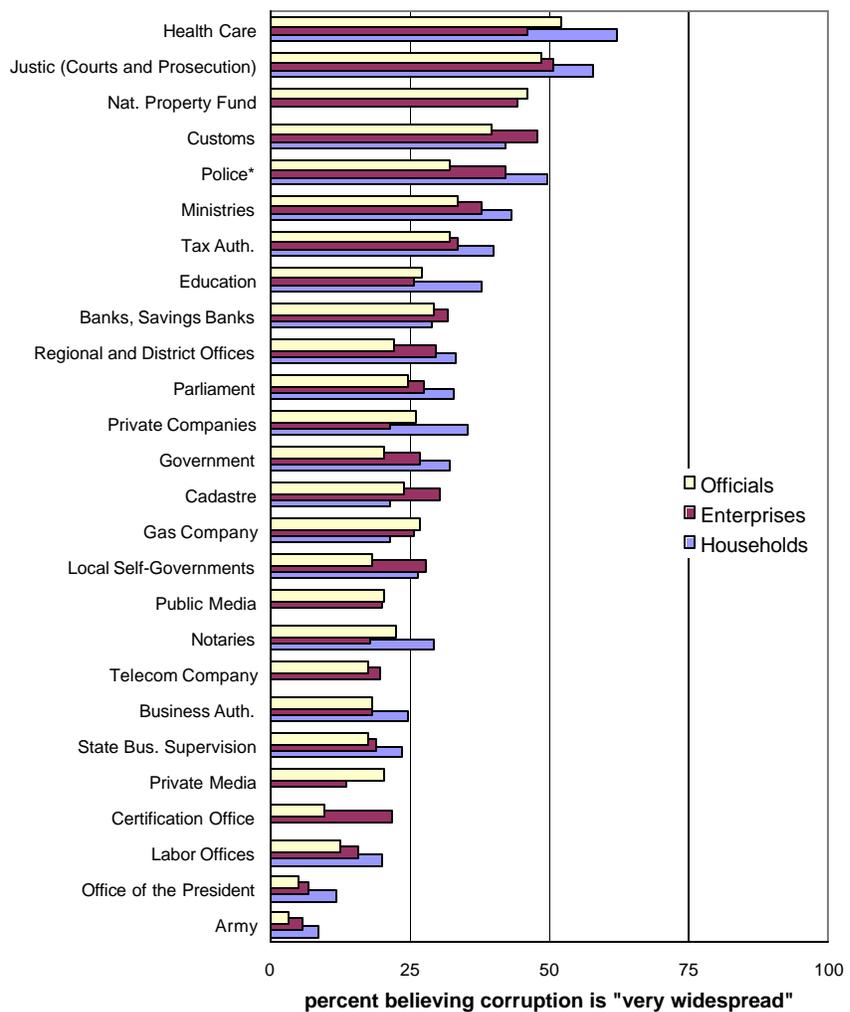
the results confirms what many have suspected: from the perspective of the general public, the levels of bribery are much worse now than ten years ago. Second, we asked all three survey groups in Slovakia when they thought corruption was the worst. In the opinion of the general population, nearly equal numbers reported that corruption was the worst in the period 1994-1998, as it has been since 1998. Enterprise managers and public officials, however, more strongly reported that corruption was worse during 1994-1998. It is also clear that many Slovaks believe that corruption has been virtually unchanged, with a roughly a third of respondents reporting that corruption was the same in all three sample periods. Third, we asked public officials to evaluate how common “unofficial payments” are at their organizations, both now and two years earlier. Although the change is very slight, on average, public officials reported that bribery in their organizations was more widespread two years earlier.

While the surveys suggest that there may have been some improvement in the levels of corruption relative to a few years ago, the message that comes through much more forcefully is that most believe that corruption levels have not changed – corruption remains a formidable challenge that must be addressed.

Which Governmental Bodies are Reported to be the Most Corrupt?

The questionnaires of households, enterprises, and public officials collected information about both perceptions and experiences with corruption. The data suggest broad agreement between all three sample groups that corruption is widespread in the health system, the justice system, customs, the National Property Fund, and the police. While household respondents generally perceive the levels of corruption to be somewhat higher than enterprise managers and public officials, the responses of public officials and enterprise managers also suggest the perception of widespread corruption – half of all public officials surveyed reported that corruption is “very widespread” in the health sector, and half of enterprise managers said the same of the justice system.

Perceptions of Corruption



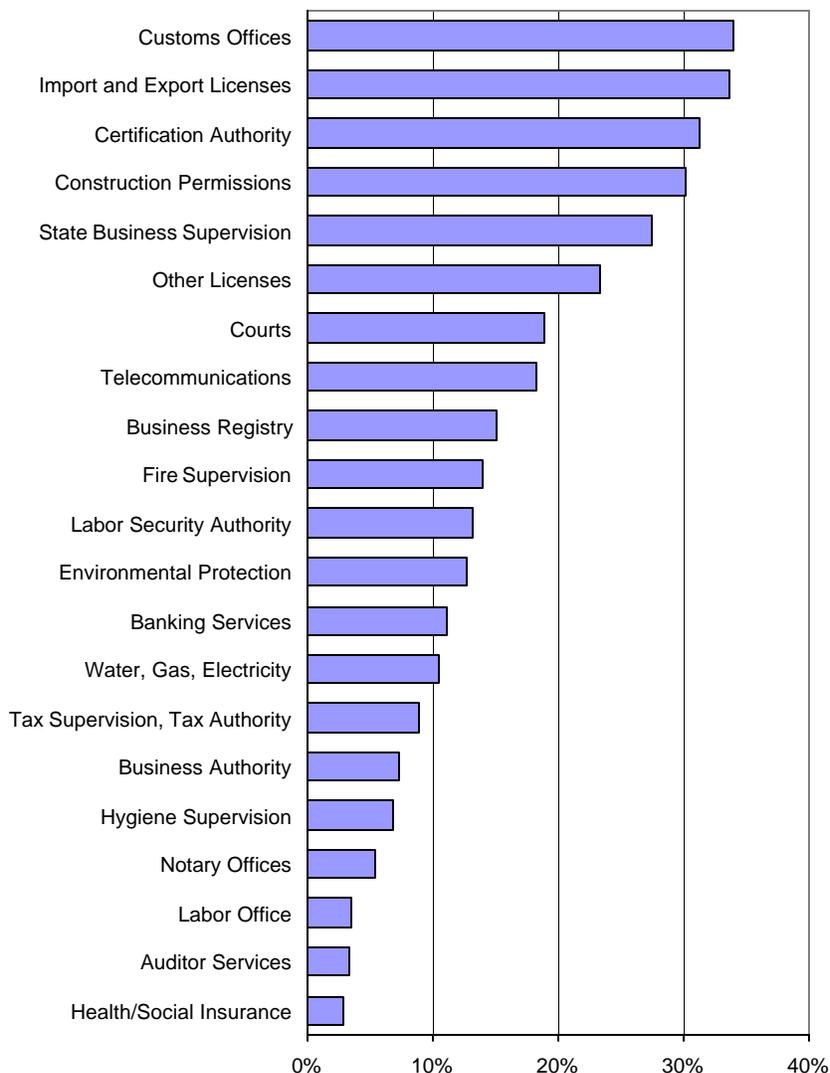
notes: The absence of a bar indicates that household perceptions of corruption in that organization are not available. *On the enterprise and household surveys, separate responses were provided for traffic police and other police. These were averaged to arrive at the aggregate for "police."

In the enterprise survey, managers were asked how many times they had visited each of 26 different bodies, most of them state agencies but including state-owned utilities, banks and notaries, as well. Respondents were also asked on how many visits it was made known to them that they should pay a bribe or that they felt before-hand that they must pay a bribe. Topping the list are customs, import and export licensing, the Certification Authority, construction permits, and State Business Supervision. Not far behind were other licenses, telecommunications, and the courts.

In the household survey, respondents were asked about their most recent experiences (within the past two years) with the health system, educational institutions, and the police (criminal investigations), and about important experiences with several other bodies such as the cadastre, the labor office, savings banks, etc. Hospitals top this list, with nearly 60 percent of respondents reporting that they provided some *pozornost* when a household member was in the hospital. (Even after dropping cases where the *pozornost* was completely voluntary, households were more likely to make unofficial payments at hospital visits than for any of the other state bodies and agencies.) Medical specialists, the judiciary, the traffic police and universities were also indicated as frequent bribe recipients.

The experiences reported in the survey parallel the perception that corruption is widespread in the health sector, the judiciary, and the police.⁴ Similarly, the perception that corruption is less widespread in the labor office is supported by the fact that only a small percentage of households that contacted the labor office paid a bribe.

Percent of Enterprises that Encountered Bribery in Previous Two Years
(of those that interacted with the body or service)



Who Encounters Corruption Most Often? An understanding of the incidence of corruption provides insight into the way corruption works and how it is affecting the economy and society. In some ways, one can not pinpoint who is most affected since corruption affects everyone. Certain well-known effects of

⁴ Experiences with the police vary greatly. While the traffic police are frequent recipients of bribes, far fewer bribes were reported for criminal investigations, and provision of ID cards, passports, and driving licenses.

corruption – the erosion of credibility in the institutions of state and weakening of the business environment – clearly have an impact on everyone, regardless of whether or not they have personally encountered corruption. If state resources are inappropriately diverted or wasted through corrupt procurements, society loses the resources and ends up with sub-standard facilities or equipment. If bribes are paid to evade health regulations or obtain construction permits, society may suffer an unnecessary threat to their health and safety. If a perception of corruption causes the public to view court rulings as biased, people may settle disputes in ways outside of the scope of the law.

Enterprise Characteristics:

- Firms in Bratislava were the most likely to have made unofficial payments, and firms in Trenčín were the least likely.
- Firms in construction, industry, and agriculture and forestry were slightly more likely than firms in other sectors to have paid bribes.
- Medium and large firms are somewhat more likely to have paid bribes than smaller firms: 15 percent of small firms had paid a bribe in the previous two months, compared to 22 percent of medium and large firms.
- Firms that are members of business associations were much more likely to have paid bribes than firms that are not members in the two months before the survey (24 percent versus 15 percent), and in the three years before the survey (57 percent versus 35 percent). The statistical importance of membership in business association becomes even stronger when controlling for all other enterprise characteristics.
- Firms that grew faster in the three years prior to the survey were more likely than slower growing enterprises to have made unofficial payments in those same three years. This “growth effect” is mirrored for investment. Firms that had made major investments were more likely to have bribed, and those that were planning major investments were also more likely to have bribed. However, the data shows that unofficial payments are not useful for growth or investment. The results simply reflect the fact that growing firms have more interactions with state bodies and agencies, getting more licenses and permits, facing more inspections, and so forth, than do firms that are not growing.

Household Characteristics:

- Respondents with driver’s licenses are more likely to have made unofficial payments, consistent with the finding that payments to traffic police are common.
- Older respondents are more likely to have made unofficial payments than younger respondents, and female respondents were more likely to have made unofficial payments than male respondents.
- Those with higher levels of education are more likely to have made unofficial payments than those with lower levels of education, although this seems to be generated by the fact that those with higher levels of education generally have higher income, are likely to be drivers, and have more contact with public officials.
- While the household survey data show clearly that wealthier households are more likely to have made unofficial payments, the data also show that the impact on poorer households is greater. While the median visit to a general practitioner represented 1 percent of household income, the poorest third of the population paid an average of 3.6 percent of an already small monthly income for a single visit to the doctor.

3. Experiences with Corruption

Health Care: Health care is the state sector that touches the largest portion of the population – over 80 percent of the households in the survey had visited a medical facility in the previous two years. The health

sector is also one perceived to have widespread corruption. The household survey confirms that *pozornost* is frequently paid in health care. While many payments are small expressions of gratitude, many were also characterized as being necessary to receive proper care.

- Respondents were generally satisfied with their visits to health care institutions. People were least satisfied with length of waiting time – those who visited hospitals were least satisfied with the facilities.
- By far, the type of service for which *pozornost* is paid most often is for hospital stays. Nearly six out of ten respondents who stayed in the hospital paid, and most of them said it was not just a voluntary expression of gratitude.
- Four of ten respondents who visited the hospital left some gift, and one in five who visited a specialist left some gift. Three in ten respondents who visited the hospital paid *pozornost* in the form of cash.
- Forty-three percent of those who paid *pozornost* said that “nobody required it – just wanted to give it”, 52 percent said that “nobody required it, but this is just the way it goes”, and 5 percent said it was “required by the medical workers”. Hospitals, by far the type of facility at which respondent were most likely to have paid, were also the facilities for which the attention was least likely to be voluntary.
- The size of *pozornost* paid in the health sector ranges from 20 SK to 100,000 SK for a stay in the hospital.
- Most who paid *pozornost* said that they paid the attention to improve quality (35 percent) or to express thankfulness (33 percent). Other paid *pozornost* to get better prescription drugs, to avoid a long wait, and simply because “everyone does it.”
- When developing an anticorruption strategy for the health sector, it will be important to address the entire system, beginning with the medical universities. As discussed below, bribes seem to be routinely paid for admittance to medical school, a practice which sets a bad tone for those entering the medical profession.

Education: Like the health sector, the education sector touches nearly every Slovak at some point. Over forty percent of the households that responded to the survey had at least one member in primary, secondary, or vocational schools or universities. Nearly all of the students (95 percent) attended state-run institutions, with the remainder attending church- or private-run institutions.

- On average, households with students reported being somewhat satisfied with the quality of teachers and educators, and there is little difference between the responses for the different levels of schooling.
- For every eight students enrolled in an educational institution in the previous term, one reported paying some *pozornost*. Twenty-two percent of households with university students paid some attention, while only 10-12 percent at other levels paid *pozornost*.
- Less than 2 percent of respondents at the university level reported there “was and is no bribery at all”, less than 2 percent reported a decrease in bribery, and 82 percent reported that bribery had increased. (Half said bribery had increased immensely.)
- For lower levels of schooling, the most prevalent form of *pozornost* came in the form of gifts. At the university level, cash payments were made more frequently than gifts.
- Roughly one out of five households that paid *pozornost* reported that it was required by the school workers, while nearly half reported giving the attention freely; the remaining 30 percent reported that “nobody required it, but I know this is the way it goes.”
- Most respondents said they paid *pozornost* to gain some benefits for the child, or simply because it is a routine part of the educational process. Fifty-six to 75 percent of those paying attention at the secondary and university level did so to help the students.

- According to respondents, the most important reason for bribery of school workers is to gain admittance to the school, with over three fourths of households claiming this to be “very often a reason” for bribery of school workers. Nearly half also report that bribes take place to get better grades.
- The size of the *pozornost* paid in the education sector range from 35 SK to 50,000 SK, with a median of 500 SK. University students paid the highest bribes by a large margin, averaging nearly 7,000 SK.
- Households reported that bribes for admittance to higher education are widespread. Even when restricting the sample to those with household members at universities, and those who work in the education sector – presumably these respondents have solid information on which to base their perceptions – around half the respondents feel that it is absolutely not possible to gain admittance to medical or law schools without paying bribes. Only 14 percent believe it is possible to gain admittance to medical school without bribes, only 10 percent for law school. These responses are consistent with the perception – backed up by actual experiences – that unofficial payments are common in the health and legal sectors. The responses also show, quite clearly, that an anticorruption strategy for these sectors must take a systemic approach, examining the not just the delivery of judicial and health services, but the institutions that train and certify professionals, as well.

Courts: Of all the obstacles that enterprises face in their business development, “slowness of courts” was selected by 80 percent of enterprises as one of the three most serious obstacles they face; a further 75 percent of enterprises indicated “low executability of justice” to be a major problem.

- Among enterprise that had been involved in a recent court case, nearly 19 percent indicated that they had encountered bribery.
- The average bribe was over 25,000 SK, and the median was over 11,000 SK, more than any of the other 20 governmental bodies covered by the enterprise survey.
- Courts received a dismal quality rating, among the worst in the survey. Only one out of nine enterprises that were involved in court cases gave favorable ratings for quality.
- Of the 13 percent of households that were involved in court trials, 25 percent gave something “special” to a court employee, judge, or attorney. The rate was highest among those who were the accusing parties in civil trials, such as divorces, property disputes, etc. – 32 percent made such unofficial payments.
- Thirty five percent of enterprises evaluated their experiences with the courts unfair or biased, and 30 percent felt it was corrupt – less than 17 percent felt the process was fast and without unnecessary delays.

Court Proceedings were ...



- More than half of the households that paid bribes at a court visit said they did so “to speed up the trial.” Seventeen percent said the main reason was to influence the court’s decision, and 12 percent said they gave out of gratefulness.
- Twenty seven percent of households said that the quality of work in the judiciary has worsened over the previous three years, while only 7 percent said it had improved.
- Forty-five percent of households said bribery in the judicial system had worsened over the previous three years, while only 2 percent said it had improved.

Police: One in twelve Slovak households said that a household member had been a victim of a violent crime in the previous 3 years; nearly one in four said they had been victims of property-related crimes. Many of these crimes went unreported: 43 percent of violent crimes and 31 percent of property-related crimes were not reported to the police. Of those that were reported to the police, only 21 percent of violent crimes and 16 percent of property-related crimes were solved, according to respondents. Of those that did report the crimes, few were satisfied with the investigations: 24 percent and 17 percent for violent and property-related crimes, respectively.

- Although victims of crimes were generally unsatisfied with the investigative efforts of the police, only two victims of violent crimes (less than 4 percent), and seven victims of property-related crime (also less than 4 percent), reported having paid some *pozornost*. Only a single victim of either type of crime reported paying money. One victim of a crime reported that the police workers required the bribe, the balance saying either that they gave voluntarily, or they “know this is the way it goes.”
- In their functions as issuers of identity cards, passports, and driving licenses, the police receive very high marks for satisfaction and for the low need for unofficial payments. Satisfaction ratings are among the highest, and experiences with corruption among the lowest of the bodies and services rated by households.
- In Slovakia, the traffic police receive much poorer ratings from the citizenry than do their counterparts in criminal investigations and issuing documents. Of the 388 respondents to the household survey that have driver’s licenses and own cars, 37 percent reported that they have paid a bribe to a traffic policeman at least once, and 19 percent said they had done so several times.

Cadastr: Most households that interacted with the cadastre reported being satisfied with their experience, although the fact that 40 percent were not satisfied suggests much room for improvement. Roughly one in seven households that had visited the cadastre reported making an unofficial payment, the majority of those feeling that it was necessary to do so.

Banking Services: Nearly three fourths of the enterprises surveyed reported interacting with banks in the previous twelve months. Little more than half of enterprises that contact banks gave favorable quality ratings, and one in nine firms reported encountering bribery. Banking services stand out for the size of the bribes that are paid, averaging over 60,000 SK. Bribe sizes ranged from 2 to 30 percent of the value of the loan, with the average for state and private banks being nearly the same.

Utilities: Of the enterprises that contacted the phone company, 18 percent reported paying bribes – among households that contacted the telephone company for line installation of maintenance, 7 percent said they paid bribes. Enterprises and households alike gave mediocre to poor ratings for quality. One in ten enterprises that had contact with water, gas, or electricity companies reported paying a bribe, and only half of enterprises gave a favorable rating. Households similarly reported having to make unofficial payments: 16 percent of those with contact paid unofficially for water connection or repair, 18 percent for gas, and 19 percent for electricity.

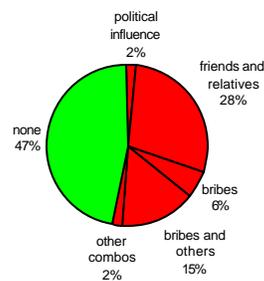
Business Registration: Among the firms that interacted with the business registry in Slovakia, 15 percent reported that they had paid some bribe, and less than 40 percent gave a favorable quality assessment. Moreover, the business registry is among the organizations with the most expensive bribes, averaging over 6,000 SK. The year when registering companies were most likely to pay bribes was 1994.

Import, Export and Other Licenses: Nearly 15 percent of enterprises in the sample had obtained an export license in the two years before the survey, and 21 percent had received an import license.

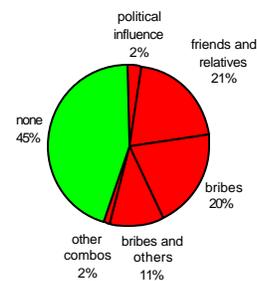
- Of those who had tried to get an import or export license in the previous twelve months, one in three encountered bribery. Moreover, while small enterprises were less likely to seek an import or export license, those that did were more likely to encounter bribery.
- Most enterprises – 74 percent for export licenses and 63 percent for import licenses – reported the process of assigning licenses to be transparent. The data suggest, however, that while transparency helps to limit the practice – enterprises who found the process of assigning import licenses to be non-transparent were more than twice as likely to report paying a bribe – it is not sufficient to ensure non-corrupt allocation of licenses: more than one in five enterprises that reported the process to be transparent also said they had paid a bribe in order to get the import or export license.
- Over half of enterprises that had obtained export or import licenses reported that they used connections, political influence, or outright bribes in order to win the licenses.

Methods of Getting ...

Export Licenses



Import Licenses



- Twenty-three percent of the enterprises that received other types of licenses (e.g., retail trade licenses) reported paying a bribe, and the assessment of quality was dismal with less than one if four enterprises reporting favorably.

Construction Permits: Construction permits were among the worst of the 21 bodies and services evaluated in the enterprise survey in terms of bribery. Over 30 percent of the enterprises that had been in contact in the previous twelve months reported paying a bribe, and only 28 percent gave a favorable quality rating.

Fire Supervision: Roughly 14 percent of the enterprises that came into contact with the fire supervision reported that they had paid a bribe, with small firms paying the most frequently. Quality ratings, however, were better than most, with over 60 percent of enterprises reporting favorably.

Office of Environmental Protection: One in eight enterprises that interacted with the environmental protection reported paying bribes, and the quality rating was fairly poor, with less than 40 percent reporting satisfactory treatment.

Certification Authority: More than 30 percent (38 percent for small firms) of the firms that contacted the Certification Authority reported paying bribes, and only one firm in four gave a favorable quality rating to the organization.

State Business Supervision: Over 27 percent of the firms with contact reported paying bribes (30 percent for small firms), and less than a third gave a favorable quality rating.

Labor Security Authority: Thirteen percent of the enterprises that contacted the Labor Security Authority reported paying a bribe. Half the enterprises gave a favorable quality rating.

Tax: Nine percent of the enterprises that contacted the tax authority reported paying a bribe; less than 40 percent gave a favorable quality rating.

Customs: One in three enterprises that interacted with customs reported paying a bribe, and only 17 percent gave a favorable quality rating, among the worst in the sample. While some bribes are very high – one was reported to be 100,000 SK – the median bribe size is relatively low.

Cross-Sectoral Issues:

Unofficial Financing of Political Parties: In Slovakia, 11 percent of enterprises reported that firms like theirs “sponsor political parties”, and 8 percent admitted that firms like theirs provide unofficial payments to sponsor political parties. While firms of all sizes admitted this practice, larger firms reported unofficial sponsoring at a higher rate: one of eight firms with more than 15 employees said they provided unofficial payments to political parties.

Sixty-three percent of firms that admitted to unofficially sponsoring political parties reported paying a bribe in the 3 years before the survey, while only 40 percent of those who do not sponsor political parties reported paying bribes. Moreover, a glance at the relationship between unofficial sponsoring of political parties and various other forms of corruption illuminates how the practice twists public policy toward corruption – unofficial sponsoring of political parties is highly correlated with the use of political pressure to obtain state subsidies.

National Property Fund: Forty-one percent of privatized enterprises said corruption in the national Property Fund was very widespread, and a further 33 percent said it does exist but they can not judge the extent. Less than 2 percent of privatized enterprises said that corruption does not exist at the National Property Fund.

Subsidies: One out of five enterprises reported receiving some form of subsidies from the state. Of those, 12 percent reported paying a bribes to get the subsidy, always in combination with either political influence or connections with friends or relatives. Sixty-one percent reported that the process was transparent, meaning that nearly 2 in 5 reported otherwise. When asked how much must be paid as a bribe in order to get the subsidy, the majority reported that 10 percent of the subsidy amount must be given in bribes. Although “only” 10-12 percent⁵ admitted paying bribes to get the subsidies, the process was subverted in other ways, as well. Nearly 40 percent admitted to using friends or relatives to get the subsidies, and 7 percent admitted to using political influence.

Selling to the State: One in three enterprises reported that they sell some of their products or services to the state, and of those, 28 percent receive at least a quarter of their revenues from state sales. Of the firms with sales to the state, one in four reported that firms like theirs pay bribes to win state contracts. Those that are more dependent on state sales report even high bribe frequencies. Of the firms in the sample that derive more than a quarter of their revenues from state sales, 42 percent reported that firms like theirs pay bribes in order to win contracts with the state.

Public Sector Tenders: Thirty percent of enterprises reported that they had participated in at least one tender in the two years before the survey, and nearly all of those firms participated in multiple tenders. These tenders were organized by ministries, local state administration, local self-government, state and private companies, banks, and other institutions. Very few of these enterprises believe that public sector tenders can be won entirely without bribes, and many believe that bribery for public sector tenders occurs

⁵ Overall, 12 percent of enterprises that received subsidies said they paid a bribe after deleting refusals. To calculate the values in Figure 23 required also dropping refusals to two other questions, resulting in a slightly different sample – in the second sample, 10.4 percent of enterprises admitted paying bribes.

frequently. One third of enterprises that declined to participate in a tender cited the need for unofficial payments as an important reason.

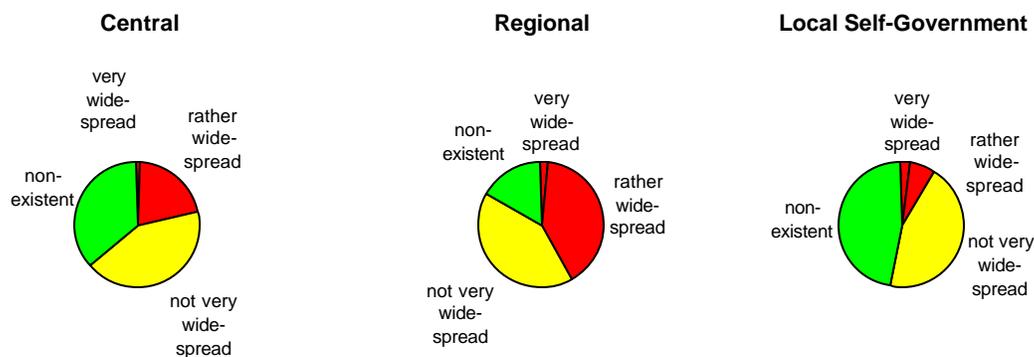
5. Corruption and the Public Sector

The 352 public officials that participated in the survey provided a wealth of information on the internal incentives they face, the existence and implementation of formal rules, the manner in which they interact with the public and with the private sector. While most public officials reported that rules were sound and well implemented, there is sufficient variation in responses to identify characteristics of public administration that weaken the ability of the public sector to deliver quality services, and create opportunities for corrupt behavior. Understanding these weaknesses helps to give direction to the prevention aspect of anticorruption.

Responses to the public official survey confirm the findings from the household and enterprise surveys that the use of gifts and bribes is common. More than two out of five officials said they had been offered a gift, and one in ten had been offered money or an expensive present, in the two years before the survey. Of those who frequently interact with the public, roughly half had been offered small gifts, and 10-15 percent had been offered money or expensive presents.

Public officials also clearly indicated that the offers of bribes by clients were sometimes accepted at their institutions. Nearly a quarter of the central government officials reported that corruption was widespread at their institution, and nearly half of the officials at the regional and district bodies of state administration report the same. A smaller percentage of officials from local self-governments reported corruption to be widespread.

Public Official's Assessments of the Levels of Corruption in their Institutions



Corruption: Poor Quality, Slow Service Delivery, and Excessive Bureaucracy: While most public officials feel that their institutions offer quality services, it is also true that most believe that incentives to generate quality service delivery do not exist in their institutions. Data from the public official's survey confirms that from the perspective of the public official, high quality service is associated with low levels of corruption. Similarly, slowness of service delivery fosters corruption – from the perspective of an enterprise waiting for a permit, or a household waiting for their day in court, a bribe may be a small price to pay speed things along. Responses to the public official's survey suggests that corruption is greatly facilitated by slow service delivery, which in turn is frequently generated by bureaucratic rules that hinder an institution's ability to deliver services quickly.

Perceptions of Punishment: The public officials survey shows enforcement of anticorruption rules can play an important role in reducing corruption. When asked how a confirmed case of bribery would be dealt with in their institution, 22 percent of officials responded that they did not know how bribery is punished within their institution, roughly the same for all three levels of government. Only about half the respondents believe the person would be dismissed or accused of a crime.

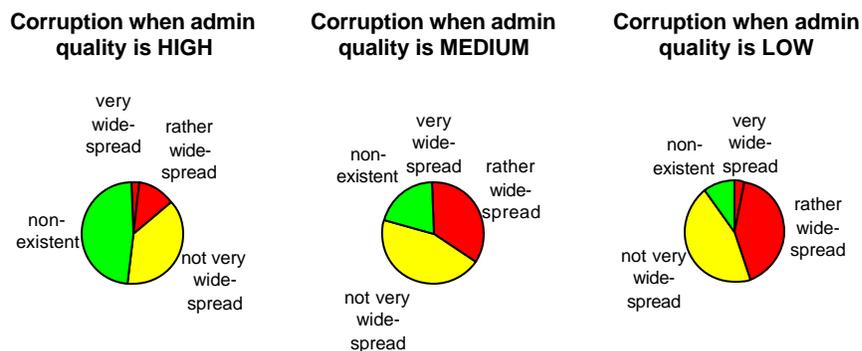
Despite the fact that half of the officials understand the penalty for corruption to be dismissal or worse, there seems to be among many respondents a tolerance for accepting bribes. Less than 12 percent of the surveyed officials indicated that they would certainly report a peer who accepted a bribe, while 15 percent indicated they definitely would not report such a case; more respondents said they would probably not report such a case than said they probably would. Of those who said they probably would not report, many cited the fear of harming themselves (e.g., “I am afraid for my job”), and a distaste for hurting colleagues (e.g., “I don’t want to cause problems for them”).

Organizational Mission and Objectives: Slovak officials generally reported that the people within their institutions understand their institution’s objectives and strategies, identify with those objectives, and view citizens and users as their clients – at every level of government, two out of three officials reported as much. There is variation, however, in responses across levels of government. Those in local self-government felt the most closely identified with an organizational mission, and were much more likely to view the citizen as client.

Organizations whose staff are offered gifts most frequently are those whose staff understand their mission the least. Moreover, the people within a given organization who understand the mission best are least likely to have been offered a small gift. Institutions with staff that more fully identify with the institution’s objectives are also the institutions which are perceived by the officials who work there to have lower levels of corruption.

Internal Administration: Respondents overwhelmingly reported that the procedures, guidelines, and regulations of internal management existed in a formal, written form with 97 percent of respondents replying as much. Most also reported that the rules and procedures were relevant to the institution’s objectives (82 percent), and are simple, clear and easy to understand (83 percent). Despite their formal existence, however, only 57 percent of respondents said that the rules of internal administration are implemented, and only 58 percent said the rules are monitored. Only half the respondents said the rules of internal administration are enforced.

Quality of Internal Administration and Corruption



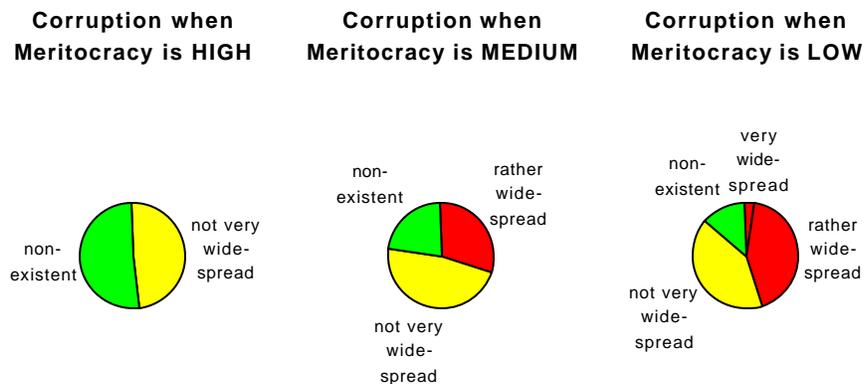
- The institutions in which the procedures and rules “add too much time to the process of decision making and service delivery” were also the most corrupt.
- Clarity and simplicity of the procedures were highly associated with low corruption.

- Institutions where the number of agencies and departments involved in decision making were appropriate also had lower levels of corruption.
- Many officials reported that their supervisors, peers, and they themselves “sometimes act on their own accounts” – less than half say they follow one predefined official procedure. Where discretion is highest, so is corruption.

Personnel Policy: Eight out of ten officials reported that personnel decisions (recruitment, appointments, promotions, salary increases) are based on formal, written, rules, and the majority believe that personnel decisions are based on merit and qualifications. While these responses are encouraging, it is clear that personnel decisions are also based on other factors. More than one out of three respondents said that political affiliation affects personnel decisions, and 40 percent said that changes in political administration affected personnel policies; 19 percent said family connections were important, and 26 percent said that regional connections were important. One out of sixteen officials said that unofficial payments played a role in personnel decisions.

The quality of personnel policy and degree of meritocracy are highly correlated with the level of corruption within an institution; the existence of patronage and connections within the institutions, and the use of informal payments are statistically the most important dimensions of personnel policy contributing to

Meritocracy and Corruption



corruption. The strength of this result confirms that anticorruption involves much more than putting bribe payers and bribe takers in jail – implementation of a merit-based civil service is also a key element of an anticorruption strategy.

Internal Channels of Communication: Public officials generally responded positively when asked about the channels of communications within their organizations, although there were marked differences between the levels of government, with local self-governments reporting the most open channels of communications.

The openness of channels of communication is negatively correlated with corruption – where the internal channels of communication are the greatest, the level of corruption is the least. This result holds both between governmental organizations (organizations that have the most open communications have the least corruption), and within organizations (people who view the lines of communications as open are less likely to believe that corruption is widespread in their organization).

Freedom of Information: Openness provides the electorate the information needed to evaluate the fairness, transparency, and efficiency of their government bodies, and holds promise as a means for encouraging public sector efficiency and limiting corruption. A reform such as the Free Information Access Act (FIAA), however, will only be effective if it is implemented – implementation may be undermined if there is strong resistance among the public sector officials entrusted with implementation.

The survey of public officials asked a series of question on support for openness in general, support for the FIAA in particular, and concerns that officials have about implementation of the FIAA.

- At all levels of government respondents reported that information is provided on demand; local self-governments are much more likely to post information in public areas, and the central state administration is much more likely to put information on the internet. Ninety-eight percent of all respondents said that information is provided to the public in at least some form, and 90 percent provide it in writing. Among particular bodies, the courts stand out for relying on “information on demand” – none of the respondents from the courts reported that activity reports are issued.
- On an abstract level, most officials support the notions of open access to decision-making, and recognize the positive effect that transparency would have on decisions. Over 80 percent of officials believe decision making processes should be open, and nearly 90 percent believe that publishing decisions would force decision makers to follow more reasonable approaches.
- The survey of public officials asked officials whether they believed that the FIAA was necessary, and 80 percent said that it is. Belief in the need for such an Act is highest among central government officials and lowest among officials of the regional bodies of the central government.
- Only 35 percent felt that the work of their institution would become more complicated by the FIAA, while 59 percent felt that such an act would probably not complicate their work. Indeed, an official’s opinion on the need an FIAA and support of the reform is very highly correlated with the degree to which she feels the work of the institution would be more complicated as a result of the reform.

The survey responses provide reason for optimism regarding openness such as that proposed in the Free Information Access Act. There is a good deal of support for the reforms among public officials. Those that don’t support the reforms, and could ultimately undermine its effectiveness, are those that are concerned over the details of implementation. Throughout this report, a consistent theme is that corruption stems in part from bureaucracy and inefficiency – while the FIAA may bring greater openness, lack of attention to the details of implementation could bring unnecessary bureaucracy and thereby reduce the effectiveness of this important reform.

Decentralization: At every level of government, the officials themselves reported having greater faith in the honesty and integrity of local self-governments than of the central state or regional state administration. Local self-governments also exhibit higher levels of some qualities of public administration discussed in this report: staff more closely identify with the organizational mission, are more likely to consider citizens to be their clients, follow more sound personnel policies, and have the most open channels of communication. However, local self-governments are softer on bribe takers and are more likely to use discretion, rather than following clear rules. Moreover, the competencies of the current self-governments are very limited relative to those envisioned by the new regional self-governments, and lower levels of corruption may simply reflect this fact.

Support for Reforms: As a whole, public officials reported generally high levels of support for many kinds of public administration reforms. The most popular reforms, from the public official’s perspective, are increasing transparency in political party funding, administrative simplification, and establishing a merit-based civil service. The least popular reforms are the privatization of public services, administrative decentralization, setting performance targets and standards, and reducing public sector employment (with an increase in the salaries of those who remain). While these reforms are less popular than the others included in the survey, the level of support is still high. With the exception of privatization of public services, each of these “less popular” reforms are supported by well over half of the public officials surveyed.

6. Summary of Key Findings

The surveys of households, enterprises, and public officials, have provided a wealth of information on perceptions and actual experiences with corruption in Slovakia. Regarding the levels and trends:

- Corruption is perceived to be widespread and especially problematic in health, justice, the National Property Fund, customs, police, and ministries. The perceptions are buttressed by actual experiences – many enterprises and ordinary people reported paying bribes, and many public officials reported having been offered gifts or money by clients. Of the fifty bodies and services reported on by households and enterprises, there were reports of bribery for every single one.
- Corruption is more widespread than ten years ago, but the recent trends are less clear. While there is some evidence that the corruption problem has improved somewhat compared to a few years ago, many believe that it is as bad today as ever. Corruption remains a significant problem that must be addressed.

The surveys help to highlight the sectors most affected, and the reasons the unofficial payments are made in these sectors:

- The courts were identified by all three sample groups as slow and largely corrupt. Slowness of courts and low executability of justice were identified by enterprises as severe problems doing business, and both households and enterprises reported that they frequently encounter bribery in their experiences with courts.
- The health sector is perceived by all three sample groups as a sector with widespread corruption. The survey of households confirmed this perception – *pozornost* was paid for hospital stays far more often than for any other public sector body or service about which households reported. Despite the fact that some said their *pozornost* was paid voluntarily, the widespread perception that corruption is rife in the health sector suggests that even these “voluntary” payments are considered “corruption” by the population. The lack of clear guidelines delineating acceptable tokens of appreciation from unacceptable bribes, adds to confusion and strengthens the perception of corruption.
- Corruption in the educational system is centered mostly around universities. Moreover, there is a widespread perception that one can not gain admittance to law or medical schools without paying bribes. Reforms within the justice system and the health sector, both reported to have widespread corruption, should also address the educational institutions that produce the new cadres of professionals.
- Several regulatory and licensing bodies are reported to be the frequent recipients of bribes: import and export permits, construction permits, and other licenses, the Business Registry (run by the courts), Certification Authority, Customs, and State Business Supervision, all were reported by the enterprises that deal with them to be frequent recipients of bribes. Reducing bureaucracy and administrative barriers, already part of the *National Program*, will be a key component of a strategy to reduce the levels of bribery among regulatory and licensing bodies.
- Roughly one in nine enterprises said they sponsor political parties. Most enterprises believe that it is a common practice, although a larger percentage believe it was common practice before the 1998 elections. Clarifying and making more transparent the interface between politicians and private enterprises should be a top priority. Attempting to influence policy is natural and even useful – but when the influence comes through non-transparent sponsoring of parties, the result is often corruption. Indeed, enterprises that sponsor political parties were more likely than other enterprises to use political pressure as a means of getting state subsidies. Although the component of the *National Program* on “transparency in political life” may be contentious, the findings in this report suggest that it will be crucial for a sustained anticorruption effort.
- Similarly, many enterprises reported paying bribes to receive state subsidies, and many more reported using political influence and connections with friends and relatives to get the subsidies. Many firms that regularly sell to the state reported that firms like theirs routinely pay bribes to win contracts, and

most enterprises that have participated in tenders believe that it is very difficult to win public sector tenders without paying bribes.

- Rewarding cronies with favorable, non-transparent, privatization decisions can be more pernicious than other forms of corruption, since it tends to institutionalize corruption. There is a perception that corruption is widespread at the National Property Fund, a perception also held by the subset of privatized enterprises.

In many ways, identifying the problem of corruption is easier than identifying its source or its solution. The public officials survey helps to provide guidance on the weaknesses that lead to corruption, and some reforms that may help prevent corruption.

- The surveys show clearly that corruption is associated with bureaucracy, with firms and households paying bribes to speed the processes along. Public sector institutions at which employees report that rules hinder their ability to deliver services in a timely manner have more widespread corruption problems. Public administration reforms that increase efficiency and decrease bureaucratic delays will help to reduce corruption. The use of client surveys by the organizations themselves can help to highlight weaknesses and suggest areas for improvement in organizational performance.
- The lack of clear guidelines for the acceptance of gifts leaves officials with no guidance for acceptable behaviors. A Code of Ethics, of the sort envisioned in the *National Program*, will help to clarify this important issue. Similarly, administrative procedures for disciplining staff can serve an important purpose as a deterrent.
- Corruption is significantly influenced by many factors that characterize the administration of the public sector:
 - the clarity of information flows within the organization
 - identification of staff with the organization's objectives and strategies
 - the quality of internal administration, and the implementation of clear, unambiguous, predefined procedures of internal administration
 - the level of meritocracy and the quality of personnel policies
 - *Among these factors, each of which are related to each other, the existence of meritocracy and the quality of internal administration exhibit the strongest relationship with the level of corruption.*
- While local self-governments do seem to have less widespread corruption problems than bodies of state administration, it is not clear that decentralization will help to reduce corruption, since the competencies of the local self-governments are few compared to the proposed competencies of the regional self-governments. Well planned implementation of the new Concept of Public Administration will be the key to ensuring the benefits of a decentralized state, without allowing corruption to fill the vacuums that emerge during the decentralization process.
- Most officials understand the need for openness of the sort envisioned in the draft Free Information Access Act and support the concept of open, transparent, decision making. Those that are most concerned about the law are the ones who believe it will complicate the work of their institutions. As bureaucracy and slow service delivery have been identified as contributors to corruption, the implementation of the Free Information Access Act should be undertaken with care not to unnecessarily complicate the work of the employees that must administer it.
- Public officials were broadly supportive of a number of public sector reforms. They were most supportive of transparency in political party financing, administrative simplification, and establishment of a merit-based civil service. As bureaucracy and non-merit personnel policies were identified to be closely correlated with corruption, measures to simplify administrative procedures and establish a

merit-based civil service should be high on the public sector agenda. Likewise, the unambiguous benefits of transparency in party financing, and the strong support among officials, highlight the importance of reforms in this area.

- The survey responses exhibit a high degree of acceptance of corruption. Many officials said they would not turn in colleagues they knew to be taking bribes, and both households and enterprises that paid bribes usually said that the bribe was not explicitly required by the official but assumed to be necessary. Many seem resigned to a deepening of corruption: only one in nine Slovaks believe that corruption will abate in the next three years, while one in three thinks it will get worse. When the survey was administered in the fall of 1999, 48 percent of the population felt that the Government was not serious about solving the corruption problem, and 60 percent felt likewise about the National Council. These facts add impetus to the Education component of the *National Program*, which seeks to educate the public about the problem of corruption and what they can do about it. One notable success story in the fight against corruption, Hong Kong, also used surveys to highlight problems and also successfully employed a public education campaign to reduce tolerance for the practice.

Since the summer of 1999, momentum for anticorruption has grown steadily with the establishment of the Anticorruption Steering Committee led by the Deputy Prime Minister, development and public dissemination of the *National Program for the Fight Against Corruption*, and public statements by the Prime Minister that anticorruption is a top priority of the Government. Maintaining this momentum by developing an Action Plan with a clear timetable for delivery can help to regain the public's trust, keeping Slovakia on track of rebuilding an efficient, transparent, open public sector that serves the citizenry and business sector, rather than the other way around.

1. Overview

Although corruption has always existed, recognition of the negative impact of corruption on society has broadened greatly in recent years. A growing body of research shows that corruption represents not just the degradation of integrity and morals, but a severe hindrance to the process of economic development⁶: Corruption stymies investment and growth and misdirects public resources; corruption systematically redistributes wealth in favor of those with the connections and money to work the system; corruption acts as a regressive tax, felt most harshly by small businesses, micro-enterprise, and the poor; corruption erodes confidence in the institutions of state and is associated with organized crime; for lawful taxpayers, corruption erodes the quality of the public services upon which citizens rely and for which they pay taxes.

International recognition of the anticorruption imperative has come in the decade following the fall of communism in the former Soviet block. Regional comparisons of indicators of corruption perceptions rank the new states of the CIS near the bottom.; Central and Eastern Europe fares better, but remains clearly separated from the more developed economies of the OECD. The reasons for this poor performance are many, but the nature of the transition itself has surely contributed. The challenge of creating the institutions of democracy and market economies, supplanting the clandestine state of communism with a new one based on freedom and openness, has proved formidable – the “transition” is now in its second decade for many countries. The old system, in which the governing bodies of state and the economy were tightly fused, has in many countries given way to new structures in which enterprises, the citizenry and the state maintain an arms-length relationship with the nature of the relationship dictated by new rules, the development and implementation of which are nascent. Although the pace of change in transition countries has generally been slower than anticipated a decade ago, the magnitude of the changes in the everyday lives of the people in the region has been tremendous. While the nature of the relationship has changed, the devolution of state ownership has also been remarkable. Given the changes in the nature of the relationships, the rapidity with which people were required to adapt, and the massive redistribution of state assets in a short period of time, the expansiveness of corruption in the transition countries is no surprise.

Recognition of the devastation corruption wreaks on economic development has led some major donors to move anticorruption to positions of prominence on their development agendas. In 1996 James Wolfensohn, president of the World Bank, extended an open offer to help member countries with the struggle against corruption, and many have formally requested assistance. Similarly, the United States Agency for International Development (USAID) has long been a leader in the battle against corruption by promoting transparency, establishing checks and balances, and strengthening the rule of law. Both the World Bank and USAID are now supporting programs that minimize the opportunities for corruption, change the incentive structures that encourage corruption, and mobilize public support for change. A growing number of countries have sought to tackle the problem of corruption, requesting assistance from these institutions. Those that have requested assistance are not necessarily those with the worst problems – on the contrary, they may be the ones that have demonstrated the courage to tackle this vexing issue.

Following elections in late 1998, the new coalition Government of the Slovak Republic recognized the harmful effects of corruption and placed anticorruption high on the official agenda. Key milestones were reached in 1999 when the Prime Minister participated in a public conference on corruption; with the formation of an Anticorruption Steering Committee under the leadership of the Deputy Prime Minister; and with the first drafting of the *National Program for the Fight Against Corruption* later in the year. In the

⁶ Empirical studies include Paulo Mauro “Corruption and Growth”, *Quarterly Journal of Economics*, 110-1995: 681-712; Paulo Mauro “The Effects of Corruption on Growth, Investment, and Government Expenditure: A Cross-Country Analysis”, in Kimberly Ann Elliot, ed., *Corruption and the Global Economy*, Washington DC, Institute for International Economics, 1997; Daniel Kaufmann, “Corruption: The Facts”, *Foreign Policy*, Summer 1997, 114-131; Daniel Kaufmann and Shang-Jin Wei, “Does ‘Grease Money’ Speed Up the Wheels of Commerce?”, NBER Working Paper 7093, 1999.

summer of 1999, the Government requested that the World Bank and USAID conduct a diagnostic study to help provide information on the pattern and profile of corruption in Slovakia.

A key feature of the public discourse in Slovakia has been the role played by non-governmental actors, organizing conferences and participating in the Steering Committee. One such organization, Transparency International Slovakia, was instrumental in drafting the *National Program*. The openness demonstrated by including non-governmental bodies as active participants in developing a national strategy is congruent with the openness of public administration that will help fight corruption.

A revised draft of the *National Program* is currently circulating⁷ for a forty day public debate while an Action Plan is being prepared. The *National Program* seeks “to combat corruption in Slovakia, especially in public life and in the use of public funds and resources.” The *National Program* itself provides the framework that the effort to fight corruption will take – an *Action Plan*, due out in mid-2000, will contain specific commitments, assign specific responsibilities, and outline a timetable for completion.

Although in many transition countries information about the pattern and profile of corruption relies of anecdotal stories and rumors, rather than analysis, the current report builds on momentum for analytical analysis that was already underway. Certain non-governmental organizations, notably the Center for Economic Development and Transparency International Slovakia, have organized workshops on topics such as “Transparency in the Slovak Economy”, producing conference volumes based in part on surveys⁸ of households and enterprises on perceptions of corruption. A detailed report entitled *Faces of Corruption*⁹, released in the summer of 1999, probes deeply into the underlying sectors whose incentives, structure, and lack of oversight and accountability make corruption a strong temptation. The present report, relying on survey evidence, complements the analytical work of these NGOs by providing more detailed quantitative information about corruption – for an analytical view of the vulnerabilities of specific sectors, *Faces of Corruption* remains the definitive reference.

For this study, the survey research firm “Focus” was selected in a tender to administer questionnaires on perceptions and experiences with corruption to three distinct groups: households, enterprise managers, and public officials. Each of the samples was designed to be national in scope, with respondents drawn from all eight of the regions of Slovakia. Over 350 public officials, 400 enterprise managers, and 1,100 ordinary people participated in the study.¹⁰

- The household sample was stratified by gender, age, education, nationality, size of community and region of residence, and is therefore representative of the adult population of Slovakia.
- The enterprise sample was chosen from among officially registered enterprises. As 85 percent of the enterprises that are officially registered are natural persons, a random sample from the enterprise registry would have resulted in a sample dominated by small entrepreneurs, with very few limited liability or joint stock companies. For this reason, the enterprise sample was balanced to have relatively more corporate entities than found in the population – roughly one third of the sample was made up of joint stock companies, limited liability companies, and natural person, respectively. The sample is representative within each of these three categories.
- A representative sample of the public sector would be dominated by local self-government (which would make up two thirds of the sample) and especially by mayors and local deputies (which would be nearly half of the sample). To achieve a sample that also contains significant representation for, the sample was divided roughly in thirds between (i) the central government, (ii) regional and district bodies of the central state administration, and (iii) and local self-government. Within each of these

⁷ The *National Program* can be found on the web at <http://www.government.gov.sk/bojprotikorupcii/>.

⁸ The surveys were undertaken by the survey research firm “Focus.”

⁹ The contributors to *Faces of Corruption* were Emil Burak, Miroslav Danihel, Olga Gyarfasova, Lucia Haulikova, Eugen Jurzyca, Pavol Roharik, Vladislav Rosa, Eduard Sabopal, Emilia Sicakova, Luubica Slimakova, Jiri Vlach, Ladislav Tichy, and Daniela Zemanovicova.

¹⁰ These sample sizes are useful for many statistical purposes, but limit the degree to which data can be disaggregated. For multivariate analysis, however, these sample sizes are generally sufficient.

sub-sample, bodies were chosen proportionately. Managers and ordinary officials were chosen in a proportion of 1 to 6. The sample is representative within each of these three categories.

Table 1 provides the sample breakdown by region. Tables with greater detail on sampling are provided in Annex 1.

| | Households | Enterprises | Public Officials |
|-----------------------------|------------|-------------|------------------|
| Number of observations | 1,131 | 407 | 352 |
| Percent of observations in: | | | |
| Bratislava | 11.5 | 26.3 | 34.7 |
| Trnava | 10.2 | 8.1 | 5.4 |
| Trencín | 11.3 | 8.6 | 6.5 |
| Nitra | 13.3 | 16.2 | 8.8 |
| Žilina | 12.8 | 12.5 | 7.4 |
| Banská Bystrica | 12.3 | 10.1 | 13.9 |
| Prešov | 14.4 | 7.6 | 12.8 |
| Košice | 14.1 | 10.6 | 10.5 |

*Detailed sample characteristics can be found in Annex 1.

The surveys reveal that corruption is common and affects all key sectors of the economy. Individual citizens were most affected in the social sectors, with 60 percent indicating payment of bribes to obtain hospital services and between a quarter and a third for other medical services and higher education. Enterprises are most affected by licensing and regulatory bodies, courts and customs, with incidences of bribes reported by one-third for a number of these offices. All three groups of respondents identified the judicial system as a major area of corruption, with enterprises reporting frequent bribes in court cases and citing slow courts and low execution of justice as the most important obstacles to doing business. Moreover, households report paying frequent bribes to court personnel, especially to speed up the process, and those who found experiences with courts to be inefficient and slow were much more likely to report that the process was corrupt. Many firms reported that they unofficially sponsor political parties.

The public officials survey demonstrates that corruption is closely related to the quality of the institutions of public administration. The bodies with the lowest levels of corruption were those in which the lines of internal communications were clear, administrative rules were well-implemented, personnel decisions were based on merit rather than connections or corruption, and the organization's mission was widely understood by staff. The level of meritocracy is particularly strong for explaining levels of corruption. The surveys also make clear that while most public officials at all levels of government support public sector reforms, they are relatively more concerned about the practical implementation of the reforms.

This report draws from, and builds upon, earlier analytical work on corruption, transparency, and public sector performance in Slovakia. In the same way, this report should be viewed as one input into a continuous process of understanding corruption in Slovakia. Other analytical tools, such as focus groups, expert analyses, public forums, and regular monitoring of perception and experiences with corruption should continue to maintain momentum and build awareness of what can be done to reduce corruption.

Section 2 presents the summary measures indicating the overall scope of the problem of corruption in Slovakia and current trends as reported by survey respondents. Section 3 summarizes the actual experiences of survey respondents with corruption, sector by sector. Section 4 follows with an analysis of corruption in cross-sectoral fields such as procurement and subsidies. Section 5 highlights the crucial link between public sector administration and levels of corruption. Section 6 summarizes the key findings of the report.

2. Levels and Trends of Corruption in Slovakia

How Bad is Corruption in Slovakia?

Corruption is a serious problem throughout the post-socialist world.¹¹ While many argue that corruption was also a significant problem under the old system, and many believe that its historical and cultural origins stretch back even further, most observers agree that the pervasiveness of corruption has expanded since the fall of communism. With these observations in mind, it is clear that there can not be a simple answer to the question that opens this section since the severity of the problem depends on the standards by which the situation in Slovakia today is compared.

While it is difficult to state exactly how bad the problem is, the survey results make very clear that unofficial payments to government officials are common, that these payments are viewed by the public as “corruption”, and that corruption is hindering the public sector’s delivery of quality services to the citizenry. Roughly one out of seven households and one out of six enterprises reported having paid some *pozornost* in the previous two months; in the three years before the surveys, more than 40 percent of households and enterprises paid some *pozornost*. The public officials confirm the ubiquity of the practice. Over 40 percent said they had been offered small gifts in the previous two years, and 10 percent said they had been offered cash or an expensive present.^{12,13} The breadth of the problem is also notable. The household and enterprise questionnaires inquired about interactions with over fifty governmental bodies or public services, and bribes were reported for every single one.

The Slovak word *pozornost* translates directly as “attention”, and is understood to mean some gift, money, or counter service that is provided in order to get better treatment. In some cases, *pozornost* may be provided willingly as an expression of appreciation. The survey of households, therefore, asked respondents not only *whether* they paid *pozornost*, but also the *reason* for the payment. This issue is particularly important for health care, in which small gifts may be traditional or merely expressions of gratitude.

While the statistics in the previous paragraph make clear that unofficial payments are common, they do not indicate how much of a problem corruption is for those that encounter it. But responses to other questions indicate forcefully the net cost that corruption imposes on society. While most bribes revealed by survey respondents were small, some were quite large: one respondent reported paying 100,000 SK¹⁴ for a hospital stay, and some enterprises reported paying up to 100,000 SK for certain types of licenses. As a share of revenues, bribe payments can also be large. On average, enterprises reported that firms like theirs pay more than two percent of revenues in bribes. Resources that could otherwise be used for investment and training are instead transferred to the subset of officials who abuse their positions. The net cost that corruption imposes on firms can also be measured by whether or not they would be willing to pay additional taxes to eliminate corruption. Despite the fact that high tax rates are viewed as a problem for business development, one in four enterprises expressed a willingness to pay additional taxes if doing so would eliminate corruption – of those that had paid bribes recently, one in three were willing. Those

¹¹ The most recent study with broad coverage is the EBRD *Transition Report 1999*.

¹² The figures are even more striking when considering only the opinions of officials that regularly interact with the public. Among officials that regularly interact with enterprises, 53 percent had been offered a small gift, and 15 percent had been offered cash or an expensive gift.

¹³ This question is almost identical to one reported in William L. Miller, Ase B. Grodeland, and Tatyana Y. Koshechkina, “Confessions of Justified Sinners: Why Postcommunist Officials Accept Presents and Bribes”, University of Glasgow, 1999. Their survey in 1998 found that in Slovakia 43 percent of officials had been offered a small present, and 14 percent had been offered money or an expensive present in the past few years, numbers very similar to those found in the surveys central to this report. Differences in sampling could easily explain the differences in responses.

¹⁴ The approximate exchange rate is 40 SK = 1 USD.

willing to pay additional taxes to eliminate corruption responded, on average, that they would be willing to pay 7.6 percent more in taxes, spotlighting the implicit tax that corruption places on these firms.

Table 2. Summary Indicators of Experiences with Corruption

| | | |
|------------------|--|------|
| Households | Percent making unofficial payments in previous two months | 14.4 |
| | Percent making unofficial payments in previous three years | 41.3 |
| Enterprises | Percent making unofficial payments in the previous two months | 17.6 |
| | Percent making unofficial payments in the previous three years | 41.4 |
| Public Officials | Percent offered a small gift in the previous two years | 42.3 |
| | Percent offered money or an expensive gift in the previous two years | 9.7 |

Is Corruption Getting Worse?

Assessing the trends in the levels of corruption is an inherently difficult task since the tools for estimating the penetration of corruption in society have only recently been developed. For Slovakia, three sets of survey questions allow some insights into the trends. First, the questionnaires implemented in Slovakia included a question very similar to one that had been asked in sociological studies in Czechoslovakia (1989), and the Czech Republic (1998).¹⁵ Comparing the results confirms what many have suspected: from the perspective of the general public, the levels of bribery are much worse now than ten years ago, and may be slightly worse in Slovakia than in the Czech Republic.

Second, we asked all three survey groups in Slovakia when they thought corruption was the worst in Slovakia. In the opinion of the general population, nearly equal numbers reported that corruption was the worst in the period 1994-1998, as it has been since 1998. Enterprise managers and public officials, however, more strongly reported that corruption was worse during 1994-1998. It is also clear that many Slovaks

Figure 1. Corruption in 1989 and 1999

“What is your opinion of bribery in people’s everyday life in today’s society?”

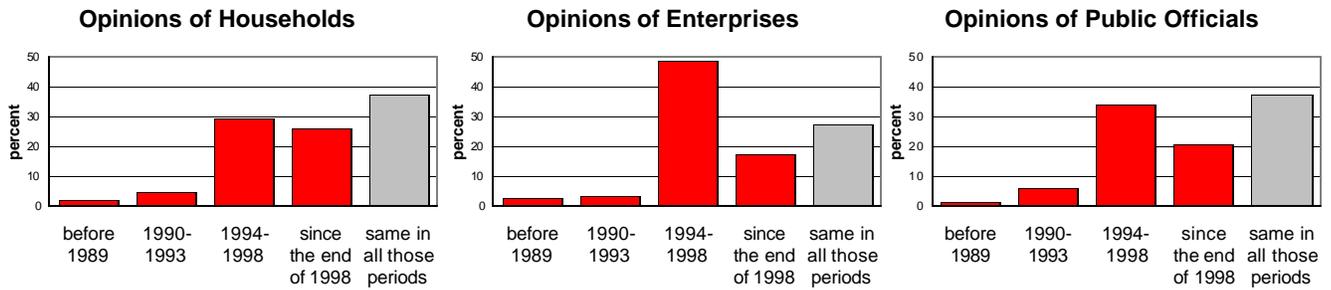
- 1= Bribery is altogether a definite part of contemporary life--whoever wants to make a living must give
- 2=Bribery is no doubt common, but it isn't as terrible as people say
- 3=Some give bribes no doubt, but it isn't necessary--with a little patience one can also make a living without bribes
- 4=Bribes are completely unnecessary--anything can be got through legal means



¹⁵ The numbers for Czechoslovakia and the Czech Republic were from Pavol Fric, “The State of Corruption after Ten Years”. The original source for 1989 was Institute for Business Research (1643 respondents were surveyed from the entire CSSR). The original source for 1998 was GfK-Praha, April 1998 (967 respondents from the Czech Republic). The source for the Slovak data is the household survey discussed in this report (1,131 respondents from the Slovak Republic). Responses of “I don’t know” were set equal to missing. For the Slovakia survey there was a slight change in wording which might make the results less comparable: response 1 did not include the words “...--whoever wants to make a living must give.”

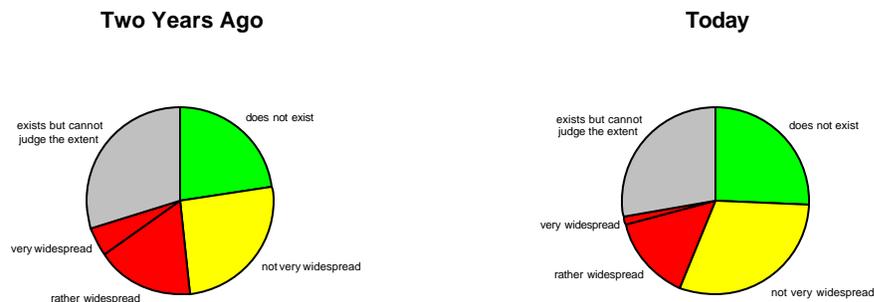
believe that corruption has been virtually unchanged, with a roughly a third of respondents reporting that corruption was the same in all three sample periods.

Figure 2. When was corruption the highest in Slovakia?



Third, we asked public officials to evaluate how common “unofficial payments” are at their organizations, both now and two years earlier. Although the change is very slight, on average, public officials reported that bribery in their organizations was more widespread two years earlier.

Figure 3. Bribery from the Perspective of Public Officials



While the surveys suggest that there may have been some improvement in the levels of corruption relative to a few years ago, the message that comes through much more forcefully is that most believe that corruption levels have not changed – corruption remains a formidable challenge that must be addressed.

Which Governmental Bodies are Reported to be the Most Corrupt?

While private companies in competitive industries are forced by the market to deliver quality – those that do not will lose customers and lose profits – such forces are not effective in the public sector. The profit motive does not exert pressure on public sector bodies and clients generally have no legal alternatives but to continue to deal with the public sector bodies, regardless of the quality of services provided.

One objective of the surveys of enterprises and households was to provide a report card of public sector bodies from the perspectives of the clients. This section of the report provides such a report card, summarizing perceptions of levels of corruption in various bodies, and the experiences of enterprises and households that deal with various governmental bodies and services.

Perceptions

The questionnaires of households, enterprises, and public officials collected information about both perceptions and experiences with corruption. Although “perceptions” are frequently dismissed as not reflecting reality and as being biased by media reports, there are several reasons for including perceptions in an evaluation of corruption. First, while it is true that perceptions may be distorted by the processes through which respondents get information, it must be remembered that perceptions are largely shaped by experiences. Indeed, as discussed below, the data for Slovakia demonstrate very clearly that several of the governmental bodies that are perceived as the most corrupt are the very same ones with which respondents have had the most experience with corruption.

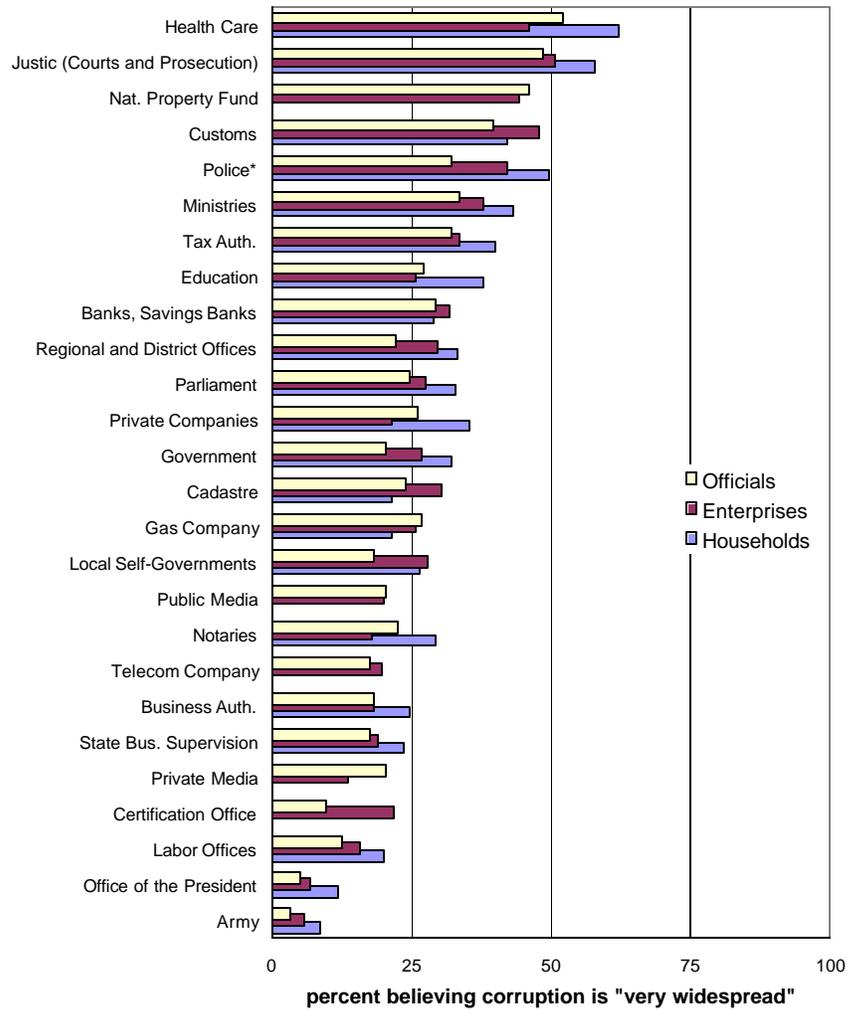
Second, an approach focusing entirely on actual experiences would not be balanced, since ordinary people and enterprise managers are generally not party to certain forms of high-level corruption, which would therefore be under-reported in the surveys.

Third, even if perceptions are not completely accurate, the perceptions themselves are important. When a manager makes a decision of whether to invest or diversify into other sectors, they do so on the basis of their perceptions of the business environment (including the level of corruption) that they will face. When a person decides whether to take a dispute to the courts, it is the perception of fairness and cost upon which she will base that decision. Likewise, when a person decides whether to get treatment from a medical facility, it is the perception of the cost (including unofficial cost) and quality of treatment upon which he makes his decision.

Figure 4 provides the perceptions of the degree of corruption in various bodies and sectors from the perspective of households, enterprises, and public officials. The data suggest broad agreement between all three sample groups that corruption is widespread in the health system, the justice system, customs, the National Property Fund, and the police. While household respondents generally perceive the levels of corruption to be somewhat higher than enterprise managers and public officials, the responses of public officials and enterprise managers also suggest the perception of widespread corruption – half of all public officials surveyed reported that corruption is “very widespread” in the health sector, and half of enterprise managers said the same of the justice system.¹⁶ Even the media does not emerge unscathed: 20 percent of public officials and 20 percent of enterprise managers believe corruption is widespread in the public media.

¹⁶ The question was: “In your opinion, does corruption exist in the following fields in Slovakia? If so, tell us how widespread corruption is? 1=corruption does not exist in the field, 2=corruption does exist in this field, but it is not very widespread, 3=corruption is very widespread in this field, 4=corruption does exist in this field, but I cannot tell how widespread it is, 5=I don’t know whether corruption exists in this field.” The bar chart in Figure 5 presents the absolute percentage of respondents that answered “3” to this question. (I.e., responses of 4 and 5 were not dropped before computing the percentages.)

Figure 4. Perceptions of Corruption



notes: The absence of a bar indicates that household perceptions of corruption in that organization are not available. *On the enterprise and household surveys, separate responses were provided for traffic police and other police. These were averaged to arrive at the aggregate for "police."

Experiences

Agencies that Enterprises Contact

This section will examine the frequency with which various bodies require unofficial payments from enterprises, the size of the unofficial payments, and an assessment of the quality of services provided.

Frequency of the Need for Providing Gifts and Bribes

In the enterprise survey, managers were asked how many times they had visited each of 26 different bodies, most of them state agencies but including state-owned utilities, banks and notaries, as well. Respondents were also asked on how many visits it was made known to them that they should pay a bribe or that they felt before-hand that they must pay a bribe.

Figure 6 shows the percentage of enterprises that said that a bribe was indicated (of those that actually interacted with the agency). Topping the list¹⁷ are customs, import and export licensing, the Certification Authority, construction permits, and State Business Supervision. Not far behind were other licenses, telecommunications, and the courts.

Since firms may interact with some agencies many times, and others only occasionally, it is also worthwhile to calculate the percentage of enterprise-visits at which a bribe was indicated. (See Figure 5.) Customs no longer holds the dubious top slot, reflecting the frequency with which firms interact with customs. Based on the “enterprise-visit” criteria, bribes were indicated most frequently when seeking construction permits, getting import and export licenses, dealing with State Business Supervision and the Certification Authority.

All of the information presented in Figures 5 and 6 reflect only those enterprises that actually come into contact with the given agencies. This approach is useful for identifying the levels of corruption in the interactions that the agencies must have with the enterprises. But for considering the total impact on the enterprise sector, it is also important to consider the proportion of enterprises that must deal with a given agency. When assessing the impact of corruption on the economy, an important question is what percentage of *all* enterprises encountered bribery at the institution, not just the percentage of enterprises with contact. There were three agencies/services for which over 10 percent of all enterprises indicated that they had encountered bribery: customs, import and export licenses, and telecommunications. Although “only” 18 percent of the enterprises that had interacted with telecommunications in the previous twelve months had encountered bribery, placing it toward the middle of Figures 5 and 6, the fact that so many enterprises (over 70 percent) had been in contact makes this sector one with broad impact for the economy.

¹⁷ Managers were also asked about the traffic police and vehicle registrations, but these will be discussed in the context of the household survey.

Figure 5. Percent of Enterprise-Visits at Which Bribe was Suggested

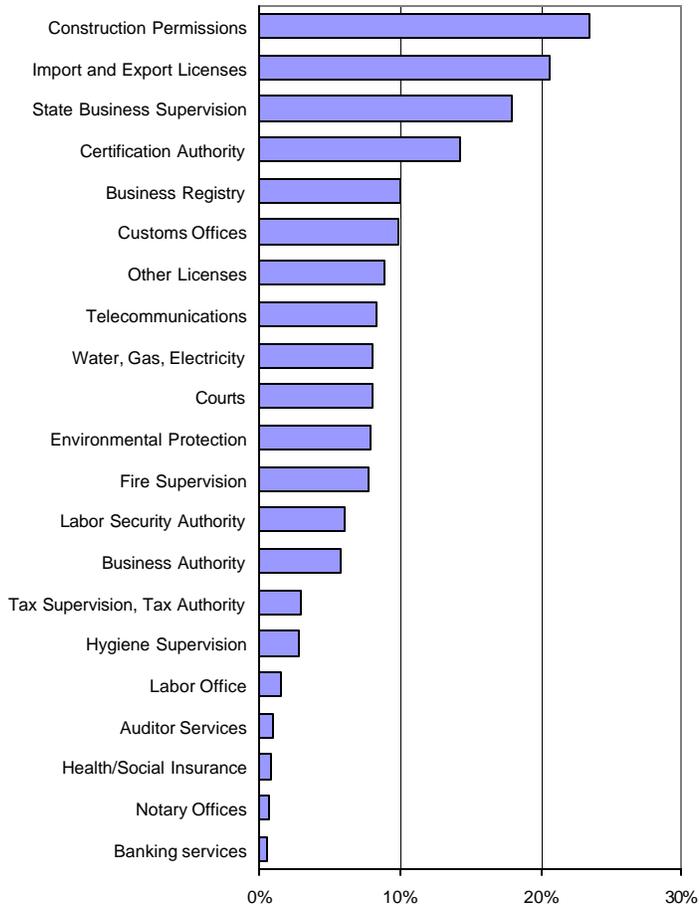
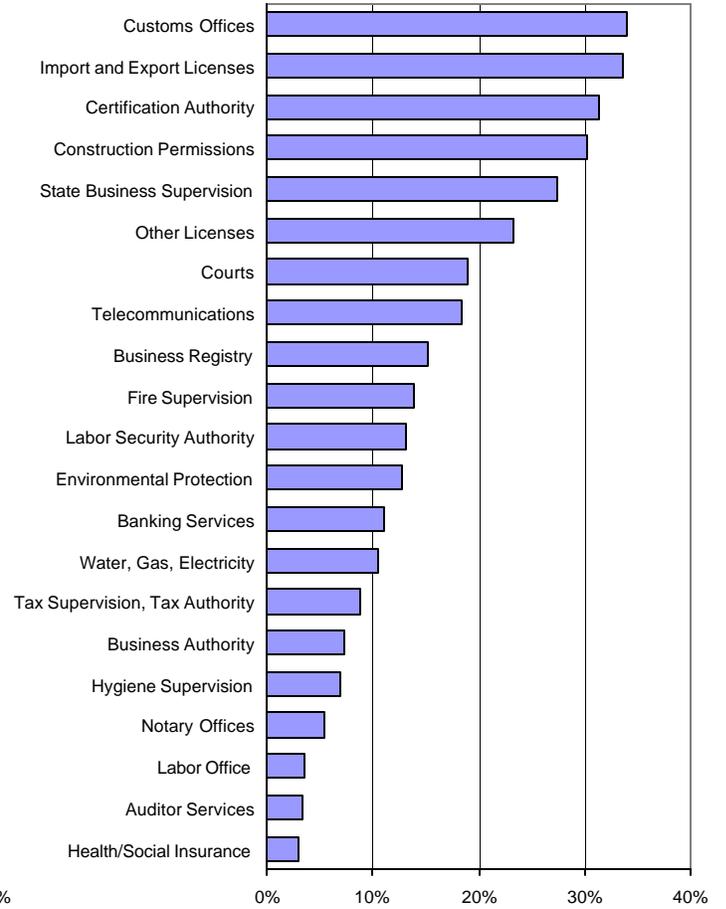


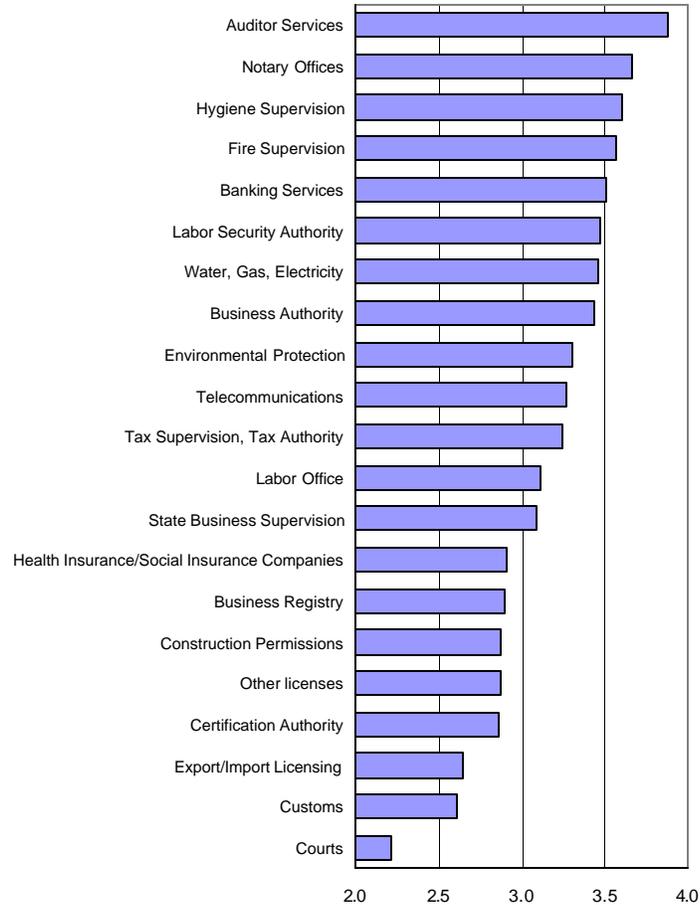
Figure 6. Percent of Enterprises that Encountered Bribery in Previous Two Years (of those that interacted with the body or service)



Quality Ratings

For each agency that an enterprise contacted, a rating of quality was provided by the enterprise manager. The ratings of quality are provided in Figure 7. Not surprisingly, the ratings of quality are highly correlated with the degree of bribery encountered at the institutions. The courts received the lowest rating of quality by enterprises, followed by customs, export/import licenses, and the certification authority, all bodies that were identified as frequent recipients of bribes.

Figure 7. Ratings of Quality by Enterprises



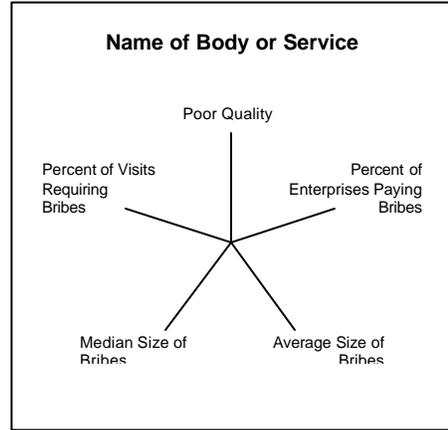
Size of Bribes Reported by Enterprises

The bribes reported by enterprises in the survey ranged from 40 to 500,000 SK, with the largest bribes being paid in the areas of banking services, import and export licenses, courts, telecommunications and customs. The courts and banking services were the recipients of the highest average bribes and the highest median bribes.

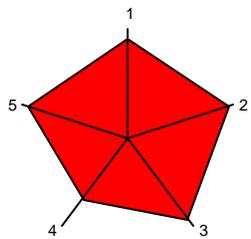
| | N | median | average | min | max |
|----------------------------|----|--------|---------|-------|---------|
| Courts | 8 | 11,250 | 25,500 | 1,000 | 100,000 |
| Banking Services | 15 | 10,000 | 63,155 | 120 | 500,000 |
| Business Registry | 17 | 6,500 | 6,629 | 40 | 22,500 |
| Water, Gas, Electricity | 15 | 5,000 | 9,107 | 100 | 50,000 |
| Import and Export Licenses | 25 | 5,000 | 14,184 | 100 | 190,000 |
| Construction Permissions | 15 | 5,000 | 7,533 | 500 | 30,000 |
| Environmental Protection | 9 | 5,000 | 3,213 | 120 | 10,000 |
| Other Licenses | 12 | 3,500 | 7,875 | 500 | 50,000 |
| Business Authority | 10 | 3,500 | 3,412 | 120 | 10,000 |
| Fire Supervision | 9 | 3,000 | 2,331 | 180 | 5,000 |
| Telecommunications | 31 | 2,000 | 7,539 | 100 | 100,000 |
| State Business Supervision | 15 | 2,000 | 3,513 | 200 | 10,000 |
| Tax Supervision/Authority | 21 | 2,000 | 5,683 | 150 | 20,000 |
| Labor Security Authority | 11 | 2,000 | 2,965 | 120 | 10,000 |
| Certification Authority | 17 | 2,000 | 5,965 | 400 | 50,000 |
| Hygiene Supervision | 5 | 1,000 | 1,480 | 100 | 3,000 |
| Customs offices | 36 | 1,000 | 5,795 | 100 | 100,000 |
| Notary Offices | 7 | 1,000 | 4,429 | 1,000 | 15,000 |
| Health/Social Insurance | 5 | 500 | 1,430 | 150 | 5,000 |
| Labor Office | 5 | 500 | 1,304 | 120 | 5,000 |

Figure 8. Summary of Enterprise Experiences with Corruption

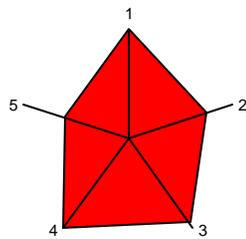
The charts on this and the following page show how each of 21 different bodies rank according to the corruption experiences of enterprises. Each body was ranked in terms of the rating of (inverse) quality, the percentage of enterprises that paid bribes in the previous twelve months (of those with contact), the average size of bribes, the median size of bribes, and the aggregate percentage of visits at which a bribe was either paid or suggested. Bodies are presented in the order of the average rank.



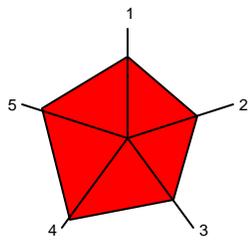
Import and Export Licenses



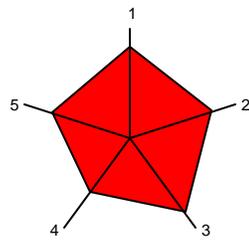
Courts



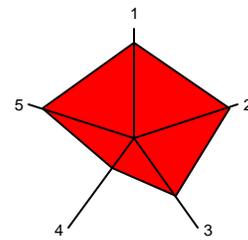
Business Registry



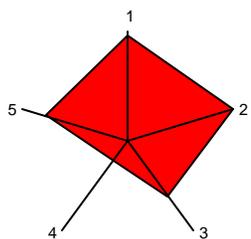
Other Licenses



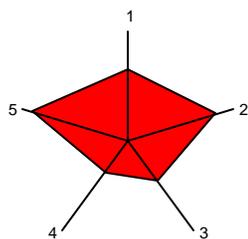
Certification Authority



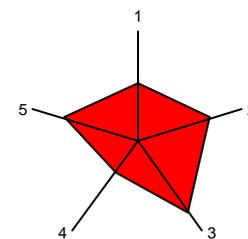
Customs Office



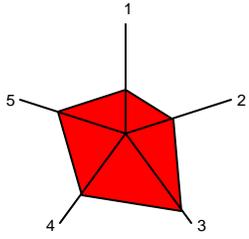
State Business Supervision



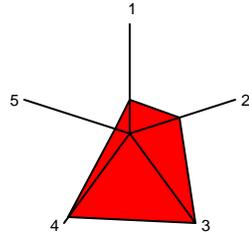
Telecommunications



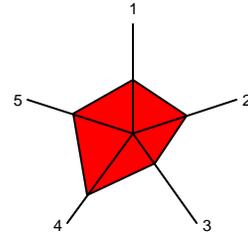
Water, Gas, and Electricity



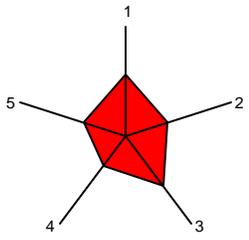
Banking Services



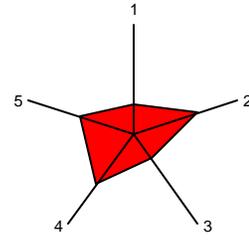
Environmental Protection



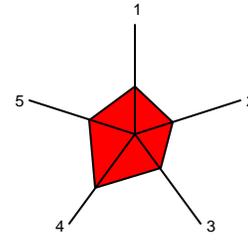
Tax Supervision



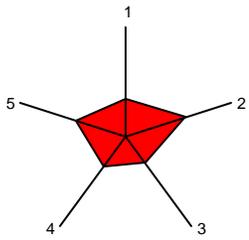
Fire Supervision



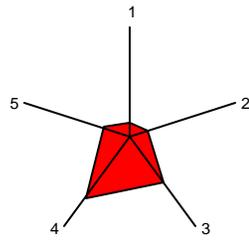
Business Authority



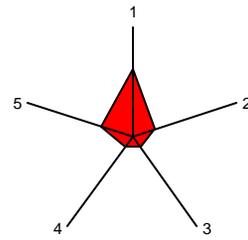
Labor Security Authority



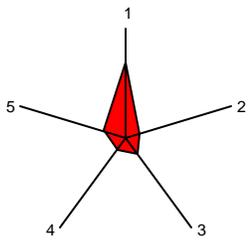
Auditor Services



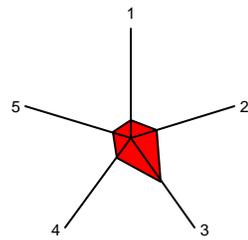
Labor Office



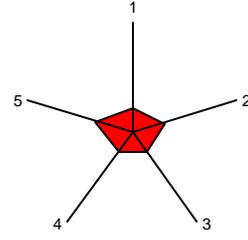
Health and Social Insurance



Notaries



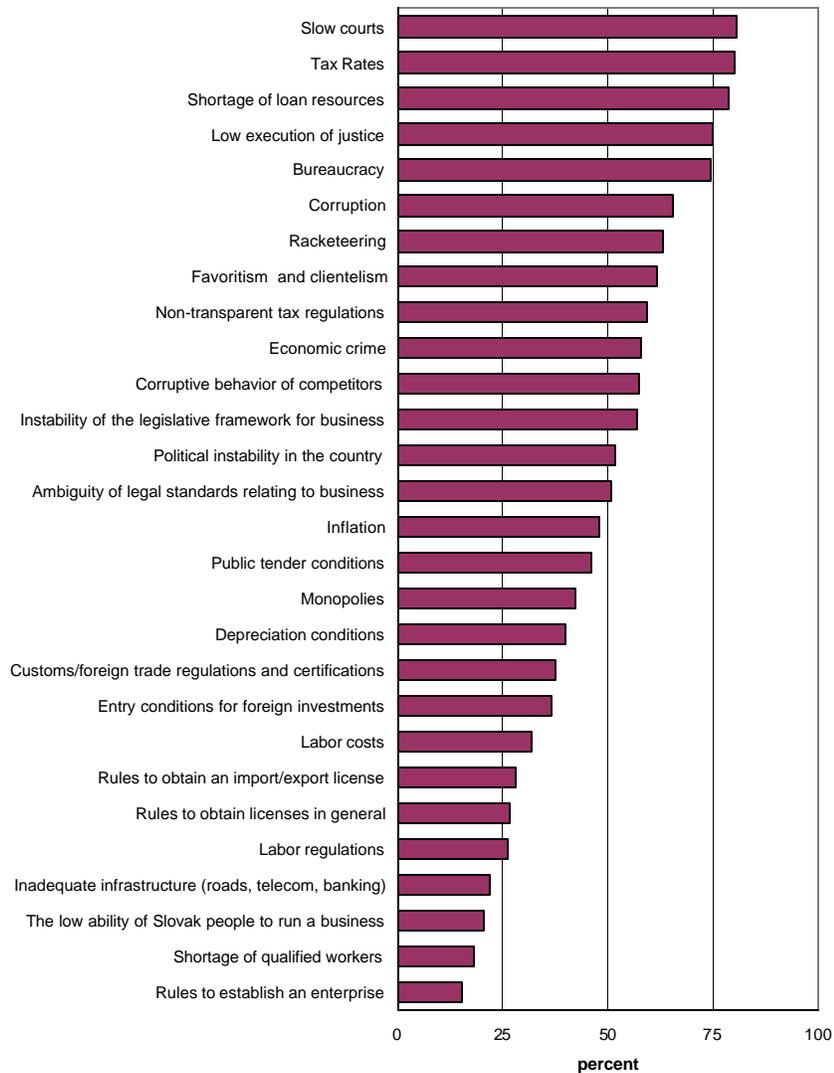
Hygiene Supervision



Obstacles to Doing Business

Corruption is but one of the problems that enterprises encounter. To put corruption in perspective, we asked enterprises to evaluate how severe each of several factors are as obstacles to doing business. The results, presented in Figure 9, highlight several problems that are commonly heard around the world, such as tax rates and lack of credit. Most notable from Figure 9 are the prominent positions of “slow courts” and “low execution of justice” as problems doing business. Bureaucracy and several factors related to corruption were also mentioned as problems by many enterprises.

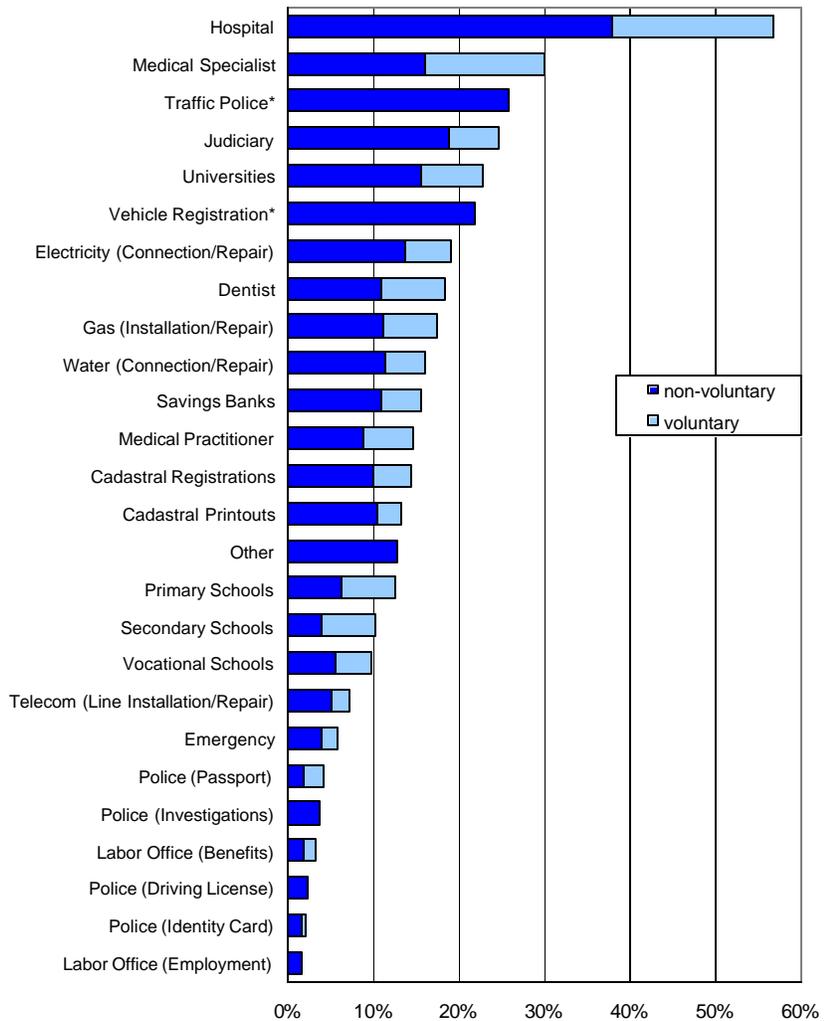
Figure 9. Obstacles to Doing Business



Agencies that Households Contact

The household questionnaires included detailed questions on sectors that are likely to be the most important from the household perspective: health, education, and police protection. A supplemental section inquired about other agencies that households interact with less frequently (such as the cadastre, the labor office, etc.), providing information on frequency of bribery and quality of services. This section of the report will summarize the household experience in terms of the frequency of bribe payments, the size of bribes (health, education, and police only), and the quality of services provided.

Figure 10. Percent of Time Households Pay *Pozornost* (of those that interacted with the agency)



"Voluntary" means that *pozornost* was paid but the respondent said that he or she wanted to give it; "non-voluntary" means that *pozornost* was paid either because they just knew that "this is the way it goes", or because the official required it.

*Note: for traffic police and vehicle registrations it is impossible to know if the *pozornost* was voluntary or involuntary.

Frequency of Payments of Pozornost

In the household survey, respondents were asked about their most recent experiences (within the past two years) with the health system, educational institutions, and the police (criminal investigations), and about important experiences with several other bodies such as the cadastre, the labor office, savings banks, etc. Figure 10 shows the percentage of interactions with each institution in which some *pozornost* was paid. Hospitals top this list, with nearly 60 percent of respondents reporting that they provided some *pozornost* when a household member was in the hospital. (Even after dropping cases where the *pozornost* was completely voluntary, households were more likely to make unofficial payments at hospital visits than for any of the other state bodies and agencies.) Medical specialists, the judiciary, the traffic police and universities were also indicated as frequent bribe recipients.

It is worth noting that these experiences correspond closely with the household perceptions reported earlier. (See Figure 5.) The experiences reported in the survey parallel the perception that corruption is widespread in the health sector, the judiciary, and the police.¹⁸ Similarly, the perception that corruption is less widespread in the labor office is supported by the fact that only a small percentage of households that contacted the labor office paid a bribe.

Size of Pozornost for Health, Education, and Police Protection

The sizes of *pozornost* ranged from 20 SK to 100,000 SK. Hospitals and universities, both cited as frequent recipients of *pozornost*, are also the recipients of the largest value *pozornost*. While many were “small” it should be kept in mind that with repeated interactions, even small payments can be very costly for poor households. This issue will be discussed in more detail in the next section.

**Table 3. The Size of *Pozornost* Encountered by Households
– Health and Education only**

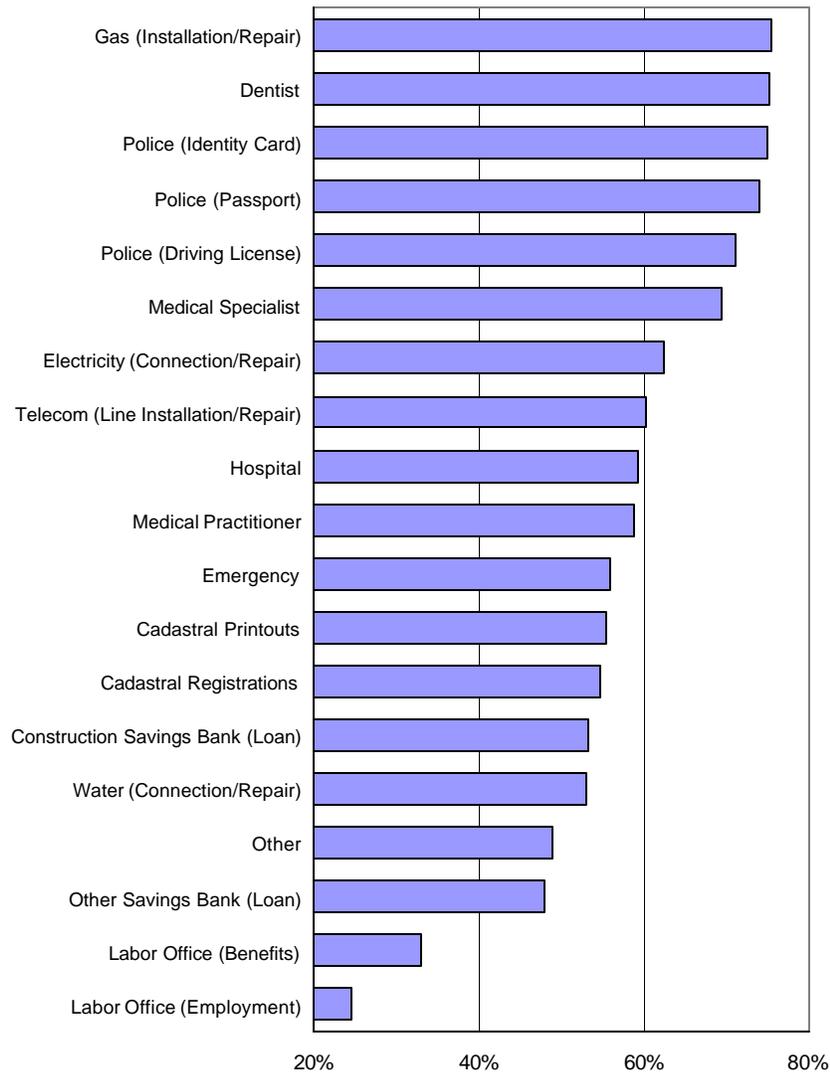
| | N | median | average | min | max |
|----------------------|----|--------|---------|-----|---------|
| Medical Practitioner | 71 | 100 | 227 | 20 | 1,000 |
| Medical Specialist | 59 | 300 | 806 | 20 | 5,000 |
| Dentist | 27 | 300 | 463 | 30 | 2,500 |
| Hospital Stays | 38 | 500 | 3,665 | 50 | 100,000 |
| Primary School | 27 | 150 | 788 | 35 | 5,000 |
| Vocational School | 4 | 200 | 875 | 100 | 3,000 |
| Secondary School | 12 | 750 | 2,358 | 100 | 15,000 |
| University | 10 | 2,050 | 6,860 | 500 | 50,000 |

¹⁸ Experiences with the police vary greatly. While the traffic police are frequent recipients of bribes, far fewer bribes were reported for criminal investigations, and provision of ID cards, passports, and driving licenses.

Satisfaction Ratings by Households

Households that had contact with governmental bodies were asked to assess their overall level of satisfaction, and the results are presented in Figure 11. Most people were satisfied with their experiences at most agencies, although every agency had at least 25 percent who were not satisfied. The satisfaction ratings are not strongly correlated with the levels of *pozornost*, due mostly to the very low satisfaction ratings provided for the labor office (which is not a frequent recipient of *pozornost*), and mediocre satisfaction ratings for hospital visits (which is the most frequent recipient of *pozornost*).

Figure 11. Satisfaction Ratings



Who Encounters Corruption Most Often?

An understanding of the incidence of corruption provides insight into the way corruption works and how it is affecting the economy and society. In some ways, one can not pinpoint who is most affected since corruption affects everyone. Certain well-known effects of corruption – the erosion of credibility in the institutions of state and weakening of the business environment – clearly have an impact on everyone, regardless of whether or not they have personally encountered corruption. If state resources are inappropriately diverted or wasted through corrupt procurements, society loses the resources and ends up with sub-standard facilities or equipment. If bribes are paid to evade health regulations or obtain construction permits, society may suffer an unnecessary threat to their health and safety. If a perception of corruption causes the public to view court rulings as biased, people may settle disputes in ways outside of the scope of the law.

While the impact of corruption on society is clearly much greater than the impact on those who encounter it, an examination of the groups of people and businesses that encounter it most provides insight into how corruption is affecting society. Although understanding who encounters corruption most often is useful, it must be kept in mind that the results can be interpreted in many ways. One can not infer, for example, that since one group of people paid bribes more than another group that they are more “corrupt,” since it is also possible that they were forced to pay bribes more frequently, or simply were more likely to encounter situations in which bribes would be necessary. In this section, we will explore how experiences with corruption vary by region and by characteristic of respondents.

Regional Variations

Table 4 shows how often households and enterprises in each of the eight regions of Slovakia encountered unofficial payments. Firms in Bratislava were the most likely to have made unofficial payments, and firms in Trenčín were the least likely. From the household perspective, the practice of paying unofficially was more evenly spread across regions – no region stands out as the worst; households in Žilina and Trnava were somewhat less likely to have paid bribes than in other regions. However, most of the statistics presented in Table 4 are not statistically different from one region to the next, and focusing on differences between regions distract from the more important message that households and enterprises in every region of the country make unofficial payments.

Table 4. Regional Variations

| | Households | | Enterprises | |
|-------------------|---|--|---|--|
| | Percent that made unofficial payment in past 2 months | Percent that made unofficial payment in past 3 years | Percent that made unofficial payment in past 2 months | Percent that made unofficial payment in past 3 years |
| 1.Bratislava | 17.0 | 41.8 | 24.4 | 61.8 |
| 2.Trnava | 10.8 | 33.6 | 10.0 | 28.1 |
| 3.Trenčín | 15.0 | 37.8 | 5.7 | 20.6 |
| 4.Nitra | 18.4 | 49.0 | 17.5 | 27.4 |
| 5.Žilina | 8.4 | 35.7 | 12.2 | 32.7 |
| 6.Banská Bystrica | 14.1 | 43.3 | 16.2 | 55.6 |
| 7.Prešov | 17.2 | 38.5 | 16.7 | 40.0 |
| 8.Košice | 13.7 | 48.7 | 15.0 | 38.5 |

Enterprise Characteristics

The data from the enterprise surveys shows that unofficial payments are made in all regions of the country, by firms in all sectors. Differences in the rate of bribery for privatized versus non-privatized and for new versus old firms are not statistically significant. Similarly, shareholding and limited liability companies both encounter bribery at similar rates. There are, however, some enterprise characteristics that are associated with greater or lesser levels of bribery. Firms in construction, industry, and agriculture and forestry were slightly more likely than firms in other sectors to have paid bribes. Unlike some other studies¹⁹, medium and large firms are actually somewhat more likely to have paid bribes than smaller firms: 15 percent of small firms had paid a bribe in the previous two months, compared to 22 percent of medium and large firms.²⁰ Firms that are members of business associations were much more likely to have paid bribes than firms that are not members in the two months before the survey (24 percent versus 15 percent), and in the three years before the survey (57 percent versus 35 percent).²¹ The statistical importance of membership in business association becomes even stronger when controlling for all other enterprise characteristics.²² It is important to note that this result does not suggest that such associations are in any way bad – on the contrary, some current research suggests that business association play a valuable role in reducing corruption as they serve as intermediaries between firms and the state.

The data show a very strong association between unofficial payments and firm growth and investment. Firms that grew faster in the three years prior to the survey were more likely than slower growing enterprises to have made unofficial payments in those same three years. Likewise, firms that were forecasting faster future growth were more likely to have made unofficial payments in the previous 3 years and in the previous 2 months.²³ This “growth effect” is mirrored for investment. Firms that had made major investments were more likely to have bribed, and those that were planning major investments were also more likely to have bribed.²⁴

These results do not suggest that unofficial payments are useful for growth or investment. It is more likely that growing firms simply have more interactions with state bodies and agencies, getting more licenses and permits, facing more inspections, and so forth, than do firms that are not growing. In fact, after controlling for differences in the frequency that firms interact with the state, both the growth and investment effects disappear. Responses to other survey questions also refute the idea that bribery is useful. Even the fastest growing firms described corruption as a very serious obstacle to business development, and firms that have paid bribes describe corruption as more serious an obstacle than do their counterparts that did not pay bribes, a fact that is true for growing firms and shrinking firms alike. Rather than being useful for growth, the corruption faced by enterprises hinders them from growing to their full potential.

¹⁹ For example, EBRD *Transition Report 1999* found that small firms made unofficial payments more frequently than larger firms.

²⁰ Small firms were those with less than 15 full-time employees. Thirty-seven percent of small firms had made an unofficial payment over the three years before the survey, compared to 47 percent of medium and large firms. These differences are significant in pairwise t-tests at the 15 and 10 percent levels, for the 2 month and 3 year horizons, respectively.

²¹ These differences are statistically significant at the 5 and 1 percent levels in pairwise t-tests.

²² Probit regressions were run with dummies for paying bribes over the previous two months and three years as the dependent variables, with size, age, business association membership, sector, region dummies plus dummies for contact each of 26 state agencies on the right hand side. Membership in business associations remained significant at the 1 percent level.

²³ Significant at the 10 percent level in pairwise t-tests.

²⁴ In the two months before the survey, 24 percent of firms that had made recent major investments said they had made unofficial payments, compared to 14 percent for firms that had not invested. Similarly, 21 percent of firms planning a major investment had made an unofficial payment, versus 12 of firms that are not planning a major investment. Both results are significant at the 10 percent.

Household Characteristics

Households with certain characteristics are significantly more likely to have made unofficial payments. Those with higher income are significantly more likely to have made unofficial payments in the previous three years, as are households that engage in business activities. Respondents with driver's licenses are more likely to have made unofficial payments, consistent with the finding that payments to traffic police are common. Older respondents are more likely to have made unofficial payments than younger respondents, and female respondents were more likely to have made unofficial payments than male respondents. Those with higher levels of education are more likely to have made unofficial payments than those with lower levels of education, although this seems to be generated by the fact that those with higher levels of education generally have higher income, are likely to be drivers, and have more contact with public officials.²⁵

The fact that richer households seem more likely to have made unofficial payments, even after controlling for the fact that wealthier households are more likely to contact various agencies²⁶, illustrates that richer households may be able to buy their way out of difficulties that poorer households can not. Indeed, while the household survey data show clearly that wealthier households are more likely to have made unofficial payments, the data also show that the impact on poorer households is greater. The size of the *pozornost* paid in the health sector, for example, is entirely uncorrelated with level of income, implying that the payments as a share of income are larger for poorer households. Consider, for example, the relatively small *pozornost* payments provided for general medical practitioners. These payments of 20 to 1,000 SK represent 0.3 percent to 9 percent of monthly income. While the median visit to a general practitioner represented 1 percent of household income, the poorest third of the population paid an average of 3.6 percent of an already small monthly income for a visit to the doctor.²⁷

²⁵ Since many of the characteristics are related to each other, probit regressions were performed to find out which factors are correlated with the probability of making unofficial payments after controlling for all other factors. The dependent variable was the dummy for having paid a bribe in the previous three years; all of the household and respondent characteristics described in this paragraph were on the right hand side. All were significant at the 5 percent level or higher. After adding dummies for contact with state bodies on the right hand side, education was no longer significant, and gender, income, and ownership of business fell to the 10 percent level of significance.

²⁶ Many "at a glance" tables in this report show that the poorest third of households contacted state agencies at lower rates than wealthier households.

²⁷ Regressing the share of income paid in *pozornost* for a single visit to a general practitioner on the level of income results in a negative coefficient which is significant at the 5 percent level. These analyses only include cases where the respondent could estimate the value of the *pozornost*.

3. Experiences with Corruption

This section of the report summarizes respondent’s experiences with governmental bodies in terms of corruption, the nature of unofficial payments, reasons paid, and the satisfaction levels of clients.

Social Sectors

Health Sector

The one state sector that arguably touches the largest portion of the population is the health sector – over 80 percent of the households in our survey had visited a medical facility in the previous two years, far surpassing any other body. In the eyes of the public, the health sector is also the one touched with the most widespread corruption problem, topping the list (Figure 5) for households and public officials.

This section of the report presents the responses to the household survey about experiences in the health sector. Respondents were asked about their three most recent experiences with the health sector, identifying whether the visit was to a general medical practitioner, specialist, dentist, hospital stay, or emergency treatment. Since respondents were asked about specific visits, their answers are very clearly based on actual experiences, and since a single household could report on up to three visits, evaluations were provided for over 1,700 visits to medical facilities. Nearly half of the medical visits were to general practitioners, followed by medical specialists, and dentists. (See Table 5.) There were many fewer interactions with hospital stays and emergency treatment.²⁸ Since respondents could provide answers for either state or private facilities, it is possible to compare responses for each type – these comparisons will make clear that unofficial payments are widespread in private facilities as well as those run by the state.

Table 5. Of those visiting medical facility, percentage visiting

| | |
|----------------------|------|
| General practitioner | 47.7 |
| Medical specialist | 24.7 |
| Dentist | 17.5 |
| Stay in hospital | 6.9 |
| Emergency | 3.3 |

Ratings of Quality

For each visit to a medical facility, respondents were asked to provide a rating of the quality of the staff, the facility, and the length of waiting time. Ratings went from 1 to 5, where 1 and 2 indicate satisfaction, and 4 and 5 indicate dissatisfaction. Overall, responses leaned towards satisfaction, as the means were always under 3. (See Table 6.)

People were generally least satisfied with the length of waiting time, except for hospital stays, in which case they were least satisfied with the facilities. (For emergency care, there was not much difference in the levels of satisfaction.) On the whole, people were least satisfied with emergency treatment and hospital stays, the two types of medical visits for which there is virtually no private sector alternative. In evaluating

²⁸ The sample size is large enough that one can still make meaningful evaluations of hospital stays and emergency treatment (e.g., the 3.3 percent of visits for emergency treatment still constitutes 56 observations).

the care of staff, people were least satisfied with emergency room and hospital staff, most satisfied with dentists and specialists. In terms of the length of waiting time, people were least satisfied with emergency room visits and general medical practitioners. People were least satisfied with the facilities for emergency room visits and for stays in the hospital.

| | Care of Staff | Length of Waiting Time | Facilities |
|----------------------|---------------|---------------------------|------------|
| General practitioner | 2.02 | 2.80 | 2.27 |
| Medical specialist | 1.85 | 2.42 | 2.09 |
| Dentist | 1.81 | 2.20 | 1.82 |
| Stay in hospital | 2.34 | 2.36 | 2.66 |
| Emergency | 2.55 | 2.63 | 2.66 |

Comparing responses for state and private facilities reveals that satisfaction was higher for the care of staff at private general practitioners and private dentists than for their state counterparts. There was no real difference in the staff quality ratings for state and private specialists.

| | Care of Staff | | Length of Waiting Time | | Facilities | |
|----------------------|---------------|---------|---------------------------|---------|------------|---------|
| | State | Private | State | Private | State | Private |
| General practitioner | 2.13 | 1.85 | 2.93 | 2.58 | 2.37 | 2.15 |
| Medical specialist | 1.83 | 1.83 | 2.50 | 2.21 | 2.11 | 2.01 |
| Dentist | 2.01 | 1.70 | 2.28 | 2.15 | 2.03 | 1.70 |
| Stay in hospital | 2.38 | NA | 2.37 | NA | 2.71 | NA |
| Emergency | 2.58 | NA | 2.27 | NA | 2.74 | NA |

Note: There are only three observations each for private hospital stays and emergencies. For this reason, NA will be used for these services throughout.

For length of waiting time, people were equally satisfied with state and private dentists, but preferred private practitioners and specialists over their state counterparts. Private facilities generally received better facilities quality ratings than state counterparts.

Pozornost – Bribe Paying and Gift Giving in the Slovak Health Sector

By far, the type of service for which some *pozornost* is paid most often is for hospital stays. Nearly six out of ten respondents who stayed in the hospital paid some attention, and most of them said it was not just a voluntary expression of gratitude. Thankfully, *pozornost* is not paid frequently for emergency situations. For private and state facilities alike, people paid some attention more often for medical specialists than they did for general practitioners, or dentists.

The gifts, counter services, and money provided by patients to health care providers, *pozornost*, are in some instances similar to bribes, for example when the patient feels it is necessary to receive proper care, and in some instances merely a small token of gratitude. Since there is no objective dividing line between acceptable gifts and unacceptable bribes, this and following sections of the report will simply report on *pozornost* – in most cases statistics will be provided to indicate the proportion of cases for which the *pozornost* was voluntary or involuntary, and whether the payer felt it was just an expression of gratitude or a way of ensuring proper care. Revising ethics guidelines for staff in the health sector (and others) to clearly delineate acceptable gifts from unacceptable gifts should be an important component of public sector reforms for fighting corruption.

| | Overall | State facility | Private facility |
|----------------------|---------|----------------|------------------|
| General practitioner | 15.8 | 15.0 | 17.8 |
| Medical specialist | 29.5 | 31.0 | 27.0 |
| Dentist | 18.2 | 18.7 | 18.1 |
| Stay in hospital | 58.6 | 58.2 | NA |
| Emergency | 5.4 | 5.8 | NA |

Note: some respondents did not know whether they had visited a state or private facility, explaining why the overall and state percentage of visits at which *pozornost* was paid differ.

Types of *Pozornost*

For each interaction with a medical facility, respondents were asked whether attention was paid and whether it was paid in the form of a gift, a counter service, or money. The responses are summarized in Table 9.

| | Gift | Counter-service | Money |
|----------------------|------|-----------------|-------|
| General practitioner | 11.3 | 2.7 | 3.7 |
| Medical specialist | 22.3 | 4.5 | 7.8 |
| Dentist | 12.8 | 3.4 | 6.7 |
| Stay in hospital | 41.4 | 5.2 | 29.3 |
| Emergency | 1.8 | 0.0 | 3.6 |

Notes: These are overall frequencies from the whole sample of people who visited a practitioner. It is not restricted to those who paid bribes. Also, some respondents gave combinations of various forms of attention (e.g., gift and money), and for this reason the rows add up to more than the total percentage of people giving some attention.

Four of ten respondents who visited the hospital left some gift, and one in five who visited a specialist left some gift. Gift-giving for state and private facilities were on the same scale, except in the case of specialists. Respondents who visited state medical specialists were much more likely to give a gift than those who visited a private specialist. Three in ten respondents who visited the hospital paid *pozornost* in the form of cash. It is also clear from Table 10 that cash is used for private medical practitioners, specialists and dentists, as well as public.

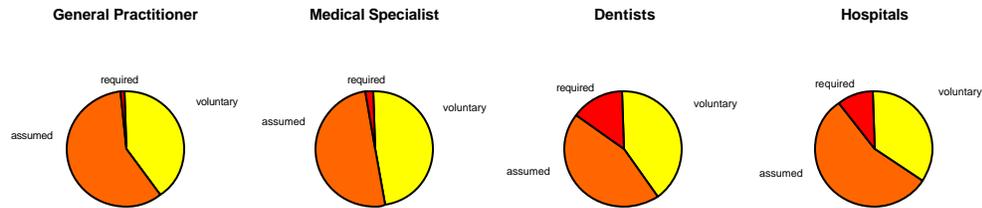
| | Gift | | Counter service | | Money | |
|----------------------|-------|---------|-----------------|---------|-------|---------|
| | State | Private | State | Private | State | Private |
| General practitioner | 11.1 | 12.4 | 2.5 | 3.4 | 3.5 | 4.0 |
| Medical specialist | 25.5 | 16.5 | 4.1 | 6.1 | 6.8 | 9.6 |
| Dentist | 12.1 | 13.3 | 6.5 | 1.6 | 6.5 | 6.9 |
| Stay in hospital | 40.9 | NA | 5.5 | NA | 28.2 | NA |
| Emergency | 1.9 | NA | 0.0 | NA | 3.8 | NA |

Is the *Pozornost* Completely Voluntary, Assumed to be Necessary, or Demanded by the Medical Staff?

The household questionnaire asked respondents who paid *pozornost* for a medical visit whether it was required, assumed to be necessary, or completely voluntary. Forty-three percent said that “nobody required it – just wanted to give it”, 52 percent said that “nobody required it, but this is just the way it goes”, and 5

percent said it was “required by the medical workers”. Hospitals, by far the type of facility at which respondent were most likely to have paid some attention, were also the type of facility for which the attention was least likely to be voluntary. (See Figure 12.)

Figure 12. Medical *Pozornost*: Voluntary, Assumed, or Required?



There is a sharp dichotomy between the reasons for paying *pozornost* to state and private practitioners. For general practitioners and dentists, those visiting private practitioners were much more likely to be making the payments voluntarily, while those visiting state practitioners were more likely to either be required to pay or to just figure that this is the way it goes. By contrast, for medical specialists, respondents visiting private practitioners were more likely to report that “this is just the way it goes”.

Size of *Pozornost*

Overall, 27 percent of respondents who admitted paying some attention for medical visits refused to answer when asked for the amount.²⁹ It is reasonable to assume that these were likely to be the larger amounts, in which case estimates of the size of the bribes would be biased downward. Indeed, the refusal rates were highest for hospital stays and for medical specialists, the two types of practitioners with the highest value “attention.” (See Table 11.)

| | Average | Median | Min | Max | N | Percent refusals |
|----------------------|---------|--------|-----|---------|-----|------------------|
| Overall | 1110 | 200 | 20 | 100,000 | 197 | 27.4 |
| General practitioner | 227 | 100 | 20 | 1,000 | 71 | 20.5 |
| Medical specialist | 806 | 300 | 20 | 5,000 | 59 | 29.8 |
| Dentist | 463 | 300 | 30 | 2,500 | 27 | 29.6 |
| Stay in hospital | 3665 | 500 | 50 | 100,000 | 38 | 35.3 |

All amounts in SK.

Reason for *Pozornost*

Respondents were asked to describe the specific reasons for paying the *pozornost*, and their open-ended responses are categorized and summarized in Table 12. Most responded that they paid the attention to improve quality or to express thankfulness. It should be noted that while many said the attention was paid

²⁹The questionnaires made it possible to distinguish between refusals and answers of “I don’t know”.

to express thanks, the fact that the health sector is perceived to be the most corrupt suggests that people view their *pozornost* payments, however voluntary they may be, as “corruption” nevertheless.

When developing an anticorruption strategy for the health sector, it will be important to address the entire system, beginning with the medical universities. As discussed below, bribes seem to be routinely paid for admittance to medical school, a practice which sets a bad tone for those entering the medical profession. (See Table 22.)

Table 12. If paid *pozornost* what was the reason?

| | Overall | General Practitioner | Medical Specialist | Dentist | Stay in Hospital |
|---|---------|----------------------|--------------------|---------|------------------|
| Improve quality of health care | 34.6 | 22.4 | 41.6 | 33.3 | 41.3 |
| To get better prescription drugs | 5.7 | 8.4 | 8.8 | 0.0 | 0.0 |
| To be favored—to speed up the examination | 10.8 | 11.2 | 10.6 | 15.7 | 6.9 |
| To express my thankfulness | 32.5 | 38.3 | 28.3 | 29.4 | 32.8 |
| It is a habit, it is common | 10.5 | 10.3 | 8.8 | 9.8 | 15.5 |
| Other | 5.7 | 9.3 | 1.8 | 11.8 | 1.7 |

Education

Like the health sector, the education sector touches nearly every Slovak at some point. Over forty percent of the households that responded to the survey had at least one member in primary, secondary, or vocational schools or universities. Nearly all of the students (95 percent) attended state-run institutions, with the remainder attending church- or private-run institutions.

Satisfaction with the Quality of Staff and Facilities

For every level of schooling, households with students report greater satisfaction with teachers and educators than they do with facilities. On average, households with students reported being somewhat satisfied with the quality of teachers and educators, and there is little difference between the responses for the different levels of schooling. Satisfaction ratings were higher for church-run schools than for state-run schools.

With regard to facilities, there was a marked difference between the quality ratings for primary schools on the one hand, and vocational and secondary schools on the other hand—respondents were much less satisfied with the quality of primary school facilities. Ratings for church and private schools were higher than those of state schools.

Table 13. Ratings of Satisfaction of Educational Institutions

| | N | Percent satisfied with the quality of teachers and educators | Percent satisfied with the quality of facilities |
|--------------------|-----|--|--|
| Overall | 702 | 65.3 | 40.3 |
| Primary schools | 367 | 65.3 | 31.3 |
| Vocational schools | 72 | 68.5 | 51.4 |
| Secondary schools | 193 | 65.8 | 52.3 |
| Universities | 70 | 60.8 | 42.9 |

Includes only the opinions of households with at least one member at that level school in the previous term. Households with satisfaction ratings of 4 or 5 on a scale of 1 to 5 were classified as “satisfied.”

Respondents were also asked about the trends in quality. On average respondents reported little or no change in the quality of schooling at any level over the past three years. Of the households with students at each level of school, slightly more thought the quality of vocational, secondary, and university schools had improved than thought the quality had declined, but the plurality of respondents reported no change. At the primary school level, slightly more thought quality had deteriorated than thought it had improved, but again, the plurality of respondents reported no change.

Pozornost – Bribe Paying and Gift Giving in the Slovak Education Sector

Unofficial payments in the education sector are much less common than in the health sector, though they are by no means uncommon.³⁰ For every eight students enrolled in an educational institution in the previous term, one reported paying some *pozornost*. This statistic, however, masks the great diversity of experience across different levels of schooling. Twenty-two percent of households with university students paid some attention, while only 10-12 percent at other levels paid “attention.”

Table 14. Paying *Pozornost* at Educational Institutions

| | N | Percent reporting paying some <i>pozornost</i> the previous term |
|--------------------|-----|--|
| Overall | 701 | 12.7 |
| Primary schools | 366 | 12.6 |
| Vocational schools | 71 | 9.9 |
| Secondary schools | 194 | 10.3 |
| Universities | 70 | 22.9 |

Includes only the experiences of households with at least one member at that level school in the previous term.

The perceived trend in bribe paying varies tremendously in the education sector. At the primary level, 48 percent of respondents reported that there “was and is no bribery at all”³¹ – 11 percent reported an increase in bribery, and 3 percent reported a decrease in bribery. By contrast, less than 2 percent of respondents at the university level reported there “was and is no bribery at all”, less than 2 percent reported a decrease in bribery, and 82 percent reported that bribery had increased. (Half said bribery had increased immensely.)

Types of *Pozornost* in the Education Sector

The most prevalent form of *pozornost* came in the form of gifts: of those that paid some *pozornost*, 73 percent gave attention in the form of a gift, whereas only 24 and 21 percent provided counter service or paid cash, respectively. (The sum is greater than 100 because, for example, a student could have given both a gift and cash, a common occurrence at the university level.) Again, however, the experience is quite

³⁰ For an analysis of the reasons for bribery in the health and education sectors, see *Faces of Corruption*.

³¹ After dropping responses of “I don’t know.”

different for the different levels of education. As Table 15 makes clear, cash payments were much more common at the university level, while gifts were the norm at lower levels.

Table 15. Types of *Pozornost* paid at Educational Institutions

| | N | proportion of students giving Gifts | proportion of students giving Counter-Service | Proportion of students giving Money |
|--------------------|-----|-------------------------------------|---|-------------------------------------|
| Overall | 701 | 9.3 | 3.0 | 2.7 |
| Primary schools | 366 | 10.9 | 2.7 | 0.8 |
| Vocational schools | 71 | 7.0 | 1.4 | 1.4 |
| Secondary schools | 194 | 6.2 | 2.6 | 3.1 |
| Universities | 70 | 11.4 | 7.1 | 12.9 |

Includes only the experiences of households with at least one member at that level school in the previous term.

Is the *Pozornost* Completely Voluntary, Assumed to be Necessary, or Demanded by the Educational Staff?

Roughly one out of five households that paid attention reported that it was required by the school workers, while nearly half reported giving the attention freely; the remaining 30 percent reported that “nobody required it, but I know this is the way it goes.” Consistent with the theme of the earlier sections, university students were the least likely to give voluntarily, and the most likely to give because it was required. (Figure 13). Moreover, the data make clear that gifts are more likely to be voluntary and attention in the form of money is more likely to have been demanded by the school staff—over half of the respondents who gave money reported that it was required of the officials. (Table 16).

Figure 13. Educational *Pozornost*: Voluntary, Assumed, or Required?

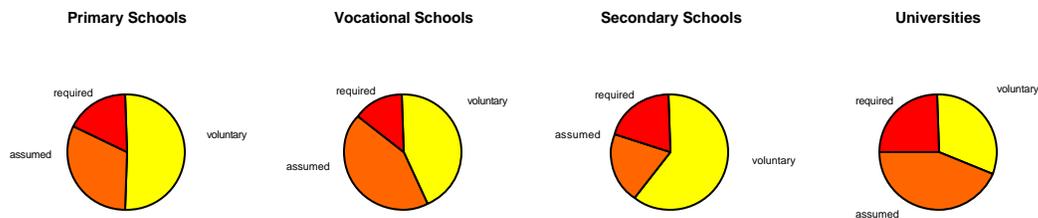


Table 16. Types of *Pozornost* and Who Initiated in the Education Sector

Among the respondents who paid some *pozornost*, the percent who indicated that:

| | N | “nobody required it—I just wanted to give it” | “nobody required it, but I know this is the way it goes” | “the school workers required it” |
|------------------------------------|----|---|--|----------------------------------|
| Overall | 89 | 48.3 | 32.6 | 19.1 |
| Gift only | 59 | 59.3 | 32.2 | 8.5 |
| Counter-service only | 11 | 45.5 | 36.4 | 18.2 |
| Money only | 11 | 9.1 | 45.5 | 45.5 |
| Money plus Gift or Counter-service | 8 | 25.0 | 12.5 | 62.5 |

Includes only the experiences of households that reported paying some attention at that level school in the previous term.

Reasons for Paying *Pozornost*

Respondents were asked in an open-ended question why they had paid some attention. Most of the people who had paid said they did so to gain some benefits for the child, or simply because it is a routine part of the educational process. (See Table 17.) At the primary level, attention was less likely to be paid for the purposes of helping the child than for the other levels of schooling – only 13 percent of the primary school attendees that paid attention did so to help the student, whereas 56 to 75 percent of those paying attention at the secondary and university level did so to help the students. Similarly, those giving money were much more likely to be doing so to gain benefits for the student than those who merely gave gifts. (See Table 18.)

Table 17. Reasons for Paying *Pozornost* in the Education Sector

Among the respondents who paid some *pozornost*, the percent who described the reason as:

| | N | advantages for the student | sponsorship of school | Express thankfulness | routine | Other |
|--------------------|----|----------------------------|-----------------------|----------------------|---------|-------|
| Overall | 71 | 35.2 | 19.7 | 9.9 | 26.8 | 8.5 |
| Primary schools | 38 | 13.2 | 28.9 | 13.2 | 36.8 | 7.9 |
| Vocational schools | 5 | 40.0 | 0.0 | 40.0 | 20.0 | 0.0 |
| Secondary schools | 16 | 56.3 | 18.8 | 0.0 | 12.5 | 12.5 |
| Universities | 12 | 75.0 | 0.0 | 0.0 | 16.7 | 8.3 |

Includes only the experiences of households that reported paying some attention at that level school in the previous term. The responses from an open-ended question were categorized into one of the five column headings.

Table 18. Reasons for Paying *Pozornost* in the Education Sector, by Types

Among the respondents who paid some *pozornost*, the percent who described the reason as:

| | N | advantages for the student | sponsorship of school | Express thankfulnes s | routine | other |
|---------------------------------------|----|----------------------------------|--------------------------|-----------------------------|---------|-------|
| Overall | 71 | 35.2 | 19.7 | 9.9 | 26.8 | 8.5 |
| Gift only | 49 | 22.4 | 16.3 | 14.3 | 36.7 | 10.2 |
| Counter-service only | 5 | 60.0 | 20.0 | 0.0 | 20.0 | 0.0 |
| Money only | 9 | 77.8 | 22.2 | 0.0 | 0.0 | 0.0 |
| Money plus Gift or Counter-service | 8 | 50.0 | 37.5 | 0.0 | 37.5 | 37.5 |

Includes only the experiences of households that reported paying some attention at that level school in the previous term. The responses from an open-ended question were categorized into one of the five column headings.

What Causes Bribery of School Workers?

Respondents were asked to evaluate the reasons that bribery of school workers exists. The responses, presented in Table 19, suggest that the most important reason is to gain admittance to the school, with over three fourths of households reporting claiming this to be “very often a reason” for bribery of school workers. Nearly half also report that bribes take place to get better grades. Many respondents also gave credence to the idea that bribes are an expression of thankfulness, or a matter of routine. Few respondents believed that bribes are paid due to low salaries or low budgets for the education sector.³²

³² Respondents who work in the education sector were slightly more likely to respond that low salaries and budget are the cause of bribery, but the difference is not tremendous: only 9 percent said low salaries were “very often a reason”, while 41 percent low salaries were “very rarely a reason” for bribery of school workers.

Table 19. Reasons Bribes are Paid to School Workers

Among the respondents who paid some *pozornost*, the percent who described the reason as:

| | Very often a reason 1 | 2 | 3 | 4 | Very rare reason 5 |
|--|-----------------------------|------|------|------|--------------------------|
| to get the child to the school | 80.6 | 13.5 | 4.0 | 0.6 | 1.3 |
| to get better grades | 21.3 | 27.1 | 30.3 | 14.3 | 7.0 |
| because the school workers request it directly or indirectly | 7.2 | 9.3 | 30.1 | 29.2 | 24.2 |
| because the teachers are insufficiently paid | 5.4 | 4.9 | 22.9 | 24.3 | 42.5 |
| because the education has a very low budget | 5.6 | 6.9 | 17.9 | 19.0 | 50.6 |
| to express their thanks for the teachers | 13.6 | 26.6 | 25.1 | 13.4 | 21.2 |
| because it is a tradition, it is common | 18.5 | 15.6 | 31.4 | 15.1 | 19.4 |

Note: This table includes only the opinions of households with at least one student in school. Responses of “I don’t know” were dropped in calculating the table above.

Size of *Pozornost* in the Education Sector

The size of the bribes paid in the education sector range from 35 SK to 50,000 SK, with a median of 500 SK. University students paid the highest bribes by a large margin. (See Table 20.)

Table 20. Size of *Pozornost* (SK) at Various Levels of Education

Among the respondents who paid some *pozornost*:

| | N | Mean | Min | Max |
|--------------------|----|-------|-----|--------|
| Overall | 53 | 2,296 | 35 | 50,000 |
| Primary schools | 27 | 788 | 35 | 5,000 |
| Vocational schools | 4 | 875 | 100 | 3,000 |
| Secondary schools | 12 | 2,358 | 100 | 15,000 |
| Universities | 10 | 6,860 | 500 | 50,000 |

Includes only the experiences of households that reported paying some attention at that level school in the previous term.

Predictably, those who gave money were the most likely to refuse to answer the question (16 percent versus 9 percent for those who gave a gift or counter-service), and those who gave counter-service were the most likely to respond that they did not know the value (48 percent versus 24 percent for those who gave a gift or money). *Pozornost* in the form of gifts are much more likely to be small, averaging about 950 SK, while the average value for those paying money and counter-service fell in the 6,000 to 7,000 range. (See Table 21.)

Table 21. Size of *Pozornost* (SK) and the Reasons for Paying in the Education Sector
Among the respondents who paid some *pozornost*:

| | N | Mean | Min | Max |
|---------------------------------|----|--------|-------|--------|
| Overall | 53 | 2,296 | 35 | 50,000 |
| Gift only | 37 | 702 | 35 | 5,000 |
| Counter-service only | 1 | 700 | 700 | 700 |
| Money only | 9 | 3,000 | 100 | 15,000 |
| Money + Gift or Counter-service | 6 | 11,333 | 2,000 | 50,000 |

Includes only the experiences of households that reported paying some attention at that level school in the previous term.

Bribery for Admittance to Higher Education

The household surveys asked respondents whether they thought it was or was not possible to gain admittance to each of seven types of schools. The results, presented in Table 22, clearly show the perception that bribes for admittance to higher education are widespread. Even when restricting the sample to those with household members at universities, and those who work in the education sector – presumably these respondents have solid information on which to base their perceptions – around half the respondents feel that it is absolutely not possible to gain admittance to medical or law schools without paying bribes. Only 14 percent believe it is possible to gain admittance to medical school without bribes, only 10 percent for law school.³³ (See Figure 14.) These responses are consistent with the perception – backed up by actual experiences – that unofficial payments are common in the health and legal sectors. The responses also show, quite clearly, that an anticorruption strategy for these sectors must take a systemic approach, examining the not just the delivery of judicial and health services, but the institutions that train and certify professionals, as well.

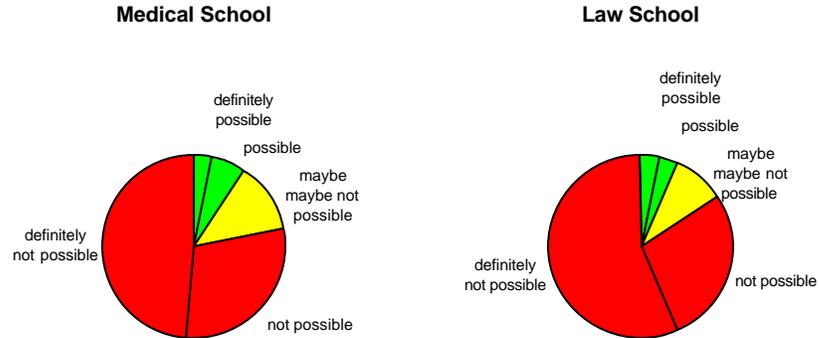
Table 22. Bribery for Admittance to Higher Education

| | Percentage of respondents who think “it is definitely not possible to be accepted without a bribe” (Responses of 5 on a scale of 1 to 5) | | |
|------------------|--|-------------------------------------|---|
| | Entire Sample | Households with university students | Respondents working in the education sector |
| Medicine | 55.7 | 45.3 | 48.7 |
| Law | 61.2 | 50.8 | 56.6 |
| Economy | 30.8 | 19.4 | 24.8 |
| Natural Sciences | 16.4 | 9.4 | 7.0 |
| Technology | 10.1 | 4.5 | 5.4 |
| Social Sciences | 15.0 | 12.1 | 9.0 |
| Artistic | 37.6 | 36.1 | 26.8 |
| Universities | | | |

³³ Based only on the opinions of respondents who work in the education sector.

Figure 14. Bribery for Admittance to Medical and Law Schools

“Is it possible to be admitted to each of the following schools without paying bribes?”
 (Responses of households with at least one member working in the education sector.)



Labor Office

The labor office serves two functions in Slovakia, assisting unemployed people with their job search, and providing benefits to the unemployed. Although satisfaction ratings were very low, few respondents reported paying bribes either for employment help or for benefits. (See Tables 23 and 24.)

Table 23. Labor Office to Find Employment at a Glance

| | Overall | Poorest 30% | Middle 40% | Richest 30% |
|----------------------------|---------|----------------|---------------|----------------|
| CONTACT | 18.7 | 17.9 | 19.1 | 20.2 |
| NO. VISITS | 8.1 | 10.6 | 9.4 | 5.8 |
| OTHER INSTITUTIONS | 64.6 | 66.7 | 68.9 | 55.9 |
| POZORNOST | 1.7 | 3.1 | 1.9 | 0.0 |
| - NECESSARY | 100.0 | 100.0 | 100.0 | Na |
| SATISFACTION WITH BEHAVIOR | 30.8 | 28.1 | 36.5 | 35.0 |
| OVERALL SATISFACTION | 24.6 | 23.3 | 25.5 | 25.0 |

Table 24. Unemployment Benefits at a Glance

| | Overall | Poorest 30% | Middle 40% | Richest 30% |
|----------------------------|---------|----------------|---------------|----------------|
| CONTACT | 17.5 | 18.1 | 16.1 | 18.2 |
| NO. VISITS | 4.4 | 7.6 | 4.3 | 3.6 |
| OTHER INSTITUTIONS | 66.4 | 78.9 | 63.2 | 56.7 |
| POZORNOST | 3.2 | 4.0 | 4.9 | 5.7 |
| - NECESSARY | 60.0 | 100.0 | 50.0 | 50.0 |
| SATISFACTION WITH BEHAVIOR | 33.3 | 20.0 | 48.8 | 40.0 |
| OVERALL SATISFACTION | 33.1 | 20.8 | 39.0 | 40.0 |

Justice System

Courts³⁴

Of all the obstacles that enterprises face in their business development, “slowness of courts” was selected by 80 percent of enterprises as one of the three most serious obstacles they face, as many or more than selected “high tax rates” or “shortage of loan resources”. (See Figure 9.) A further 75 percent of enterprises indicated “low executability of justice” to be a major problem.

More than one in four enterprises had been involved in a court case in the previous twelve months, and 35 percent had used the courts to settle business disputes in the two years before the survey. Among these, nearly 19 percent indicated that they had encountered bribery. While the percentage encountering bribery was lower than for several regulatory bodies, the size of bribes was much larger. The average bribe was over 25,000 SK, and the median was over 11,000 SK, more than any of the other 20 governmental bodies covered by the enterprise survey. Courts also received a dismal quality rating, among the worst in the survey. Only one out of nine enterprises that were involved in court cases gave favorable ratings for quality.

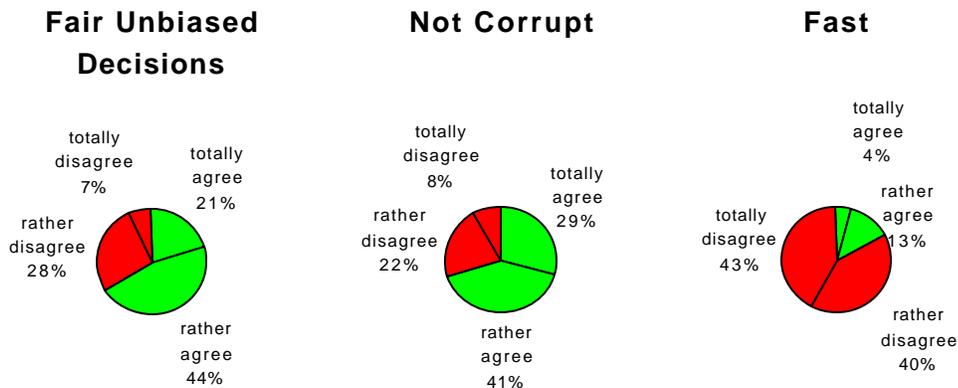
Table 25. Courts at a Glance: the Enterprise Perspective

| | Overall | Small | Medium and Large ¹ | New |
|-----------------------------|---------|--------|-------------------------------|--------|
| CONTACT | 27.3 | 19.8 | 48.2 | 16.3 |
| FIRMS ENCOUNTERING BRIBERY | 18.9 | 19.2 | 18.9 | 28.6 |
| VISITS ENCOUNTERING BRIBERY | 10.4 | 11.4 | 9.7 | 12.2 |
| BRIBE SIZE | 25,500 | 29,250 | 21,750 | 53,000 |
| RATING OF QUALITY | 11.4 | 11.6 | 12.6 | 13.3 |

Households reported similar experiences with the courts. Of the 13 percent of households that were involved in court trials, 25 percent gave something “special” to a court employee, judge, or attorney. The rate was highest among those who were the accusing parties in civil trials, such as divorces, property disputes, etc. – 32 percent made such unofficial payments.

Enterprises that had been to court in the previous two years were asked to evaluate their experience by stating whether they agree or disagree that the procedure was fair and unbiased, free of corruption, and fast. Thirty five percent responded that the procedure was unfair or biased, and 30 percent felt it was corrupt. The responses to the question about the speed of the proceeding were the most striking – less than 17

Figure 15.
Court Proceedings were ...

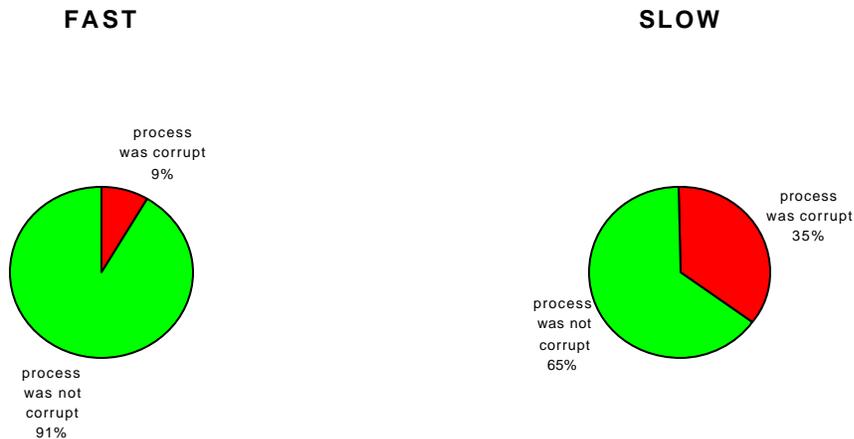


³⁴ The Business Registry, although handled by the courts, will be discussed in the section on enterprise regulation, below.

percent felt the process was fast and without unnecessary delays. These responses are consistent with the finding described earlier that slowness of courts is a major problem.

Slowness and inefficiency of courts are problems in themselves, but they are also key causes of corruption. Among enterprises that were involved in court proceedings, those that found proceedings to be fast were one fourth as likely to report that it was corrupt than those who reported the proceedings to be slow.

Figure 16.
Those who found the court proceedings ...



Again, the households survey responses echo the responses of enterprises. When asked the reason that they had made unofficial payments, more than half indicated “to speed up the trial” as the main reason.³⁵ Seventeen percent said the main reason was to influence the court’s decision, and 12 percent said they gave out of gratefulness. The “time cost” of going to court is also indicated as a key reason that people do not appeal to courts even when they have cause to. Sixty-eight percent of households said that the reason people avoid the courts is that the time from filing to completion is too long. The only reason for avoiding courts cited by more respondents was that “official trial fees are too high.” Slowness and high fees are not the only reason people avoid the courts, however. Forty-three percent of respondents said that people frequently avoid the courts because of the necessity to pay bribes.

By the perception of the households that participated in the survey, the problem of court inefficiency and bribery has become worse over the past three years. Twenty seven percent said that the quality of work in the judiciary has worsened, while only 7 percent said it had improved. Regarding the degree of bribery, the responses were even more dismal: forty-five percent said bribery in the judicial system had worsened, while only 2 percent said it had improved.

³⁵ Fifty five percent identified “to speed up the trial” as the main reason, and 65 percent as one of the top three reasons.

Police

Investigations of Violent and Property-Related Crimes

One in twelve Slovak households said that a household member had been a victim of a violent crime in the previous 3 years; nearly one in four said they had been victims of property-related crimes. Many of these crimes went unreported: 43 percent of violent crimes and 31 percent of property-related crimes were not reported to the police. Of those that were reported to the police, only 21 percent of violent crimes and 16 percent of property-related crimes were solved, according to respondents. Of those that did report the crimes, few were satisfied with the investigations: 24 percent and 17 percent for violent and property-related crimes, respectively. (See Table 26.)

Table 26. Police Investigations

| | Violent crimes | Property-related crimes |
|--|----------------|-------------------------|
| Percentage reporting being a victim of a crime | 8.3 | 23.4 |
| Percentage reporting the crime | 57.0 | 69.1 |
| Percentage reporting that the criminal was caught | 20.8 | 15.9 |
| Of those who reported the crime, the percentage satisfied with the investigation | 23.5 | 17.3 |
| Of those who reported the crime, the percentage that paid some attention | 3.8 | 3.4 |

Includes only the opinions of households that were victims of violent, or property-related crime, respectively. Households with satisfaction ratings of 4 or 5 on a scale of 1 to 5 were classified as “satisfied.”

Although victims of crimes were generally unsatisfied with the investigative efforts of the police, only two victims of violent crimes (less than 4 percent), and seven victims of property-related crime (also less than 4 percent), reported having paid some *pozornost*. Only a single victim of either type of crime reported paying money. (The money was paid during the investigation.) One victim of a crime reported that the police workers required the bribe, the balance saying either that they gave voluntarily, or they “know this is the way it goes.”

Although many of the crimes were not reported to the police, the reasons were usually personal (“the crime was not so serious”, or “reporting it would just cause problems”). However, there were a few cases where the respondents reported distrust toward the police, or complicated procedures as motives for keeping quiet.

Traffic Police

In most countries the traffic police are believed to be frequent recipients of unofficial payments. The power to levy fines or other penalties, in an environment without witnesses, makes it tempting for the policeman and a driver to arrive at a mutually satisfactory arrangement. But rather than the fines flowing into the state’s coffers and the driver’s record accurately reflecting offenses, the bribes reside with the policemen and there is no public record of a driver’s infractions.

In Slovakia, the traffic police receive much poorer ratings from the citizenry than do their counterparts in criminal investigations and issuing documents. Of the 388 respondents to the household survey that have driver’s licenses and own cars, 37 percent reported that they have paid a bribe to a traffic policeman at least

once, and 19 percent said they had done so several times.³⁶ Similarly, entrepreneurs reported that one in four times that they encounter the traffic police they end up paying a bribe.

Police as Issuers of Identity Cards, Passports, and Driving Licenses

In their functions as issuers of identity cards, passports, and driving licenses, the police receive very high marks for satisfaction and for the low need for unofficial payments. (See Tables 27 through 29.) Satisfaction ratings are among the highest, and experiences with corruption among the lowest of the bodies and services rated by households.

| | Overall | Poorest 30% | Middle 40% | Richest 30% |
|----------------------------|---------|----------------|---------------|----------------|
| CONTACT | 27.1 | 22.7 | 29.7 | 33.9 |
| NO. VISITS | 1.7 | 1.8 | 1.7 | 1.7 |
| OTHER INSTITUTIONS | 28.6 | 30.0 | 24.2 | 21.8 |
| <i>POZORNOST</i> | 2.2 | 3.3 | 0.0 | 3.4 |
| - NECESSARY | 80.0 | 100.0 | Na | 50.0 |
| SATISFACTION WITH BEHAVIOR | 75.2 | 80.3 | 77.9 | 75.9 |
| OVERALL SATISFACTION | 74.9 | 83.3 | 77.9 | 74.1 |

| | Overall | Poorest 30% | Middle 40% | Richest 30% |
|----------------------------|---------|----------------|---------------|----------------|
| CONTACT | 15.5 | 10.7 | 16.4 | 25.2 |
| NO. VISITS | 1.7 | 2.1 | 1.7 | 1.7 |
| OTHER INSTITUTIONS | 27.0 | 33.3 | 18.2 | 23.3 |
| <i>POZORNOST</i> | 2.4 | 0.0 | 2.9 | 0.0 |
| - NECESSARY | 100.0 | Na | 100.0 | Na |
| SATISFACTION WITH BEHAVIOR | 66.1 | 77.8 | 64.7 | 75.0 |
| OVERALL SATISFACTION | 71.2 | 66.7 | 61.8 | 83.3 |

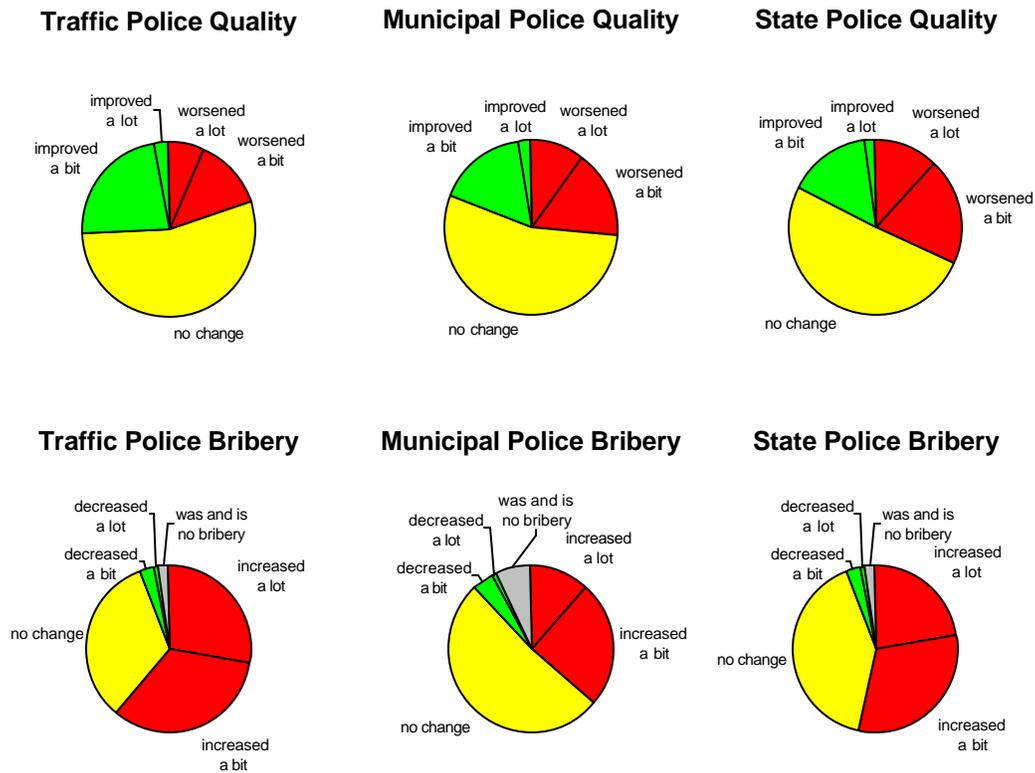
| | Overall | Poorest 30% | Middle 40% | Richest 30% |
|----------------------------|---------|----------------|---------------|----------------|
| CONTACT | 27.6 | 20.9 | 30.9 | 38.4 |
| NO. VISITS | 1.9 | 1.8 | 1.9 | 2.0 |
| OTHER INSTITUTIONS | 20.6 | 8.3 | 20.6 | 21.7 |
| <i>POZORNOST</i> | 4.2 | 0.0 | 7.4 | 4.7 |
| - NECESSARY | 44.4 | Na | 60.0 | 33.3 |
| SATISFACTION WITH BEHAVIOR | 72.8 | 75.0 | 76.1 | 71.9 |
| OVERALL SATISFACTION | 74.0 | 83.3 | 79.4 | 64.1 |

³⁶ The percentages refer to all drivers who own cars. Some of these respondents may have never been stopped by the traffic police.

Trends in Quality and Bribery

Figure 17 shows the household perceptions of how quality has changed in the last three years and whether they think bribery has increased or decreased in the past three years. For the traffic police, slightly more respondents believe that quality has increased than believe it has declined, the reverse being true for municipal and state police.³⁷ In terms of bribery, the pattern is the opposite: a large majority of respondents believe that corruption among the traffic police has increased, more so than for municipal or state police.

Figure 17. Trends in Quality and Bribery in the Police (perceptions of households)



³⁷ The question was phrased in a way to elicit opinions about municipal and state police *excluding* traffic police.

Cadastre

The Cadastre is responsible for maintaining records of, registering changes in, and providing verification of land ownership. Most households that interacted with the cadastre reported being satisfied with their experience, although the fact that 40 percent were not satisfied suggests much room for improvement. Roughly one in seven households that had visited the Cadastre reported making an unofficial payment, the majority of those feeling that it was necessary to do so.

Table 30. Cadastre Registrations at a Glance

| | Overall | Poorest 30% | Middle 40% | Richest 30% |
|----------------------------|---------|----------------|---------------|----------------|
| CONTACT | 21.2 | 16.8 | 24.8 | 26.4 |
| NO. VISITS | 3.2 | 2.4 | 3.0 | 2.5 |
| OTHER INSTITUTIONS | 55.1 | 51.9 | 52.9 | 50.0 |
| <i>POZORNOST</i> | 14.4 | 10.3 | 16.9 | 14.0 |
| - NECESSARY | 70.4 | 100.0 | 83.3 | 66.7 |
| SATISFACTION WITH BEHAVIOR | 57.7 | 63.0 | 66.7 | 60.5 |
| OVERALL SATISFACTION | 54.7 | 60.7 | 58.3 | 60.5 |

Table 31. Cadastre Information Requests at a Glance

| | Overall | Poorest 30% | Middle 40% | Richest 30% |
|----------------------------|---------|----------------|---------------|----------------|
| CONTACT | 22.1 | 18.1 | 26.1 | 26.0 |
| NO. VISITS | 2.7 | 2.3 | 2.6 | 2.5 |
| OTHER INSTITUTIONS | 52.1 | 41.7 | 47.5 | 54.5 |
| <i>POZORNOST</i> | 13.3 | 0.0 | 14.5 | 17.8 |
| - NECESSARY | 79.2 | Na | 77.8 | 87.5 |
| SATISFACTION WITH BEHAVIOR | 51.1 | 53.8 | 55.6 | 53.3 |
| OVERALL SATISFACTION | 55.5 | 65.4 | 58.7 | 57.8 |

Business Services

Banking Services

Although many banking services are provided by private banks, some banks are state owned and all banks, regardless of ownership, are heavily regulated. The importance of the banking sector is evidenced by the fact that nearly three fourths of the enterprises surveyed reported interacting with banks in the previous twelve months. Little more than half gave favorable quality ratings, and one in nine firms reported encountering bribery. (See Table 32.) Large firms were much more likely to encounter bribery than small or new firms. Banking services stand out for the size of the bribes that are paid, averaging over 60,000 SK.

The enterprise survey also included questions specifically about experiences in trying to get loans, and the responses make clear that bribes paid to private banks are as common, or more so, than bribes to state banks. While only 6 percent of those who applied for loans from state banks reported making an unofficial payment, 13 percent of those who applied for a loan from private banks reported making unofficial payments. Bribe sizes ranged from 2 to 30 percent of the value of the loan, with the average for state and private banks being nearly the same.

The responses to the enterprise survey make clear the link between transparency and bribery in loan processing. (See Figure 18.) Firms that viewed the process as non-transparent were nearly three times as likely to have bribed.

Table 32. Banking Services at a Glance

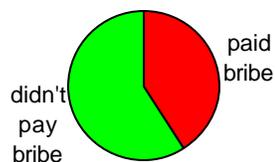
| | Overall | Small | Medium and Large | New |
|-----------------------------|---------|--------|------------------|--------|
| CONTACT | 79.5 | 75.2 | 87.7 | 78.8 |
| FIRMS ENCOUNTERING BRIBERY | 11.1 | 7.3 | 19.8 | 7.4 |
| VISITS ENCOUNTERING BRIBERY | 4.6 | 3.4 | 7.7 | 3.0 |
| BRIBE SIZE | 63,155 | 36,900 | 80,658 | 10,000 |
| RATING OF QUALITY | 53.8 | 57.0 | 45.0 | 50.6 |

Figure 18. Transparency and Bribery in Banking

Firms that said Rules ARE Transparent



Firms that said Rules ARE NOT transparent



Auditor Services

Auditor services are provided by private companies, but their importance in documenting an enterprise's books warrants their inclusion in this section. Only a small percentage of enterprises reported paying bribes to auditors, although the sharp difference between the experiences of small and large companies suggests that small enterprise development may be relatively more hindered by corruption among auditors. (See Table 33.)

Table 33. Auditors at a Glance

| | Overall ¹ | Small | Medium and Large | New |
|-----------------------------|----------------------|-------|------------------------|------|
| CONTACT | 31.2 | 17.3 | 63.3 | 25.3 |
| FIRMS ENCOUNTERING BRIBERY | 3.3 | 6.8 | 1.4 | 4.8 |
| VISITS ENCOUNTERING BRIBERY | 2.4 | 4.3 | 1.4 | 2.4 |
| BRIBE SIZE | 5,000 ^b | 5,000 | Na | Na |
| RATING OF QUALITY | 61.6 | 55.4 | 72.2 | 53.1 |

Notaries

Like auditors, notaries are licensed private people (firms) who provide indispensable business services. Slightly more than one in twenty enterprises that visited notaries reported that an unofficial payment was made – small, new, enterprises were more likely to bribe notaries than large, old firms.³⁸ (See Table 33.)

Table 33. Notaries at a Glance

| | Overall ¹ | Small | Medium and Large | New |
|-----------------------------|----------------------|-------|------------------------|-------|
| CONTACT | 52.1 | 41.3 | 77.1 | 48.8 |
| FIRMS ENCOUNTERING BRIBERY | 5.5 | 7.5 | 3.5 | 11.9 |
| VISITS ENCOUNTERING BRIBERY | 2.3 | 4.0 | 0.5 | 5.3 |
| BRIBE SIZE | 4,429 | 2,800 | 8,500 | 1,333 |
| RATING OF QUALITY | 58.2 | 55.6 | 66.7 | 53.0 |

³⁸ “New” was defined to mean less than three years old.

Utilities

Telephone

Enterprises and households alike must interact with the state-owned telephone company both to get lines installed and for repairs and maintenance. Anecdotally, waiting times can be tremendous, making the alternative of paying a bribe palatable for those who have the money. Of the enterprises that contacted the phone company, 18 percent reported paying bribes – among households that contacted the telephone company for line installation or maintenance, 7 percent said they paid bribes. Enterprises and households alike gave mediocre to poor ratings for quality. (See Tables 35 and 36.)

Table 35. Telecommunications: the Enterprise Perspective

| | Overall | Small | Medium and Large | New |
|-----------------------------|---------|-------|------------------------|-------|
| CONTACT | 68.7 | 60.8 | 81.7 | 63.2 |
| FIRMS ENCOUNTERING BRIBERY | 18.3 | 17.0 | 21.1 | 15.1 |
| VISITS ENCOUNTERING BRIBERY | 9.0 | 8.8 | 10.4 | 7.5 |
| BRIBE SIZE | 7,539 | 3,247 | 12,077 | 4,333 |
| RATING OF QUALITY | 44.9 | 47.5 | 37.5 | 41.1 |

Table 36. Telephone Lines: the Household Perspective

| | Overall | Poorest 30% | Middle 40% | Richest 30% |
|----------------------------|---------|----------------|---------------|----------------|
| CONTACT | 25.4 | 22.7 | 28.5 | 27.3 |
| NO. VISITS | 2.1 | 1.5 | 2.5 | 1.5 |
| OTHER INSTITUTIONS | 13.3 | 3.1 | 18.0 | 7.9 |
| POZORNOST | 7.2 | 2.9 | 14.8 | 0.0 |
| - NECESSARY | 71.4 | 0.0 | 77.8 | Na |
| SATISFACTION WITH BEHAVIOR | 59.4 | 74.2 | 55.7 | 60.0 |
| OVERALL SATISFACTION | 60.3 | 69.7 | 59.0 | 65.0 |

Water, Gas, and Electricity

One in ten enterprises that had contact with water, gas, or electricity companies reported paying a bribe, and quality ratings were mediocre. Only half of enterprises gave a favorable rating. (See Table 37.) Households similarly reported having to make unofficial payments: 16 percent of those with contact paid unofficially for water connection or repair, 18 percent for gas, and 19 percent for electricity. (See Tables 38 through 40.)

Table 37. Water, Gas and Electricity: the Enterprise Perspective

| | Overall | Small | Medium and Large | New |
|-----------------------------|---------|--------|------------------|--------|
| CONTACT | 52.6 | 43.1 | 72.7 | 43.7 |
| FIRMS ENCOUNTERING BRIBERY | 10.4 | 9.2 | 11.25 | 2.7 |
| VISITS ENCOUNTERING BRIBERY | 3.6 | 3.8 | 2.3 | 2.7 |
| BRIBE SIZE ^b | 9,107 | 12,267 | 7,571 | 50,000 |
| RATING OF QUALITY | 51.0 | 54.2 | 45.0 | 47.0 |

^bOnly a single enterprise in the "new" category reported the bribe size.

Table 38. Water: the Household Perspective

| | Overall | Poorest 30% | Middle 40% | Richest 30% |
|----------------------------|---------|-------------|------------|-------------|
| CONTACT | 11.0 | 10.7 | 10.3 | 12.4 |
| NO. VISITS | 2.3 | 2.3 | 2.4 | 2.1 |
| OTHER INSTITUTIONS | 27.4 | 16.7 | 35.3 | 9.1 |
| POZORNOST | 16.2 | 15.8 | 16.7 | 16.7 |
| - NECESSARY | 70.0 | 66.7 | 100.0 | 50.0 |
| SATISFACTION WITH BEHAVIOR | 52.9 | 52.6 | 61.1 | 58.3 |
| OVERALL SATISFACTION | 52.9 | 52.6 | 61.1 | 58.3 |

Table 39. Gas: the Household Perspective

| | Overall | Poorest 30% | Middle 40% | Richest 30% |
|----------------------------|---------|-------------|------------|-------------|
| CONTACT | 13.6 | 12.3 | 15.5 | 14.0 |
| NO. VISITS | 2.2 | 2.3 | 2.6 | 1.8 |
| OTHER INSTITUTIONS | 39.8 | 19.0 | 40.0 | 61.1 |
| POZORNOST | 17.5 | 9.5 | 15.6 | 15.8 |
| - NECESSARY | 64.7 | 50.0 | 80.0 | 66.7 |
| SATISFACTION WITH BEHAVIOR | 69.4 | 57.1 | 65.6 | 89.5 |
| OVERALL SATISFACTION | 75.5 | 71.4 | 68.8 | 89.5 |

Table 50. Electricity: the Household Perspective

| | Overall | Poorest 30% | Middle 40% | Richest 30% |
|----------------------------|---------|-------------|------------|-------------|
| CONTACT | 11.3 | 9.5 | 12.4 | 14.0 |
| NO. VISITS | 2.18 | 2.4 | 2.3 | 2.1 |
| OTHER INSTITUTIONS | 33.9 | 22.2 | 36.8 | 45.5 |
| POZORNOST | 19.0 | 11.1 | 15.0 | 18.2 |
| - NECESSARY | 72.7 | 100.0 | 66.7 | 100.0 |
| SATISFACTION WITH BEHAVIOR | 65.6 | 77.8 | 60.0 | 75.0 |
| OVERALL SATISFACTION | 62.5 | 77.8 | 65.0 | 66.7 |

Regulations, Inspections, and Licensing

Business Registration

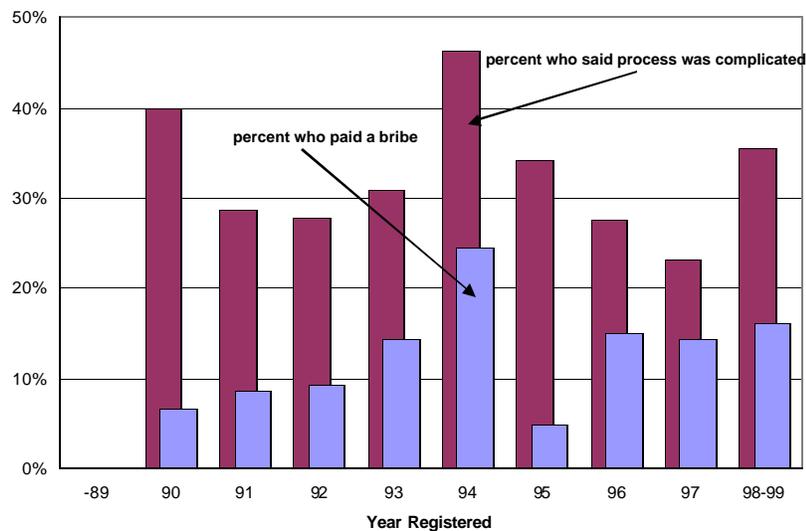
The first step in establishing a business concern in Slovakia is to officially register as an economic entity with the Business Registry, which is handled by the courts. Existing companies must also deal with the registry whenever changing the form of organization of the company, revising the charter, etc. Among the firms that interacted with the business registry in Slovakia, 15 percent reported that they had paid some bribe, and less than 40 percent gave a favorable quality assessment. Moreover, the business registry is among the organizations with the most expensive bribes, averaging over 6,000 SK. (See Table 51.)

Table 51. Business Registry at a Glance

| | Overall | Small | Medium and | New |
|-----------------------------|---------|-------|------------|--------|
| CONTACT | 51.8 | 40.8 | 77.3 | 46.0 |
| FIRMS ENCOUNTERING BRIBERY | 15.2 | 11.7 | 18.8 | 15.4 |
| VISITS ENCOUNTERING BRIBERY | 9.5 | 6.1 | 12.4 | 11.5 |
| BRIBE SIZE | 6,628 | 6,577 | 5,831 | 10,000 |
| RATING OF QUALITY | 37.2 | 40.8 | 32.5 | 36.6 |

Enterprises were also asked to describe their experiences when they registered. Most (57 percent) said the experience was uncomplicated and they did not pay a bribe. Twenty-nine percent said it was complicated and 12 percent said they paid a bribe. The year when registering companies were most likely to pay bribes was 1994. (See Figure 19.)

Figure 19. Business Registry



Import, Export and Other Licenses

Nearly 15 percent of enterprises in the sample had obtained an export license in the two years before the survey, and 21 percent had received an import license. Of those who had tried to get an import or export license in the previous twelve months, one in three encountered bribery. Moreover, while small enterprises were less likely to seek an import or export license, those that did were more likely to encounter bribery. Most enterprises – 74 percent for export licenses and 63 percent for import licenses – reported the process of assigning licenses to be transparent. The data suggest, however, that while transparency helps to limit the practice – enterprises who found the process of assigning import licenses to be non-transparent were more than twice as likely to report paying a bribe – it is not sufficient to ensure non-corrupt allocation of licenses: more than one in five enterprises that reported the process to be transparent also said they had paid a bribe in order to get the import or export license.³⁹

Table 52. Import/Export Licenses at a Glance

| | Overall | Small | Medium and Large | New |
|-----------------------------|---------|-------|------------------|-------|
| CONTACT | 26.2 | 19.8 | 40.0 | 25.3 |
| FIRMS ENCOUNTERING BRIBERY | 33.7 | 38.0 | 26.7 | 28.6 |
| VISITS ENCOUNTERING BRIBERY | 22.0 | 24.5 | 18.7 | 23.8 |
| BRIBE SIZE | 14,184 | 5,421 | 25,411 | 5,083 |
| RATING OF QUALITY | 16.9 | 16.8 | 19.1 | 22.5 |

Table 53. Other Licenses at a Glance

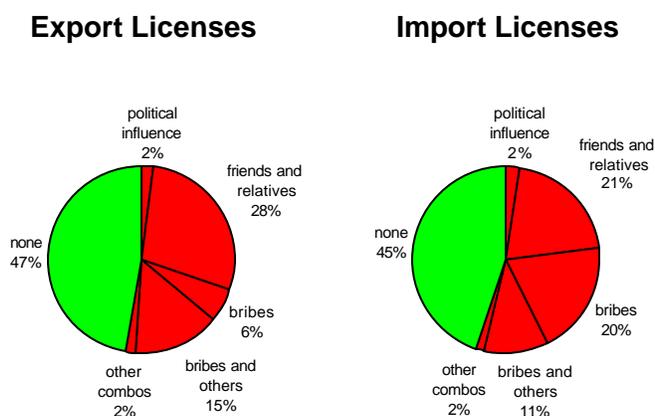
| | Overall | Small | Medium and Large | New |
|-----------------------------|---------|-------|------------------|--------------------|
| CONTACT | 14.9 | 9.1 | 26.4 | 11.5 |
| FIRMS ENCOUNTERING BRIBERY | 23.3 | 20.8 | 22.6 | 10.0 |
| VISITS ENCOUNTERING BRIBERY | 19.1 | 18.8 | 17.4 | 10.0 |
| BRIBE SIZE ^a | 7,875 | 3,900 | 10,833 | 3,000 ^b |
| RATING OF QUALITY | 23.1 | 20.0 | 28.8 | 32.1 |

^aOnly one respondent in the “new” category supplied the size of the bribe.

Overt bribery is but one way that the process of assigning a license can be subverted. Political pressure and the use of connections also generates favoritism that is in itself a form of corruption. Enterprises that had received import and export licenses were asked about the methods that they used to obtain the licenses. Over half used connections, political influence, or outright bribes in order to win the licenses.

The other types of licenses that enterprises must get (e.g., retail trade licenses) were also reported to be frequent causes for bribery. Twenty-three percent of the enterprises that received licenses reported paying a bribe, and the assessment of quality was dismal with less than one if four enterprises reporting favorably. (See Table 53.)

Figure 20. Methods of Getting ...



³⁹ For export and import licenses respectively, 20.5 and 21.6 percent of those who found the process transparent reported paying a bribe, and 23.1 and 46.7 percent of those who found the process to be non-transparent reported paying bribes.

Construction Permits

Construction permits, issued by regional and district bodies of state administration, were among the worst of the 21 bodies and services evaluated in the enterprise survey in terms of bribery. Over 30 percent of the enterprises that had been in contact in the previous twelve months reported paying a bribe, and only 28 percent gave a favorable quality rating. (See Table 54.)

Table 54. Construction Permits at a Glance

| | Overall | Small | Medium and Large | New |
|-----------------------------|---------|-------|------------------------|-------|
| CONTACT | 21.6 | 15.7 | 34.8 | 12.6 |
| FIRMS ENCOUNTERING BRIBERY | 30.2 | 29.3 | 31.7 | 18.2 |
| VISITS ENCOUNTERING BRIBERY | 23.6 | 24.6 | 22.5 | 18.2 |
| BRIBE SIZE | 7,533 | 3,400 | 9,556 | 6,000 |
| RATING OF QUALITY | 28.0 | 25.8 | 32.9 | 20.0 |

Fire Supervision

Fire inspectors, with the authority to shut down an enterprise's operations⁴⁰, are able to exert tremendous power over enterprises that find themselves in violation of fire codes. Roughly 14 percent of the enterprises that came into contact with the fire supervision reported that they had paid a bribe, with small firms paying the most frequently. Quality ratings, however, were better than most, with over 60 percent of enterprises reporting favorably. (See Table 55.)

Table 55. Fire Supervision at a Glance

| | Overall | Small | Medium and Large | New |
|-----------------------------|---------|-------|------------------------|-------|
| CONTACT | 31.8 | 18.8 | 62.7 | 31.0 |
| FIRMS ENCOUNTERING BRIBERY | 13.9 | 18.8 | 10.1 | 14.8 |
| VISITS ENCOUNTERING BRIBERY | 12.6 | 18.1 | 8.1 | 14.8 |
| BRIBE SIZE | 2,331 | 2,375 | 2,296 | 2,000 |
| RATING OF QUALITY | 61.6 | 63.7 | 59.6 | 66.0 |

Hygiene Supervision

Like the fire supervision, hygiene inspectors have great power over the enterprises they supervise, and like fire inspections, hygiene supervision is more likely to be associated with bribery by small firms. The level of bribery overall, however, is somewhat lower – “only” 7 percent of firms that came into contact with hygiene supervision reported paying a bribe. (See Table 56.)

Table 56. Hygiene Supervision at a Glance

| | Overall | Small | Medium and Large | New |
|-----------------------------|---------|-------|------------------------|------|
| CONTACT | 33.8 | 26.3 | 54.1 | 31.0 |
| FIRMS ENCOUNTERING BRIBERY | 6.9 | 10.4 | 3.3 | 11.1 |
| VISITS ENCOUNTERING BRIBERY | 3.9 | 5.8 | 1.8 | 6.8 |
| BRIBE SIZE | 1,480 | 467 | 3,000 | 100 |
| RATING OF QUALITY | 57.5 | 57.7 | 57.0 | 53.8 |

⁴⁰ It is indisputable that providing inspectors such power is important, since unsafe conditions can provide an imminent threat to human life.

Office of Environmental Protection

Environmental protection supervises adherence with environmental laws, and signs off on new projects for compliance with the law. One in eight enterprises that interacted with the environmental protection reported paying bribes, and the quality rating was fairly poor, with less than 40 percent reporting satisfactory treatment. (See Table 57.)

| | Overall | Small | Medium and Large | New |
|-----------------------------|---------|-------|------------------------|--------------------|
| CONTACT | 28.6 | 18.9 | 52.7 | 24.1 |
| FIRMS ENCOUNTERING BRIBERY | 12.7 | 12.5 | 13.6 | 5.0 |
| VISITS ENCOUNTERING BRIBERY | 9.6 | 9.0 | 10.7 | 5.0 |
| BRIBE SIZE ^a | 3,213 | 600 | 4,520 | 2,000 ^b |
| RATING OF QUALITY | 38.1 | 35.2 | 40.0 | 34.0 |

^aOnly a single enterprise in the “new” category reported the size of the bribe.

Certification Authority

The Certification Authority, responsible for supervising the testing and certification of goods, is among the organizations with the worst report card from enterprises. More than 30 percent (38 percent for small firms) of the firms that contacted the Certification Authority reported paying bribes, and only one firm in four gave a favorable quality rating to the organization. (See Table 58.)

| | Overall | Small | Medium and Large | New |
|-----------------------------|---------|-------|------------------------|------|
| CONTACT | 23.3 | 19.0 | 37.3 | 23.3 |
| FIRMS ENCOUNTERING BRIBERY | 31.3 | 38.8 | 20.9 | 15.0 |
| VISITS ENCOUNTERING BRIBERY | 18.7 | 23.5 | 12.8 | 9.2 |
| BRIBE SIZE | 5,965 | 7,878 | 2,929 | Na |
| RATING OF QUALITY | 25.4 | 19.8 | 34.3 | 25.0 |

Business Authority

The Business Authority, within the competence of regional and district state administration, receives mediocre ratings from the enterprises governed by it. Seven percent reported paying bribes, less than many other enterprise regulators, and less than half gave a favorable rating for quality.

| | Overall | Small | Medium and Large | New |
|-----------------------------|---------|-------|------------------------|-------|
| CONTACT | 52.6 | 47.2 | 61.5 | 49.4 |
| FIRMS ENCOUNTERING BRIBERY | 7.4 | 6.7 | 8.7 | 11.9 |
| VISITS ENCOUNTERING BRIBERY | 4.8 | 4.8 | 4.5 | 10.7 |
| BRIBE SIZE | 3,412 | 3,625 | 2,924 | 5,667 |
| RATING OF QUALITY | 48.8 | 48.6 | 53.7 | 54.2 |

State Business Supervision

State Business Supervision, which monitors consumer protection (e.g., checking goods in retail shops), was identified by enterprises as a key problem area for corruption. Over 27 percent of the firms with contact reported paying bribes (30 percent for small firms), and less than a third gave a favorable quality rating. (See Table 60.)

Table 60. State Business Supervision at a Glance

| | Overall | Small | Medium and Large | New |
|-----------------------------|---------|-------|------------------------|-------|
| CONTACT | 23.6 | 19.2 | 32.4 | 20.7 |
| FIRMS ENCOUNTERING BRIBERY | 27.5 | 30.6 | 22.2 | 27.8 |
| VISITS ENCOUNTERING BRIBERY | 20.3 | 23.6 | 16.6 | 20.6 |
| BRIBE SIZE | 3,513 | 1,338 | 4,400 | 1,067 |
| RATING OF QUALITY | 32.1 | 31.8 | 35.0 | 27.5 |

Health and Social Insurance, Labor Office, and Labor Security Authority

The Health and Social Insurance Offices receive poor ratings for quality – less than 30 percent reported favorably – but relatively few firms (3 percent) reported paying bribes. (See Table 61.) Similarly, four percent of enterprises contacting the Labor Office reported paying a bribe, and 37 percent gave a favorable quality rating. (See Table 62.)

The Labor Security Authority, which monitors workplace safety and health issues, received poorer marks for bribery from the enterprises that contacted it – thirteen percent reported paying a bribe. Half the enterprises gave a favorable quality rating. (See Table 63.)

Table 61. Health and Social Insurance Companies at a Glance

| | Overall | Small | Medium and Large | New |
|-----------------------------|---------|-------|------------------------|------|
| CONTACT | 70.5 | 67.1 | 75.2 | 68.6 |
| FIRMS ENCOUNTERING BRIBERY | 3.0 | 2.4 | 4.8 | 1.7 |
| VISITS ENCOUNTERING BRIBERY | 1.3 | 0.6 | 3.1 | 0.3 |
| BRIBE SIZE | 1,430 | 500 | 2,050 | Na |
| RATING OF QUALITY | 29.1 | 30.3 | 27.4 | 26.3 |

Table 62. Labor Office at a Glance

| | Overall | Small | Medium and Large | New |
|-----------------------------|---------|-------|------------------------|-------|
| CONTACT | 50.9 | 42.7 | 67.9 | 51.7 |
| FIRMS ENCOUNTERING BRIBERY | 3.6 | 4.6 | 2.7 | 2.3 |
| VISITS ENCOUNTERING BRIBERY | 2.0 | 1.8 | 2.5 | 1.1 |
| BRIBE SIZE | 1,304 | 1,600 | 120 | 5,000 |
| RATING OF QUALITY | 37.4 | 39.3 | 37.5 | 44.2 |

Table 63. Labor Security Authority at a Glance

| | Overall | Small | Medium and Large | New |
|-----------------------------|---------|-------|------------------------|-------|
| CONTACT | 25.6 | 12.5 | 56.9 | 23.0 |
| FIRMS ENCOUNTERING BRIBERY | 13.1 | 12.5 | 14.3 | 10.0 |
| VISITS ENCOUNTERING BRIBERY | 9.4 | 8.7 | 10.5 | 8.3 |
| BRIBE SIZE | 2,965 | 833 | 3,765 | 2,500 |
| RATING OF QUALITY | 49.0 | 49.5 | 50.0 | 42.9 |

Tax and Customs

Tax

Tax officials, with the power to cost or save an enterprise huge sums of money, are cited in many countries as centers of corruption. In Slovakia, however, the Tax Office does not stand out as one of the worst offenders. Nevertheless, nine percent of the enterprises that contacted the tax authority reported paying a bribe, and less than 40 percent gave a favorable quality rating, so there is clearly much room for improvement. (See Table 64.)

Table 64. Tax at a Glance

| | Overall | Small | Medium and Large | New |
|-----------------------------|---------|-------|------------------------|-------|
| CONTACT | 85.6 | 83.0 | 89.9 | 83.9 |
| FIRMS ENCOUNTERING BRIBERY | 8.9 | 5.2 | 15.3 | 1.4 |
| VISITS ENCOUNTERING BRIBERY | 3.7 | 3.2 | 4.8 | 0.5 |
| BRIBE SIZE | 5,683 | 2,725 | 8,205 | 1,000 |
| RATING OF QUALITY | 38.2 | 39.1 | 37.4 | 34.9 |

Customs

Customs offices the world over are renowned as centers of corruption. In Slovakia, one in three enterprises that interacted with customs reported paying a bribe, and only 17 percent gave a favorable quality rating, among the worst in the sample. While some bribes are very high – one was reported to be 100,000 SK – the median bribe size is relative low. (See Table 65.)

Table 65. Customs at a Glance

| | Overall | Small | Medium and Large | New |
|-----------------------------|---------|-------|------------------------|-------|
| CONTACT | 40.5 | 32.5 | 59.6 | 34.9 |
| FIRMS ENCOUNTERING BRIBERY | 34.0 | 33.7 | 31.8 | 23.3 |
| VISITS ENCOUNTERING BRIBERY | 15.8 | 17.1 | 13.8 | 9.6 |
| BRIBE SIZE | 5,795 | 2,009 | 3,967 | 1,813 |
| RATING OF QUALITY | 17.2 | 15.8 | 21.8 | 15.4 |

4. Cross-Sectoral Issues

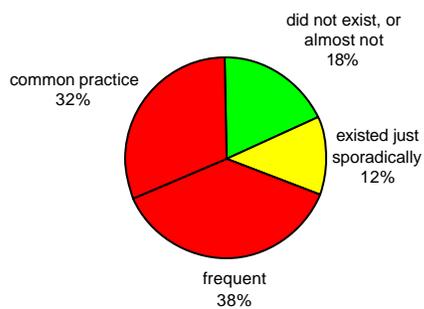
Unofficial Financing of Political Parties

While all forms of corruption damage society, none causes a greater diminution of faith in the institutions of state than when the lawmakers themselves are perceived to be corrupt. When the very framework of law becomes suspect, not only does state policy become oriented for the benefit of the few rather than the whole of society, but the prospects for fighting corruption dwindle. In all societies, firms (and citizens) try to influence lawmakers to see their points of view. But the modes of interaction between the private sector and lawmakers can take many forms. On one extreme, lobbying takes place transparently, with clear identification of financial linkages between firms and politicians and political parties. On the other extreme, bribes can be paid to politicians, or non-transparent financing of political parties can act as a surrogate bribe.

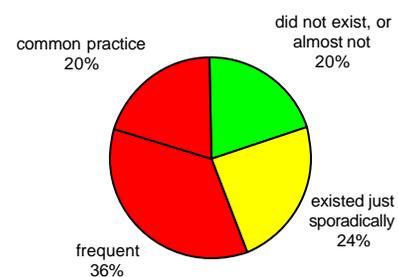
In Slovakia, 11 percent of enterprises reported that firms like theirs “sponsor political parties”, and 8 percent admitted that firms like theirs provide unofficial payments to sponsor political parties. While firms of all sizes admitted this practice, larger firms reported unofficial sponsoring at a higher rate: one of eight firms with more than 15 employees said they provided unofficial payments to political parties.

Figure 21. Sponsoring of Political Parties ...

... up to the 1998 parliamentary elections



... since the last parliamentary elections



Sixty-three percent of firms that admitted to unofficially sponsoring political parties reported paying a bribe in the 3 years before the survey, while only 40 percent of those who do not sponsor political parties reported paying bribes.⁴¹ Moreover, a glance at the relationship between unofficial sponsoring of political parties and various other forms of corruption illuminates how the practice twists public policy toward corruption – unofficial sponsoring of political parties is highly correlated with the use of political pressure to obtain state subsidies.⁴² (See below for more on state subsidies.)

The public officials themselves expressed much concern over corruption in the lawmaking apparatus. More than one in three public officials reported that in parliament, “political payoffs to benefit political parties or a political campaign” appears often in Slovakia. Nearly as many feel that the central government

⁴¹ This difference is significant at the 5 percent level.

⁴² The relationship is significant at the 1 percent level.

likewise accepts payoffs for the benefit of parties and campaigns. A third of public officials also believe that parliament “accepts bribes in return for influencing decisions”, and a fourth believe that parliament “accepts bribes in return for influencing the content of laws.”

While the degree of unofficial sponsoring of political parties may be a cause for concern, there is also some indication that the situation has improved slightly in recent years. Fewer firms believe that sponsoring of political parties is common now than believed so prior to the 1998 parliamentary elections. (See Figure 21.)

National Property Fund

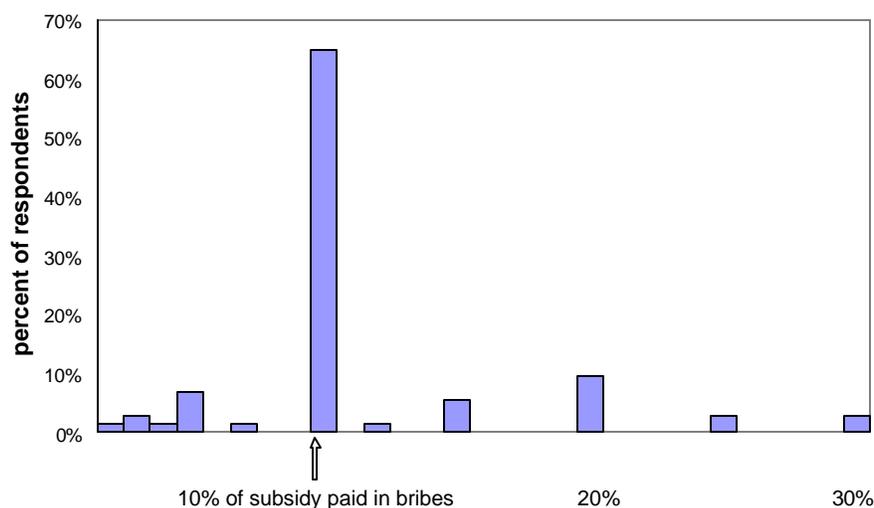
A hallmark of the transition from communism to freedom is the massive transfer of property from state to private ownership. Because the value of property being transferred can be enormous, the profits that can be gained through corruption in the privatization process can be enormous, as well. At its worst, state insiders can manipulate the privatization process to their advantage, institutionalizing corruption by privatizing to reward cronies and political supporters. (See the previous section for an indication of the levels and trends of unofficial sponsoring of political parties.)

Forty-four percent of enterprises identified the National Property Fund as an organization in which corruption is “very widespread”, and a further 29 percent said that corruption exists but they could not assess the extent. These numbers are based on the perceptions of the surveyed enterprises, rather than their actual experiences in dealing with the organization. To get a more precise idea of how widespread corruption is in the National Property Fund, we restricted the sample to the subset of privatized enterprises. The responses for this subset were not that different from the rest of the population: 41 percent of privatized enterprises said corruption in the national Property Fund was very widespread, and a further 33 percent said it does exist but they can not judge the extent. Less than 2 percent of privatized enterprises said that corruption does not exist at the National Property Fund.

Subsidies

One out of five enterprises reported receiving some form of subsidies from the state. Of those, 12 percent reported paying a bribes to get the subsidy, always in combination with either political influence or connections with friends or relatives. (Nearly as many refused to answer the question about the bribe.)

Figure 22. Size of Bribes for Subsidies

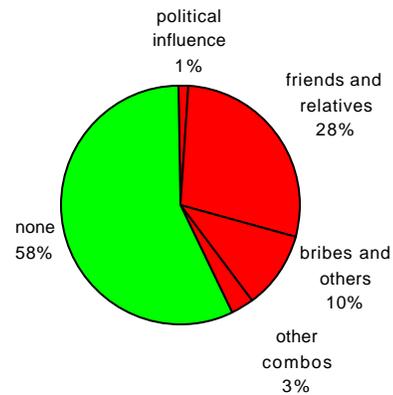


Note: This chart includes only the opinions of respondents answering positive amounts to the question “if a company like yours applies for a state subsidy, how much of the subsidy amount has to be given as a bribe?”

Sixty-one percent reported that the process was transparent, meaning that nearly 2 in 5 reported otherwise. When asked how much must be paid as a bribe in order to get the subsidy, the majority reported that 10 percent of the subsidy amount must be given in bribes. (See Figure 22.)

Although “only” 10-12 percent⁴³ admitted paying bribes to get the subsidies, the process was subverted in other ways, as well. Nearly 40 percent admitted to using friends or relatives to get the subsidies, and 7 percent admitted to using political influence. (Since an enterprise can use a combination of these means, the numbers do not correspond to those in Figure 23, which refers to, e.g., use of friends and relatives *alone*.)

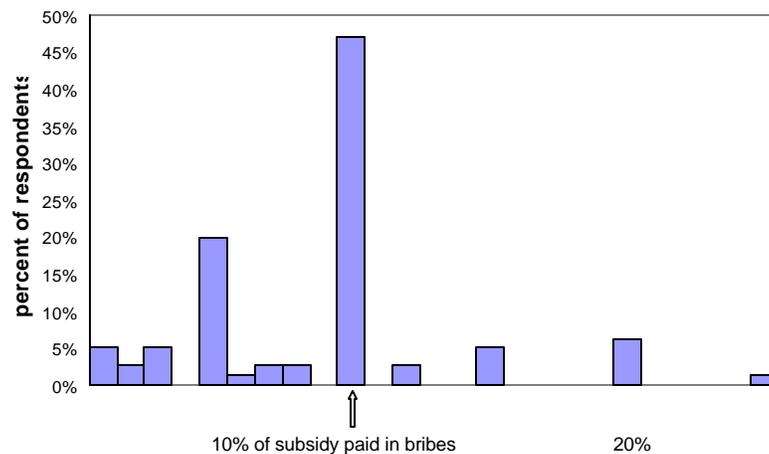
Figure 23. Methods of Getting Subsidies



Selling to the State

One in three enterprises reported that they sell some of their products or services to the state, and of those, 28 percent receive at least a quarter of their revenues from state sales. Of the firms with sales to the state, one in four reported that firms like theirs pay bribes to win state contracts.⁴⁴ Those that are more dependent on state sales report even high bribe frequencies. Of the firms in the sample that derive more than a quarter of their revenues from state sales⁴⁵, 42 percent reported that firms like theirs pay bribes in order to win contracts with the state. (See Figure 24.)

Figure 24. Size of Bribes for State Orders



Note: This chart includes only the opinions of respondents answering positive amounts to the question “if a firm like yours tries to receive a state order, what percentage of the contractual value makes the bribe amount?”

⁴³ Overall, 12 percent of enterprises that received subsidies said they paid a bribe after deleting refusals. To calculate the values in Figure 23 required also dropping refusals to two other questions, resulting in a slightly different sample – in the second sample, 10.4 percent of enterprises admitted paying bribes.

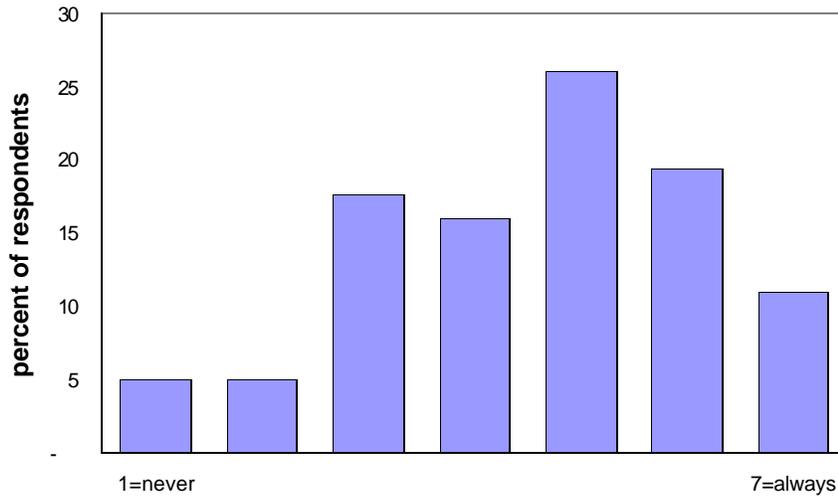
⁴⁴ Based on a question about the size of bribes required. Responses of “I don’t know” were presumed to mean that the enterprise does not pay bribes for state contracts.

⁴⁵ There were 31 such firms in the sample.

Public Sector Tenders

Thirty percent of enterprises reported that they had participated in at least one tender in the two years before the survey, and nearly all of those firms participated in multiple tenders. These tenders were organized by ministries, local state administration, local self-government, state and private companies, banks, and other institutions. These same enterprises were asked to assess how frequently one must pay bribes to win public sector tenders. The responses, presented in Figure 25, demonstrate that very few believe that public sector tenders can be won entirely without bribes, and many believe that bribery for public sector tenders occurs frequently.

Figure 25. “How Frequently do Enterprises have to Pay Bribes to Win Public Sector Tenders?”



Note: This chart includes only the opinions of respondents that had participated in tenders in the previous two years.

Corruption in public sector tenders does not just cause a misallocation of the state’s resources, it also may dissuade honest companies from participating. The survey of enterprises asked whether the enterprise had declined to participate in a tender that it had previously considered, and if so, what was the reason. Although the most cited reasons were unfair competition and complexity of the process, perceived corruption was also important – one third of enterprises that declined to participate in a tender cited the need for unofficial payments as an important reason. (See Table 66.) Not surprisingly, perceptions of corruption in the tender process are closely linked with perception that competition is unfair. Among those enterprises that did not cite unfair competition, only 20 percent said corruption was the reason for not participating, while among enterprises that did believe competition was unfair, 48 percent also cited corruption.

Table 66. Reasons for Not Participating in Public Sector Tenders

| | Percent of respondents saying it was an important reason |
|--|--|
| The process was too complex ; there were too many documents to submit | 46.2% |
| The process was too expensive , or participants were required to make a prepayment to demonstrate earnestness | 26.9% |
| Participants must make too many unofficial payments (bribes) | 34.6% |
| Competition was unfair | 51.9% |
| No personal connections with organizers | 36.5% |
| The conditions of the tender were not transparent | 44.2% |

Includes only the experiences of enterprises that said public sector procurement was relevant to the enterprise’s business.

5. Corruption and the Public Sector

The problem of corruption is far easier to observe and identify than it is to solve. Most anticorruption interventions come in three categories: those that focus on the criminality of corruption, those that focus on the public sector institutions that exacerbate the problem, and those that focus on changing the informal codes of conduct that makes corruption acceptable.⁴⁶ If effective, focusing on the criminality of corruption – ensuring adequate legal framework for prosecuting cases, training of investigators, etc. – may help to increase the cost of corrupt activity and thereby reduce it. Similarly, focus on public sector institutions may reduce the opportunities for corruption, and campaigns to help people understand the costs of corruption can help reduce the public’s tolerance for corrupt behavior and inefficient government. These three approaches are crucially dependent on each other – each needs the other in order to be effective.

The 352 public officials that participated in the survey provided a wealth of information on the internal incentives they face, the existence and implementation of formal rules, the manner in which they interact with the public and with the private sector. While most public officials reported that rules were sound and well implemented, there is sufficient variation in responses to identify characteristics of public administration that weaken the ability of the public sector to deliver quality services, and create opportunities for corrupt behavior. Understanding these weaknesses helps to give direction to the prevention aspect of anticorruption.

Responses to the public official survey confirm the findings from the household and enterprise surveys that the use of gifts and bribes is common. More than two out of five officials said they had been offered a gift, and one in ten had been offered money or an expensive present, in the two years before the survey. (See Table 67.) Of those who frequently interact with the public, roughly half had been offered small gifts, and 10-15 percent had been offered money or expensive presents.

Table 67. Offers of Gifts and Money for Officials Dealing with the Public

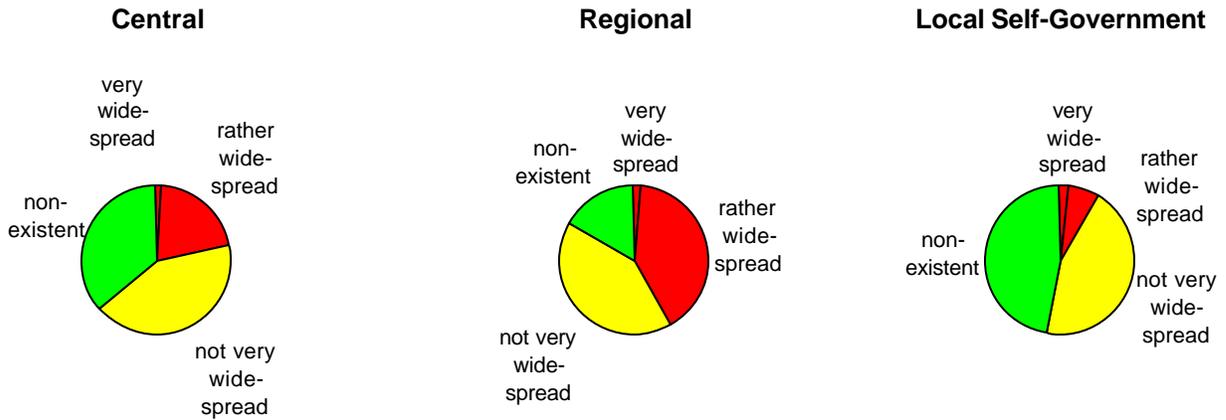
| | Entire Sample | Officials that often interact with Enterprises | Officials that often interact with Private People |
|---|------------------|--|---|
| <i>Number of Observations</i> | 346 | 244 | 276 |
| Percent indicating they had been offered a small Gift in the previous two years. | 42.3 | 53.9 | 45.5 |
| Percent indicating they had been offered Money or an Expensive present in the previous two years. | 9.7 | 15.4 | 10.3 |

Less than two percent of respondents refused to answer the question. These responses omitted from the above calculations. This table refers to offers of gifts and money, but does not indicate whether the gifts or money were accepted.

Public officials also clearly indicated that the offers of bribes by clients were sometimes accepted at their institutions. Nearly a quarter of the central government officials reported that corruption was widespread at their institution, and nearly half of the officials at the regional and district bodies of state administration report the same. (See Figure 26.) A smaller percentage of officials from local self-governments reported corruption to be widespread.

⁴⁶ These correspond with the three pillars of the *National Program for the Fight Against Corruption*: enforcement, prevention, and education.

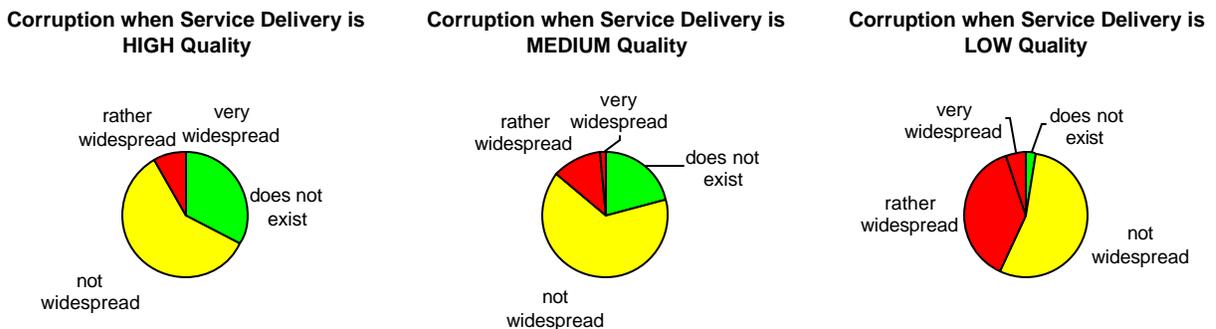
Figure 26. Public Official's Assessments of the Levels of Corruption in their Institutions



Corruption: Poor Quality, Slow Service Delivery, and Excessive Bureaucracy

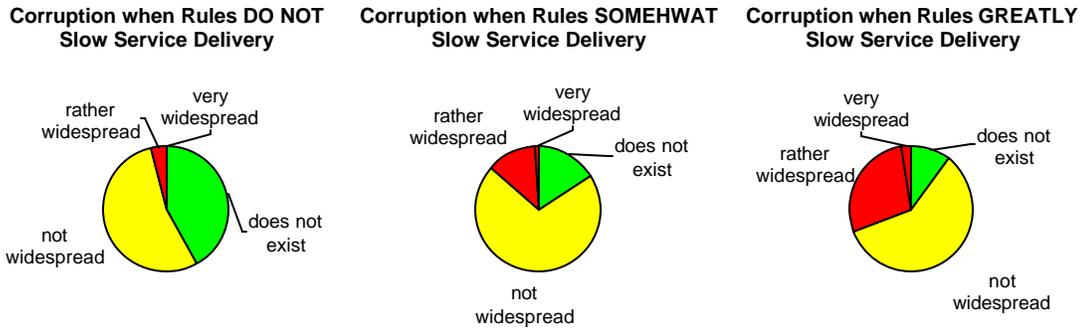
While most public officials feel that their institutions offer quality services, it is also true that most believe that incentives to generate quality service delivery do not exist in their institutions. Examining the levels of quality and the incentives to produce quality together demonstrates the link between incentives and outcomes. Figure 27 demonstrates quite clearly that from the perspective of the public official, high quality service is associated with low levels of corruption.

Figure 27. Corruption and Quality of Service Delivery



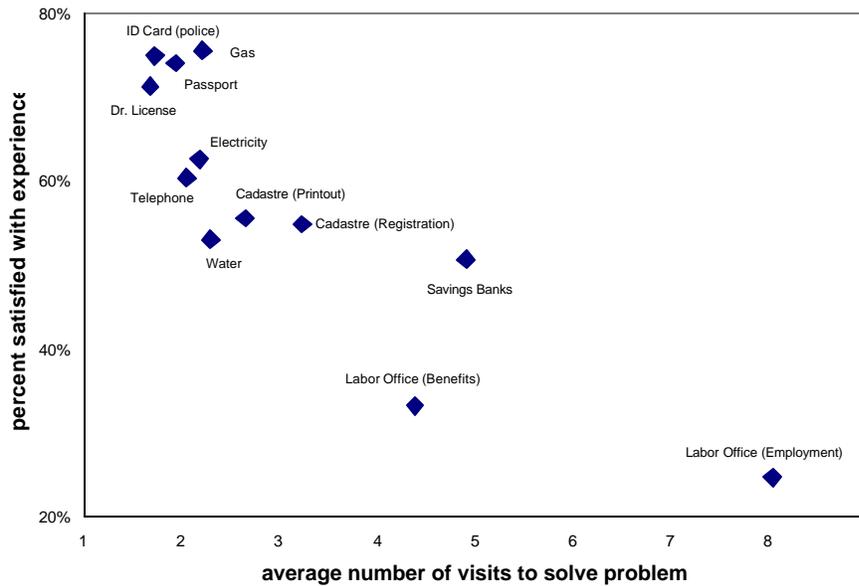
Slowness of service delivery fosters corruption – from the perspective of an enterprise waiting for a permit, or a household waiting for their day in court, a bribe may be a small price to pay speed things along. Responses to the public official's survey suggests that corruption is greatly facilitated by slow service delivery, which in turn is frequently generated by bureaucratic rules that hinder an institution's ability to deliver services quickly. (See Figure 28.)

Figure 28. Rules that Slow Service Delivery Contribute to Corruption



Beyond being a source of corruption, slow service delivery and bureaucracy are problems in themselves. Enterprises cited bureaucracy as one of the most important problems they face in doing business. (See Figure 9.) The household survey also demonstrates that satisfaction with public agencies is closely linked with the bureaucratic hurdles that were faced – agencies that force clients to make multiple visits are the same ones that leave feelings of dissatisfaction. (See Figure 29.)

Figure 29. Bureaucracy and Dissatisfaction



Public Sector Values, Structures, and Administrative Institutions

How Does Corruption Work and How is it Dealt With?

An understanding of the mechanics of bribery provides insight into possible means of reducing the practice. Respondents to the public officials survey were asked a series of question on the mechanics of bribery. Interestingly, the surveyed public officials reported that bribery would be more likely to involve local entrepreneurs than foreign entrepreneurs. Moreover, local entrepreneurs would be more likely to initiate the bribe. (See Table 68.)

Table 68. How Does Corruption Work?

“Imagine that someone comes to an institution like yours and asks for something. What would happen if the person is a ...”

| | Citizen ^a | Local Entrepreneur ^b | Foreign Entrepreneur ^b |
|---|----------------------|---------------------------------|-----------------------------------|
| The worker of the institution would indicate that a bribe would be very suitable. | 3.0 | 4.4 | 6.8 |
| The person would unilaterally offer a bribe | 6.0 | 20.2 | 9.1 |
| The application would be processed in accordance with the law. | 91.0 | 75.5 | 84.2 |

^aIncludes only the responses of officials that frequently interact with private people; ^bIncludes only the responses of officials that frequently interact with enterprises.

The public officials survey also posed the following hypothetical question: “when a mid-level clerk at your institution extracts a bribe, he/she usually shares with superiors, shares with colleagues or keeps all for himself or herself”. An option was also presented for “bribes are not accepted here at all.” Among institutions where respondents provided answers, over three fourths said the official would keep the entire bribe to himself, 18 percent said the bribe would be shared with colleagues and 5 percent said it would be shared with superiors. These numbers are not as bad as in other transition countries in which similar questions have been asked.⁴⁷

The public officials survey also demonstrates the role that enforcement of anticorruption rules can play in reducing corruption. When asked how a confirmed case of bribery would be dealt with in their institution, 22 percent of officials responded that they did not know how bribery is punished within their institution, roughly the same for all three levels of government. (See Table 69.) Only about half the respondents believe the person would be dismissed or accused of a crime. Among institutions, the respondents working for the police reported the toughest punishment regime: 53 percent said a bribe taker would be accused of a crime, and another 35 percent said the person would be dismissed. Since households reported low levels of bribery among interactions with the police (with the exception of the traffic police), it would appear that a sound understanding of the punishment for taking bribes might limit the scope of corruption. On the other hand, local self-governments, generally viewed as less corrupt than counterparts in the state administration, appear to be the softest on bribe-takers.

⁴⁷ In a 1998 World Bank survey of public officials in Latvia, over 50 percent reported that bribes are shared. A similar question was asked in four countries in 1999 and reported in William L. Miller, Ase B. Grodeland, and Tatyana Y. Koshechkina, “Confessions of Justified Sinners: Why Postcommunist Officials Accept Presents and Bribes”, paper prepared for BASEES Annual Conference, March 1999. The percentage reporting that bribes are shared with colleagues and superiors was 37 percent in both Czech and Slovakia, more than 60 percent in the Ukraine, and more than 70 percent in Bulgaria and Georgia. It should be noted that there were minor variations in the wording and the approach to sampling was different as well, so these numbers are merely illustrative.

Table 69. Perceived Punishment for Accepting Bribes

Percentage responding:

| “What would be the most probable punishment for a worker in your position, if he/she accepted a bribe?” | Overall | Central | Regional | Local |
|---|---------|---------|----------|-------|
| Probably wouldn’t be punished at all | 5.7 | 9.3 | 3.3 | 4.4 |
| Punished just modestly within the institution (admonition, fine) | 12.5 | 10.2 | 5.8 | 21.9 |
| Punished more severely within the institution (transfer, not allowed to be promoted) | 9.9 | 9.3 | 10.0 | 10.5 |
| The person would be dismissed | 37.8 | 39.8 | 41.7 | 31.6 |
| A crime would be reported to the police | 11.9 | 10.2 | 15.8 | 9.7 |
| I don’t know | 22.2 | 21.2 | 23.3 | 21.9 |

Despite the fact that half of the officials understand the penalty for corruption to be dismissal or worse, there seems to be among many respondents a tolerance for accepting bribes. Less than 12 percent of the surveyed officials indicated that they would certainly report a peer who accepted a bribe, while 15 percent indicated they definitely would not report such a case; more respondents said they would probably not report such a case than said they probably would. Of those who said they probably would not report, many cited the fear of harming themselves (e.g., “I am afraid for my job”), and a distaste for hurting colleagues (e.g., “I don’t want to cause problems for them”).

Organizational Mission and Objectives

Slovak officials generally reported that the people within their institutions understand their institution’s objectives and strategies, identify with those objectives, and view citizens and users as their clients – at every level of government, two out of three officials reported as much. (See Table 70.) There is variation, however, in responses across levels of government. Those in local self-government felt the most closely identified with an organizational mission, and were much more likely to view the citizen as client.

Table 70. Identification with Mission, Citizen as Client

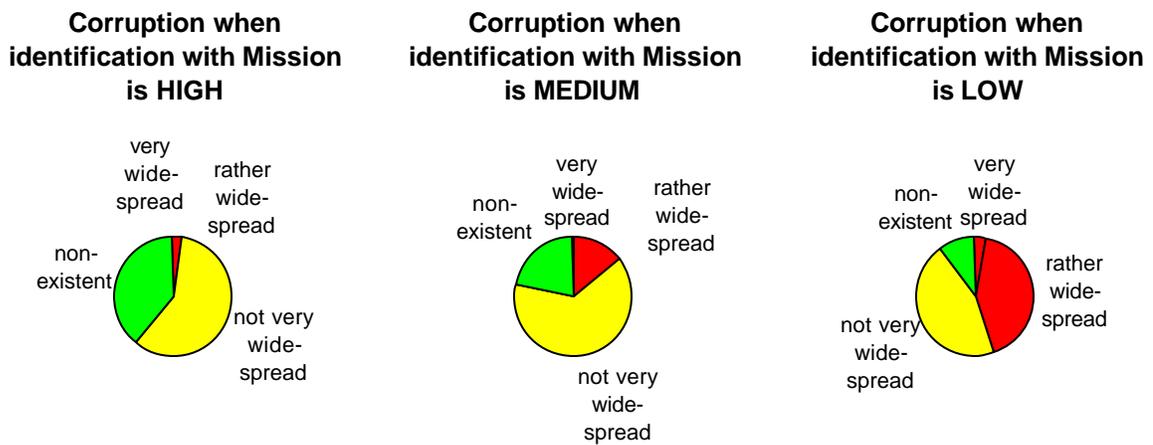
| | | Overall | Central | Regional | Local |
|--|-----------------------|-------------|-------------|-------------|-------------|
| “Everyone has a clear idea of objectives and strategy” | Definitely Yes | 35.1 | 33.9 | 26.9 | 45.1 |
| | Rather Yes | 38.3 | 33.1 | 42.0 | 39.8 |
| | Rather No | 23.1 | 28.0 | 28.6 | 12.4 |
| | Definitely No | 3.4 | 5.1 | 2.5 | 2.7 |
| “Everyone views the citizen/user as the client” | Definitely Yes | 36.0 | 25.0 | 26.3 | 57.5 |
| | Rather Yes | 42.1 | 49.1 | 44.9 | 31.9 |
| | Rather No | 18.4 | 20.7 | 24.6 | 9.7 |
| | Definitely No | 3.5 | 5.2 | 4.2 | 0.9 |
| “Everyone identifies with the objectives and strategies and is involved with the objectives and strategies” | Definitely Yes | 26.4 | 20.3 | 23.5 | 35.7 |
| | Rather Yes | 44.4 | 44.9 | 40.3 | 48.2 |
| | Rather No | 26.4 | 29.7 | 34.5 | 14.3 |
| | Definitely No | 2.9 | 5.1 | 1.7 | 1.8 |

On an individual basis, officials who believe that staff in their institutions have a clear idea of the mission and objectives are much less likely to have been offered a small present, although there is little difference

for whether they've been offered money.⁴⁸ Interestingly, the relationship between having been offered small gifts and knowledge of the organizational mission holds whether or not controlling for organizational effects (although the effect is statistically stronger when organizational effects are not included). This means that organizations which are offered gifts more frequently are those that understand their mission the worst, but it also means that within a given organization, those who understand the mission best are less likely to have been offered a small gift.

The degree of identification with the organization's mission is also extremely highly correlated with the perceived level of corruption within that organization. (See Figure 30.) Institutions with staff that more fully identify with the institution's objectives are also the institutions which are perceived by the officials who work there to have lower levels of corruption. This effect is extremely strong and does not seem to be caused by general pessimism on the respondent's part.⁴⁹

Figure 30. Organizational Mission and Corruption



⁴⁸ Probit regressions were run using as dependent variables whether or not the official had been offered a gift, and whether or not the official had been offered money in the past two years. An index of identification with the organization's objectives and a series of broad organizational dummies served as independent variables. For the regressions related to gifts, the coefficient on the index was significant at the 1% level, and for the regressions related to money, the coefficient on the index was significant at the 30% level. When a system of detailed organizational dummies was used to replace the broader dummies in the gifts regression, the coefficient on the index of identification with the organization's objectives remained significant at the 5% level.

⁴⁹ When the level of corruption within the organization is regressed on the degree of identification with the mission state and an assessment of the overall level of corruption in society, the coefficient on identification with the mission remains significant at the 0.01% level.

Internal Administration

Respondents overwhelmingly reported that the procedures, guidelines, and regulations of internal management existed in a formal, written form with 97 percent of respondents replying as much. (See Table 71.) Most also reported that the rules and procedures were relevant to the institution's objectives (82 percent), and are simple, clear and easy to understand (83 percent).

Despite their formal existence, however, only 57 percent of respondents said that the rules of internal administration are implemented, and only 58 percent said the rules are monitored. Only half the respondents said the rules of internal administration are enforced.

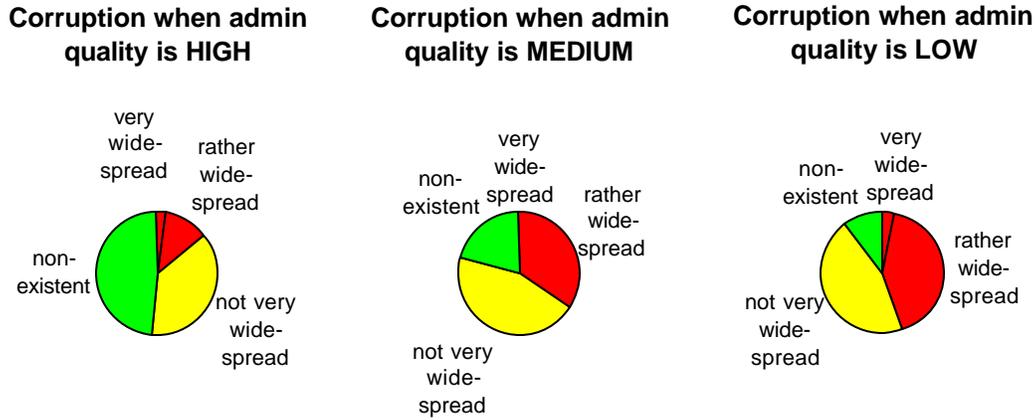
All of the indicators of the quality of internal management are highly correlated with the level of corruption within the institution.⁵⁰ Three indicators are particularly strong for explaining the level of corruption. As described earlier, the institutions in which the procedures and rules "add too much time to the process of decision making and service delivery" were those self-assessed to be the most corrupt. Clarity and simplicity of the procedures were highly associated with low corruption, and institutions where the number of agencies and departments involved in decision making were appropriate also had lower levels of corruption. All of these factors are highly consistent with the argument made elsewhere in this report that many bribes are motivated by the desire to speed through bureaucracy.

| Percent agreeing that ... | Overall | Central | Regional | Local | Bossons | Staff |
|--|---------|---------|----------|-------|---------|-------|
| Formal (officially approved and written) | 96.7 | 96.6 | 95.8 | 100 | 98.7 | 96.5 |
| Simple, clear, and easy to understand | 82.9 | 88.1 | 74.2 | 96.8 | 90.7 | 81.4 |
| Do not impose excess administrative steps | 56.1 | 70.3 | 45.0 | 45.2 | 62.8 | 54.9 |
| Well specified, leaving no room for discretion | 68.8 | 73.7 | 64.2 | 67.7 | 69.8 | 68.6 |
| Stable (not changing or being re-written all the time) | 69.1 | 71.2 | 64.2 | 80.6 | 47.4 | 68.1 |
| Well monitored | 57.6 | 55.9 | 56.7 | 67.7 | 58.1 | 57.5 |
| Strictly enforced | 50.6 | 46.6 | 55.0 | 48.4 | 55.8 | 49.6 |
| Strictly implemented | 56.9 | 57.6 | 55.0 | 61.3 | 60.5 | 56.2 |
| Do not slow down the process of decision making and service delivery | 71.0 | 72.0 | 66.7 | 83.9 | 79.1 | 69.5 |
| Meet the objectives of the institution | 82.2 | 83.1 | 77.5 | 97.8 | 83.7 | 81.9 |

Does not include opinions of elected officials (mayors, deputies, etc.)

⁵⁰ Regressing an index of corruption on each indicator of the quality of internal administration outlined in Table 78 always yields a coefficient significant at the 5% level, at least.

Figure 31. Quality of Internal Administration and Corruption



Research suggests that excessive administrative discretion is an importance factor contributing to corruption⁵¹. Unambiguous and clear procedures leave less room for discretion and limit the ability to collect bribes. In Slovakia, many officials reported that their supervisors, peers, and they themselves “sometimes act on their own accounts” – less than half say they follow one predefined official procedure. (See Table 72.) The link between administrative discretion and corruption levels that has been found in cross-country studies hold true in Slovakia, as well. Where discretion is highest, so is corruption, as is clear from the Figure 32, below.⁵²

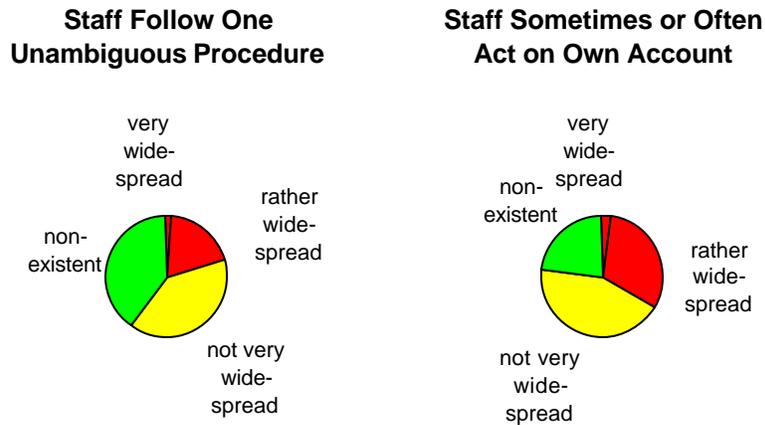
Table 72. Consistent Unambiguous Procedures

| | Overa ll | Centr al | Regiona l | Local | Bosse s | Staff |
|---|-------------|-------------|--------------|-------|------------|-------|
| Your supervisors follow exclusively one unambiguous predefined official procedure | 35.7 | 37.9 | 36.3 | 24.1 | 34.1 | 35.9 |
| Your peers follow exclusively one unambiguous predefined official procedure | 42.7 | 38.5 | 50.4 | 26.1 | 36.6 | 43.9 |
| You (personally) follow exclusively one unambiguous predefined official procedure | 47.7 | 46.6 | 47.9 | 51.6 | 47.6 | 47.8 |

⁵¹ E.g., Simon Johnson, Daniel Kaufmann and Pablo Zoido-Lobaton “Corruption, Public Finances, and the Unofficial Economy” 1998: “... the problem lies with the *discretionary* application of *tax* and *regulatory* regimes in many countries.” (p. 1)

⁵² When regressing corruption on an index of “predefined unambiguous procedures” (based on the variables in Table 72), the coefficient on unambiguous procedures is significant at the 0.1% level. This result hold when organizational dummy variables are included; adjusted R-squared rises from 0.04 to 0.25 when organizational dummies are included, suggesting that there is both an effect between governmental bodies, and an effect within governmental bodies. Probits were also run with whether or not the respondent had been offered a bribe in the previous two years as the dependent variable. For offers of gifts, the coefficient on information openness was significant at the 10% level (also at the 10% level when organizational dummies were included); for offers of money, the coefficient was not significant.

Figure 32. The Importance of Unambiguous Procedures



Personnel Policy

When discussing the divisive issue of corruption, it is far too easy to stereotype public sector employees as the enemy, agents that must be closely monitored to ensure that they work hard and follow the rules. It is easy to forget that the public sector’s employees are also its greatest assets, and that positive inducements can be just as effective for stimulating hard and honest work. When we asked public officials why they remained working at their institutions, the important reasons were the “certainty of a stable job” (66 percent), immediately followed by “self-satisfaction in doing the job” (56 percent), and “the chance to work in one’s field of expertise” (56 percent). Only 5 percent of respondents cited the salary as a reason for working at their institution.

Eight out of ten officials reported that personnel decisions (recruitment, appointments, promotions, salary increases) are based on formal, written, rules, and the majority believe that personnel decisions are based on merit and qualifications. While these responses are encouraging, it is clear that personnel decisions are also based on other factors. More than one out of three respondents said that political affiliation affects personnel decisions, and 40 percent said that changes in political administration affected personnel policies; 19 percent said family connections were important, and 26 percent said that regional connections were important. One out of sixteen officials said that unofficial payments played a role in personnel decisions.⁵³

⁵³ Among regional offices, 18 percent of respondents in district offices, 12 percent from the labor office, 9 percent from social insurance, and 7 percent from the polices said unofficial payments played a role. It should be noted that the number of observations for each of these organizations ranges from 11 to 22, so conclusions about which organization is the worst can not be made.

| Percent agreeing that personnel decisions are based on ... | Overall | Central | Regional | Local | Bosses | Staff |
|--|---------|---------|----------|-------|--------|-------|
| Official, written rules | 80.9 | 78.0 | 83.2 | 83.3 | 76.7 | 81.8 |
| Merit, professional experience, performance | 65.5 | 63.1 | 63.8 | 82.1 | 76.7 | 63.2 |
| Level of education | 80.8 | 79.6 | 79.5 | 90.3 | 88.4 | 79.4 |
| Seniority | 76.2 | 77.2 | 71.8 | 90.0 | 83.7 | 74.8 |
| Family connections | 19.4 | 17.3 | 24.1 | 9.7 | 7.3 | 21.7 |
| Regional connection | 26.4 | 25.2 | 29.4 | 20.0 | 12.5 | 29.0 |
| Political connections (affiliation) | 34.6 | 34.5 | 40.8 | 13.3 | 26.8 | 36.1 |
| Connections and patronage within the institution | 34.8 | 32.1 | 44.5 | 9.7 | 13.2 | 38.7 |
| Change of political administration of the institution | 39.8 | 45.1 | 42.3 | 10.3 | 29.3 | 42.0 |
| Based on unofficial payments | 6.4 | 6.5 | 8.1 | 0.0 | 2.4 | 7.2 |

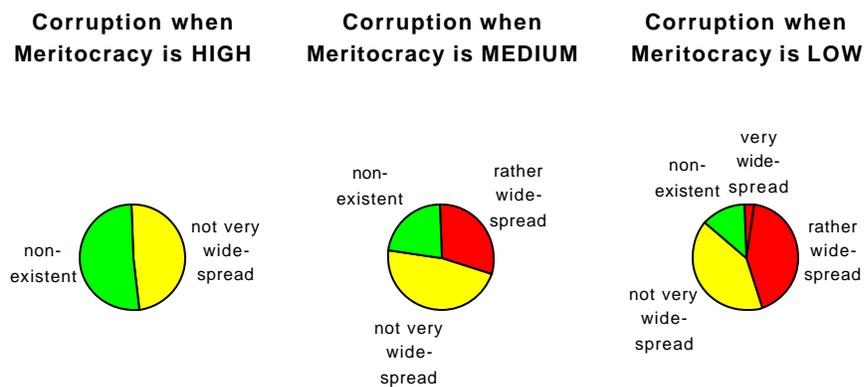
Officials from local self-government generally report the lowest levels of non-meritocratic influences on personnel decisions, and regional governments the highest. The survey responses also make clear that supervisors generally have a rosier view of personnel decision making, while ordinary staff are more likely to believe that connections or unofficial payments play a role.

Although eight out of ten officials reported that personnel decisions are based on formal rules, and most believe the decisions are based on merit and qualifications, only six out of ten believe that the rules are transparent, and just over half report that decisions are audited. Over 45 percent reported the lack of an appeals process.

| Percent agreeing that personnel decisions are ... | Overall | Central | Regional | Local | Bosses | Staff |
|---|---------|---------|----------|-------|--------|-------|
| Transparent and clear | 61.5 | 57.5 | 58.6 | 87.1 | 60.4 | 67.4 |
| Audited on a regular basis by internal control agencies | 54.1 | 46.2 | 61.4 | 53.3 | 52.2 | 63.9 |
| Accessible by other employees | 58.0 | 58.8 | 50.9 | 82.8 | 55.6 | 69.8 |
| Subject to a workable appeals process | 58.9 | 59.4 | 63.3 | 60.9 | 59.2 | 57.1 |

A recent cross-country study finds that the existence of a merit-based civil service is an important determinant of the level of corruption in the country.⁵⁴ The survey results for Slovakia strongly support this conclusion. Each of the individual dimensions of personnel policy quality and meritocracy listed in Tables 63 and 64 is individually highly correlated with the level of corruption within the institution⁵⁵; the existence of patronage and connections within the institutions, and the use of informal payments being the single largest contributors.⁵⁶ An index of all of the factors, capturing the overall level of meritocracy, is also highly correlated with the level of corruption.⁵⁷ The strength of this result confirms that anticorruption involves much more than putting bribe payers and bribe takers in jail – implementation of a merit-based civil service is also a key element of an anticorruption strategy. (See Figure 33.)

Figure 33. Meritocracy and Corruption



Internal Channels of Communication

Public officials generally responded positively when asked about the channels of communications within their organizations, although there were marked differences between the levels of government, with local self-governments reporting the most open channels of communications. (See Table 75.) Only half of the surveyed public officials agreed that managers take into account the opinions of subordinates when making decisions. (Supervisory officials and staff were in agreement on this point.)

⁵⁴ James E. Rauch and Peter B. Evans, "Bureaucratic structure and bureaucratic performance in less developed countries", *Journal of Public Economics* 75, 2000. 49-71.

⁵⁵ The sole exception is the existence of an appeals process, which is not correlated with the level of corruption.

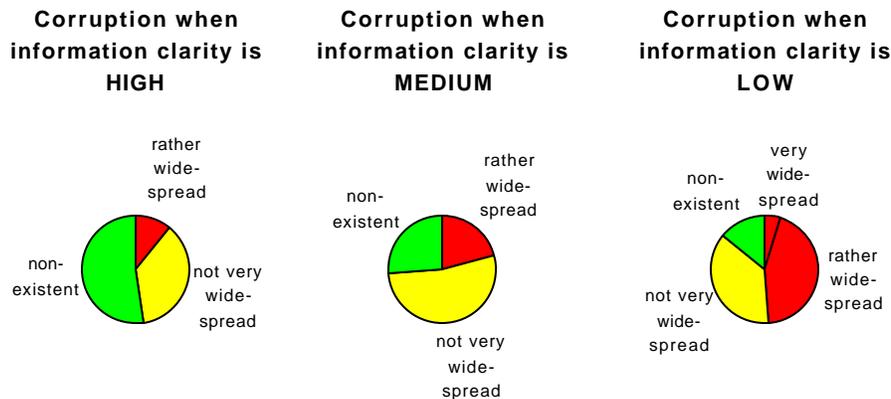
⁵⁶ In a regression of the level of corruption on the use of connections and patronage within the institution for making personnel decisions, the t-statistic of the slope coefficient was 7.1; a similar regression with the use of unofficial payments on the right-hand side yields a slope estimate with a t-statistic of 6.2.

⁵⁷ When regressing the level of corruption the index of meritocracy (based on the variables in Tables 62 and 63), the coefficient on meritocracy is significant at the 0.01% level. This result hold when organizational dummy variables are included. Adjusted R-squared rises from 0.15 to 0.25 when organizational dummies are included, suggesting that there is both an effect between governmental bodies, and an effect within governmental bodies. Probits were also run with whether or not the respondent had been offered a bribe in the previous two years as the dependent variable. For offers of gifts, the coefficient on meritocracy was significant at the 1% level, whether or not organizational dummies were included; for offers of money, the coefficient was not significant.

| Table 75. Channels of Communication Percent Agreeing that ... | Overall | Central | Regional | Local | Bosses | Staff |
|---|---------|---------|----------|-------|--------|-------|
| Channels of information in the institution are sufficient | 66.2 | 55.6 | 72.9 | 80.6 | 66.7 | 66.1 |
| Those affected by decisions are informed first | 79.7 | 70.9 | 84.7 | 93.5 | 81.4 | 79.4 |
| Managers take into account subordinate's opinion when making decisions | 50.2 | 54.3 | 41.9 | 66.7 | 51.2 | 50.0 |
| I have access to information needed to work effectively | 76.5 | 70.3 | 78.2 | 93.5 | 79.1 | 76.0 |
| I am clear about the steps to solve the problems I face | 78.0 | 69.5 | 84.9 | 83.9 | 72.1 | 79.1 |

The openness of channels of communication is negatively correlated with corruption – where the internal channels of communication are the greatest, the level of corruption is the least. (See Figure 34.) This result seems to hold both between governmental organizations (organizations that have the most open communications have the least corruption), and within organizations (people who view the lines of communications as open are less likely to believe that corruption is widespread in their organization).⁵⁸

Figure 34. Information Flows and Corruption



⁵⁸ When regressing the level of corruption an index of information openness (based on the variables in Table 75), the coefficient on information openness is significant at the 0.01% level. This result hold when organizational dummy variables are included. Adjusted R-squared rises from 0.12 to 0.27 when organizational dummies are included, suggesting that there is both an effect between governmental bodies, and an effect within governmental bodies. Probits were also run with whether or not the respondent had been offered a bribe in the previous two years as the dependent variable. For offers of gifts, the coefficient on information openness was significant at the 5% level (2% level when organizational dummies were included); for offers of money, the coefficient was not significant.

Freedom of Information

At the heart of the political, economic and social changes that have come to be known as the “transition” is freedom and openness. Most notably, political processes have been opened to multiple parties, fair elections and public debate. The Free Information Access Act (FIAA), currently being discussed in Parliament, takes openness beyond the political process and into the workings of the government. Openness provides the electorate the information needed to evaluate the fairness, transparency, and efficiency of their government bodies, and holds promise as a means for encouraging public sector efficiency and limiting corruption. A reform such as the FIAA, however, will only be effective if it is implemented – implementation may be undermined if there is strong resistance among the public sector officials entrusted with implementation. With this concern in mind, the survey of public officials asked a series of question on support for openness in general, support for the FIAA in particular, and concerns that officials have about implementation of the FIAA.

Table 76 highlights the diversity in the manner in which state bodies from all levels of government currently provide information to the public. At all levels, respondents reported that information is provided on demand; local self-governments are much more likely to post information in public areas, and the central state administration is much more likely to put information on the internet. Ninety-eight percent of all respondents said that information is provided to the public in at least some form, and 90 percent provide it in writing. Among particular bodies, the courts stand out for relying on “information on demand” – none of the respondents from the courts reported that activity reports are issued.

| | Overall | Central | Regional | Local |
|--|---------|---------|----------|-------|
| Via spokesman | 42 | 65 | 37 | 23 |
| Activity reports | 70 | 73 | 61 | 76 |
| Regional periodicals via the regional media | 62 | 55 | 71 | 58 |
| Posted in public areas | 63 | 26 | 68 | 92 |
| Via the internet | 28 | 60 | 19 | 5 |
| Information provided on demand (but publishing must be approved) | 86 | 82 | 76 | 99 |

On an abstract level, most officials support the notions of open access to decision-making, and recognize the positive effect that transparency would have on decisions. (See Table 77.) Over 80 percent of officials believe decision making processes should be open, and nearly 90 percent believe that publishing decisions would force decision makers to follow more reasonable approaches. Among the three levels of government, local self-governments were relatively more agreeable than the other levels to openness in decision making processes.

Table 77. Support for Openness in Public Administration

Percentage responding:

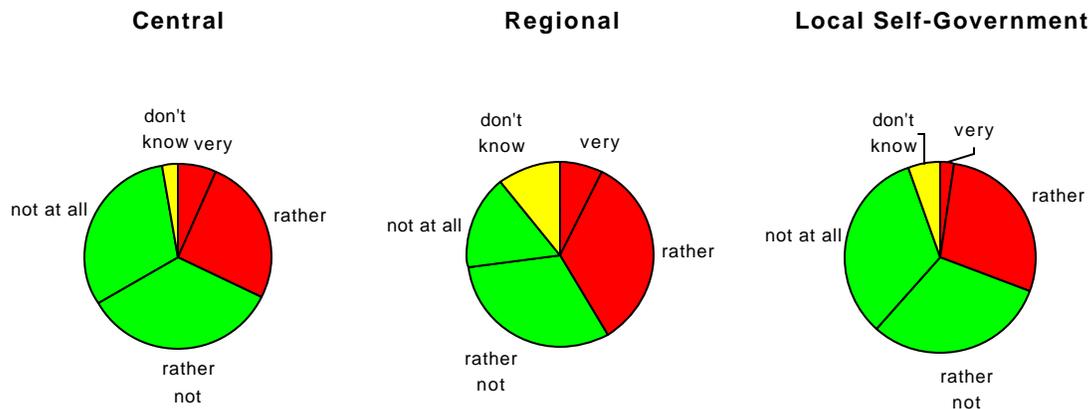
| | Definitely Yes | Rather Yes | Rather No | Definitely No |
|---|----------------|------------|-----------|---------------|
| “Would you agree if decision making sessions at all public administration levels would be freely accessible to the public, except confidential state issues?” | 49.1 | 34.4 | 11.4 | 2.8 |
| “Do you think that the names of members of decision-making commissions at all public administration levels should be published?” | 44.6 | 32.1 | 15.6 | 6.3 |
| “Do you think that the publishing of the decisions would force the deciding persons to follow a more reasonable approach?” | 55.4 | 32.7 | 6.8 | 2.8 |

Row do not sum to 100 because some respondents answered “I don’t know”

The survey of public officials asked officials whether they believed that the FIAA was necessary, and 80 percent said that it is.⁵⁹ Belief in the need for such an Act is highest among central government officials and lowest among officials of the regional bodies of the central government.

Respondents were also asked to evaluate how complicated the FIAA would make their work. By and large, respondents did not feel that an FIAA would greatly complicate their work. Only 35 percent felt that the work of their institution would become more complicated, while 59 percent felt that such an act would probably not complicate their work. Indeed, an official’s opinion on the need an FIAA and support of the reform is very highly correlated with the degree to which she feels the work of the institution would be more complicated as a result of the reform⁶⁰. Officials from the courts, customs and labor offices were least supportive of the need for FIAA reform; courts and customs were most concerned that the FIAA would complicate their work.

Figure 35. “How complicated will the FIAA make your work?”



The survey responses provide reason for optimism regarding openness such as that proposed in the Free Information Access Act. There is a good deal of support for the reforms among public officials. Those that don’t support the reforms, and could ultimately undermine its effectiveness, are those that are concerned

⁵⁹ After dropping responses of “I don’t know”, the percentage stating the need for the FIAA rises to 89 percent.

⁶⁰ Regressing support for reform on a variable indicating whether work would be made more complicated yields a t-statistic of 6.7. Similarly, probit regression of the need for reform on the same variable yields a p-value of 0.0001.

over the details of implementation. Throughout this report, a consistent theme is that corruption stems in part from bureaucracy and inefficiency – while the FIAA may bring greater openness, lack of attention to the details of implementation could bring unnecessary bureaucracy and thereby reduce the effectiveness of this important reform.

Decentralization

A second major reform of the public sector is the current proposal of public administration reform, a key component of which is decentralization. Specifically, many of the functions of the regional and district bodies of state administration would be devolved to an intermediate level of government that would be answerable directly to the people in the regions. The over-centralized state structures left behind by the communists have in many ways already been supplanted by decentralized decision making – competitive markets are highly decentralized relative to the socialist economic system. The underlying theme of the market economy, making firms answerable to the people, is echoed in proposals for decentralization which intend to make government more responsive to the people.

There are many reasons to favor decentralized government structures: being answerable to the people who use the services government provides will force the new regional self-governments to provide the mix of services that people prefer and to deliver high quality services. In theory, being answerable to the people is also expected to have a positive effect on the level of corruption, since the electorate can remove politicians that do not ensure clean agencies.

On first glance, the public official’s survey appears to support the notion that decentralization will help reduce corruption. At every level of government, the officials themselves reported having greater faith in the honesty and integrity of local self-governments than of the central state or regional state administration. (See Table 78.) Local self-governments also exhibit higher levels of some qualities of public administration discussed in this report: staff more closely identify with the organizational mission, are more likely to consider citizens to be their clients, follow more sound personnel policies, and have the most open channels of communication. However, we have also seen that local self-governments are softer on bribe takers and are more likely to use discretion, rather than following clear rules. More importantly, the competencies of the current self-governments are very limited relative to those envisioned by the new regional self-governments, and lower levels of corruption may simply reflect this fact.

| | Overall | Opinions of Central Government Officials | Opinions of Regional Government Officials | Opinions of Local Government Officials |
|---|---------|---|--|---|
| 5=much faith, 1=no faith | | | | |
| Faith in the honesty and integrity of the Central government | 2.78 | 2.82 | 2.67 | 2.85 |
| Faith in the Honesty and integrity of Regional bodies of the central government | 2.82 | 2.79 | 2.88 | 2.78 |
| Faith in the honesty and integrity of Municipality | 3.40 | 3.03 | 3.15 | 4.05 |

Support for Reforms

Even the most well-intentioned reforms can be undermined if they meet resistance from the public sector employees who must ultimately implement them and endure the consequences. At the stage of designing the reforms, it is useful to have an understanding of the resistance that various reforms are likely to meet. Public officials were asked to evaluate how much they would support various types of reforms, and the results are presented in Table 79.

The results are encouraging. As a whole, public officials reported generally high levels of support for many kinds of public administration reforms. The most popular reforms, from the public official's perspective, are increasing transparency in political party funding, administrative simplification, and establishing a merit-based civil service. The least popular reforms are the privatization of public services, administrative decentralization, setting performance targets and standards, and reducing public sector employment (with an increase in the salaries of those who remain). While these reforms are less popular than the others included in the survey, the level of support is still high. With the exception of privatization of public services, each of these "less popular" reforms are supported by well over half of the public officials surveyed.⁶¹ Although this is a positive sign, optimism should be muted by remembering (as described in the section on Freedom of Information Act, below) that people may be supportive of broad concepts, yet cautious about the details.

Public officials from the regional bodies are generally less supportive of reforms, and this is especially true regarding the proposal to shrink total public employment while increasing wages. They are also much less supportive of administrative decentralization than either of the other two bodies. Public officials from municipalities, by contrast, are much more supportive of decentralization and setting performance standards than officials at the other two levels of government. The reforms that receives the most support from officials at the municipalities is administrative simplification. Given that bureaucracy is a major problem doing business and is closely linked with corruption, the combination of high support from public officials, and clearly demonstrated need for the reform, suggest that administrative simplification could be an important component of public administration reform.

Public officials at higher ranks are generally more supportive of reforms than staff, the biggest difference being in the area of decentralization. Supervisors and staff alike are highly supportive of administrative simplification.

⁶¹ Only 48 percent of respondents supported privatization of public services.

| Table 79. Resistance to Reforms 1=totally agree with the reform; 4=totally disagree with the reform | Overall | Central | Regional | Local | Bosses | Staff |
|---|---------|---------|----------|-------|--------|-------|
| Minimum number of observations | 325 | 108 | 107 | 104 | 116 | 205 |
| A law that assures that the economic resources handled by the political parties will have their origins and destinations plainly identified | 1.30 | 1.20 | 1.34 | 1.36 | 1.32 | 1.28 |
| Administrative simplification | 1.32 | 1.29 | 1.40 | 1.25 | 1.31 | 1.32 |
| Establishing a civil service career in which salary increases and promotions are specifically based on performance indicators | 1.54 | 1.45 | 1.61 | 1.58 | 1.49 | 1.57 |
| More devolution to operating management | 1.64 | 1.63 | 1.75 | 1.54 | 1.64 | 1.64 |
| Rationalization of spending within the budget | 1.70 | 1.73 | 1.84 | 1.52 | 1.56 | 1.78 |
| Reducing the number of management levels | 1.71 | 1.75 | 1.73 | 1.65 | 1.67 | 1.73 |
| A greater supervision of the general public and civil society over the activities of the public sector | 1.72 | 1.69 | 1.91 | 1.54 | 1.57 | 1.80 |
| A law that would give the citizen free access to all the information in the hands of the state, except classified information | 1.86 | 1.80 | 1.96 | 1.82 | 1.82 | 1.87 |
| Setting service performance targets and standards | 2.00 | 2.12 | 2.08 | 1.80 | 1.91 | 2.06 |
| Decrease of the number of public officials, if this would increase salaries and the other incomes of those officials (clerks) who kept their jobs | 2.07 | 1.86 | 2.45 | 1.88 | 1.95 | 2.14 |
| Administrative decentralization of the state, delegating operative functions of the national government to the municipalities | 2.10 | 2.15 | 2.34 | 1.82 | 1.87 | 2.23 |
| Privatization of public services | 2.50 | 2.31 | 2.69 | 2.51 | 2.37 | 2.57 |

6. Summary of Key Findings

The surveys of households, enterprises, and public officials, have provided a wealth of information on perceptions and actual experiences with corruption in Slovakia. Regarding the levels and trends:

- Corruption is perceived to be widespread and especially problematic in health, justice, the National Property Fund, customs, police, and ministries. The perceptions are buttressed by actual experiences – many enterprises and ordinary people reported paying bribes, and many public officials reported having been offered gifts or money by clients. Of the fifty bodies and services reported on by households and enterprises, there were reports of bribery for every single one.
- Corruption is more widespread than ten years ago, but the recent trends are less clear. While there is some evidence that the corruption problem has improved somewhat compared to a few years ago, many believe that it is as bad today as ever. Corruption remains a significant problem that must be addressed.

The surveys help to highlight the sectors most affected, and the reasons the unofficial payments are made in these sectors:

- The courts were identified by all three sample groups as slow and largely corrupt. Slowness of courts and low executability of justice were identified by enterprises as severe problems doing business, and both households and enterprises reported that they frequently encounter bribery in their experiences with courts.
- The health sector is perceived by all three sample groups as a sector with widespread corruption. The survey of households confirmed this perception – *pozornost* was paid for hospital stays far more often than for any other public sector body or service about which households reported. Despite the fact that some said their *pozornost* was paid voluntarily, the widespread perception that corruption is rife in the health sector suggests that even these “voluntary” payments are considered “corruption” by the population. The lack of clear guidelines delineating acceptable tokens of appreciation from unacceptable bribes, adds to confusion and strengthens the perception of corruption.
- Corruption in the educational system is centered mostly around universities. Moreover, there is a widespread perception that one can not gain admittance to law or medical schools without paying bribes. Reforms within the justice system and the health sector, both reported to have widespread corruption, should also address the educational institutions that produce the new cadres of professionals.
- Several regulatory and licensing bodies are reported to be the frequent recipients of bribes: import and export permits, construction permits, and other licenses, the Business Registry (run by the courts), Certification Authority, Customs, and State Business Supervision, all were reported by the enterprises that deal with them to be frequent recipients of bribes. Reducing bureaucracy and administrative barriers, already part of the *National Program*, will be a key component of a strategy to reduce the levels of bribery among regulatory and licensing bodies.
- Roughly one in nine enterprises said they sponsor political parties. Most enterprises believe that it is a common practice, although a larger percentage believe it was common practice before the 1998 elections. Clarifying and making more transparent the interface between politicians and private enterprises should be a top priority. Attempting to influence policy is natural and even useful – but when the influence comes through non-transparent sponsoring of parties, the result is often corruption. Indeed, enterprises that sponsor political parties were more likely than other enterprises to use political pressure as a means of getting state subsidies. Although the component of the *National Program* on

“transparency in political life” may be contentious, the findings in this report suggest that it will be crucial for a sustained anticorruption effort.

- Similarly, many enterprises reported paying bribes to receive state subsidies, and many more reported using political influence and connections with friends and relatives to get the subsidies. Many firms that regularly sell to the state reported that firms like theirs routinely pay bribes to win contracts, and most enterprises that have participated in tenders believe that it is very difficult to win public sector tenders without paying bribes.
- Rewarding cronies with favorable, non-transparent, privatization decisions can be more pernicious than other forms of corruption, since it tends to institutionalize corruption. There is a perception that corruption is widespread at the National Property Fund, a perception also held by the subset of privatized enterprises.

In many ways, identifying the problem of corruption is easier than identifying its source or its solution. The public officials survey helps to provide guidance on the weaknesses that lead to corruption, and some reforms that may help prevent corruption.

- The surveys show clearly that corruption is associated with bureaucracy, with firms and households paying bribes to speed the processes along. Public sector institutions at which employees report that rules hinder their ability to deliver services in a timely manner have more widespread corruption problems. Public administration reforms that increase efficiency and decrease bureaucratic delays will help to reduce corruption. The use of client surveys by the organizations themselves can help to highlight weaknesses and suggest areas for improvement in organizational performance.
- The lack of clear guidelines for the acceptance of gifts leaves officials with no guidance for acceptable behaviors. A Code of Ethics, of the sort envisioned in the *National Program*, will help to clarify this important issue. Similarly, administrative procedures for disciplining staff can serve an important purpose as a deterrent – many public officials did not know how bribe takers are punished.
- Corruption is significantly influenced by many factors that characterize the administration of the public sector:
 - the clarity of information flows within the organization
 - identification of staff with the organization’s objectives and strategies
 - the quality of internal administration, and the implementation of clear, unambiguous, predefined procedures of internal administration
 - the level of meritocracy and the quality of personnel policies
 - *Among these factors, each of which are related to each other, the existence of meritocracy and the quality of internal administration exhibit the strongest relationship with the level of corruption.*⁶²
- While local self-governments do seem to have less widespread corruption problems than bodies of state administration, it is not clear that decentralization will help to reduce corruption, since the competencies of the local self-governments are few compared to the proposed competencies of the regional self-governments. Well planned implementation of the new Concept of Public Administration will be the key to ensuring the benefits of a decentralized state, without allowing corruption to fill the vacuums that emerge during the decentralization process.
- Most officials understand the need for openness of the sort envisioned in the draft Free Information Access Act and support the concept of open, transparent, decision making. Those that are most

⁶² In a regression with the level of corruption as the dependent variable, and indices of each of the four dimensions outlined in the text, only meritocracy and the quality of internal administration remained significant at the 5% level.

concerned about the law are the ones who believe it will complicate the work of their institutions. As bureaucracy and slow service delivery have been identified as contributors to corruption, the implementation of the Free Information Access Act should be undertaken with care not to unnecessarily complicate the work of the employees that must administer it.

- Public officials were broadly supportive of a number of public sector reforms. They were most supportive of transparency in political party financing, administrative simplification, and establishment of a merit-based civil service. As bureaucracy and non-merit personnel policies were identified to be closely correlated with corruption, measures to simplify administrative procedures and establish a merit-based civil service should be high on the public sector agenda. Likewise, the unambiguous benefits of transparency in party financing, and the strong support among officials, highlight the importance of reforms in this area.
- The survey responses exhibit a high degree of acceptance of corruption. Many officials said they would not turn in colleagues they knew to be taking bribes, and both households and enterprises that paid bribes usually said that the bribe was not explicitly required by the official but assumed to be necessary. Many seem resigned to a deepening of corruption: only one in nine Slovaks believe that corruption will abate in the next three years, while one in three thinks it will get worse. When the survey was administered in the fall of 1999, 48 percent of the population felt that the Government was not serious about solving the corruption problem, and 60 percent felt likewise about the National Council. These facts add impetus to the Education component of the *National Program*, which seeks to educate the public about the problem of corruption and what they can do about it. One notable success story in the fight against corruption, Hong Kong, also used surveys to highlight problems and also successfully employed a public education campaign to reduce tolerance for the practice.

Since the summer of 1999, momentum for anticorruption has grown steadily with the establishment of the Anticorruption Steering Committee led by the Deputy Prime Minister, development and public dissemination of the *National Program for the Fight Against Corruption*, and public statements by the Prime Minister that anticorruption is a top priority of the Government. Maintaining this momentum by developing an action plan with a clear timetable for delivery can help to regain the public's trust, keeping Slovakia on track of rebuilding an efficient, transparent, open public sector that serves the citizenry and business sector, rather than the other way around.

Annex 1. Detailed Sample Characteristics

Household Sample

| | | | |
|--------------|------|-----------------------------|------|
| SEX | % | SIZE OF COMMUNITY | % |
| Male | 47.9 | Less than 2 000 inhabitants | 30.4 |
| Female | 52.0 | 2 – 5 000 inhabitants | 13.1 |
| | | 5 – 20 000 inhabitants | 14.9 |
| AGE | % | 20 – 50 000 inhabitants | 16.4 |
| 18 – 24 | 16.5 | 50 – 100 000 inhabitants | 12.1 |
| 25 – 34 | 19.2 | Bratislava, Košice | 12.9 |
| 35 – 44 | 20.6 | REGION | % |
| 45 – 54 | 16.8 | Bratislava | 11.5 |
| 55 – 59 | 6.1 | Trnava | 10.2 |
| More than 60 | 20.6 | Trencín | 11.3 |
| EDUCATION | % | Nitra | 13.3 |
| Elementary | 35.2 | Žilina | 12.8 |
| Vocational | 30.0 | Banská Bystrica | 12.3 |
| Secondary | 26.4 | Prešov | 14.4 |
| University | 8.3 | Košice | 14.1 |
| NATIONALITY | % | | |
| Slovak | 85.7 | | |
| Hungarian | 10.6 | | |
| Other | 3.6 | | |

Enterprise Sample

| | | | |
|--------------------------|------|-----------------|------|
| LEGAL FORM | % | OWNERSHIP | % |
| Shareholding | 26.5 | State | 2.5 |
| Limited | 34.2 | Municipal | 0.2 |
| Entrepreneur | 34.9 | Cooperative | 2.0 |
| other | 4.4 | Private | 92.4 |
| | | Mixed | 2.9 |
| SECTOR | % | EMPLOYEES | % |
| Agriculture/Forestry | 7.9 | 1-10 | 59 |
| Mining | 0.5 | 11-30 | 17 |
| Industry/Energy | 13.5 | 31-100 | 8 |
| Construction | 15.7 | 101-200 | 5 |
| Wholesalers/Retailers | 28.0 | >200 | 5 |
| Hotel/Restaurant | 2.2 | | |
| Banking | 1.7 | REGION | % |
| Health/Education/Culture | 3.7 | Bratislava | 26.3 |
| Other Services | 26.8 | Trnava | 8.1 |
| | | Trencín | 8.6 |
| | | Nitra | 16.2 |
| | | Žilina | 12.5 |
| | | Banská Bystrica | 10.1 |
| | | Prešov | 7.6 |
| | | Košice | 10.6 |

Public Official Sample

| LEVEL OF GOVERNMENT | % |
|-------------------------------|------|
| Central State Administration | 33.5 |
| Regional and District Offices | 34.1 |
| Local Self-Government | 32.4 |

| REGION | % |
|-----------------|------|
| Bratislava | 34.7 |
| Trnava | 5.4 |
| Trencín | 6.5 |
| Nitra | 8.8 |
| Žilina | 7.4 |
| Banská Bystrica | 13.9 |
| Prešov | 12.8 |
| Košice | 10.5 |

Annex 2. Definitions for “At a Glance” Tables

| Household “At a Glance” Tables | |
|---------------------------------------|--|
| CONTACT | The percentage of households with contact in the previous two years |
| NO. VISITS | Average number of visits necessary to settle the matter |
| OTHER INSTITUTIONS | Percentage of households needing to visit other institutions to settle the matter |
| <i>POZORNOST</i> | Of those with contact, the percentage that paid some <i>pozornost</i> |
| - NECESSARY | Of those that paid <i>pozornost</i> , the percentage who felt it was necessary. I.e., responses of “nobody required it, but I know this is the way it goes,” or “the institution workers required it.” |
| SATISFACTION WITH BEHAVIOR | Percentage of households giving a favorable satisfaction rating for the behavior of officials |
| OVERALL SATISFACTION | Percentage of households giving a favorable satisfaction rating for overall service quality |

| Enterprise “At a Glance” Tables | |
|--|--|
| CONTACT | Percentage of firms with contact in the previous twelve months |
| FIRMS ENCOUNTERING BRIBERY | Of those with contact, the percentage encountering bribery |
| VISITS ENCOUNTERING BRIBERY | Average percentage of visits in which bribery was encountered. This is calculated as the percentage of visits for each enterprise and then averaged across all enterprises. This is not the same variable as that presented in Figure 6, which equals the total number of visits at which a bribe was indicated, divided by the total number of visits |
| BRIBE SIZE | Average size of the bribe, among those who encountered bribery |
| RATING OF QUALITY | Percentage of enterprises giving a favorable quality rating |