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**THE PROBLEM OF CORRUPTION IN SMALL AND MEDIUM
ENTERPRISES IN SLOVAKIA**

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The Integra Foundation is a consulting agency focused on providing support to small and medium enterprises (SMEs) in Central and Eastern Europe. It is active in Slovakia from September 1995. The socio-economic program of the Integra Foundation provides the following types of support to SMEs:

1. Business plan development - to assist business start-ups
2. Individualized Training - to provide necessary know how in finance and management of a small business
3. Seminars - for those who are looking for solutions to common business problems, and who can benefit from the experience of others in a similar situation
4. Mentoring - linkage with international business partners, who can provide industry-specific expertise
5. Microlending program - access to finance for business development

One of the goals of the transition countries of Central and Eastern Europe is the establishment of civil society. The creation of a strong middle class, founded on traditional European ethical values is an important condition for the development of civil society with a properly functioning market economy. This is essential to the struggle with the massive problems in the region of unemployment, poverty and corruption. At Integra we believe that the creation of the conditions for the development of small and medium enterprises, primarily family firms, assists this process. Our goal is to support individuals, their families and communities through the provision of small loans, training and consulting in the skills needed to be successful in small business.

Our vision is the creation of many "islands of integrity", ie. successful small firms spread through the entire region. A small business meets the profile of an island of integrity with:

- Long-term local presence
- Growth and profitability
- Transparent and ethical business practice
- Excellent financial and social value to their stakeholders and community
- Renewal of ethical values in society

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There is nothing more important in our current work than the fighting corruption.
It is a disease that permeates societies around the world and is at the core of the problems
of social inequality and poverty.

James Wolfensohn
World Bank President

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EXECUTIVE SUMMARY

Forty-two years of socialist past in our country resulted in substantial damage to the value systems upon which civil society must be built: for example, a Judeo-Christian value system and the economics of the free market. However, these values were not completely destroyed. After November 1989 the process of economic transformation began to be rapidly implemented into the environment of this debased value system. This process resulted in negative influence on the transparency in the economic system.

The measure of corruption in Slovakia is also linked to the modest foreign direct investment (FDI) in the country. The Integra Foundation, which in its social-economic program is involved to a limited extent in bringing FDI to Slovakia, senses a need to deal with the problem of increasing corruption.

The "Coping with Corruption Toolkit" was conceived as an 8-month project of the Integra Foundation, with the support of USAID. It was conducted from November 1999 to June 2000. The goals of the project were:

- to gain understanding of the main corruption related problems faced by SMEs in Slovakia,
- to determine what if any strategies were being employed by these businesses to avoid corruption
- to launch an open discussion among SMEs in Slovakia about how to manage corruption-related pressures on their business
- to outline potential measures that can be taken to reduce corruption in the business community in Slovakia, with particular reference to SMEs.

The project began with a questionnaire that was circulated among SMEs in different regions of Slovakia. These businesses were selected from the small business client base of the Integra Foundation, other members of AMIS (The Association of Microfinance institutions of Slovakia). The purpose of this questionnaire was not to get a complete picture of the corruption issues faced by small businesses. Rather it was to initiate a discussion on the corruption issue, and to determine what strategies are being used to avoid corruption. Fifty-six companies responded, which enabled the compilation of a series of case studies based around the main problems faced.

The creation and evaluation of the questionnaire was assisted by Transparency International (Slovakia), The Focus Agency and Professor Luksik of the Faculty of Education of the Comenius University in Bratislava. The survey and results are published in the appendix.

In addition, part of the project was to conduct research within the international network of Transparency International to determine whether programs to assist SMEs face corruption exist elsewhere in the world. This research was conducted by Mr. David Murray, a leading Business Ethics consultant from Britain and member of the UK Advisory Board of Transparency International.

It is clear that most Slovakia SMEs deal with corruption in some form. And that corruption represents for them a cost in finance, time and lost opportunity.

However, contrary to initial assumptions, no strong strategies emerged that are being used by Slovak SMEs to deal with corruption. Most feel themselves to be reluctant victims, hoping that the macro environment will change and enable some relief. Additionally, research within the

Transparency International network revealed no substantial anti-corruption programs that had microenterprise or SMEs as a focus. Anti-corruption programs tend to focus instead on the public sector or large-scale enterprise.

One of the main results of the project was the creation of a set of case studies, each based on actual experiences of a Slovak company. These case studies are presented as discussion material for small business development agencies that want to help their clients initiate public discussion about the problems they face.

The project also includes legal opinion related to the case studies by Dr. Jan Hrubala, who is the author of "Corruption - the Disease and the Cure".

Finally, based on the research and discussion groups with SME owners, some possible proactive approaches are outlined that could help break the corruption cycle among Slovak SMEs. These are:

- The creation of functional professional associations, with standards and lobbying capacity.
- The creation of capacity to provide assistance for SMEs in developing an ethical codex
- The creation of capacity to carry out systematic and professional social audits of companies
- The creation of a regular competition and a prize for ethical business, "The Good Sport Business Award".

This project should be seen as the introduction to the issue, and the beginning of what is hoped will be a continuing public discussion about the problems faced by small business owners in Slovakia.

I. PROJECT'S FRAMEWORK

1. 1. INTRODUCTION

Until relatively recently, the problem of corruption was not taken seriously in Central and Eastern Europe. Often it was seen as a minor irritant, or else as simply the cost of doing business in the transition economies of the former communist countries of the region.

However, recent research (by the World Bank and others) has demonstrated clearly that corruption slows down the economic development of countries, disables social services, retards the establishment of civil society and disables business competitiveness. Additionally, the corruption scandals in many of the countries of the region has alerted the global finance and development communities to the seriousness of the problem.

The Integra Foundation provides a range of support services for microenterprises and small and medium enterprises (SMEs) throughout Central and Eastern Europe. In the course of this work, it has become evident that our clients were struggling with the many faces that corruption takes in the region.

Such problems are: requests for bribes by public officials for licenses, kick-backs on contracts, extortion by organised crime, tax evasion, non-payment by large companies favoured by the government, and uneven treatment by tax officials, etc. In the 1999 Transparency International Corruption Perception index, Slovakia ranked 53 in the world, well behind its partners in the Visegrad group; Hungary (31), Czech Republic (39) and Poland (44).

Additionally, there is strong evidence that corruption puts disproportionate pressure on small businesses, compared with larger companies. Some estimates place the corruption cost on Slovak companies in some industries as high as 5% of annual revenues. This is enough to make a life or death difference for a company struggling to survive.

However, it is our experience and belief that the majority of Slovak SME owners do not want to engage in corrupt practice. They find it costly and inefficient, as well as risky. Plus, they are learning that there is a direct link between tax avoidance and the poor social services they and their families experience. But it is also our experience that these entrepreneurs lack information and support in avoiding corruption. They become resigned to corrupt practices as a necessary cost of doing business.

We believe that there exists, nonetheless, within the Slovak small business community experience and motivation to find ways to avoid corruption, which this project set out to discover and publicise.

With support from USAID, the Integra Foundation led an 8-month project designed to find ways to support Slovak SMEs to cope with corruption. The aim of the project is to promote ethical practice in business in Slovakia and thus assist the business community contribution to the development of civil society. The strategy is to discover and help Slovak SMEs learn strategies of coping with corruption. In this way they can gain confidence, experience and models that they can use to oppose corrupt business practice in their immediate stakeholder circle.

We know that without the proper legislative and judicial framework, small business owners remain helpless in the face of corruption. But, for a society to engage seriously in the process of cleansing itself from corruption, both bottom up and top down approaches are necessary. This project is a bottom up contribution to this process.

1. 2. PROJECT REALISATION

Before conducting the research we established some parameters which were followed in the course of the research. These were related to bribery, special fees, extortion and cronyism. These are all situations which our clients claim that they encounter. In the research it was our intention to create a scale of these encounters which sought to measure how often such situations were encountered, in what forms, with what risks were the business person faced if he rejected participation in the corrupt activities, etc.

On the basis of the above-mentioned parameters, we created a questionnaire. It contained 43 questions, which can be divided into the following spheres:

- Personal attitudes toward corruption
- Situations businesspeople find themselves in
- Solutions and exit strategies from the problem

In the creation of the survey, we were assisted by Transparency International Slovakia and the Focus Agency. We sent out 120 surveys, and received 56 responses.

The respondents were businesses which were clients of one of the following business support agencies: RPIC Zvolen (12), VOKA (11), the Integra Foundation (11), RPIC Poprad (9), RPIC Považská Bystrica (8).

The results were tabulated statistically using SPSS for Windows. The results of this survey are clearly not statistically significant from a Slovakia wide perspective, particularly due to the sample size. The clients who responded were primarily related to one of the above-mentioned microcredit institutions. Therefore they represent a group of entrepreneurs who are in the start up phases of their business and therefore preoccupied with questions of survival in a difficult environment. Regardless, the authors believe that the opinions of such a limited group have illustrative value and provide an accurate picture of some of the corruption-related problems faced by small businesses in Slovakia.

The outcomes of the research were formally presented and discussed at the annual client conference of the Integra Foundation, which was held from 19-21 May, 2000 in Moravany nad Váhom, Slovakia. There were two discussion groups, in which participated 21 business owners (9+12) from various regions of Slovakia.

The survey results and 5 different case studies were presented to the participants. The discussion focussed on the cases and various strategies that can be employed to deal with such problems. On the basis of these discussions we created an analysis of potential proactive approaches that can be used to deal with a range of corruption issues.

Part of the project was also a global search to determine whether there are similar anti-corruption programs available to SMEs in other countries. This research was done primarily within the global network of the Transparency International and was conducted by David Murray, a leading business ethics consultant in the UK and member of the board of governors of Transparency International UK. Mr. Murray was not able to locate any programs or materials which focus on anti-corruption measures for SMEs. Most anti-corruption programs focus on measures aimed at national or local government bodies, or else large-scale enterprises.

1. 3. BASIC DEMOGRAPHIC DATA

Regarding geographic focus, the project attempted to gather responses from all of Slovakia.

Most respondents were from the Banská Bystrica (35.7%) and Prešov (17,9%) regions. The Bratislava region provided 14.3% of the respondents, which is inadequate given the concentration of businesses in Bratislava and region. Respondents from other regions were as follows: Žilina 12.5%, Trenčín 8.9%, Nitra 8.9%. There were no respondents from either the Trnava or Košice regions.

Regarding the legal form of the client companies, 3 were joint stock companies, 22 were limited liability companies and 30 were sole proprietorships.

We attempted to engage as much as possible the decisionmakers of the respective companies, ie the owners, co-owners or managing directors. We received responses from 33 business owners, 11 who were co-owners and 9 managing directors.

Regarding size of the businesses, we followed two criteria: number of employees and size of turnover. 71.4% of respondent firms had 10 or fewer employees, with one-quarter of these being firms without any employees. 10.8% had between 10-31 employees, 14.3% of the companies in the survey had between 31-100 workers. Only two (3.6%) had more than 100 employees.

According to turnover, 35.7% of the companies have an annual turnover up to 2 million Slovak Koruna (which at October, 2000 exchange rates was US\$40 000). 30.4% had annual revenues of between 2 and 25 million Slovak Koruna (\$40 000 to \$500 000). 5.4 % of respondents did not want to divulge this information and 3.6% did not yet exist in 1999.

The majority of respondents were men 78.6%. Of these, 50% were between 35-44 years old and 26.8% were between 25-34 years of age.

II. RESEARCH

2. 1. CORRUPTION PERCEPTION

Understanding the term of “corruption” – question O11: The survey shows that under the term “corruption”, businessmen understand “abuse of public office in order to gain material and other advantages“.The most frequent explanations for the term of “corruption”, in priority order, are:

1. Abuse of public office in order to gain material and other advantages 18.3 %
2. Presenting and accepting financial or non-financial gifts 16.1 %
3. Lobbying, connections, nepotism 10.1 %
4. Preferential treatment (persons, companies, ...) based on loyalty to political party 10.1 %
5. Illegal “co-operation” of officers and businessmen 8.3 %
6. Immoral conduct of officers 8.3 %
7. Co-operation of officers with organized crime. 7.8 %
8. Intimidation, blackmail, duress, „racketeering“ 6.4 %
9. Fraud against employer, illegal employment, fraud against client, insurance company, state, tax fraud 5.0 %
10. Unofficial sponsoring of political parties before elections 5.0 %
11. Intentional bankruptcy of firm, company, asset stripping. 3.7 %

80.4 % of those inquired declared that the problem of corruption is very serious in Slovakia – question O13. In response to question O12: „What , in your opinion, is the greatest problem in doing business?“, most respondents have put in the first place „lobbying and protectionism“, which is clearly a form of corruption. However, it is interesting that “insufficient access to credit” is in the second place and “corruption“ only in third place. Imperfections in infrastructure (road network, telecommunications and banks) are considered to be the smallest problem in doing business:

1. Lobbying, protectionism
2. Insufficient access to credit
3. Corruption
4. Unstable business environment
5. Poor law enforcement
6. Bureaucracy
7. Political instability in the country
8. Inefficient and slow courts
9. High taxes
10. Non-transparent and incomprehensible tax regulations
11. Monopolies
12. Inflation
13. Licence granting
14. Infrastructure (road network, telecommunication and banking services)

Businessmen have stated as other reasons:

15. Shortage of qualified staff
16. Shortage of experienced business personnel
17. Frequent modification of poorly developed or unnecessary laws.
18. Impossibility of fair competition for state orders

19. Restrictions on tax deductions for sole-proprietors, such as expenses for the use of one's own car, meal allowances, etc. Unethical conduct of the whole society, including top state officials

An analysis of the reasons for the presence of corruption in society (question O14) has shown that the majority of those surveyed put in the first place excessive administration and the related need for many approvals and permits. It is evident from the sequence of the given reasons for corruption that most respondents see the core of the problem in system insufficiency and not in a decline in morality. It is interesting that the relatively low salaries of people with power to decide on public finances are taken as a reason for corruption by the smallest number of respondents. The respondents identified the reasons for corrupt conduct, according to priority, as follows:

1. Known cases of corruption of high state officials that are not solved or punished; thus giving a bad example for others
2. Suspicion of corruption of politicians, investigators and judges does not give any guarantee to the person lodging a complaint that the criminal act will be punished. There is a fear that perhaps the only person that will have problems because of it will be the one making the complaint.
3. Vague and ambiguous rules in decisions by officials, arbitrary decisions delays for approvals and allocation of subsidies, grants and orders
4. Execution, bankruptcy and compensation acts and others are set forth in that manner they enable or directly encourage corruption and blackmail
5. Complexity and ambiguity of legislation
6. Excessive administration, with much time spend obtaining approvals and permits.
7. Absence of a legal obligation to prove origin of assets
8. Decline in morality
9. Giving bribes is profitable
10. Cash flow problems
11. Weak market for both state and private contracts
12. Inadequate avenues for complaints
13. Relatively low salaries of people with the right to decide about public finances

Individual institutions are stated below, ranked according to the perceived extent of corruption in them. Answering this question (question O15) respondents have drawn first of all from their personal experience. The survey shows that not all have personal experience with the highest state institutions (Government of the SR, National Council of the SR, ministries, courts, prosecution, etc.) – 78.6 % of respondents have no experience with State Commercial Inspection, with granting of state subsidies or allocations and with obtaining state orders, 75 % have no experience with obtaining import and export licences, 71.4 % have no experience with lawsuits or with tenders (from the answers to question O17).

Nevertheless respondents perceive these institutions as places with a high level of corruption – it may be assumed that this is the consequence of media attention to corruption scandals implicating members of the government, parliament and political parties.

Respondents have ranked institutions according to the perceived extent of corruption as follows:

1. Ministries
2. National Council of the Slovak Republic (parliament)
3. Courts and public prosecutors

4. State Commercial Inspection
5. State enterprises
6. Health services
7. Police
8. County and regional administrations
9. Certification office
10. Government of the Slovak Republic
11. Banks, savings banks
12. Customs office
13. Real estate register and General Land Office
14. Tax offices
15. Local councils (self-government)
16. Business registry
17. Employment offices
18. Army of the SR Slovak Republic
19. Private companies
20. Educational institutions
21. Sole proprietorship registry

2. 2. PRACTICE AND PERSONAL EXPERIENCE

Question O16: 55 % of those surveyed have had personal experience with bribery and other forms of corruption, 25 % have declared they have no such experience. The remaining 20 % did not answer the question. The subject of the survey was at the same time to ascertain in which procedures in business life respondents were most subject corrupt practices (question O17). The analysis has focused on following processes:

1. Acceleration of legal proceedings
2. Vehicle registration and STK (State Technical Inspection)
3. State Commercial Inspection
4. Obtaining business premises
5. Arranging a building permit
6. Company registration
7. Relations with the Tax Office
8. Obtaining of state subsidy or grant
9. Obtaining of state contract
10. Winning a tender from a public institution
11. Winning a tender from a private company
12. Obtaining import and export licences
13. Obtaining a loan
14. Acceleration of customs procedure

The highest incidence is of bad experience with vehicle registration and STK. 35.7 % admitted to using the influence of friends or relatives to accelerate this procedure. Company registration was second, 19.6% used the influence of friends or relatives to obtain firm registration.—10.7 % gave a bribe to obtain company registration.

17.9 % of survey respondents used the influence of friends and relatives in arranging business premises and 8.9 % admitted to have given a bribe. These experiences are also in accordance with answers to the question O15 (courts, police).

The survey shows that the most common experience is the necessity to use the influence of friends and relatives in processing administrative procedures. This result is also obviously supported by the fact that not all businessmen are willing to admit to giving a bribe or other material incentive and admit in many cases “only” to the necessity to use influence of friends and relatives. However, many of those surveyed admitted to the provision of reciprocal services to friends and relatives in this context. Accordingly they have the clear character of a material advantage. The prioritized list below reports the number of businessmen who had to use the influence of friends and relatives in processing the noted procedure:

- 16.1 % used influence of friends and relatives to arrange a building permit
- 16.1 % to obtain loan
- 14.3 % in relations with Tax Office
- 12.5 % to accelerated legal proceedings
- 12.5 % to obtain a public tender
- 10.7 % to obtain a state subsidy or grant
- 10.7 % to obtain a private tender
- 7.1 % State Commercial Inspection
- 7.1 % to obtain of import and export licences
- 5.4 % to obtain a state order

Question O18: Respondents’ answers to the question „What are your experiences with your suppliers/customers/competing business? Do you meet with following practices?“ enable to rank the following unfair practices:

- 22.1 % breach of contracts and business regulations
- 14.2 % bribery of officials so that they decide in favour of someone
- 14.2 % defamation of the name of another company
- 11.5 % payment and acceptance of high commissions
- 8.8 % unofficial employment
- 8.0 % non-payment of taxes
- 8.0 % purchase of goods „under-the-counter“
- 2.7 % breach of licences, patents and trademarks
- 0.9 % non-payment of customs duty

The survey shows that penetration of corruption in many spheres of business in the Slovak Republic represents a great problem for the most businessmen. However, on the other hand, only 7.10% had lodged a complaint in connection with unfair practices in the past, that is only four of 56 respondents. The majority of those surveyed - 91.1 %, have never lodged a complaint (question O19).

Question O20: However, 46.4 % of respondents have declared their readiness to lodge a complaint in connection with unfair practices. However, the ground for such a complaint would be first of all a direct threat to the company (non-payment of invoice, breach of contract, debt settlement, fraud case, gross violation of their rights and consequential financial and moral indemnification, etc.). The smallest number of those surveyed would lodge a complaint from moral reasons.

On the contrary, 51.8 % of inquired would not lodge any complaint at all – particularly out of fear for their own security and due to mistrust in the courts.

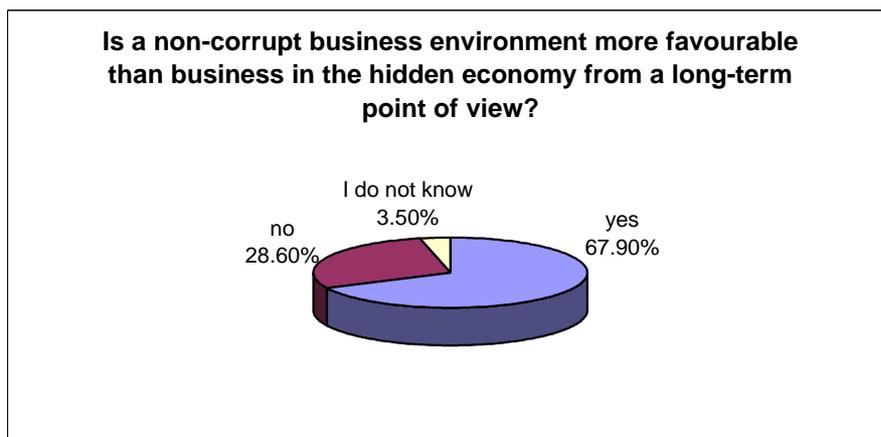


According to these results it is not surprising that 57.1 % of inquired were not able to answer the question if they would proceed with the notification of a corruption case anonymously or not (question O21). 23.3% of those surveyed would do so anonymously and only 16.1 % of those surveyed were ready to give their name and address.

Question O22: Only 10 % of the respondents believe that the grounds leading to complaint and the following disclosures would result in a just sentence and the punishment of offenders. 26.7 % of those surveyed believe that nothing would happen to the accused person and the whole matter would be ignored. Even 58.3 % of responses share the view that in the end everything would turn against the person who has lodged the complaint and he/she would have only unnecessary problems in connection with it.

Almost half of those surveyed (question O23), i.e. 44.6 % believe that they can reach their business objectives through common channels without any bribes, but that the process is very slow then. However, on the other hand, 42.9 % are more optimistic and feel that business objectives can be reached without any bribes. Only 10.7% are convinced that it is not possible to do business using common channels.

Question O24: The majority of those surveyed, 67.9 %, are of the opinion that a non-corrupt business environment is more favourable than business in the hidden economy from a long-term point of view and not one of the respondents disagreed with this view. Though on the other hand 28.6 % of the respondents spoke only in vague terms that “non-corrupt environment may be more favourable from the long-term point of view.”

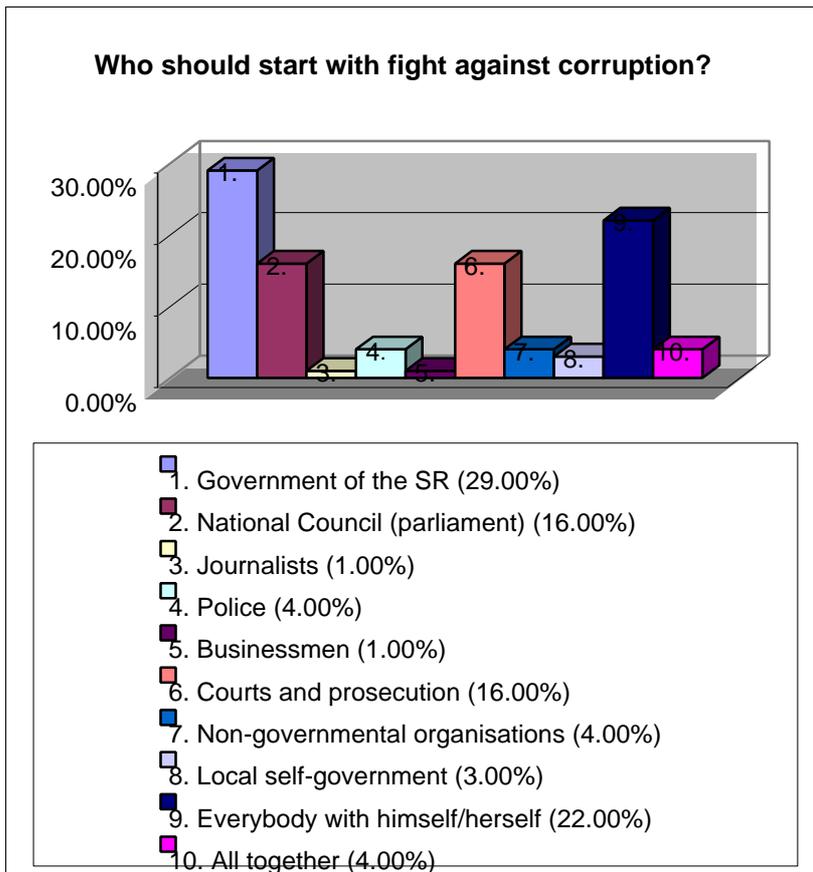


2. 3. STRATEGIES OF FIGHT AGAINST CORRUPTION

Question O25: The majority of those surveyed believe that the most effective instrument in the fight against corruption is the implementation of clear and transparent legislation (21.1 %). The second most frequent instrument recommended by respondents is the severe punishment of corrupt persons (14.1 %). 11.3% of those surveyed prefer to focus on the morality of individuals and the whole society as an instrument in fight against corruption. Other possible instruments with lower preferences were: justness of the courts and the resolute implementation of approved rules, a sound business environment, consistent inspection and observance of laws, economic independence of responsible persons, enlightenment, public emphasis and endorsement of sound moral values.

Instruments such as public disclosure, informedness, proof of asset ownership and political stability were evaluated by respondents as the least effective.

Question O26: „Who should start the fight against corruption?“ –Most respondents, 29% expect that the government of the SR must initiate such a program. Yet a relatively large number of businessmen, i.e. 22.0 % of respondents, are aware that everybody must start with himself/herself. The third most frequently given answer (16.0 %) was that the National Council of the SR (parliament) as well as courts and public prosecutors office should initiate an anti-corruption program. Respondents have also indicated police, non-governmental organisations (civil associations, citizen's initiatives, foundations, ...), local self-government organs, etc.



On the other hand, the majority of those surveyed, - 69.1%, believe that personal change must take place first, and only then followed by a change in law. Only 36.4% of those surveyed believe that laws should be modified first.

Question O28: More than half of the businessmen surveyed, 53.6 %, are convinced that attitude change among people in Slovakia regarding corruption is possible. 30.4 % believe that such change is possible but that suitable conditions must be created. 10.7 % suggest that each individual needs to re-evaluate his/her own moral principles. 8.9% believe that alteration of attitude to corruption is possible if a sound business environment is established.

Respondents prefer following measures that could assist this change of attitude (question O29):

- 44.1 % solved precedent cases
- 25.0 % education in schools
- 14.7 % nation-wide media campaign
- 11.8 % modification of legislation.

Question O30 – Almost half of businessmen, 48.2% have admitted that they are neither familiar with anti-corruption laws nor what laws to apply for protection against corrupt practices. 39.3 % know them a little.

Therefore we have been interested (question O31) in how businessmen would proceed in case they need a service to which they are entitled but have to solve this with a person who requires a bribe in order to accelerate or perform this service.

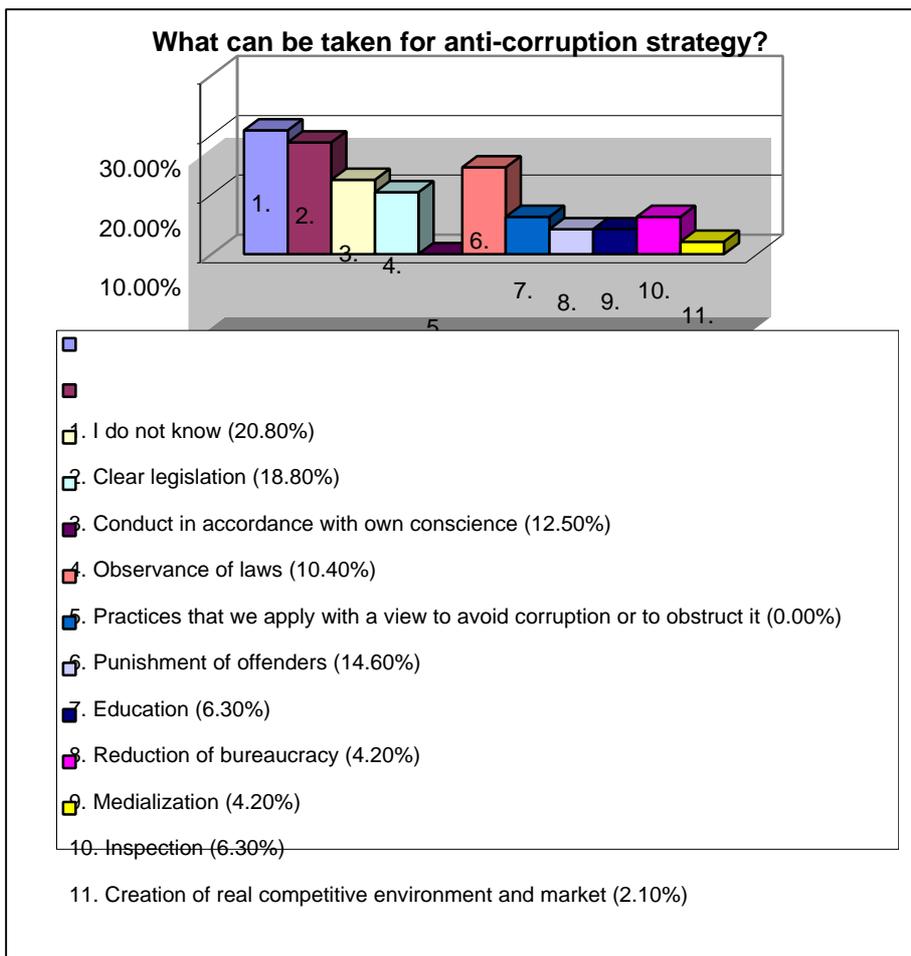
42.9 % said they would not accept the proposed conditions, but not to do anything special.

19.6 % would contact other people who have a similar problem and endeavour to solve it jointly.
 14.3 % would look for a common acquaintance and try to arrange it with his/her help.
 8.9 % would proceed depending on how important the given service is.
 5.4 % admit that they would accept his/her conditions and give him/her what is required.

The remainder would expose their experience to the media, negotiate or try to contact a senior officer or seek the service somewhere else.

One of the basic objectives of the survey was to identify if businessmen in the SR know any suitable anti-corruption strategies. The question O32: „What, in your opinion, is an effective anti-corruption strategy?“ was answered by 20,8 % of respondents: „I do not know“. Other respondents have indicated following strategies:

- 18.8 % clear and transparent legislation
- 12.5 % punishment of offenders
- 10.4 % conduct in accordance with own conscience
- 14.6 % observance of laws
- 6.3 % inspection
- 4.2 % education
- 4.2 % reduction of bureaucracy
- 6.3 % medialization
- 2.1 % creation of real competitive environment and market.



Question O33: 76.8% businessmen have stated that they have no personal anti-corruption strategy. Only 23.2% of respondents have an anti-corruption strategy, :

- | | |
|---|--------|
| 1. to take no bribe under any circumstances | 30.8 % |
| 2. I give up the order | 23.1 % |
| 3. treat everyone the same | 7.7 % |
| 4. transparent information | 1.8 % |

We were also interested in the strategy of businessmen negotiating with business partners when they find in the course of negotiation that the partner is a defrauder or his/her trading certificate is not in order or if he/she requires from them anything illegal.

62.5 % would terminate negotiation/co-operation,

10.7 % of those surveyed do not know how they would respond

5.4 % would refuse co-operation and draw attention of other acquaintances to the respective person

3.6 % would notify him/her regarding the conditions under which they are ready to co-operate

1.8 % would negotiate carefully

1.8 % would bring a lawsuit against the respective person

1.8 % state they would not be able to find that the respective person is a defrauder

Question O35: Likewise we asked what they would do if a business partner suggests them such co-operation that is not illegal but evades the law in a way.

A quarter of those surveyed would take counsel with a lawyer and verify if it is not illegal. Another quarter of respondents would not co-operate with the respective person or avoid co-operation. 21.4 % are not able to say how they would behave and 12.5 % believe: „Anything not forbidden is allowed“.

Question O36: More than quarter (32.1%) of respondents have experienced that somebody has offered them a bribe. Then the question: „What was your response?“ was answered only by 18 of those surveyed inquired and only two of them admitted to accepting it. Two did not accept and did notify it and 14 did not accept but did not notify it. The rest, i.e. 67.9% have no such experience.

Question O37: Based on these experiences we asked them: „How can one resist a bribe that is really tempting?“ Businessmen answered as follows:

35.7 % are of opinion that it depends on character mainly

16.1 % believe it helps a lot if the concerned person is able to realise the consequences

7.1 % believe that a really tempting offer cannot be resisted

3.6 % feel that it can be resisted only when they have a strong economic situation.

Question O39: We asked also if it is possible that somebody or something could persuade them to change their attitude towards acceptance of corrupt practices. 58.2 % of those surveyed say that they would never accept corruption, while 18.2 % could be persuaded provided they felt that business could also be done fairly.

Question O41: The objective was to find what is held by respondents to be an adequate punishment for people giving bribes and for people taking bribes. 29.4 % of businessmen stated

that adequate punishment for people giving bribes is exposure of the case in the media (television, radio, newspapers). 22.1 % of answers favoured a financial fine and 20.6 % a professional ban. 10.3 % of answers were of the opinion that people only giving bribes should not be punished. Imprisonment is suggested only by 2.9 %.

Question O42: Most surveyed felt that the most suitable punishment for people taking bribes is a professional ban, i.e. 35.0 %. 17.5 % of respondents indicate that punishment should be media exposure of the case (television, radio, newspapers). 13.8 % of answers suggest dismissal and 12.5 % imprisonment.

With regard to above-mentioned conclusions and according to answers to question O40 it is apparent that people taking bribes bear greater moral responsibility for corruption than people giving bribes – this was the opinion of 71.4 % of inquired. Only 33.9 % stated that greater moral responsibility is born by people giving bribes.

In the end we were interested in certain incentive factors which have influence on principles of decision making of those surveyed – question O43, i.e. on what basis do businessmen make important decisions regarding their activities.

33.8 % of respondents adapt their conduct to the set objective

27.3 % obey individual moral principles

23.4 % follow common sense

11.7 % declared religion as the basis for their decisions.

2. 4. CROSS COMPARISONS

O43/36: It is a paradox that 50% of those who have accepted a bribe believe that an adequate punishment for bribe acceptance is to a professional ban. The remaining 50% of those who have accepted a bribe favour punishment for such an offence according to its seriousness with a financial fine, media exposure of the case, imprisonment.

O27/O31: 10% of those who stated that modification of the law is fundamentally most important, that should they need a service to which they are entitled and meet a person requiring a bribe from them in order to accelerate or perform it, would accept such a condition.

On the contrary not one of those who have declared that a change in people is most important would accept such an offer. But exactly 71% of those who answered that they would solve the problem by looking for a common acquaintance have answered that they take a change in people as more important than a modification of the law.

O43/O35: We were interested in how negotiations with a business partner that suggests activities that are not illegal but evade the law in a way is connected with religion and individual moral principles of people and based on what values is decided by whom.

The majority, i.e. 38.9 % of those who stated that they would follow common sense in important decisions on their activities would take counsel with a lawyer in such a case. Likewise the majority 33.3% of those who said they would obey their religion would take counsel with a lawyer.

33.3 % of those who obey their individual moral principles said they would follow the principle: „anything not forbidden is allowed“ Likewise 33.3 % of them would take counsel with

a lawyer. 50 % of those who said they would not co-operate with the respective person in such a case have said that they adapt their conduct to the set objective. Only 7.1% of them have said that they obey their religion.

O8/O23: The age category from 45-54 years is most optimistic in the question of reaching business objectives through normal channels without any bribes. 58.3 % of them believe they can achieve their business objectives through normal channels even without a slowdown of the whole process.

On the contrary, the age category from 25-34 years is the most pessimistic. 66.7 % of those in these ages believe it is impossible to reach business objectives through normal channels.

O3/O16: We also tried to identify if one or another form of company has more experience with corruption than others.

Among those who admitted to experiences with corruption were 45.2% of limited liability companies (Ltd.) and the same number of sole proprietors. 64.0% of sole proprietors said they have no experience with corruption. On the contrary, among representatives of Ltd. and joint-stock companies there are more who have met with corruption.

O3/O23: We tried to compare also the attitude of companies towards means of reaching business objectives according to the form of the company. We found that most representatives of joint-stock companies and sole traders believe the whole process is greatly slowed down decelerated through normal channels. However, most representatives of Ltd. companies are more optimistic, and have answered "it is possible".

Company owners or co-owners have generally more experience with corruption than executive managers (salaried). In spite of this there are more pessimists among managers than among owners or co-owners in the question of reaching objectives.

O7/O16: The survey has shown that there are more men than women in business who have encountered corruption.

O7/O23: Men are more pessimistic regarding the question of reaching their business objectives through normal channels. Most men believe it is possible but much slower. Most women believe it is possible. Likewise among women doing business there are only 8.3% who believe it is not possible through normal channels but among men doing business 11.6% of those surveyed have this opinion.

O8/O16: Respondents from 35-44 years old have the most personal experience with bribery and other kinds of corruption. The majority of people in most age categories have already met with corruption. The exception is the age category 45-54 years with a majority (58.3 %) who have no experience with corruption.

III. CASE STUDIES

3. 1. USING CASE STUDIES IN DISCUSSION GROUPS

Each of the following 6 case studies is based on an actual experience of a business owner from either Slovakia or Romania. These cases can be used inside your company or in a discussion group with other business owners. They are designed to reflect the kind of dilemma that business owners meet on a regular basis.

A useful case study presents a dilemma that does not have an easy answer, but which will stimulate a good discussion. These case studies do not have a clear, black and white answer to the problems. The main question is not, "What is the right answer?" but, "How should I think about this problem?" and, "What value system should influence my decision about this situation?"

However, even though there are no clear answers, there is value in having business people discuss these studies in a "safe" context. Case Study method allows this safe place, where real issues can be discussed without fear of causing problems for their business. New strategies and ideas can emerge through the group discussion.

To have a valuable discussion, it is important for a discussion leader to be well prepared with good questions. Below we list some questions that can be asked to stimulate discussion for each case:

- What risks does X take by participating in the bribery or corruption?
- What risks does X take by not participating?
- What creative alternatives does X have to the proposal?
- Have you ever faced a similar situation? What did you do? How would you do it differently?
- Imagine X at home that night. He can't sleep. What thoughts are going through his mind?
- How do you think X would explain the situation to his wife?
- X comes to you for help. Would advice would you offer?
- X is so disgusted that he wants to get out of business. How would you react?
- Who has the power in this situation?
- X decides not to pay the requested bribe, but comes under pressure from partner to pay. His partner has family, but X does not. Now he is unsure.

3. 2. THE ELUSIVE OWNER'S PERMIT

After thinking it over for quite a long time, Andrej decided to go into business for himself. From his friends he knows that owning a business is not easy. It demands the need to deal with bureaucracy and a lot of time can be spent visiting various offices. But he is committed to proceed. He recently lost his job (the third time in the last 10 years) and he believes he can gain some independence by striking out on his own.

Andrej is an auto mechanic and he lives in a small town. He is well known for his experience and skill, and many of his friends ask him for help when they have a problem with their car. So, he has decided to open a small auto service.

For the money he had available (partly saved and partly borrowed from friends) he bought an old warehouse on the edge of town. It is perfect, though it will need a little reconstruction. The last step in the purchase process is still not complete. The town office needs to provide an owner's permit for the new property. He learned that they can issue an owner's permit "at the earliest" in 6 months. He also learned, which is common knowledge, that for about \$120 he can get the owner's permit within 2 weeks.

He would much rather not give the bribe, for many reasons. But he feels caught in the following dilemma:

1. If he pays \$120 "on the side", and gets the owner's permit, he can apply right away for the construction permit, begin reconstruction and be open for business in 2-3 months.
2. If he doesn't pay, and waits 6 months, he will threaten his financial projections, which could hurt his family finances and threaten his ability to repay his loans.
3. What other options does Andrej have?
4. Have you ever faced a similar situation? What did you do?

3. 3. THE PUBLIC TENDER

Peter has a firm that installs security doors, locks and alarms for industry and new construction projects. In a time of recession in the construction industry he is struggling to obtain work, and is afraid he will be forced to lay some workers off. He would hate to do this, because he has very skilled workers. He will do whatever he can to avoid this.

Recently he responded to a public tender, which was offered by a state institution. It is a very lucrative contract and would really help his company at this time. When Peter tried to get more information about the conditions of the tender, he ran into his friend and former classmate. By chance, this friend had been entrusted with the preparation of the tender, was responsible to appoint the commission that would select the tender and was himself head of this commission.

They had a good visit and were enjoying the chance to get caught up on old times. Then rather suddenly Peter's friend surprised him with an "interesting" proposal. For a share of the profit from this contract he would guarantee that Peter would win the tender. He explained how he could ensure this, "I will modify slightly the conditions of the tender by upgrading the specifications for the type of lock required to the kind that you are going to be offering. Likely you will be the only company that will offer precisely this type of lock and you will win. The commission is not going to be interested in exactly what kind of locks will be supplied (and whether they are any different from ordinary locks), but rather their interest will be who fills the specific requirements."

Peter was quite unpleasantly surprised by this offer. Until now, he had tried hard to build a name by offering quality products and excellent service. He was faced with a difficult decision.

1. If he agrees with his friend's conditions, he will get a good contract, and will not need to lay off staff. But if the circumstances of the tender ever came to light, he would not only lose the tender, but all his efforts to build a good name would be undone.
2. If he does not accept the offer, certainly it will be offered to a competitor, despite the fact that he may have a better offer. He will likely need to lay off some staff.
3. What other options does Peter have?
4. Have you ever faced a similar situation? What did you do?

3. 4. CUSTOMS CONCERNS

Jozef has a friend with a firm in the Czech Republic. It is a consulting firm, and Jozef has been asked to open a new branch office in Slovakia. He has agreed to do so, and has a lot of work getting it set up. Registering the company, locating an office, setting up a bank account, dealing with the tax office and many other details. According to their agreement, the parent firm in Prague will sell Peter's office two notebook computers for a good price. Knowing that Jozef was eager to get the computers, the office assistant from Prague threw them in her car and brought them to Bratislava with the invoice. Jozef praised such initiative and got on with other tasks. He did not think to notice that the computers were not declared at customs. Jozef paid the invoice and registered the computers as part of the firm's assets.

A year later Jozef was informed that he would be facing a tax audit, and he quickly did a check on his accounts to be sure everything was in order. And everything was fine, except for the two laptops. They did not have a customs clearance document, on the basis of which his company should have paid duty and VAT for the computers. Of course Jozef wanted to fix this problem. But he had already submitted his tax declaration, so he could not repair the problem in his accounts. He would need to deal with it at customs.

A friend recommended a customs officer he knew, and he went to see him. Immediately this officer explained to Peter how he could solve his problem. He was faced with some unpleasant information. Jozef could submit a retroactive application to pay duty and VAT, but he would be faced with a penalty of at least SK 20 000 (about \$450). Of course, plus the duty and VAT. But the customs officer, who was so serious and threatening when he was dealing with the Jozef's case, later let it be known through his friend that for "only" a SK 3000 private fee, he could supply the documents Jozef needed.

Jozef felt he had 3 choices:

1. He could pay the "fee" though it was against his convictions, but after all it was the customs official that made the recommendation, not him. He would clear his obligation to the state, put his accounts in order, and need not fear the tax audit.
2. He could reject the custom officer's recommendation, and pay the necessary duty, VAT and the penalty. But such a high penalty would threaten the firm's cash flow at this time, and of course could not be claimed as an expense!
3. He could do nothing, and hope that the tax auditor would not notice. But if he did notice, he would face a fine from the side of the tax office as well, would need to pay extra tax, incur a bad reputation with the tax office plus pay all the customs fees and penalties.
4. What other options does Peter have?
5. Have you ever faced a similar situation? What did you do?

3. 5. THE ATTIC SALE

A group of friends formed an architect's studio called Colonia. Their studio occupies a basement in an old building in the center of town. For 4 years this creative team has worked in this rather dark and damp office. The building is built not far from the old course of the Danube River and is not well insulated. They need to count with the problem of dampness into the future.

Due to a long dispute with the original owners of the building (before the communist era) the process of restitution and sale of the building to its current occupants was delayed for a long time. The building has 10 flats and three commercial premises. The relationships among the occupants of the building have been very good and everyone was eagerly awaiting the chance to buy their own flat. Recently the mayor's office came to an agreement with the original owners and the way was clear for the residents to buy their flats.

In the three floor building there is a very large and empty attic space. Part of it would be perfect for an architect's studio! Colonia submitted a request to the town office for the right to purchase the attic space. However, two other residents submitted the same request. These two residents live on the top floor, and as such have the recognised right of first choice on the attic purchase. The attic would be divided in two. However, one of these occupants has assigned his purchase rights to an elected representative in the local government, who just happens to be a member of the commission that decides about the attic space! In return for this favour, the city representative is renovating the flat of the top-floor resident.

The family of the second top-floor family suddenly developed a tragic situation. The mother (with two small children) was discovered to have serious cancer. Further discussions with this family became impossible. They decided, given the circumstances, that they could not do anything with their option on the attic at this time. Though they remained interested and requested that their option to buy be retained for 6 months.

The city representative came to Colonia with an interesting proposal. He would secure the approval for their proposal to buy the attic, and ignore the request of the family with the illness. In return, Colonia would do the design for his half of the attic for free, work with a value of around SK 200 000 (\$4500).

The Colonia group felt they had two options:

1. To accept the offer of the city representative, gain a great investment and a long-term solution to their office problem.
2. To refuse this offer, severely reducing their chances to gain the space, with the likelihood that they will remain for a while to come in their dark and damp office.
3. What other options does Colonia have?
4. Have you ever faced a similar situation? What did you do?

3. 6. THE ELECTRIC CONNECTION

Rasto is preparing a new project for the car owners of his country. Together with a foreign investor, he is building a service centre...restaurant, shop, petrol station and car service under one roof. He was able to buy an excellent site, along a busy road, to build the station. In the planning phase it was determined that they would need to connect to a low-voltage power source. For this he would need to obtain permission from the State Electricity Company (SEC). An engineer from the SEC studied the documentation, and declared that the station could be connected to a transformer about 30 metres away. This was discouraging news, since a connection at such a distance would be expensive, and the process of obtaining permission to bury such a long cable through a built up area would be a nightmare.

But Rasto learned that there was a suitable transformer only 50 metres from his site. He asked his friend, who was doing the engineering plans for the project to look into this possibility. His friend determined that it was technically possible, and of course much cheaper and quicker.

Before long Rasto received a simple offer from the SEC official. The closer connection is "possible" but he would need a personal payment of 10% of the anticipated savings, to approve it. The savings are substantial, estimated at about \$5500. What are Rasto's options?

1. He can give the SEC official the \$550 fee via a third party (for which he gets an official tax receipt). And thus save almost \$5000. However, he risks his reputation and his good relations with his foreign investors, who expect ethical business behaviour from him.
2. He can reject the offer, and put the project at risk with increased investment costs, and an extended timetable, not to speak of the risks and delays possible with laying the 300 metre buried cable.
3. What other options does Peter have?
4. Have you ever faced a similar situation? What did you do?

3. 7. A MISUSE OF POWER

Daniel's Romanian NGO organized a major conference on the theme, "Ethics in Business." It was a success, and he was enjoying himself as it was coming to an end. He had obtained the most beautiful building in the town at a very low price. The director of the building was very helpful and had given a very good discount to his NGO. By way of appreciation, Daniel gave the director a bottle of good wine.

On the last evening of the conference, the building director came to Daniel and asked if Daniel's organization could pay for him a \$30 restaurant bill. He had been to a restaurant "on business" a few days earlier and found that he did not have enough money to pay the bill. He begged Daniel to give him this money, in return for doing the favour of letting them use his building for the conference. He said that he just had a car accident, has family problems and is in need of money. The monthly average income in Romania is around \$80, The income of a director like this is at least \$ 400. Daniel was shocked and refused to take the bill.

The reception of the last evening of the conference was organized by the same restaurant as the director had the bill from. It turns out that this owner is also a long-term client with Daniel's NGO. During the reception, the restaurant owner approached Daniel and asked very delicately, if Daniel could help her solve a problem. Then she began to tell us the story of two men, who came in to her restaurant on Thursday, the day before the conference started. They started to drink the finest beers, wines and brandies. Then they ordered dinner. After they had eaten all, they ordered a second dinner. After they have eaten all they could eat, they asked the waitresses to pack for home the remaining food. When she presented the bill their response was "Don't worry, someone else will pay." But they wouldn't say who this might be! Then they started to make indecent proposals and insulted the waitresses.

The waitresses called the owner to help. When she came, the two guests invited her to drink with them. When she refused they left without paying their bill. This is the problem she was asking Daniel to help her with. These men were important figures in the town and have connections. She was afraid for her business, which could be threatened in some way.

It turns out that one of these men was the director who had asked Daniel to pay this same restaurant bill for him! The two sides of the story came together for Daniel and he was angry. He felt like he should help the woman, who was a friend and a client of his organization. But at the same time he didn't want to jeopardize his relationship with the director, with whom he would like to do business in the future.

As Daniel thought about it, he felt like he had two options:

1. He could help the restaurant owner by paying the bill for her and maintaining "peace". But in this way the Director gets away with the injustice.
2. He could confront the Director, and risk the relationship or some retaliation.
3. What other options does Peter have?
4. Have you ever faced a similar situation? What did you do?

IV. LEGAL COMMENTS

A summary of the legal implications of the case studies in our modules:

In most cases our clients were requested to make a form of payment which could be constituted as a bribe. We are not dealing with classic gifts such as flowers, or a bottle of cognac, but with more serious violations. If our client agrees to pay any of these bribes, he is guilty of a criminal act in the laws of all the countries of Central and Eastern Europe.

Bribery is a criminal act, regardless as to whether the bribe was requested or not. However, there is provision in the law for "repentance". In other words, if a person pays a bribe, but later regrets this and declares his act to the police or procurator, he would not be charged with a crime. Similarly, in each case the one seeking the bribe is guilty of the crime of misuse of public office.

In all cases the businessman is asked for a bribe. As a bribe, we do not only consider classic envelopes, or gifts of alcohol or similar...but we mean any illegitimate or undeserved advantage, which has a value that can be translated into money. If these businesspersons were to submit to the request and pay the bribe, from point of view of the law, it is a criminal offence.

Criminal offences are illegal actions against which the law establishes a range of sanctions (fines, imprisonment, restrictions on further activity in the field, etc.) In case of suspicion of a criminal act, the police launch an investigation. In case of a confirmation of these suspicions, the police charge the suspect with a criminal act. After this, the prosecutor brings a formal charge and the case goes to court. If the suspect is proven guilty in the court, the court decides on a punishment. (In simpler cases the court can simply levy a fine without a trial.)

In our cases the one who proposed the services commit the crime of receiving a bribe, and in some cases the crime of misuse of public office, while the businessperson would commit the crime of bribery. The payment of a bribe is a criminal act, regardless as to whether the bribe was requested or not. However, the guilt of bribe payment does is removed as soon as the one making the payment advises the police or the public prosecutor. This means that, if our businesspersons paid the bribe, but afterward regretted and declared it, they would not be charged with the crime.

From the perspective of success in business, it is difficult to advise what to do in such situations as those represented in the case studies. It is clear that, should the bribe be paid, in the short term there are often no consequences, while in the opposite case, there is no such guarantee. It is true that if we do not pay the bribe, we likely will not receive the contract, work, document, permission, etc. From a long-term perspective, the business implications are more risky. We can end up in a vicious circle, where the amounts requested to "grease the wheels" can increase to where we are no longer able to pay.

From a legal perspective, the answers are simpler. If I do not pay, I am clean. If I do, I can have problems with the police, prosecutor and the courts. If I decide to stay clean, I can refuse to pay and expose the one who requests the bribe to the police or public prosecutor. I can do so verbally or in writing, which can serve to initiate a criminal case. It is enough to simply describe truthfully what happened to me. It is good when, in addition to my testimony, I can supply other evidence (other witnesses, recordings of the encounter, letters, contracts, etc.)

The more people convicted of corruption, the less widespread it will be. Perhaps, public tenders will become more transparent, ownership documents will be issued more quickly, that due to a citizen's initiative the chairman of a tender commission was changed or a public official was fired.

V. BREAKING THE CORRUPTION CYCLE

5. 1. PROACTIVE APPROACHES TO THE REDUCTION OF CORRUPTION

From the etymology of the word "corruption", it is possible to define corruption as follows: Corruption = community rupture. Ie, corruption is an offence against society. Corruption harms society at its foundations. Every appearance of corruption does damage not only to those personally engaged in it, but also to the community as a whole. In contrast, transparency and justice strengthens and enriches society.

Various methods can be used in the struggle against corruption - most often these are repressive mechanisms which society has created: police, courts, public prosecutors, various audits and controls etc. These repressive approaches, though very important, can only react to an existing problem. They are much more limited in accomplishing preventative measures. Our research showed that, within the SME community, confidence in these institutions is very low. It is precisely these state institutions that businesspersons regard as the most corrupt! As a consequence, they are very reluctant to go to the police or courts to defend themselves in a corruption-related problem.

As proactive methods we understand active influence on the economic situation by the businesses themselves. However, our research shows that entrepreneurs do not know many effective strategies to deal with corruption-related problems. This does not mean that such strategies do not exist or cannot be effectively implemented. Therefore, in the scope of this project we have developed a range of proactive proposals that businesses can engage in to break the downward corruption spiral of regress - corruption - regress, etc. This question has also been the theme of a number of discussions with businesspersons and has resulted in a very positive response.

A progressive and systematic approach proceeds of course from the assumption that the problem, and particularly the causes, of corruption are adequately understood. Also assumed is adequate community commitment to face the problem, and increasingly effective repressive tools (police, courts, audits, etc.), which must provide a basis for proactive measures. It is also assumed and essential that the process of transformation from non-transparency to transparency is a continual one.

For the SME sector we have identified the following proactive and systematic measures that could be employed:

- Organized collective initiatives
- The creation of a transparent corporate culture
- The implementation of regular social audits
- Medialization of the anti-corruption struggle

5. 2. ORGANIZED COLLECTIVE INITIATIVES

The research revealed that businesses confronted with a corruption problem do not tend to go to state institutions for help. The reason is that they do not have adequate confidence in the impartiality and effectiveness of these institutions. They fear that such an approach might pose a threat to the safety of both their persons and firms.

As a result, there does not exist a safe mechanism for the collection of information about corruption. It can be assumed that the vast majority of cases are neither investigated nor even reported.

One solution to this problem would be the creation of an independent mechanism to collect and record information about corruption cases among SMEs. This function could be carried out by a special association or NGO designed for this purpose. This body could focus on the following:

- The creation of an effective and reliable mechanism for the collection of information about corruption cases in the business sphere
- Documenting most common types of corruption practice
- Localising and monitoring the most significant sources of corruption
- The publication of regular information for various government and professional organs
- Lobbying for revision or implementation of laws relating to corruption

5. 3. THE CREATION OF A TRANSPARENT CORPORATE CULTURE

One of the most effective tools in creating a transparent corporate culture in a business is the development and deployment of a code of ethics. The experience of large multinational firms shows that the serious implementation of a corporate ethical code can contribute significantly to the creation of a transparent corporate culture in a community context which is often a context very different from that of the original cultural context of the mother firm. (Eg. Royal Dutch/Shell, which works in more than 130 countries.)

The creation of such so-called "Principles of Doing Business", or code of ethics is an active tool to influence the attitudes and behaviour of SME owners and employees. The creation of an ethical code is possible in a workshop context with owners and managers of a given firm under the leadership of an expert consultant. The basic content of such a seminar includes:

- strategic plan of the organization
- development of Principles of Doing Business
- development of a set of values for the organization
- the creation of a specific set of Principles for each part of the company

The proper implementation of such Principles should result in a change of the corporate culture of the firm in the direction of transparency.

5. 4. SOCIAL AUDIT

It is normally difficult for a firm to develop a system of continuous improvement in the creation of a transparent corporate culture. But this can be assisted by the implementation of a regular Social Audit (SA). The SA is a systemic tool, which ideally should be incorporated into the information systems of the firm.

The implementation of a Social Audit involves the following steps

1. the determination of critical factors (CF) which are vital from a community perspective:
 - the contribution of the firm to the sustainable development of the local community
 - social investments of the firm
 - the influence of manufacturing or sales activities on the environment
 - the policies of the firm regarding human rights and provision of equal employment opportunities
 - the policies of the firm regarding ethics and transparency
 - investment in training and development of the stakeholders of the firm
2. Identification of relevant CFs for the firm and determination of ways to measure and track these CFs
3. Benchmarking of the CFs, comparing with industry standards
4. An implementation plan focused on regular improvement of the CFs, and the fulfilment of the Principles of Doing Business.

5. 5. MEDIALIZATION OF THE ANTI-CORRUPTION STRUGGLE

Through the cooperation of agencies which are involved in the struggle against corruption (such as a specialized agency mentioned above, industry specific interest groups, groups like Transparency International, the Association of Microfinance Agencies of Slovakia, the National Agency for the Development of SMEs etc.) it is possible to publicize and raise public awareness of the problems firms have with corruption. We believe this is a very important step in the light of the fact that entrepreneurship still has a fairly negative public image in Slovakia (entrepreneur = cheat), as was confirmed in our research.

This medialization could take the form of a competition for an award for good business behaviour. A further possibility is the creation of a registered "ethical business trade mark" which only firms that are confirmed as using transparent business procedures have the right to use on their products or promotional materials.