Conditions for effective large-scale anticorruption efforts and the role of external actors: what does the Slovak experience tell us?

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Abstract:

The paper looks at what policy-makers can do to decrease corruption in developing and transition countries, based on an in-depth examination of effectiveness of actual anticorruption measures in Slovakia. The research presents a synthesis of 12 case studies where measures in the sectors most associated with corruption as well as horizontal measures were analysed. The research shows that corruption can be decreased significantly within several years and external actors can play a substantial role in the process. An overall decrease in corruption can be based on aggregation of individual sectoral changes in areas most suffering from graft. In particular, the Slovak strategy was based on a sector-by-sector economic approach to resolving supply-demand imbalances based on either liberalization/privatization, limitations on discretion or managing supply and/or demand. Horizontal reforms complemented by sectoral reforms with their strong focus on increasing transparency. Concerning the role of external actors, we conclude that even when there is a domestically driven anticorruption effort, the external actors can still help significantly by serving as sources of inspiration, legitimacy, know-how and funding for reform design and implementation.

Keywords:

corruption, anticorruption strategy, Slovakia, transition

Introduction

Academic interest in the issue of corruption in developing countries has a long pedigree, (e.g. Huntington 1968, Merton 1968, Myrdal 1968, Rose-Ackermann 1978) but the research has grown massively in 1990s and 2000s when the corruption was identified as one of the key problems in development and its prominence as a political issue has also risen dramatically. There is now extensive theoretical and empirical literature dealing with reasons and consequences/costs of corruption (see Lambsdorff 2006 for an in-depth survey). There is also a significant body of advocacy literature advising aspiring reformers. (e.g. Transparency International 2004)

Our paper focuses explicitly on what policy-makers can do to decrease corruption in developing and transition countries. The methodological approach is based on an in-depth examination of effectiveness of actual policies in a single country that holistically analyses both the policies adopted and their context. We present an analysis of the anticorruption strategy pursued in Slovakia during the 2000s and the role played by external actors. Between 2000 and 2008, Slovakia has experienced a major reduction in corruption, particularly in certain sectors. During this period, successive Slovak governments have also passed major reforms in almost all areas of policy. Multilateral institutions (EU, World Bank) as well as bilateral donors played a significant role in this endeavour. It is therefore, interesting to look at the Slovak experience in light of what it can tell us about how to make the good governance agenda realistic as well as about improving the aid process in corruption control.

In addition to these factors, the Slovak case study can also be interesting because it examines a country with high, but not an extreme level of corruption, which managed to reduce it significantly. While the next section deals with the issue in more detail, a brief comparative note suffices to explain why Slovakia might be of interest. In 2000, Slovakia shared the same level of the Transparency International Corruption Perception Index (3.5) with four other countries – Argentina, Bulgaria, Ghana and Senegal. Eight years later, a substantial gap has opened between the five countries with Slovakia improving CPI to 5.0. On the other hand, CPIs of Ghana, Bulgaria and Senegal rose only by 0.2, 0.1 and 0.1 points respectively, and the Argentina's score actually declined to 2.9.

In this respect, the Slovak case study fits within the definition of the case study by Gerring (2004) as 'an intensive study of a single unit with an aim to generalize across a larger set of units' (p. 341). As noted by Yin (2003), case studies are appropriate instruments for social science research when the phenomenon being studied is highly complex and 'when "how" or "why" questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon with some real-life context'. (p. 1) In such a context, Gerring (2004) and Van Evera (1997) emphasise the complementarity of single-unit and cross-unit research designs rather than superiority of one or another.

While the research focuses on a single country, it presents a synthesis of a rich material of 12 case studies where measures in the sectors most associated with corruption as well as horizontal measures were analysed. It examines through what

mechanisms they contributed to the reduction of corruption and what was the role of external actors and aid in their design, passage and implementation.

The paper is structured as follows: the following section deals with the anticorruption strategy in Slovakia and the environment in which it was undertaken, including the 12 cases. This sets the stage for the overall analysis of the mechanisms of anticorruption efforts and the role of the external actors. The conclusion summarises findings of the paper, including potential for their generalisation.

The Slovak anticorruption strategy and its results in an international perspective

Anticorruption efforts in Slovakia need to be understood in the overall context of the Slovakia's transition to democracy and market economy during 1990s and 2000s. After initial period of common transition with the Czech Republic within Czechoslovakia, Slovakia became independent in 1993. The 1992-1994 and 1994-1998 governments of Vladimír Mečiar conducted policies, which led Slovakia to be excluded from the first round of EU enlargement negotiations in 1997, achieved a near-collapse of the economy in 1998 and were marked by widespread problems with rule of law as well as corruption, particularly in privatization. In 1998, the opposition overwhelmingly won the parliamentary elections (with approximately 60% of the vote) with the rule of law, the EU integration and the corruption being among the key topics where the electorate felt a need for change. (Sičáková-Beblavá and Beblavý 2006) Therefore, the new Government led by Mikuláš Dzurinda felt a strong commitment to deal with corruption issues. However the discourse dealt nearly exclusively with privatization. Wider debate about anti-corruption strategies was

missing from the policy mainstream. (ibid.) At the same time, a 1999 survey (World Bank 2000) found that corruption was perceived to be widespread in Slovakia and two thirds of the interviewed had already encountered the problem in person at least in one sector/institution. In other words, while at the time of 1998 elections, corruption was a politically salient topic only within the context of privatization, Slovakia was ready for a much more wide-ranging change both in attitudes and policies.

Over time, the strong and sustained public pressure for anticorruption policies became one of the key drivers of the anticorruption efforts, together with EU accession and fiscal pressures. Corruption has been consistently rated as the fourth most serious problem for the politicians to focus on, behind unemployment, standard of living and health care (FOCUS 2006). In the vigorous and dynamic Slovak democracy, this has been crucial in keeping the interest of the political elite in the issue and in emergence of senior political figures who base their credibility on their anti-corruption efforts. (Sičáková-Beblavá and Beblavý 2006)

As a result of early corruption scandals of the new government and resulting public outcry, in June 2000 the first Dzurinda Government approved a National Program for the Fight against Corruption, developed by the Office of the Deputy Prime Minister of Economic Policy Ivan Mikloš on the basis of a proposal prepared by Transparency International Slovakia. The Deputy Prime Minister also became responsible for the anti-corruption agenda. (Sičáková-Beblavá and Zemanovičová 2003) The National Anticorruption Program was a multifaceted strategy favouring changes both in formal and informal rules. It endorsed reduction in discretion and increases in transparency,

but also sought to improve the functioning of the judiciary and prosecution, combat conflict of interest at all levels of government and change norms of behaviour through education and public information campaigns. (Government of Slovakia 2000) After the 2002 election, the Dzurinda government continued, but with important modifications in the composition of the coalition. The anticorruption agenda was shifted to another minister – Daniel Lipšic, who served (between 2002 and 2006) as the Deputy Prime Minister for Legislation and the Minister of Justice. In May 2003 the Government adopted his proposal of a more technical document on specific legal measures to implement the Government anticorruption objectives, (Sičáková-Beblavá and Zemanovičová 2003). The 2000 National Anticorruption Program was never formally repealed and the 2003 document developed many ideas already contained in its predecessor. In other words, while the 2000 National Anticorruption Program was a combination of some very specific proposals with general principles of anticorruption policy, these principles – particularly emphasis on eliminating discretion and transparency – were the guiding principles of later reforms that had not yet been clearly enunciated in the original document.

The anticorruption strategy combined specific sectoral reforms (e.g. bank privatization) with horizontal policies (e.g. freedom-of-information legislation). Both types of policy change took place within the overall environment of rapid reforms on all fronts in Slovakia since 1998. This environment was caused by many activities, but the EU accession and fiscal pressures were among the most relevant. The rapid policy change contributed to the overall feeling that when change is possible in so many areas, it should be also possible to do something about corruption. More importantly, deep structural reforms of key elements of the public sector made it

possible to remove or diminish, at low political cost, some of the structural underpinnings of corruption.

During the same period, Slovakia has seen significant absolute improvement in the corruption situation over the last decade (as measured by the Transparency International Corruption Perception Index). Compared to the three neighbouring countries with most similarities – i.e. the Czech Republic, Hungary and Poland, we can see that the improvement was much higher than for the others between 1999 and 2008. Slovakia's improvement in the CPI has also outstripped the average of the new member states significantly over the same period: 1.3 points vs the average 0.54 point improvement for all postcommunist new EU member states. On a more global scale, only Latvia, Serbia, South Korea and Colombia have seen improvements of a similar size in recent years. Therefore, while not unique, the Slovak improvement is exceptional and not due solely to the EU accession process.

[Insert Table 1 here]

Let us now look in more detail at the specific anticorruption reforms. The paper synthesises results of 12 case studies researched in Slovakia in 2007 and 2008. Ten of these were published in Beblavá and Beblavý (2008), the rest is unpublished. For each of the case studies, we present a brief description of the policy changes, their relationship to anticorruption efforts and estimate of their impact on corruption as well as a brief look at the role of the external actors. As already mentioned, we divide them into two groups – sectoral and horizontal changes.

Methodologically, the case studies were based on the analysis of publicly available information, complemented in a limited number of cases by interviews with individuals involved in the particular reform. The publicly available information was derived from the following sources: opinion polls conducted by the World Bank or Transparency International on extent and experience with corruption in the period between 1999 and 2006, legislative and policy documents in each area from the whole transition period, transcripts from parliamentary discussion of the relevant legal instruments, media articles and previous studies done on the subject. The media articles were very important as a source of factual information, particularly on positions of various political and non-political stakeholders, obviating the need for extensive additional interviews. The information was collected during the period October 2007 – May 2008. The complementary interviews were conducted by the case study authors during the same period with the following individuals: a former Minister of Justice, a Special Court Justice, the Head of the Anticorruption Department in the Government Office and 2 NGO activists focusing on corruption.

Each case study contained sections describing the reforms, the mechanisms through which they contributed to corruption control including reference to the relevant academic literature, the process of their approval including analysis of key interest groups supporting or opposing the change, and an analysis of the role of the external actors in the approval. Authors were provided with a unified template for the case study.

The case studies were prepared by a team of 8 researchers from the Comenius University under the auspices of a research project focusing specifically on Slovak

anticorruption strategies. Drafts were reviewed by two referees and returned to authors for finalisation.

Sectoral reforms

Bank privatization. Slovakia privatized, in the 2000-2001 period, all the major remaining state-owned banks (the government sold 87.18 % of shares of the dominant savings bank Slovenská sporiteľňa to the Austrian Erste Bank, 68.58% of shares of the dominant corporate bank Všeobecná úverová banka to the Italian Intesa Banca and 92.55 % of a smaller Investičná a rozvojová banka to the Hungarian OTP). As a result, the share of state-owned banks in total banking assets decreased from 50% in 1998 to less than 5% by the end of 2001. The state ownership of the banks had been associated with extensive corruption in provision of loans to businesses and individuals. The state ownership was associated with corruption in the environment of high level of state capture and credit rationing. (Žitňanský and Salner 2008a) The perception of malfeasance shifted dramatically after privatization, with the percentage of the population identifying corruption as widespread in the banking sector declining from 29% in 1999 to 13% in 2006. The role of external actors in the bank restructuring and privatization was extensive, with the World Bank playing a leading role, but the European Commission (through PHARE) and the USAID assisting with some of the costs (ibid., p. 76). The overall approach as well as the operational details were, to a great deal, imported through engagement of privatization and legal advisors (J P Morgan, White and Case) and cemented through conditionality imposed by the 2001 World Bank EFSAL loan that financed part of the restructuring costs. (ibid.)

Limiting discretion in active labour market policy. In 2004, the Slovak Government enacted a new Act on Employment Services. The act brought substantial changes in decision-making concerning job and public works subsidies. It eliminated the power of local and national stakeholder committees to make decisions on allocating the subsidies on a discretionary basis and gave all employers/self-employed right to the subsidies after fulfilling clearly stipulated conditions in the law and secondary legislation. The size of the subsidies was also determined based on a formula. The impact on corruption was through eliminating discretion and balancing demand and supply. The perception of widespread corruption in labour market agencies decreased from 20% to 14% between 1999 and 2006 and the number of people who denied existence of corruption increased from 6% to 16% in the same period (from 9% to 16% in the two years after introduction of the reform). (Beblavý 2008a) There was essentially no external influence in preparation and implementation of the new policies, even though ESF funds provided the required financing. However, the overall amount spent was not significantly higher than in the previous years when it was domestically funded.

Company Register reform. The Company Register in Slovakia is a court-maintained register of all companies in Slovakia and serves as the legally binding source of information. Until 2003, any change in the register took between 40 and 150 days and the discretion of administrative judges to refuse a filing was substantial. (Žitňanský and Salner 2008b) Since this entailed substantial costs to businesses, there was a high level of corruption related to speeding up the process and ensuring approval. (World Bank 2000, IVO 2001, HESO 2004) The reform, enacted in 2003, eliminated the responsibility of courts to examine submitted changes from a substantive point of

view and shifted responsibility to individuals submitting the change. At the same time, it introduced simplified and clear application forms and set a 5-day deadline for any decision. After the reform, the decision-making period plummeted and soon reached the newly imposed deadline. While there is no direct data available about the overall decrease in corruption perception, evaluation of anticorruption measures in the 2002-2006 period by Transparency International awarded it the highest rating (Sičáková-Beblavá and Nechala 2006, p. 25) and the business elites interviewed in 2003-04 also observed biggest improvement in the business climate in the register operation. (IVO 2004) In terms of external influence, the World Bank reports served as an inspiration for the reforms, but otherwise it was nearly entirely home-grown. (Žitňanský and Salner 2008b)

Introduction of case management techniques in the judiciary. This reform, introduced continuously in the years 2002-2004, changed management of the court system primarily by introducing new business processes, IT technology and a new class of law clerks to assist the judge. The reform was aimed at increasing efficiency of processes within the judiciary, increasing capacity of the system through additional human resources and decreasing discretion in assignment of cases to judges by random electronic decision. Since the key source of corruption in the Slovak judiciary had been the length of proceedings, the aim of the reform was to increase the speed of the system and its ability to produce outputs. (Staroňová 2008a) As Valentovič et al. (2007) demonstrate, the outflow of cases became significantly higher than the inflow only since 2004, the year of the comprehensive implementation of the new processes at all courts. Between 2002 and 2006, the perception of corruption in the judiciary dropped by 13 points (from 60% to a still very high 47%) and according to the EBRD

and World Bank BEEPS Survey, the share of firms that consider bribery of judges to be frequent dropped from 12% in 2002 to 2% in 2005. (EBRD and World Bank 2006). External influence was very strong in policy transfer and design, where the Swiss Government and ABA CEELI (activity of the American Bar Association) funded pilot projects and design of the mainstreaming, while the EU PHARE supported financially the IT costs.

Increasing capacity of the higher education system. This reform, introduced gradually in 2001 and 2002, changed the financing mechanisms for higher education to a model where higher education institutions receive a majority of their funding based on a number of students they have. This was accompanied by two additional steps – opening of the market for private institutions and a significant increase in the real public expenditure on higher education. As a result, the number of students increased from 128 thousand in 2000 to 200 thousand in 2006. Since the university admissions were perceived as the most corrupt area in the education system, this had significant effect on perceived corruption in the sector, where the percentage of respondents seeing widespread corruption in the education decreased from 41% in 2002 to 27% in 2006. The role of the external actors was important in policy transfer as crucial elements of the reform were imported from the Czech Republic and Portugal, but otherwise they played essentially no role.

Tax reform. In this area, two reforms – of taxes and tax administration – took place. Slovakia introduced a radical simplification of taxes in 2004, introducing a unified VAT and income tax rates at 19% and eliminating most deductions and special regimes. In the tax administration, there was simultaneously a reshuffling of

responsibilities between tax and customs administration, with tax authorities responsible for direct tax collection and the customs authorities for indirect taxes. During the same period, taxes (particularly indirect ones) were heavily influenced by harmonization of legislation with EU requirements. As a result, there was a decline from 40% to 15% between 1999 and 2006 of those who see widespread corruption among tax authorities while the decrease for customs was only from 42% to 30%. The steep decline for tax authorities compared to customs authorities is particularly instructive given the fact that both institutions are managed by the ministry of finance, have similar structures and, in Slovakia, they both collect taxes (tax authorities primarily collect income taxes, while customs mainly collect indirect taxes). It indicates that the change in perceived corruption in administration of direct taxes was much higher than for indirect taxes, possibly related to introduction of the flat tax. In terms of influence of external actors, EU influence was important with regard to indirect taxes where there were extensive accession requirements related to tax administration, but also tax structure. In terms of the flat tax, external actors, but mainly private ones, were important in initiating policy transfer, but the actual design was funded and conducted domestically.

Health care reform. Slovakia enacted a series of radical steps in the area of health care between 2003 and 2005. The first stage, undertaken primarily in 2003, focused on slowing down expenditure by one-time measures – introduction of small fees for doctor visit, hospital stays and drugs as well as changes in drug reimbursements for drug companies. The second stage, originally supposed to start in 2004 with all the other reforms, but ultimately delayed until 2005, brought a fundamental overhaul of the healthcare system. All hospitals were to be corporatized and restructured (and

some even privatized), insurance companies were to become profit-seeking health management organizations, insurers and providers were to freely negotiate prices and quantities, the government was supposed to clearly determine the extent of the free healthcare package and the co-payments for diagnoses not in it and a strict hard budget constraint was to be introduced for all actors involved. (Beblavý 2008b) However, many of the reform steps were not completed due to political controversy and/or pre-election manoeuvring and the post-2006 government reversed some of the changes that had been introduced. The reform was expected to decrease corruption by liberalization and privatization of the health sector both on the provider and the purchaser end. In reality, there was no perceptible change in corruption (with 62% perceiving corruption as widespread in 1999 vs 63% in 2006 and it remained the most corrupt sector by perception). At the same time, neither liberalization nor privatization were completed, which makes it impossible to evaluate the reform. There was no identifiable external model for the Slovak reform, but the World Bank loan was used to co-finance preparation and implementation of the reform, thus bringing an element of financial conditionality and external assistance to the design. This involved Health Sector Modernization Support Technical Assistance Project and Health Reform Project, together worth USD 75 million. Given the fact that the Slovak health care expenditure exceeded USD 5 billion in 2008, the conditionality was limited in strength and impact.

Horizontal reforms

Freedom-of-information law. Slovakia introduced a freedom-of-information legislation in 2000 that implemented a constitutional provision from 1992

guaranteeing freedom of information. Láštic (2008b) claims that the law "has changed the relationship between the citizens and the public authorities in a way unrivalled by any other law in the modern Slovak history". (p. 192) The law had two principal planks: broad definition of what is publicly accessible under the law and a forceful enforcement mechanism that involved judicial oversight and potential fines for individuals that break the law. The effect of the law on corruption has manifested itself primarily through increased transparency. Transparency is not an objective in itself, but is a necessary though not sufficient condition of true accountability. (Florini 1999, p. 6) Islam (2006) finds positive correlation between transparency (including presence of freedom-of-information laws) and indicators of better governance. The influence of the freedom-of-information on corruption is both ex ante and ex post. Ex ante, the knowledge that certain actions can be publicly observed decreases likelihood of corruption acts. Ex post, publication of information and its subsequent analysis can lead to discovery of acts of clientelism and corruption (as has been done in Slovakia with regard to subsidies, but also procurement (Láštic 2008b)). The freedom-of-information law has not been an element of accession conditionality, with the European Commission praising it ex post as an instrument of increasing accountability and improving the anticorruption climate. (EC 2000, 2001) The role of external actors was important in policy transfer, with several aid agencies and private donors (USAID, Open Society Institute, Dutch Matra) supporting the idea of transferring freedom-of-information law to Slovakia, but the actual design was done by domestic activists.

Increasing public involvement in the policy consultation process. The new rules for consultation were introduced in 2001 for the central government and later

extended, in a limited version, to the regional and local authorities. The system ensured that the public was given a period for reviewing and commenting on any proposed legislation and policy decisions, that the relevant ministry/authority had to review the comments and that if a sufficient number of individuals signed a petition, the ministry/authority had to negotiate with their representatives. It has been used extensively by the public and the media to monitor the government policies and laws prior to their adoption. For example, in the 2001-2004 period, members of the public delivered more than 100 comments on proposed policy/legislation to the Ministry of Culture, 128 to the Ministry of Construction and Regional Development and 388 comments to the Ministry of Education. Petitions were utilised primarily for environmental issues, with the Environment Ministry receiving 161 petitions under the new rules during the same period. (Malíková and Suchalová 2008). A 2004 legislation extended the rules to local and regional self-governments. (Suchalová and Malíková 2008) Even though this reform was not primarily aimed at decreasing corruption, it was, together with the freedom-of-information law, one of the horizontal measures aimed at increasing transparency in the public sector. In terms of the external influence, the measures were part of the central government functional review (“audit štátnej správy”), whose preparation and implementation was financed by various technical assistance projects (primarily the European Commission, DFID and UNDP), but was completely prepared by domestic consultants and government officials without any relevant external input.

Changes in the financial control and audit at the central and local government level. As a part of the EU accession, Slovakia introduced in 2002 the concept of internal audit and restructured existing mechanisms of financial control.

Subsequently, legislation introduced in 2004 and 2005 enacted detailed regulation of internal audit in local and regional self-governments and allowed the Supreme Audit Office to audit, for the first time, all transaction of the local and regional self-governments (requiring a constitutional amendment). The latter steps followed extensive decentralisation that took place between 2002 and 2004 and which dramatically expanded the scope of the decentralised authority. (Láštic 2008a). There is no *prima facie* evidence for the effect of these steps on perceived corruption, as the evaluation of corruption as widespread stagnated for local governments at 27% vs 28% as well as for ministries at 43% vs 45% (comparison between 1999 and 2006). Much of the legislation has been introduced due to EU requirements related to management and disbursement of Structural Funds and there is little evidence that its effect has spread beyond these. With regard to local and regional government, analysts (e.g. Láštic 2008a) have emphasized more the role of other constraints – e.g. new bankruptcy rules, increased political accountability. Looking at the external influence, the European Commission played a significant role in the overall reform of public internal financial control in Slovakia as a part of the pre-accession process, where the 2002 changes were clearly part of an accession conditionality. The 2004 and 2005 reforms are related to “softer” instruments, primarily to the reports of the Council of Europe GRECO group, which made recommendations along these lines in a 2000 report and reviewed their implementation in 2005. (ibid.) However, the GRECO influence can be seen primarily in terms of inspiration and agenda-setting rather any conditionality.

Special prosecutor and special court for corruption offences. This reform, introduced in the 2003-2004 period, set up a special court and special prosecuting

office for certain crimes including corruption. Their personnel had to undergo special vetting, but also have special pay and protection mechanisms. (Staroňová 2008b) The aim was to break linkages between local elites, increase specialization and to decrease the vulnerability of law enforcement and judiciary to political and criminal influences by concentrating them in one institution and increasing safeguards of their independence. In its first years of existence, the prosecutors indicted and the court sentenced several high-level public officials both at the central and local levels for corruption, in sharp contrast to the previous practice, where successfully completed high-level cases had been rare. (ibid.) While there was no conditionality involved in the introduction of the special mechanisms, external actors played an important role both in policy transfer and actual design. The special court model was inspired by Italian and Spanish experiences and an experienced Spanish prosecutor, funded by the European Union, worked as a long-term advisor in Slovakia to assist the design of the new system. (ibid.)

Change in the political party financing. These changes, enacted in 2005, contained significant increase in state financing for political parties, detailed regulation of donors and gifts to the party, ban on party business activities and financial relationships with public authorities, an increase in the transparency to the public via publication of structured annual reports, including donors; and detailed regulation of election expenditure. (Sičáková-Beblová and Mišina 2008) The goal of the reform was explicitly to reduce corruption by regulating financial links of political parties with the public sector as well as the private sector and increasing transparency to make it easier to uncover when the rules are broken. The key problem for the effectiveness of the law was that its provisions were enforced by politically controlled

institutions - a cross-party parliamentary committee or the ministry of finance. This became clear in 2008 when media or independent observers pointed to several clear violations of the law by both government and opposition parties, but there was no enforcement. However, due to media pressure, all parties took steps to avoid the same violations in the future. Therefore, the story of the new law has been one of gradual effect primarily through the sanction of the public opinion. There has been no measurable external influence in case of the changes in financing of political parties.

Effectiveness and mechanism of reducing corruption

This section summarises the data on effectiveness of the individual reforms and mechanisms they used to decrease corruption, based on the information provided in the previous section. Therefore, it is first necessary to explain the methodology used for the assessment and the summary

With regard to effectiveness, the methodology is different for sectoral and horizontal reforms. For sectoral reforms, the assessment is primarily based on the change in perceived corruption in the given sector, if such data are available. When necessary, they are complemented by evaluations of other observers or by data on changes in inputs/outputs. In case of horizontal reforms, it is not possible to link individual reforms with specific outcome data on corruption. Therefore, we have to rely solely on analysis of data concerned with inputs, outputs and processes to measure the potential contribution of these reforms to corruption control.

To understand the anticorruption strategy in Slovakia and its implication, we also need to understand mechanisms through which individual reforms actually aimed to decrease it. To classify the instruments, we use a simple framework developed by Beblavý (2007), using Huther and Shaw (2000), based on concepts developed by Becker (1993), Rosen (1993) and Becker and Stigler (1974). This framework recognises that to decrease incentives for corruption, one can either decrease the benefits or increase the costs of corruption.

Decreasing benefits of corruption can be through one or more of the following:

- limiting discretion by creation of clear rules for decision-making (including creation of entitlements or other non-discretionary decision rules)
- shifting transactions to the market (privatisation, liberalisation)
- equalising demand and supply by increasing capacity or limiting demand (e.g. through introducing or increasing user fees)

The second strategy is the strategy of increasing costs of corrupt actions. This can be done through a variety of mechanisms – ranging from criminal punishments through the structure of wage and pension systems. The set-up of wage and pension systems can bring about either efficiency wages or effective bonding, which both increase the individual cost of corrupt actions to public servants - Besley and McLaren (1993), Rijckeghen and Weder (1997) or Becker and Stigler (1974). Increasing the probability of discovery of corrupt behaviour can also be included here. Steps such as increasing publicly available information and/or the number of agents with incentives to discover corruption (e.g. the US system of rewarding whistleblowers) or better work of law enforcement agencies and other agencies of self-restraint (see Schedler et al. (2000)).

[Insert Table 2 here]

Table 2 summarises the findings for the 12 Slovak case studies. We see that the strategy was a combination of decreasing benefit of corruption through structural reform with several horizontal reforms aimed primarily at increasing transparency. Relatively limited attention was paid to increasing costs of corruption. In other words, the Slovak strategy can be summarised as: “economic reform + transparency”.

However, the Slovak case has important implications that go beyond this simple equation. First of all, the economic reform cannot be identified solely with privatization and liberalization. Depending on the sector, two other techniques were also used: limiting discretion and increasing supply/managing demand. Therefore, even when economic approach is adopted towards reduction of corruption, it can contain a far more sophisticated array of instruments. Secondly, the horizontal transparency efforts formed an integral part of the package.

Role of external actors

In this section, we look at the role of external actors (foreign governments and intergovernmental organisations). Generally, when the literature deals with their role, it tends to analyse the role of conditionality in bringing about anticorruption reforms (even if carefully structured as in, for example, Johnston 1997). The role of technical assistance is usually not at the core of the research work even if it is mentioned (see Klitgaard 1997, Sheetal and Moene 1999, Hamilton-Hart 2001). Wolf and Gurgun

(2002) present one of the few examples focusing explicitly on the role of (IMF) technical assistance in reducing corruption. Our paper looks at the roles of both conditionality and technical assistance and shows that the latter has been more significant in the Slovak case.

Based on the case studies, we identified the following external actors that had significant involvement in anticorruption efforts during the 2000-2007 period:

- European Union through its accession/membership conditionality and its aid programs, particularly PHARE
- World Bank through its grant and lending activities (particularly in banking and healthcare) which have both a technical assistance element and a conditionality element
- Selected governments (Switzerland, US) primarily through their bilateral aid activities focusing on technical assistance

We recognise five potential roles for these actors:

- **Policy transfer and learning** where policies implemented in other countries become an inspiration whether in general or even in particular details. This can happen directly and bilaterally or be mediated by external actors collecting best practice
- **Technical assistance** where the external actors provides financing/personnel for detailed design and/or implementation of the reform. This can happen through grants or soft loans
- **Financial conditionality** where approval and/or implementation of policies is a condition for lending (used mostly by the World Bank and the IMF)

- **Accession conditionality** when a certain action becomes a de jure or a de facto condition for entry into a “club”. Usually, this type of conditionality is used by the European Union in its accession negotiations, but is not limited to the EU
- **Membership conditionality** when a certain action is an obligation imposed on existing members of a “club”. Again, this is mostly the case for the EU, but is not exclusively so.

Table 3 presents a summary of our evaluation of the role of external actors in the 12 reforms according to this classification. The table shows that the role of external actors was much more important in policy transfer and technical assistance than in forcing the reform through conditionality. Within the group of conditionalities, accession conditionality was more important than financial conditionality while the membership conditionality has so far not been relevant for the Slovak case. Overall, however, it is surprising that even the strongest conditionality was present only in a minority of reforms. In other words, the political will to enact the reforms was mostly home-grown. Also, looking in more detail at the cases where financial conditionality was present, the size of the financial support was relatively small compared to the overall fiscal or sectoral expenditure.

[Insert Table 3 here]

On the other hand, the role of external actors in inspiring and/or designing reforms was crucial and was present in ALL the reforms that were graded as having high or medium effect on corruption. Therefore, even when there is a domestically driven

anticorruption effort, the external actors can still help significantly by serving as sources of inspiration, legitimacy, know-how and funding for reform design and implementation.

Conclusion

The paper focused explicitly on what policy-makers can do to decrease corruption in developing and transition countries, based on a case study of Slovakia - a country which managed to dramatically reduce it in the recent decade. Methodologically, it was based on an in-depth examination of effectiveness of actual anticorruption measures. As such, it is complementary to cross-unit research designs usually pursued in the literature. While the research focuses on a single country, it presents a synthesis of 12 case studies where measures in the sectors most associated with corruption as well as horizontal measures were analysed.

The first lesson of the Slovak case is optimistic, even if not ground-breaking. The corruption can be decreased significantly within several years and external actors can play a substantial role in the process. It is relevant to emphasise this finding in a world where scepticism about anticorruption efforts is rife. The second, more intellectually interesting lesson is that an overall decrease in corruption can be based on aggregation of individual sectoral changes in areas most suffering from graft. Even though Slovakia had official anticorruption strategies during this period, some of the key reforms were either not included or mentioned only marginally either because they had been approved before the first strategy was approved or because they were

primarily sectoral strategies aimed at improving the overall situation, with the reduction in corruption only one of many objectives.

The paper classified all reforms according to their effectiveness as well as the mechanism through which they contributed to the anticorruption efforts. Its conclusion is that effective anticorruption reforms in Slovakia usually combined structural reforms that decreased scope for (and benefits of) corruption and increased transparency. The paper shows that the decrease in the potential benefits of corruption was achieved not only through the more traditional recipes of privatization and liberalization, but also through introduction of clear decision-making rules to limit discretion and through introduction of policies that increased supply or managed demand. In other words, even though the Slovak strategy was based on a hard-headed economic approach to resolving supply-demand imbalances, there was a variety of instruments that were utilized rather than just conventional ones belonging to the Washington consensus. On the other hand, there was only limited emphasis on making it more costly to engage in corruption through increased repression.

The third group of findings concerns the role of external actors. Our finding was that the Slovak anticorruption drive was primarily underwritten by the electoral pressure, with voters consistently rating corruption as one of the main problems facing the country. Therefore, despite the importance of the process of EU accession, the role of external actors was much more important in policy transfer and technical assistance than in forcing the reform through conditionality. On the other hand, the role of external actors in inspiring and/or designing reforms was crucial and was present in nearly all the reforms. Only a small minority of reforms was completely home-grown

without at least inspiration from abroad. Therefore, we conclude that even when there is a domestically driven anticorruption effort, the external actors can still help significantly by serving as sources of inspiration, legitimacy, know-how and funding for reform design and implementation. In Slovakia, the role was played by the World Bank, the European Commission as well as several bilateral donor agencies.

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Table 1: Corruption Perception Index in Central European countries and the average for all new member states: 1999-2008

Country	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Change
Slovakia	3.7	3.5	3.7	3.7	3.7	4.0	4.3	4.7	4.9	5.0	+1.3
Czech Republic	4.6	4.3	3.9	3.7	3.9	4.2	4.3	4.8	5.2	5.2	+0.6
Poland	4.2	4.1	4.1	4.0	3.6	3.5	3.4	3.7	4.2	4.6	+0.4
Hungary	5.2	5.2	5.3	4.9	4.8	4.8	5.0	5.2	5.3	5.1	-0.1
EU-10	4.65	4.63	4.72	4.75	4.67	4.83	4.95	5.18	5.31	5.29	+0.54

Source: Transparency International

Table 2: Evaluation of mechanisms and effectiveness of the Slovak anticorruption reforms

Reform	Mechanism	Effectiveness
1. Bank privatization	Liberalisation/privatisation	High
2. Limiting discretion in active labour market policy	Limiting discretion, increasing supply	Medium
3. Company register reform	Limiting discretion, liberalisation + increasing transparency	High
4. Introduction of case management techniques in the judiciary	Limiting discretion, increasing supply	Medium
5. Increasing capacity of education system	Limiting discretion, increasing supply	High

6. Tax reform	Increasing supply, liberalisation	High
7. Health care reform	Liberalisation/privatisation, increasing supply/decreasing demand	Low
8. Freedom-of-information law	Increasing transparency	High
9. Increasing public involvement in the policy consultation process	Increasing transparency	Low
10. Changes in the financial control and audit at the central and local government level.	Increasing transparency	Low
11. Special prosecutor and special court for corruption offences	Increasing costs	High
12. Change in the political party financing	Increasing supply + increasing costs + increasing transparency	Medium

Source: author

Note: for horizontal reforms, the effectiveness is potential effectiveness as the causal relationship between reforms and corruption is based only on indirect evidence

Table 3: The role of external actors in design, approval and implementation of anticorruption reforms in Slovakia

Reform	Policy transfer	Technical assistance for design	Financial conditionality	Accession conditionality	Membership conditionality
1. Bank privatization	YES	YES	YES	NO	NO
2. Limiting discretion in active labour market policy	NO	NO	NO	NO	NO
3. Company register reform	YES	NO	NO	NO	NO
4. Introduction of case management techniques in the judiciary	YES	YES	NO	NO	NO
5. Increasing capacity of	YES	NO	NO	NO	NO

education system					
6. Tax reform	YES	NO	NO	NO	NO
7. Health care reform	YES	YES	YES	NO	NO
8. Freedom-of-information law	YES	YES	NO	NO	NO
9. Increasing public involvement in the policy consultation process	NO	YES	NO	NO	NO
10. Changes in the financial control and audit at the central and local government level.	YES	YES	NO	YES	NO
11. Special prosecutor and special court for corruption offences	YES	YES	NO	NO	NO
12. Change in the political party financing	NO	NO	NO	NO	NO

Source: author