

3. Democratization

Progress towards democracy building is primarily assessed from indicators drawn from Freedom House. *Table 5* highlights Freedom House's attempt to measure political rights and civil liberties in the transition region from 1989 through 2001.⁵ The range in progress in democratization across the countries is great. At one extreme, are the eight Northern Tier CEE countries where political rights and civil liberties are roughly comparable to those found in many countries of Western Europe (such as France, Germany, Italy, and the UK). Three of these transition countries--the Czech Republic, Hungary, and Slovenia--have maintained this level of freedom since at least 1993. Poland and Lithuania achieved this level in 1995, Estonia in 1996, Latvia in 1997, and Slovakia in 1999. Of these eight countries, only Latvia, Estonia, and Slovakia experienced a temporary relapse in democratic freedoms since 1989 as so measured.

Among these leaders, democracy and freedom prevail. Elections are free and fair, at the national and sub-national levels. Those elected rule. There are competitive political parties, and the opposition has an important role and power. By and large, minority groups have self-determination.⁶ In general, there remain deficiencies in some aspects of civil liberties, though most such freedoms exist. The media are generally free. The judiciary is generally independent and nondiscriminatory. NGOs and trade unions are free and able to exist. Personal social freedoms exist, as does freedom from significant government corruption and/or apathy.

In contrast, Turkmenistan is among a handful of countries worldwide rated by Freedom House to have the fewest political rights and civil liberties in 2001; one of only ten (down from thirteen countries in 1999) out of 192 countries to receive the poorest score.

⁵ Political freedoms include: (1) the extent to which elections for head of government and for legislative representatives are free and fair; (2) the ability of voters to endow their freely elected representatives with real power; (3) the openness of the system to competing political parties; (4) the freedom of citizens from domination by the military, foreign powers, totalitarian parties, and other powerful groups; and (5) the extent to which minority groups have reasonable self-determination and self-government.

Civil liberties include: (1) freedom of media, literature, and other cultural expressions; (2) existence of open public discussion and free private discussion including religious expression; (3) freedom of assembly and demonstration; (4) freedom of political or quasi-political organization (which includes political parties, civic associations, and ad hoc issue groups); (5) equality of citizens under law with access to independent, nondiscriminatory judiciary; (6) protection from political terror and freedom from war or insurgency situations; (7) existence of free trade unions, professional organizations, businesses or cooperatives, and religious institutions; (8) existence of personal social freedoms, which include gender equality, property rights, freedom of movement, choice of residence, and choice of marriage and size of family; (9) equality of opportunity; and (10) freedom from extreme government indifference and corruption. The appendix elaborates.

⁶ Valerie Bunce of Cornell University argues at least implicitly that "electoral inclusion" of minority groups is not adequately captured in the Freedom House scores and hence concludes that "full-scale democracies" (those that are both fully inclusive and fully free) are fewer than the group of eight scored by Freedom House. In particular, this presumably more rigorous standard would exclude Estonia and possibly Latvia. See V. Bunce, "The Political Economy of Post-Socialism," *Slavic Review*, Vol. 58, No. 4 (Winter 1999), pp. 756-793.

Democratic freedoms in Uzbekistan, Tajikistan, and Belarus are not much greater than those in Turkmenistan.

In Turkmenistan and Uzbekistan, basic political rights are nonexistent. In the other democratic laggards, the regimes may allow some minimal manifestation of political rights such as competitive local elections or some sort of representation or partial autonomy for minorities. An independent civic life, including a free media, is effectively suppressed in Turkmenistan. In the other lagging countries, citizens are severely restricted in expression and association.

The Democratization gap. The data from *Table 5* also show that the large gap in democratic freedoms between the CEE and Eurasian countries continues to grow. This is evident whether one looks at the most recent trends in 2001, or a medium-term timeframe (from 1998-2000, i.e., since the Russian financial crisis), or trends since communism's collapse.

In 2001 (as in 2000), all measurable gains in the transition region in political rights and/or civil liberties occurred among the Southern Tier CEE countries. Yugoslavia and Albania advanced in both political rights and civil liberties scores, Bulgaria moved forward in political rights, and Croatia advanced in civil liberties. Of all the 27 transition countries, only Macedonia witnessed a measurable decrease in 2001 in democratic freedoms by these aggregate measures, a decrease in civil liberties. However, Freedom House also identifies general trends in freedoms that are not sufficient in magnitude to change a country's score. Among the transition countries, there were three such trends in 2001, all declines in democratization, all in Eurasia (Azerbaijan, Belarus, and Ukraine).

Figures 4 and 5 draw from the data of *Table 5* to highlight the growing democratization gap. Over the medium-term (i.e., since 1998), the sub-region which has witnessed the greatest gains in democratization has been the Southern Tier CEE (*Figure 4*). Within the Southern Tier CEE, Yugoslavia and Croatia have advanced the most on this score. Much fewer measurable gains in democratic reforms since 1998 have occurred in the Northern Tier CEE countries in large part because, with one salient exception, these countries had already attained a level of freedom roughly comparable to that found in most Western democracies; i.e., there has been relatively little "room" for gain. Slovakia is the exception, and since 1998, catalyzed by the ousting of Vladimir Meciar in 1999, it has joined the rest of the Northern Tier countries in its level of political rights and civil liberties.

Finally, *Figure 4* reveals that democratic freedoms in Eurasia on balance were fewer at end-2001 than in 1998. Only two of the twelve countries have registered an increase in democratic freedoms since 1998 (Armenia and Moldova), while five have experienced a decrease in such freedoms, Russia and Kyrgyzstan most notably, Uzbekistan, Georgia, and Ukraine to a lesser extent.

Figure 5 further underscores the democratization gap in the region. It reveals that since the collapse of communism (i.e., since 1989 in the CEE countries and 1991 in Eurasia),

substantial, if not historic, gains in democratic freedoms have been registered in virtually all the CEE countries, particularly in the Northern Tier CEE countries. It also reveals, in striking contrast, that all but three of the Eurasian countries have regressed in democratization since the breakup of the Soviet Union. Of the twelve Eurasian countries, only Georgia, Moldova, and Armenia had greater democratic freedoms by end-year 2001 than at the time of the Soviet collapse (in 1991).

How can nine of the twelve Eurasian countries have fewer democratic freedoms today than in 1991? *Figure 6* is an attempt to address this question by examining trends in democratic freedoms further back in time, to the mid-1980s. Such an effort uncovers that the transition towards democracy, particularly in Eurasia, and to a lesser extent in the Northern Tier CEE countries, began in the mid-1980s. Progress in democratic reforms in Eurasia began during Gorbachev's "glasnost" reforms, well before the collapse of the Soviet Union. Restated, despite the deterioration in democratization in much of Eurasia since 1991, democratic freedoms today in the sub-region are greater than they were at height of the cold war period.

Figure 6 also reveals that the liberalization of democratic reforms in the Northern Tier CEE countries was significant prior to the fall of the Berlin wall in 1989, and particularly rapid after the fall of the wall. In the Southern Tier CEE countries, in contrast, there was only modest progress in democratization through the mid-1980s, but since then, relatively steady gains in both political rights and civil liberties.

Democratization disaggregated. Freedom House annually rates six components of democratization among the transition countries in its *Nations in Transit*: (1) electoral process; (2) civil society; (3) independent media; (4) governance and public administration; (5) rule of law; and (6) corruption.⁷ *Table 6* shows the most recent results, which represent events through December 2001. The *Nations in Transit* analyses target exclusively the transition region, and hence presumably provide a more complete and accurate picture of the various aspects of democratization in the transition than do the political rights and civil liberties scores of *Table 5* (which are tracked worldwide).

As expected, general trends between the two Freedom House rating schemes (i.e., results between *Table 5* and *6*) coincide. The country rankings are very similar between the two schemes. In each, the Northern Tier CEE countries are all out in front in democratization, while the Central Asian Republics alongside Belarus and Azerbaijan remain the laggards.

⁷ The electoral process focuses on the extent to which elections are free, fair, competitive, and participatory. Civil society assesses the status of non-governmental organization; the number and nature of NGOs, and the degree of participation. Independent media attempts to measure freedom from government control (such as legal protection, editorial independence, and the extent of privation) and the financial viability of private media. Governance and public administration focuses on legislative and executive effectiveness, and on government decentralization, including the independence and effectiveness of local and regional government. Rule of law examines constitutional reforms, the development and independence of the judiciary, and the rights of ethnic minorities. Finally, the scope of corruption (official corruption in civil service; public-private sector links; anti-corruption laws and decrees adopted and enforced) is also assessed. The appendix elaborates.

In addition, the growing gap in democratic reform progress is further reinforced in the disaggregated ratings, more evident in fact than the trends in the aggregate indices. In particular, the latest *Nations in Transit* scores show: (1) four of the Southern Tier CEE countries advancing in democratization in 2001 (Yugoslavia, Bosnia-Herzegovina, Bulgaria, and Albania), with only one backslider, Macedonia; (2) six Eurasian countries backsliding (Georgia, Moldova, Ukraine, Russia, Kyrgyzstan, and Kazakhstan), while only one country moved forward (Azerbaijan); and (3) relatively little change in the Northern Tier CEE countries (with Slovakia and Estonia advancing and the Czech Republic slipping).

For the transition region as a whole (as well as for each of the three sub-regions), the greatest progress through 2001 has occurred in NGO development, followed closely by electoral reforms. The least progress has been in efforts to reduce corruption.

Figure 7, which compares data from the first *Nations in Transit* (1997) with the most recent one (2002), shows that the democratization gap between the Northern Tier CEE countries and Eurasia has increased in all the democratic sectors between 1996 and 2001. The gap is largest in the advancement of the electoral process and a free media.

Democratization in 2002. Qualitative and anecdotal evidence suggest that the trend towards a growing democratic divide between the transition leaders and laggards has continued in 2002. In particular, most of the developments on political reforms in Eurasia in 2002 have underscored further backsliding.⁸ This includes adverse democratization trends in Armenia (media), Kazakhstan (media and electoral reforms), Kyrgyzstan (media), Moldova (political freedom), Russia (constitution and media), Tajikistan (civil liberties towards minority groups), and Uzbekistan.

Corruption. *Tables 7 and 8, and Figures 8 and 9* attempt to shed additional light on the scope and nature of corruption in the region. *Table 7* examines perceptions of corruption, drawing from Transparency International's *2002 Corruption Perceptions Index (CPI)*.⁹ One hundred and two countries are included in the worldwide sample, twenty of which are from the transition region. As shown in *Table 7*, corruption in a handful of Eurasian countries is perceived to be among the highest worldwide. In fact, drawing from Transparency International's full data set, one finds that on average corruption is perceived to be higher in Eurasia than in all other regions of the world (*Figure 8*). By this measure, corruption in the Southern Tier CEE is roughly the same as that found in Latin America, and somewhat less than that in Sub-Saharan Africa. Corruption in the Northern Tier CEE countries is lower still, though nevertheless much higher than that found in OECD countries.

⁸ Sources include World Bank, IMF, EBRD, and Economist Intelligence Unit reports, as well as media articles.

⁹ The index scores countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. It is a composite index, drawing on fifteen different polls and surveys from nine independent institutions (including the World Bank, the Wall Street Journal, and Freedom House) carried out among business people, the general public, and country analysts. Scores can range from ten (highly clean) to zero (highly corrupt).

Transparency International's measures of corruption are not particularly robust for individual countries from year to year. Moreover, the 2002 sample sizes for the Southern Tier CEE countries and Eurasia are limited, four and eight, respectively. Nevertheless, it is significant to note that the relative orders of magnitude of corruption by these measures are broadly consistent with an earlier worldwide survey undertaken by the World Bank and the EBRD, cited in the World Bank's *World Development Report 1997*, and replicated in *Figure 8*. In particular the World Bank/EBRD survey found that dissatisfaction with corruption among businesses was highest in Eurasia, followed by Sub-Saharan Africa, CEE, Latin American and the Caribbean, and much lower in the high income members of the OECD than all elsewhere.

Table 8 attempts to examine more rigorously efforts to measure corruption by doing two things. First, it draws from a recent World Bank/EBRD study by Hellman, Jones, and Kaufmann (September 2000) that attempts to unbundle or differentiate types of corruption.¹⁰ Secondly, it compares results from this study with those from Transparency International and Freedom House to get a better feel for the robustness of the corruption measures.

Two types of corruption from Hellman, Jones, and Kaufmann (2000) are included in *Table 8*. Administrative corruption refers to petty forms of bribery, and is defined as private payments to public officials to distort the prescribed implementation of official rules and policies. State capture, in contrast, refers to efforts on the part of enterprises to purchase advantages directly from the state, and is defined as actually shaping the formation of the basic rules of the game (i.e., laws, rules, decrees, and regulations) through illicit and non-transparent private payments to public officials. "Captor" firms tend to be new-start firms trying to compete against influential incumbents in an environment of a weak state (i.e., where public goods are under-provided and the "playing field" for the private sector is highly uneven).¹¹

The beneficiaries from administrative corruption are primarily corrupt public officials, and the cost to the economy is essentially a tax, which decreases efficiency and distorts the allocation of resources. It is the firms that are influencing the state (and shaping the rules) which stand to gain the most from state capture, though corrupt public officials benefit as well. State capture is undertaken because the rules of the game are not fair and/or clear. Yet, this contributes to a further erosion of the rule of law. Hence, state capture is likely more intractable and much costlier economy-wide than is administrative corruption.¹²

¹⁰ J. Hellman, G. Jones, and D. Kaufmann, *Seize the State, Seize the Day: State Capture, Corruption, and Influence in Transition*, Policy Research Working Paper 2444, World Bank and EBRD (September 2000).

¹¹ Hellman et.al. (2000) also examines the relationship between these influential incumbent firms and the state. In this relationship, influence refers to a firm's ability to shape the formation of basic rules of the game *without* recourse to private payments to public officials. "Influential" firms, hence, are generally distinct from "captor" firms, and tend to be large, "pre-existing," and often with ownership ties to the state.

¹² The data used to calculate administrative corruption and state capture are from the 1999 Business Environment and Enterprise Performance Survey (BEEPS). The BEEPS is the first stage of a world-wide survey of firms on the obstacles in the business environment conducted by the World Bank in co-operation with the EBRD, the Inter-American Development Bank, and the Harvard Institute for International

Some of the general trends highlighted by these two measures of corruption are predictable and consistent with the measures drawn from Transparency International and Freedom House. Corruption is considerably lower in the Northern Tier CEE countries on balance, and highest in Eurasia. This is particularly evident in the case of state capture. Roughly 12% of the firms surveyed in the Northern Tier CEE countries are significantly affected by state capture. It is closer to 27% in Eurasia. However, as with other corruption scores, the range across the countries is very significant as well (and averages can mask substantial diversity). The percentage of firms significantly affected by state capture ranges from 6% to 7% in Uzbekistan, Armenia, Hungary, and Slovenia to approximately 49% in Azerbaijan and Moldova. Illicit payments as a percent of firm revenues (i.e., administrative corruption) range from around 1% in Croatia, Belarus, Latvia, and Slovenia to more than 5% in Azerbaijan and Kyrgyzstan.

To facilitate broad comparisons of the four measures of corruption, results of each were grouped into three ordinal categories: low; medium; and high corruption (*Table 8*). These groupings show that of the twenty-two countries for which data are available, there is consistency in the corruption measures for a handful of countries where corruption is determined to be among the lowest (specifically, in Slovenia, Estonia, Poland, and Hungary), as well as where corruption is measured to be among the highest (specifically, Azerbaijan, Kyrgyzstan, Ukraine, and Moldova). Results for all other countries are mixed. The most striking comparisons between corruption measures are in the cases of Latvia, Uzbekistan, and Armenia where different corruption measures for the same country range from low to high.

Part of the explanation as to why there is not greater consistency no doubt stems from different definitions and different types of corruption being measured. Hence, unbundling types of corruption can shed light. In particular (and with exceptions;

Development. Some of the data from the BEEPS were first published in the EBRD's *Transition Report* (November 1999). (For elaboration of the survey's methodology and main results, see Hellman, Jones, Kaufmann, and Schankerman, *Measuring Governance and State Capture: The Role of Bureaucrats and Firms in Shaping the Business Environment* World Bank Working Paper 2312 (2000).)

For administrative corruption, firms were asked, on average, what percent of revenues do firms like yours typically pay per annum in unofficial payments to public officials: 0%; less than 1 percent; 1-1.99 percent; 2-9.99 percent; 10-12 percent; 13-25 percent; or over 25 percent. The categories were imputed at 0 percent; 1 percent; 2 percent; 6 percent; 11 percent; 19 percent; or 25 percent and the mean calculated.

The state capture measure is an index calculated as the unweighted average of six component indices. Specifically, firms were asked to assess the extent to which six types of activities have had a direct impact on their business: (1) the sale of parliamentary votes on laws to private interests; (2) the sale of presidential decrees to private interests; (3) central bank mishandling of funds; (4) the sale of court decisions in criminal cases; (5) the sale of court decisions in commercial cases; and (6) illicit contributions paid by private interests to political parties and campaigns. Firms were asked whether corruption in each of these six dimensions had no impact; minor impact; significant impact; or very significant impact on their business. *Table 8* reports the proportion of firms claiming significant or very significant impact of state capture.

corruption in Belarus is the salient one), administrative corruption seems to correlate well with progress in transition reforms: the reform leaders generally have (relatively) low administrative corruption; many "middle tier" or "partial" reformers (primarily in the Southern Tier), have medium-range corruption; the reform laggards have high administrative corruption. This inverse linear relationship is given some support in *Figure 9*.

However, as suggested by Hellman, et. al. (2000), an inverted "U" shape or nonlinear relationship may better describe the relationship between reform progress and state capture. Specifically, state capture is relatively low among the reform leaders of the Northern Tier (except Latvia); ranges from medium to high among the middle-tier or partial reformers; but is also low among some of the laggards (Uzbekistan and Belarus are the salient cases).¹³ *Figure 9* suggests that the available evidence may support this nonlinear relationship. Low state capture among the laggards might be explained by the dominance of authoritarian political regimes over relatively small private sectors. Given this imbalance of power, there is little scope (and few available firms) to "capture" the state.

¹³ More data would shed more light on this working hypothesis: state capture scores do not exist for other reform laggards, Turkmenistan, Tajikistan, Bosnia-Herzegovina, and Yugoslavia.

Table 5. Political Rights and Civil Liberties¹

	1989 ²		1997		1998		1999		2000		2001 ³		1999-01 ⁴ Change		1990-01 Change	
	PR	CL	PR	CL	PR	CL	PR	CL	PR	CL	PR	CL	PR	CL	PR	CL
Czech Republic	6	6	1	2	1	2	1	2	1	2	1	2	0	0	+ 5	+ 4
Estonia	6	5	1	2	1	2	1	2	1	2	1	2	0	0	+ 5	+ 3
Hungary	4	3	1	2	1	2	1	2	1	2	1	2	0	0	+ 3	+ 1
Latvia	6	5	1	2	1	2	1	2	1	2	1	2	0	0	+ 5	+ 3
Lithuania	6	5	1	2	1	2	1	2	1	2	1	2	0	0	+ 5	+ 3
Poland	4	3	1	2	1	2	1	2	1	2	1	2	0	0	+ 3	+ 1
Slovakia	6	6	2	4	2	2	1	2	1	2	1	2	+ 1	0	+ 5	+ 4
Slovenia	5	4	1	2	1	2	1	2	1	2	1	2	0	0	+ 4	+ 2
Bulgaria	6	5	2	3	2	3	2	3	2	3	1 ↑	3	+ 1	0	+ 5	+ 2
Romania	6	5	2	2	2	2	2	2	2	2	2	2	0	0	+ 4	+ 3
Croatia	5	4	4	4	4	4	4	4	2	3	2	2 ↑	+ 2	+ 2	+ 3	+ 2
Moldova	6	5	3	4	2	4	2	4	2	4	2	4	0	0	+ 4	+ 1
Yugoslavia	5	4	6	6	6	6	5	5	4	4	3 ↑	3 ↑	+ 3	+ 3	+ 2	+ 1
Albania	6	5	4	4	4	5	4	5	4	5	3 ↑	4 ↑	+ 1	+ 1	+ 3	+ 1
FYR Macedonia	5	4	4	3	3	3	3	3	4	3	4	4 ↓	- 1	- 1	+ 1	0
Armenia	6	5	5	4	4	4	4	4	4	4	4	4	0	0	+ 2	+ 1
Georgia	6	5	3	4	3	4	3	4	4	4	4	4	- 1	0	+ 2	+ 1
Ukraine	6	5	3	4	3	4	3	4	4	4	4	4	- 1	0	+ 2	+ 1
Bosnia-Herzegovina	5	4	5	5	5	5	5	5	5	4	5	4	0	+ 1	0	0
Russia	6	5	3	4	4	4	4	5	5	5	5	5	- 1	- 1	+ 1	0
Azerbaijan	6	5	6	4	6	4	6	4	6	5	6	5	0	- 1	0	0
Kazakhstan	6	5	6	5	6	5	6	5	6	5	6	5	0	0	0	0
Kyrgyzstan	6	5	4	4	5	5	5	5	6	5	6	5	- 1	0	0	0
Belarus	6	5	6	6	6	6	6	6	6	6	6	6	0	0	0	- 1
Tajikistan	6	5	6	6	6	6	6	6	6	6	6	6	0	0	0	- 1
Uzbekistan	6	5	7	6	7	6	7	6	7	6	7	6	0	0	- 1	- 1
Turkmenistan	6	5	7	7	7	7	7	7	7	7	7	7	0	0	- 1	- 2
	1989		1997		1998		1999		2000		2001 ³		1999-01 ⁴ Change		1990-01 Change	
	PR	CL	PR	CL	PR	CL	PR	CL	PR	CL	PR	CL	PR	CL	PR	CL
CEE & Eurasia	5.8	5.0	3.5	3.8	3.5	3.8	3.4	3.7	3.5	3.7	3.4	3.7	0.1	+ 0.1	+ 2.4	+ 1.3
Northern Tier CEE	5.4	4.6	1.1	2.3	1.1	2.0	1.1	1.8	1.0	2.0	1.0	2.0	+ 0.1	0.0	+ 4.4	+ 2.6
Southern Tier CEE	5.9	5.3	3.9	3.9	3.7	4.0	3.6	3.9	3.3	3.4	2.9	3.1	+ 0.9	+ 0.9	+ 3.0	+ 2.1
Eurasia	6.0	5.0	4.9	4.8	4.9	4.9	4.9	5.0	5.3	5.1	5.3	5.1	- 0.3	- 0.2	+ 0.8	- 0.1

European Union⁵
OECD⁶
Benchmarks

1.0 1.5

1.2 1.7

1.0 2.0 ≥ 0.0 ≥ 0.0

Notes: (1) Ratings from 1 to 7, with 1 representing greatest development of political rights/civil liberties. (2) The 1989 scores for the Soviet Union, Czechoslovakia and communist Yugoslavia are used for the countries that were part of these larger entities in 1989. (3) An ↑ (↓) indicates an increase(decrease) in democratization in 2001 as measured by a change in a political rights or civil liberties score. (4) A "+" (-) refers to an increase(decrease) in freedoms. (5) All 15 EU members score "1" in Political Rights. In Civil Liberties 8 of the 15 members score a "1"; 6 score a "2" (Belgium, France, Germany, Italy, Spain and the UK); and Greece scores a "3". (6) All but three OECD members score a "1" in Political Rights; the exceptions are Turkey ("4"), Mexico ("2"), and Korea ("2"). For Civil Liberties, 15 members score a "1"; 11 score a "2" (Belgium, Czech Republic, France, Germany, Hungary, Italy, Japan, Korea, Poland, Spain, and the UK); Greece and Mexico score a "3"; Turkey scores a "5".

Figure 4

Progress and Backsliding in Democratization, 1998 - 2001

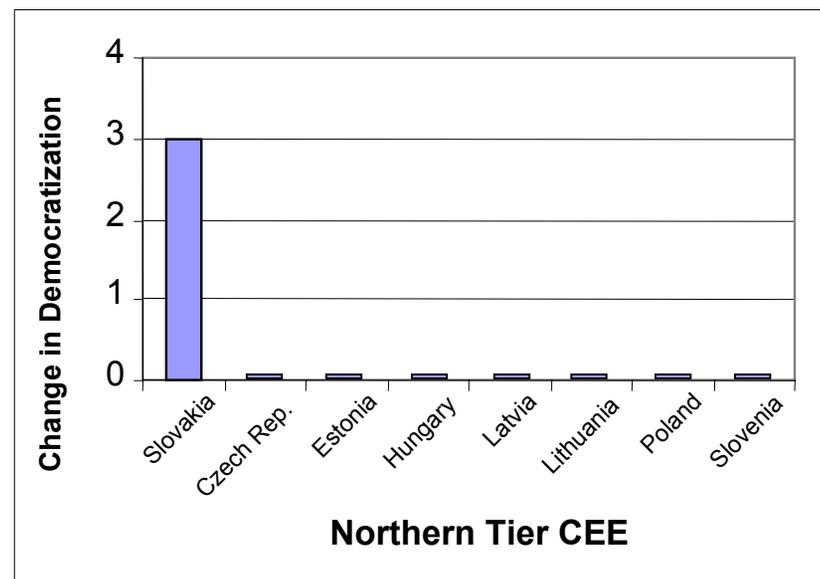
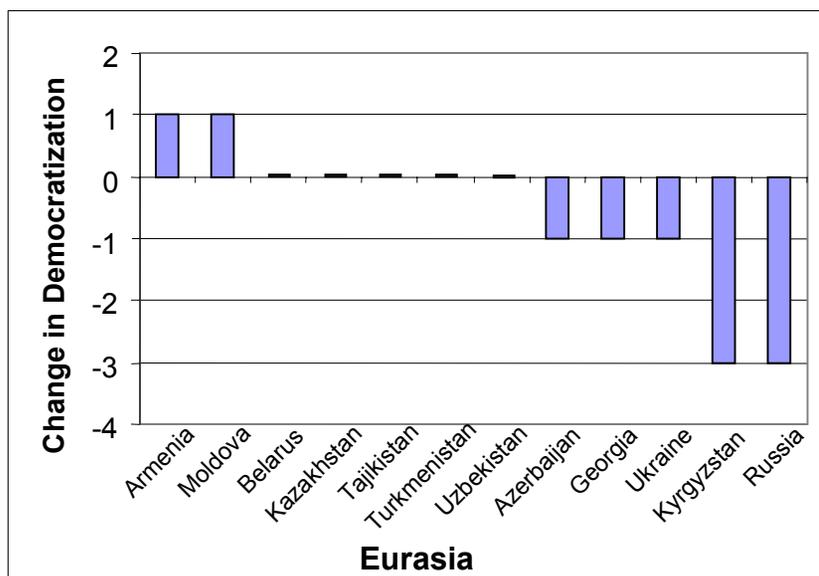
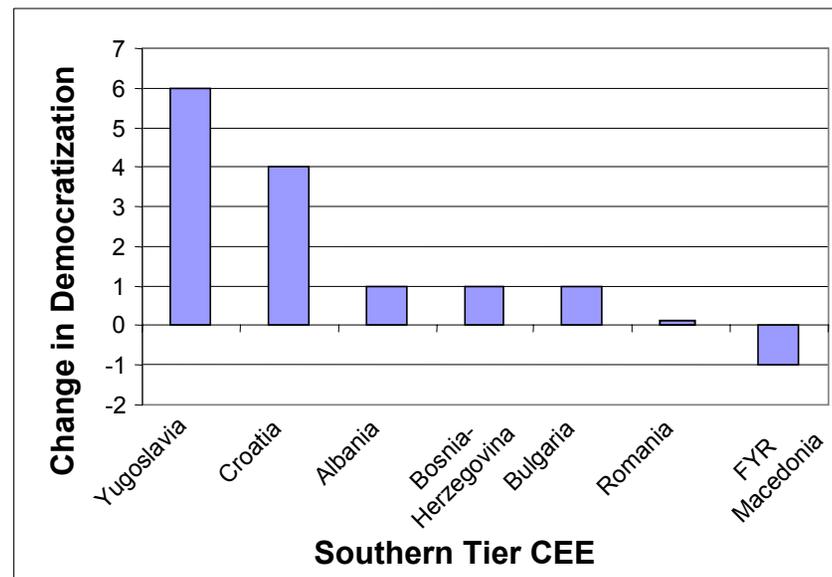
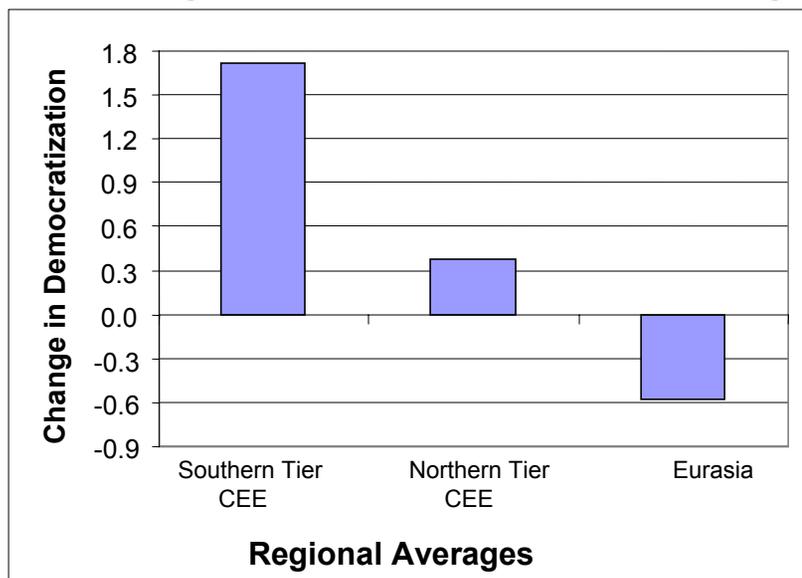


Figure 5

Change in Democratization Since Communism's Collapse

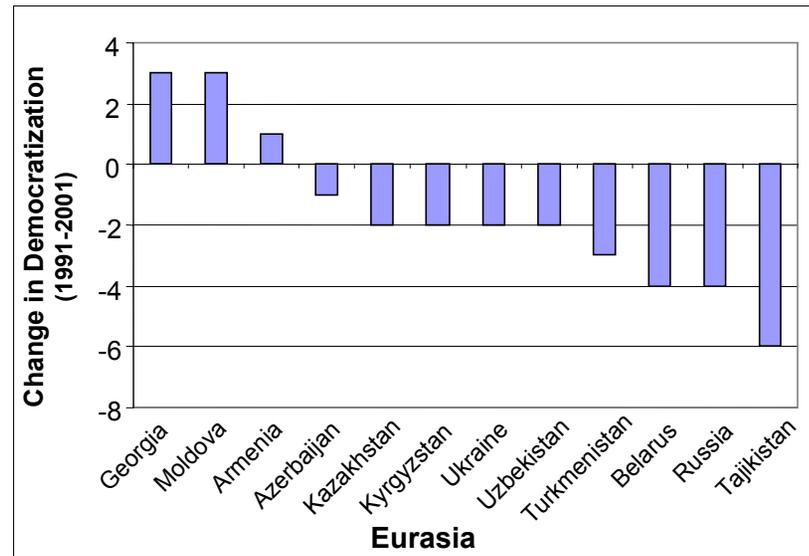
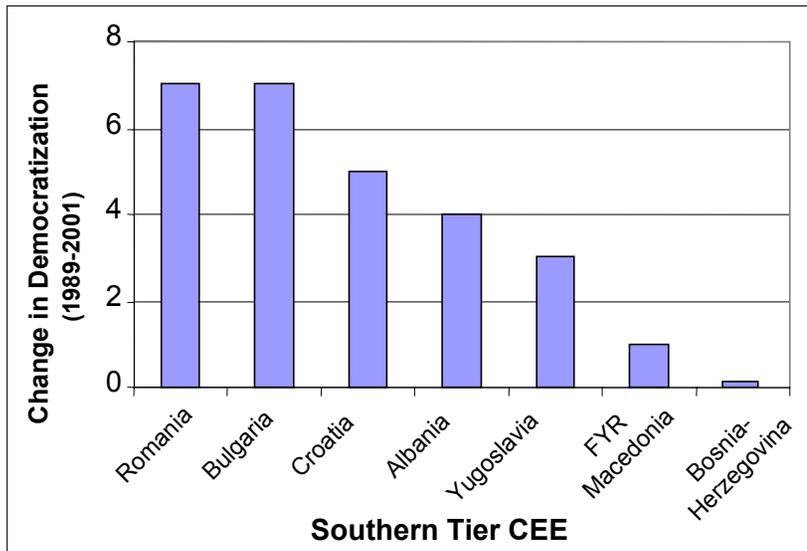
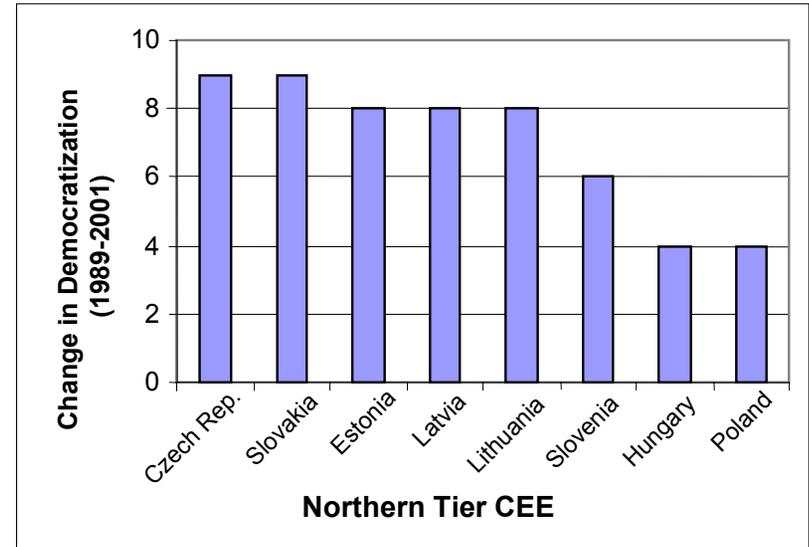
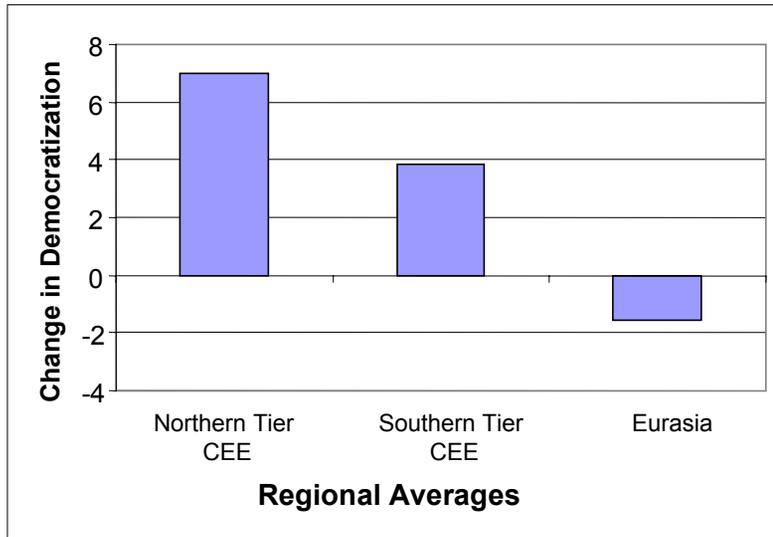
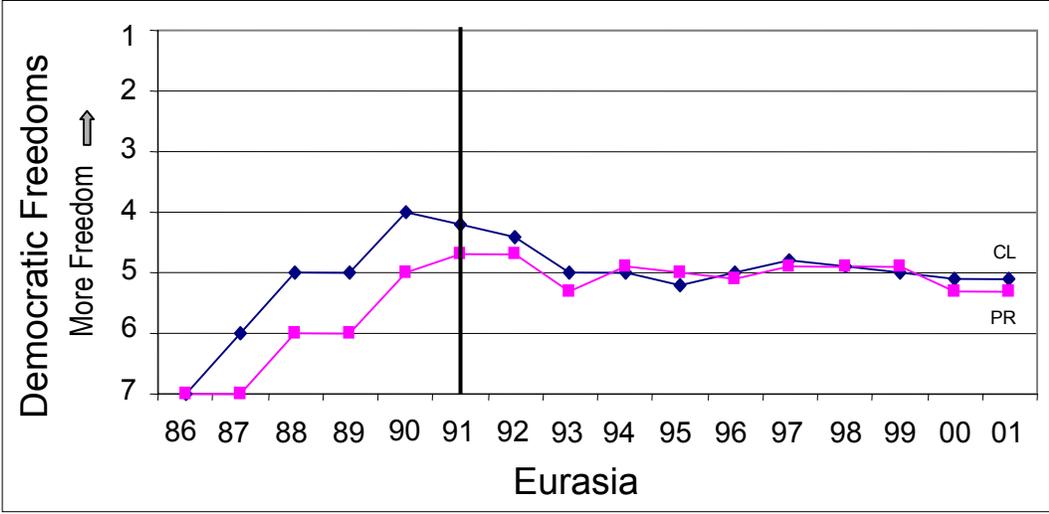
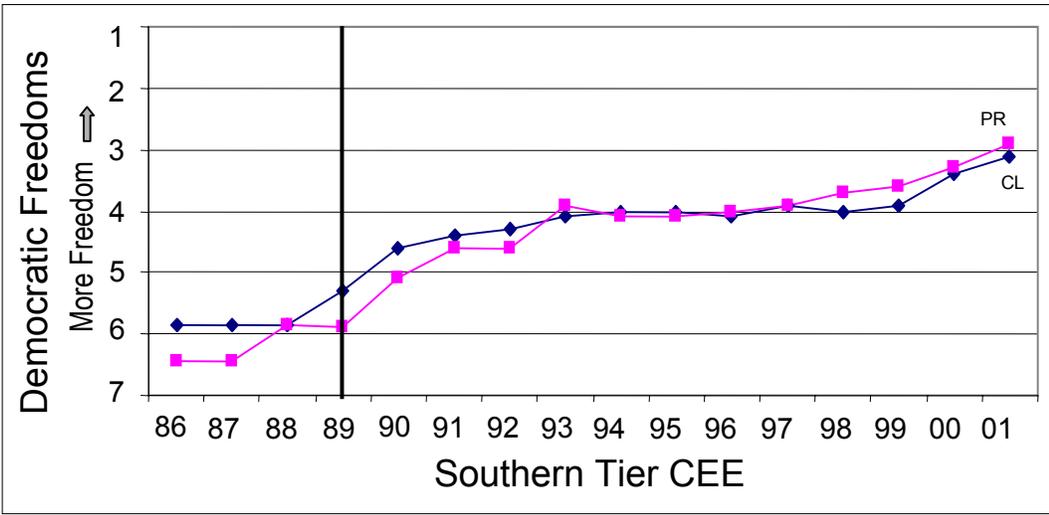
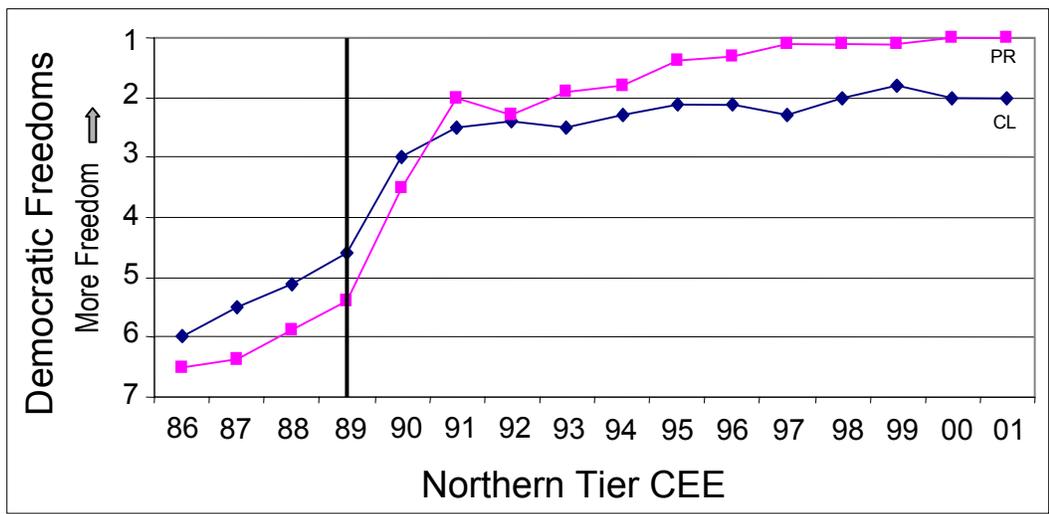


Figure 6

Democratic Freedoms Over Time



Political Rights (PR) and Civil Liberties (CL) data come from Freedom House, *Freedom in the World 2002* (2002); (and previous editions). Ratings from 1 to 7, with 1 representing greatest development of political rights/civil liberties.

Table 6. Democratization Disaggregated in 2001

Country	Electoral Process	Civil Society	Independent Media	Gov./Public Administration	Rule of Law	Corruption	Average	Change (2000-01)
Poland	1.3	1.3	1.5	2.0 ↓	1.5	2.3	1.6	...
Slovenia	1.8	1.5 ↑	1.8	2.3 ↑	1.8 ↓	2.0	1.8	...
Estonia	1.8	2.0 ↑	1.8	2.3	1.8 ↑	2.5 ↑	2.0	↑
Hungary	1.3	1.3	2.3	3.0	2.0	3.0	2.1	...
Slovakia	1.8 ↑↑	1.8 ↑	2.0	2.3 ↑↑	2.0 ↑	3.3 ↑↑	2.2	↑
Lithuania	1.8	1.5 ↑	1.8	2.5	2.0 ↓	3.8	2.2	...
Latvia	1.8	2.0	1.8	2.3	2.0	3.8 ↓	2.3	...
Czech Republic	2.0 ↓	1.8 ↓	2.5 ↓↓	2.3 ↓	2.5	3.8	2.5	↓
Bulgaria	2.0	3.3 ↑	3.3	3.5 ↑	3.5	4.5 ↑	3.3	↑
Croatia	3.3	2.8	3.5	3.5	3.8	4.5	3.5	...
Romania	3.0	3.0	3.5	3.8	4.3	4.8 ↓	3.7	...
Yugoslavia	3.8 ↑↑	3.0 ↑↑	3.5 ↑↑	4.3 ↑↑	4.3 ↑↑	5.3 ↑↑	4.0	↑↑
Albania	3.8 ↑	3.8 ↑	4.0 ↑	4.3	4.5	5.3 ↑	4.3	↑
FYR Macedonia	4.5 ↓↓	4.0 ↓	3.8	4.3 ↓↓	4.8 ↓↓	5.5 ↓↓	4.5	↓
Moldova	3.5 ↓	4.0 ↓	4.5 ↓	4.8 ↓	4.0	6.3 ↓	4.5	↓
Georgia	5.0 ↓	4.0	3.8 ↓	5.0 ↓	4.3 ↓	5.5 ↓	4.6	↓
Bosnia-Herzegovina	4.3 ↓↓	4.3 ↑	4.3 ↑	5.5 ↑↑	5.3 ↑	5.5 ↑	4.8	↑
Armenia	5.5	3.5	4.8	4.5	5.0	5.8	4.8	...
Ukraine	4.5 ↓↓	3.8	5.5 ↓	5.0 ↓	4.8 ↓	6.0	4.9	↓
Russia	4.5 ↓	4.0	5.5 ↓	5.3 ↓	4.8 ↓	6.0 ↑	5.0	↓
Kyrgyzstan	5.8	4.5	5.8 ↓↓	5.5 ↓	5.3	6.0	5.5	↓
Azerbaijan	5.8	4.5	5.5 ↑	6.0 ↑	5.3	6.3	5.5	↑
Tajikistan	5.3	5.0	5.8 ↓	6.0	5.8	6.0	5.6	...
Kazakhstan	6.3	5.5 ↓↓	6.0	5.8 ↓↓	6.0 ↓	6.3	6.0	↓
Belarus	6.8	6.3 ↑	6.8	6.5 ↓	6.8	5.3	6.4	...
Uzbekistan	6.8	6.8 ↓	6.8	6.0	6.5	6.0	6.5	...
Turkmenistan	7.0	7.0	7.0	6.8	7.0	6.3	6.8	...
	Electoral Process	Civil Society	Independent Media	Gov./Public Administration	Rule of Law	Corruption	Average	Change (2000-01)
CEE & Eurasia	3.9 ↓	3.5	4.0 ↓	4.3 ↓	4.1 ↓	4.9 ↓	4.1	↓
Northern Tier CEE	1.7	1.6	1.9 ↓	2.3 ↑	1.9	3.0 ↓	2.1	...
Southern Tier CEE	3.5 ↑	3.4 ↑	3.7 ↑↑	4.1 ↓	4.3 ↑	5.0 ↑	4.0	↑
Eurasia	5.5 ↓	4.9 ↓	5.6 ↓	5.6 ↓	5.4 ↓	6.0	5.5	↓

Note: On a scale from 1 to 7, with 1 representing most advanced--or, in the case of corruption, most free.

A "↑" indicates an increase in democratization since 2000; a "↓" signifies a decrease. One arrow represents a change greater than 0.1 and less than 0.5; two arrows represents change greater than 0.5.

Data depict trends from November 2000 through December 2001.

Freedom House, *Nations in Transit 2002* (2002).

Figure 7

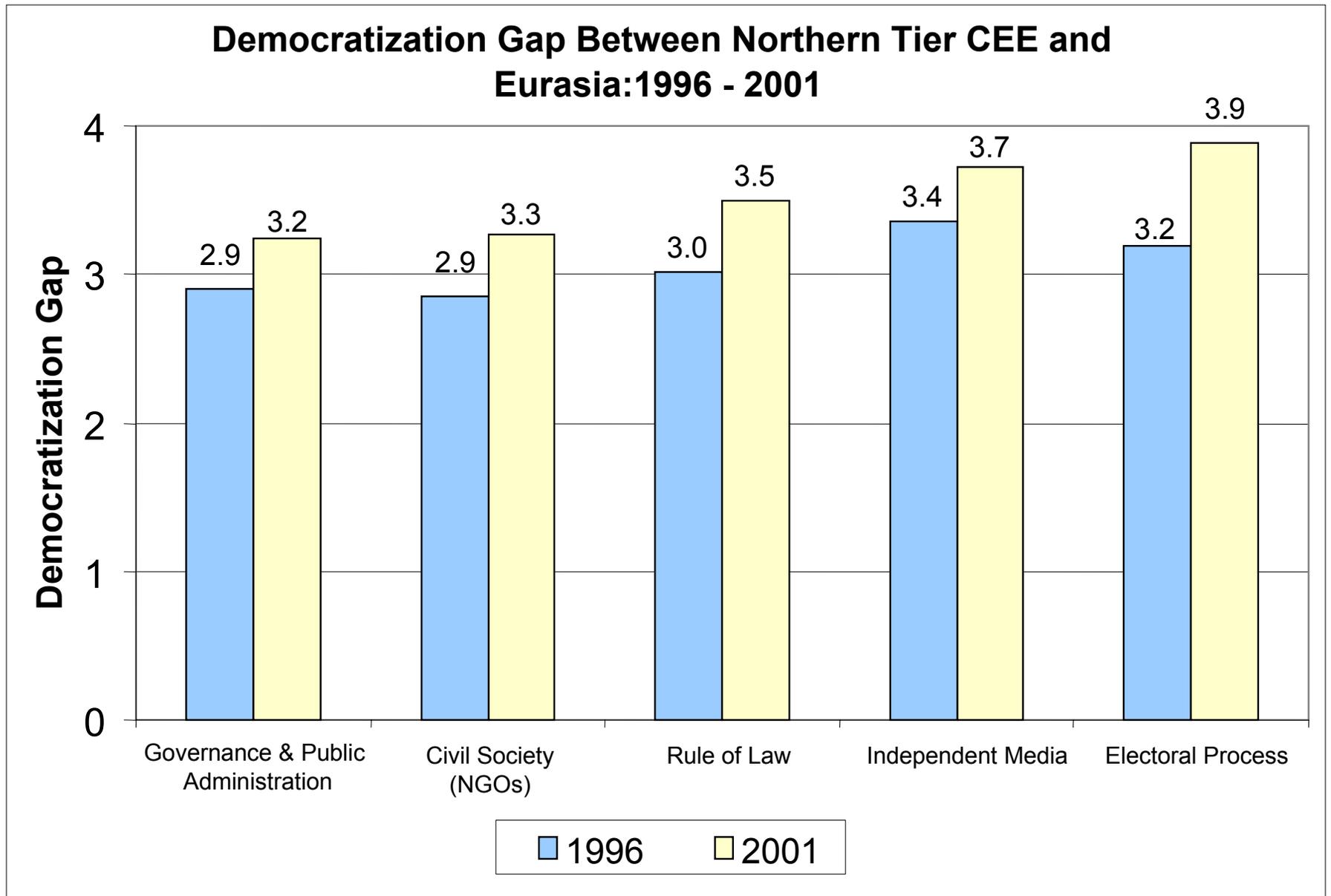


Table 6, and Table 8, *Monitoring Country Progress #2* (September 1997), drawing from *Nations in Transit 2002* (2002); and *Nations in Transit 1997*. Democratization gap is the Eurasia democratic freedom score minus the Northern Tier CEE score.

Table 7. Transparency International's 2002 Corruption Perceptions Index

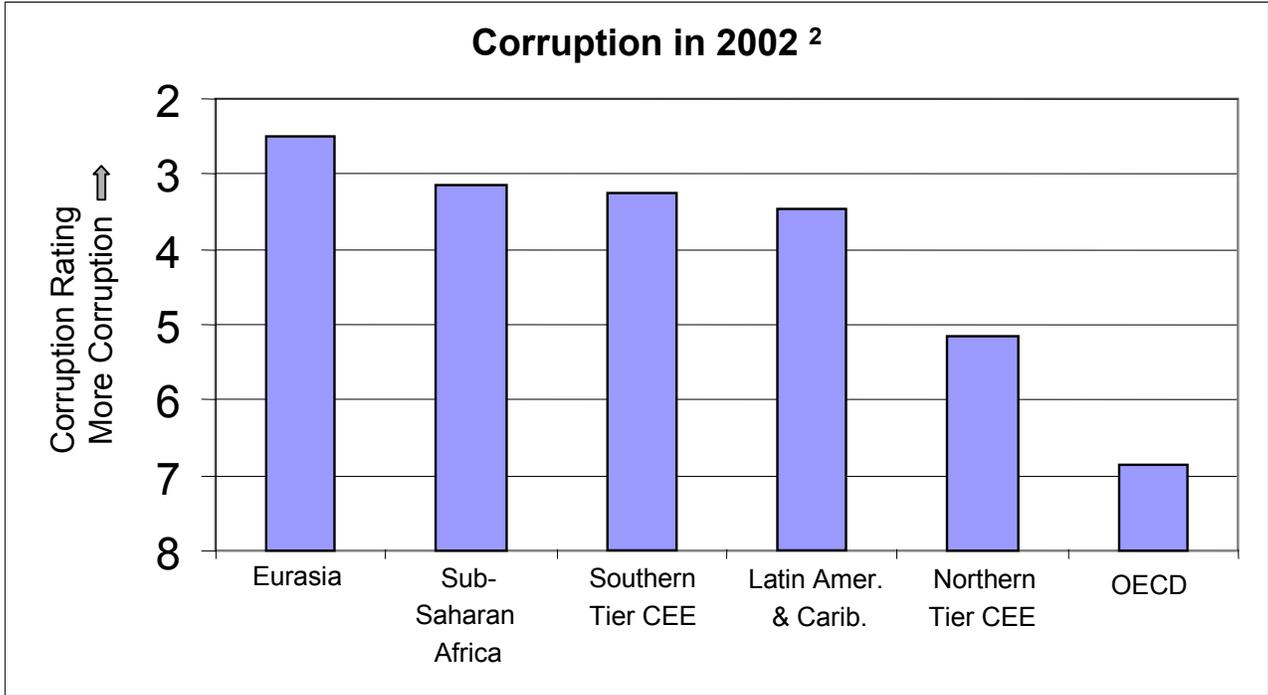
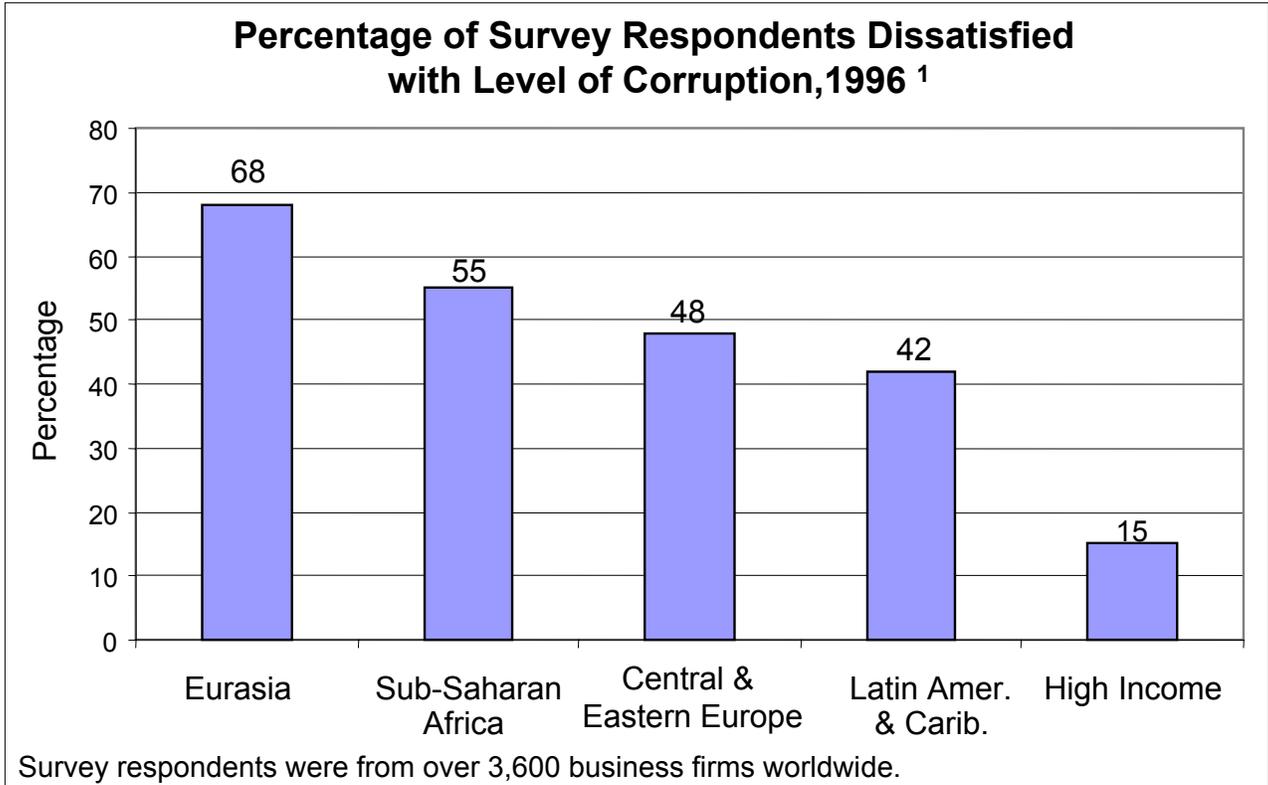
	Score	Worldwide Rank		Score	Worldwide Rank
Slovenia	6.0	27	Finland	9.7	1
Estonia	5.6	29	USA	7.7	16
Hungary	4.9	33	Germany	7.3	18
Belarus	4.8	36	Botswana	6.4	24
Lithuania	4.8	36	Taiwan	5.6	29
Bulgaria	4.0	45	Italy	5.2	31
Poland	4.0	45	Uruguay	5.1	32
Croatia	3.8	51	Greece	4.2	44
Czech Republic	3.7	52	Mexico	3.6	57
Latvia	3.7	52	China	3.5	59
Slovak Republic	3.7	52	Senegal	3.1	66
Uzbekistan	2.9	68	India	2.7	71
Russia	2.7	71	Vietnam	2.4	85
Romania	2.6	77	Uganda	2.1	93
Albania	2.5	81	Indonesia	1.9	96
Georgia	2.4	85	Bangladesh	1.2	102
Ukraine	2.4	85	OECD	6.9	
Kazakhstan	2.3	88	Latin Amer. & Carib	3.4	
Moldova	2.1	93	Sub-Saharan Africa	3.2	
Azerbaijan	2.0	95			
CEE & Eurasia (n=20)	3.6				
N.Tier CEE (n=8)	5.1				
S.Tier CEE (n=4)	3.2				
Eurasia (n=8)	2.7				

The TI Corruption Perceptions Index (CPI) scores countries in terms of the degree to which corruption is perceived to exist among business people, academics and risk analysts. The 2002 CPI ranks 102 countries. It is a composite index, drawing on 15 different polls and surveys from 9 independent institutions and at least three surveys were required for a county to be included. Scores can range from 10 (highly clean) to 0 (highly corrupt).

Transparency International, 2002 *Corruption Perceptions Index* (August 2002).

Figure 8

Corruption Worldwide



1. World Bank, *World Development Report* (1997)

2. Transparency International, *2002 Corruption Perceptions Index* (August 2002). The TI Corruption Perceptions Index (CPI) scores countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. Scores can range from 10 (highly clean) to 0 (highly corrupt).

Table 8. Corruption Unbundled (and Measures Compared)

Country	Administrative Corruption		State Capture		Admin. Corruption	State Capture	TI's CPI	Freedom House
	(Payments)	(Rank)	(%)	(Rank)				
	(payments as % of revenue)		(% of firms affected)					
Slovenia	1.4	3	7	2	Low	Low	Low	Low
Estonia	1.6	5	10	6	Low	Low	Low	Low
Poland	1.6	5	12	9	Low	Low	Low	Low
Hungary	1.7	7	7	2	Low	Low	Low	Low
Belarus	1.3	2	8	5	Low	Low	Low	Medium
Czech Republic	2.5	9	11	7	Medium	Low	Low	Low
Lithuania	2.8	11	11	7	Medium	Low	Low	Low
Croatia	1.1	1	27	15	Low	Medium	Medium	Low
Kazakhstan	3.1	13	12	9	Medium	Low	Medium	High
Latvia	1.4	3	30	18	Low	High	Medium	Low
Uzbekistan	4.4	18	6	1	High	Low	High	High
Armenia	4.6	20	7	2	High	Low	High	Medium
Romania	3.2	14	21	12	Medium	Medium	Medium	Low
Slovakia	2.5	9	24	13	Medium	Medium	Medium	Low
Bulgaria	2.1	8	28	16	Medium	High	Medium	Medium
Russia	2.8	11	32	19	Medium	High	High	High
Albania	4.0	15	16	11	High	Medium	----	Medium
Georgia	4.3	17	24	13	High	Medium	----	Medium
Moldova	4.0	15	37	21	High	High	High	High
Ukraine	4.4	18	32	19	High	High	High	High
Kyrgyzstan	5.3	21	29	17	High	High	----	High
Azerbaijan	5.7	22	41	22	High	High	High	High
Yugoslavia	----	----	----	----	----	----	High	High
FYR Macedonia	----	----	----	----	----	----	----	Medium
Bosnia-Herzegovina	----	----	----	----	----	----	----	Medium
Turkmenistan	----	----	----	----	----	----	----	High
Tajikistan	----	----	----	----	----	----	----	High
CEE & Eurasia	3.0		24.0					
Northern Tier CEE	1.9		12.4					
Southern Tier CEE	2.8		22.7					
Eurasia	3.4		27.4					

Administrative corruption is defined as private payments to public officials to distort the prescribed implementation of official rules and policies, i.e., petty forms of bribery. For administrative corruption, firms were asked, on average, what percent of revenues do firms like yours typically pay per annum in unofficial payments to public officials: 0%; less than 1%; 1 - 1.99%; 2 - 9.99%; 10 - 12%; 13 - 25%; over 25%. The categories were imputed at 0%; 1%; 2%; 6%; 11%; 19%; 25% and the mean calculated.

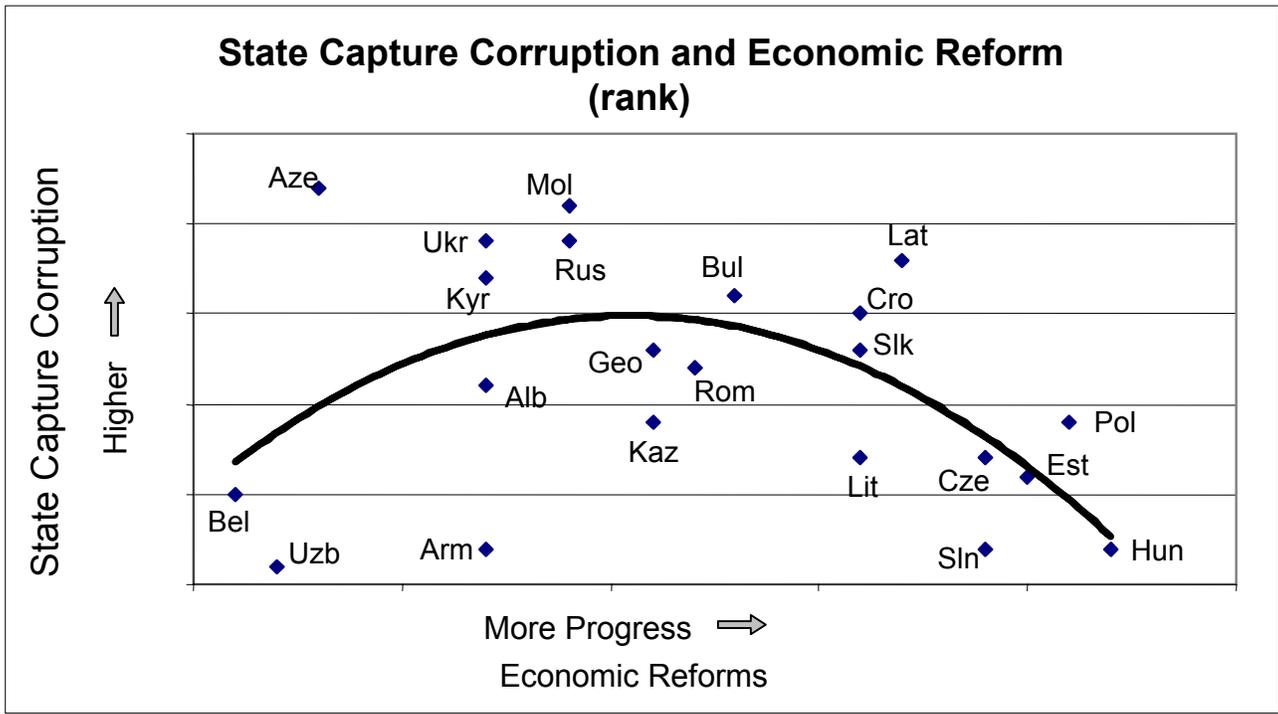
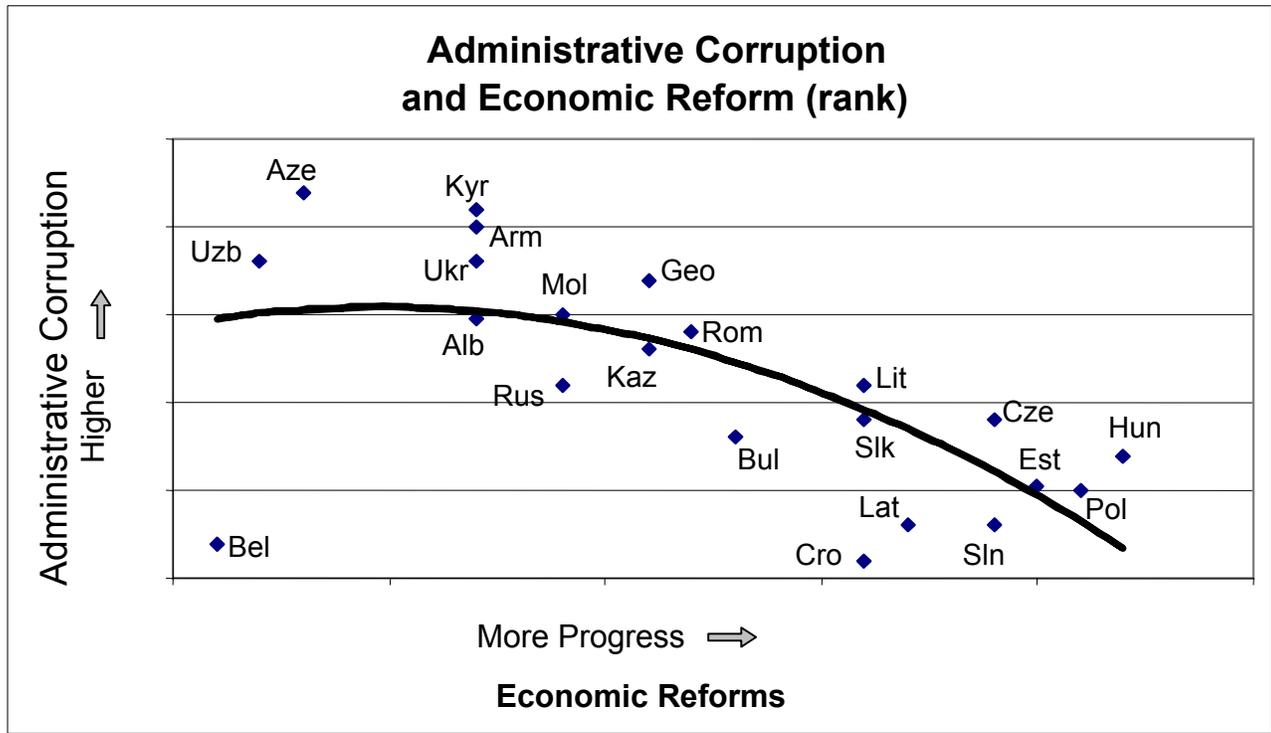
State capture is defined as shaping the formation of the basic rules of the game (i.e., laws, rules, decrees, and regulations) through illicit and non-transparent private payments to public officials. The state capture measure is an index calculated as the unweighted average of six component indices. Specifically, firms were asked to assess the extent to which six types of activities have had a direct impact on their business: (1) the sale of Parliamentary votes on laws to private interests; (2) the sale of Presidential decrees to private interests; (3) Central Bank mishandling of funds; (4) the sale of court decisions in criminal cases; (5) the sale of court decisions in commercial cases; and (6) illicit contributions paid by private interests to political parties and campaigns.

Firms were asked whether corruption in each of these six dimensions had no impact; minor impact; significant impact; very significant impact on their business. The table reports the proportion of firms reporting significant or very significant impact of state capture. The data used to calculate administrative corruption and state capture are from the 1999 Business Environment and Enterprise Performance Survey, a firm-level survey commissioned jointly by the EBRD and the World Bank.

J. Hellman, G. Jones, and D. Kaufmann, *Seize the State, Seize the Day: State Capture, Corruption, and Influence in Transition*, Policy Research Working Paper 2444, World Bank and EBRD (September 2000), Transparency International, *2000 CPI* (September 2000), and Freedom House, *Nations in Transit 2000-2001* (2001).

Figure 9

Corruption Unbundled



Tables 8 and 9, drawing from J. Hellman, G. Jones, and D. Kaufmann, *Seize the State, Seize the Day: State Capture, Corruption, and Influence in Transition*, World Bank Policy Research Working Paper 2444, and EBRD *Transition Report 2000* (November 2000).