

B. Democratization

Progress towards democracy building is primarily assessed from indicators drawn from Freedom House. First, the status and the change from 1989 through end-year 2000 in political rights and civil liberties are examined. Second, 1999-2000 democratic trends are further disaggregated and reviewed. Third, drawing from Freedom House, Transparency International, and a recent World Bank/EBRD study, measures of corruption are analyzed and compared. As with the economic reforms, sufficient progress in democratization must entail both an adequate threshold as well as no significant deterioration.

Political Rights and Civil Liberties. Six primary criteria go into the determination of *political freedoms*: (1) the extent to which elections for head of government are free and fair; (2) the extent to which elections for legislative representatives are free and fair; (3) the ability of voters to endow their freely elected representatives with real power; (4) the openness of the system to competing political parties; (5) the freedom of citizens from domination by the military, foreign powers, totalitarian parties, and other powerful groups; and (6) the extent to which minority groups have reasonable self-determination and self-government.

Greater political liberties are part of the end objective of a sustainable transition as well as a means to facilitate the economic reforms needed to achieve the transition. The evidence strongly suggests that the most effective route is one that is facilitated, sooner rather than later, by an open and competitive political system at all levels of government.¹⁴ This system can only be sustained by broad-based participation from a genuinely empowered electorate.

Ten primary criteria go into the determination of *civil liberties*: (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.

¹⁴ The EBRD provides evidence that political competition, as with economic competition, is key to transition progress. In fact, in contrast to conventional wisdom derived from past experience in other parts of the world, economic progress in the transition region is shown to be more closely associated with frequent political regime turnovers than with the stability or continuity from a strong executive and/or minimal political regime change. Political regime turnovers mitigate the influence of vested interests. See EBRD, *Transition Report 1999* (November 1999), Chapter 5: The Politics of Economic Reform.

Civil liberties are the freedoms to develop views, institutions, and personal autonomy apart from the state. The development of civil liberties, like political liberties, is an end objective in itself. The merits of such liberties as freedom of assembly and open public discussions, and freedom from political terror and war are self-evident.

However, greater civil liberties can also serve as a crucial counterweight or check on governments in societies where political rights are lacking and vested interests are strong. This counterweight can be found among NGOs (such as free trade unions, professional organizations, and religious institutions) as well as a free media. An independent, nondiscriminatory judiciary is critical for similar reasons.

In addition, civil liberties tend to link quite closely with economic progress. Many civil liberties--such as greater equality of opportunity, freedom from corruption, the existence of personal social freedoms such as gender equality, property rights, freedom of movement--contribute to a more productive economy as well as a more just one. Similarly, through the political process, pressures from civil society can help push economic reforms along.

Table 4 below highlights Freedom House's assessments of political rights and civil liberties from 1989 through 2000. 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.¹⁵ 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 extreme government indifference and corruption.

In contrast, Turkmenistan is among a handful of countries worldwide rated by Freedom House to have the fewest political rights and civil liberties in 2000; one of only eleven

¹⁵ 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.

(down from thirteen countries in 1999) out of 192 countries to receive the poorest score. 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.

Table 4 also shows that the large gap in democratic freedoms between the CEE and Eurasian countries continues to grow. This is evident from the table whether one looks at the most recent trends in 2000, or a medium-term timeframe (from 1998-2000, i.e., since the Russian financial crisis), or trends since communism's collapse.

In 2000, all measurable gains in the transition region in political rights and/or civil liberties occurred among the Southern Tier CEE countries. Croatia and Yugoslavia took great strides forward in this domain; Bosnia-Herzegovina advanced as well, to a lesser extent. The only backsliding in democratic reforms in CEE in 2000 occurred in Macedonia. In Eurasia in contrast, five countries experienced an erosion of democratic freedoms in 2000 (Georgia, Ukraine, Russia, Kyrgyzstan, and Azerbaijan), while none moved forward.

Both Croatia and Yugoslavia advanced significantly in political rights and civil liberties in 2000. In Croatia, the death of the autocratic ruler, Franjo Tudjman, in late 1999 set the stage for victories in parliament and presidential elections in early 2000 for a reform-minded government. From this, according to Freedom House, came broad-based gains in democracy including a significant deepening of the rule of law, more independent media, greater vibrancy within civil society, as well as improvements in governance, accountability, and transparency with the new political coalition. In Yugoslavia, democratic freedoms grew following the war in Kosovo as opposition to President Slobodan Milosevic's tight rule gained momentum, and culminated in an electoral victory in September 2000 over Milosevic. This victory, in turn, has generated considerable momentum for further gains in democratic reforms, particularly, improvements in governance and transparency, and a more effective civil society with greater press freedoms. This has included a dramatic overhaul of the broadcast media by the new Kostunica government.

Bosnia-Herzegovina advanced in civil liberties in 2000 while Macedonia regressed in political rights. The flawed September 2000 local elections in Macedonia were widely viewed as a step back in Macedonia's democratization process. More generally, the conduct of politics in Macedonia deteriorated in 2000.

By Freedom House's broad indexes (of *Table 4*), Russia, Ukraine, Georgia, and Kyrgyzstan all experienced a significant decline in political rights in 2000, while

Azerbaijan saw substantial erosion of civil liberties. Kyrgyzstan slipped to Freedom House's "Not Free" category in 2000, reflecting presidential and parliamentary elections that were neither free nor fair, and, more generally, further consolidation of power within the executive branch. In Russia and Ukraine, government harassment of independent media grew; in Russia, this surfaced in the serious irregularities that took place in the country's March 2000 presidential election. In Georgia, the re-election of President Shevardnadze in the spring 2000 was characterized by serious irregularities, and substantial governance problems in the face of an ongoing fiscal crisis persisted. Azerbaijan's election in November 2000 was characterized by voter fraud and severe pressure from government on civic groups and the media unsympathetic to the ruling regime. Similarly, freedom of association decreased as police pressures against protesters increased.

The growing CEE-Eurasian gap in democratization is also evident from trends since 1997 shown in *Table 4*. From 1998-2000, significant gains in democratic reforms occurred in CEE, particularly in the Southern Tier CEE, but also Slovakia. Only one CEE country, Albania, backslid on balance. To contrast, only two Eurasian countries, Moldova and Armenia, moved forward in democratic reforms on balance since 1997, while five countries regressed, Russia and Kyrgyzstan, most notably.

Finally, the most striking comparison in democratization trends between the CEE and Eurasian countries appears when one looks at the entire transition period. Since the transition began in CEE (i.e., since 1989), fourteen of the fifteen CEE countries have advanced in democratic reforms, many no doubt at a historically unprecedented pace. Of the CEE countries, only Bosnia-Herzegovina has not advanced by these scores. However, since the transition began in Eurasia (i.e., since 1991), nine of the twelve Eurasian countries have regressed in democratic freedoms. By this score, of all the Eurasian countries, only Georgia, Moldova, and Armenia are today further along in democratic freedoms than they were when the Soviet Union collapsed.¹⁶

Democratization Disaggregated. In its forthcoming *Nations in Transit 2000-2001* (2001), Freedom House further disaggregates regional democratization trends (*Table 5*). Six components of democracy building are rated on a one-to-seven scale in each country. The ratings represent events through October 2000 and are compared with progress in the summer 1999. These ratings are slightly less current than the political rights and civil liberties scores of *Table 4* (which attempt to depict events through end-year 2000). However, they presumably provide a more complete and accurate picture of the various aspects of democratization germane to the region.

The *political process* focuses on the extent to which elections are free, fair, competitive, and participatory. *Civil society* assesses the status of nongovernmental organizations; 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

¹⁶ The trend is notably more favorable for the Eurasian countries if the starting point is 1989. This is because democratic freedoms had been increasing prior to the collapse of the Soviet Union during President Gorbachev's "glasnost" reforms.

independence, and the extent of privatization) 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.

As expected, general trends between the two Freedom House rating schemes coincide. First, 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. However, the disaggregated scores of *Table 5* reveal both a greater differentiation of progress within the Northern Tier CEE countries and a larger gap between the Northern Tier leaders and the rest.

Second, the growing gap in democratic reform progress is further reinforced in the disaggregated ratings. According to the data of *Table 5*, the Northern Tier CEE countries, on balance, have maintained the level of democratic freedoms that existed since mid-1999, though there has been some slippage in fighting corruption and developing a free media in the Czech Republic and possibly in Hungary as well.¹⁷ The Southern Tier CEE countries have made the greatest gains in 2000, moving forward on average in five of the six democratic reform areas. Gains in media freedom have been particularly impressive in the Southern Tier. Croatia and Yugoslavia made the greatest broad-based gains in democratic reforms of all the transition countries in 2000. Five Southern Tier CEE countries advanced in democratic reforms in 2000, while Macedonia and Romania experienced some erosion, according to these data.

In contrast, the Eurasian countries experienced broad-based backtracking in democratization in 2000, moving back on average in five of the six reform areas. According to these data, seven Eurasian countries (Georgia, Ukraine, Russia, Kyrgyzstan, Kazakhstan, Belarus, and Turkmenistan) had democratic freedoms erode in 2000. Of the Eurasian countries, only Tajikistan moved forward in these reforms on balance.

For the transition region as a whole (as well as for each of the three subregions), the greatest progress to date has occurred in civil society (or NGO) development, followed closely by reforms in the political process (i.e., reforms towards competitive and free elections). The least progress continues to be in efforts to reduce corruption. Of the six democratic reform areas, the largest gap in progress between the Northern Tier CEE countries and Eurasia is in efforts to develop a free media.

Corruption. *Tables 6* and *7* attempt to shed additional light on the scope and nature of corruption in the region. *Table 6* examines perceptions of corruption, drawing from

¹⁷ Freedom House's *Press Freedom Survey 2001* shows press freedoms in Hungary increasing in 2000 in contrast to the trend displayed in *Table 5*.

Transparency International's *2000 Corruption Perceptions Index (CPI)*. Ninety countries are included in the worldwide sample, twenty of which are from the transition region.¹⁸ 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 seventeen different polls and surveys from ten 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).

As shown in *Table 6*, 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 highest in Eurasia, followed by Sub-Saharan Africa. Corruption in the CEE region on average is perceived to be of comparable magnitude to that found in Latin America and the Caribbean, but much greater than what exists among the OECD countries.¹⁹

These averages, however, mask wide diversity. First, the data suggest that the level of corruption in the Southern Tier CEE countries is much closer to that found in Eurasia than that in the Northern Tier. *Table 6* also reveals that corruption is perceived to range very widely within the three transition subregions, particularly in Eurasia and the Southern Tier CEE countries. In Eurasia, the range is from Belarus (ranked 43rd out of 90 countries worldwide) to Azerbaijan (87th); in the Southern Tier, from Croatia (51st) to Yugoslavia (89th). Only in Nigeria in 2000 was corruption perceived to be greater than what it was in Yugoslavia under Milosevic.

Corruption in the Northern Tier CEE countries on average is roughly comparable to that found in Italy.²⁰ Of the Northern Tier CEE countries, corruption is perceived to be lowest in Estonia (ranked 27th worldwide), and highest in Latvia (57th).

A handful of the transition country scores in the *2000 CPI* differ significantly from those in the *1999 CPI*, and presumably not because there were dramatic changes in the magnitude of corruption from one year to the next.²¹ *Table 7* 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.²² Secondly, it compares results from this study with those from Transparency International (in *Table 6*) and

¹⁸ Seven transition countries are excluded from the *2000 CPI*: Georgia, Albania, Macedonia, Kyrgyzstan, Bosnia-Herzegovina, Turkmenistan, and Tajikistan.

¹⁹ This ranking is broadly consistent with a worldwide survey cited in the World Bank's *World Development Report 1997* (and shown in *Monitoring Country Progress*, No. 4 (October 1998), *Appendix II: Transition Paths*). The World Bank survey found that dissatisfaction with corruption among businesses was highest in Eurasia, followed by Sub-Saharan Africa, CEE, Latin American and the Caribbean, and (trailing far behind) the high income members of the OECD.

²⁰ Of all the OECD countries, only in Turkey is corruption higher than it is in Italy by this count.

²¹ *Table 6* of *Monitoring Country Progress*, No. 6 (May 2000) shows the *1999 CPI* scores.

²² 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).

Freedom House (in *Table 5*) 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 7*. 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).²³

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. In contrast, 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.

The data used to calculate administrative corruption and state capture are from the 1999 Business Environment and Enterprise Performance Survey (BEEPS).²⁴ 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

²³ 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.

²⁴ 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 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).

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 7* reports the proportion of firms claiming significant or very significant impact of state capture.

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 percent of the firms surveyed in the Northern Tier CEE countries are significantly affected by state capture. It is closer to 27 percent 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 percent in Uzbekistan, Armenia, Hungary, and Slovenia to approximately 49 percent in Azerbaijan and Moldova. Illicit payments as a percent of firm revenues (i.e., administrative corruption) range from around 1 percent in Croatia, Belarus, Latvia, and Slovenia to more than 5 percent 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 7*). 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; 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.

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).²⁵ 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.

²⁵ 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 4. Political Rights and Civil Liberties¹

	1989 ²		1997		1998		1999		2000 ³		1998-00 Change ⁴		1990-00 Change	
	PR	CL	PR	CL	PR	CL	PR	CL	PR	CL	PR	CL	PR	CL
Hungary	4	3	1	2	1	2	1	2	1	2	0	0	+ 3	+ 1
Poland	4	3	1	2	1	2	1	2	1	2	0	0	+ 3	+ 1
Slovenia	5	4	1	2	1	2	1	2	1	2	0	0	+ 4	+ 2
Estonia	6	5	1	2	1	2	1	2	1	2	0	0	+ 5	+ 3
Latvia	6	5	1	2	1	2	1	2	1	2	0	0	+ 5	+ 3
Lithuania	6	5	1	2	1	2	1	2	1	2	0	0	+ 5	+ 3
Czech Republic	6	6	1	2	1	2	1	2	1	2	0	0	+ 5	+ 4
Slovakia	6	6	2	4	2	2	1	2	1	2	+ 1	+ 2	+ 5	+ 4
Romania	6	5	2	2	2	2	2	2	2	2	0	0	+ 4	+ 3
Bulgaria	6	5	2	3	2	3	2	3	2	3	0	0	+ 4	+ 2
Croatia	5	4	4	4	4	4	4	4	2 ↑↑	3 ↑	+ 2	+ 1	+ 3	+ 1
Moldova	6	5	3	4	2	4	2	4	2	4	+ 1	0	+ 4	+ 1
FYR Macedonia	5	4	4	3	3	3	3	3	4 ↓	3	0	0	+ 1	+ 1
Georgia	6	5	3	4	3	4	3	4	4 ↓	4	- 1	0	+ 2	+ 1
Ukraine	6	5	3	4	3	4	3	4	4 ↓	4	- 1	0	+ 2	+ 1
Armenia	6	5	5	4	4	4	4	4	4	4	+ 1	0	+ 2	+ 1
Yugoslavia	5	4	6	6	6	6	5	5	4 ↑	4 ↑	+ 2	+ 2	+ 1	0
Albania	6	5	4	4	4	5	4	5	4	5	0	- 1	+ 2	0
Bosnia-Herzegovina	5	4	5	5	5	5	5	5	5	4 ↑	0	+ 1	0	0
Russia	6	5	3	4	4	4	4	5	5 ↓	5	- 2	- 1	+ 1	0
Kyrgyzstan	6	5	4	4	5	5	5	5	6 ↓	5	- 2	- 1	0	0
Azerbaijan	6	5	6	4	6	4	6	4	6	5 ↓	0	- 1	0	0
Kazakhstan	6	5	6	5	6	5	6	5	6	5	0	0	0	0
Belarus	6	5	6	6	6	6	6	6	6	6	0	0	0	- 1
Tajikistan	6	5	6	6	6	6	6	6	6	6	0	0	0	- 1
Uzbekistan	6	5	7	6	7	6	7	6	7	6	0	0	- 1	- 1
Turkmenistan	6	5	7	7	7	7	7	7	7	7	0	0	- 1	- 2

	1989		1997		1998		1999		2000 ³		1998-00 Change		1990-99 Change	
	PR	CL	PR	CL	PR	CL	PR	CL	PR	CL	PR	CL	PR	CL
CEE & Eurasia	5.8	4.9	3.3	3.9	3.6	3.9	3.6	4.2	4.1	4.2	- 0.4	- 0.3	+ 1.7	+ 0.8
Northern Tier CEE	4.7	3.9	1.1	2.1	1.1	2.0	1.0	2.0	1.0	2.0	+ 0.1	0.0	+ 3.7	+ 1.9
Southern Tier CEE	6.3	5.9	3.3	3.4	3.3	3.5	3.1	2.9	2.8	3.0	+ 0.5	+ 0.5	+ 3.5	+ 2.9
Eurasia	6.0	5.0	3.9	4.4	4.4	4.4	4.4	4.9	5.1	5.0	- 0.7	- 0.6	+ 0.9	+ 0.0

European Union⁵

OECD⁶

Benchmarks

1989	1.0	1.5
2000	1.2	1.7
Change	1.0	2.0
Change	> 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 2000 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 ("3"), 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 scores a "3"; Mexico scores a "4"; Turkey scores a "5".

Table 5. Democratization Disaggregated in 2000

Country	Political Process	Civil Society	Independent Media	Govt/Public Administration	Rule of Law	Corruption	Average	Change (1999-00)
Poland	1.3	1.3	1.5	1.8	1.5	2.3	1.6	...
Slovenia	1.8 ↑	1.8	1.8	2.5 ↓	1.5	2.0	1.9	...
Estonia	1.8	2.3 ↑	1.8	2.3	2.0	2.8 ↑↑	2.1	↑
Hungary	1.3	1.3	2.3 ↓	3.0 ↓↓	2.0 ↓	3.0 ↓↓	2.1	↓
Latvia	1.8	2.0 ↑	1.8	2.3 ↑	2.0	3.5	2.2	↑
Lithuania	1.8	1.8 ↑	1.8	2.5	1.8 ↑	3.8	2.2	↑
Czech Republic	1.8	1.5	2.0 ↓	2.0	2.5 ↓	3.8 ↓↓	2.3	↓
Slovakia	2.3 ↑	2.0 ↑	2.0 ↑	2.8 ↑	2.3 ↑	3.8	2.5	↑
Bulgaria	2.0 ↑	3.5 ↑	3.3 ↑	3.5 ↑	3.5	4.8	3.4	↑
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	4.5 ↓	3.7	↓
FYR Macedonia	3.8 ↓	3.8 ↓	3.8	3.8 ↓↓	4.3	5.0	4.0	↓
Georgia	4.5 ↓↓	4.0 ↓	3.5 ↑	4.8 ↓↓	4.0 ↑↑	5.3 ↓	4.3	↓
Moldova	3.3	3.8	4.3 ↓	4.5	4.0	6.0	4.3	...
Albania	4.0 ↑	4.0	4.3 ↑	4.3 ↑↑	4.5 ↑↑	5.5 ↑↑	4.4	↑
Ukraine	4.0 ↓↓	3.8 ↑	5.3 ↓	4.8	4.5	6.0	4.7	↓
Armenia	5.5 ↓	3.5	4.8	4.5	5.0	5.8	4.8	...
Russia	4.3 ↓	4.0 ↓	5.3 ↓↓	5.0 ↓↓	4.5 ↓	6.3	4.9	↓
Yugoslavia	4.8 ↑↑	4.0 ↑↑	4.5 ↑↑	5.3 ↑	5.5 ↑	6.3	5.0	↑↑
Bosnia-Herzegovina	4.8 ↑	4.5	4.5 ↑↑	6.0	5.5 ↑↑	5.8 ↑	5.2	↑
Kyrgyzstan	5.8 ↓↓	4.5	5.0	5.3 ↓	5.3 ↓	6.0	5.3	↓
Tajikistan	5.3 ↑	5.0 ↑	5.5 ↑	6.0 ↑	5.8	6.0	5.6	↑
Azerbaijan	5.8 ↓	4.5 ↑	5.8 ↓	6.3	5.3 ↑	6.3 ↓	5.6	...
Kazakhstan	6.3 ↓	5.0	6.0 ↓↓	5.0	5.8 ↓	6.3 ↓	5.7	↓
Belarus	6.8	6.5 ↓↓	6.8	6.3	6.8 ↓	5.3	6.4	↓
Uzbekistan	6.8 ↓	6.5	6.8 ↓	6.0 ↑	6.5	6.0	6.4	...
Turkmenistan	7.0	7.0	7.0	6.8	7.0 ↓	6.3 ↓	6.8	↓
	Political Process	Civil Society	Independent Media	Govt/Public Administration	Rule of Law	Corruption	Average	Change (1999-00)
CEE & Eurasia	4.0 ↓	3.7	4.6 ↓	4.5 ↓	4.3 ↓	5.4 ↓	4.4	↓
Northern Tier CEE	1.5	1.4	1.7 ↓	2.1	1.8	2.8 ↓	1.9	...
Southern Tier CEE	3.4 ↑	3.4 ↑	3.8 ↑↑	4.2	4.5 ↑	5.0 ↑	4.1	↑
Eurasia	4.8 ↓	4.4 ↓	5.5 ↓	5.2 ↓	4.9 ↓	6.1	5.1	↓

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 1999; 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 July 1999 through October 2000.

Freedom House, *Nations in Transit 2000-2001* (2001).

Table 6. Transparency International's 2000 Corruption Perceptions Index

	Worldwide			Worldwide	
	Score	Rank		Score	Rank
Estonia	5.7	27	Finland	10.0	1
Slovenia	5.5	28	USA	7.8	14
Hungary	5.2	32	Germany	7.6	17
Czech Republic	4.3	42	Botswana	6.0	26
Poland	4.1	43	Taiwan	5.5	28
Lithuania	4.1	43	Costa Rica	5.4	30
Belarus	4.1	43	Greece	4.9	35
Croatia	3.7	51	Italy	4.6	39
Slovakia	3.5	52	Peru	4.4	41
Bulgaria	3.5	52	Mexico	3.3	59
Latvia	3.4	57	Zimbabwe	3.0	65
Kazakhstan	3.0	65	India	2.8	69
Romania	2.9	68	Vietnam	2.5	76
Moldova	2.6	74	Kenya	2.1	82
Armenia	2.5	76	Indonesia	1.7	85
Uzbekistan	2.4	79	Nigeria	1.2	90
Russia	2.1	82	EU	7.6	
Ukraine	1.5	87			
Azerbaijan	1.5	87			
Yugoslavia	1.3	89			
CEE & Eurasia (n=20)	3.3				
N.Tier CEE (n=8)	4.5				
S.Tier CEE (n=4)	2.9				
Eurasia (n=8)	2.5				

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. The 2000 CPI ranks 90 countries. It is a composite index, drawing on 16 different polls and surveys from 10 independent institutions (including Freedom House, World Bank, and Wall Street Journal) carried out among business people, the general public, and country analysts. Scores can range from 10 (highly clean) to 0 (highly corrupt). Transition country ratings are given equal weight in the regional averages.

Transparency International, *2000 Corruption Perceptions Index* (September 2000).

Table 7. 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).