

INTRODUCTION: CORRUPTION IN POST COMMUNIST SOCIETIES

Citizens from countries that had close links or were oppressed by the former Soviet Union often do not like to look into their past. In many of these countries, the new players are young activists and public officials that barely remember life under communist rule. Yet, there are unique characteristics to post-communist societies in Eastern Europe, Asia, Middle East and Africa that merit special attention when fighting corruption.

The staff at Casals & Associates, Inc., an international consulting firm located in Alexandria, Virginia, has been working on development and corruption issues in Latin America for several decades. In more recent years, it has also conducted activities in countries previously under communist rule, such as Mongolia, Mozambique and Albania. The idea for this workshop on corruption in post-communist societies resulted from comparing the transition processes of Latin America countries to those of post-communist regimes. The comparison is based primarily on hands-on experiences and not on academic research. We have found that, while all countries face similar challenges in fighting corruption, there are some concerns that are particularly pronounced in post-communist societies.

The transitions toward democracy in Latin American and among post-communist societies share some similarities. For example, restoring political and individual freedoms, such as freedom of expression and freedom of association, were common to all processes and perhaps, the most important aspiration for most citizens.

The timing of the transition also coincides. As late as the 1990s, several Latin American nations were still under military dictatorships or authoritarian rule. A few, such as Argentina and Brazil, started the transition toward democracy in the mid 1980's. Yet, in Central America, for example, the process went well into the 1990s. Here in Guatemala, as the date printed on the *Quetzal* coin reminds us, the peace agreements to end 36 years of civil were not signed until December 1996. Thus, from the 1980s to the mid 1990s, Latin American countries as well as numerous countries in Africa, Asia and Europe were engaging in transition processes.

The transition processes, however, had distinct differences. The dissimilarity stemmed primarily from the nature of the systems from which they were evolving. In the case of Latin America, the transition toward democracy did not require a complete overhaul of the system. It was more a process of reform and modernization of the existing institutions. Military or authoritarian rule usually did

not impact on all aspects of society as the private sector continued to operate.¹ Key services, such as health, education and housing, usually remained under private hands in stark contrast with the state control of these services in communist regime.² With few exceptions, citizens went on with their daily routines--with fear and lack of political freedom—but not much encumbered by the authoritarian rulers.

In contrast, most post communist societies initiated the transition from systems that basically dictated citizens' lives. As Shahid Javed Burki indicates in his study on the transformation of socialist states, "in pure socialist systems the state was predominant, all-encompassing, and paternalistic—ordering the lives of the citizens according to what the leaders thought was good for the people in whose name they governed."³

Socialist societies started the transition basically from scratch. Rather than reforming or modernizing the institutions, as in Latin America, the transition required remaking the legal and judicial systems, transforming the economy from central planning into market economies, establishing laws and regulations, and restructuring the role of the state and its relationship with the citizens, among much more. Particularly challenging was breaking the total dependency of the citizen on the state.

The dramatic transformation in post-communist societies has included liberalization of prices, macroeconomic stabilization, transfer of State-owned assets to the private sector, transformation of the financial sector; legal institutional reform; and much more. These changes provided many opportunities for corruption.

The well-connected—often the elite of the previous regime—enriched themselves with State resources in many countries as bank provided them with favorable deals. In Mongolia, for example, the still inconclusive privatization of the land has created enormous opportunities for corruption. The best connected politicians and entrepreneurs have ended up with the best lands. In many other places, special interest groups, including mafias, took prominent roles in the economic and legal affairs of the country.

¹ The exception is Nicaragua, transitioning from war and socialist regime. The arbitrary distribution of confiscated lands and properties that the Sandinista regime carried out when it lost power in 1990, provided plenty of room for corruption.

² Another exception of the different nature is Cuba, which has not started a transition toward democracy. As the only communist regime in Latin America, the all-encompassing state still controls all aspects of citizens' lives.

³ Shahid Javed Burki, "Transforming the State in Socialist Economies," pp. 3-5 in Shahid Javed Burki and Daniel P. Erikson (eds.), *Transforming Socialist Economies: Lessons for Cuba and Beyond* (New York, NY: 2005, Palgrave MacMillan), p. 5.

The transition process did not invent corruption. Corruption is a historical phenomenon. There was plenty of corruption under communist rule. Back then, however, grand corruption and illicit enrichment were almost exclusively in the hands of the party elite. Citizens only engaged in petty corruption (black market) as a survival mechanism.

The transition made corruption more democratic. It multiplied opportunities for illicit activities and opened up new areas for corruption previously not available under communist rule. The transition has shown that the greater the confusion and chaos during the transition, the greatest the opportunities for personal enrichment.

Despite the superb challenges, many post communist regimes have done very well in fighting corruption. In fact, several are doing much better than most Latin American countries. Estonia, Slovenia, Hungary, Lithuania, Latvia and others, all rank under 50 in the 2006 TI Corruption Perception Index. This compares only to Chile and Uruguay in Latin America. It is important to learn from their experiences.

Most post-communist societies are not doing as well. The majority are in the middle scale of the 2006 TI Corruption Perception Index. Some, however, are at the bottom of the list, appearing among the most corrupt. These include Albania, Angola, Azerbaijan, Ethiopia, Russia and several others.

Considering the little time available in this Strategic Session to discuss the challenges facing post communist societies and seek tools to deal with them, only five issues will be discussed by the panelists. These are:

- Conflict of interest
- Political Campaigning Monitoring
- Relations with the Media
- Building sustainable coalitions and networks
- Using international and regional conventions as tools for civil society

During the discussion period, the audience will be invited to suggest additional key issues that are important in fighting corruption in post communist societies. Jointly, all will discuss tools to deal with these challenges.