

# ROMANIA MAKES IMPORTANT STRIDES ON ANTI-CORRUPTION REFORMS, THE WORLD BANK REPORTS

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## ***Corruption Eased in Transition Countries from 2002-2005, Reports World Bank.***

» **Bulgaria-specific survey information** [HERE](#):

» **Romania-specific survey information** [HERE](#):

Greater openness in Romania was an essential factor in reducing corruption in the country between 2002 and 2005, according to a new World Bank report. Anticorruption in Transition 3—Who is Succeeding ... And Why? (ACT3) takes a detailed look at firm-level survey data and concludes that the region's progress in reducing corruption is unmistakable. However, the prevalence of corruption in Eastern Europe and the former Soviet Union remains higher than in many countries of Western Europe, and large firms saw a greater reduction in bribery than the small firms that often spur growth and create jobs.

ACT3 is the third in a series of World Bank reports tracking levels of corruption in enterprise-state interactions since 1999. Like its predecessors, ACT3 draws on the Business Environment and Enterprise Performance Survey (BEEPS), a joint initiative of the European Bank for Reconstruction and Development and the World Bank. The triennial survey, conducted most recently in 2005, covers 26 former socialist countries and Turkey, as well as five western European comparator countries. The non-transition European comparators are Germany, Greece, Ireland, Portugal, and Spain. More than 20,000 firms have been interviewed since the inception of BEEPS.

"Since 2002, firms in most countries are paying bribes less frequently and in relatively smaller amounts, and they report corruption to be less of a problem than in the past," explains James Anderson, co-author and Senior Economist in the World Bank's Europe and Central Asia region. "The common assumption that corruption is steadily worsening does not stand up to scrutiny."

Romania's efforts to foster openness and accountability in government are showing results. The passage of a freedom of information law, public disclosure of detailed income and asset declarations, and judicial and public financial management reforms, among others, have all contributed to the improved performance. Continued progress in judicial reform, revenue administration, public expenditure management, and in establishing an effective enforcement mechanism for asset declarations are still needed, and these reforms deserve support.

In addition to tracking trends in corruption, the report looks at the reasons behind the progress in some countries. ACT3 provides concrete evidence that economic and institutional reforms work: Reductions in corruption are more prevalent where there have been intensive reforms, while areas with fewer reforms

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tend to lag. The goal of joining the European Union has played a big role in stimulating anti-corruption efforts, particularly in accession candidates Romania and Bulgaria, the authors find.

Tax and customs administration have seen the most visible progress. Transition countries have been worldwide leaders in adopting simplified low- or flat-rate income taxes with broad bases and few exemptions, starting with Estonia in the mid-1990s. They have also made strong efforts to improve tax administration. In the Slovak Republic, for example, the move to a flat-rate tax improved firms' perceptions of the tax system markedly. Tax evasion has fallen, and bribery is less frequent.

Bribery in customs has also fallen in many transition countries due to revisions in customs legislation, often in line with EU standards and with EU assistance. Several countries have also invested in new information technology and moved to risk-based assessment, reducing discretion in the selection of items for physical inspection. Marked improvements are occurring in Southeast Europe, thanks in part to a Trade and Transport Facilitation in Southeast Europe program. The multi-country effort, which combines modernization of customs administration, institutional reform, and increased transparency, is reducing both border clearance times and bribery of customs officials. Romania is part of the program.

In contrast, judicial reform was often neglected in the early years of transition, and corruption in courts does not appear to have fallen overall. Countries are beginning to address this problem, by raising judges' salaries (as in Russia), adopting automated case management systems to improve efficiency and transparency (Croatia), introducing qualifying exams for judges (Georgia), and prosecuting judicial corruption (Slovak Republic). Progress in public procurement is also limited. Many countries have reformed their procurement laws, only to write exceptions into the drafts of other laws.

Transition countries are increasing political accountability, including conflict of interest laws, financial auditing and control, and income and asset declaration. Many countries have also made progress in developing strong freedom of information laws, but excessive immunities for legislators—making Parliamentarians all but untouchable—remain a widespread issue.

"Strong leadership is a key weapon in the fight against corruption. Every country that has made measurable progress in reducing corruption has had a strong champion who made transparency and accountability top priorities," explains Cheryl Gray, co-author of the study and Sector Director in the World Bank's ECA region. She points to Georgia, where a new cadre of leaders gained power on an anticorruption platform and placed governance at the top of the reform agenda.