Chapter 3: The Origins of Corruption in Transition Countries

The transition from socialism is a unique historical process. Never before have countries attempted such a radical and simultaneous transformation of both their political and economic institutions. Underpinning these transformations has been a complex set of reforms that entail building the basic institutions of state, creating the foundations of a market economy and transferring wealth from the state to the private sector on a large scale.

Why has the transition been marked by state capture and administrative corruption? Certainly, corruption has deep roots and existed in these countries long before transition. Due to fundamental differences in the nature of corruption in market and nonmarket economies, it is difficult to compare the levels of corruption before transition with the current period. Hence, it is impossible to provide definitive evidence of the effect of transition on corruption. But it is clear that the simultaneity of political and economic reform that characterizes the process of transition has introduced scope in some nations for powerful interests to influence the structure of state institutions and the formulation and implementation of economic policy to their own advantage.\(^1\)

Corruption in this setting has been facilitated by three factors: (i) the rewriting of an unprecedented volume of laws, regulations, and policies; (ii) the extraordinary redistribution of wealth from the state to the private sector; and (iii) the virtual absence of institutions either within or external to the public sector that could effectively check the abuse of public office during the transition in many countries.

At the same time, this report demonstrates the considerable variation in levels of state capture and administrative corruption across the region. What factors explain this variation? Part of the answer is rooted in the different institutional and structural legacies with which countries entered the transition. Institutions for public administration were more developed at the onset of transition in certain countries, especially those with a longer experience of sovereignty. Countries with legal and institutional traditions that emphasized the rule of law appear to have begun the transition with an advantage. Previous exposure to market-oriented institutions in those countries that had adopted variants of market socialism may have shaped the receptiveness to reform. Economies with a high level of natural resources are more likely to generate powerful interests seeking to capture states and lay claim to the concentrated gains stemming from such resources.

Institutional legacies and other initial conditions have a strong influence on the “first moves” of the transition process, such as choices about the structure of political institutions and the pace and comprehensiveness of economic reform. These choices set in motion unique transition paths that favor particular economic and social groups and shape incentives for further reforms. Countries where the transition path led to a concentration of economic power in a setting of weak basic institutions became especially vulnerable to state capture and administrative corruption.

While initial conditions explain an important part of the variation in the pattern of corruption in the region, initial conditions tell only part of the story – much of the variation remains unexplained. This feature suggests that other factors, such as the rise of effective leaders who are able to implement and sustain policies that are inimical to corruption, are also critical to the development of the transition path. Through an understanding of the role of initial conditions
and especially institutional legacies is crucial for developing effective strategies to combat corruption, this does not imply that some countries were predestined to generate high levels of corruption in the transition. Political will and policy choice have a key role to play in determining the susceptibility of a country to corruption.

**Institutional Legacies**

Research on the origins of corruption worldwide\(^2\) confirms that corruption is rooted in poorly functioning institutions, as well as in policies that undermine free trade and competition. The nature of the institutional legacies at the start of the transition differed substantially across the region despite the apparent monolithic nature of communism. The main features of this variation are explained below.

*Accountability and Repression.* The old system entailed the fusion of the state and the economy. Authoritarianism obliterated the separation of the legislative, executive, and judicial functions of state. Most civil liberties were suppressed. Social organizations, such as trade unions, professional clubs, and youth organizations, did exist, but were pervaded by the Communist Party. Civil society as a sphere of interaction autonomous from the state was highly attenuated. When independent social movements did emerge, for example Solidarity in Poland and Charter 77 and later Civic Forum in Czechoslovakia, they were perceived by the Communist Party as threats to its system of control.

The Communist Party attempted to control the behavior of public officials using a mixture of incentives and repression. One key incentive derived from the system of appointing individuals to key positions in government and the economy. These appointees, known as the *nomenklatura*, had special privileges and, as a consequence of their positions, unique access to goods and services in short supply. The Communist Party carefully monitored its officials, using a system of mutual oversight and repression. The internal security services enlisted citizen informants, who provided detailed and often incriminating information on their family, friends, and colleagues.

The very process of central planning also served to limit, to some extent, the discretion of bureaucrats. Economic activity was regulated by plan targets. Centralized control was maintained over financial flows through a monobanking system, in which finance closely followed the plan. Cash emissions and cash transfers were strictly controlled. Foreign trade for the entire economy was monopolized in a highly centralized bureaucratic structure. Though the actual practice of central planning did leave a great deal of discretion to bureaucrats at all levels, the system did place certain boundaries on corruption.

At the onset of transition, most of these controlling structures were formally dismantled, although in many countries they have come to play new roles. New institutions of accountability—to be derived from such models as the separation of state functions, participation by the population in oversight of the state, and better systems of public administration—have been slow to emerge in many countries. Into the vacuum, preexisting *nomenklatura* networks and new economic elites have secured positions of dominance in the transition environment creating a new fusion of economic and political power. In many countries, this has created fertile ground for state capture and administrative corruption.
The Culture of State Intervention. One of the key legacies of communism was a “culture of policymaking” in which the state played the dominant role in intermediating economic relations. Bureaucrats were assimilated into an environment in which the state determined suppliers and customers, set prices and wages, provided finance, controlled distribution, and oversaw most aspects of enterprise behavior. Though many of these instruments of intervention have been abolished or curtailed, a number of them still persist. Old habits remain widespread—especially in countries where bureaucratic turnover in the early years of transition was low—as bureaucrats tend to respond *instinctively* to reports of economic dysfunction or crisis by directly intervening in enterprise affairs.  

This ingrained tendency toward state intervention, which varies across the region, creates the potential for corruption, especially when regulated entities have little recourse to appeal unfair treatment. Given that the transition is a period when a significant body of new regulations must be formulated, it also exacerbates the risk that corrupt bureaucrats will enshrine possibilities to extract bribes in the new legal regulatory codes.

Variation Across Countries. Institutional legacies have differed far more across the region than the communist façade had ever revealed. Empirical analysis suggests that these differences have had a profound impact on the susceptibility of countries to state capture and administrative corruption through a number of channels. First and foremost, these legacies influenced the level of development of a country’s system of public administration. Figure 3.1 shows that countries with a longer experience of sovereignty have faced less dramatic levels of both state capture and administrative corruption. These countries appear to have begun the transition with more developed public-sector institutions and better-trained officials.

As shown in Figure 3.2, countries that were formerly part of the Habsburg Monarchy appear to have benefited from the former empire’s legacy of a strong civil service and judicial administration, as well as closer contacts with the West. They were also...
more likely to have adopted variants of socialism during the communist period (i.e., market socialism and labor management), which provided for a smaller role of the state in the economy and greater development of market institutions. One important consequence of these mutually reinforcing legacies of stronger public administration and a reduced role of the state is less administrative corruption.

Many of the countries with a longer history of sovereignty also have more developed civil societies and a stronger tradition of collective action as part of their political process. The tendency under communism for social movements to try periodically to assert a liberal political and economic agenda was particularly strong in Central Europe and in other countries where civil society had historically played the largest role. These countries were among the first to realize the delicate relationship between economic growth and democracy, and initiated reforms beginning in the 1960s aimed at political and economic liberalization. While many of these reforms were later suppressed, these experiences provided a blueprint for the way in which social movements could have a profound impact on the process of change. In fact, countries with the strongest traditions of democracy were led into transition by opposition movements and have emerged, not coincidentally, as the states least vulnerable to capture by a concentrated set of private interests, as shown in Figure 3.3.

Economic Legacies

Incentives rooted in the structure of the economy also appear to have played a crucial role in explaining the variation in the level and pattern of corruption across the region. In some countries where national wealth is concentrated in a few highly productive assets, potential ‘windfall gains’ have tempted powerful individuals or economic groups to engage in state capture. Efforts by private interests to lay claim to these assets and then to build anticompetitive barriers to protect their assets have been in evidence in Azerbaijan, Russia, Kazakhstan, and Turkmenistan, all richly endowed with natural resources, as well as in many countries along the transit routes for the distribution and sale of these resources. Figure 3.4 suggests that across the region state capture has been more prevalent in countries well endowed with natural resources.
In most transition countries, dramatic declines in output and dislocations associated with the transition sharply reduced public revenues. As inflation soared in the early stages of transition, real wages in the public sector fell substantially. In many countries, salaries for bureaucrats at the start of transition had fallen below subsistence levels. Moreover, weak payments discipline and budgetary shortfalls meant that public sector workers were often not paid for months at a time. In such an environment, bureaucrats become vulnerable to corruption as they search for ways to supplement meager wages.\textsuperscript{11}

**Transition Paths**

Variations in these institutional and economic legacies across countries in the region, often referred to as “initial conditions,” have already been shown to have had an important effect on the outcomes of transition.\textsuperscript{12} These initial conditions influenced the early choices about the basic structure of the political institutions governing the transition as well as the speed and comprehensiveness of the first moves on economic reform. As a result, countries began to follow divergent transition paths from the very beginning, with equally divergent outcomes in terms of economic performance and the extent and pattern of corruption.

In many of the Central and Eastern European countries, the transition was launched and fundamentally shaped in the early stages by broad-based coalitions within civil society. The initial political institutions were forged, in many of these cases, through roundtable negotiations representing a wide range of social groups and political movements. In the CIS, in contrast, the transition was largely initiated from the top down and, in some countries, even came as a \textit{fait accompli} following the disintegration of the Soviet Union. In much of the CIS, the existing Communist Party leadership managed the early stages of transition and civic participation remained weak. The difference between these alternative exit routes from the communist system, which is illustrated in Box 3.1 by a comparison of Poland and Russia, has had powerful implications for the establishment of political accountability within these countries.
Box 3.1. Comparison of the Transition in Poland and Russia

The way in which institutions and incentives can work together to create or obstruct opportunities for corruption is well illustrated by a comparison of two neighboring countries: Poland and Russia. Poland has a long history of sovereignty, having adopted orthodox socialism only after the Second World War. Shortly following Khrushchev’s denunciation of Stalin in 1956, a worker’s strike in Poznan led to the introduction of market socialism and limited civil liberties. Periodic strikes over the next two decades created episodic pressure to reform, and eventually led in 1980 to the emergence of Solidarity, a trade union which, together with the Catholic Church, became the basis for an effective opposition movement to the Communist Party. In Poland, 10 million people— one in two adults—were members of Solidarity at the start of the transition. In 1989, 29 delegates from the Party, 26 from Solidarity, and 3 Church observers met in three working groups, or roundtables, which culminated in the emergence of a parliamentary political system with proportional representation and an approach toward economic reform that was built upon a social consensus and thus an encompassing set of social interests. These choices, in combination with Poland’s comparatively stronger skills in public administration, appear to have placed certain limits on the extent to which state capture and administrative corruption could emerge.

Russia and many other countries in the former Soviet Union entered the transition in a completely different way. Unlike in Poland and other Central European countries, political and economic liberalization—glasnost and perestroika, respectively—were not initiated by civil society, but by the Communist Party leadership. Following the break-up of the Soviet Union and the emergence of new states, choices about the structure of the political system and the initial economic reform program were not made through a process of broad social consultation and consensus, but by an elite group of reformers in a style reflective of Russia’s autocratic past. Like many other countries in the CIS, Russia adopted a presidential system with highly concentrated executive powers and weak institutional restraints within the state. Without the benefit of institutional safeguards, the process of economic reform became especially vulnerable to capture by a narrow set of private interests eager to garner control over lucrative state assets, especially the highly prized natural resource companies.

Figure 3.5 shows that countries in which there was a clear break with the past leadership at the start of transition have a significantly lower incidence of state capture, as well as administrative corruption. Early change in leadership is one indicator of the extent to which existing networks of power and influence inherited from the old system were broken up and faced with competition from alternative elites. Such change not only brought in new talent often oriented toward reform, but also created new mechanisms of political accountability, in many cases rooted in political competition and enhanced participation by civil society.

One of the most controversial measures taken by some countries to ensure a break with the past is a policy known as lustration. This policy, which was adopted in the Czech Republic, Poland, and Estonia, among other countries, prohibits former officials of the internal security apparatus and their informants from accepting public-sector employment. In sharp contrast, officials of the Communist regime and remnants of the internal security apparatus continue to retain important political and economic positions in such countries as Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan, Belarus, Armenia, and Azerbaijan. Although the power structure in
Russia became more diffuse in the 1990s, old patronage networks and clan structures are particularly strong in various regions and republics within Russia.\textsuperscript{18}

The nature and extent of the break with the old regime set in motion the main driving forces of alternative transition paths, namely the pace and comprehensiveness of political and economic reforms and personal freedoms. These factors can be considered the key transmission mechanisms creating the conditions for different levels of state capture. Figure 3.6 demonstrates the relationship between economic reforms and civil liberties and the extent of state capture across the region.\textsuperscript{19} In fitted regressions, the level of state capture is lowest in the systems with lowest and highest levels of civil liberties.

In the most authoritarian systems in the region, the capacity of independent private firms—to the extent that an independent private sector exists at all—to capture the state is minimal. In such countries, firms generally remain subordinated to the state, both in terms of ownership and control, and have little capacity to influence government decisionmaking. However, though state capture by private firms is low in such systems, other forms of capture—such as capture of the state by political leaders to benefit their own private interests—may be more prevalent, given the lack of accountability on such leaders. Unfortunately, the state capture index used in this report does not measure such forms of the problem.

The environment for state capture by private firms does appear to be generated by a certain minimal threshold of political and economic reforms. Partial political reforms that break with the previous communist system but do not provide new mechanisms of accountability such as political competition, internal checks and balances, or civil society oversight generate the greatest opportunities for a narrow set of private sector interests to capture the state. In these countries, the extent of civil liberties (and other checks on abuse of power) is insufficient to counterbalance the loss of control that resulted from the dismantling of the communist system. Yet the figure suggests that once a threshold of political reforms has been crossed, the extent of state capture inherent in the transition process can be constrained to significantly lower levels.

Figure 3.6 also illustrates the potential interaction between political and economic liberalization in reducing capture. The countries of the region have been grouped into three levels of economic reform—high, medium and low—based on their average scores on EBRD’s transition indicators, an annual measure of progress in transition across nine areas of liberalization and structural reform. For any given level of progress on civil liberties, the figure suggests that progress in economic transition is associated with lower levels of capture. Of course, cause and effect are difficult to untangle in these complex and highly interdependent

\textbf{Figure 3.6. Economic Reform, Civil Liberties, and State Capture}

\textit{(fitted values)}

\begin{figure}[h]
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\includegraphics[width=0.5\textwidth]{figure3.6.png}
\caption{Economic Reform, Civil Liberties, and State Capture (fitted values)}
\end{figure}

Data Source: BEEPS; Freedom House; Hellman, Jones, and Kaufmann, 2000a.
processes. There is much evidence to suggest that the pace and comprehensiveness of economic reforms reduces economic rents associated with distortions in a partially reformed economy. Reducing the concentration of economic rents weakens the incentives for private sector actors to invest the considerable costs, in terms of money, time, and influence, necessary to engage in state capture. At the same time, the processes of deregulation and limitation of the powers of the state to intervene in the economy reduce the range of laws, regulations, and policies that are potentially “for sale.”

The progress of both political and economic reforms is in itself partly an outcome of the level of state capture in a given country. Those with the power and resources to capture the state can have a vested interest in preventing reforms that threaten their influence or eliminate the economic distortions on which their concentrated private gains are based. As a result, partial political and economic reforms appear to generate state capture which, in turn, weakens the power and capacity of the state to pursue such reforms further. This accounts for the difficulty of emerging from state capture once it takes hold. But it also suggests that when political will has been marshaled through critical elections, through the entry of new collective actors into the political and civil arena, and through exogenous pressures and opportunities, progress in political and economic reforms has had a powerful impact in reducing state capture.

The Redistribution of Assets

In addition to the simultaneous processes of creating new political and economic institutions, a key characteristic of the transition has been the massive redistribution of assets from social ownership to private ownership. It is perhaps this redistribution, highly concentrated in time, that has provided the strongest incentives for capturing the state in the transition countries. By capturing the state in the process of privatization, private actors sought to transform their *de facto* political influence into *de jure* ownership stakes that would secure their advantages in the emerging market economy. Numerous examples exist in all countries in transition where ownership or control of key state assets was transferred through nontransparent means to those with political influence; corruption has played a key part in this process.

Perhaps the most prominent example of nontransparent privatization in the region has been the loans-for-shares scheme, which was implemented in Russia in the fall of 1995. According to this scheme, the Russian government obtained short-term credit from major Russian banks using its shares in Russian enterprises as collateral. When the government defaulted, the banks were able to keep the shares. The implicit prices on these shares were well below their market value.

Nontransparent privatization has not only been a problem in Russia and the CIS countries. In October 1994, the head of the Czech privatization agency was caught taking a bribe equal to about US$300,000 in connection to the sale of a dairy. In Hungary, eight of the ten members of the privatization agency were forced to resign in October 1994, following allegations of corruption in the sale of formerly state-owned enterprises.

Unfortunately, there is little systematic research on the conditions that make particular methods of privatization more or less vulnerable to corruption. Early in the transition, many observers believed that mass privatization offered governments a simple and transparent mechanism for transferring the bulk of state assets to the general population. Despite the
simplicity of the method, enterprise managers were often able to manipulate the market value of their firms or exploit weaknesses in institutional arrangements for shareholder protection in order to be able to retain control. These methods included illegally threatening workers who sold shares to outsiders and issuing new shares in order to dilute the power of outsiders.24

Privatization through a case-by-case method, while complex and time-consuming, has allowed some countries to structure the sale of the assets to avoid some of the problems associated with state capture, though this method has also been open to abuse. Large privatizations are vulnerable to corruption whatever the method employed, as the experience of advanced countries frequently demonstrates. Recognizing this temptation, some governments, such as Romania, have delegated responsibility for organizing privatization to internationally recognized investment firms.

The Role of Foreign Investment and Assistance

It is often suggested that inflows of foreign direct investment (FDI) can help reduce corruption by importing higher standards of corporate behavior with potentially powerful demonstration effects in local markets.25 Others argue, in contrast, that FDI can increase the level of corruption as foreign actors use bribery and other forms of influence to penetrate new markets where they lack existing contacts and networks.

Figure 3.7 depicts the relationship between FDI and corruption using data from the BEEPS survey.26 Firms are divided into three groups: (i) domestic firms with no FDI; (ii) firms with FDI headquartered in the domestic market; and (iii) firms with FDI headquartered overseas. The charts depict the propensity of each of these firm types across the region to pay bribes for administrative corruption and to engage in state capture through bribery to influence laws, decrees, and regulations. FDI firms headquartered in the local market face similar levels of administrative corruption as domestically owned firms and are just as likely to engage in state capture.27 However, FDI firms headquartered abroad do report substantially lower levels of both state capture and administrative corruption.
A closer inspection of these relationships within different groups of countries reveals that FDI appears to have a very different impact in different environments. Figure 3.8 shows that in countries with high levels of administrative corruption and state capture, FDI firms with domestic headquarters are substantially more likely than domestic firms to engage (or be compelled to engage) in both forms of corruption. In other countries, all forms of FDI are associated with less corruption. The negative impact of FDI in domestic firms is particularly striking in a number of high capture countries—such as Azerbaijan, Georgia, Latvia, Moldova, and Ukraine—where these firms are more than twice as likely to engage in state capture than are non-FDI firms. While foreigners might be inclined to invest in sectors and firms that are prime targets for corruption, this result raises doubts that foreign direct investment imports higher standards of corporate behavior with the ability to influence practices in high corruption settings. Many of the high-corruption countries are in the CIS, where the institutional arrangements for corporate governance are especially weak. Thus, to the extent that foreign investors in companies with domestic headquarters seek to curb corrupt practices, they may not have sufficient instruments in the CIS for influencing the behavior of managers.
Foreign aid might be subject to similar dynamics. A recent comparison of countries worldwide (unfortunately excluding countries in transition) indicates that foreign aid can induce corruption, as competing social groups use corruption to extract benefits from this aid.⁳⁹ Countries in transition are also vulnerable to this problem, especially where institutions for public resource management are most seriously underdeveloped.

Vicious or Virtuous Circle?

The process described in this chapter suggests that institutional and economic legacies had a profound impact on initial choices of political institutions and on the pace and substance of economic reform. In countries with weak institutions and strong incentives for corruption, restraints on the abuse of public office were insufficient to check the emergence of state capture and administrative corruption. In countries with more favorable legacies, these problems are still present, but are less severe.
The institutional and economic legacies inherited from the past are important for understanding current levels of state capture and administrative corruption, but this does not imply that these levels are pre-determined by such legacies. The standard geographical categorizations of transition countries actually mask wide variation in corruption levels as demonstrated in Figure 3.9. While the initial conditions discussed in this chapter explain some of this variation, a large share cannot be attributed to past legacies, suggesting that other factors, such as the rise of effective leaders and strategic policy choices, have a major impact on the nature and extent of corruption.

Yet countries can get trapped into a vicious circle, in which partial political and economic reforms become self-reinforcing. Limited reforms enable private interests both in and outside the state to shape policymaking to their personal advantage, which in turn reduces the likelihood of further structural reforms. Economies trapped in this vicious circle suffer devastating economic consequences.

The tenacity of this trap depends on the underlying incentives for reform in a country. Countries in which civil society is repressed, political competition is constrained, and institutional restraints within the state are limited generally face weak internal pressures for reform. Countries which are less reliant on foreign aid or are not candidates to join international bodies such as the EU or WTO face fewer external pressures for reform. Such countries could face a “partial reform trap” unless the political will to break the stranglehold of vested interests on the reform process is marshaled.

Can countries also become locked in a virtuous circle? We cannot emphasize too strongly that no country in transition is sufficiently developed to be immune to problems of corruption; in fact, no country in the world is immune. Even the most advanced transition countries remain at risk of backtracking as increasingly influential private sector interests seek to shape the remaining agenda of structural reform to their own advantage. Yet the proper institutional reforms and policy choices are mutually reinforcing and can have a demonstrable impact in reducing corruption levels, as a number of countries have already shown (see Chapter 6).
See for example Holmes (1999) for a discussion of the effects of multiple simultaneous transitions.

For example, see Mauro (1995); La Porta and others (1997, 1999); Easterly and Levine (1997); Ades and Di Tella (1999); Treisman (2000); Broadman and Recanatini (2000).

Murrell, Dunn, and Korsun (1996) developed this concept to describe the process of economic liberalization in Mongolia.

Underpinning this analysis is a series of firm-level regressions, in which state capture and administrative corruption are explained by firm, industry, and country characteristics. These characteristics include: (i) the size, ownership form, and age of the firm; (ii) dummy variables describing the industry of the firm and its membership in a business association; and (iii) variables measuring institutional legacies of a country, such as the natural log of the number of years it was a state in the last century, a dummy variable indicating whether it was a member of the CIS, a dummy variable indicating whether it had been part of the Habsburg Monarchy, a dummy variable indicating whether it was centrally planned (as opposed to labor managed or market socialist), an index of political liberalization at the onset of transition, an index of economic liberalization at the onset of transition, a dummy variable indicating whether it was resource-rich, and more. Generally, those variables described by the figures in the text were those that were significant and robust to many different specifications. Surprisingly, a dummy variable measuring whether a country is in the CIS was useful in explaining administrative corruption, but not state capture.

The measure of experience with sovereignty is the number of years during the previous century that the country was a sovereign state. See Annex 1.

In contrast, countries that were formerly part of the Russian, Prussian, or Ottoman Empires do not share this legacy. Some countries, such as Poland, were formerly part of multiple empires.

As explained later, deeper exploration of the relationship between democracy and corruption indicates that, while significant political reform impedes corruption, partial political reform may facilitate corruption.

In fact, below-subsistence wages may attract a disproportionate share of dishonest workers as honest workers forgo job opportunities in the public sector.

Studies of the determinants of economic policy decisions, such as the depth and speed of liberalization, clearly indicate that institutional legacies at the onset of transition have had a profound impact on policymaking. See, for example, de Melo and others (1997) and Heybey and Murrell (1999) for an analysis of the role of initial conditions on reform policy and growth.

And in fact was an important European power between the twelfth and nineteenth centuries.

While the particular modality of social opposition to communism was different in Hungary and Czechoslovakia, similar stories can be told about the importance of their institutional legacies in the shaping of their political structures and economic policies.

One important network consists of former members of the internal police, especially the KGB. See TraCCC (2000) for a summary of the role of former KGB in fostering corruption.

See Rosenberg (1995) for a provocative investigation into the human rights dimension of lustration in the Czech Republic, Germany, and Poland.


This section draws on Hellman, Jones, and Kaufmann (2000a), which includes a full econometric treatment of the relationship between political and economic liberalization and state capture.

One potential explanation for these higher standards is linked to the pressures on foreign firms from the OECD convention legal covenants—now ratified by most countries—that make transnational bribery illegal. In the case of the U.S. foreign investors, such laws predate the OECD convention by more than 20 years.

Regressions of corruption on enterprise characteristics such as size, ownership, age, industry, and FDI confirm the associations between corruption and FDI depicted in Figures 3.5 and 3.6. See Hellman, Jones and Kaufmann (2000b) for a full characterization of the relationship between FDI and different forms of corruption.

In this graph, the measure of state capture is the percentage of firms actively engaging in state capture. See Annex 1.
