

state capture assessment diagnostics



Center for the Study of Democracy

STATE CAPTURE ASSESSMENT DIAGNOSTICS



CENTER FOR
THE STUDY OF
DEMOCRACY

State capture, as illegitimate monopoly in the governance and the economy of established or aspiring democracies, has been a matter of debate and inquiry for quite a while. But policies combatting it are still in their infancy. The difficulties in EU enlargement and the rise of illiberalism across Europe in the past decade have underscored this lack of state capture policies. What such policies need are proper measurement instruments for evaluating and pinpointing the risks. They should also take into consideration the potential for a foreign grip on the governance of a country. The *State Capture Assessment Diagnostics* (SCAD) model presented here is intended to meet these needs. It will allow policy design to advance to a new, more effective level.

The evidence-gathering mechanism of the SCAD tool could help policy makers verify the existence of state capture practices in given economic sectors and regulatory/enforcement institutions. In turn, policy adjustments can bar special interests from using the institutions of public governance for private ends.

Authors:

Dr. Alexander Stoyanov, Director of Research, Center for the Study of Democracy and Associate Professor, University of National and World Economy

Dr. Alexander Gerganov, Senior Analyst, Economic Program, Center for the Study of Democracy and Assistant Professor, Social Survey Research Center, Institute for the Study of Societies and Knowledge, Bulgarian Academy of Sciences

Dr. Todor Yalamov, Senior Analyst, Economic Program, Center for the Study of Democracy and Associate Professor, Faculty of Economics and Business Administration, Sofia University St. Kliment Ohridski

Editorial Board:

Dr. Ognian Shentov, Chairman, Center for the Study of Democracy

Ruslan Stefanov, Director, Economic Program, Center for the Study of Democracy

Dr. Todor Galev, Senior Analyst, Economic Program, Center for the Study of Democracy



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5 Alexander Zhendov Str., Sofia 1113

tel.: (+359 2) 971 3000

fax: (+359 2) 971 2233

www.csd.bg, csd@online.bg

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LIST OF ABBREVIATIONS

AGCM	Italian Competition Authority
AIFA	Italian Drug Agency
BG	Bulgaria
BEEPS	Business Environment and Enterprise Performance Survey
BSCP	Business State Capture Pressure
CEE	Central and Eastern Europe
CMS	Corruption Monitoring System
CNMC	Spanish National Commission of Markets and Competition
COIN	Competence Centre on Composite Indicators & Scoreboards
CPC	Commission for Protection of Competition
CVN	Consortium New Venice
CSD	Center for the Study of Democracy
CZ	Czech Republic
DNA	Romanian National Anticorruption Directorate
EMA	European Medicines Agency
ERP	Enterprise Resource Planning
ES	Spain
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HHI	Herfindahl-Hirschman Index
IAL	Ineffectiveness of Antimonopoly Laws
IACP	Ineffectiveness of Anticorruption Policies
IT	Italy
JRC	Joint Research Centre
MACPI	Monitoring Anticorruption Policy Implementation
MOSE	Experimental Electromechanical Module
MP	Monopolization Pressure
NACE	Statistical classification of economic activities in the European Community
NED	National Endowment for Democracy
NGO	Non-Governmental Organisation
NKÚ	Czech Supreme Audit Office
OSIFE	Open Society Initiative for Europe
OECD	Organisation for Economic Co-operation and Development
RO	Romania
SCAD	State Capture Assessment Diagnostics
SCE	State Capture Enablers
SELDI	Southeast Europe Leadership for Development and Integrity
SME	Small and Medium-Sized Enterprise
SNA	Social Network Analysis
SOE	State-Owned Enterprise
TBP	Trans-Balkan Gas Pipeline
TED	Tenders Electronic Daily
TEPAV	Economic Policy Research Foundation of Turkey
TSO	Transmission System Operator
UNECE	United Nations Economic Commission for Europe
VZP	General Insurance Company of the Czech Republic



In the past three decades, corruption in a number of European countries has evolved to very complex, sophisticated forms. The received wisdom which shaped the standard, run-of-the-mill anticorruption policies no longer understands the challenge it is up against. In fact, sticking for too long with policies which did not produce the expected result may have inadvertently helped the evolution of corruption into its hypostasis as state capture.

For any policy to have an effect on social reality, it needs to know that reality inside out. This applies all the more for covert practices such as state capture. Effective evidence-based policies are centered on rigorous methodologies and include monitoring instruments allowing quick feedback and adaptation mechanisms. Any attempt to capture-proof a system of public governance is bound to affect powerful interests. Hence, it needs to be justified by verifiable evidence and be able to attract large-scale public support.

STATE CAPTURE ASSESSMENT DIAGNOSTICS (SCAD): FROM CONCEPT TO MEASUREMENT

State capture could generally be described as meta-organization and institutionalization of corruption relations which lead to virtual privatization of governance; instead of public goods, the state capture process **delivers systematically and permanently private goods** to the captors (or privatizers) of the government functions. State capture manages to maintain the appearance of due process in the legislature, in the administration of justice and in the workings of the public administration. Its objective is the long-term wholesale of privileges to captors by exploiting the power of government for private benefit. Its greatest enabler is the deniability which its patrons enjoy by virtue of the hidden nature of its workings. Thus, an indispensable step is to make it tangible, explicit, to find its dimensions and thereby its weaknesses.

The key characteristic of state capture is the public traces it leaves behind. Because it needs to affect public policy so as to bend it to its will, it is bound to leave public traces which can be discovered by suitable pattern-finding methods.

The current report presents a *State Capture Assessment Diagnostics (SCAD)* methodology and shows the results from its piloting in selected countries in Europe. SCAD is exactly the kind of evidence-gathering mechanism policy makers need to utilize for two purposes:

- Verify the existence of state capture practices in given economic sectors and regulatory/enforcement institutions;
- Consider policy adjustments which close the opportunities for special interests to use the institutions of public governance for private ends.

SCAD builds upon the conceptual framework of the *Monitoring Anticorruption Policy Implementation* (MACPI) methodology.¹ SCAD's pilot implementation assesses state capture vulnerabilities of public organizations and economic sectors, as well as policy design and policy implementation gaps in Bulgaria, the Czech Republic, Italy, Romania, and Spain.

SCAD is designed to measure state capture results/effects and the capture process itself, as the latter is most often hidden, secret, and inaccessible. The **SCAD model includes two major components:**

- Business state capture pressure (BSCP), which is centered at the Monopolization pressure (MP) at national, sectoral or institutional level; and
- State capture enablers (SCE), which encompasses institutional and environmental factors at national level.

Process-wise, state capture is the abuse of good governance rules (which includes abuse of power) in the process of drafting, adoption and enforcement of the rules themselves (including the laws) in favor of a small number of captors at the expense of society and business at large. SCAD models the abuse efforts by the business through **national level** indicators which reflect the Monopolization pressure and Ineffectiveness of antimonopoly laws (IAL). At the **sectoral level**, additional indicators are monitored, providing proxies for a privileged status of a given business entity (company), including whether: it enjoys privileged access to public procurement; there is legislation or laws enhancing its market position; it has gained a privileged legal status shielding it from prosecution; or it receives preferential treatment in getting subsidies (most often, EU funds).

For state capture to thrive, it requires a number of **enablers**, i.e. certain characteristics of the social domains which affect the system of governance allowing or facilitating state capture. Enablers could be *institutional* (e.g. the ineffectiveness of anticorruption policies, lack of integrity, lack of impartiality and selective enforcement biased to private interests) and *environmental* (e.g. media, administrative and judiciary corruption). Domestic captors could become channels of foreign malign influence and allow a foreign state to achieve its ends by hidden rent seeking and erosion of state functions.² Recently, for example, Russian economic and media influence in the US and the EU have gained a lot of prominence. State captors and enabling institutions such as banks, telecoms, and media have actively participated in the weakening and discrediting of their countries' democratic structures.³

¹ Stoyanov, A., Gerganov, A., Di Nicola, A., and Costantino, F. 2015. *Monitoring Anti-Corruption in Europe. Bridging Policy Evaluation and Corruption Measurement*. Sofia: Center for the Study of Democracy; Center for the Study of Democracy. 2015. *Refocusing Anticorruption: A New Policy Evaluation Tool*. Policy Brief No. 52.

² Conley, H. A., Ruy, D., Stefanov, R., and Vladimirov, M. 2019. *The Kremlin Playbook 2: The Enablers*. Lanham: Rowman & Littlefield.

³ Shentov, O., Stefanov, R., and Vladimirov, M. (Eds.). 2018. *The Russian Economic Grip on Central and Eastern Europe*. Abingdon: Routledge.

FINDINGS FROM THE PILOT SCAD IMPLEMENTATION

The pilot implementation of SCAD shows that Bulgaria, the Czech Republic, Italy, Romania and Spain all suffer from **state capture vulnerabilities**. However, they have different **sources of risk** and **intensity levels**:

- Bulgaria's score on the Business state capture pressure (BSCP) indicator is 26,⁴ the highest among the five countries, closely followed by Romania with 21. Italy's and Spain's score is 17 and 15 respectively. And the Czech Republic performs relatively best with a BSCP score of 12.
- The State capture enablers (SCE) indicator ranks countries in the same order, but adds more **diversity in vulnerabilities** (the standard deviation of SCE is higher than BSCP). Institutional and environmental enablers amplify or reduce state capture pressure from various sources and shape its corruption manifestations.

State capture vulnerabilities measured by the pilot SCAD implementation demonstrate some important structural differences between Bulgaria, the Czech Republic, Italy, Romania, and Spain. This suggests specific **scope** and **sequencing of policy reforms** targeting state capture in each country.

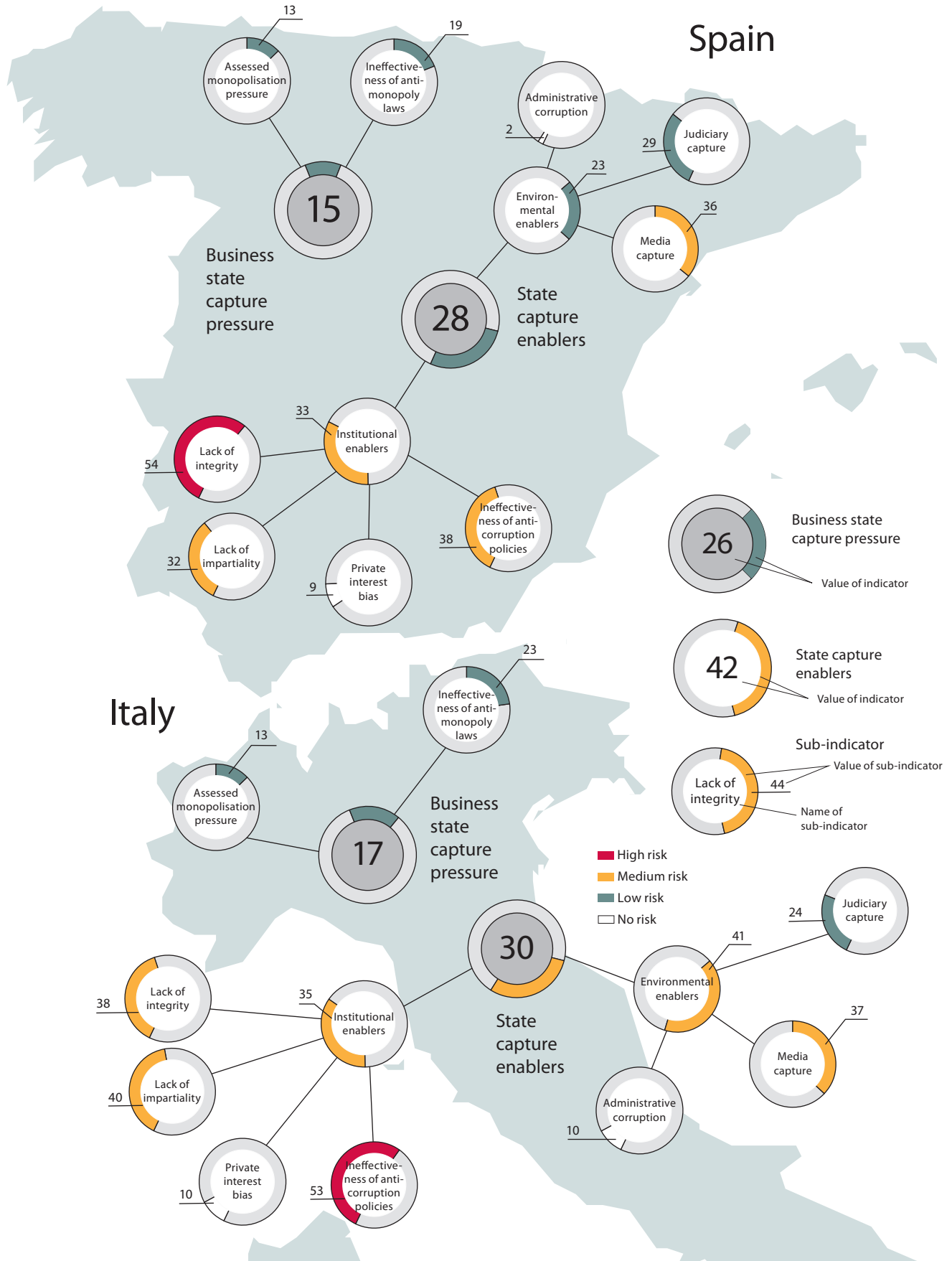
Four out of the five countries (all but Bulgaria) have at least one SCAD indicator or sub-indicator where they **perform best**. The Czech Republic and Spain each are leaders in four dimensions and Romania and Italy have the best result in terms of integrity. Areas where vulnerability indicators are higher than 50 constitute red zones which **require immediate policy interventions**. If left unchallenged, the vulnerability in these areas might have negative spillover effects in other areas in the long term. There are common problematic areas for all countries, such as local authorities, customs, and construction, in particular such linked to large-scale infrastructure projects. Yet, every country could strengthen its positioning vis-à-vis the others.

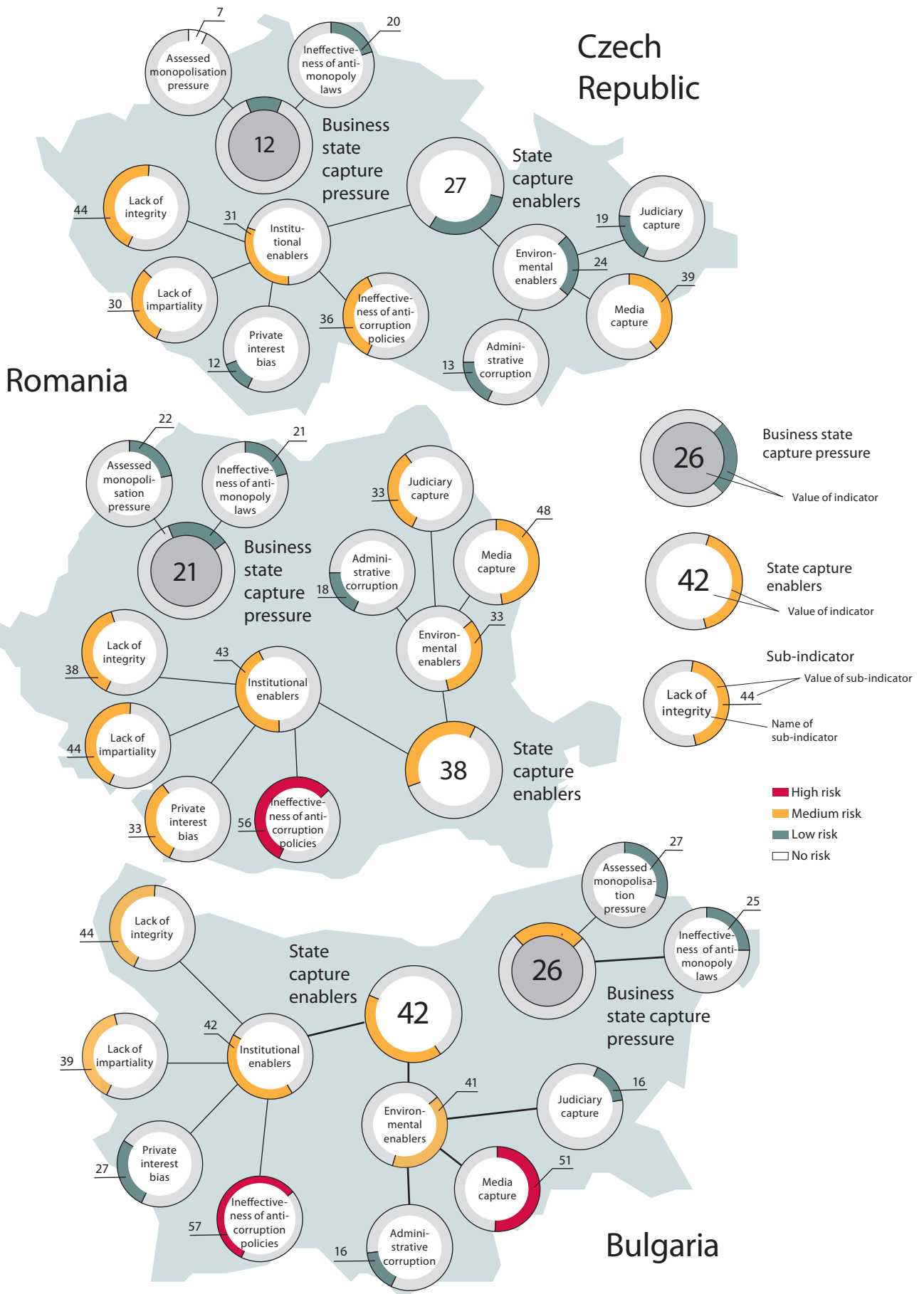
Bulgaria should address the **ineffectiveness of anticorruption policies, judiciary capture** (which is a serious barrier to the implementation of anticorruption policies) and **media capture** (which also further facilitates other forms of capture). It is expected that the European Prosecution Office could contribute significantly to levelling the playing field by preventing special interests from receiving "protection" from the judiciary in individual EU countries. Bulgaria stands out with vulnerabilities in **tax and audit** institutions, **procurement** bodies and the pharmaceutical sector, forestry, and **gambling** business regulators.

Problems with the effectiveness of anticorruption policies are present also in **Italy** and **Romania**. Italy is particularly vulnerable with labor inspectorates and **mobility and transport institutions**. Romania's worst vulnerabilities are in **environmental regulation and control**, agriculture and **tourism** regulators, health and social security, and, somewhat surprisingly, **science and education** regulators.

⁴ On a scale of 0 to 100, 0 being best and 100 worst.

Figure 1. State capture vulnerabilities



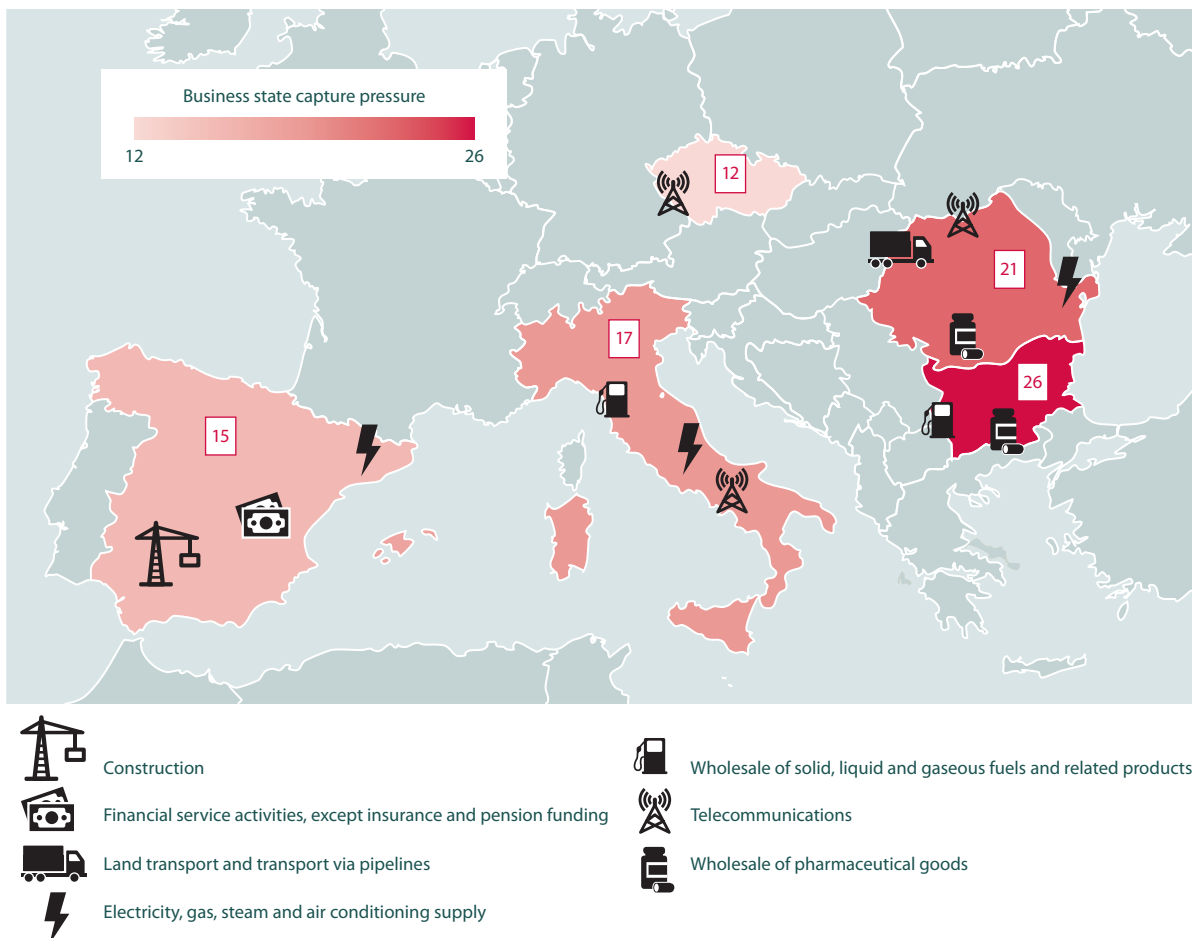


Comparatively low monopolization pressure, impartiality, effectiveness of anticorruption policies and lack of corruption in the judiciary are relative strengths of the **Czech Republic**. At the same time, the country still has to improve its policies for coping with **administrative corruption** and selective enforcement which favors certain **private interests**.

The score of 54 for lack of integrity in **Spain** suggests high risks of systemic negative effects and eroding otherwise successful policy instruments. Lack of integrity is the result of high level of mistrust stemming from **low level of transparency** along with there being **not enough available and enforceable checks and balances** at the local level.

Although scores below 30 suggest that the **vulnerability threats are manageable**, these still deserve policy attention. Bulgaria has the highest **monopolization pressure** (score of 27), amplified by **ineffectiveness of anti-monopoly laws** (score of 25), and therefore **appropriate policy actions are needed immediately**. Similarly, Romania needs to take further measures to cope with **administrative corruption** (score of 18 is low enough, but still worst among the five EU countries), **private interest bias** (score of 33) and **lack of impartiality** (score of 44).

Figure 2. Sectors with high-risk of monopolization



Source: SCAD, Center for the Study of Democracy.

There are a lot of **similarities between countries in terms of vulnerable sectors**, but with important differences in their causes and effects. There are **high vulnerabilities** in the sectors of electricity, gas, steam and air conditioning supply, and telecommunications. They have an average level monopolization pressure of 55. **Medium vulnerability** risk sectors are: wholesale of pharmaceutical goods (49), wholesale of solid, liquid and gaseous fuels and related products (45), construction (40), land transport and transport via pipelines (31), and gambling and betting activities (31). The other sectors (13 in total) have a **lower risk**, with an average assessment of under 30. Yet, even among these 13 sectors, there are some with higher risks in some of the countries. Financial services, except insurance and pension funds, and holdings is a sector of high risk for Spain. The wholesale of wood, construction materials and sanitary equipment is a medium risk for Bulgaria and Romania. And at least one of the remaining 11 sectors is a medium risk for either Bulgaria, Italy or Romania.

The **ineffectiveness of antimonopoly laws** increases the private sector's motivation and ability to exercise monopolization pressure. SCAD provides an empirical verification of this relationship at the sectoral level.⁵ The effect of the antitrust enforcement (the combination between antimonopoly laws and enforcement institutions) on monopolization pressure is the strongest in Italy. Even when the studied countries have the same increase rate of the indicator Ineffectiveness of antimonopoly laws in a certain sector, the concurrent increase in Monopolization pressure seems to be highest in Italy. Since the Italian competition authority is assessed as relatively impartial and with strong integrity, this vulnerability is most probably due to legislative capture by politicians.

Figure 3. Impact of the ineffectiveness of antimonopoly laws on monopolization pressure at the sectoral level



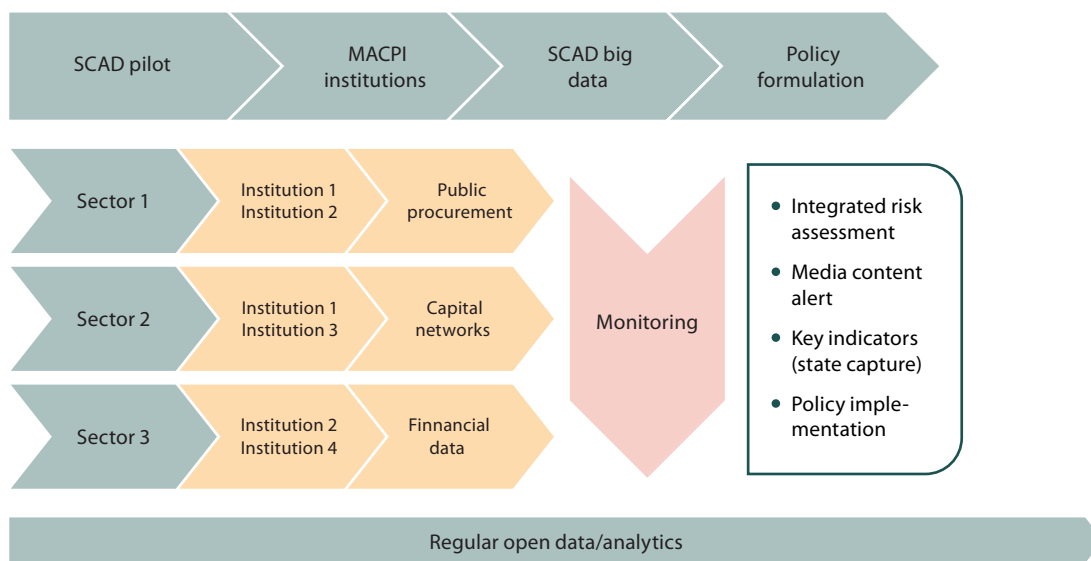
Source: SCAD, Center for the Study of Democracy.

⁵ The Pearson correlation coefficient is 0.81 and highly significant.

TOWARDS A SCAD POLICY MAKING MODEL

The *State Capture Assessment Diagnostics* is a pioneering effort for the exposure of state capture through measurement. To transform SCAD into a tool for effective prevention and repression policies, a comprehensive blueprint for action is needed (Figure 4). Once high vulnerability sectors and institutions have been identified through SCAD, then the MACPI tool⁶ can be applied to evaluate the enforceability and impact of anti-state-capture measures, and policies on the level of individual public institutions, relevant to the identified high-risk economic sectors.

Figure 4. SCAD policy making model



Source: Center for the Study of Democracy.

The integration of cross-sectional big data with SCAD pilot results and MACPI diagnostics of vulnerable institutions enriches the understanding of state capture. It combines an **integrated risk assessment tool for estimating state capture and monitoring anticorruption policies at the sectoral level**. Examples of such big data include: (i) the Tenders Electronic Daily on public procurement; (ii) corporate financial data and ownership structure databases with ultimate beneficial owners or clique structure options; (iii) public registries of concessions; (iv) Comext data on production and trade of goods at lowest customs code; (v) registries for real estate contracts, registered pledges and others.

The SCAD policy design model and its components would allow EU authorities to build evolving, risk-sensitive instruments to assess and tackle corruption and state capture risks in regulatory heavy areas and industries. Regular monitoring of state capture indicators and policy implementation milestones provides an effective feedback mechanism for policy makers. Public access to monitoring data would guarantee both civic ownership over the anti-state-

⁶ Center for the Study of Democracy. 2015. *Refocusing Anticorruption: A New Policy Evaluation Tool*. Policy Brief No. 52.

capture policies and political commitment to the continuation of the process, even if it confronts powerful private interests. SCAD could be particularly **helpful in several existing or planned EU policy instruments**:

- It can inform the EU strategy and regular reports on progress in **enlargement** countries in the areas of rule of law, judiciary and anticorruption, as well as on competition and public procurement.
- It can provide valuable additional information to the **EU Semester structural reforms** recommendations, in particular informing its good governance efforts.
- It can help underpin the planned EU **mechanism on democracy, the rule of law and fundamental rights**. SCAD can provide guidance on deficiencies in both the rule of law area and the respective risks for the EU budget.



While state capture has been a matter of debate and inquiry for quite a while, policies combatting it are still in their infancy. What these policies mostly lack is proper measurement instruments for both the dynamics of corruption and state capture, and the evaluation of the policies' impact. They also never, or rarely, take into consideration the potential for a foreign grip on the internal governance of a country.⁷ The *State Capture Assessment Diagnostics* (SCAD) model presented here is intended to fill a void which has been preventing policy design to advance to a new, more effective level.

SCAD is the product of two decades of corruption monitoring and policy evaluation, which CSD has been carrying out both in Bulgaria and the rest of Europe. In the late 1990s, CSD pioneered a public-private partnership approach to anticorruption by launching its *Coalition 2000* initiative. It emphasized two hitherto neglected aspects in this field: the need for regular monitoring of the spread of corruption victimization, and the effectiveness of anticorruption policies. The *Corruption Monitoring System* (CMS) developed within *Coalition 2000* provided an operational alternative to the Corruption Perception Indexes of Transparency International by implementing comprehensive victimization surveys of the public and the business community.⁸ The CMS has been implemented annually in Bulgaria since 1998 and has been applied on a number of occasions, on a comparative cross-country basis in the Western Balkans by the Southeast Europe Leadership for Development and Integrity,⁹ as well as in Georgia and Moldova. The CMS has served as an example in the development of similar efforts for monitoring the implementation of the UN Convention Against Corruption, by a number of Eurobarometer surveys, and in the run-up to the EU Anti-Corruption Report in 2014.

In the 2000s, CSD expanded this approach to a number of other fields – the hidden economy, organized crime, energy security, etc. The main thrust of its work in the development of policy evaluation has been towards the operationalization of complex analytical concepts into actual diagnostic tools. This has brought about some seminal results in, for example, the understanding of organized crime. CSD produced the first ever systemic EU-wide study of the links between corruption and organized crime.¹⁰

Over the years, the findings of CSD's monitoring instruments have been building towards evidence of the oligopolization of the public procurement markets as a manifestation of state capture. While petty corruption may have been declining, the CMS suggested that a transformation was underway

⁷ Shentov, O., Stefanov, R., and Vladimirov, M. (Eds.). 2018. *The Russian Economic Grip on Central and Eastern Europe*. Abingdon: Routledge.

⁸ In fact, the CMS influenced the TI methodology as well – in the early 2000s, TI decided to implement victimization surveys and later recommended that their country chapters follow the public-private partnership model.

⁹ www.seldi.net

¹⁰ Gounev, P. and Bezlov, T. 2010. *Examining the Links between Corruption and Organized Crime*. Sofia: Center for the Study of Democracy.

of the quasi-markets for bribes along different government functions into a hierarchical state capture, in particular in Bulgaria and in the Western Balkan countries.

This prompted CSD to inquire into the vulnerabilities of public organizations and economic sectors, as well as into anticorruption policy design and policy implementation gaps. The result was the *Monitoring Anticorruption Policy Implementation* (MACPI),¹¹ an instrument for identifying anticorruption institutional design gaps and implementation/enforcement gaps at national/macro level and organizational/micro level. One of the key elements of MACPI is monopolization pressure, which is analyzed at the institutional, sectoral and national level, and as arising from different sources: legislation, enforcement and distribution of resources. MACPI was piloted in Italy (municipality and regional health service) and Bulgaria (municipality and border police) in 2015.¹²

MACPI then became the immediate conceptual stepping stone for the *State Capture Assessment Diagnostics*. SCAD conceptualizes state capture as meta-organization and institutionalization of corruption relations, which makes governance deliver systematically and permanently private goods to the captors (or privatizers) of the government functions. In its essence, state capture is abuse of good governance rules (which is also abuse of power) in the process of drafting, adoption and enforcement of the rules themselves (including the judiciary rules) in favor of a small number of captors at the expense of society and business at large.

SCAD can allow EU authorities to build evolving, risk-responsive instruments to assess and tackle corruption and state capture risks in regulatory heavy areas and industries. It could be particularly helpful in several existing or planned EU policy instruments:

- The EU strategy and regular reports on progress in enlargement;
- The European Semester structural reforms recommendations; and
- The planned EU mechanism on democracy, the rule of law and fundamental rights.

The first section of this book presents the conceptual framework of state capture and its measurement operationalization. It includes an initial validation of the methodology through factor analysis of the state capture enablers. The second part provides first results from the pilot implementation of SCAD. It includes case studies illustrating the SCAD results. The case studies have been produced using a pilot media alert system, which CSD will seek to automatically integrate with SCAD later on. The third section provides the data profiles with all indicators derived from the study, as well as some aggregated figures.

¹¹ Center for the Study of Democracy. 2015. *Refocusing Anticorruption: A New Policy Evaluation Tool*. Policy Brief No. 52.

¹² Stoyanov, A., Gerganov, A. Di Nicola, A., and Costantino, F. 2015. *Monitoring Anti-Corruption in Europe. Bridging Policy Evaluation and Corruption Measurement*. Sofia: Center for the Study of Democracy.



1.1. TOWARDS STATE CAPTURE MEASUREMENT

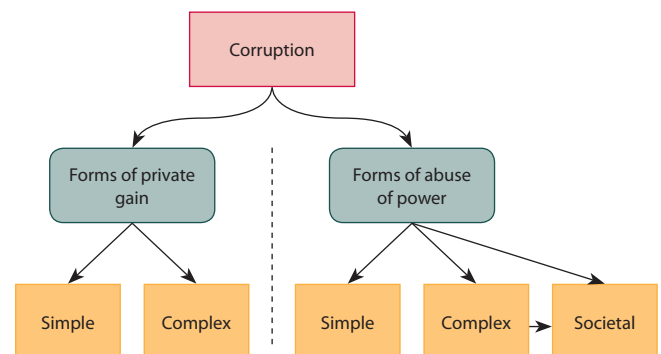
State capture emerged as an evolution of the concept of corruption in 1999 through the World Bank's Business Environment and Enterprise Performance Survey (BEEPS). Hellman, Jones and Kaufman¹³ measured state capture by share of firms which report having problems caused by purchasing policies, legislation, law enforcement or court decisions. At that time, it was still perceived at *transaction*, rather than at *system* level. Whether you buy a court decision or an amendment in the law in your favor, pay to get a tender or avoid a fine is all the same at transaction level. The only differences are the amount of the bribe and its recipient. The difference in measurement of petty corruption and state capture in this earliest understanding was that the likelihood of admitting to have paid small bribes is much higher than that of admitting to have paid larger bribers. In the former case, the paying party considers itself to be a victim, while in the latter, the perpetrator is well aware of the crime committed.

Developing a state capture measurement at system level requires a definition of state capture that goes beyond corrupt transactions to include the institutional setting. To empirically measure this phenomenon and assess its prevalence in a given society or social system, one should break down the definition into components and subcomponents, and measure each of them independently. Respectively, the aggregation of subcomponents would render a quantitative index type of measure of state capture. If a comprehensive system for measuring state capture is constructed and tested for validity and reliability, it could also be used as an intervention mechanism, as it could identify vulnerable sectors and institutions as well as capturing the modus operandi.¹⁴

Such a system-level definition of state capture is still far from consensually accepted by good governance scholars. For the purpose of state capture measurement, in 2016, the Center for the Study of Democracy conceptualized state capture as “a deviant form of relations between the state, the business sector and the political class” with the objective of “wholesale and long-term privileges to captors by exploiting the power of government for private benefit”.¹⁵

State capture is perceived as a specific and extreme form of corruption,¹⁶ which could be found in both transition and developed democracies. Corruption is the abuse of power in the pursuit of private gain (Figure 5).

Figure 5. Elements of corruption transactions



Source: Center for the Study of Democracy.

While petty and even grand corruption tends to appear occasionally in selected circumstances, state capture implies that private interest supersedes public interest systematically and permanently. Corruption is regarded as an “umbrella concept” covering a multitude of social phenomena which carry the essential characteristics of corruption.¹⁷ Under this “umbrella” each type of corruption has its own undue private gains and specific features (Table 1). The common denominator of all corruption types is that they represent specific forms of abuse of power for private gain.

¹³ Hellman, J., Jones, G., and Kaufmann, D. 2000. *Seize the State, Seize the Day: State Capture, Corruption, and Influence in Transition Economies*. World Bank Policy Research Working Paper No. 2444. Washington D. C.: World Bank.

¹⁴ Similar to the implementation of mirror statistics as a tool for identifying risky sectors for contraband, going to the lowest customs codes with even potential identification of concrete contrabandists and teams of customs agents with high probability of facilitation of the illegal import.

¹⁵ Center for the Study of Democracy. 2016. *State Capture Diagnostics Roadmap*. Working Paper. Sofia: Center for the Study of Democracy.

¹⁶ See: Brooks, G., Walsh, D., Lewis, C., and Kim, H., 2013. *Preventing Corruption. Investigation, Enforcement, and Governance*. London and New York: Palgrave Macmillan.

¹⁷ See: Varrach, A. 2014. *Corruption: An Umbrella Concept* (No. Working Paper Series 2014:05). Gothenburg: The Quality of Government Institute.

Table 1. Forms of abuse of power and private gain¹⁸

Abuse of power (violation of rules)	
Simple forms	
Abuse of discretionary power	Enforcement (or non-enforcement) of laws or rules and procedures in favour of a client (citizen, company, public organization). Providing illegal access to information. Extortion or threat of selective/targeted enforcement of laws or rules and procedures. Deliberate red tape in order to extract bribes from citizens or companies.
Abuse of property	Theft, fraud, embezzlement of property, money, etc.
Conflict of interest	Kinship or other personal relationship between officials who are responsible for certain decisions and the actors who these decisions apply to. Nepotism is a form of conflict of interests.
Complex forms¹⁹	
Clientelism/cronyism	Systematic or one-time decisions in favor of a circle of friends, relatives or trusted colleagues, or actors connected to the decision-making officials/bodies through mostly personal relationships.
Favoritism	Systematic or one-time decisions in favor of specific groups of actors based on different criteria (economic groups, political parties, families and others) connected to the decision-making officials/bodies through non-personal (institutional) relationships.
Societal	
State capture	Institutionalized system of corruption transactions (of different types and involving one or more public institutions) which ensure by default and over extended periods of time a privileged status to an actor or groups of actors in a given sector or entire state.
Gain (single official or institution)	
Simple forms	
Money	
Gifts	
Services	
Complex forms	
Control over one's own actions	Promise to act or refrain from action (on behalf of the benefactor) in favor of the official who has violated rules.
Control over outcome of events	Promise to use office position or control over institutional decisions in favor of the official who has violated rules.
Revolving door	Appointment at a high-salary job of an official who has systematically violated rules in favor of the appointing company or individual.
Illegitimate donations to political parties	Transfer of funds by citizens or companies (benefactors) in favor of institutional actors (public institutions, parties, etc.) and not in favor of the concrete official who has violated rules.

Source: State Capture Diagnostics Roadmap. 2016. Working Paper, August 2016, Center for the Study of Democracy.

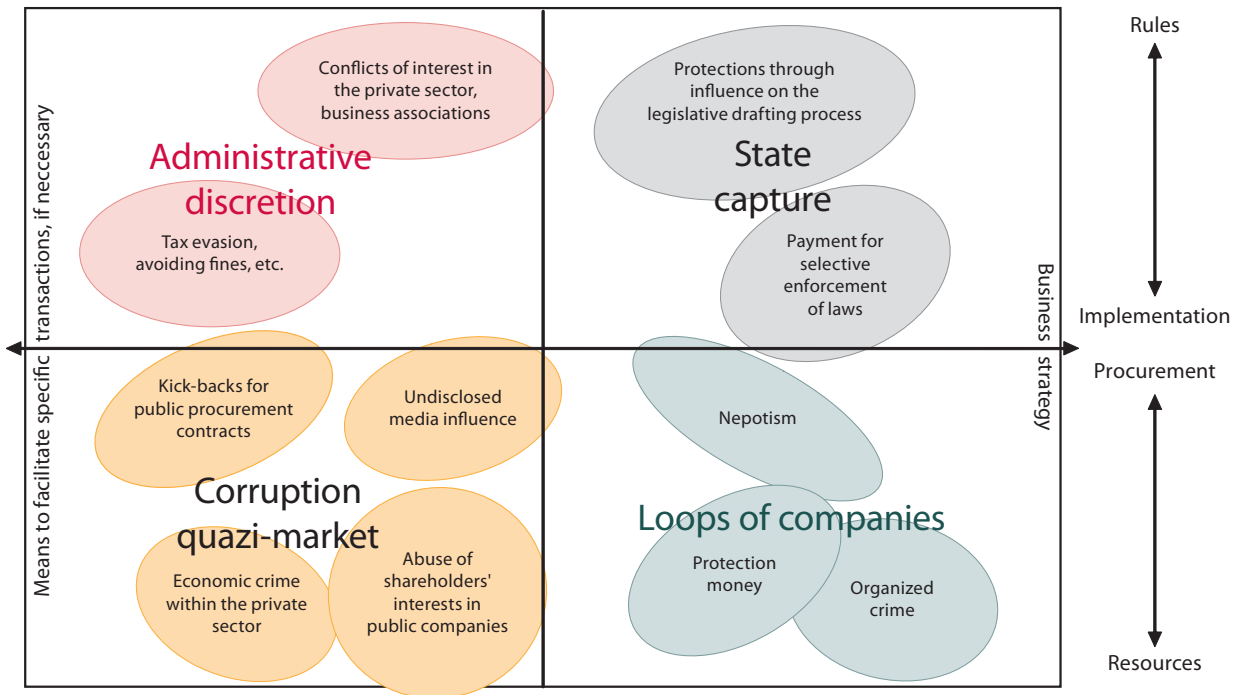
¹⁸ For other types of decomposition of the elements of corruption see also: Vargas-Hernández, J. 2009. *The Multiple Faces of Corruption: Typology, Forms and Levels*. University Center for Economic and Managerial Sciences, University of Guadalajara.

¹⁹ Elaboration of the links between these concepts and corruption could be found in: Rothstein, B. (Ed.). 2014. *State-of-the-Art Report on Theories and Harmonised Concepts of Corruption*. Gothenburg: Quality of Government Institute; Sampford, C., Connors, C., Shacklock, A. and Galtung, F. (Eds.). 2006. *Measuring Corruption*. Burlington, VT: Ashgate Pub Co.

State capture includes other forms of corruption such as favoritism, cronyism, conflict of interest, abuse of discretionary power and property. As Magyar showed for Hungary (although this is valid for many of the transition countries),²⁰ state capture is an evolutionary

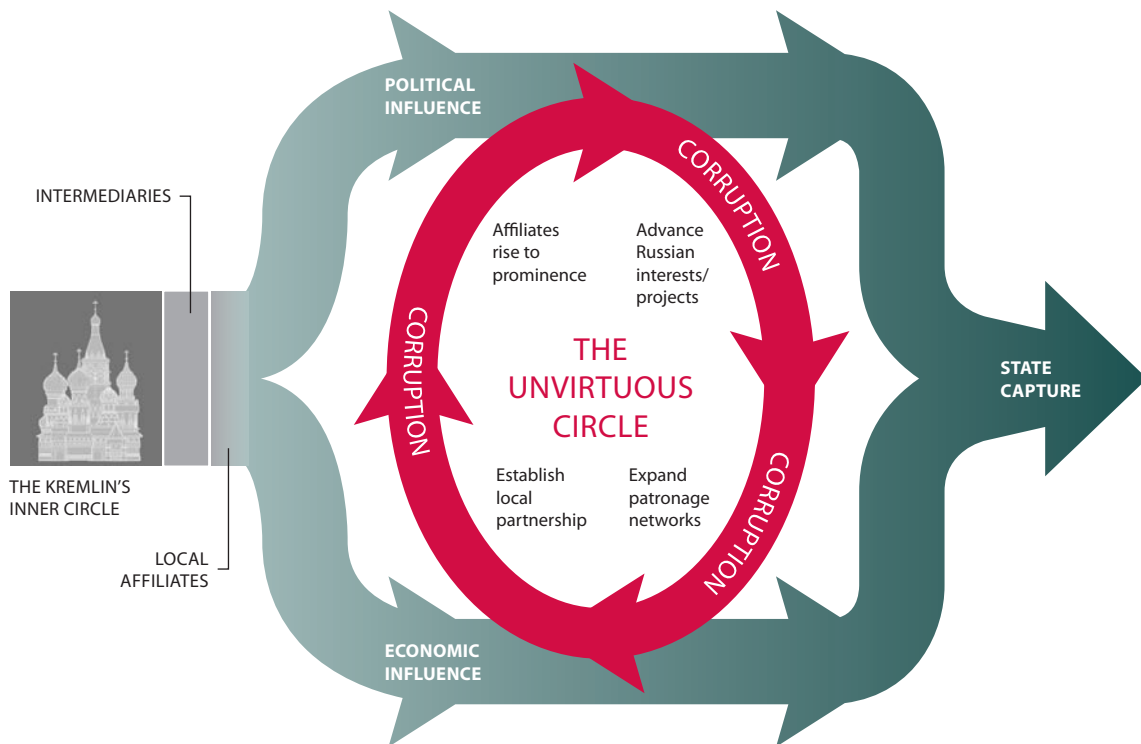
²⁰ See Magyar, B. 2016. *Post-Communist Mafia State*. Budapest: Central European University Press, pp. 3-13.

Figure 6. Matrix of corruption



Source: On the Eve of EU Accession: Anticorruption Reforms in Bulgaria. 2006. Sofia: Center for the Study of Democracy.

Figure 7. Foreign impact on state capture



Source: Conley, H. A., Mina, J., Stefanov, R., and Vladimirov, M. 2016. The Kremlin Playbook: Understanding Russian Influence in Central and Eastern Europe. Lanham: Rowman & Littlefield.

Box 1. Kremlin foreign state capture playbook

Russia has cultivated an opaque network of patronage across the region that it uses to influence and direct decision making. This web resembles a network-flow model, which we describe as an “unvirtuous circle” of Russian influence. The circuitous flow can either begin with Russian political or economic penetration and from there expand and evolve, and in some instances lead to “state capture.” Russia seeks to gain influence over (if not control of) critical state institutions, bodies, and the economy, and uses this influence to shape national policies and decisions. Corruption is the lubricant on which this system operates, concentrating on the exploitation of state resources to further Russia’s networks of influence. Here is one example of how this process works: Russian-linked entities work to support select state actors who in turn work on their behalf. This support can include investing in rising politicians, cultivating relationships with prominent businessmen, or helping to ensure that its business affiliates become well positioned in government. From a position of authority and power, these local affiliates can work to expand a system of Russian patronage by ensuring that lucrative contracts and rewards are doled out to Russia’s preferred partners, who then are beholden to the Kremlin’s network and become instruments of its influence. Russia’s networks can be so extensive that they penetrate government institutions and investigative bodies, disabling a democracy’s ability to conduct oversight as well as ensure transparency and accountability, which erodes the rule of law and renders it vulnerable to exploitation and manipulation. Russia’s networks can also be so deeply embedded in the local environment that they pose a systemic danger to the economy.

Source: Conley, H. A., Mina, J., Stefanov, R., and Vladimirov, M. 2016. *The Kremlin Playbook: Understanding Russian Influence in Central and Eastern Europe*. Lanham: Rowman & Littlefield.

institutionalization of the corruption existing prior to the regime changes and shaped by governance deficiencies throughout the transition.

A similar conceptualization for Bulgaria could be found as early as 2006 in the annual Corruption Assessment Report of the Center for the Study of Democracy.²¹ The quasi-market for bribes for public procurement contracts showed early signs of oligopolization and evolution to state capture (Figure 6). State capture is exercise-of-power dependent and is conditioned by the structure of power in a given society. In anomic societies certain institutional settings could be legal (and even constitutional), while in liberal democracies they would be considered state capture.

In most, if not all, studies of state capture it is considered more or less as a **national phenomenon** where **foreign countries** (i.e. offshore/tax heavens) are considered as **enablers** only, but some studies suggest that state capture could be facilitated and used as an instrument of a foreign state’s policy (Figure 7). Local captors become enablers of foreign malign influence and allow the foreign state to achieve its end and avoid some

of the consequences of its behavior.²² In latest years, Russian economic and media influence in particular has gained a lot of interest. State captors, but also enabling institutions such as banks, telecoms and media have actively participated in the weakening and discrediting of their countries’ democratic structures.²³

1.2. DEFINITIONS OF STATE CAPTURE

A pioneering role in raising the question of the contemporary conceptualization of state capture has been attributed to the publication of Hellman, Kaufmann and Jones²⁴ regarded as the most widely quoted paper on the issue of state capture and one of the leading sources for defining this phenomenon. The definition of Hellman et al. is based on an empirical study by the World Bank in the countries of Eastern Europe whose main

²¹ Center for the Study of Democracy. 2006. *On the Eve of EU Accession: Anticorruption Reforms in Bulgaria*. Sofia: Center for the Study of Democracy.

²² Conley, H. A., Ruy, D., Stefanov, R., and Vladimirov, M. (2019). *The Kremlin Playbook 2: The Enablers*. Lanham: Rowman & Littlefield.

²³ Ibid.

²⁴ See: Hellman, J., Jones, G., and Kaufmann, D. 2000. *Seize the State, Seize the Day: An Empirical Analysis of State Capture and Corruption in Transition Economies*. World Bank Policy Research Working Paper 2444. Washington D. C.: World Bank.

empirical finding is that a substantial number of companies admit to having illegitimately contributed funds to members of the legislature in order to influence the design of laws and rules regulating different economic sectors.

Both the frequency and the effects of these actions are significant: companies capturing the state are on average more successful than other market competitors. Thus, the illegitimate act leads to economic benefits and advantages for the captors. Logically, on this basis, Hellman et al. define state capture as a specific type of corruption that involves illegitimate participation in the rule-making process, which brings benefits to both the legislator and private actors who provide resources.

While corruption is a violation of the rules for the use of public authority (abuse of power) for undue private gain, **state capture is a violation of good governance rules** (which is also abuse of power) in the process of drafting, adoption and enforcement of the rules themselves, including the judiciary rules.

State capture is rarely or at least relatively less discussed than (petty) corruption, yet the issue of deformation of the mechanisms of governance is debated in a number of influencing publications. One of them, written by J. Stigler,²⁵ discusses the creation of special privileges in the economy through legislation nearly fifty years ago. Stigler identifies two interests that are coordinating the formation of special privileges in this area:

- the **business interests** in controlling the market environment for the purpose of eliminating undesirable (for a variety of reasons) competition, which is indicated as interest in the **demand** for regulations;
- the **interests of public authorities**, or the **supply** of regulations, which are based on **expected political benefits** by fulfilling promises given to voters or on **the individual greed** and desire for a personal or group benefit by providing services to certain people, actors and interests.

To date, meanings of state capture have been defined in several similar ways:

Table 2. Summary of major types of abuse of power

Type of abuse of power/ interaction	Definition/interpretation
Government – private sector Design of rules/laws	“... 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.” ²⁶
Government – political parties – private sector Design of rules/laws, legal environment, policies and the economy	“... companies, institutions or powerful individuals use corruption such as the buying of laws, amendments, decrees or sentences, as well as illegal contributions to political parties and candidates, to influence and shape a country’s policy, legal environment and economy to their own interests.” ²⁷
Government – private sector Design of rules/laws and other government sources. Capture of one state by another state	“State capture then, is seen as a form of grand corruption, which involves the actions of individuals, groups or firms, both in the public and private sectors, that are able to influence the formation of laws, regulations, decrees and other government sources to their own advantage, as a result of the illicit and non-transparent provisions of private benefits to public officials. “... We suggest that while this description is sufficient for explaining post-communist transitional economies, it is insufficient in identifying and examining the complex interplay of state capture in democratic western states, and the capture of another state by a western state.” ²⁸

²⁵ See Stigler, G.J. 1971. “The Theory of Economic Regulation”. *The Bell Journal of Economics and Management Science* 2 (1).

²⁶ Hellman, J.S., Jones, G., Kaufmann, D. 2003. *Seize the State, Seize the Day: State Capture and Influence in Transition Economies*. *Journal of Comparative Economics* 31, 751-773., p. 2.

²⁷ Martini, M. 2014. *State Capture: An Overview*. Transparency International, p. 1.

²⁸ Brooks, G., Walsh, D., Lewis, C., and Kim, H., 2013. *Preventing Corruption. Investigation, Enforcement, and Governance*. London and New York: Palgrave Macmillan, p. 124.

Table 2. Summary of major types of abuse of power (continued)

Type of abuse of power/ interaction	Definition/interpretation
Government – private sector (corporate state capture) and parties – government (party state capture) Design of laws/rules Parties politicize the state to achieve political monopoly	“... The argument advanced here is that the region is peculiarly vulnerable to two modes of state capture: party state capture and corporate state capture. In the former, parties re-politicize the state in pursuit of political monopoly. In the latter, public power is exercised primarily for private gain, and private interests pay to subvert the legitimate channels of political influence. ²⁹ While it is plausible that both modes could operate together, the evidence suggests two surprisingly clear clusters of central European states around a dominant mode, with some relatively non-corrupted systems facing vivid attempts to re-monopolize the values and allegiance of the state (for example, Hungary, Poland) and the more corrupted systems showing a clear and consistent prioritization of the extraction of financial value (for example, in the Czech Republic, Bulgaria). ³⁰
Network of companies and official colluding at the expense of the public good	... “a distinct network structure in which corrupt actors cluster around parts of the state allowing them to act collectively in pursuance of their private goals to the detriment of the public good.” ³¹

Source: Center for the Study of Democracy.

Both “ordinary” corruption and state capture are forms of temporary or permanent privatization of partial or full power in order to obtain undue private benefit for certain social actors. “Privatizers” are the social actors occupying power positions in the public (or private) sector, who use that power as a resource in specific exchange relations. The mechanisms of privatizing public authority are largely path-dependent and comply to the accepted principles of goods governance by the particular society.

There are many possibilities that can be placed in the continuum *totalitarian regimes – democratic societies of the Weberian type*.

One of the extreme scenarios for the privatization of public power is a **highly hierarchical system of power that is largely self-elected and self-appointed**. Exemplary models are the autocratic and totalitarian regimes, absolute monarchies, and others. The specificity of these political structures is that they do not significantly depend on the public for their own appointment in public positions, but have overtaken the right to interpret and represent the public and/or state interests. This act of self-designation means that such

²⁹ Hellman, J.S., Jones, G., Kaufmann, D., 2003. *Seize the State, Seize the Day: State Capture and Influence in Transition Economies*. *Journal of Comparative Economics* 31, 751-773.

³⁰ Innes, A. 2014. “The Political Economy of State Capture in Central Europe”. *Journal of Common Market Studies* 52, pp. 88-104.

³¹ Fazekas, M., Toth, J. 2014. “From Corruption to State Capture: A New Analytical Framework with Empirical Applications from Hungary”. *Political Research Quarterly*, pp. 320-334.

political structures have practically privatized the public authority and that their interests now translate to the interests of society. As long as they possess the power, they also determine the rules for its use.

In that sense, it is practically impossible to define the abuse of power as a phenomenon that is objectively independent of the will of the higher levels of public authority. In such political setting the actions of the higher level of public authority cannot be qualified as abuse of power. However, there is an opportunity to define a misuse of power with regard to the public authority delegated by the higher levels to the lower levels of government, that is to say, to the officials of the administrative system of power (bureaucracy). What is particular about this scenario of structuring of public authorities is that defining and identifying corruption and state capture is not based on “impersonal rules” (laws), but is rather derived from the will of the higher level of government.

Contrary to the structure of public power described above, **the ideal model of today’s developed societies is referred to as the “Weberian” state**. A key point in this model of the structure of public authority is that the higher level of government is determined by the choice of the people (the public). Obtaining positions in public authority is the result of free elections, and the exercise of public authority is based on impersonal rules (laws). These laws set the criteria for the proper functioning of public authority, and hence the content of the principles of good governance. In the Weberian-type state, the

basic principle is the uniform application of rules (laws, etc.) to all citizens. There are no privileged citizens and interests. The system of power is neutral to all citizens and interests, and everyone is equal to the law. Such a system of public authority also implies the principle that the laws themselves should ensure that **equal treatment of citizens and interests and apply equally to all citizens and interests.**

In a Weberian state, the privatization of law making and law enforcement violates the principle of equality. Most corrupt practices (at all levels) are in fact the sale of a privileged treatment that no citizen or interest is legally entitled to. Privatization of drafting and adopting of laws and regulations is a similar privileged treatment of businesses and favored groups, which also infringes the principle of equality. However, there are some considerations which might complicate the distinction between legitimate and illegitimate privileged treatment of individuals and groups:

- (a) Each democratic government is elected by the people in order to implement certain policies (based on a political program). These policies include the formation of laws and rules that set priorities and privileges for some interests and citizens at the expense of others. This is a legitimate process of public choice. For example, most governments create privileges for mothers and children at the expense (deprivation of privileges/access to public resources) of other social groups. The creation of a strong army as a national priority takes resources from some sectors (e.g. education and health) creating certain privileges for the military and military-industrial complex. Such cases of privilege on the basis of political priorities are in most cases supported and not interpreted as illegitimate actions. *A conditio sine qua non* for that is the free election process and transparent legislative processes with strong restrictions for conflict of interests and party financing. One of the deciding factors is the volume of those in a privileged position. If it is a mass advantage, then it is not state capture; if it affects only a small minority of benefactors and is not obtained through a deliberative democratic procedure,³² then it is.
- (b) Depending on situational factors, the need to formulate privileges and preferences may change over time. For example, the 2008 financial crisis has

forced many governments to intervene and “save” parts of the banking and other sectors under the threat of a general crisis and collapse of developed countries’ economic systems. Therefore, situational factors can often be used (and are used) as an argument to legitimize the creation of privileges and consequently to create rules that benefit certain social groups and/or interests, which otherwise might be considered unfair.

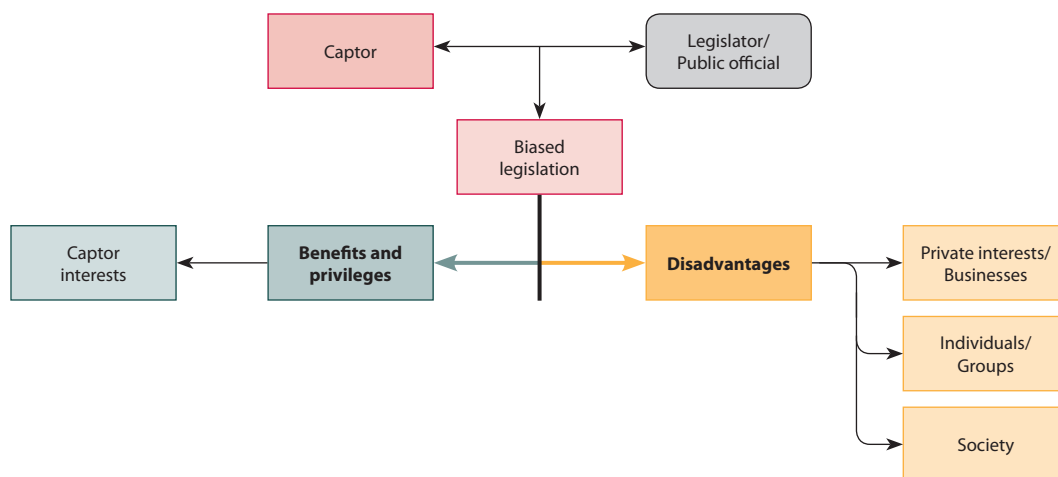
Since most rules and laws are justified on the basis of proof of a certain social necessity, it is difficult to estimate when such a necessity is “real” and when it is “artificial”, and/or deliberately produced. Moreover, in most modern societies, conducting information campaigns in favor of a particular interest or cause is considered a legitimate activity. Such actions always end (if successful) with the adoption of rules and laws that rearrange the public priorities and respectively lead to the creation or revocation of privileges.

When different states are compared, it is often found that in some of them lobbying activities favoring the adoption of certain rules is a legitimate activity (legislation and rules are in place), while in others it is not legitimate or there is no such legislation at all. In a study by the World Bank, the paid involvement of businesses in the legislative process was attributed to a specific characteristic at the beginning of the transition from a socialist planned towards a market economy. At that time, the interests of the newly emerging private sector were highly important for the legislators. Better organized business groups were able to better defend their interests by the newly adopted legislation through the use of illegitimate lobbying and bribes. Due to the novelty and absence of regulation, especially in the early stages of transition, it was difficult to clearly distinguish between legitimate and illegitimate consultations of legislators with representatives of the private sector. Furthermore, it is difficult to determine when the laws adopted in the period of transition created privileges that protect national private capital and when these were laws that created prerequisites for cartels, monopoly structures and restriction of competition. The characteristic of state capture – that it would most probably encompass different types of phenomena depending on the level of development of the economy and society³³ – is observed in the

³² Fishkin, J. S. 1991. *Democracy and Deliberation: New Directions for Democratic Reform* (Vol. 217). New Haven, CT: Yale University Press.

³³ See: Brooks, G., Walsh, D., Lewis, C., and Kim, H. 2013. *Preventing Corruption. Investigation, Enforcement, and Governance*. London and New York: Palgrave Macmillan.

Figure 8. State capture elements and interactions



Source: Center for the Study of Democracy.

post-communist transition context. After 1990, all post-communist societies in CEE have undergone a similar fundamental transformation of their economic, political and legal systems. The state institutions (executive, legislative and judiciary) were often accompanied by successful or unsuccessful state capture attempts dominated by the interests of a single industry.³⁴

- (c) The common denominator of most definitions of state capture is the exclusive focus on the **rule-making process** (laws, norms, etc.) as the central activity of the process of capture. Thus, state capture is much more than grand/political corruption. It is an institutional anomie where the principles of administrative neutrality and equality of interests are systematically and permanently violated. Yet, the captors often follow the strategy to negate the existence of a privatized parasite state laying the blame on selected politicians.

The model outlining the existing definitions is, in fact, relatively simple, but, as shown above, is not particularly effective for state capture identification and measurement (Figure 3). Its main elements are the **captor** (the actor who makes an illegitimate payment in exchange of representation of his interests in the regulations), **public officials** (most often these are representatives of the executive and/or legislative authorities who develop and adopt the relevant biased regulations), **privileges/benefits** (the privileges and

benefits for the captor from the implemented regulation) and **disadvantages** (the forms of losses for every other social actor appearing as a result of the implementation of a biased regulation).

State capture impacts significantly the equity and legitimacy of public institutions everywhere:

- The ultimate effect of state capture (conceptualized as an illegitimate impact on the adoption of regulations and laws) is the existence of laws and regulations that violate two basic principles: **the neutral attitude** of the administration towards individuals, groups and interests in society when implementing public authority, and that of **equality** of individuals and interests in society (absence of privileges). Violation of these rules creates differential privileges that favor certain individuals and interests by law at the expense of others.
- The principles of **neutrality** and **equality** are under constant threat from the governing politicians. The violation of the principles of equality and neutrality goes through the filter of legitimacy – some violations are publicly supported (via elections) and others are not. That is why the creation of biased regulations can be both legitimate and illegitimate and thus requiring different measurement and counter-action.
- The legitimacy of protection through regulations of an interest or a group varies in time. Although the opposition might campaign and win elections through anticorruption rhetoric, its appointees can quickly replace the internal captors and external benefactors without stopping the mechanics of cap-

³⁴ See: Philp, M. 2001. *Corruption and State Capture: An Analytical Framework*. Oxford: University of Oxford, Department of Politics and International Relations.

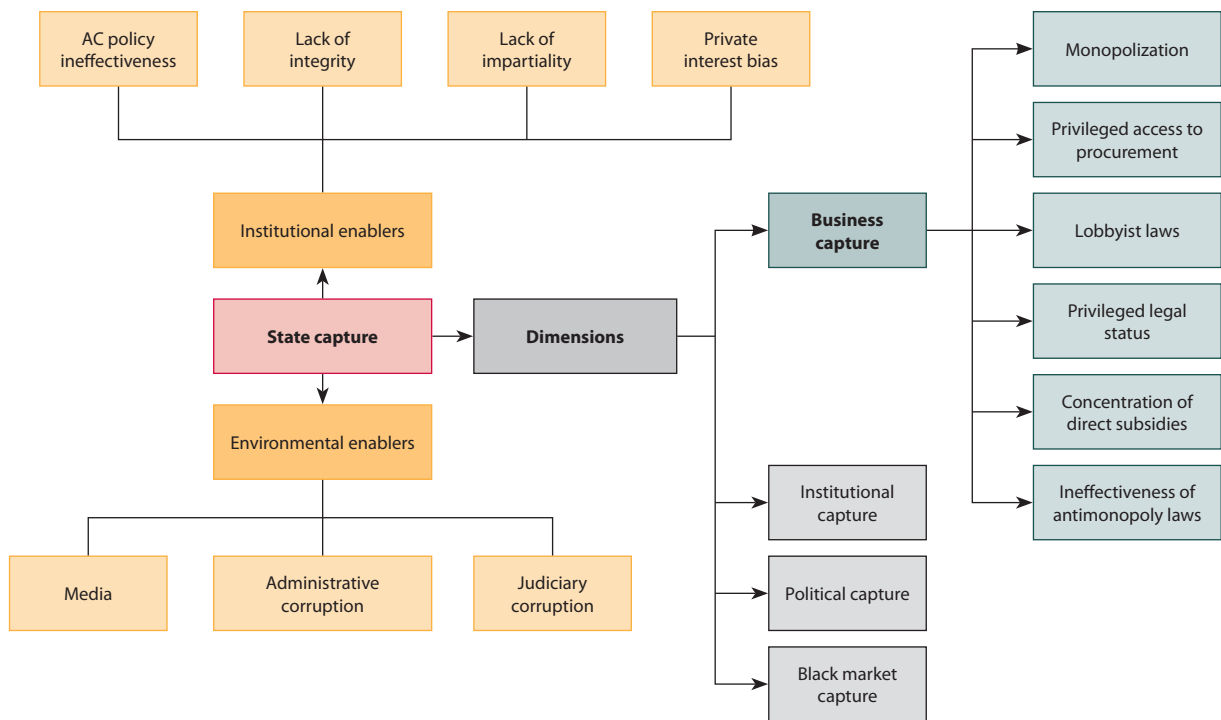
ture or can even keep the same benefactors. Legitimacy is often gained and lost subject to the dominant political narrative and attitudes. In most cases, the basic proxy for the existence of state capture is illicit payments to officials, to their political patrons or to the instruments for party financing. Too often, conspiracy theories prevail in the explanation of policy decisions, extending the capture of the state by foreign governments.

State capture model

The model (Figure 9) behind the state capture indicator is based on the following conceptualization of state capture:

The model distinguishes between three major subcomponents: **institutional enablers**, **environmental enablers** and **dimensions** (initiators) of state capture, all of which would be further split down into measurable indicators. Measuring state capture dimensions provides assessment of the current status of state capture, and measuring enablers provides hints on the plausible dynamics of dimensional captures in the future. Some of the enablers (i.e. administrative or judiciary corruption) are intertwined with some of the dimensional captures of specific institutions and/or sectors. *Ceteris paribus*, judiciary corruption increases the chances for wider and stronger state capture. Increasing anticorruption policy ineffectiveness decreases the chances to counter some of the captures (in a particular institution or economic sector).

Figure 9. Elements of the state capture model



Source: Center for the Study of Democracy.

Box 2. Conceptualization of state capture

State capture is a form of corruption which leads to a systematic and permanent delivery of private goods to the captors (or privatizers) of the institutions. State capture is path-dependent and enabled by weak governance. Enablers could be institutional (anticorruption policies' ineffectiveness, lack of integrity, lack of impartiality, and private interest bias) and environmental (media, administrative and judiciary corruption). In its essence, state capture is the abuse of good governance rules (which is also abuse of power) in the process of drafting, adoption and enforcement of the rules themselves (including the judiciary rules) in

favor of a small number of captors at the expense of society and business at large. Most often, captors are businesses or their ultimate beneficial owners, but they could also be institutional actors, political parties or black-market players.

The functional nature of the capture process – the acquisition of privileged status in a given sector – can be achieved not only by impacting on the adopted regulations and rules, but also through other mechanisms. Therefore, at a general level, **state capture could be described as virtual long-term privatization of the state functions which ensures a systemic privilege for captors.** Depending on who the captors are (businesses, government officials, parties, politicians, etc.) capture could include combinations of multiple base mechanisms: particularistic modification of the legal environment, particularistic law enforcement and implementation of regulations/rules, particularistic access to public resources, asymmetric control over media and the functioning of the financial sector, particularistic political control over domestic and foreign policy, development plans and others.

1.3. STATE CAPTURE DIMENSIONS AND STRATEGIES

The dimensions of state capture can be defined on the basis of the characteristics of actors playing the role of captors. The most widely discussed state capture agents are businesses, institutional actors, politicians and representatives of the criminal world.³⁵ The dimensions of state capture are respectively business capture, institutional capture, political capture and black market capture (see Table 3).³⁶

There are several capture strategies – **clientelism, predation, fusion** and **exploitation** in Grzymala-Busse terminology³⁷ – and a number of patterns of cooperation between the different actors. Strategies differ by the mechanisms used for obtaining control over the state. Political capture often resorts to clientelism, business and black economy capture – to predation, institutional capture – to exploitation. The fusion strategy implies cooperation between political, business and institutional captors. Of course, other combinations are also possible and are influenced by the initial and situational conditions, as in the case of SEE countries.

In transition countries state capture has been characterized by the transformation of political into economic power through the process of privatization, and the use of state resources through public procurement and concessions to strengthen monopoly positions. In the countries of the Western Balkans this process has been significantly influenced by ethnic divisions and the newly emerging nation states. Political leaders riding on guaranteed ethnic support and on their role in the process of relaunching nation building have leveraged their support to monopolize (state) economic resources. In Western European countries state capture is traditionally linked with mafia, but also with influential families (business interests) with long-lasting political presence combined with vested economic interests.

Clientelism involves the competition for power and the realization of this power through a network of relations between the (political) elite and its supporters via the distribution of rents. Clientelism can be characterized as a system within the system. The extracting of benefits here is tightly related with sharing some of them to serve the purpose of maintenance of the position held. Thus, clientelism has a structural dimension in which capital accumulation, bureaucratic rationalization, interest intermediation and political participation are interwoven. Some authors have also given the term a positive spin saying that clientelism could be seen as the necessary “lubricant” for improving administrative efficiency based on legitimate demands for the transformation of socio-economic structures.³⁸ Rents in clientelist systems are distributed not to the whole of

³⁵ While most frequently discussed, these are not all possible forms of state capture.

³⁶ Center for the Study of Democracy. 2016. *State Capture Diagnostics Roadmap*. Working Paper, August 2016, Sofia: Center for the Study of Democracy.

³⁷ Grzymala-Busse, A. 2008. “Beyond Clientelism: Incumbent State Capture and State Formation”. *Comparative Political Studies*.

³⁸ Kawata, J. (Ed.). 2006. *Comparing Political Corruption and Clientelism*. Aldershot: Ashgate Publishing.

Table 3. Major state capture dimensions

Business capture	The active side (captors) are business entities which use different forms of corruption to influence legislation affecting the business sector and other social areas as well as the implementation of legislation and rules in order to acquire privileged status. Examples include monopolization, inefficiency of antimonopoly laws, privileged access to procurement, privileged legal status, lobbyist laws and concentration of direct subsidies.
Institutional capture	Institutions are captured or privatized (informally) by their managers and employees and serve to their private interests ensuring kickbacks for the captors by businesses after contract assignments (procurement or other) or any other undue private gain. The incentive for captors is the appropriation of corruption rent. The incentive for the related business structures is their eventual privileged position in a given market.
Political capture	Politicians who establish close relationships to ensure party donations from sources of funds (mainly business entities) in exchange of future access to public funds and law-making. Political capture symptoms are very similar to clientelism and party favoritism and could be measured through traditional methods, for example based on analyses of party financing.
Black economy capture	Organized crime groups which capture state institutions (typically the judiciary, but also the executive) in order to secure systematic violations of the law and regulations for conducting black sector activities (on a large scale) and launder the profits.

Source: *State Capture Diagnostics Roadmap. Working Paper, August 2016. Center for the Study of Democracy.*

society, but within a certain group that is either strong enough, large enough, or could be easily manipulated to serve the purpose. Participants in these groups are usually people highly dependent on the rent provided by captors – they come from the poor or ill-educated layers of society.³⁹

Fusion refers to the merger of a political party and the state that practically allows the party to control and to extract rents through the state. This strategy also relies on rent distribution but is not characterized by competition for resources. It could be best illustrated by former communist regimes in Central and Eastern Europe (CEE). Here, the power and influence of state institutions are guaranteed only formally, but in reality are under the control of a single actor (political party). The ruling elite distributes rents contingent on societal acquiescence and lowers the risk of being voted out of power by effectively eliminating the opposition.⁴⁰

In contrast to clientelism and fusion, in **institutional exploitation and predation** captors are not involved in resource allocation for buying support from interest groups or large sections of the population. Instead, they rely on usurpation of state institutions for the benefit of well-vested individuals. In the former case, institutions become only tools designed specifically by

private outsider interests that allow direct extraction of benefits and prolong the status-quo.⁴¹ Institutions are hollowed out of power and influence but serve as a façade distracting the public from the corrupt practices in government.

Predation, on the other hand, involves the shrinking of state institutions to a minimum in order to allow a few individuals to fully control the state.⁴² By totally eliminating competition, rulers are able to monopolize resources as demonstrated in numerous examples from Africa, the Middle East and Asia.⁴³ In such social setting, public institutions serve as a bureaucratic apparatus to guarantee the full loyalty and the elimination of potential resistance to the strategy of resource extraction.

An example of **institutional exploitation from inside** is the situation where the ubiquitous corruption in a public organization leads to **corrupt privatization** of the organization by its employees (sort of management buy-out). The latter sell their services to the public and ostracize the ones refraining from corruption. The

⁴¹ Ibid.

⁴² Sidel, J. 1999. *Capital, Coercion, and Crime*. Stanford, CA: Stanford University Press.

⁴³ Jackson, R., and Rosberg, C. 1982. *Personal Rule in Black Africa*. Berkeley: University of California Press.

³⁹ Norlin, K. 2003. *Political Corruption: Theory and Evidence from the Brazilian Experience*. University of Illinois at Urbana-Champaign.

⁴⁰ Ibid.

Iroghama, P. 2005. *Bandits or Rulers? Sources of Perceived Political Corruption in Sub-Saharan Africa*. The University of Texas at Dallas.

organization itself reframes its objectives to fit the interests of its employees rather than the public interest and public organizational features. Such examples were observed in the traffic police or customs agencies of some transition countries before their accession to the EU.⁴⁴ In Georgia, unable to tackle the institution's capture, the government even closed the traffic police down and reopened it with newly recruited staff.⁴⁵

All dimensional captures – by legitimate or illegitimate businesses, policy makers or public officials, or by coalitions among them – are **enabled** or **disabled** by various factors, which could be grouped into **institutional** and **environmental**.

Institutional enablers. This group of indicators characterize the institutional environment in which the businesses in a specific sector operate with respect to the ability of the environment to ensure the neutrality of the administration, along with equal opportunities for each economic actor. Enablers affect all actors in a sector and therefore their values should be measured at the **sector level**, i.e. public organizations which have an operational mandate to regulate businesses in a specific sector should be assessed. Some organizations, however, regulate all sectors and business (e.g. tax administration, customs).

Enablers denote institutions and processes that contribute to the creation of an environment favorable to state capture. In this way they make organizations vulnerable to different corruption influences and create conditions for the realization of state capture mechanisms.

The most important institutional enablers are:

- Anticorruption effectiveness (the ability of administrative structures to prevent, identify and counteract corruption practices among officials);
- Integrity of public officials (establishment and interiorization of new standards of behavior, which increases accountability and transparency);
- Neutral attitude towards citizens and businesses (the ability to adequately apply rules of fairness and impartiality in everyday transactions and services);
- Lack of bias toward specific private interests.

⁴⁴ See, for example, Center for the Study of Democracy. 2016. *State Capture Unplugged: Countering Administrative and Political Corruption in Bulgaria*, p. 31.

⁴⁵ Puppo, L. D. 2019. *Policing as Spectacle in Georgia: The Creation of Boundaries in a Post-Revolutionary Country*. Higher School of Economics Research Paper No. WP BRP, 85.

These functional characteristics operate as **institutional enablers** or **disablers/inhibitors** of corruption transactions. There is a **direct causal link between institutional enablers and dimensional captures**. **Institutional enablers could be measured at sectoral level and this could allow to assess the efficiency and efficacy of policy measures against state capture**. Improving institutional enablers in one year could lead to reducing state capture in next years and this could provide an excellent policy framework for a cost – benefit analysis on state capture measures.

Environmental enablers refer to the status of various processes in society that favor or inhibit corruption transactions. Environmental enablers have only indirect effect on capture and could be measured at the national level. The model in Figure 4 assumes three major environmental enablers which could be easily measured:

- Level of media freedom or media independence;
- Overall level of administrative corruption in the country;
- General level of corruption in the judiciary and law enforcement.

Captors may be few in cases where the expected privilege is regulation favoring cartel or quasi-cartel structures. Depending on the sought privilege or relative advantage, the conquered structures and respectively employees may be greater in number. This is conditional on the mechanisms of the legislative process and includes at least establishment of the regulation and approval of a bill by an institution which has the right to propose it to the legislature and to provide the necessary support to the legislative body. Achieving co-ordination between so many actors in the process implies that the captor co-ordinates the action through multiple assistants. Depending on the type of regulation adopted, a number of public authorities and their relevant staff (often at senior management level) would be willing to cooperate.

The main factor in this type of illegitimate cooperation (if it is illegitimate) is that there are a **number of corrupt-type transactions** that ultimately lead to the desired end result. The purpose of the complex system of actions is to introduce a regulation that provides a permanent privilege for a limited range of captor(s). The employees involved in the process receive a fixed amount for their services.

Another important factor concerns **the environment** in which corrupt transactions are carried out. Many ele-

ments of the process of state capture are illegitimate and/or inadmissible. In this sense, achieving state capture would be very difficult or impossible in an environment characterized by rule of law, low level of administrative corruption and media freedom. The most it would tolerate would be state capture limited in scale and complexity, with few far reaching effects. In the model of state capture developed in the present analysis these elements are referred to as **environmental enablers**, as they are factors conducive to the process of capture.

Besides the traditional understanding of the state's capture by non-state actors, Yakovlev⁴⁶ notes that a reverse process can be observed in Russia. The consolidation of bureaucracy (after the initial period of transformation) raises interests among the public authorities (groups of public officials) to use their power for control and/or capture of the business sector (i.e. acquiring business assets). In fact, this is a modified "reverse" form of the early post-communist administration's involvement in the privatization of state assets. The situation in Russia described by Yakovlev suggests that public authorities (employees, groups, etc.) could actively seek to capture the state. A number of authors⁴⁷ acknowledge their mediating role in the capture process through informal groups of employees across public organizations forming a **network** that provides "multidimensional" corrupt services to private individuals.

The privileged status of the captors can be achieved not only by **shaping the regulations** affecting their activities, but also by influencing **the enforcement** of the relevant regulations. Using environmental and institutional enablers, some captors have been able to build mechanisms which practically make them exempt from regulations or to misuse their informal power over law enforcement bodies against their competitors.

Such mechanisms include a web of connections to the executive branch and the judiciary which are able to block most attempts of public control and law enforcement interventions targeting their activity. The term most often used for this type of captors is oligarchs. Their specific modes of operation have been described in numerous analyses examining the

connection of businesses to public power.⁴⁸ The capture might employ mechanisms such as deliberate errors at the pre-trial phase which guarantee a successful appeal even if the captor is convicted, interference in random case distribution, etc. It could manifest itself in the abuse of police, investigation or prosecution powers against competitors without proper legal grounds, thus sabotaging the chance of a competitor to win a procurement bid even if the trial does not lead to conviction.

Last but not least, a pattern is observed in transition economies where a stakeholder is granted a privileged position in the process of legalization of a competitive gray/informal market. This privileged position might lead to monopolization or oligopolization of the legalized market (e.g. video rentals, urban transportation). This pattern is similar to the black market capture where some criminals get preferential treatment over their competitors by law enforcement bodies due to their political ties or in exchange of information.

1.4. THE ASSESSMENT MODEL

The empirical assessment model of state capture relies on measuring **proxies** for the existence of privileged actors (in the economy or in a given sector) or deviance in the behavior of public institutions (either from a good governance standard or from expert expectations/average for the country/sector). The proxies indicate **state capture vulnerabilities** in different **dimensions**, rather than being direct evidence for a realized capture. These vulnerabilities could facilitate emerging state capture even when none is currently present. High vulnerability areas should guide more thorough analyses at the sectoral level coming from different independent sources – audits by the responsible public bodies, journalistic investigations, comparative and case studies by scholars and think tanks, etc. In certain areas, additional risk assessment could provide enough evidence for the control institutions to identify the captors (e.g. through mirror statistics on import/export and comparing the number of cars/trucks exiting/entering through a particular border point one could scale down contraband to a given shift of customs officers and limited companies to audit).

⁴⁶ See: Yakovlev, A. 2006. "The Evolution of Business–State Interaction in Russia: From State Capture to Business Capture?" *Europe-Asia Studies* 58, pp. 1033-1056.

⁴⁷ See: Нончев, А., 2017. *Завладяване на постсоциалистическата държава: икономически, политически и социални измерения*, in: Научни трудове, Том 1/2017. УНСС, София, pp. 35-56.

⁴⁸ One of the more recent publications in this respect is: Magyar, B. 2016. *Post-Communist Mafia State: The Case of Hungary*. Budapest: Central European University Press.

Being in a monopoly position could be the result of state capture or could be completely legitimate and market driven. Substantial market share of public procurement in a given sector/period could be achieved by legitimate competition and illegitimate actions alike. Regardless of the origin of monopoly or the presence/absence of state capture, the public interest requires deliberate attention and constant monitoring of the behavior of private actors, officials and public institutions.

A comprehensive diagnostics system for state capture should measure and assess at least the following aspects of this phenomenon:

- **Existence of captor symptoms (risk of being a captor) and their relative impact in a given economic sector.** In case of business capture, the impact could be measured by captured turnover, assets, profit, cashflow or other financial indicators for the sector. If the captors are employees of an institution, then the impact could be measured by number of institutional clients affected by the capture, frequency and size of bribes, etc.
- **Which public sector institutions (or units) are vulnerable to capturing and to what extent.** Measurement should cover the main activity of the institution, i.e. number, size and other characteristics of risky public procurement contracts/concessions, or whether specific vulnerable sectors/companies are avoided by law enforcement institutions, etc. It should also provide insight about the type of the capture – clientelism, predation, fusion or exploitation, as this would determine the success of different counteraction strategies.
- **What the estimated loss or damage for the economy and society from the observed level of state capture is.** While it is hard to make an objective assessment of this kind at the area level, it is important to have a transparent impact assessment model which could provide relative assessment (comparing different areas). Public institutions should be accountable to society if they do not address the areas at greatest risk and most affected by state capture.
- **What the institutional and environmental enablers to state capture are** and what their dynamics in time suggests for the evolution of state capture vulnerabilities in the future. The enablers are stable characteristics of institutions or of the environment which increase/decrease state capture vulnerability (i.e. integrity, impartiality, corruption, media freedom, etc.). They could be measured by existing indicators (i.g. World Justice Project, World Press Freedom, Eurobarometer) or by new, tailored measures.

The assessment for being a captor could be done at firm level (disproportionate award of public funds), sectoral level (as assessed by a panel of experts or by market concentration, measured directly with the Herfindahl-Hirschman Index⁴⁹ (HHI, C_2 , C_5 ⁵⁰ or other established instrument)) or institutional level (as assessed by MACPI administrative⁵¹ and integrity tests).

Firm-level assessment could compare market shares in public procurement contracts with normal competitive markets (construction, equipment, cars, etc.). If a company outperforms its competitors only in the public procurement segment of the market, this is a good proxy for its being a captor. Additional proxies could be the family or other known relations between owners or managers of companies and top officials,⁵² which might have residual power. More complicated assessments could consider ultimate beneficial owners of the companies. This was done in an analysis of politically connected firms awarded public procurement contracts in construction in Bulgaria.⁵³ Political connectedness contributes to single bidding occurring more often, which is a strong proxy for state capture.

Sector-level estimates match expert assessment of how prone to state capture different sectors are with the relative size of the sectors in the economy. Then, using the results as weights, the average capture is calculated. Other sector-level estimates could include measuring concentration of the markets with HHI, C_3 , C_5 , etc. Markets could be either the wider NACE markets, or sub-markets like public procurement markets for specific CPV codes. Monopoly or oligopoly position per se might not be a problem and might have been established legitimately – through an innovative and superior product/service/business model. Yet, if

⁴⁹ Miller, R. A. 1982. "The Herfindahl-Hirschman Index as a Market Structure Variable: An Exposition for Antitrust Practitioners". *Antitrust Bull.* 27, p. 593.

⁵⁰ C_n is a concentration measure providing the sum of market shares of the first n biggest market players.

⁵¹ Stoyanov, A., Gerganov, A. Di Nicola, A. and Costantino, F. 2015. *Monitoring Anti-Corruption in Europe. Bridging Policy Evaluation and Corruption Measurement*. Sofia: Center for the Study of Democracy.

⁵² Even in the absence of a formal conflict of interest as defined by law capture might be present through a more complex chain of command. For instance, when the company managed by the brother of a top official at a Bulgarian state agency won a public procurement bid at a regional unit of the same agency, the formal decision on awarding the contract did not involve the official.

⁵³ Stefanov, R., Yalamov, T., and Karaboev, S. 2015. "The Bulgarian Public Procurement Market: Corruption Risks and Dynamics in the Construction Sector" in: Mungiu-Pippidi, A. (Ed.). *Government Favouritism in Europe: The Anticorruption Report* Volume 3 Edition. Leverkusen Opladen: Barbara Budrich Publishers.

anti-monopoly laws or policies in the diagnosed state are not effectively enforced (because of capture of the antitrust institutions), then the market concentration could be counted for state capture.

If based solely on official financial statistics per economic sector, **the concentration analysis** could sometimes be misled, as some companies might have revenues from markets (local or international) other than their registered NACE code. Other problems arise if companies which appear to be independent are in fact controlled through complex capital structures (sometimes leading to offshore zones) by the captor. The presence of such structures is by itself a very strong predictor of business capture and could be discovered through an appropriate network analysis. Business capture at sector level could also be measured through the bargaining power of major suppliers or clients (which cannot be differentiated on NACE level) involved in sectoral capture with the support of the controlling institutions.

Privileged actors (captors) in business usually obtain (though corruption) undue multiple advantages with respect to society and the market and are able to extract rents because their captor status enables them to:

- acquire monopoly or oligopoly status in a given sector or towards a given set of buyers or suppliers (usually public institutions, but also private utility companies);
- effectively counter attempts to limit their market power through modification of rules and legislation, administrative burdens or selective law enforcement towards their competitors and block investigations or court proceedings against their actions or business;
- have privileged access to public resources and effectively block attempts to be deprived of this privilege (including national direct subsidies and grants from EU structural funds, concessions, creating administratively new markets by requiring large portions of businesses or citizens to acquire specific new services);
- control media (sometimes through public funding, including from Structural Funds) and influence public opinion.

State capture at **institutional level** could be measured using a number of tools: MACPI administrative, integrity tests within institutions, monitoring of public officials' tax returns, using proxy measures for the share of public procurement awards as a result of single bidding or for the concentration of tenders at a particular

institution, etc. This approach was piloted in Bulgaria to assess contracting authorities with public procurement procedures in construction in the period 2009 – 2014.⁵⁴ The primary method of institutional capture is through the governance of state-owned enterprises (SOE) including municipally owned ones. SOEs usually control considerable assets and cashflow, which can be invested in political party funding or used in the interest of a particular company/ group of companies. The *OECD Guidelines on Corporate Governance of State-Owned Enterprises* provide an excellent framework to analyze SOE capture. A country's failure to comply with the Guidelines is a serious proxy for state capture at institutional level (in the case of non-compliance of particular SOEs) or at state level (in case the government takes no steps to adopt legislation ensuring further compliance to the Guidelines).

The application of the described state capture assessment model requires substantial resources: to access the variety of data, to integrate it using big-data techniques and to recruit a large pool of experts for the assessments. The current study has piloted some of the suggested methodological instruments in Bulgaria, the Czech Republic, Italy, Romania and Spain in order to check their validity and reliability. The heuristic value of the diagnostics' pilot implementation is in testing the possibility of identifying the **probable spheres or sectors** where state capture processes are likely to evolve. It also tests which elements of these processes are manifested with greater intensity and which sectors appear **most vulnerable** to state capture.

Vulnerability assessments do not show the specific sectors/spheres captured and the way in which they have been captured. They mainly highlight the most vulnerable sectors which would potentially need to be investigated. Therefore, state capture research instruments are primarily used for vulnerability identification and diagnostics. They foreground the areas at risk which should be addressed by policy makers and institutions. Thus, the capacity and political will of the latter would be crucial for conducting relevant and effective analysis and investigations.

The threshold values of estimated capture parameters, i.e. the range values of each indicator (discrete or continuous), which frame capture vulnerability as low, me-

⁵⁴ Stefanov, R., Yalamov, T., and Karaboev, S. 2015. "The Bulgarian Public Procurement Market: Corruption Risks and Dynamics in the Construction Sector" in: Mungiu-Pippidi, A. (Ed.). *Government Favouritism in Europe: The Anticorruption Report* Volume 3 Edition. Leverkusen Opladen: Barbara Budrich Publishers.

dium or high, are a critical issue. This problem is most often resolved based on the experience of experts and the cumulative number of existing previous research observations with the same methodology. Another factor is the correlational dependencies with other or similar indicators. However, previous experience in studying state capture in this respect is scarce. This leads to two possible solutions:

- Introduction of theoretically defined ranges for low, medium and high capture vulnerability. The accumulation of new observations would help define ranges more accurately and correct the initial theoretical assumptions.
- Comparative analysis of the values of indicators of capture vulnerability across countries. This would both increase the number of observations and allow for a better assessment of individual country values.

1.5. THE STATE CAPTURE ASSESSMENT DIAGNOSTICS (SCAD) INSTRUMENT

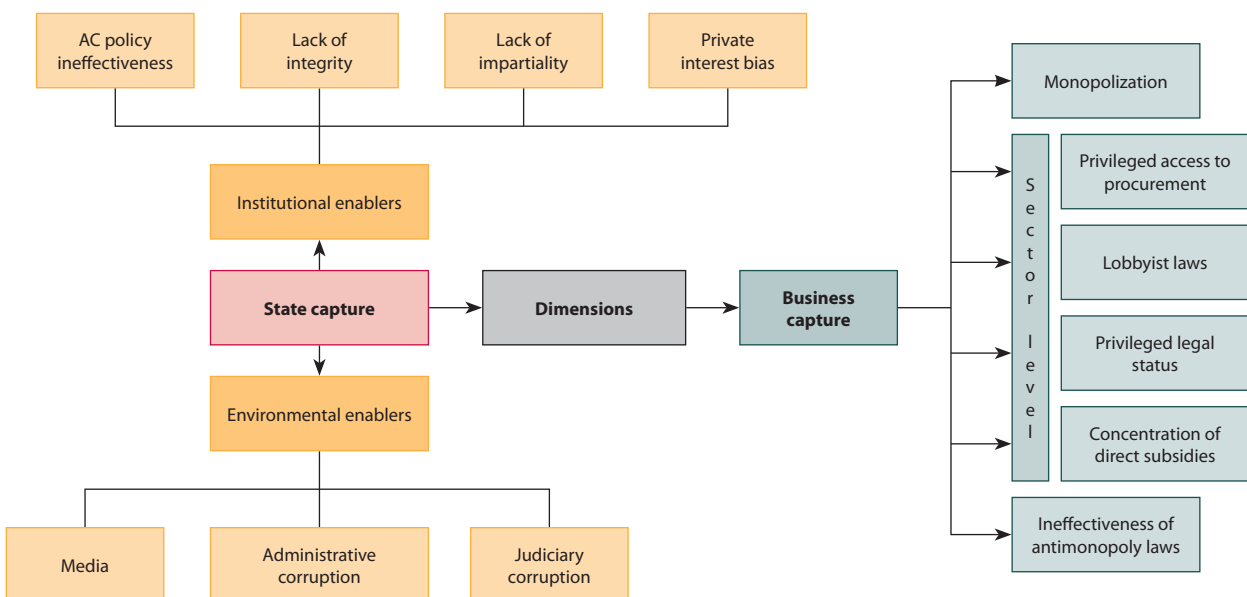
The concrete state capture assessment methodology used in the analysis focuses exclusively on business

capture and on enablers and is based on a model which is slightly simpler than the base model elaborated above (Figure 9). The simpler model features three level-one indicators of state capture: institutional enablers, environmental enablers, business capture elements (Figure 10). High values of the indicators for each level-one concept demonstrate potential vulnerabilities to state capture pressure if not actual symptoms of existing state capture. Furthermore, indicators (and respectively the processes they measure) tend to reinforce each other. Dynamically, unfavorable statuses in one dimension (level-one concept) have a negative impact on values in the other dimensions.

Business capture elements have been constructed to reflect those elements of the business sector environment which would have unfavorable statuses if capture processes exist or are evolving (in varying degrees). The existence or absence of these elements would prove the existence or absence of state capture processes.

Businesses are the most common initiator of state capture. Achieving privileged status means that a given business entity (company) has influenced law makers to adopt **favorable (biased) legislation or lobbyist laws**, which enhance its market position or has gained **privileged legal status** guaranteeing it **law enforcement protection**. Under the present model these will be assessed by experts at the **sector level**

Figure 10. SCAD model



Source: Center for the Study of Democracy.

level⁵⁵ – through an assessment of experts of the sectors most vulnerable to state capture, and at the **national-level** through the **institutional enablers** (that specific firms or people would never be sanctioned). At the sector level two more business capture elements are assessed – **privileged access to procurement** and **concentration of direct subsidies** in a small number of companies from a particular sector.

The SCAD model measures the **business capture** dimension through a **national-level indicator** by the **monopolization pressure** and **ineffective antimonopoly laws** sub-indicators. Effectiveness of the antimonopoly laws should include **practical results**, not only legal framework analysis which is somewhat common in legal framework assessment. State capture can sometimes occur within a well-functioning legal framework which could even be used by captors to their business advantage. Therefore, the instrument measuring this component should recognize the difference between implementability, implementation (formal and real) and effectiveness of a policy/law and should be able to estimate all of these adequately. The government or the quasi-independent antitrust institutions do not interfere in cases of established market concentration of different forms, thus allowing the capturing business to impose a price structure of its products or services which favors itself or a group of companies.

The SCAD instrument is developed specifically for the assessment of state capture **dimensions** and **enablers** for which there are no reliable indicators on international level. It combines hard data from company

registers (e.g. company turnover in a particular economic sector) and soft data derived from experts' and government officials' assessments.⁵⁶ The instrument has been implemented and empirically tested in the five countries.

Public officials are managerial or expert-level staff currently employed at the public administration, the judiciary, the prosecution, etc.

Experts include:

- NGO staff or board members with expertise on corruption, conflict of interest, market competitiveness, etc.
- Academics with expertise on corruption, conflict of interest, market competitiveness, etc.
- Former public officials familiar with at least some of the public organizations included in the survey.
- Heads of large businesses familiar with at least some of the public organizations included in the survey.

SCAD uses a pool of both external experts and acting public officials. They can participate in the assessment process if they comply with the key requirement – familiarity with some of the regulatory and control bodies in the country. The large sample guarantees different views and opinions and where the different experts' opinions converge, those would be the high-pressure areas (sectors or institutions). Discrepancies between public officials and external experts contribute to yet another informative level of analysis, rather than decreasing the quality of the results.

Box 3. SCAD operationalization

Public organizations regulating and/or controlling the market are assessed in terms of integrity, impartiality, tendency to serve the public or, on the contrary, demonstrate private bias, and, finally, the effectiveness of their anticorruption policies. Public organizations are directly listed in the questionnaire and experts can choose to assess those with which they are familiar. During the analysis phase, different organizations are grouped based on the government function they represent. SCAD focuses on government functions related to regulation and control of the market (see Appendix II). This allows for a more standardized approach to the assessment and avoids the problem with comparing public organizations from different countries, which often have similar functions but different structure (e.g. functions performed by an independent agency in one country can be carried out by a department in a ministry or a public company in another one).

⁵⁵ To construct national-level indexes for these business capture elements a substantively larger pool of experts who cover all economic sectors with expertise is required.

⁵⁶ At least 20 and preferably more than 50 representatives from each group are required to take part in the state capture assessment diagnostics.

The assessment of NACE rev.2 examines economic sectors in terms of existence of a monopoly/oligopoly/cartel in the sector (see question S1 in Appendix I). The list covers more than 40 sectors with the highest turnover in the country or sectors demonstrated to be at high risk in a number of countries (such as gambling and waste treatment). If a sector is assessed as monopolized by an expert, additional questions regarding the potential vulnerabilities in this sector are asked. Finally, experts assess the quality of rules and regulations in each of the sectors in the context of their antimonopoly effectiveness.

Source: Center for the Study of Democracy.

Table 4. Judiciary capture for Czech Republic

Indicator	Czech Republic Score (0 to 100)	Source
7.3. No corruption	23	Rule of Law Index: 7. Civil justice
7.4. No improper gov. influence	22	Rule of Law Index: 7. Civil justice
2.2. No corruption in the judiciary	13	Rule of Law Index: 2. Absence of corruption
8.5. No corruption	24	Rule of Law Index: 8. Criminal justice
8.6. No improper gov. influence	13	Rule of Law Index: 8. Criminal justice
Judiciary capture	19	

Source: World Justice Project, 2017 – 2018.

Information about the **environmental enablers indicators** is collected from external sources which measure the respective indicators (World Justice Project's Rule of Law Indexes,⁵⁷ Media Pluralism Monitor, World Press Freedom Index and Freedom of the Press).

Judiciary capture assessment is based on several key indicators from the Rule of Law Index, presented in the table below. Scores were inverted and normalized to allow higher values to mean higher state capture and to be on the scale of 0 to 100.⁵⁸ The Judiciary capture score is the average of the five components. Table 4 provides data for judiciary capture in the Czech Republic.

Media capture is assessed as the average of two media freedom indexes (World Press Freedom Index by Reporters Without Borders⁵⁹ and Freedom of the Press Index by Freedom House)⁶⁰ and two key components of the Media Pluralism Monitor by CMPF.⁶¹ Table 5

⁵⁷ World Justice Project. 2019. *Czech Republic*.

⁵⁸ Judiciary Capture Indicator = (1 - Rule of Law indicator score)*100.

⁵⁹ Reporters Without Borders. 2018. *2018 World Press Freedom Index*.

⁶⁰ Freedom House. 2017. *Freedom of the Press 2017: Romania Profile*.

⁶¹ Centre for Media Pluralism and Media Freedom. 2016. *Media Pluralism Monitor 2016 – Results*.

provides data for the media capture score of Romania. The original indicators use the same scale and direction (higher scores mean worse performance in terms of freedom and pluralism), so there is no need to further normalize the values.

The defined levels of assessment of monopolization which have been adopted in the analysis are as follows:

- Low: 0-30% of experts assess the sector as monopolized
- Medium: 30-50% of experts assess the sector as monopolized
- High: more than 50% of experts assess the sector as monopolized

Overall, the SCAD instrument includes three levels of operationalization of indicators (Table 6) and combines data obtained from the assessment instrument as well as data from external sources.

An important element in SCAD is the evaluation of public organizations (institutions) which regulate a certain sector or are relevant to this sector. These evaluations have been matched with the sectors evaluated at the stage of data processing in order to assess vulnerabilities that apply to a specific sector.

Table 5. Media capture in Romania

Indicator	Romania	Source
2017 World Press Freedom Index	24	World Press Freedom Index
2017 Freedom of the Press	38	Freedom of the Press
2016 Media Pluralism Monitor: Market plurality	64	Media Pluralism Monitor
2016 Media Pluralism Monitor: Political independence	65	Media Pluralism Monitor
Media capture: average	48	

Source: World Press Freedom Index by Reporters Without Borders, Freedom of the Press Index by Freedom House, Media Pluralism Monitor by CMPF.

Table 6. Measured concepts, indicators and sources of information of SCAD

Level-one concept	Business capture	Level-three indicators ⁶²
Level-two indicators	Assessed monopolization pressure – assessment at national level	Assessed level of monopolization of sectors at the country level Sector turnover in national economy (% of operating turnover in sector)
	Sector-level monopolization (for sectors with high levels of assessed monopolization) – assessment at sector level	A specific company or a small number of companies win too many public tenders
		Laws provide illegitimate competitive advantage
		Selective application of control and/or sanctions
Ineffectiveness of antimonopoly laws – assessment at national level	Concentration of public funds in the sector (euro funds, direct subsidies, etc.)	
		Laws regulating the sector help/hinder/not related to the formation of monopolistic, oligopolistic or cartel structures
Level-one concept	Institutional enablers	Level three indicators
Level-two indicators	Lack of integrity – assessment at national level	Activities are not transparent
		Not accountable for its actions
		No checks and balances
	Lack of impartiality – assessment at national level	Often serves private interests
		Would never sanction certain people/firms
		Its rules of operation are violated often
Private interest bias – assessment at national level	Private interest bias	
Ineffectiveness of anticorruption policies – assessment at national level	Estimated external corruption pressure	
	Estimated pressure from above	
	Estimated involvement in corruption	
Level-one concept	Environmental enablers	Level three indicators
Level-two indicators	Media capture – assessment at national level	World Press Freedom Index Freedom of the Press Media Pluralism Monitor: Market plurality Media Pluralism Monitor: Political independence

⁶² Indicators are formulated negatively in order to make interpretation of values easier – the higher the value, the more unfavorable the status of the respective capture aspect.

Table 6. Measured concepts, indicators and sources of information of SCAD (continued)

Level-one concept	Environmental enablers	Level three indicators
	Administrative corruption – assessment at national level	Eurobarometer data (could be replaced by CMS by CSD) ⁶³
	Judiciary capture – assessment at national level	Rule of Law indicator: 7.3. No corruption Rule of Law indicator: 7.4. No improper gov. influence Rule of Law indicator: 2.2. No corruption in the judiciary Rule of Law indicator: 8.5. No corruption Rule of Law indicator: 8.6. No improper gov. influence

Source: SCAD, Center for the Study of Democracy.

Implementing this principle for different countries, however, has been troublesome, as national regulations differ and are implemented by different “sets” of public organizations. The approach adopted to address this specific problem has been to group public organizations by function and match assessments by function. This ensures proper comparability of data across countries. The table used to select institutions related to the market/sector by country is presented in Appendix II.

Monopolization pressure

Assessment of monopolization pressure is based on individual expert assessment per economic sector if there is any reason to suspect the existence of a monopoly/oligopoly/cartel (see question S1 of the SCAD instrument in Appendix I). Experts assess an initial set of 20 pre-defined sectors for each country (based on revenues generated by the sector or prior research of monopolies/oligopolies/cartels) followed by another set of 20 sectors if they believe there are more sectors with monopolization pressure, or manually add sectors as needed.

As a next step towards the calculation of **monopolization pressure**, sectors are categorized in six groups:

- Sectors selected by half (or more) of the experts form a group of sectors with **high** monopolization.
- Sectors selected by between 30% and 50% of the experts form a group of sectors with **medium** monopolization.
- Sectors which are selected by less than 30%, but are mentioned by at least one expert form a group of sectors with **low** monopolization.

- Sectors which are not selected by any of the experts from the group of sectors with “no risk” of monopolization pressure.
- State-owned companies (owned by government or municipality, directly or indirectly controlled) form a separate group.

The total company turnover for the five types of sectors is computed based on the latest company data for the country.⁶⁴ The turnover for the “last available year” is used with only the last three available years selected (2015 – 2017). Most of the data is for 2016 with just a small number of companies with data for 2017. Companies with last available turnover information before 2015 are excluded from the analysis.

For each of the five types of sectors (high, medium, low, no risk and SOE) the share of the total company turnover is computed in the same way. Companies from NACE rev. 2 sector 6420: Activities of holding companies are excluded from calculation of the turnover of the five sectors and form a separate sixth sector. The reason is the big variation of turnover in this sector from country to country from less than 1% to 18%.

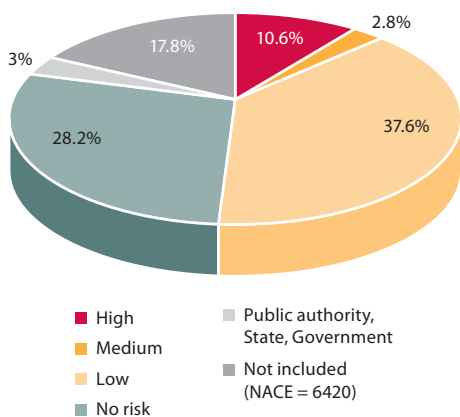
Monopolization pressure is computed as the percentage of company turnover concentrated in sectors with medium or high risk of monopolization. Figure 11 provides an example of the calculation of the monopolization pressure, which is 13.4 % (=10.6% + 2.8%). **Ineffectiveness of antimonopoly laws** is the second component of the Business state capture pressure index. It is based on question S3⁶⁵ which asks whether the laws regulating the sectors listed in S1 hinder or help the formation of monopolies/oligopolies/cartels.

⁶³ For a detailed description see the Methodological Appendix: Corruption Monitoring System in: *Anticorruption Reloaded: Assessment of Southeast Europe*. 2015. Sofia: Center for the Study of Democracy.

⁶⁴ CSD calculations based on data from corporate registers and databases.

⁶⁵ See question S3 in Appendix I.

Figure 11. Share of turnover by risk of monopolization in Spain



Source: SCAD, Center for the Study of Democracy.

Ineffectiveness of antimonopoly laws is computed as **the weighted average** of the percentage of experts who believe that the laws for the different sectors **help** the monopolization of the sector. Weighting of the average is done based on the percentage of the total company turnover in the sector, so that sectors with higher total company turnover are taken with more weight.

The first 20 sectors (of highest turnover and proved to have had monopoly/oligopoly in the past) are assessed by all experts, while the next 20 sectors are optional. Weighted average of the percentage “laws... rather help the formation of monopolistic structures in the sector” answers is computed for all sectors with the company turnover in the sector as a weight. The “cannot answer” replies are not excluded when calculating the percentage.

The final indicator, **Business state capture pressure**, is computed according to the following formula which reflects the importance of the assessed monopolization pressure indicator:

$$\text{Business state capture pressure} = (\text{Assessed monopolization pressure} * 2 + \text{Ineffectiveness of antimonopoly laws}) / 3$$

The SCAD model envisages additional business capture indicators, assessed at sector level only by question S2. For economic sectors assessed as monopolized by experts, they further assess if:

- a specific company or a small number of companies win too many public tenders (**privileged access to procurement**);
- there are laws that provide illegitimate competitive advantage (**lobbyist laws**);
- control and/or sanctions are applied selectively which helps particular companies (**privileged legal/law enforcement status**);
- there is concentration of grants in the sector – euro funds, direct subsidies, etc. (**concentration of direct subsidies**).

The indicators show the percentage of experts who have assessed a particular economic sector as vulnerable to monopolization who also assess that these sectors contain one or more privileges for some of the companies.

SCAD is also used to compile the indicators for institutional enablers whose structure is presented in Table 7.

Table 7. Indicators for institutional enablers

Level-one concept	Institutional enablers	Level-three indicators
Level-two indicators	Ineffectiveness of Anticorruption policies	Estimated external corruption pressure
		Estimated pressure from above
		Estimated involvement in corruption
	Lack of impartiality	Often serves private interests
		Would never sanction certain people/firms
		Its rules of operation are violated often
	Lack of integrity	Activities are not transparent
		Not accountable for its actions
		No checks and balances
	Private interest bias	Private interest bias

Source: Center for the Study of Democracy.

The **Institutional enablers** indicator is the **simple average** of Ineffectiveness of anticorruption policies, Lack of Impartiality, Lack of Integrity, and Private interest bias.

The **Environmental enablers** indicator is the simple average of the Media Capture, Administrative Corruption, and Judiciary Capture.

The **State capture enablers** indicator is the simple average of Institutional enablers and Environmental

enablers indicators. It provides an assessment of the general environmental and institutional vulnerability of the county to state capture.

The **Business state capture pressure** indicator reflects possible symptoms of sectoral business state capture which should be analyzed further at the sectoral level.

Box 4. Calculation of indicators

Ineffectiveness of anticorruption policies. The indicator is computed as the simple average of three level-three indicators:

- The **average** percentage from all public organizations of answers “high” and “medium” external pressure to question Q8 “Would you say that the external pressure for corruption transactions (bribes, lobbying, etc.) for the following public organizations is: high, medium, low or no pressure at all?” (**Estimated external corruption pressure**);
- The average percentage of answers “very likely” or “rather likely” (for a superior to exert pressure from above) to question Q10 “How likely would it be for a superior to order his/her staff members to perform unauthorized activities or services in the following public organizations?” (**Estimated pressure from above**);
- The percentage of experts who answer that the corresponding organizations “rather increase corruption with their activity” to question Q41 “In your opinion, how do the following public organizations affect corruption risk and cases of corruption in [country]?” (**Estimated involvement in corruption**).

Lack of impartiality follows the same algorithm and is the average of the following three indicators:

- The **average** percentage from all public organizations of answers “It happens often” to Q42. “In your opinion, are there cases when the listed organizations protect private interests in violation to their formal rules of operation?” (indicator **Often serves private interests**);
- The average percentage of answers “There are some companies/individuals” or “There are many companies/individuals like this” to Q43 “In your opinion, are there companies or individuals that this institution would never sanction?” (**Would never sanction certain people/firms**);
- The average percentage of answers “They are often violated” to Q44 “In your opinion, how often are the laws or rules governing the operations (regulating the activity) of each of the listed organizations violated?” (**Its rules of operation are violated often**).

The **Lack of integrity** enabler is calculated as the average of the following three indicators:

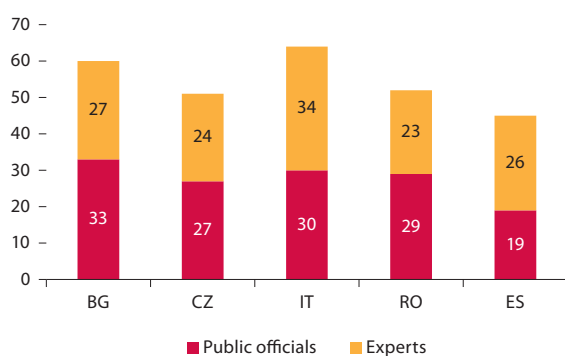
- The **average** percentage from all public organizations of answers “No” to Q45a. “Its activity is transparent” (indicator **Activities are not transparent**);
- The average percentage of answers “No” to Q45b “It is accountable for its actions (activity)” (**Not accountable for its actions**);
- The average percentage of answers “No” to Q45c “There are other public organizations that could exercise effective control over its activities” (**No checks and balances**).

Private interest bias is based on the share of answers “The control and the imposition of sanctions are done selectively, and the choice of whom to control/sanction follows private interests” to question Q57C “In your opinion, how effective is the control and punitive activity of the following organizations?”.

1.6. EMPIRICAL VALIDATION OF THE SCAD INDICATORS

The second level institutional enabling indicators (Lack of integrity, Lack of impartiality, Private interest bias, and Ineffectiveness of anticorruption policies) were tested empirically through factor analysis based on the combined data from Bulgaria, the Czech Republic, Italy, Romania and Spain.

Figure 12. Number of assessments per country and type⁶⁶



Source: SCAD, Center for the Study of Democracy.

Data from the pilot testing of the SCAD methodology in the five countries were merged in a single file with experts' answers for different institutions treated as separate data points.⁶⁷ This led to 1605 different institutional assessments from all five countries.

Factor analysis was performed on the ten level-three indicators. Principle axis factoring was used as an extraction method, consistent with factor analysis used for the verification of a theoretical concept. A fixed number of factors (four) was used as an extraction criterion and Varimax rotation was performed. The rotated solution is presented on the Table 8.

The **expected** factor structure is marked with grey in the corresponding cells. For the purposes of the current empirical validation, factor loadings above 0.7 are considered to be good, loadings between 0.55 and

0.7 are considered fair and between 0.3 and 0.55 are treated as low. Coefficients below 0.3 are not shown or considered for interpretation.

The factor analysis shows that empirically the results deviate slightly from the theoretical assumptions. The strongest first factor can be matched to Lack of impartiality and it indeed consists of "Often serves private interests" and "Its rules of operation are violated often" ("good" loadings above 0.7). "Would never sanction certain people/firms" is not well correlated with this factor, but since its highest coefficient with Factor 2 is also low (0.41), the theoretically derived structure of the Lack of impartiality indicator could be preserved.

The second factor is formed by Estimated pressure from above and Estimated external corruption pressure with fair factor loadings (0.67 for both) and therefore matches the theoretically formulated Ineffectiveness of anticorruption policies. Estimated involvement in corruption has low correlation with both this factor and Lack of impartiality. While its loading with Lack of impartiality is slightly larger (0.55), it should remain in Ineffectiveness of anticorruption policies (loading 0.42) based on the theoretical arguments and better overall clarity of the indicators structure.

The third factor consists of Not accountable for its actions (loading 0.58 which is considered "fair") and No checks and balances (0.48 – low correlation). This factor, while not very well-formed, still matches the Lack of integrity level-two indicator. Activities are not transparent has low correlation with factors one to three, so for clarity and theoretical purposes it can remain as part of factor 3: Lack of integrity.

Private interest bias has a low correlation only with Lack of impartiality, which is somewhat logical given that it also addresses problems with the impartiality of the organization. Private interest bias, however, is directly derived from question Q57C: "In your opinion, how effective is the control and punitive activity of the following organizations?"⁶⁸ with one of the answers treated as 1 and all other answers as 0. The answer which defines Private interest bias is "The control and the imposition of sanctions are done selectively, and **the choice of whom to control/sanction follows private interests**" – actions which are strongly associated with state capture behavior.

⁶⁶ The pilot implementation of SCAD involved a total 272 assessments (from 45 in Spain to 74 in Italy), 51% of them by public officials and 49% by experts. The field work schedule was as follows: Bulgaria (July-September 2017), Czech Republic (December 2017 – May 2018), Italy (January – February 2018), Romania (January – June 2018), Spain (January – April 2018).

⁶⁷ If an expert assesses more than one public organization, each assessed organization is added as a separate row in the data file.

⁶⁸ See Appendix I for the full question.

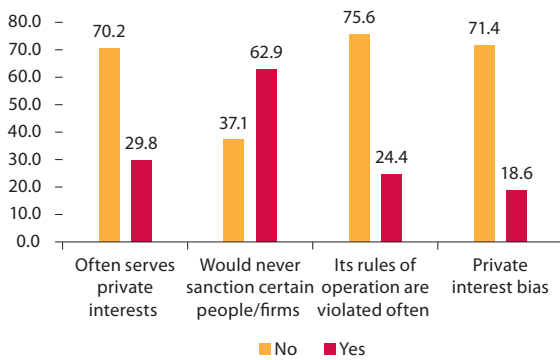
Table 8. Factor analysis of institutional enablers

Rotated factor matrix	Factor 1	Factor 2	Factor 3	Factor 4
Often serves private interests	.744	.317		
Its rules of operation are violated often	.743			
Would never sanction certain people/firms		.406		
Estimated involvement in corruption	.550	.419		
Estimated pressure from above	.369	.667		
Estimated external corruption pressure		.665		
Activities are not transparent	.396	.360	.307	
Not accountable for its actions			.575	
No checks and balances			.484	
Private interest bias	.452			

Extraction method: Principal axis factoring.
 Rotation method: Varimax with Kaiser normalization.

Source: Center for the Study of Democracy.

Figure 13. Private interest bias and components of Lack of impartiality



Source: Center for the Study of Democracy.

Private interest bias has lower values than the Lack of impartiality indicators. While they are present in 24.4%, 30%, and 63% of the cases for “Its rules of operation are violated often”, “Often serves private interests”, and “Would never sanction certain people/firms” respectively, experts find that there is Private interest bias only in 18.6% of the institutions from the five countries.

Therefore, for multiple reasons – both empirical and theoretical, it would be better to treat and interpret the important Private interest bias indicator as a separate level-two indicator, as important as Lack of integrity, Lack of transparency and Ineffectiveness of anticorruption policies.



The pilot implementation of SCAD shows that Bulgaria, the Czech Republic, Italy, Romania and Spain are all **exposed to state capture vulnerabilities**, but the **sources of risk and intensity levels** are different. Bulgaria's Business state capture pressure (BSCP) index is 26, the highest among the five countries, closely followed by Romania with 21. Spain and the Czech Republic perform relatively better with a BSCP index of 15 and 12, respectively (Figure 8).

The State capture enablers (SCE) index ranks countries in the same way as the BSCP index, but adds more **diversity in vulnerabilities** (the standard deviation of SCE is higher than BSCP). Institutional and environmental enablers amplify or lower state capture pressure from various sources and shape its corruption manifestations.

State capture vulnerabilities measured by the pilot SCAD implementation demonstrate some important structural differences between Bulgaria, the Czech Republic, Italy, Romania and Spain, which suggest a specific **scope and sequencing of policy reforms** targeting

state capture in each country. Four out of the five countries (all but Bulgaria) have at least one indicator where they **perform best** and serve as an **example** for the other countries **to follow**. The Czech Republic and Spain each are leaders in four indicators, and Romania and Italy have the same best result in one indicator (lack of integrity), yet every country could strengthen its position borrowing best practices from the others.

Areas where vulnerability indicators are higher than 50 **require immediate policy interventions**, as they might have negative spillover effects on other areas in the future if these levels persist over time. **Bulgaria** must deal with **ineffectiveness of anticorruption policies, judiciary capture** (which is a serious barrier to the former) and **media capture** (which also further facilitates other forms of capture). It is expected that the European Prosecution Office would contribute significantly to levelling the playing field against judiciary protection of specific interest groups. Problems with effectiveness of anticorruption policies are present also in **Italy** and **Romania**, structurally similar to Bulgaria (corruption pressure and involvement patterns), but

Figure 14. State capture vulnerabilities in comparative perspective

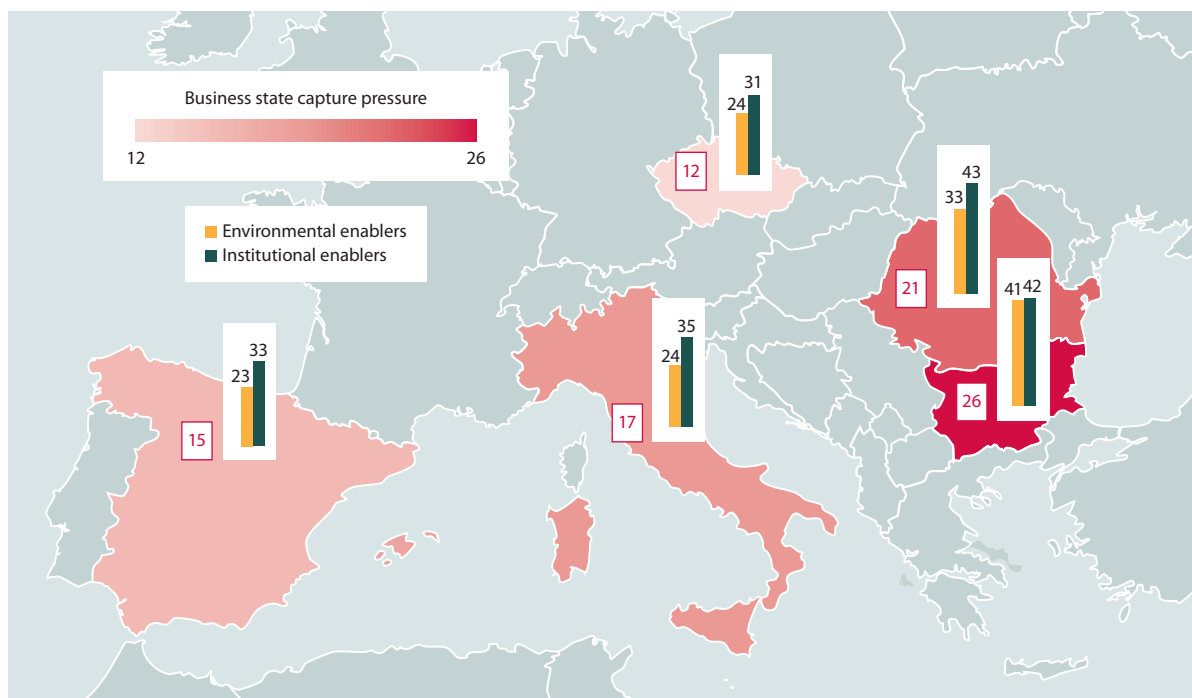
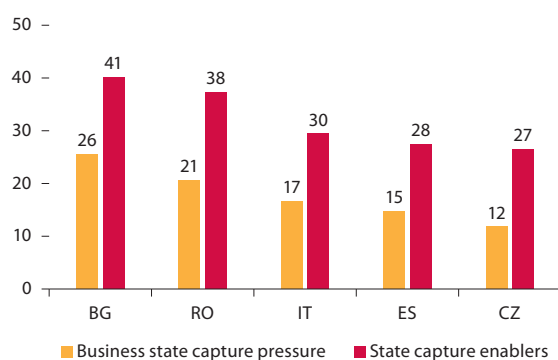


Table 9. State capture vulnerability summary results

Indicator	Bulgaria	Italy	Czech Republic	Romania	Spain
Business state capture pressure	26	17	12	21	15
Assessed monopolization pressure	27	13	7	22	13
Ineffectiveness of antimonopoly laws	25	23	20	21	19
State capture enablers	41	30	27	38	28
Institutional enablers	42	35	31	43	33
Lack of integrity	44	38	44	38	54
Lack of impartiality	39	40	30	44	32
Private interest bias	27	10	12	33	9
Ineffectiveness of anticorruption policies	57	53	36	56	38
Environmental enablers	41	24	24	33	23
Media capture	51	37	39	48	36
Administrative corruption	16	10	13	18	2
Judiciary capture	55	24	19	33	29

Source: SCAD, Center for the Study of Democracy.

Figure 15. Business state capture pressure and State capture enablers



Source: SCAD, Center for the Study of Democracy.

with significant differences in terms of most affected institutions, which need intervention. **Bulgaria** stands out with vulnerabilities in **tax and audit** institutions, **procurement** bodies and **pharmacy, forestry and gambling** business regulators.

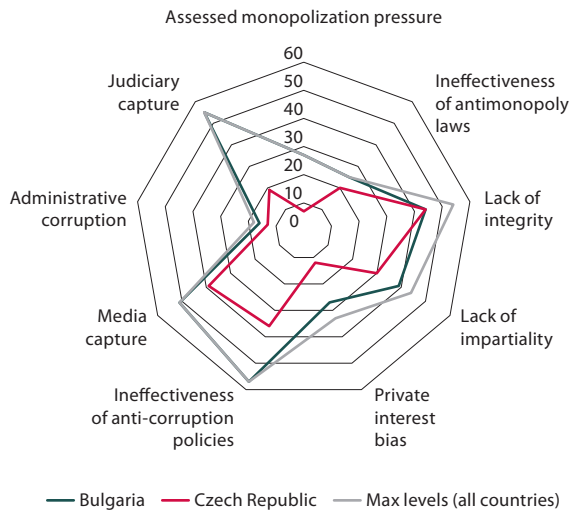
Italy stands out with **labor inspectorates** and **mobility and transport institutions** and **Romania** – with **environmental regulation and control, agriculture** and **tourism** business regulators, **health and social security** and, surprisingly, **science and education** regulators. There are, of course, common problematic areas such as **local authorities** and **customs** (even though after the EU accession, the situation in Bulgarian and Romanian customs has significantly improved) and **construction**, linked to large-scale infrastructure projects.

The comparatively low monopolization pressure, impartiality, effectiveness of anticorruption policies and lack of capture in the judiciary are the relative strengths of the Czech Republic. At the same time, the Czech Republic still has to improve its policies for **coping with administrative corruption** and **private interest bias**.

Spain is relatively better at **effectiveness of antimonopoly laws, lack of private interest bias, media freedom** and **low administrative corruption**. However, these strengths and other relatively good rankings (second in terms of lack of impartiality and effectiveness of anticorruption policies) do not prevent Spain **performing worst** in terms of **integrity**. The index of 54 for lack of integrity suggests a high risks of systemic negative effects and of eroding otherwise successful policy instruments. The high score in terms of lack of integrity comes from the high level of mistrust stemming from **low level of transparency** and **not enough available and enforceable checks and balances** in public administration at the local level.⁶⁹ Based on these observations, the policy reform easiest and most effective to implement, which would target state capture enablers in Spain, would be to increase **institu-**

⁶⁹ Spain has been particularly vulnerable to high-profile corruption at local level during the real estate boom in 1997–2007, which had long-term impact on public integrity. For an excellent overview, see: Quesada, M. G., Jiménez-Sánchez, F., and Villoria, M. 2013. “Building Local Integrity Systems in Southern Europe: The Case of Urban Local Corruption in Spain”. *International Review of Administrative Sciences* 79 (4), 618–637.

Figure 16. State capture vulnerability: Bulgaria and Czech Republic



Source: SCAD, Center for the Study of Democracy.

tion **integrity** (which is worse by 20% compared to Bulgaria and the Czech Republic and 36% as against Italy and Romania) by **first tackling the transparency issues** and then **the accountability issues**.⁷⁰ A second priority in Spain would be the need for judiciary reforms targeting **judiciary capture** (index of 29), in particular the political capture of the General Council of the Judiciary.⁷¹

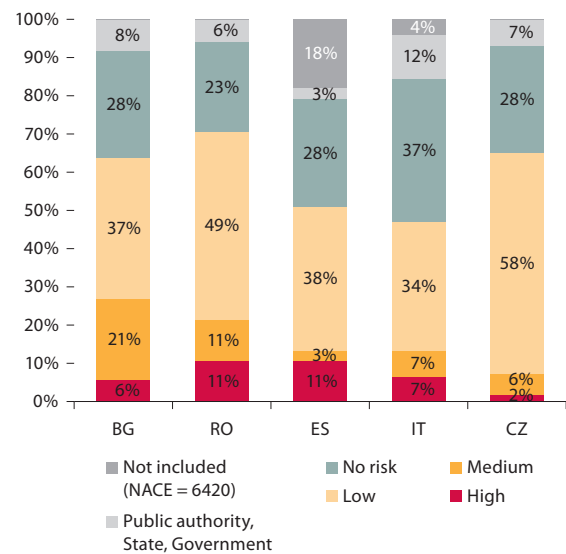
Although indexes below 30 suggest that the **vulnerability threats are manageable**, Bulgaria ranks worst in terms of **Monopolization pressure** (index of 27), amplified by **Ineffectiveness of antimonopoly laws** (index of 25) and appropriate policy actions are needed immediately. Similarly, Romania needs to take further measures to cope with **administrative corruption** (index of 18 is low enough, but still worst among the five EU countries), **Private interest bias** (index of 33) and **Lack of impartiality** (index of 44).⁷² Despite the vast progress in anticorruption in Romania leading to convictions of top-ranking politicians for corruption, there

are still important drawbacks in the anticorruption institutional setting.⁷³

2.1. MONOPOLIZATION PRESSURE

SCAD **monopolization** measures provide information about the extent to which relevant stakeholders are believed to be able to **capture some of the consumer surplus** and transform it into a **producer surplus** with a **deadweight loss** to society. The assessed monopolization pressure is the share of economy in terms of turnover of sectors with high or medium risk of monopolization. SCAD assesses **monopolization vulnerability** in the Czech Republic as **marginal** (just 2% of turnover of the economy is realized by high-risk sectors and 6% – by medium-risk sectors). The only **high-risk sector** in the Czech Republic is **Telecommunications**.⁷⁴

Figure 17. Share of the economy (% of turnover) by risk of monopolization pressure



Source: SCAD, Center for the Study of Democracy.

⁷⁰ An example of serious institutional accountability failure in Spain is associated with the termination of the Spanish Telecommunications Agency. For more information, see: Garcia-Juanatey, A., Jordana, J., and Sancho, D. 2017. "Administrative Innovations and Accountability Failures: The Termination of the Spanish Telecommunications Agency". *South European Society and Politics*, 22(3), pp. 385-404.

⁷¹ Pérez, A. T. 2018. "Judicial Self-Government and Judicial Independence: The Political Capture of the General Council of the Judiciary in Spain". *German Law Journal*, 9(7).

⁷² Bulgaria, Romania and Spain have the highest levels of sub-indicators.

⁷³ Mendelski, M. 2017. "Romania: Europeanization of Good Governance Where and Why Does It Fail, and What Can be Done About It?" in Mungiu-Pippidi, A. and Warkotsch, J. (Eds.) *Beyond the Panama Papers. The Performance of EU Good Governance Promotion. The Anticorruption Report Volume 4 Edition*. Leverkusen Op-laden: Barbara Budrich Publishers, pp. 68-78.

⁷⁴ Czech mobile data prices are the highest in the EU (reaching a factor of two compared to the EU average in different broadband baskets). There is an open antitrust case by the European Commission against the two largest mobile operators O2 CZ/CETIN and T-Mobile CZ. Retrieved from European Commission's Competition Cases Overview: <https://bit.ly/2HuqcPf>.

At the same time, Romania and Spain have the **highest share of the economy** (11% of turnover) operating in economic sectors with high-risk of monopolization, and have four high-risk sectors overall. Spain and Italy have a similar share of the economy of sectors with high or medium risk of monopolization.

Dimensions of monopolization pressure at the sector level provide information on another plausible capture – of the competitor’s surplus. This is done either by manipulating public procurement processes, selective control and law enforcement or by laws favoring a single or a small number of companies. The two types of capture are usually intertwined, but could exist independently and with different intensity.

SCAD was developed to overcome some of the drawbacks of the classical approach to measuring monopolization through the Herfindahl-Hirschman Index (HHI) or concentration ratios, as they are highly dependent on accurate market data.⁷⁵ Expert assessments factor in the hidden corporate governance structures, as in the case of Bulgaria where businesses often choose to operate through several entities or complex ownership networks which artificially lowers HHI.

Romania’s most vulnerable sectors are **Transportation** (including via pipelines), **Wholesale of pharmaceuticals**, **Telecommunications** and **Supply of electricity, gas and steam** (ranked in decreasing monopolization power).

Spain’s most vulnerable sector is **Supply of electricity, gas and steam**⁷⁶ followed by the **financial** and **construction** sectors (both unique for Spain compared to other countries). However, the Activities of holding companies (NACE rev. 2 code: 6420), which is part of Financial service activities and accounts for 17.8% of the total company turnover in Spain for 2016, was excluded from the Financial service activities total turnover and analysed separately. The unusually large turnover volume in this group is indicative for another problem: **the “tax haven” policy of Spain** which treats special types of holdings (Empresas de Tenencia de Valores Extranjeros

or ETVE)⁷⁷ as exempt from corporate taxes. Effective tax rates for SMEs in Spain are 16%, while big companies pay effectively 5.3%, including via ETVEs.⁷⁸ Money siphoned out of Spain have been assessed at EUR 60 billion.⁷⁹ More than half of Spanish FDI come from tax heavens and Spain itself turns out to be its second largest foreign investor through tax heavens.⁸⁰ For a long time, important ultimate beneficial owners of Spanish non-listed companies have been hidden from the public and known only to insider political circles.⁸¹

Adding up the medium-risk to the high-risk sectors positions, **Bulgaria as the most vulnerable country in terms of monopolization pressure**, both concerning the spread (27% of turnover in the economy is realized by those two type of sectors) and the number of sectors (14 sectors). Bulgaria also hosts the sector with highest assessment of monopolization pressure of 85% – Wholesale of solid, liquid and gaseous fuels and related products, followed by high risks associated with Wholesale of pharmaceuticals (70%). Retail prices of medicines are often higher than in the neighbouring countries, and at least several organized crime groups dealing in medicines (including gray export) are caught by law enforcement units annually.

Although the Bulgarian Commission for Protection of Competition (CPC) has formally concluded on several occasions that there is no cartel on the fuel retail market, 80% of licensed tax fuel warehouses are owned by one company, which leads to relatively more expensive fuel sold to gas stations and an effective monopoly in the sector. In 2018, several amendments to the legislation regulating fuel retail limited the ability of smaller players to compete in the market, effectively providing **legal privileges** to the largest players with the arguments of combating the informal economy.⁸² Other wholesale sectors (with strong political ties) are

⁷⁵ For instance, HHI based on company turnover data can be misleading, as some companies could have revenues from different markets, including international ones. In certain countries, business could operate through more legal entities or some of the likely competitors could be controlled by the same ultimate beneficial owner. Thus, based on different corporate governance structures some countries might have higher HHI for the same real competition level.

⁷⁶ Since 2013, European competition authorities have been openly and harshly criticizing Spain’s monopolies in the energy sector.

⁷⁷ See the Global Tax and Business Portal Lowtax on ETVEs. Retrieved from Lowtax: Spain: <https://bit.ly/2JHkDzq>.

⁷⁸ Intermón, O. 2015. *La ilusión fiscal. Demasiadas sombras en la fiscalidad de las grandes empresas*. Eskuratze-eguna: 2017ko Maiatzak, 3.

⁷⁹ Ibid.

⁸⁰ Ibid.

⁸¹ Since March 2018, this situation has changed. Still, a long time will be needed for such increased transparency to improve governance and integrity in Spain. For more on the regulatory change see Pol, D. and Czajka, a. 2018. “New Obligation for Spanish Companies to Disclose Their Ultimate Beneficial Owners”. *Global Compliance News*, May 18, 2018.

⁸² After a series of protests, the implementation of the law was postponed by 6 months, providing some time to the small enterprises in the sector to cope with the regulation (albeit at a serious price).

Table 10. High and medium monopolization pressure sectors/relative share in the national economy

Nace Rev. 2 Code	Nace Rev. 2 Name	% Monopolization pressure					% of total country turnover					N of countries with medium or high MP.
		BG	RO	ES	IT	CZ	BG	RO	ES	IT	CZ	
35	Electricity, gas, steam and air conditioning supply	43%	52%	73%	69%	39%	2%	3%	4%	3%	4%	5
61	Telecommunications	48%	54%	33%	67%	73%	1%	2%	1%	1%	1%	5
4646	Wholesale of pharmaceutical goods	70%	56%	29%	56%	33%	2%	2%	1%	1%	1%	4
F	Construction	45%	44%	53%	36%	24%	5%	6%	6%	4%	5%	4
4671	Wholesale of solid, liquid and gaseous fuels and related products	85%	23%	47%	50%	20%	3%	1%	2%	2%	3%	3
49	Land transport and transport via pipelines	17%	58%	18%	38%	22%	3%	4%	2%	1%	2%	2
92	Gambling and betting activities	40%	21%	24%	48%	22%	1%	1%	0%	0%	1%	2
4673	Wholesale of wood, construction materials and sanitary equipment	37%	42%	2%	5%	8%	1%	1%	0%	0%	1%	2

Source: SCAD, Center for the Study of Democracy.

exposed to medium risk of monopolization pressure – wood and construction materials, grain, tobacco and waste.

Italy's most vulnerable economic sectors in terms of monopolization pressure are **Supply of electricity, gas, steam and air-conditioning**,⁸³ **Telecommunications** and **Wholesale of solid, liquid and gaseous fuels and related products**. There have been numerous resignations and trials convicting high-profile executives for corruption and attempts for state capture related to the oil industry. One of them is the resignation of the former Italian Minister of Economic Development Federica Guidi for pressuring Italian Parliament to pass an amendment that could have been in favor of her part-

ner Gianluca Gemelli, owner of an oil company with a strong relationship with Total. Another example is the high-profile conviction of an Eni executive for bribing Nigerian officials in 2011 for an oil block acquisition by Eni and Shell.⁸⁴

Medium monopolization pressure in Italy is observed in the sectors of Construction (mostly vulnerable at local level, with a high-profile case of corruption in the project MOSE, safeguarding Venice and the Venice Lagoon from floods), Transportation, Gambling, Water utility and Manufacture of pharmaceuticals. Misuse of dominant position in the latter sector is often linked with high-profile political corruption cases such as the resignation of the President of Lombardy in 2013.

⁸³ Electricity prices in Italy are the highest in EU-28. The European Commission considers the vertical integration of Italian companies such as Eni problematic. For more information, see: European Commission, Directorate-General for Competition. 2016. *The Economic Impact of Enforcement of Competition Policies on the Functioning of EU Energy Markets*. Brussels: European Commission.

⁸⁴ Raval, A. "Nigeria 'Lost Billions' on Oil Deal with Shell and Eni". *Financial Times*, November 26, 2018.

Table 11. High and medium monopolization pressure sectors

Nace Rev. 2 Code	Nace Rev. 2 Name	% Monopolization pressure				
		BG	RO	ES	IT	CZ
64	Financial service activities, except insurance and pension funding	15%	0	67%	14%	10%
4621	Wholesale of grain, unmanufactured tobacco, seeds and animal feeds	47%	23%	4%	0	16%
4730	Retail sale of automotive fuel in specialised stores	0	46%	16%	9%	8%
4677	Wholesale of waste and scrap	38%	0	0	0	0
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	35%	0	20%	0	24%
12	Manufacture of tobacco products	35%	0	0	0	0
36	Water collection, treatment and supply	0	0	0	34%	0
4635	Wholesale of tobacco products	33%	21%	0	0	14%
2120	Manufacture of pharmaceutical preparations	0	0	0	33%	0
62	Computer programming, consultancy and related activities	15%	33%	4%	14%	2%
4711	Retail sale in non-specialized stores with food, beverages or tobacco predominating	32%	21%	2%	14%	12%
19	Manufacture of coke and refined petroleum products	32%	4%	29%	20%	NA

Source: SCAD, Center for the Study of Democracy.

2.2. SECTORAL ANALYSIS

Although there are a lot of similarities between countries in terms of vulnerable sectors, there are **important differences as to the root and impact of these vulnerabilities**. Two sectors (of the ones mentioned in Table 2 and Table 3) have an average assessment of 55% for existing monopolization pressure – Electricity, gas, steam and air conditioning supply and Telecommunications, which might be considered as high-risk. Medium risk sectors are Wholesale of pharmaceutical goods (49%), Wholesale of solid, liquid and gaseous fuels and related products (45%), Construction (40%), Land transport and transport via pipelines (31%) and Gambling and betting activities (31%). The other sectors (13 in total) from Table 2 and Table 3 have an average assessment below 30% (low risk). One of them (Financial service activities, except insurance and pension funding and except holdings) is of high-risk for one country (Spain), one (Wholesale of wood, construction materials and sanitary equipment) is of medium risk for two countries (Bulgaria and Romania) and the remaining 11 are of

medium risk for one country (Bulgaria, Italy or Romania respectively).

Electricity, gas, steam and air conditioning supply

All five countries, similar to most EU Member States, experience high or medium vulnerability threats from **monopoly positions of utility companies** in this sector. According to the Boone Indicator (elasticity of relative profits in respect to the relative costs) Romania, Spain and Italy are far less competitive in energy markets compared to Bulgaria and the Czech Republic,⁸⁵ which perfectly matches the grouping of countries of high (the former) and medium (the latter) risk of monopolization pressure. Bulgaria and the Czech Republic are highly vertically integrated in the electricity

⁸⁵ European Commission, Directorate-General for Competition. 2016. *The Economic Impact of Enforcement of Competition Policies on the Functioning of EU Energy Markets*. Brussels: European Commission.

Market Manipulation

Under the Spanish system of electricity auctions, the most expensive power plant sets the price for all the others. In the end, all plants, no matter what it costs them to produce their own electricity, will follow the most expensive plant. If less electricity is available, for instance because some plants withhold their output, the market price goes up.

The CNMC (the Spanish competition authority) fined Iberdrola EUR 25 million in November 2015 for manipulating the Spanish wholesale electricity market between November 30 and December 23. In 2017, the Anticorruption Attorney Office launched an investigation for a crime against the market and consumers, as per article 281 of the Penal Code.

Source: El Pais, May 12, 2017.

market, while the other three countries have medium vertical integration, which correlates with the lower prices in Bulgaria (mainly due to administrative price ceilings by the energy regulator and the cheap electricity produced by the Kozloduy and Maritsa Istok 2 power plants) and the highest in Italy (despite the low level of concentration). As Italy is a major electricity and gas importer, prices are higher, not least including due to long-term contracts with Gazprom at prices higher than the average for the European market. This is possible due to the lack of interconnection with neighboring countries. Expensive generation fuels in setting the marginal price also contributes to the high prices.⁸⁶ The European Commission has been concerned with the foreclosure practices of Eni on the gas market in Italy. The process of gas market liberalization in Italy has stalled leading to some of the highest end-used prices in Europe and a failure to develop a liquid natural gas hub.⁸⁷ Eni controlled around half of the natural gas supply in the country in 2017 down from around 60% in 2014. This has been linked to the long-term legacy contracts with the Russian supplier Gazprom, which, until around 2012 contained a number of competition-busting clauses, including fixed delivery requirements and bans on the resale of natural gas. This position has favored the largest domestic wholesale supplier Eni, which has been accused by the European Commission of abusing its dominant position by blocking pipeline capacity bookings and of strategic underinvestment in the Italian transmission infrastructure. The limited diversification and gas market liberalization in Italy could also have been the result of the growing Russian economic influence

in the country over the past decade. Energy has been the most visible strategic sector in which Italy and Russia have had important exchanges. Russia is Italy's largest energy source, and energy is the largest trading sector between the two countries. Between 2013 and 2016, Italy satisfied around 40% of its natural gas needs via imports from Russia (though the amounts declined in 2017).⁸⁸ While Eni had already invested in the Soviet Union during the Cold War, the formation of the strategic partnership between the Italian company and Gazprom began in 1999, when the two companies formed a special-purpose joint venture (registered in the Netherlands) to build the Blue Stream gas pipeline on the Black Sea seabed, in which Eni retains a 50% stake.⁸⁹ Building on this relationship, they signed a new memorandum of understanding in 2007 to construct the South Stream gas pipeline across Central and Southeast Europe and through the Western Balkans. In addition, in 2012 Eni signed additional energy deals with the Russian state-owned oil behemoth Rosneft for an agreement to explore and produce in Egypt's Zohr offshore field, in the Black Sea, and in the Barents Sea in the Arctic. The Black Sea exploration project is currently on hold due to sanctions and economic reasons,⁹⁰ but Eni is still involved in the Zohr and Barents Sea explorations.

Romania and Bulgaria have faced similar allegations for blocking gas market liberalization in favor of local oligarchic corporate networks and for the benefit of Russian gas suppliers. For years, the Romanian gov-

⁸⁶ Ibid.

⁸⁷ Honore, A. 2013. *The Italian Gas Market: Challenges and Opportunities*. Oxford: The Oxford Institute for Energy Studies.

⁸⁸ Natural gas supply statistics, Eurostat.

⁸⁹ Blue Stream, Eni, September 25, 2018. Retrieved from: <https://bit.ly/2Wu4Wz0>.

⁹⁰ Astrasheuskaya, N., Foy, H. and Johnson, M. 2018. "Rosneft hunts for projects to keep Eni in Russia", *Financial Times*. October 28, 2018.

ernment has been blocking domestic gas exports in an attempt to maintain gas prices for the industry at very low prices. In 2017, the European Commission began a formal investigation against the Romanian gas transmission operator Transgaz for breaching EU competition rules by restricting exports of natural gas from Romania through purposeful delays of construction works on interconnecting pipelines with neighboring countries, and by increasing cross-border transmission tariffs to commercially unviable levels.⁹¹ In addition, the Romanian gas sector has provided important economic rewards for Russia's economic giant Gazprom. Prior to 2013, it had a virtual monopoly on Romanian gas imports, representing between 20 and 30% of the total market (domestic suppliers Romgaz and Petrom accounted for the other 70 to 80%). Gazprom benefited from its long-term contracts with intermediaries Conef Gaz and WIEE, which it ultimately controls and both of which signed 23-year contracts with Gazprom in 2007.⁹² Though market liberalization and the shuttering of the largest industrial gas consumer in recent years led to a drop in gas imports, Conef Gaz and WIEE still control about 50% of gas imports today. Gazprom also benefitted from repeated delays in market liberalization and in the completion of interconnections and reverse flows with Bulgaria and Hungary. In what has been a typical state capture pattern often involving Russian interests in 2006, Conef's manager, Dan Victor Alesandru,⁹³ became state secretary at the Ministry of Economy and supported a non-competitive, below-market-price electricity deal between a state-owned company that fell under his portfolio and ALRO.⁹⁴ He later received shares in Conef Gaz from ALRO's management.⁹⁵

In Bulgaria, the state-owned wholesale supplier Bulgargaz has a virtual monopoly on the wholesale market, and imports 99 % of the country's gas needs from a single company, Gazprom, along a single route – the Trans-Balkan gas pipeline (TBP) passing through Ukraine and Romania. Bulgatransgaz, the state-owned

gas TSO, has been recently fined with EUR 77 million after the European Commission proved the company has been assisting Bulgargaz in blocking alternative gas supply on the wholesale market by allowing the latter to book fully the cross-border capacity on the TBP's Romanian-Bulgarian section. This has prevented the largest retail gas company, Overgas, from booking enough capacity to ship its gas contracted with Gazprom, and delivering it to end-users. Moreover, the company was penalized in 2016 after losing its contract with Gazprom to paying a surcharge for buying its gas directly from Bulgargaz, leading to a practical inability of the private firm to compete with Bulgargaz. The decision was approved after speedy legal changes in parliament and a decision by the energy regulator in early 2016.

Spanish household electricity prices are also among the highest in EU, due to the much higher taxes (which make up around 18% of the end-user price), including taxes for covering the preferential high feed-in tariffs given to renewable energy-based electricity. Additional factor for the price increase is the price manipulations, as it is evident by the Iberdrola case in the winter of 2013.⁹⁶

The major dimension (or source) of capture in this sector for all countries but the Czech Republic is associated with public procurement. Excessive spending by energy companies shifts the burden to consumers and constitutes a major corruption risk. Public control usually focuses on the procedure, but seldom on the necessity of the bid and its indicative budgeting (especially consulting ones).⁹⁷ Suppliers of energy companies are limited and could easily negotiate the prices and sequence of winning. The second major source are laws that provide illegitimate competitive advantage. In the case of the Czech Republic this source is more often cited than public procurement. In Bulgaria, selective enforcement plays a significant role in state capture practices in the sector. For instance, several solar plants have reportedly generated electricity exceeding their official capacity and no measures were taken. At the beginning of wind-mills installation only selected companies with strong political ties have been connected to the grid by private electricity companies. Similar to Bulgaria, in Italy Enel has been accused of demanding bribers for the connec-

⁹¹ European Commission. 2018. *Antitrust: Commission Invites Comments on Transgaz Commitments Concerning Natural Gas Exports from Romania*. Press Release. Brussels: 21 September 2018.

⁹² Conley, H. A., Ruy, D., Stefanov, R., and Vladimirov, M. 2019. *The Kremlin Playbook 2: The Enablers*. Lanham: Rowman & Littlefield.

⁹³ Alesandru was also a director at Interagro, one of the largest gas consumers in the country, before its bankruptcy.

⁹⁴ Savin, N.. 2012. "Misteriosul om-punte între ruși, Voiculescu și Ioan Niculae. Cine arde gazul ieftin românesc?", *Evenimentul Zilei*, January 13, 2012.

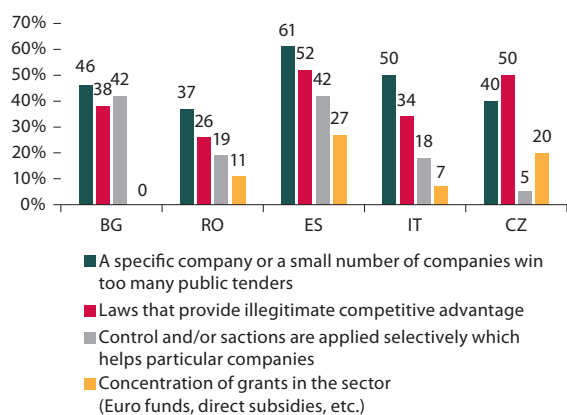
⁹⁵ See also: "Dan Victor Alesandru, fost secretar de stat in Ministerul Economiei, omul de legatura dintre ruși și Ioan Niculae in afacerea cu gaze naturale", *B1*, January 13, 2012.

⁹⁶ Hernandez. J.A. 2017. "Leading Spanish electricity firm Iberdrola accused of manipulating prices". *El Pais*. May 12, 2017.

⁹⁷ Pashev, K., Dylulgerov, A., and Kaschiev, G. 2006. *Corruption in Public Procurement – Risks and Reform Policies*. Sofia: Center for the Study of Democracy.

tion of solar plants to the grid (so called solar sharp practice).⁹⁸ Spain and the Czech Republic also have a serious issue with direct subsidies and grants for the energy sector.

Figure 18. Dimensions of capture in Electricity, gas, steam and air conditioning supply sector



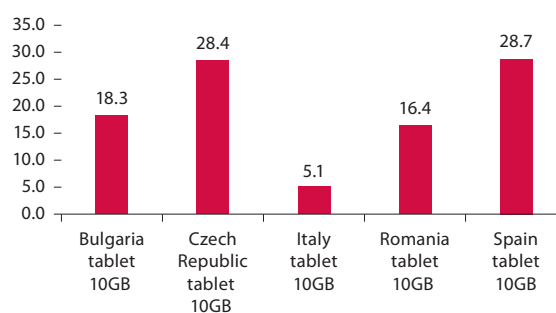
Source: SCAD, Center for the Study of Democracy.

Telecommunications

While the problem with the telecommunications sector in the **Czech Republic** is a **classical capture** of the **consumer surplus** for the private benefit without institutional interference (and even with ministers blaming citizens for the high prices),⁹⁹ the situation in Romania is very different. The Romanian National Anticorruption Directorate (DNA) has indicted several CEOs in money laundering and bribes, and forfeited several buildings owned by one of the telecoms.¹⁰⁰ The Romanian Competition Council's activities resulted in savings, via avoiding anticompetitive practices, amounting to EUR 500 million for the consumers of telecommunication services.¹⁰¹ The dimensions of capture in telecommunications demonstrate that Romania is the leader in protecting public interest among the countries where this is a high-vulnerability sector (Romania, Italy and the Czech Republic). Although Italy enjoys the lowest mobile rates, its telecommunications sector still faces difficulties. One of the largest and most prominent capture example in the sector was

the involvement of the Calabrian Mafia in a fraud involving a two-billion-euro-worth sale of non-existing international traffic and a 400-million-euro VAT evasion in complicity with TIS (subsidiary of the Italian incumbent operator) and FastWeb.¹⁰² A senator participating in the scheme had been elected as a result of election fraud with the support of the same organized criminal group. The most recent scandal involves executives of British Telecom's unit in Italy.¹⁰³ All these corporate corruption scandals contribute to the high vulnerability of the sector.

Figure 19. Price in EUR/PPP for 10GB mobile broadband



Source: European Commission, Broadband Simulation Tool 2018.

The Czech Republic has the lowest mobile broadband take-up and Bulgaria has the highest among these five countries.¹⁰⁴ Spanish prices of mobile broadband are as high as in the Czech Republic, which is in line with the high prices for internet in the country. Bulgaria and Spain have medium vulnerability in regard to the telecommunications sector, with the latter close to the 30% threshold for low vulnerability.

Selective enforcement is the most important capture dimension in Bulgaria (45%), and second in Romania (25%) and Spain. This dimension is relatively more important for the telecommunications sector compared to Energy, gas, steam and air-conditioning supply. For a long period of time, Bulgarian cable television and internet providers were vulnerable to controlling institutions because of their cable networks. Initially, most of them were laid in the air or ducts without the respective permissions. Later on, their strategies included selective enforcement/control against competitors through reporting and/or close links at the respective agencies.

⁹⁸ Mucci A., "ENEL accused of solar sharp practice". *The Italian Insider*. January 28, 2011.

⁹⁹ Johnson, R. 2019. "Czech Minister Blames Consumers for Phone Rates". *Prague. TV*.

¹⁰⁰ "Romanian Telecom Group's CEO Indicted for Money Laundering". *Romania Insider*. August 1, 2017.

¹⁰¹ Romanian Competition Council. 2018. *2017 Annual Report*.

¹⁰² "Italian Telcos Caught Up in Massive Mafia Fraud". *Reuters*. February 25, 2010.

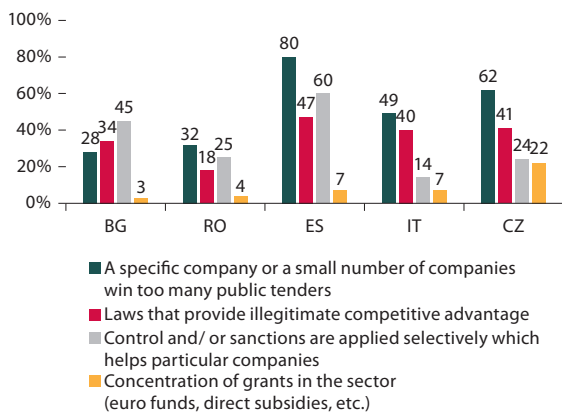
¹⁰³ "BT Executives Knew of Accounting Fraud in Italy Unit". *Anticorruption Digest*. February 15, 2019.

¹⁰⁴ European Commission. 2018. *Take-up of Mobile Broadband* (subscriptions/100 people). Retrieved from Digital Single Market: Digital Economy & Society: <https://bit.ly/2HVGCTI>.

In all countries, building new broadband infrastructures (with national or European financing) are usually associated with antitrust or corruption cases.

Among the highly vulnerable countries in this sector (Romania, Italy and the Czech Republic), the most important capture dimension is public procurement capture, where one or a small number of companies win too many public tenders. Often, top-ranking politicians find lucrative positions in telecoms and other companies after leaving office (Spain and Bulgaria).

Figure 20. Dimensions of capture in Telecommunications sector



Source: SCAD, Center for the Study of Democracy.

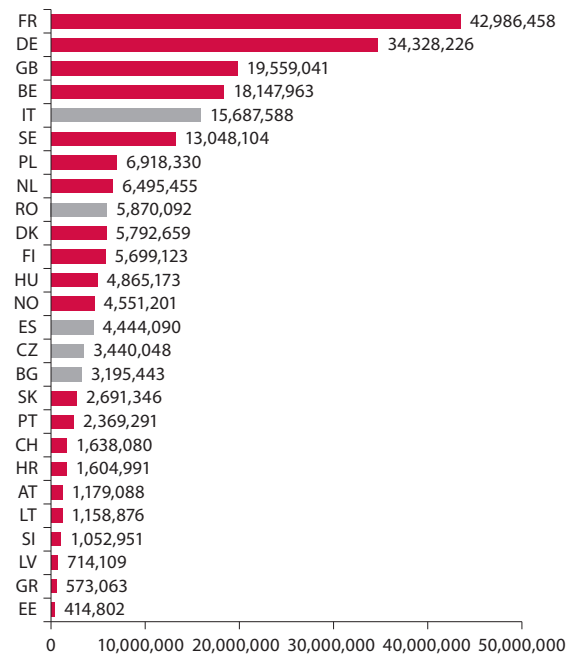
Wholesale of pharmaceutical goods

The sector is highly vulnerable for Bulgaria, Romania (where it accounts to 2% of the total industry turnover) and Italy (1%). It has medium vulnerability for the Czech Republic (1%) and low – for Spain (1%). Italy is the largest pharmaceutical producer in the EU with about 30-billion-euro production in 2016. Spain comes sixth with 15-billion-euro production. Both Italy and Spain produce more than the internal wholesale of pharmaceutical goods, and the rest produce less than they consume. Romania and Bulgaria are relatively small producers – EUR 655 million and EUR 121 million, respectively.

The highest vulnerability in the sector is observed in Bulgaria, where the individual dimensions of state capture are higher than in Romania and Italy, with the exception of the greater influence of laws that provide illegitimate competitive advantage in Italy (and also Spain). One of the explanations for this is that lobbyist laws have greater impact on production – distribution networks. In countries where the majority of the phar-

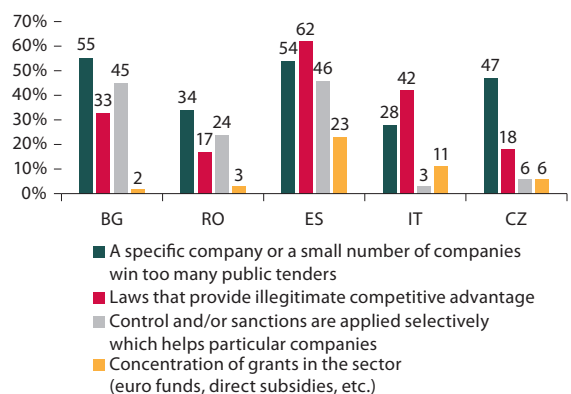
maceutical products are imported (Bulgaria, Romania and the Czech Republic) there might be trade monopolies (dealers in a privileged position in terms of public procurement) and selective enforcement, which contribute to state capture in a greater extent.¹⁰⁵

Figure 21. Turnover in Wholesale of pharmaceutical goods sector in thousand euro (2016)



Source: CSD calculations based on corporate registers and databases.

Figure 22. Dimensions of capture in Wholesale of pharmaceutical goods sector



Source: SCAD, Center for the Study of Democracy.

¹⁰⁵ In the past, one of the largest wholesalers used its close connections to customs officials to stop competitors' imports of pharmaceuticals of need until they deliver it before the competitors.

Box 5. The Avastin – Lucentis case



Avastin (generic) and Lucentis (original) are medicinal products developed by Genentech, a company which belongs to the Roche group. Genentech entrusted the commercial exploitation of Lucentis to the Novartis group by way of a licensing agreement. In Italy, Avastin costs EUR 20 per dose, against EUR 800 per dose of Lucentis.

Those biotechnological medicinal products were authorized by the Commission and the European Medicines Agency (the EMA). Lucentis is authorized for the treatment of eye diseases. Avastin, while authorized only for the treatment of tumorous diseases, is also frequently used to treat eye diseases because its price is lower than that of Lucentis.

The off-label use of Avastin was authorized by the Italian Drug Agency AIFA in May 2007. Physicians could prescribe Avastin without limitations, charging the costs to the citizens. In December 2007, the parliament passed a rule in the budget law (Legge finanziaria, art. 1 section 796 letter z), which **impeded the possibility to prescribe off-label medicines in the presence of on-label ones**. This rule has increased AIFA's capacity to influence the market, and **might also raise the suspicion that some members of parliament were captors**, since this law can favour some pharma companies at the expense of others. The problematic issue is that every year, the parliament **includes norms not related to the state budget** in the Legge finanziaria, which – at least in the past – **sometimes responded to private interests**.

A year later, AIFA included Lucentis in the label, therefore shifting all the demands from Avastin (off-label) towards Lucentis (the expensive one), generating a reaction from many stakeholders and the request to include Avastin on label.

In 2011, two studies (in particular the CATT study) proved that the two medicines have equivalent effects (indeed, in the course of one year bevacizumab and ranibizumab had equivalent effects on visual acuity when administered according to the same schedule). AIFA received many requests of reintroducing Avastin on label. In 2012, AIFA first stated that the use of Avastin appears non-legitimate from a scientific and legal perspective “regardless of the savings of public resources”. Then, in October the same year, AIFA excluded any further use of Avastin, informing all physicians of the risk related to Avastin, resulting in a shift of demand towards Lucentis. The Minister of Health Balduzzi adopted a law decree (nr. 158) to reintroduce the possibility to use alternative medicines under certain conditions (re-opening the possibility to use Avastin), but this provision was cancelled by the parliament during the conversion of the decree into a law. Again, there was no clear reason for this.

In February 2013, the Autorità Garante della Concorrenza e del Mercato – AGCM (the Italian competition authority) started an inquiry following a report from two medical organizations (Associazione Italiana Unità Dedicare Autonome Private di Day Surgery and Società Oftalmologica Italiana – SOI).

AGCM has **found email exchanges between executives** of the two companies, showing: a “**structured alliance**” on stopping the development of the cheaper medicine, **illicit agreements** to “**differentiate**” the two medicines (against scientific evidence on equivalence); “**neutralization**” of scientific evidence following the publication of a CATT independent study on the two medicines; and joint actions of the legal services of the companies. On February 2014, the AGCM imposed two fines, each amounting to over EUR 90 million, on both Roche and Novartis. According to the AGCM, Avastin and Lucentis are equivalent in all respects for the treatment of eye diseases. Furthermore, the arrangement was intended to disseminate information giving rise to concerns regarding the safety of Avastin used in ophthalmology with a view to causing a shift in demand toward Lucentis.

The companies appealed at the Regional Administrative Court and the Council of State. In January 2018, the European Court of Justice recognized that “an arrangement between two undertakings marketing two competing medicinal products, which consists in the dissemination, in a context of scientific uncertainty, to the EMA, healthcare professionals and the general public of misleading information relating to adverse reactions resulting from the off-label use of one of those products with a view to reducing the competitive pressure it exerts on the other product, constitutes a restriction of competition ‘by object’. The Court explains that the information must be considered to be misleading (which is a matter for the national courts to determine) if its purpose is, first, to confuse the EMA and the Commission and, secondly, to emphasize, in a context of scientific uncertainty, the public perception of the risks associated with the off-label use of Avastin”.

Source: Italy case study report.

The typical **patterns of state capture** in this and related **health sectors** (hospital and pre-hospital care) include managing lists of approved medicines and reimbursement eligibility rules in private interest (see the Avastin-Lucentis case), pharmaceutical companies or their dealers stimulating doctors to prescribe specific (more expensive) drugs and organized fraud with medicines at hospitals (see Box 7, a case from Czech Republic but also valid for Bulgaria and Romania), often linked with procurement capture.

Clearly, the responsibility falls on policy makers and doctors’ associations, as they all see very well the state capture mechanisms, but are generally unwilling to **re-design the system introducing more competition**, including by allowing wider use of generic products, by stepping up good governance and the prevention and disclosure of conflict of interests as well as the mecha-

nisms in which doctors benefit from pharmaceutical companies (payments, in-kind support for conferences and research). Introducing large-scale e-health systems (including electronic prescription, electronic medical dossier and modern ERP systems in hospitals) would decrease the level of fraud with medicines at hospitals.

Further, and most importantly, the European Union is **too far away from a single market** in the area of pharmaceuticals and large differentiations between countries in the EU allow for pharmaceuticals to capture both consumer surplus and social welfare by selling more expensive drugs in most of the countries vis-à-vis a common pharmaceuticals market in the EU. If the current country-centric design and regulation of pharmaceutical products and their reimbursement through the national health funds persists, there would be little room for overcoming the state capture in the sector.

Box 6. Fraud with medicines at hospital level

On 11 October 2017, the National Bureau Against Organized Crime, a special police unit, raided the hospital in the East Bohemian city of Litomyšl. They collected purchase records and invoices for drugs and medical equipment from 2008 to 2014 in an on-going investigation of “back bonuses” or kick-backs, a common practice in Czech hospitals through which they claim money from insurance companies. The captors are the directors and economic managers of state-owned hospitals. Through their influence, they are setting up the prices of and sur-charges of all drugs and medical equipment allowed on the Czech market.

The directors or representatives of large Czech hospitals are involved in the management or supervision over the main Czech insurance company, the General Insurance Company of the Czech Republic (VZP), as well as in other large insurance companies. Moreover, the same people are instrumental in drafting ministerial decrees setting maximal levels for ex-producer and ex-importer prices for medical products entering the market. That way, they are in control of the price of refund provided by insurance companies to health practitioners for drugs and medical equipment covered by general compulsory health insurance. This practice has been criticized for several years by both independent experts and politicians, but there has been no significant shift of model so far.

The capture mechanism is simple: a salesman of Company X offers a cardioverter to Hospital A for the market price of EUR 10,000, which the hospital accepts. The maximal refund price provided by the price list of the General Insurance Company is set at EUR 30,000. Company X then provides Hospital A with an invoice for EUR 30,000 and a contract stipulating that for the purchase, they will provide the hospital with a EUR 20,000 “return bonus”. The insurance company then refunds Hospital A the price of the invoice (EUR 30,000), which the hospital collects in addition to the return bonus of EUR 20,000 provided by the company. Hospital A thus paid EUR 10,000 for the cardioverter and has EUR 20,000 left in its budget for whatever purposes it would like to use it.

The extent of this practice is pervasive in the Czech health sector. Prices agreed upon between salesmen and hospital management, however, vary; there is no general agreement on prices and the value of return bonuses among all hospitals. This sometimes causes noticeable differences between drug and equipment prices when purchased by different hospitals. In November, these price differences were the target of audit made by the Supreme Audit Office (Nejvyšší kontrolní úřad, NKÚ). The NKÚ audited purchases in three major hospitals in the period 2014 – 2016 in Prague, Pilsen, and Ostrava. They found that in those two years, the hospitals “purchased medicinal products for more than EUR 205 million without a procurement procedure, often directly from producers or distributors. In most cases, these medicinal products were purchased without any contractual relationship, only on the basis of orders.” The Pilsen hospital purchased medical devices worth more than EUR 45 million without a procurement procedure, while the Prague hospital Na Homolce purchased medical devices for EUR 95 million almost exclusively through its subsidiary company without competition. The differences in prices of identical products were in extreme cases tenfold; the account books of these hospitals were so mismanaged that the actual price of many products could not be ascertained even by the auditors.

What is truly disturbing about the case of the Prague hospital Na Homolce is that during the audited period, its previous director, Vladimír Dbalý, was already charged with bribery over mismanaged and fraudulent public procurement cases that started immediately after he assumed office in 2006. In 2015, the Financial Administration fined the hospital EUR 110 million for their violations of the *Law on Public Procurement*. Still, despite these charges and looming sanctions the practice of return bonuses in the hospital continued. This might indicate to what extent the practice has become accepted in the Czech health sector as normal and “part of the system”; however strikingly it resembles insurance fraud.

Source: Czech Republic case study report.

Construction

The construction sector contributes to 6.1% of EU GDP and 7.3% of EU employment.¹⁰⁶ Romania’s and Spain’s construction sectors account to the EU average (6.2% and 6.1% respectively) of GDP in 2017, followed by the Czech Republic with 5.3%, Italy – 4.7% and Bulgaria – 4.1%.¹⁰⁷ Although corruption exists in private to private business as well, what matters in the case

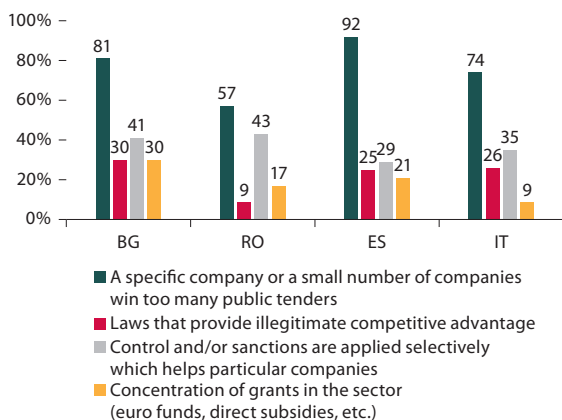
of state capture is the **construction of public infrastructure** (roads, motorways, sanitation, buildings of schools and kindergartens, etc.). Only the experts in the Czech Republic specified the NACE sector 4211 (Construction of roads and motorways) as significantly more prone to pressure during the monopolization assessment. In the last 15 years, EU Member States have spent over EUR 780 billion for infrastructure through public procurement contracts above EUR 1 million. Not surprisingly, the highest vulnerability appears in the public tendering dimension, often with a factor of two compared to other dimensions. On average, 76% of experts who identified the construction sector (or in the Czech case – construction of roads and motorways) point to problems with public procurement. In all countries but the Czech Republic, the second problem-

¹⁰⁶ European Commission. n.d. *Construction Services*. Retrieved from Internal Market, Industry, Entrepreneurship and SMEs: https://ec.europa.eu/growth/single-market/services/construction_en.

¹⁰⁷ United Nations Economic Commission for Europe. 2018. *Share of Construction in GDP*. UNECE. Retrieved from: <https://w3.unece.org/PXWeb/en/Table?IndicatorCode=8#last-period-0>.

atic dimension in the construction sector is selective enforcement. In Bulgaria and Romania, the control and sanctions are applied selectively, thus helping particular companies (most probably the ones that win public contracts) more often than in the other countries.

Figure 23. Dimensions of capture in Construction sector



Source: SCAD, Center for the Study of Democracy.

Usually, state capture in construction through public procurement is associated with losses to society in favour of companies and politicians, with losses varying from country to country. In the five countries examined here, this variation is between 10% and 25% price increase or “corruption tax”.¹⁰⁸ Yet, social loss and vulnerability could be associated with relatively low prices per kilometre (as in the case of Bulgaria). Selective enforcement could lead to low quality of road construction. In August 2018, three Bulgarian ministers resigned following a bus accident as a result of poor road construction and failure to conduct the necessary controls for the quality of asphalt and other parts of the road.¹⁰⁹

A recent empirical study on particularism¹¹⁰ in allocating construction contracts (for services and works) in Romania in the period 2007 – 2013 has found that 1 in 7 EU funded and 1 in 4 nationally funded con-

tracts were awarded via single bidding.¹¹¹ In addition, favoured companies¹¹² had a 21% higher chance of winning via single bidding. Overall, single bidding and having political connections underlay 44% of the contracts awarded per company. With regard to agency capture, 1 out of 10 contracting authorities had been captured by politically connected firms. Almost 70% of all captures occurred at local and county level; county councils¹¹³ in particular stood out with 21% of overall captures, even though they awarded only 9% of all contracts. The highest corruption risks in terms of both single bidding and agency capture were found at local level, especially in city/town halls and county councils, and in SOEs. In terms of strategies, outright connections between decision makers and companies are not frequent. More often, the latter resort to personal ties with procurement board members, county council (vice)presidents or prefects, and officials who could influence the evaluation committees’ decisions and, in turn, receive kick-backs.¹¹⁴

Overall, in the context of Romania’s corruption crackdown, outright clientelistic allocations in terms of contract values have decreased from 52% in 2007 to 39% in 2013. However, agency capture remained quite stable at 19%. In terms of contract numbers, the particularism score decreased from 48% in 2007 to 33% in 2013 and agency capture remained stable at 8% until 2013 when it dropped to 6%.¹¹⁵

Of the overall EUR 39 billion spent in public construction works between 2009 and 2015 in Spain, contracts for more than EUR 9.6 billion (25%) were directly awarded to one of the ten major Spanish construction groups: ACS, Acciona, FCC, Ferrovial, Sacyr, Isolux

¹⁰⁸ Fazekas M., Tóth B. 2017. “Infrastructure for Whom? Corruption Risks in Infrastructure Provision Across Europe”. In: Wegrich K., Kostka, G., and Hammerschmid, G. (Eds.). *The Governance of Infrastructure*. Berlin: Hertie School of Governance.

¹⁰⁹ Dimitrov, M. 2018. “Three Bulgarian Ministers Quit Over Fatal Coach Crash”. *Balkan Insight*. August 31, 2018.

¹¹⁰ Particularism is defined as a combination between the frequency of single bidding, companies’ political ties and agency capture (when a contracting authority which allocates at least 3 contracts per year, awards 50% of the total annual number of contracts to a single company).

¹¹¹ Single bids are more frequent in winning nationally funded contracts, while EU funded contracts enjoy greater competition (higher international presence and stricter controls).

¹¹² A favored company is defined as one which has legally donated to a political party at least once and which has been reported by the media to have ties with public servants and/or officials.

¹¹³ In examining the situation at this level, the analysis of 215 procurement board presidents’ statements of interests and assets showed that 3,7% were members or presidents of the shareholders’ general assembly or had a first-degree relative employed in the so-called Roads and Bridges Companies (local SOE construction companies), which won 13% of the total number of contracts awarded. However, supporting these companies may have a socio-economic explanation since local employment depends on their existence. Source: Doroftei, M., and Dimulescu, V. 2015. “Corruption Risks in the Romanian Infrastructure Sector in Romania” in: Mungiu-Pippidi, A. (ed). *Government Favouritism in Europe: The Anticorruption Report Volume 3 Edition*. Leverkusen Opladen: Barbara Budrich Publishers.

¹¹⁴ Ibid.

¹¹⁵ Romanian Academic Society. 2018. *Raportul Anual de Analiza si Prognostica 2018: 12 in UE. Evolutie sau involutie?*. p. 29.

Corsán, Villar Mir, Comsa, Copisa and Grupo Sando. If amounts granted to temporary consortia¹¹⁶ which include one of these ten groups are taken into account, the percentage rises to more than 74%. That is, the ten largest companies were involved in the spending of seven out of ten euros.

Until the approval of the new *Public Sector Procurement Law* enacted in March 2018 to transpose the latest *EU Procurement Directive*, no public body was officially responsible (nor had the resources) for carrying out specific monitoring of public procurement on a regular basis. This was often criticized by the Spanish National Commission of Markets and Competition (CNMC), which offered itself to assume the task. The CNMC has responsibilities in matters of competition, and the Court of Auditors partially oversees some contracts picked at random (as part of a broader overall supervisory role), but none of them carries out a systematic monitoring of public procurement, something essential to detect irregularities.

Strong concentration of public procurement contracts in **direct negotiation** with **zero monitoring** is the perfect **recipe for state capture**. The web of linkages between construction company owners and managers, and politicians and their relatives is a proof that both the industry and politicians embraced each other to capture the public good.

The multifaceted **negative effects of monopolization in construction** could be probably best seen in the MOSE project implemented by the Consortium New Venice (Consorzio Venezia Nuova) in Italy.¹¹⁷ **Instead**

of its initial 1.6-billion-euro worth, it has already cost EUR 5.5 billion and instead of its planned completion in 2011, it is now estimated to finish in 2022. CVN, a consortium of leading Italian construction companies and local cooperatives with unclear governance, is a long-standing monopoly – the concessionary of the Ministry of Infrastructure and Transport for the implementation of measures to safeguard Venice and its lagoon, within the competence of the Italian State, in accordance with Law 798 from 1984.¹¹⁹

MOSE (Modulo Sperimentale Elettromeccanico – Experimental Electromechanical Module)¹²⁰ started in 2003 and by 2013, 85% of it was completed, yet with significant delays from the initial plans. The project is an integrated system consisting of rows of mobile gates installed at the Lido, Malamocco and Chioggia inlets that are able to temporarily isolate the Venetian Lagoon from the Adriatic Sea during high tides. Together with other measures such as coastal reinforcement, the raising of quaysides, and the paving and improvement of the lagoon, MOSE is designed to protect Venice and the lagoon from tides of up to 3 metres.

An investigation which started in 2009 as a tax avoidance case for one of the companies in the consortium evolved in a major state capture case involving top-ranking politicians (ministers, a mayor,¹²¹ regional presidents, members of parliament), magistrates and entrepreneurs in early 2013. The judicial hearings and witnesses outlined a long-standing criminal partnership to siphon off public funds, avoid taxes, accumulate funds for party financing and bribes to politicians and

Figure 24. MOSE's barriers



Source: Precision Polymer Engineering.¹¹⁸

¹¹⁶ Similar to joint-ventures, “temporary unions of companies” are a Spanish legal construction very popular in large procurement contracts. They are created for a specific bid and named “UTE” in Spanish.

¹¹⁷ Giovannini R. “Venice and MOSE: Story of a Failure”. *La Stampa*. October 12, 2017.

¹¹⁸ Precision Polymer Engineering. *PPE playing crucial role in Venice flood prevention*. January 8, 2019.

¹¹⁹ MOSE. n.d. *Consorzio Venezia Nuova: Transparency and Accessibility*.

¹²⁰ <https://www.mosevenezia.eu/>

¹²¹ Squires, N. 2014. “Mayor of Venice Arrested on Lagoon Barrier Project Corruption Charges”. *The Telegraph*. June 4, 2014.

administrators to facilitate various stages of the construction processes. Millions of euro of public money have been lost in private pockets. The case involved the arrest of the standing mayor of Venice and the conviction of the minister of transport along with several dozens of others who negotiated and settled with the court their condemnation in 2017.

Wholesale of solid, liquid and gaseous fuels and related products

Bulgaria is the most vulnerable country in the Wholesale of solid, liquid and gaseous fuels and related products sector where monopolization pressure is assessed at 80 %. This is the share of tax warehouses of the market leader Lukoil, which is also the major refinery in the country, thus limiting the import opportunities. Lukoil controls over 25% of the retail fuel market and around 65% of the wholesale segment, although for almost a decade it did not pay any profit tax. The most important state capture dimension in Bulgaria is the selective control and sanctions, coupled with lobbyist laws that facilitate selective enforcement towards the smaller wholesale traders and independent gas stations (which buy from these smaller wholesale traders). Fuel prices could have a strong political effect – protests against fuel and electricity prices led to the government’s resignation in 2013 and a gas discounter chain owner (Veselin Mareshki) was able to get into parliament in 2017 with 5% of the seats.

Lukoil has played a similar non-competitive role on the Romanian market. The Russian company today

accounts for around 20% of Romania’s total refining capacity through its domestic subsidiary Petrotel. It was investigated for a transfer pricing and tax evasion scheme, a case in which the prosecution went after EUR 1.7 billion in asset seizure. The case was dismissed for lack of evidence (and poor prosecution) but part of the file was resubmitted, concerning a much smaller prejudice of EUR 1.7 million, and is still ongoing.¹²² In the Czech Republic, Lukoil has been involved in non-transparent public procurement deals involving the supply of kerosene by the company’s aviation subsidiary. Lukoil’s former general manager, Martin Nejedly, who is now an economic advisor to President Milos Zeman and was his campaign’s financial manager in 2013, has been allegedly involved in promoting Russian political interests in the country. Lukoil has also been engaged in Italy as one of the country’s largest refiners owning the Sicilian refinery ISAB, which is also the third-largest refinery in Europe. The plant has been accused on a number of occasions of breaking environmental regulations and contributing to air pollution on the Italian island.

High vulnerability, albeit bordering on medium, is observed in Italy (50%) followed by Spain (47%). In Romania and the Czech Republic, the vulnerability is assessed as low (around 20%). Both Italy and Spain face similar monopoly pressures on the downstream oil market where a couple of companies control more than half of the wholesale fuel distribution, including Eni, which alone controlled 26% of the domestic market in 2017. Similarly, Repsol operates around a third of all gas stations in Spain, and the four biggest distributors have captured 2/3 of the total number of gas stations.

Box 7. Lukoil: monopoly pricing and abuse of dominant position in the energy sector

Bulgaria is 100 % dependent on crude oil imports from Russia. The only crude oil imported is through the Lukoil Neftohim refinery located at the Black Sea port of Burgas. Lukoil is the largest company in Bulgaria with 2013 revenues of roughly EUR 3.9 billion. Together with its wholesale and retail fuel distributing sister-company Lukoil Bulgaria and additional aviation, ship and service companies, Lukoil is also the largest taxpayer contributing a quarter of all government budget revenues. The Lukoil refinery is the largest oil processing unit in the whole Balkan region.

On the back of its refining domination, Lukoil Bulgaria was also able to effectively control the wholesale fuels market, not without the tacit support of the government and the antitrust regulatory agency. The company’s market dominance has been consistently backed by consecutive Bulgarian governments, which have created tough conditions for fuel imports to be competitive on the domestic market. In 2009,

¹²² Agerpres. 2017. "Petrotel Lukoil nu mai este anchetată pentru evaziune și spălare de bani". *Economica.net*. November 17, 2017.

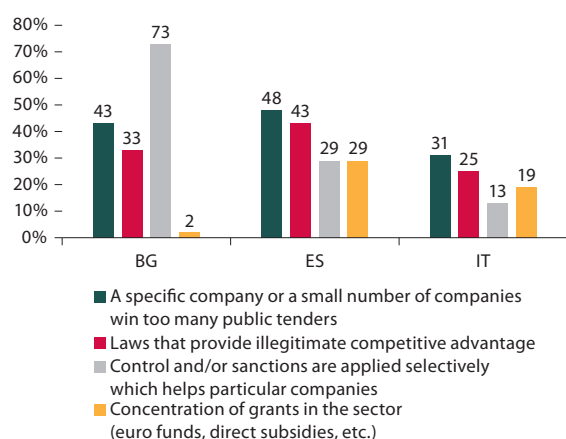
the country introduced a change in its excise tax law mandating that all fuel importers own or rent a storage facility with installed tax measurement devices. In addition, they had to maintain at least two months' worth of fuel stocks mirroring the EU regulation on strategic oil reserves. Lukoil had control of a large share of the storage facilities, while Naftex (the other large storage owner) was able not to service competitive imports. The outcome of the legal change has been that importing fuel became a much more expensive business, and many large distributors preferred to follow Lukoil's pricing methodology and preserve a good profit margin, rather than seek alternative supply.

Following allegations of monopoly pricing and tax avoidance in 2011 and 2012, the CPC conducted a detailed analysis of the fuels market concluding that there was no evidence of a cartel between Lukoil and the largest distributors. CPC also argued that there was high concentration of the ownership of fuel storages but never began a formal probe against Lukoil or Naftex. Instead, it recommended that the government should seek ways to cooperate with neighboring countries on joint use of storages for fuel imports. Four years later, the government is yet to follow up on the CPC's proposal, leaving importers in an uncompetitive market environment.

Blocking alternative foreign supply and solidifying control over the wholesale and retail market, Russian oil and oil products companies effectively prevented government institutions and national regulators from challenging their dominant position on the local market. As a result, Bulgaria has some of the highest shares of production and distribution costs in the EU. Besides the protracted legal battle with the Bulgarian Customs Agency, neither CPC, nor the National Revenue Agency have undertaken any visible action to confirm or dispel accusations of VAT and excise and profit tax avoidance via non-transparent transfer pricing.

Source: Center for the Study of Democracy. 2014. *Energy Sector Governance and Energy (In)Security*. Sofia: Center for the Study of Democracy.

Figure 25. Dimensions of capture in Wholesale of solid, liquid and gaseous fuels and related products sector



Source: SCAD, Center for the Study of Democracy.

Other sectors

There are 15 more sectors which have been assessed with medium or high vulnerability in at least one country. State capture in some of them has **long-term ecological effects** (as the Wholesale of wood, construc-

tion materials and sanitary equipment in **Bulgaria and Romania**) and has even **contributed directly to some floods**, which have **taken human lives**. Around 1.5–2.5 million cubic meters of wood annually is being illegally extracted and processed in Bulgaria. The capture is primarily a local phenomenon dependent on local political ties, but protection from political headquarters is inevitable for these criminal enterprises to sustain. The most important capture dimension here is the **selective enforcement**.

In other cases such as the **Gambling and betting** sector, the effect is less directly visible, but lack of enforcement of the ban on gambling advertisement and on the contrary – proliferation of TV gambling shows had led to increase of consumption to more than half of the population in Bulgaria, which is more than about a third of Italian population typically considered as the biggest gamblers. **Bulgaria and Italy experience medium vulnerability** in this sector, which is higher than all the rest. Bulgarians spend 3% of GDP for gambling, which is **the highest ratio** in the European Union. The negative long-term effect of this is increase in number of people who do not invest in education, skills and entrepreneurship, but rely on luck for the fulfilment of their dreams and hopes.

Other wholesale sectors (grain, tobacco, waste) have also been monopolized by economic and/or political groups in Bulgaria, which leads to uneven distribution of benefits.

2.3. PROCUREMENT CAPTURE

The procurement capture dimension stands out among all sectors of high vulnerability. The construction sector case applied an innovative method to assess corruption risks using objective proxies available for all public procurement contracts Europe-wide. The pilot implementation of the SCAD methodology does not go into all sectors, but next implementations should incorporate this approach in a more comprehensive way on sectoral and even product (CPV) level. The network analysis approach used to account for capital and political linkages between companies operating on a given market could provide further added value to the analysis.¹²³ Thus, both concentration ratios and procurement competition could change, given the new information obtained through the SNA of Tenders Electronic Daily (TED) and Amadeus data.

All five countries perform very poorly in terms of procurement according to the Single Market Scoreboard¹²⁴ (Figure 15), similarly to Greece, Cyprus, Slovenia and Portugal, with performance varying from country to country.

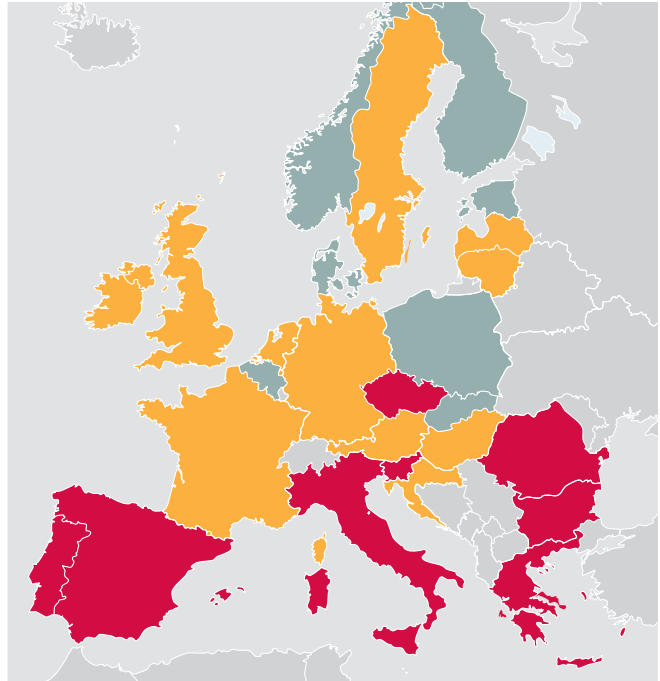
Bulgaria ranks among the best performers in the EU in terms of openness and transparency of public procurement. Information about bids is published in advance, and procurers and suppliers can be easily identified through the information provided to TED and the national Agency for Public Procurement. This comes as no surprise, as Bulgaria was among the top 10 most open-data countries in the world in 2017.¹²⁵ The other four countries are lagging behind. They perform unsatisfactorily against the possibility of easy identification of sellers and buyers through unique registration numbers.

¹²³ This approach has been piloted by Stefanov, R., Yalamov, T., and Karaboev, S. 2015. "The Bulgarian Public Procurement Market: Corruption Risks and Dynamics in the Construction Sector" in: Mungiu-Pippidi, A. (Ed.). *Government Favouritism in Europe: The Anticorruption Report* Volume 3 Edition. Leverkusen Opladen: Barbara Budrich Publishers.

¹²⁴ European Commission. 2018. *Public Procurement*. Retrieved from: The EU Single Market: Single Market Scoreboard: <https://bit.ly/1ym7Z8O>.

¹²⁵ Open Data Watch. 2018. *Open Data Inventory 2017 Annual Report*.

Figure 26. Public procurement vulnerability in EU



Source: Single Market Scoreboard, European Commission, 2019.

The Czech Republic follows with four satisfactory indicators (SME participation and contracting in bids, good decision speed and award criteria) and one average (publication rate, which is the value of procurement advertised on TED as a share of GDP). Eastern European countries are generally well positioned against this indicator.

Italy and Romania come closely together. Italy compensates with more average indicators the fact that Romania has one more satisfactory indicator. Italy is among the European leaders in cooperative procurement (after UK and Ireland, same size as Finland), a practice with little implementation in the other four countries.

Romania ranks highest in the EU with more than half of the procedures being divided into lots, a practice, which is believed to increase competition and provide more chances of SME companies to win contracts. Bulgaria ranks fourth in the EU behind only Poland and Slovenia.

Spain has a long way to go to mark-up against the 12 criteria and this is due to perpetual mismanagement of public procurement and lack of transparency and openness of data to society. It performs satisfactory only in terms of award criteria, but this is not sufficient to guarantee an effective result in tendering.

Table 12. Performance on key public procurement indicators

Criteria	BG	CZ	ES	IT	RO
Single bidder					
No calls for bids					
Publication rate					
Cooperative procurement					
Award criteria					
Decision speed					
SME contractors					
SME bids					
Procedures divided into lots					
Missing calls for bids					
Missing seller registration numbers					
Missing buyer registration numbers					

Legend: Green – satisfactory, orange – average, red – unsatisfactory.

Source: Single Market Scoreboard, European Commission, 2019.

All five countries perform **unsatisfactorily** in terms of number of **single bidders** winning contracts. TED data does not provide information if other bidders have been disqualified from the tender or if there is only a single applicant. One common mechanism for corrupt capture is enlisting unnecessary (or subjective) requirements for the implementation of the service or goods supply, which could be met only by the politically preferred bidder.

As larger portions of the current 14% of the EU GDP are expected to be spent through public procurement¹²⁶ in the future, there is an urgent need for **improved governance** not only in Bulgaria, the Czech Republic, Italy, Romania and Spain, but in all EU Member States. The sectoral analyses indicate that **procurement capture** could significantly **increase the price** of the contracts, **lower the quality** and **extend the period of implementation**, or all three simultaneously.

Box 8. Single bidding and agency capture in the Romanian transportation and construction sectors

Table 13. Number and share of single bid contracts

	Transportation contracts single bid (number)	%	Construction contracts single bid (number)	%
2007	268	42	4,935	41
2008	340	59	6,976	38
2009	190	47	3,622	28
2010	176	54	3,868	33
2011	177	66	3,211	32
2012	235	48	1,919	24
2013	167	45	1,154	22

¹²⁶ Including the pre-commercial procurement, which is expected to increase in coverage of countries, sectors and amounts spent in attempt to improve governance of R&D spending by national governments and the European Commission.

Table 13. Number and share of single bid contracts (continued)

	Transportation contracts single bid (number)	%	Construction contracts single bid (number)	%
2014	155	55	1,133	25
2015	169	61	1,118	22
Total	1877	52	27,936	32

Source: Romania case study report.

Agency capture is in place when one private contractor receives a disproportionate share of contracts from a state entity, or when the share of the total sum awarded by one contracting authority during a year to only one company surpasses 50% if the contracting authority awarded at least three contracts in the respective year. Specifically, the yearly total value of contracts awarded by contracting authorities is aggregated and the share of each winner is calculated vis-à-vis the respective contracting authority per year.

In terms of agency capture (Table 14), there has been a constant drop in the construction sector since 2007, with a slight increase from 2009 to 2012. It would be safe to assume that this trend is due to the intensity of anticorruption efforts as, despite the considerable resources available, in comparison to the transportation sector this behavior has actually decreased. The capture situation in the transportation sector is more unstable and pronounced in (pre)election years, but the overall share is moderate and just 1 percentage point higher than in construction.

When it comes to contract values, the shares of captured amounts are quite close, but different in terms of absolute values: for transportation it is approximately EUR 133 million (20%), whereas for construction it is EUR 8.9 billion (22%).

Table 14. Number and share of captured contracts

	Captured transportation contracts (number)	%	Captured construction contracts (number)	%
2007	27	4	1,249	11
2008	44	8	1,469	8
2009	33	9	1,061	9
2010	50	17	979	9
2011	40	16	807	9
2012	33	9	585	9
2013	29	9	311	8
2014	24	12	295	8
2015	32	15	258	8
Total	312	10	7,014	9

Source: Romania case study report.

2.4. INEFFECTIVENESS OF ANTIMONOPOLY LAWS

The indicator **Ineffectiveness of antimonopoly laws** (IAL) is designed to provide assessment on a national level and contribute together with Monopolization pressure to a single **Business state capture pressure index** for the country. IAL is both a **prerequisite** and a **facilitator** for monopolization. There is an obvious

proximity to the sector-level assessment of monopolization by the dimension “Laws provide illegitimate competitive advantage”. At the sector level, lobbying could lead to adopting laws that provide tax incentives, levy additional costs on competitors, change particular terms in construction legislation, initiate legalization of particular informal markets and so on, changes that have nothing to do with monopolization per se. Yet, sector level assessments could not be aggregated with enough significance at the national level.

Impact of the ineffectiveness of antimonopoly laws on monopolization pressure at the sectoral level by country

Figure 27. Bulgaria

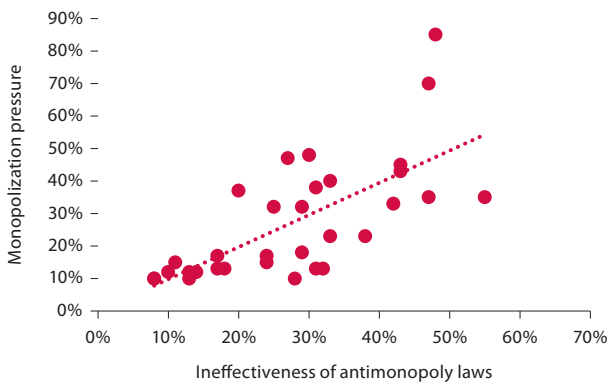


Figure 30. Romania

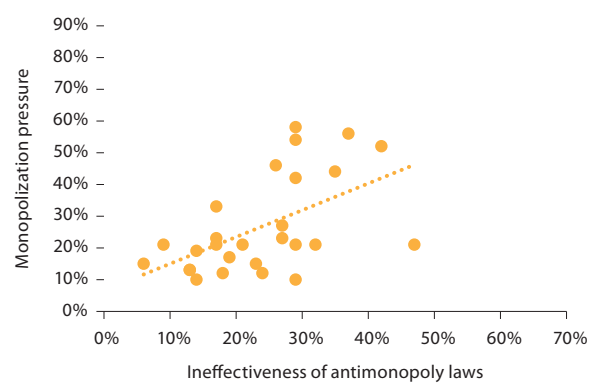


Figure 28. Czech Republic

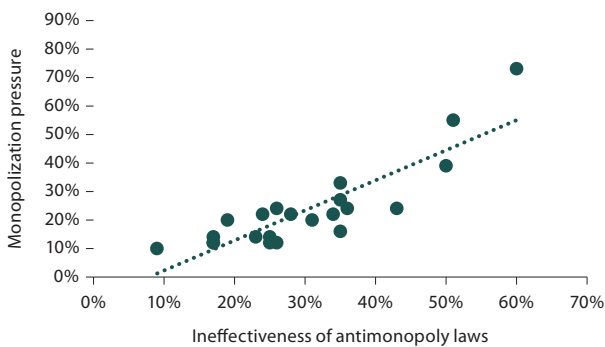


Figure 31. Spain

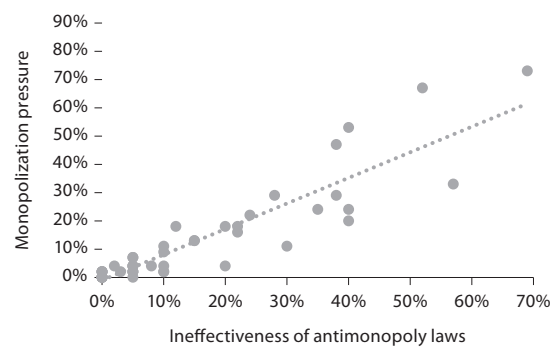


Figure 29. Italy

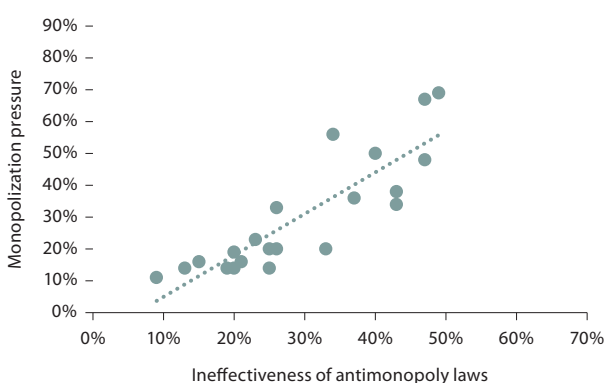
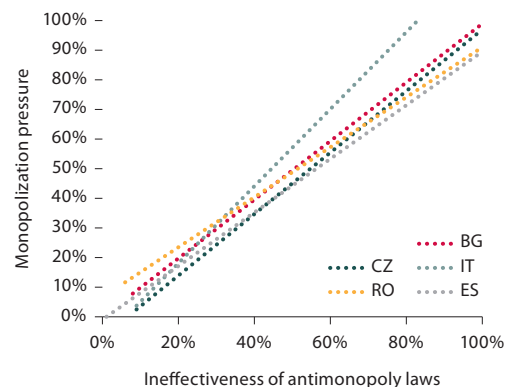


Figure 32. Trend lines



Source: Center for the Study of Democracy.

Table 15. Economic sectors with high or medium ineffectiveness of antimonopoly laws in more than one country

NACE rev.2 code	NACE rev.2 name	BG	CZ	IT	RO	ES
35	Electricity, gas, steam and air conditioning supply	43%	50%	49%	42%	69%
F	Construction	43%	47%	37%	35%	40%
61	Telecommunications	30%	60%	47%	29%	57%
92	Gambling and betting activities	33%	28%	47%	47%	40%
4671	Wholesale of solid, liquid and gaseous fuels and related products	48%	31%	40%	27%	38%
4646	Wholesale of pharmaceutical goods	47%	35%	34%	37%	28%
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	47%	26%			40%
3600	Water collection, treatment and supply		35%			35%
86	Human health activities	32%	36%			
19	Manufacture of coke and refined petroleum products	29%		33%	23%	38%
38	Waste collection, treatment and disposal activities; materials recovery	33%			32%	15%

Source: SCAD, Center for the Study of Democracy.

IAL assessments follow the same pattern of results as the monopolization pressure: the same or similar sectors across countries appear most problematic. There are 11 sectors which are with medium or high IAL in more than one country. Six of them have medium or high IAL in at least 4 countries.

The most notable difference between IAL and monopolization pressure concerns Gambling and betting activities (NACE: 92), which now adds Romania and Spain to vulnerable countries.

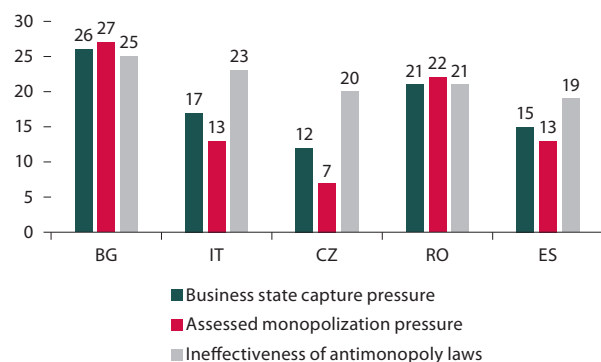
There is a 75 % match in country – sector assessments by the indicators Laws providing illegitimate competitive advantage and Ineffectiveness of antimonopoly laws for Bulgaria, Italy, the Czech Republic and Spain. The ineffectiveness of antimonopoly laws increases the private sector's motivation and ability to exercise monopolization pressure across countries and economic sectors. SCAD provides empirical verification of this relationship at sectoral level. There is a strong ($r = 0.81$) and significant ($p = 0.00$) correlation between Ineffectiveness of antimonopoly laws and Monopolization pressure measured at sectoral level.¹²⁷

¹²⁷ There were 149 country-sector data points.

The amplification of the effect of the antitrust enforcement on monopolization pressure is the strongest in Italy. The Competition Protection Commission in Italy is assessed as relatively impartial and with strong integrity, thus suggesting vulnerability for legislative capture by politicians.

The ineffectiveness of antimonopoly laws is highest in Bulgaria (25) and Italy (23), closely followed by Romania (21), the Czech Republic (20) and Spain (19).

Figure 33. Business state capture pressure and its components



Source: SCAD, Center for the Study of Democracy.

The unsatisfactory performance of the antimonopoly laws in Bulgaria could be partially explained by the low efficiency of anticorruption policies within the antitrust bodies as well as the low level of impartiality and integrity, as the effectiveness of laws is intertwined with the efficiency of enforcement agencies.

Ineffectiveness of antimonopoly laws country – sector assessments are weighted with the relative weight of sectors in the total turnover. IAL preserves the relative ranking of countries, but with less diversification of the countries.

2.5. INSTITUTIONAL ENABLERS

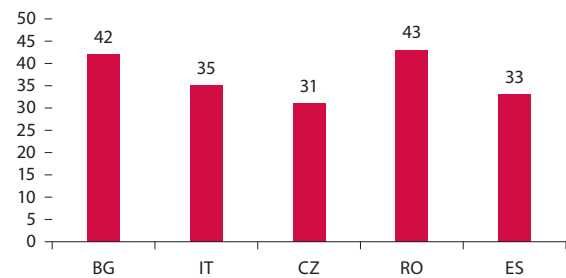
Institutional enabler indicators measure the status of processes in public organizations which directly relate to their potential to **provide impartial services in accordance to their prescribed functions**. Four interrelated dimensions of the service delivery processes are assessed by SCAD:

- Anticorruption policies' effectiveness (the ability of administrative structures to prevent, identify and counteract corruption practices among officials);
- Integrity of public officials (establishment and interiorization of new standards of behavior which increases accountability and transparency);
- Impartiality – neutral attitude towards citizens and businesses (the ability to adequately apply rules of fairness and impartiality in everyday transactions and services);
- Lack of bias (personal, political or other) toward specific private interests.

Captured institutions have institutionalized corruption, take biased decisions in favour of the captor and hide particular elements of work which are deviations of the institutional norms by design. These aspects might be quite different from institution to institution. SCAD focuses on detailed diagnostics which can be used to pinpoint particular vulnerabilities in different types of government function and even in particular public organizations.

Institutional enabler indexes vary between 31 and 43, indicating medium vulnerability and **systemic governance gaps** that could potentially be exploited for state capture scenarios. Institutional enablers rank countries

Figure 34. Institutional enablers



Source: SCAD, Center for the Study of Democracy.

in the same way as the Business state capture pressure index, just altering the last two places (Bulgaria here ranks slightly better than Romania). However, the five countries differ greatly with respect to its component dimensions.

Ineffectiveness of anticorruption policies

The Ineffectiveness of anticorruption policies (IACP) indicator is calculated as a simple average of its three sub-components which cover different aspects of administrative corruption (Table 6):

- **Estimated external corruption pressure** measures the prevalence of corruption transaction proposals to public organizations from outside. The pressure is calculated as an average of the assessments of a list of institutions performing specific functions.
- **Estimated pressure from above** measures the likelihood of corruption transactions initiated by superiors and involving their subordinates in the public organization. The actual unauthorized formally/undue activities or services could be conducted by someone who does not receive any benefit (except to continue to work for the entity) and it could be qualified as an administrative violation, rather than a criminal infringement. This indicator is a proxy for existence of at least a minimal corruption organization within the institution, as repeated violations would lead to some form of compensation from above.
- **Estimated involvement in corruption practices** measures the likelihood of employees to resort to actual corruption transactions – initiate or agree to an offer – by assessing the impact of institutional activity on corruption risk and cases of corruption. The SCAD ranking of the five countries on the Estimated involvement in corruption dimension mir-

Table 16. Ineffectiveness of anticorruption policies

	BG	IT	CZ	RO	ES
Ineffectiveness of anticorruption policies	57	53	36	56	38
Estimated external corruption pressure	71	70	45	66	50
Estimated pressure from above	64	61	33	65	44
Estimated involvement in corruption	36	29	31	37	21

Source: SCAD, Center for the Study of Democracy.

Table 17. Ineffectiveness of anticorruption policies for regulatory/control functions (average of institutions)

Regulatory/control function type	BG	CZ	IT	RO	ES
Local government	85%	65%	77%	90%	
Customs	80%		67%	83%	
Construction regulating bodies	77%	55%	86%	82%	
Environmental regulation and control	67%		62%	89%	
Agriculture		50%	56%	84%	
Forestry	61%				
Mobility and transport			48%		71%
Science, academia – research, regulation, accreditation, etc.				58%	
Pharmacy and health related control and regulatory bodies	71%	44%	56%		
Media regulators	48%			67%	
Registries and data banks	52%				
Privatization and post-privatization control, restitution	61%			73%	20%
Investments and tourism	47%		48%	73%	35%
Social and health insurance authorities	49%	48%	52%	83%	20%
Energy sector regulation and control		62%	48%	54%	33%
Labor conditions, control and regulation; employment policies	45%		70%	60%	21%
Healthcare			44%		
Tax and audit authorities	70%	27%	47%	30%	43%
Trade control and licenses	33%		49%	43%	46%
Antitrust bodies	80%	40%	41%	12%	37%
Telecommunications and broadcasting		33%		44%	
Fiscal policies, regulation and control	43%	24%	45%	41%	35%
Gambling regulating bodies	38%				
Procurement	49%			18%	
Patents	33%	11%	46%		
Security		27%			
Anticorruption, organized crime and money laundering	56%	18%	15%	17%	15%
Human rights	41%	3%	10%	33%	

Source: SCAD, Center for the Study of Democracy.

rors perfectly the victimization results of actual corruption demand.¹²⁸

Effective anticorruption policies should have both short and long-term targets. In the short run they should aim at reducing pressure from above through internal integrity systems and change institutional design so as to prevent higher involvement in corruption. In the long run, policies should be able to reduce external corruption pressure, e.g. by increasing the probability of corruption offenses being uncovered, investigated and end up with conviction.

Ineffectiveness of anticorruption policies is highest in Bulgaria (57) and Romania (56), followed closely by Italy (53). The Czech Republic and Spain perform best with 36 and 38 respectively.

Comparing Bulgaria and Italy, both countries have relatively high and similar corruption pressure from above and from outside, but differ as to involvement in corruption. Italy, through better transparency and checks and balances or integrity as a whole, is able to curtail corruption pressure and limit corruption involvement better than Bulgaria. Similarly, lower external corruption pressure and same pressure from above does not lead to lower involvement in Romania, compared to Bulgaria due to the worse impartiality in Romania. The Czech Republic experiences significantly lower pressure from above and from outside compared to Italy, but has comparable levels of corruption involvement due to the lack of integrity (lack of transparency and not enough checks and balances).

SCAD has also been used to derive **IACP assessments for specific public organizations and regulatory bodies** organized by different government functions (Table 17). While it has not been possible to have a uniform structure of assessments for all government functions by country, the results show that:

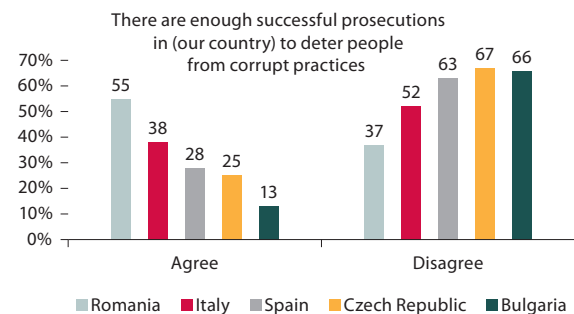
- countries (e.g. Bulgaria and Romania) or sectors (e.g. construction) which have high monopolization pressure also have high ineffectiveness of anticorruption policies with most of the government functions.

¹²⁸ These two indicators are from completely independent sources: Estimated involvement in corruption is computed based on experts' assessments from the SCAD instrument, while the percentage of citizens asked for an extra payment is from the Eurobarometer survey on corruption. As only five countries were covered by the pilot implementation of the SCAD tool, the correlation between the two indicators cannot be computed.

- Bulgaria stands out as especially problematic with regard to antitrust bodies and other government functions.

One of the most influential factors which could impact the external pressure for corruption (those supplying the bribes) is effective prosecution of corruption practices. Romania and Italy are the top performers in terms of active involvement of the judiciary system. Compared to the situation in 2013, the tendency is positive – the judicial system works better today, but again the improvement differs significantly among countries. The slowest improvement is in Bulgaria and the fastest is Romania.

Figure 35. Successful prosecutions as a deterrent of corrupt practices according to the population



Source: Special Eurobarometer 470, 2017.

Lack of integrity

The Lack of integrity indicator comprises three sub-components (Table 18). The only country highly vulnerable because of the lack of integrity is Spain, while the rest have medium vulnerability. Spain's indicators of transparency and accountability are the lowest and are only slightly better than the Czech Republic's in respect to checks and balances. Integrity systems are very complex and take time to be build and function effectively. They require impartiality in terms of employment of civil servants, good governance in public funds management (public procurement) and consensus building experience. Spain does not have a good track record in any of these three domains. The Spanish bureaucracy lacks deep historic roots.¹²⁹ Despite all corruption scandals, Bulgaria, the Czech Republic and Romania have extensively learnt from administrations of tradition (UK, US, Germany and France) and were

¹²⁹ Alba, C. R. 2001. "Bureaucratic Politics in Spain: A Long-Lasting Tradition". In: B. Guy Peters, G. B. and Pierre, G. (eds) *Politicians, Bureaucrats and Administrative Reform*. London and New York: Routledge/ECPR Studies in European Political Science. pp. 93-105.

Table 18. Components of lack of integrity

Indicator	BG	IT	CZ	RO	ES
Lack of Integrity	44	38	44	38	54
Activities are not transparent	49	41	60	62	69
Not accountable for its actions	42	43	18	20	44
No checks and balances	41	30	54	32	49

Source: SCAD, Center for the Study of Democracy.

facilitated by the international development community to adopt modern measures and institutions even earlier than some of the Member States. The Czech Republic was among the top 10 open public data countries in 2016 and Bulgaria made it to the list in 2017.

Integrity is a classical indicator of good governance, which is traditionally used in various corruption-related instruments. Integrity provides partial explanation regarding the differences in corruption pressure and involvement – The two countries with the best integrity systems among the five states – Romania and Italy – have high corruption pressure and worst assessments of impartiality. A **good integrity system reinforces the detection** of corruption and state capture, which might seem more pervasive compared to countries with worse integrity systems.

Lack of impartiality

Impartiality reflects to what extent a neutral attitude towards citizens and businesses is found in organizations. It is the ability to adequately apply rules of fairness and alienation of all characteristics not stipulated in the regulations regarding everyday transactions and services. The indicator summarizes with equal weights the following three measures:

- The average frequency of particularism and serving private interests (acting to protect private interests in violation of the organization's formal rules of operation) for different institutions.

- The availability of patronized/protected firms which are never sanctioned by the institutions.
- The average frequency of violation of the laws or rules governing the operations (regulating the activity) of public institutions.

All five countries display medium vulnerability to the lack of impartiality factor. The Czech Republic ranks highest in terms of impartiality and Romania ranks lowest, which points to a strong particularism in the country. Not surprisingly, the most vocal criticism towards the Romanian anticorruption system is that it is not impartial. Bulgaria and the Czech Republic expectedly have widespread perceptions that there are people and firms which will be never sanctioned. Surprisingly large are the estimates for Romania and Italy, provided the relatively good integrity assessments for them.

Sanctioning or enforcement appears fairly differently evaluated compared to the other two indicators, and obviously measures a substantially different dimension of impartiality. The sanctioning indicator is correlated with the monopolization vulnerability ranking of countries and appears to be a direct and strong symptom of monopolization pressure vulnerability. Sanctioning activity is one of the main proxies for the implementation of a certain regulation. Deficiencies in this respect show quite clearly that capture processes should be associated both with the illegitimate involvement in the design of regulations and the exercise of potential influence on the implementation of regulations.

Table 19. Lack of impartiality

Indicator	BG	IT	CZ	RO	ES
Lack of impartiality	39	40	30	44	32
Often serves private interests	25	27	22	38	27
Would never sanction certain people/firms	69	67	50	63	60
Rules of operation are violated often	22	27	18	31	9

Source: SCAD, Center for the Study of Democracy.

The government functions/units with high levels of **Lack of impartiality** are local governments, customs, construction and environmental regulators across the five countries. Specific cases for government functions stand out in the different countries. For Bulgaria these are local governments and antitrust bodies, for the Czech Republic – local governments, construction-related bodies and energy sector regulations and control. Italian local governments, customs, construction-relat-

ed bodies and labor conditions, control and regulation have high vulnerability. Romania has nine functional units and Spain has just one.

The SCAD data provide a way to select the institutions at country level which most urgently need an intervention to improve their impartiality and integrity. The data could not be used to prove any wrong-doing, but to outline the strategic steps.

Table 20. Lack of impartiality scores by government functions and country

Regulatory/control function type	BG	CZ	IT	RO	ES
Local government	69%	58%	67%	88%	
Customs	53%		52%	75%	
Construction-related bodies	65%	54%	59%	55%	
Forestry-related bodies	56%				
Environmental regulation and control	47%		43%	72%	
Media-related bodies	38%			59%	
Labor conditions, control and regulation; employment policies	45%		58%	47%	29%
Agriculture-related bodies		39%	39%	56%	
Energy sector regulation and control		53%	33%	46%	41%
Social and health insurance authorities	32%	36%	44%	57%	43%
Mobility and transport authorities			29%		50%
Tax and audit authorities	46%	30%	37%	26%	39%
Health-related regulators			33%		
Pharmacy and health related control and regulatory bodies	33%	22%	44%		
Trade control and licenses	23%		29%	47%	29%
Fiscal policies, regulation and control	32%	20%	29%	36%	38%
Registries and data banks	31%				
Antitrust bodies	57%	32%	21%	16%	27%
Privatization and post-privatization control, restitution	33%			53%	0%
Science, academia – research, regulation, accreditation, etc.				28%	
Investments and tourism	0%		29%	47%	35%
Procurement	36%			18%	
Gambling regulating bodies	21%				
Human rights	30%	0%	10%	41%	
Security		20%			
Telecommunications and broadcasting		8%		28%	
Anticorruption, organized crime and money laundering	30%	8%	16%	17%	17%
Patent bodies	13%	0%	26%		

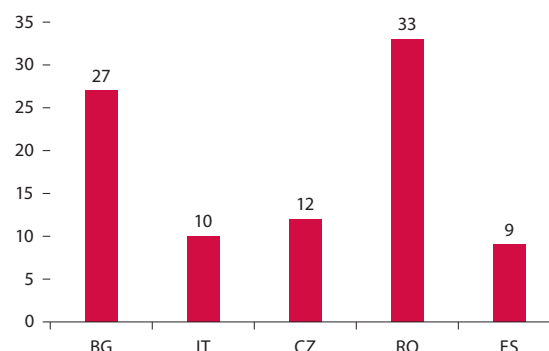
Source: SCAD, Center for the Study of Democracy.

Private interest bias

Private interest bias is the indicator measuring directly and explicitly the risk of state capture. The value of this indicator is calculated as the average share of experts who think that in a particular public organization “the control and the imposition of sanctions are done selectively, and the choice of whom to control/sanction follows private interests”. The Private interest bias indicator addresses one of the strongest state capture mechanisms: using public organizations for benefiting certain private interests, but also using public organizations as a tool or rather a weapon against the competitors of the captor.

Only Romania has a medium vulnerability against private interest bias, closely followed by Bulgaria, already

Figure 36. Private interest bias



Source: SCAD, Center for the Study of Democracy.

with a low vulnerability. The Czech Republic, Italy and Spain also have low vulnerability to the bias.

Table 21. Private interest bias by government function and country

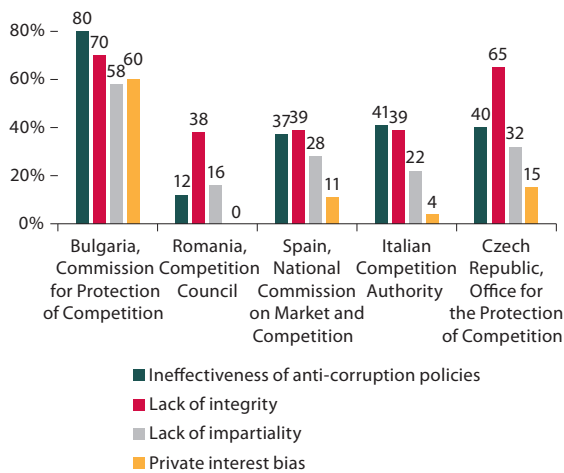
Regulatory/control function type	BG	IT	CZ	RO	ES
Customs	50%		17%	75%	
Local government	56%	13%	21%	48%	
Forestry-related bodies	33%				
Construction-related bodies	46%	17%	18%	45%	
Agriculture-related bodies		33%	33%	21%	
Environmental regulation and control	0%		15%	67%	
Media-related bodies	14%			56%	
Gambling regulating bodies	25%				
Telecommunications and broadcasting		0%		50%	
Energy sector regulation and control		40%	13%	25%	11%
Pharmacy and health-related control and regulatory bodies	43%	17%	6%		
Registries and data banks	21%				
Fiscal policies, regulation and control	28%	18%	3%	34%	18%
Tax and audit authorities	34%	17%	7%	23%	17%
Social and health insurance authorities	22%	9%	13%	40%	10%
Antitrust bodies	60%	14%	4%	0%	11%
Labor conditions control and regulation; employment policies	18%		16%	20%	13%
Trade control and licenses	25%		4%	20%	7%
Privatization and post-privatization control, restitution	0%			40%	0%
Investments and tourism	0%		0%	40%	12%
Procurement	15%			10%	
Science, academia – research, regulation, accreditation, etc.				11%	
Human rights	11%	0%	0%	22%	

Table 21. Private interest bias by government function and country (continued)

Regulatory/control function type	BG	IT	CZ	RO	ES
Anticorruption, organized crime and money laundering	34%	0%	0%	0%	4%
Patent bodies	0%	0%	5%		
Health-related regulators			0%		
Mobility and transport			0%		0%
Security		0%			

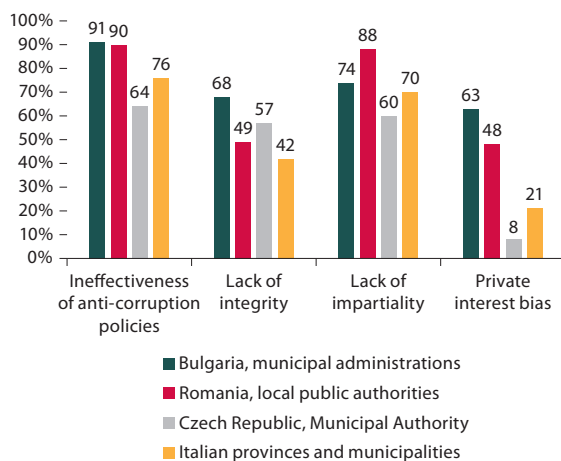
Source: SCAD, Center for the Study of Democracy.

Figure 37. Antitrust bodies



Source: SCAD, Center for the Study of Democracy.

Figure 38. Local governments



Source: SCAD, Center for the Study of Democracy.

An important aspect of the private interest bias indicator are its values by government functions (Table 20). Results show that functions/public organizations associated with problematic sectors (e.g. customs, restriction-related functions, local government) tend to

receive unfavourable assessments for the respective countries.

The State Capture Assessment Diagnostics benchmarks not only countries, but also public institutions with somewhat similar functions. Figure 37 compares the antitrust bodies in the five countries, while Figure 38 compares local governments/municipalities. The Romanian Competition Council seems the most effective against monopolization and corruption among antitrust authorities. Local authorities in the Czech Republic are most impartial and unbiased and implement more effective anticorruption policies.

2.6. ENVIRONMENTAL ENABLERS

Media capture

Media freedom is a *conditio sine qua non* for deliberative democracy and effective policies against systemic capture of different societal domains, including judicial capture. Media is the main feedback vehicle in building public demand for good governance. When media is captured and the feedback mechanism fails to work, political corruption flourishes. Trends in media freedom development are alarming for all countries, not just Bulgaria, which appears to be in the worst situation. One of the most common paths to media capture in Central and Eastern Europe is: privatization, internationalization, exit and oligarchizing of the market.¹³⁰ Strategic owners from Western Europe have been gradually replaced by local oligarchs through a mix of regulatory and advertising pressure from local public-private partnerships.

¹³⁰ Yalamov, T. 2018. "Russian Influence, Trust in Media and Media Capture". In: Shentov, O. Stefanov, R. and Vladimirov, M. (Eds.). *The Russian Economic Grip on Central and Eastern Europe* (pp. 43-65). Abingdon: Routledge.

Table 22. Media capture scores

Indicator (and source)	IT	CZ	BG	RO	ES
Media Capture Average	37	39	51	48	36
2017 World Press Freedom Index ¹³¹	24	22	35	24	21
2017 Freedom of the Press ¹³²	31	21	42	38	28
2016 Media Pluralism Monitor: ¹³³ Market Plurality	43	64	71	64	42
2016 Media Pluralism Monitor: Political Independence	51	48	56	65	54

Source: World Press Freedom Index, Freedom of the Press Index, Media Pluralism Monitor.

The typical oligarchic strategy to capture the state includes at least one (but often several) media which would publish the **necessary narratives** protecting and portraying the captured institutions as the most efficient and public-benefit-oriented. In countries like Hungary, the opposite approach was implemented (the government captured media through complex measures of funding and pressure. The best performing countries are Italy and the Czech Republic, but they still face medium vulnerability.

Components of the media capture indicator are not internally normalized and a higher value could actually mean better positioning of the country. For example, Bulgaria had 42 of 99 points in the 2017 Freedom of the Press Index, and is ranked 80 from 199 countries. At the same time, the value of 35 of 100 points on the World Press Freedom Index, ranks Bulgaria as 111 of 180 countries which is one of the lowest values for the European countries and the lowest among the EU Member States – a result found quite unsatisfactory by a number of local analysts.

The Media Pluralism Monitor generally gives somewhat higher values, followed by the Freedom of Press Index and finally the World Press Freedom Index where even values below 40 are considered to signify high vulnerability. Therefore, the relative ranking of a country by SCAD is somewhat more informative when sub-indicators of media captures are concerned.

Bulgaria ranks last on three of the four sub-indicators with only Romania having worse performance on the Political independence scale. The values of the Market Plurality Index are particularly concerning. Even in the

context of global increase in market concentration in the media sector, Bulgaria's assessment of market plurality of 71 is alarming. The most substantial deficiencies of the media model are **lack of transparency and concentration of ownership, monopoly position on the distribution market of printed media and poorly developed self-regulation mechanisms**.¹³⁴

The Czech Republic is at the other end of the continuum with best ranks (from the five countries) in Political independence and Freedom of the Press Index. In the World Press Freedom Index it ranks second with 22 of 100 with only Spain ahead with 21 of 100.

Administrative corruption

Administrative corruption usually victimizes citizens and businesses and hence is easily measured,¹³⁵ unlike political corruption, where all involved parties have an incentive to conceal the activities. Romanians were most often asked by public officials to give a bribe, whereas only 2% of Spaniards were asked to do so in 2016. When administrative corruption is widespread citizens and businesses consider it business-as-usual and are more prone to give a bribe when asked. If people cannot do for a period of time (one year at least) without giving a bribe, the capacity of society to curb state capture diminishes significantly, as one always risks to be portrayed as “the guy who gave the bribe accuses us of getting the bribes”. Moreover, large-scale petty corruption could easily evolve into organized crime and state capture at a particular institution.

During a period of increased bribing (for minor violations such as not wearing belts, speeding, etc.) of the

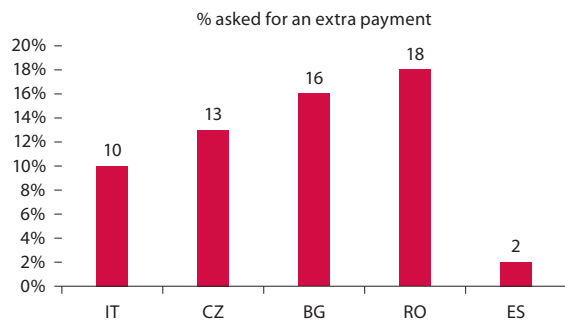
¹³¹ World Press Freedom Index by Reporters Without Borders.

¹³² Freedom of the Press Index by Freedom House.

¹³³ Brogi, E., Bania, K., Nenadic, I., Ostling, A. and Parcu, P. L. 2017. *Monitoring Media Pluralism in Europe: Application of the Media Pluralism Monitor 2016 in the European Union, Montenegro and Turkey*. Policy report. Centre for Media Pluralism and Media Freedom. European University Institute.

¹³⁴ Center for the Study of Democracy. 2016. *State Capture Unplugged: Countering Administrative and Political Corruption in Bulgaria*. Sofia: Center for the Study of Democracy.

¹³⁵ European Union. 2017. *Special Eurobarometer 470: Corruption*. Retrieved from European Commission: Public Opinion: <https://bit.ly/2YMzw8a>.

Figure 39. Levels of corruption pressure

Source: Special Eurobarometer 470, 2017.

traffic-police in Bulgaria, officers' income from bribes became so substantial that people started bribing senior traffic-police officials to secure a traffic policeman's job or, if already working as one, to be assigned the best locations for bribes. The external pressure for petty bribes led to the creation of self-organized crime groups within the traffic police to protect and serve private interests. Once the organization was functioning, it could easily deliver other goods or services (e.g. drug dealers' protection). As everybody was involved in the scheme, it was difficult to fight it. In some cases, when incorruptible policemen (or customs officers) rejected bribe offers, they were set up so as to appear to have taken the bribe. Thus, the honest officer would be discharged so as not to interfere in the corrupt officers' business.

Administrative corruption is a strong enabler of state capture, hence any successful policy against state cap-

ture should start with minimizing administrative corruption to marginal levels. Yet, the case of Spain suggests that this is not enough.

Judiciary capture

SCAD used proxies for judiciary capture from the Rule of Law Index.¹³⁶ Bulgaria has the highest judiciary capture vulnerability. Medium vulnerability is observed in Romania and Italy, while the Czech Republic and Spain have low vulnerability. Judiciary capture assessments generally follow the monopolization pressure vulnerability assessments.

Judiciary capture in different countries is fuelled by different motivations and mechanisms. For Bulgaria, the main reason is the lack of adequate mechanisms for external oversight of the work of the Prosecutor's Office and its ineffective internal control mechanisms, which have made it practically unaccountable.¹³⁷ Bulgarian judiciary capture is a form of institutional capture, while the judiciary capture in Spain is political.¹³⁸

While judiciary capture is very difficult to prove, there are apparent problems with the judiciary system in Bulgaria which can be regarded as one of the strongest environmental enablers of state capture if not the actual enactment of the institutional or political state capture scenario.¹³⁹

Table 23. Judiciary capture scores

Indicator	IT	CZ	BG	RO	ES
Judiciary capture: average score	24	19	55	33	29
7.3. Civil justice: no corruption	32	23	53	33	28
7.4. Civil justice: no improper gov. influence	30	22	54	34	37
2.2. Absence of corruption: no corruption in the judiciary	18	13	43	26	15
8.5. Criminal justice: no corruption	26	24	58	33	27
8.6. Criminal justice: no improper gov. influence	16	13	69	40	40

Source: Rule of Law Index.

¹³⁶ World Justice Project. 2019. *World Justice Project Rule of Law Index: Italy*. Retrieved from: World Justice Project: <https://bit.ly/2Yy0Sie>.

¹³⁷ Center for the Study of Democracy. 2016. *State Capture Unplugged: Countering Administrative and Political Corruption in Bulgaria*. Sofia: Center for the Study of Democracy.

¹³⁸ Terol, A. R. 2018. "Spain's Judiciary Faces Unprecedented Turmoil: Here's What You Need to Know". *Catalan News*, November 21, 2018.

¹³⁹ Center for the Study of Democracy. 2016. *State Capture Unplugged: Countering Administrative and Political Corruption in Bulgaria*. Sofia: Center for the Study of Democracy.



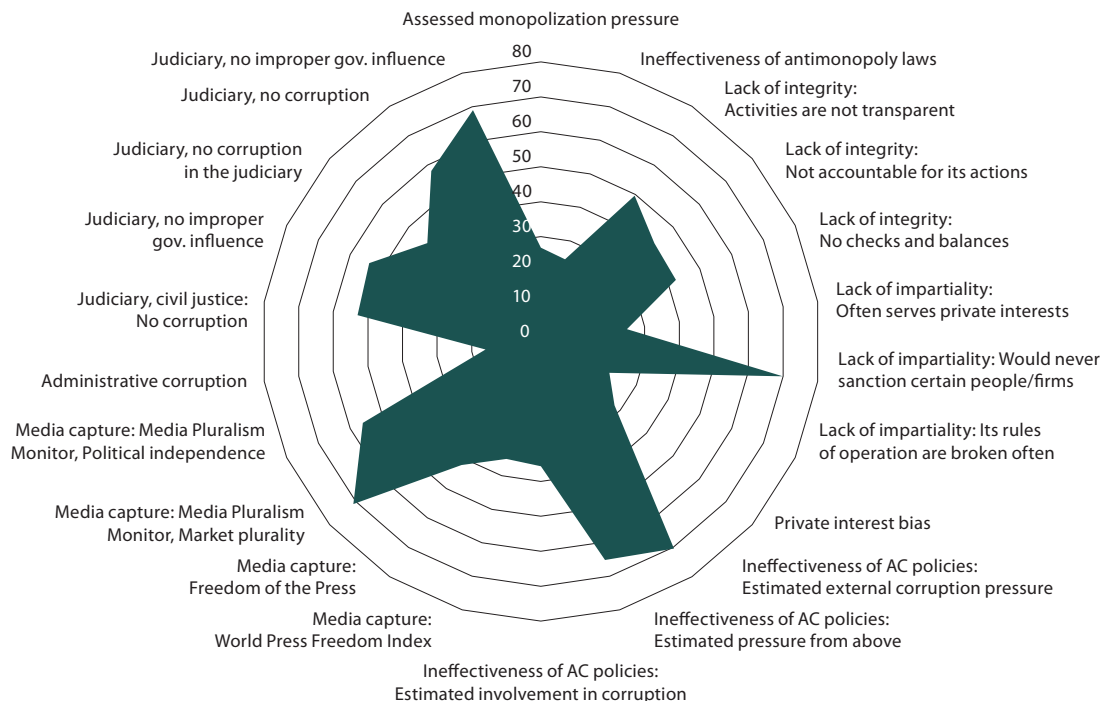
BULGARIA

Table 24. State capture and its dimensions

Indicator	0 to 100
BUSINESS STATE CAPTURE PRESSURE	26
Assessed monopolization pressure	27
Ineffectiveness of antimonopoly laws	25
STATE CAPTURE ENABLERS	41
Institutional enablers	42
Lack of integrity	44
Lack of impartiality	39
Private interest bias	27
Ineffectiveness of anticorruption policies	57
Environmental enablers	41
Media capture	51
Administrative corruption	16
Judiciary capture	55

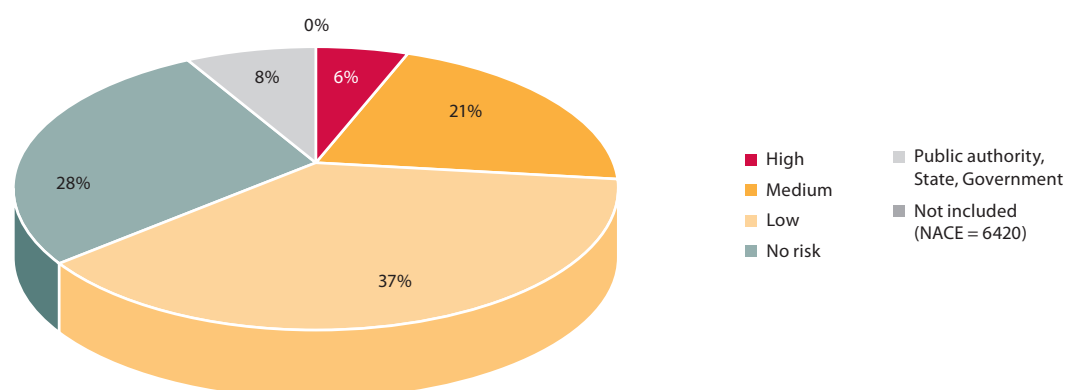
Source: SCAD, Center for the Study of Democracy.

Figure 40. State capture pressure



Source: SCAD, Center for the Study of Democracy.

Figure 41. Assessed monopolization pressure (% of the total turnover for the country)



Source: SCAD, Center for the Study of Democracy.

Table 25. Monopolization pressure by sectors

NACE	Sector name	% MP total	% of operating turnover in sector
4671	Wholesale of solid, liquid and gaseous fuels and related products	85%	3%
4646	Wholesale of pharmaceutical goods	70%	2%
61	Telecommunications	48%	1%
4621	Wholesale of grain, unmanufactured tobacco, seeds and animal feeds	47%	3%
F	Construction	45%	5%
35	Electricity, gas, steam and air conditioning supply	43%	2%
92	Gambling and betting activities	40%	1%
4677	Wholesale of waste and scrap	38%	0%
4673	Wholesale of wood, construction materials and sanitary equipment	37%	1%
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	35%	0%
12	Manufacture of tobacco products	35%	0%
4635	Wholesale of tobacco products	33%	2%
4711	Retail sale in non-specialized stores with food, beverages or tobacco predominating	32%	3%
19	Manufacture of coke and refined petroleum products	32%	2%
38	Waste collection, treatment and disposal activities; materials recovery	23%	0%
60	Programming and broadcasting activities	23%	0%
80	Security and investigation activities	18%	0%
49	Land transport and transport via pipelines	17%	3%
10	Manufacture of food products	17%	4%
62	Computer programming, consultancy and related activities	15%	2%

Table 25. Monopolization pressure by sectors (continued)

NACE	Sector name	% MP total	% of operating turnover in sector
64	Financial service activities, except insurance and pension funding	15%	0%
4675	Wholesale of chemical products	13%	1%
11	Manufacture of beverages	13%	1%
73	Advertising and market research	13%	1%
86	Human health activities	13%	1%
24	Manufacture of basic metals	12%	3%
20	Manufacture of chemicals and chemical products	12%	1%
56	Food and beverage service activities	12%	1%
68	Real estate activities	10%	2%
25	Manufacture of fabricated metal products, except machinery and equipment	10%	2%
55	Accommodation	10%	1%
51	Air transport	10%	0%
Assessed monopolization pressure		27	

Source: SCAD, Center for the Study of Democracy.

Table 26. Procurement capture¹⁴⁰

Criteria	
Single bidder	32.00
No calls for bids	26.00
Publication rate	6.40
Cooperative procurement	2.00
Award criteria	79.00
Decision speed	132.00
SME contractors	53.00
SME bids	54.00
Procedures divided into lots	41.00
Missing calls for bids	8.00
Missing seller registration numbers	0.00
Missing buyer registration numbers	0.00

Legend: Green – satisfactory, yellow – average, red – unsatisfactory.

Source: Single Market Scoreboard, European Commission, 2017. Public Procurement.

¹⁴⁰ European Commission. 2017. *Public Procurement*. Retrieved from: The EU Single Market Scoreboard: <https://bit.ly/1ym7Z8O>.

Table 27. Ineffectiveness of antimonopoly laws

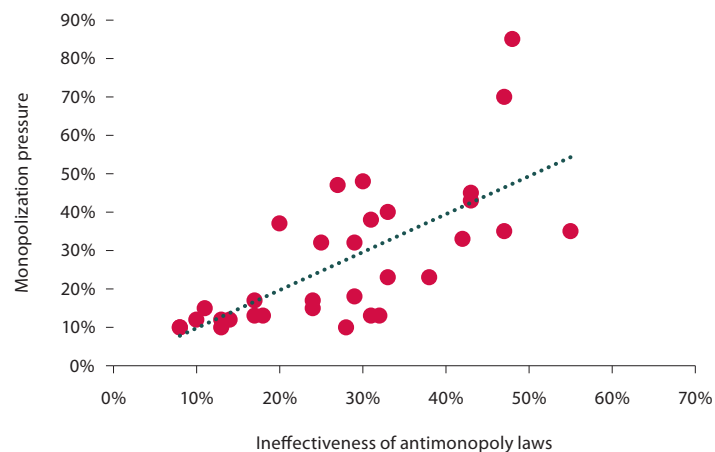
NACE rev. 2 code	Sector name	Ineffectiveness of antimonopoly laws (laws in the sector help the formation of monopolies: % of the experts who answered the question)
12	Manufacture of tobacco products	55%
4671	Wholesale of solid, liquid and gaseous fuels and related products	48%
4646	Wholesale of pharmaceutical goods	47%
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	47%
35	Electricity, gas, steam and air conditioning supply	43%
F	Construction	43%
4635	Wholesale of tobacco products	42%
60	Programming and broadcasting activities	38%
92	Gambling and betting activities	33%
38	Waste collection, treatment and disposal activities; materials recovery	33%
86	Human health activities	32%
4677	Wholesale of waste and scrap	31%
11	Manufacture of beverages	31%
61	Telecommunications	30%
19	Manufacture of coke and refined petroleum products	29%
80	Security and investigation activities	29%
51	Air transport	28%
4621	Wholesale of grain, unmanufactured tobacco, seeds and animal feeds	27%
4711	Retail sale in non-specialized stores with food, beverages or tobacco predominating	25%
10	Manufacture of food products	24%
64	Financial service activities, except insurance and pension funding	24%
27	Manufacture of electrical equipment	21%
4673	Wholesale of wood, construction materials and sanitary equipment	20%
73	Advertising and market research	18%
69	Legal and accounting activities	18%
22	Manufacture of rubber and plastic products	18%
49	Land transport and transport via pipelines	17%
28	Manufacture of machinery and equipment n.e.c.	17%
4675	Wholesale of chemical products	17%
1	Crop and animal production, hunting and related service activities	15%
24	Manufacture of basic metals	14%

Table 27. Ineffectiveness of antimonopoly laws (continued)

NACE rev. 2 code	Sector name	Ineffectiveness of antimonopoly laws (laws in the sector help the formation of monopolies: % of the experts who answered the question)
16	Manufacture of wood and products of wood and cork; except furniture; manufacture of articles of straw and plaiting materials	14%
52	Warehousing and support activities for transportation	14%
13	Manufacture of textiles	14%
20	Manufacture of chemicals and chemical products	13%
25	Manufacture of fabricated metal products, except machinery and equipment	13%
62	Computer programming, consultancy and related activities	11%
71	Architectural and engineering activities; technical testing and analysis	11%
29	Manufacture of motor vehicles, trailers and semi-trailers	11%
18	Printing of reproduction of recorded media	11%
56	Food and beverage service activities	10%
45	Wholesale and retail trade and repair of motor vehicles and motorcycles	9%
55	Accommodation	8%
68	Real estate activities	8%
79	Travel agency, tour operator and other reservation service and related activities	7%
14	Manufacture of wearing apparel	7%
33	Repair and installation of machinery and equipment	7%
Ineffectiveness of antimonopoly laws		25

Source: SCAD, Center for the Study of Democracy.

Figure 42. Ineffectiveness of antimonopoly laws and Monopolization pressure at the sectoral level



Source: SCAD, Center for the Study of Democracy.

Table 28. Sector 4671. Wholesale of solid, liquid and gaseous fuels and related products

Statement	%
A specific company or a small number of companies win too many public tenders	43%
Laws that provide illegitimate competitive advantage	33%
Control and/or sanctions are applied selectively which helps particular companies	73%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	2%

Source: SCAD, Center for the Study of Democracy.

Table 29. Sector 4646. Wholesale of pharmaceutical goods

Statement	%
A specific company or a small number of companies win too many public tenders	55%
Laws that provide illegitimate competitive advantage	33%
Control and/or sanctions are applied selectively which helps particular companies	45%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	2%

Source: SCAD, Center for the Study of Democracy.

Table 30. Regulatory/control function type

Regulatory/control function type	Institutional enablers: indicator	%
Pharmacy and health related control and regulatory bodies	Estimated external corruption pressure	86%
	Estimated pressure from above	86%
	Estimated involvement in corruption	43%
	Ineffectiveness of anticorruption policies	71%
	Often serves private interests	14%
	Would never sanction certain people/firms	86%
	Its rules of operation are violated often	0%
	Lack of impartiality	33%
	Activities are not transparent	86%
	Not accountable for its actions	57%
	No checks and balances	29%
	Lack of integrity	57%
	Private interest bias	43%

Source: SCAD, Center for the Study of Democracy.

Table 31. Sector 61. Telecommunications

Statement	%
A specific company or a small number of companies win too many public tenders	28%
Laws that provide illegitimate competitive advantage	34%
Control and/or sanctions are applied selectively which helps particular companies	45%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	3%

Source: SCAD, Center for the Study of Democracy.

Table 32. Sector 4621. Wholesale of grain, unmanufactured tobacco, seeds and animal feeds

Statement	%
A specific company or a small number of companies win too many public tenders	39%
Laws that provide illegitimate competitive advantage	32%
Control and/or sanctions are applied selectively which helps particular companies	43%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	39%

Source: SCAD, Center for the Study of Democracy.

Table 33. Regulatory/control function type

Regulatory/control function type	Institutional enablers: indicator	%
Anticorruption, organized crime and money laundering	Estimated external corruption pressure	69%
	Estimated pressure from above	62%
	Estimated involvement in corruption	38%
	Ineffectiveness of anticorruption policies	56%
	Often serves private interests	17%
	Would never sanction certain people/firms	62%
	Its rules of operation are violated often	10%
	Lack of impartiality	30%
	Activities are not transparent	48%
	Not accountable for its actions	52%
	No checks and balances	62%
	Lack of integrity	54%
	Private interest bias	34%

Source: SCAD, Center for the Study of Democracy.

Table 34. Section F. Construction

Statement	%
A specific company or a small number of companies win too many public tenders	81%
Laws that provide illegitimate competitive advantage	30%
Control and/or sanctions are applied selectively which helps particular companies	41%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	30%

Source: SCAD, Center for the Study of Democracy.

Table 35. Regulatory/control function type

Regulatory/control function type	Institutional enablers: indicator	%
Construction related bodies	Estimated external corruption pressure	81%
	Estimated pressure from above	92%
	Estimated involvement in corruption	58%

Table 35. Regulatory/control function type (continued)

Regulatory/control function type	Institutional enablers: indicator	
	Ineffectiveness of anticorruption policies	77%
	Often serves private interests	58%
	Would never sanction certain people/firms	88%
	Its rules of operation are violated often	50%
	Lack of impartiality	65%
	Activities are not transparent	65%
	Not accountable for its actions	81%
	No checks and balances	81%
	Lack of integrity	76%
	Private interest bias	46%

Source: SCAD, Center for the Study of Democracy.

Table 36. Ineffectiveness of anticorruption policies

Organization	Estimated external corruption pressure	Estimated pressure from above	Estimated involvement in corruption	Ineffectiveness of anti-corruption policies
Municipal administrations	89%	95%	89%	91%
Road Infrastructure Agency	92%	92%	67%	83%
Directorate for National Construction Supervision	83%	100%	67%	83%
Commission for Protection of Competition	89%	90%	70%	83%
National Health Insurance Fund	91%	82%	70%	81%
Customs Agency	91%	86%	64%	80%
National Revenue Agency	79%	90%	69%	79%
Energy and Water Regulatory Commission	100%	100%	33%	78%
District administrations	100%	88%	38%	75%
Bulgarian Drug Agency	86%	86%	43%	71%
Financial Supervision Commission	80%	70%	50%	67%
Executive Environment Agency	80%	80%	40%	67%
Geodesy, Cartography and Cadastre Agency	63%	88%	38%	63%
Executive Forestry Agency	67%	83%	33%	61%
Privatization and Post-Privatization Control Agency	83%	67%	33%	61%
Commission for Prevention and Ascertainment of Conflict of Interest	73%	60%	40%	58%
Commission for Illegal Assets Forfeiture	69%	64%	36%	56%
Public Procurement Agency	72%	50%	44%	56%

Table 36. Ineffectiveness of anticorruption policies (continued)

Organization	Estimated external corruption pressure	Estimated pressure from above	Estimated involvement in corruption	Ineffectiveness of anti-corruption policies
Registry Agency	71%	50%	36%	52%
InvestBulgaria Agency	50%	80%	20%	50%
State Agency for Metrological and Technical Surveillance	75%	50%	25%	50%
Council for Electronic Media	71%	43%	33%	49%
General Labor Inspectorate Executive Agency	55%	55%	30%	46%
National Audit Office	50%	56%	22%	43%
Commission for Protection against Discrimination	44%	56%	22%	41%
Patent Office	75%	40%	0%	38%
State Commission on Gambling	50%	50%	13%	38%
Audit of European Union Funds Executive Agency	67%	33%	11%	37%
Bulgarian National Bank	44%	56%	11%	37%
Public Financial Inspection Agency	50%	42%	8%	33%
Commission for Consumer Protection	40%	40%	10%	30%
National Social Security Institute	44%	31%	13%	29%
State Commission on Commodity Exchanges and Markets	50%	0%	0%	17%
Average	70.4	65.1	35.7	57.1

Source: SCAD, Center for the Study of Democracy.

Table 37. Lack of integrity

Organization	Activities are not transparent	Not accountable for its actions	No checks and balances	Lack of integrity
Directorate for National Construction Supervision	67%	83%	100%	83%
Municipal administrations	79%	74%	53%	68%
Commission for Protection of Competition	70%	70%	70%	70%
Financial Supervision Commission	70%	60%	60%	63%
Road Infrastructure Agency	75%	83%	67%	75%
Geodesy, Cartography and Cadastre Agency	50%	75%	88%	71%
National Health Insurance Fund	73%	73%	36%	61%
Customs Agency	64%	50%	41%	52%
Executive Forestry Agency	67%	50%	50%	56%
National Revenue Agency	66%	55%	55%	59%
District administrations	50%	63%	38%	50%

Table 37. Lack of integrity (continued)

Organization	Activities are not transparent	Not accountable for its actions	No checks and balances	Lack of integrity
Commission for Prevention and Ascertainment of Conflict of Interest	47%	60%	80%	62%
Bulgarian Drug Agency	86%	57%	29%	57%
General Labor Inspectorate Executive Agency	64%	73%	45%	61%
Energy and Water Regulatory Commission	33%	33%	33%	33%
Council for Electronic Media	43%	57%	57%	52%
Public Procurement Agency	44%	39%	44%	43%
Registry Agency	64%	50%	43%	52%
Commission for Illegal Assets Forfeiture	50%	43%	43%	45%
Executive Environment Agency	60%	40%	40%	47%
Bulgarian National Bank	44%	33%	50%	43%
State Agency for Metrological and Technical Surveillance	25%	0%	25%	17%
National Audit Office	33%	22%	44%	33%
Commission for Consumer Protection	20%	30%	40%	30%
Privatization and Post-Privatization Control Agency	50%	33%	33%	39%
State Commission on Gambling	25%	25%	13%	21%
Commission for Protection against Discrimination	22%	22%	22%	22%
Public Financial Inspection Agency	33%	25%	17%	25%
National Social Security Institute	31%	19%	44%	31%
Audit of European Union Funds Executive Agency	22%	0%	22%	15%
Patent Office	20%	20%	0%	13%
InvestBulgaria Agency	40%	0%	20%	20%
State Commission on Commodity Exchanges and Markets	50%	0%	0%	17%
Average	49.6	43.0	42.5	45.0

Source: SCAD, Center for the Study of Democracy.

Table 38. Lack of impartiality

Organization	Often serves private interests	Would never sanction certain people/firms	Its rules of operation are broken often	Lack of impartiality
Directorate for National Construction Supervision	50%	100%	67%	72%
Municipal administrations	74%	95%	53%	74%

Table 38. Lack of impartiality (continued)

Organization	Often serves private interests	Would never sanction certain people/firms	Its rules of operation are broken often	Lack of impartiality
Commission for Protection of Competition	50%	80%	44%	58%
Financial Supervision Commission	50%	90%	30%	57%
Road Infrastructure Agency	75%	83%	50%	69%
Geodesy, Cartography and Cadastre Agency	38%	88%	38%	54%
National Health Insurance Fund	55%	73%	36%	55%
Customs Agency	41%	91%	27%	53%
Executive Forestry Agency	33%	100%	40%	58%
National Revenue Agency	34%	93%	21%	49%
District administrations	50%	100%	25%	58%
Commission for Prevention and Ascertainment of Conflict of Interest	20%	67%	13%	33%
Bulgarian Drug Agency	14%	86%	0%	33%
General Labor Inspectorate Executive Agency	18%	91%	27%	45%
Energy and Water Regulatory Commission	33%	100%	33%	56%
Council for Electronic Media	29%	83%	14%	42%
Public Procurement Agency	39%	56%	33%	43%
Registry Agency	7%	79%	7%	31%
Commission for Illegal Assets Forfeiture	14%	57%	7%	26%
Executive Environment Agency	20%	80%	40%	47%
Bulgarian National Bank	0%	67%	22%	30%
State Agency for Metrological and Technical Surveillance	0%	50%	0%	17%
National Audit Office	11%	78%	22%	37%
Commission for Consumer Protection	10%	80%	0%	30%
Privatization and Post-Privatization Control Agency	0%	83%	17%	33%
State Commission on Gambling	25%	25%	13%	21%
Commission for Protection against Discrimination	11%	67%	11%	30%
Public Financial Inspection Agency	8%	33%	8%	17%
National Social Security Institute	0%	50%	0%	17%
Audit of European Union Funds Executive Agency	11%	44%	11%	22%
Patent Office	0%	40%	0%	13%
InvestBulgaria Agency	0%	0%	0%	0%
State Commission on Commodity Exchanges and Markets	0%	0%	0%	0%
Average	24.9	69.9	21.5	38.8

Source: SCAD, Center for the Study of Democracy.

Table 39. Private interest bias

Organization	Private interest bias (control and sanctions are enforced partially, serving private interests)
Directorate for National Construction Supervision	67%
Municipal administrations	63%
Commission for Protection of Competition	60%
Financial Supervision Commission	60%
Road Infrastructure Agency	33%
Geodesy, Cartography and Cadastre Agency	50%
National Health Insurance Fund	45%
Customs Agency	50%
Executive Forestry Agency	40%
National Revenue Agency	41%
District administrations	38%
Commission for Prevention and Ascertainment of Conflict of Interest	40%
Bulgarian Drug Agency	43%
General Labor Inspectorate Executive Agency	18%
Energy and Water Regulatory Commission	33%
Council for Electronic Media	14%
Public Procurement Agency	22%
Registry Agency	21%
Commission for Illegal Assets Forfeiture	29%
Executive Environment Agency	0%
Bulgarian National Bank	11%
State Agency for Metrological and Technical Surveillance	50%
National Audit Office	11%
Commission for Consumer Protection	20%
Privatization and Post-Privatization Control Agency	0%
State Commission on Gambling	25%
Commission for Protection against Discrimination	11%
Public Financial Inspection Agency	17%
National Social Security Institute	6%
Audit of European Union Funds Executive Agency	0%
Patent Office	0%
InvestBulgaria Agency	0%
State Commission on Commodity Exchanges and Markets	0%
Average	27.9

Source: SCAD, Center for the Study of Democracy.

Table 40. Media capture enabler of state capture: overall results and different components of the indicator

Indicator	Normalized From 0 to 100	Source
2018 World Press Freedom Index	35	World Press Freedom Index
2017 Freedom of the Press	42	Freedom of the Press
2016 Media Pluralism Monitor: Market plurality	71	Media Pluralism Monitor
2016 Media Pluralism Monitor: Political independence	56	Media Pluralism Monitor
Media capture: average	51	

Sources: World Press Freedom Index by Reporters Without Borders,¹⁴¹ Freedom of the Press Index by Freedom House,¹⁴² Media Pluralism Monitor by CMPF.¹⁴³

Table 41. Administrative corruption

Asked for an extra payment	16%
Enough successful prosecution to deter people from corruption practices	
Agree	13%
Disagree	66%
Don't know	21%

Source: Eurobarometer 470.

Table 42. Judiciary capture

Indicator	0 to 100	Source
7.3. No corruption	53	Rule of Law Index: 7. Civil justice
7.4. No improper gov. influence	54	Rule of Law Index: 7. Civil justice
2.2. No corruption in the judiciary	43	Rule of Law Index: 2. Absence of corruption
8.5. No corruption	58	Rule of Law Index: 8. Criminal justice
8.6. No improper gov. influence	69	Rule of Law Index: 8. Criminal justice
Judiciary capture: average	55	

Source: World Justice Project. 2019. WJP Rule of Law Index: Bulgaria.

Table 43. List of organizations included in SCAD and their regulatory/control function

Regulatory/control function	Organization
Agriculture-related, incl. forestry	State Agricultural Fund
	Executive Forestry Agency
Anticorruption, organized crime and money laundering	Commission for Illegal Assets Forfeiture
	Commission for Prevention and Ascertainment of Conflict of Interest
Antitrust bodies	Commission for Protection of Competition

¹⁴¹ Reporters Without Borders. 2018. *2018 World Press Freedom Index*.

¹⁴² Freedom House. 2017. *Freedom of the Press 2017*.

¹⁴³ Centre for Media Pluralism and Media Freedom. 2016. *Media Pluralism Monitor 2016 – Results: Bulgaria*.

Table 43. List of organizations included in SCAD and their regulatory/control function (continued)

Regulatory/control function	Organization
Construction-related bodies	Directorate for National Construction Supervision
	Road Infrastructure Agency
	Geodesy, Cartography and Cadastre Agency
Customs, revenues and finances	Customs Agency
	National Revenue Agency
	National Audit Office
	National Social Security Institute
Energy sector regulation and control	National Health Insurance Fund
	Energy and Water Regulatory Commission
	Sustainable Energy Development Agency
Environmental regulation and control, forestry, mining	Nuclear Regulatory Agency
	Executive Environment Agency
Fiscal policies, regulation and control	Bulgarian National Bank
	Financial Supervision Commission
	Public Financial Inspection Agency
Gambling regulating bodies	State Commission on Gambling
Human rights	Commission for Protection against Discrimination
	Ombudsman
Investments and tourism	InvestBulgaria Agency
Labor conditions control and regulation; employment policies	General Labor Inspectorate Executive Agency
Local government	District administrations
	Municipal administrations
Media-related bodies	Council for Electronic Media
Patent bodies	Patent Office
Pharmacy and health related control and regulatory bodies	Bulgarian Drug Agency
Privatization and post-privatization control, restitution	Privatization and Post-Privatization Control Agency
Procurement	Public Procurement Agency
	Audit of European Union Funds Executive Agency
Registries and data banks	Registry Agency
Telecommunications and broadcasting	Communications Regulation Commission
Trade control and licenses	State Agency for Metrological and Technical Surveillance
	State Commission on Commodity Exchanges and Markets
	Commission for Consumer Protection
Security	State Agency for National Security

Source: SCAD, Center for the Study of Democracy.

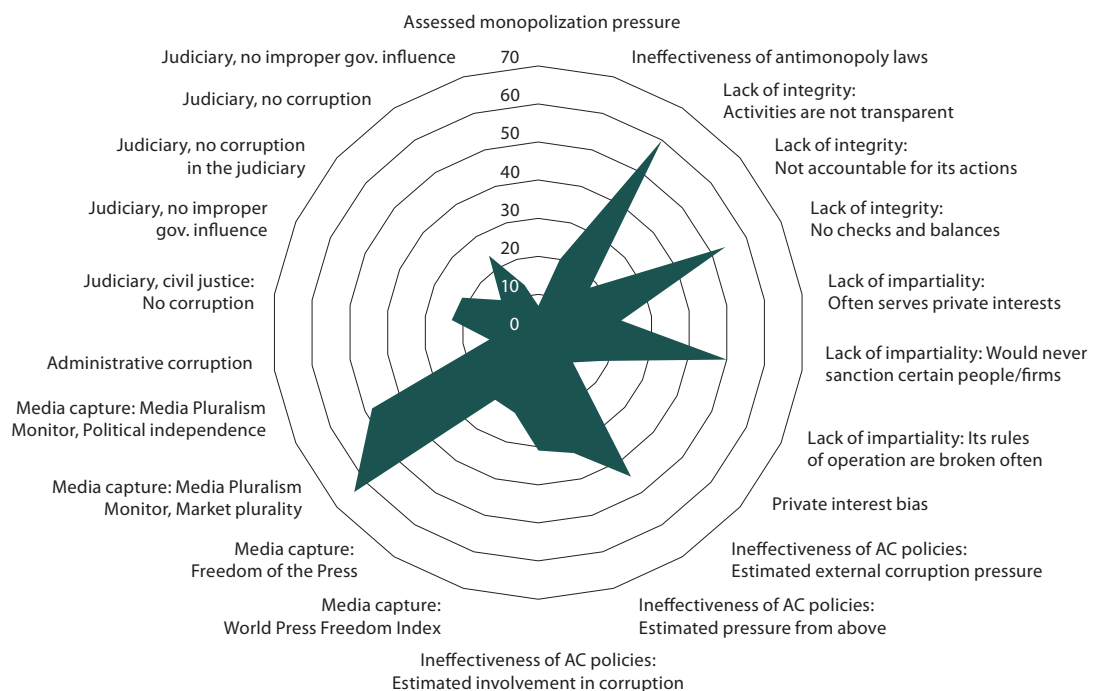
CZECH REPUBLIC

Table 44. State capture and its dimensions

Indicator	0 to 100
BUSINESS STATE CAPTURE PRESSURE	12
Assessed monopolization pressure	7
Ineffectiveness of antimonopoly laws	20
STATE CAPTURE ENABLERS	27
Institutional enablers	31
Lack of integrity	44
Lack of impartiality	30
Private interest bias	12
Ineffectiveness of anticorruption policies	36
Environmental enablers	24
Media capture	39
Administrative corruption	13
Judiciary capture	19

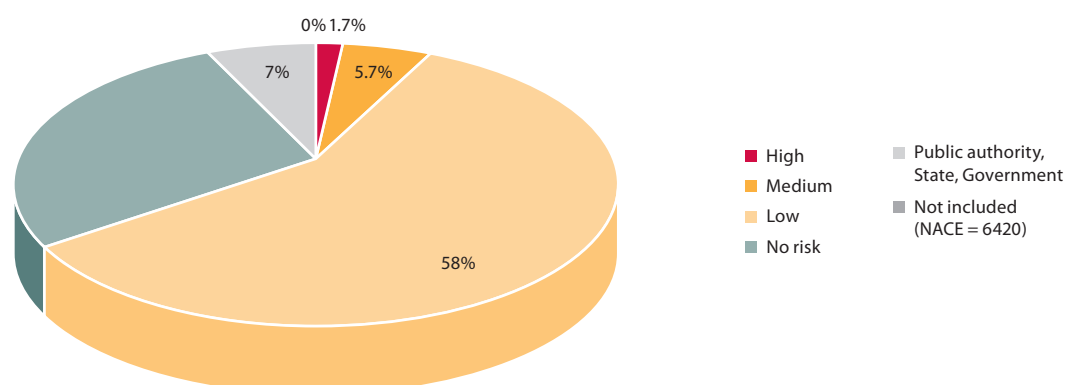
Source: SCAD, Center for the Study of Democracy.

Figure 43. State capture pressure



Source: SCAD, Center for the Study of Democracy.

Figure 44. Assessed monopolization pressure (% of the total turnover for the country)



Source: SCAD, Center for the Study of Democracy.

Table 45. Monopolization pressure by sectors

NACE	Sector name	% MP total	% of operating turnover in sector
61	Telecommunications	73%	1%
4211	Construction of roads and motorways	55%	1%
35	Electricity, gas, steam and air conditioning supply	39%	4%
4646	Wholesale of pharmaceutical goods	33%	1%
3600	Water collection, treatment and supply	27%	0%
F	Construction	24%	5%
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	24%	0%
86	Human health activities	24%	1%
4212	Construction of railways and underground railways	24%	0%
49	Land transport and transport via pipelines	22%	2%
1	Crop and animal production, hunting and related service activities	22%	2%
92	Gambling and betting activities	22%	1%
4671	Wholesale of solid, liquid and gaseous fuels and related products	20%	3%
20	Manufacture of chemicals and chemical products	20%	2%
4621	Wholesale of grain, unmanufactured tobacco, seeds and animal feeds	16%	1%
29	Manufacture of motor vehicles, trailers and semi-trailers	14%	7%
4635	Wholesale of tobacco products	14%	1%
3020	Manufacture of railway locomotives and rolling stock	14%	0%
4711	Retail sale in non-specialized stores with food, beverages or tobacco predominating	12%	3%
4675	Wholesale of chemical products	12%	0%
4773	Dispensing chemist in specialized stores	12%	0%

Table 45. Monopolization pressure by sectors (continued)

NACE	Sector name	% MP total	% of operating turnover in sector
10	Manufacture of food products	12%	2%
64	Financial service activities, except insurance and pension funding	10%	0%
Assessed monopolization pressure		7	

Source: SCAD, Center for the Study of Democracy.

Table 46. Procurement capture

Criteria	
Single bidder	47.00
No calls for bids	10.00
Publication rate	3.80
Cooperative procurement	5.00
Award criteria	77.00
Decision speed	114.00
SME contractors	63.00
SME bids	95.00
Procedures divided into lots	20.00
Missing calls for bids	34.00
Missing seller registration numbers	11.00
Missing buyer registration numbers	4.00

Legend: Green – satisfactory, yellow – average, red – unsatisfactory.

Source: Single Market Scoreboard, European Commission, 2017. Public Procurement.

Table 47. Ineffectiveness of antimonopoly laws

NACE rev. 2 code	Sector name	Ineffectiveness of antimonopoly laws (law in the sector help the formation of monopolies: % of the experts who answered the question)
61	Telecommunications	60%
4211	Construction of roads and motorways	51%
35	Electricity, gas, steam and air conditioning supply	50%
4212	Construction of railways and underground railways	43%
86	Human health activities	36%
4646	Wholesale of pharmaceutical goods	35%
4621	Wholesale of grain, unmanufactured tobacco, seeds and animal feeds	35%
3600	Water collection, treatment and supply	35%
1	Crop and animal production, hunting and related service activities	34%

Table 47. Ineffectiveness of antimonopoly laws (continued)

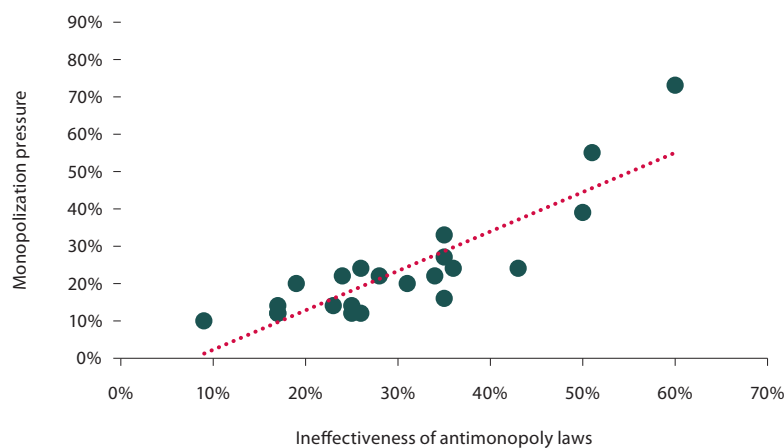
NACE rev. 2 code	Sector name	Ineffectiveness of antimonopoly laws (law in the sector help the formation of monopolies: % of the experts who answered the question)
4671	Wholesale of solid, liquid and gaseous fuels and related products	31%
92	Gambling and betting activities	28%
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	26%
4675	Wholesale of chemical products	26%
4635	Wholesale of tobacco products	25%
4711	Retail sale in non-specialized stores with food, beverages or tobacco predominating	25%
49	Land transport and transport via pipelines	24%
3020	Manufacture of railway locomotives and rolling stock	23%
4673	Wholesale of wood, construction materials and sanitary equipment	22%
4672	Wholesale of metals and metal ores	20%
20	Manufacture of chemicals and chemical products	19%
4639	Non-specialized wholesale of food, beverages and tobacco	18%
4633	Wholesale of dairy products, eggs and edible oils and fats	18%
4773	Dispensing chemist in specialized stores	17%
10	Manufacture of food products	17%
71	Architectural and engineering activities; technical testing and analysis	17%
29	Manufacture of motor vehicles, trailers and semi-trailers	17%
24	Manufacture of basic metals	13%
68	Real estate activities	12%
2651	Manufacture of instruments and appliances for measuring, testing and navigation	12%
45	Wholesale and retail trade and repair of motor vehicles and motorcycles	9%
22	Manufacture of rubber and plastic products	9%
52	Warehousing and support activities for transportation	9%
27	Manufacture of electrical equipment	9%
56	Food and beverage service activities	9%
64	Financial service activities, except insurance and pension funding	9%
4730	Retail sale of automotive fuel in specialized stores	9%
2620	Manufacture of computers and peripheral equipment	6%
25	Manufacture of fabricated metal products, except machinery and equipment	5%
4652	Wholesale of electronic and telecommunications equipment and parts	5%

Table 47. Ineffectiveness of antimonopoly laws (continued)

NACE rev. 2 code	Sector name	Ineffectiveness of antimonopoly laws (law in the sector help the formation of monopolies: % of the experts who answered the question)
4643	Wholesale of electrical household appliances	5%
62	Computer programming, consultancy and related activities	5%
4674	Wholesale of hardware, plumbing and heating equipment and supplies	5%
28	Manufacture of machinery and equipment n.e.c.	5%
4791	Retail sale via mail order houses or via Internet	5%
73	Advertising and market research	4%
4651	Wholesale of computers, computer peripheral equipment and software	4%
4634	Wholesale of beverages	4%
	Ineffectiveness of antimonopoly laws	20

Source: SCAD, Center for the Study of Democracy.

Figure 45. Ineffectiveness of antimonopoly laws and Monopolization pressure at the sectoral level



Source: SCAD, Center for the Study of Democracy.

Table 48. Sector 61. Telecommunications

Statement	%
A specific company or a small number of companies win too many public tenders	62%
Laws that provide illegitimate competitive advantage	41%
Control and/or sanctions are applied selectively which helps particular companies	24%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	22%

Source: SCAD, Center for the Study of Democracy.

Table 49. Regulatory/control function type

Regulatory/control function type	Institutional enablers: indicator	
Telecommunications and broadcasting	Estimated external corruption pressure	38%
	Estimated pressure from above	38%
	Estimated involvement in corruption	25%
	Ineffectiveness of anticorruption policies	33%
	Often serves private interests	25%
	Would never sanction certain people/firms	0%
	Its rules of operation are violated often	0%
	Lack of impartiality	8%
	Activities are not transparent	63%
	Not accountable for its actions	38%
	No checks and balances	88%
	Lack of integrity	63%
	Private interest bias	0%

Source: SCAD, Center for the Study of Democracy.

Table 50. Sector 4211. Construction of roads and motorways

Statement	%
A specific company or a small number of companies win too many public tenders	75%
Laws that provide illegitimate competitive advantage	32%
Control and/or sanctions are applied selectively which helps particular companies	11%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	18%

Source: SCAD, Center for the Study of Democracy.

Table 51. Regulatory/control function type

Regulatory/control function type	Institutional enablers: indicator	
Construction-related bodies	Estimated external corruption pressure	65%
	Estimated pressure from above	48%
	Estimated involvement in corruption	52%
	Ineffectiveness of anticorruption policies	55%
	Often serves private interests	48%
	Would never sanction certain people/firms	70%
	Its rules of operation are violated often	43%
	Lack of impartiality	54%
	Activities are not transparent	65%
	Not accountable for its actions	4%
	No checks and balances	39%

Table 51. Regulatory/control function type (continued)

Regulatory/control function type	Institutional enablers: indicator	
	Lack of integrity	36%
	Private interest bias	17%

Source: SCAD, Center for the Study of Democracy.

Table 52. Sector 35. Electricity, gas, steam and air conditioning supply

Statement	%
A specific company or a small number of companies win too many public tenders	40%
Laws that provide illegitimate competitive advantage	50%
Control and/or sanctions are applied selectively which helps particular companies	5%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	20%

Source: SCAD, Center for the Study of Democracy.

Table 53. Regulatory/control function type

Regulatory/control function type	Institutional enablers: indicator	
Energy sector regulation and control	Estimated external corruption pressure	73%
	Estimated pressure from above	60%
	Estimated involvement in corruption	53%
	Ineffectiveness of anticorruption policies	62%
	Often serves private interests	47%
	Would never sanction certain people/firms	80%
	Its rules of operation are violated often	33%
	Lack of impartiality	53%
	Activities are not transparent	87%
	Not accountable for its actions	33%
	No checks and balances	80%
	Lack of integrity	67%
	Private interest bias	40%

Source: SCAD, Center for the Study of Democracy.

Table 54. Sector 4646. Wholesale of pharmaceutical goods

Statement	%
A specific company or a small number of companies win too many public tenders	47%
Laws that provide illegitimate competitive advantage	18%
Control and/or sanctions are applied selectively which helps particular companies	6%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	6%

Source: SCAD, Center for the Study of Democracy.

Table 55. Regulatory/control function type

Regulatory/control function type	Institutional enablers: indicator	
Pharmacy and health related control and regulatory bodies	Estimated external corruption pressure	67%
	Estimated pressure from above	50%
	Estimated involvement in corruption	17%
	Ineffectiveness of anticorruption policies	44%
	Often serves private interests	17%
	Would never sanction certain people/firms	17%
	Its rules of operation are violated often	33%
	Lack of impartiality	22%
	Activities are not transparent	50%
	Not accountable for its actions	17%
	No checks and balances	50%
	Lack of integrity	39%
	Private interest bias	17%

Source: SCAD, Center for the Study of Democracy.

Table 56. Ineffectiveness of anticorruption policies

Organization	Estimated external corruption pressure	Estimated pressure from above	Estimated involvement in corruption	Ineffectiveness of anti-corruption policies
Road and Motorway Directorate	80%	80%	80%	80%
Energy Regulatory Authority	92%	75%	67%	78%
Building Authority	83%	58%	67%	69%
Regional Authority	70%	60%	70%	67%
Municipal Authority	71%	57%	64%	64%
General Medical Insurance Company of the Czech Republic	67%	50%	67%	61%
State Environmental Fund of the Czech Republic	80%	40%	60%	60%
Financial Office	65%	41%	47%	51%
Financial Analytical Office	44%	56%	33%	44%
State Institute for Drug Control	67%	50%	17%	44%
Czech Trade Inspection Authority	33%	33%	67%	44%
The Council for Radio and Television Broadcasting	50%	50%	25%	42%
Office for the Protection of Competition	62%	33%	24%	40%
Unit for Detection of Illegal Proceeds and Tax Crime	71%	29%	0%	33%
Czech Social Security Administration	40%	40%	20%	33%
National Security Authority	40%	20%	20%	27%

Table 56. Ineffectiveness of anticorruption policies (continued)

Organization	Estimated external corruption pressure	Estimated pressure from above	Estimated involvement in corruption	Ineffectiveness of anti-corruption policies
Czech Telecommunication Office	25%	25%	25%	25%
Office of Industrial Property	33%	0%	0%	11%
Office for the Supervision of the Finances of Political Parties and Movements	23%	8%	0%	10%
Czech National Bank	15%	8%	8%	10%
State Administration of Land Surveying and Cadastre	17%	0%	0%	6%
Supreme Audit Office	6%	6%	0%	4%
Public Defender of Rights	0%	0%	9%	3%
State Office for Nuclear Safety	0%	0%	0%	0%
National Registers Authority	0%	0%	0%	0%
Average	45.4	32.7	30.7	36.3

Source: SCAD, Center for the Study of Democracy.

Table 57. Lack of integrity

Organization	Activities are not transparent	Not accountable for its actions	No checks and balances	Lack of integrity
Energy Regulatory Authority	100%	42%	83%	75%
Regional Authority	90%	10%	100%	67%
Financial Office	100%	12%	53%	55%
Building Authority	92%	0%	50%	47%
General Medical Insurance Company of the Czech Republic	100%	17%	100%	72%
State Environmental Fund of the Czech Republic	80%	0%	40%	40%
Road and Motorway Directorate	60%	0%	40%	33%
Municipal Authority	86%	21%	64%	57%
Office for the Protection of Competition	76%	33%	86%	65%
Financial Analytical Office	67%	11%	22%	33%
Czech Telecommunication Office	50%	50%	100%	67%
Council for Radio and Television Broadcasting	75%	25%	75%	58%
State Institute for Drug Control	50%	17%	50%	39%
National Security Authority	60%	40%	60%	53%
Czech Social Security Administration	40%	20%	40%	33%
Czech National Bank	38%	62%	69%	56%
Czech Trade Inspection Authority	67%	0%	0%	22%
Supreme Audit Office	22%	33%	78%	44%

Table 57. Lack of integrity (continued)

Organization	Activities are not transparent	Not accountable for its actions	No checks and balances	Lack of integrity
Unit for Detection of Illegal Proceeds and Tax Crime	71%	0%	29%	33%
Office for the Supervision of the Finances of Political Parties and Movements	15%	31%	77%	41%
State Office for Nuclear Safety	33%	0%	67%	33%
Public Defender of Rights	0%	18%	55%	24%
State Administration of Land Surveying and Cadastre	17%	17%	17%	17%
National Registers Authority	67%	0%	0%	22%
Office of Industrial Property	33%	0%	0%	11%
Average	59.6	18.3	54.2	44.0

Source: SCAD, Center for the Study of Democracy.

Table 58. Lack of impartiality

Organization	Often serves private interests	Would never sanction certain people/firms	Its rules of operation are broken often	Lack of impartiality
Energy Regulatory Authority	58%	92%	42%	64%
Regional Authority	60%	90%	60%	70%
Financial Office	35%	94%	35%	55%
Building Authority	67%	92%	58%	72%
General Medical Insurance Company of the Czech Republic	33%	83%	50%	56%
State Environmental Fund of the Czech Republic	40%	60%	40%	47%
Road and Motorway Directorate	60%	80%	60%	67%
Municipal Authority	50%	79%	21%	50%
Office for the Protection of Competition	14%	71%	10%	32%
Financial Analytical Office	33%	44%	22%	33%
Czech Telecommunication Office	25%	75%	0%	33%
The Council for Radio and Television Broadcasting	25%	50%	0%	25%
State Institute for Drug Control	17%	17%	33%	22%
National Security Authority	0%	40%	20%	20%
Czech Social Security Administration	20%	20%	0%	13%
Czech National Bank	0%	31%	0%	10%
Czech Trade Inspection Authority	0%	100%	0%	33%
Supreme Audit Office	0%	22%	0%	7%

Table 58. Lack of impartiality (continued)

Organization	Often serves private interests	Would never sanction certain people/firms	Its rules of operation are broken often	Lack of impartiality
Unit for Detection of Illegal Proceeds and Tax Crime	0%	43%	0%	14%
Office for the Supervision of the Finances of Political Parties and Movements	0%	15%	0%	5%
State Office for Nuclear Safety	0%	33%	0%	11%
Public Defender of Rights	0%	0%	0%	0%
State Administration of Land Surveying and Cadastre	0%	17%	0%	6%
National Registers Authority	0%	0%	0%	0%
Office of Industrial Property	0%	0%	0%	0%
Average	21.5	49.9	18.1	29.8

Source: SCAD, Center for the Study of Democracy.

Table 59. Private interest bias

Organization	Private interest bias (control and sanctions are enforced partially, serving private interests)
Energy Regulatory Authority	55%
Regional Authority	22%
Financial Office	38%
Building Authority	27%
General Medical Insurance Company of the Czech Republic	0%
State Environmental Fund of the Czech Republic	40%
Road and Motorway Directorate	25%
Municipal Authority	8%
Office for the Protection of Competition	15%
Financial Analytical Office	44%
Czech Telecommunication Office	0%
Council for Radio and Television Broadcasting	0%
State Institute for Drug Control	17%
National Security Authority	0%
Czech Social Security Administration	20%
Czech National Bank	0%
Czech Trade Inspection Authority	0%
Supreme Audit Office	0%
Unit for Detection of Illegal Proceeds and Tax Crime	0%
Office for the Supervision of the Finances of Political Parties and Movements	0%

Table 59. Private interest bias (continued)

Organization	Private interest bias (control and sanctions are enforced partially, serving private interests)
State Office for Nuclear Safety	0%
Public Defender of Rights	0%
State Administration of Land Surveying and Cadastre	0%
National Registers Authority	0%
Office of Industrial Property	0%
Average	12.4

Source: SCAD, Center for the Study of Democracy.

Table 60. Media capture

Indicator	Normalized From 0 to 100	Source
2017 World Press Freedom Index	22	World Press Freedom Index
2017 Freedom of the Press	21	Freedom of the Press
2016 Media Pluralism Monitor: Market plurality	64	Media Pluralism Monitor
2016 Media Pluralism Monitor: Political independence	48	Media Pluralism Monitor
Media capture: Czech Republic average	39	

Sources: World Press Freedom Index by Reporters Without Borders,¹⁴⁴ Freedom of the Press Index by Freedom House,¹⁴⁵ Media Pluralism Monitor by CMPF.¹⁴⁶

Table 61. Administrative corruption

Asked for an extra payment	13%
Enough successful prosecution to deter people from corruption practices	
Agree	25%
Disagree	67%
Don't know	8%

Source: Eurobarometer 470.

Table 62. Judiciary capture

Indicator	0 to 100	Source
7.3. No corruption	23	Rule of Law Index: 7. Civil justice
7.4. No improper gov. influence	22	Rule of Law Index: 7. Civil justice
2.2. No corruption in the judiciary	13	Rule of Law Index: 2. Absence of corruption
8.5. No corruption	24	Rule of Law Index: 8. Criminal justice

¹⁴⁴ Reporters Without Borders. (2018). 2018 World Press Freedom Index.

¹⁴⁵ Freedom House. 2017. Freedom of the Press 2017.

¹⁴⁶ Centre for Media Pluralism and Media Freedom. (2016). Media Pluralism Monitor 2016 – Results: Czech Republic.

Table 62. Judiciary capture (continued)

Indicator	0 to 100	Source
8.6. No improper gov. influence	13	Rule of Law Index: 8. Criminal justice
Judiciary capture: average	19	

Source: World Justice Project. 2019. WJP Rule of Law Index: Czech Republic.

Table 63. List of organizations included in SCAD and their regulatory/control function

Regulatory/control function	Organization
Agriculture-related, incl. forestry	Czech Agriculture and Food Inspection Authority
	State Environmental Fund of the Czech Republic
	Forest Management Institute
Anticorruption, organized crime and money laundering	Unit for Detection of Illegal Proceeds and Tax Crime
	Office for the Supervision of the Finances of Political Parties and Movements
Antitrust bodies	Office for the Protection of Competition
Construction-related bodies	Building Authority
	Road and Motorway Directorate
	State Administration of Land Surveying and Cadastre
Customs, revenues and finances	Customs Administration of the Czech Republic
	Financial Office
	Supreme Audit Office
	Czech Social Security Administration
	General Medical Insurance Company of the Czech Republic
Energy sector regulation and control	Energy Regulatory Authority
	State Office for Nuclear Safety
Environmental regulation and control, forestry, mining	Czech Environmental Inspectorate
	Czech Mining Office
Fiscal policies, regulation and control	Czech National Bank
	Financial Analytical Office
Human rights	Public Defender of Rights
Labor conditions control and regulation; Employment policies	State Labor Inspection Office
Local government	Regional Authority
	Municipal Authority
Mobility and transport	Transport Infrastructure Access Authority
Patent bodies	Office of Industrial Property
Pharmacy and health related control and regulatory bodies	State Institute for Drug Control
Registries and data banks	National Registers Authority
Telecommunications and broadcasting	Czech Telecommunication Office
	The Council for Radio and Television Broadcasting

Table 63. List of organizations included in SCAD and their regulatory/control function (continued)

Regulatory/control function	Organization
Trade control and licenses	Czech Office for Standards, Metrology and Testing
	Czech Trade Inspection Authority
Security	National Security Authority

Source: SCAD, Center for the Study of Democracy.

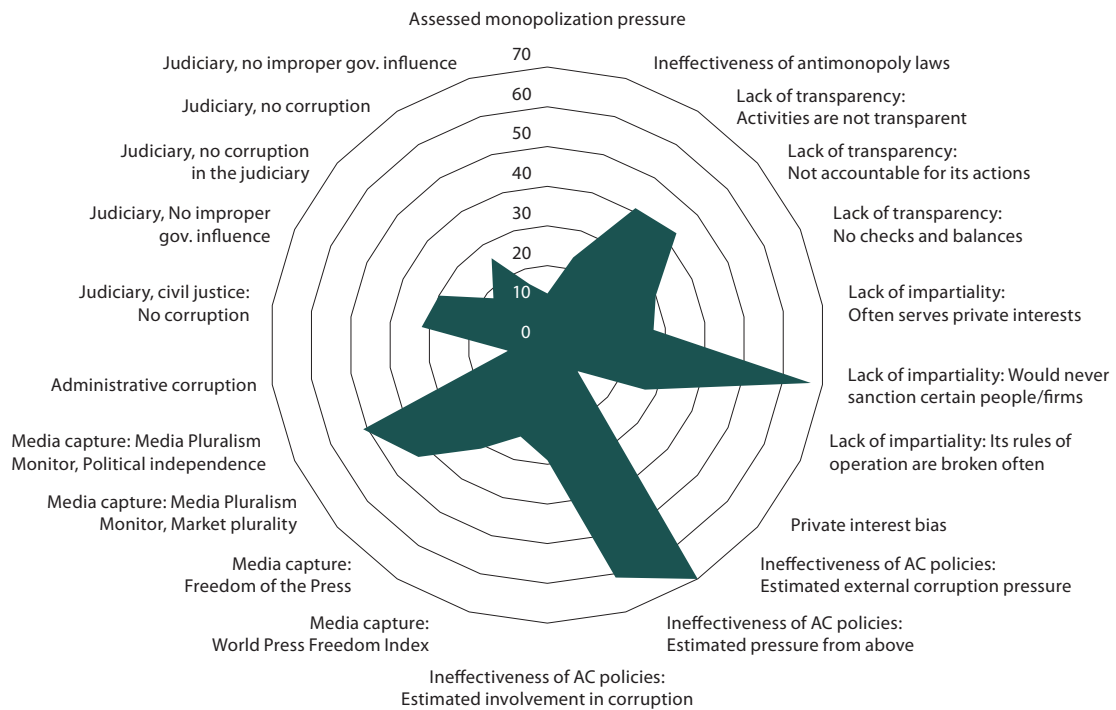
ITALY

Table 64. State capture and its dimensions

Indicator	0 to 100
BUSINESS STATE CAPTURE PRESSURE	23
Assessed monopolization pressure	13
Ineffectiveness of antimonopoly laws	23
STATE CAPTURE ENABLERS	17
Institutional enablers	35
Lack of integrity	38
Lack of impartiality	40
Private interest bias	10
Ineffectiveness of anticorruption policies	53
Environmental enablers	24
Media capture	37
Administrative corruption	10
Judiciary capture	24

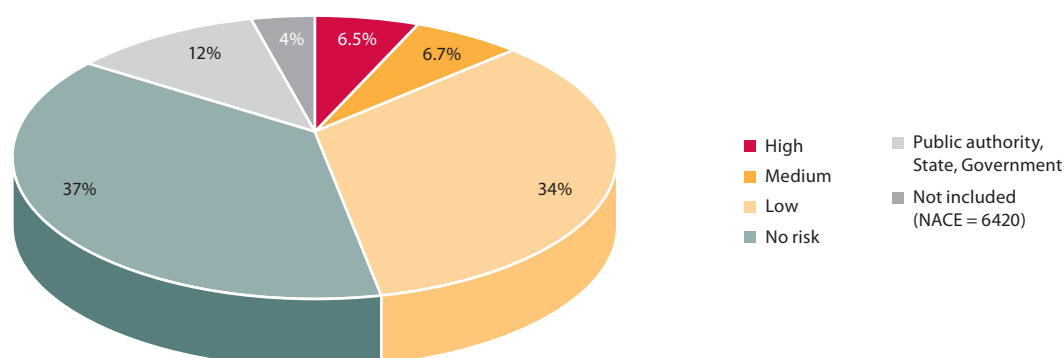
Source: SCAD, Center for the Study of Democracy.

Figure 46. State capture pressure



Source: SCAD, Center for the Study of Democracy.

Figure 47. Monopolization pressure (% of the total turnover for the country)



Source: SCAD, Center for the Study of Democracy.

Table 65. Monopolization pressure by sectors

NACE rev. 2 code	Sector name	Assessed monopolization pressure (red = high; orange = medium)	% of operating turnover in sector
35	Electricity, gas, steam and air conditioning supply	69%	2.7%
61	Telecommunications	67%	1.1%
4646	Wholesale of pharmaceutical goods	56%	1.0%
4671	Wholesale of solid, liquid and gaseous fuels and related products	50%	1.6%
92	Gambling and betting activities	48%	0.3%
49	Land transport and transport via pipelines	38%	1.3%
F	Construction	36%	4.2%
36	Water collection, treatment and supply	34%	0.3%
2120	Manufacture of pharmaceutical preparations	33%	0.7%
4631	Wholesale of fruit and vegetables	23%	0.5%
6499	Other financial service activities, except insurance and pension funding n.e.c.	20%	1.3%
68	Real estate activities	20%	2.1%
19	Manufacture of coke and refined petroleum products	20%	0.6%
4672	Wholesale of metals and metal ores	19%	0.8%
45	Wholesale and retail trade and repair of motor vehicles and motorcycles	16%	2.9%
2910	Manufacture of motor vehicles	16%	1.5%
4711	Retail sale in non-specialized stores with food, beverages or tobacco predominating	14%	2.3%
7022	Business and other management consultancy activities	14%	1.0%
4639	Non-specialized wholesale of food, beverages and tobacco	14%	0.8%

Table 65. Monopolization pressure by sectors (continued)

NACE rev. 2 code	Sector name	Assessed monopolization pressure (red = high; orange = medium)	% of operating turnover in sector
62	Computer programming, consultancy and related activities	14%	1.1%
64	Financial service activities, except insurance and pension funding (NACE 6420 holdings excluded)	14%	2.0%
2932	Manufacture of other parts and accessories for motor vehicles	11%	0.6%
Assessed monopolization pressure		13	

Source: SCAD, Center for the Study of Democracy.

Table 66. Procurement capture

Criteria	
Single bidder	30.00
No calls for bids	7.00
Publication rate	2.50
Cooperative procurement	19.00
Award criteria	39.00
Decision speed	186.00
SME contractors	33.00
SME bids	67.00
Procedures divided into lots	28.00
Missing calls for bids	13.00
Missing seller registration numbers	94.00
Missing buyer registration numbers	97.00

Legend: Green – satisfactory, yellow – average, red – unsatisfactory.

Source: Single Market Scoreboard, European Commission, 2017. Public Procurement.

Table 67. Ineffectiveness of antimonopoly laws

NACE rev. 2 code	Sector name	Ineffectiveness of antimonopoly laws (law in the sector help the formation of monopolies: % of the experts who answered the question)
35	Electricity, gas, steam and air conditioning supply	49%
92	Gambling and betting activities	47%
61	Telecommunications	47%
36	Water collection, treatment and supply	43%
49	Land transport and transport via pipelines	43%

Table 67. Ineffectiveness of antimonopoly laws (continued)

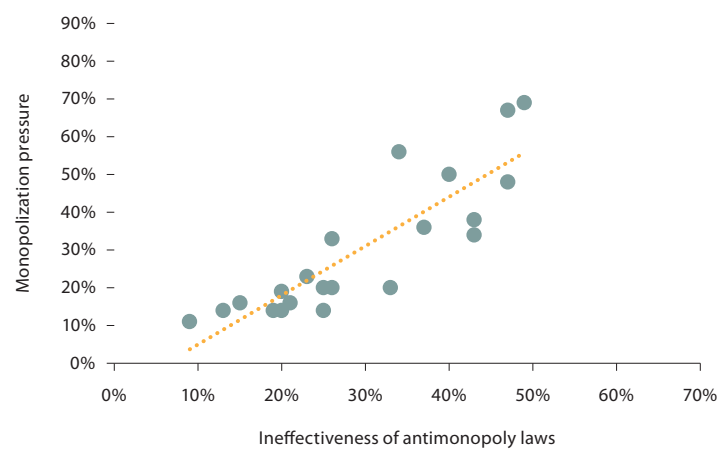
NACE rev. 2 code	Sector name	Ineffectiveness of antimonopoly laws (law in the sector help the formation of monopolies: % of the experts who answered the question)
4671	Wholesale of solid, liquid and gaseous fuels and related products	40%
F	Construction	37%
4646	Wholesale of pharmaceutical goods	34%
19	Manufacture of coke and refined petroleum products	33%
2120	Manufacture of pharmaceutical preparations	26%
6499	Other financial service activities, except insurance and pension funding	26%
68	Real estate activities	25%
4711	Retail sale in non-specialized stores with food, beverages or tobacco predominating	25%
4631	Wholesale of fruit and vegetables	23%
4730	Retail sale of automotive fuel in specialized stores	23%
4675	Wholesale of chemical products	22%
2910	Manufacture of motor vehicles	21%
4672	Wholesale of metals and metal ores	20%
7022	Business and other management consultancy activities	20%
4673	Wholesale of wood, construction materials and sanitary equipment	19%
52	Warehousing and support activities for transportation	19%
4639	Non-specialized wholesale of food, beverages and tobacco	19%
3030	Manufacture of air and spacecraft and related machinery	17%
45	Wholesale and retail trade and repair of motor vehicles and motorcycles	15%
4669	Wholesale of other machinery and equipment	15%
4642	Wholesale of clothing and footwear	15%
4649	Wholesale of other household goods	14%
22	Manufacture of rubber and plastic products	14%
62	Computer programming, consultancy and related activities	13%
4638	Wholesale of other food, including fish, crustaceans and molluscs	11%
4619	Agents involved in the sale of a variety of goods	11%
24	Manufacture of basic metals	11%
6311	Data processing, hosting and related activities	11%
25	Manufacture of fabricated metal products, except machinery and equipment	11%
4651	Wholesale of computers, computer peripheral equipment and software	11%

Table 67. Ineffectiveness of antimonopoly laws (continued)

NACE rev. 2 code	Sector name	Ineffectiveness of antimonopoly laws (law in the sector help the formation of monopolies: % of the experts who answered the question)
2932	Manufacture of other parts and accessories for motor vehicles	9%
4643	Wholesale of electrical household appliances	8%
4771	Retail sale of clothing in specialized stores	7%
56	Food and beverage service activities	6%
55	Accommodation	6%
4719	Other retail sale in non-specialized stores	6%
1520	Manufacture of footwear	6%
27	Manufacture of electrical equipment	3%
4674	Wholesale of hardware, plumbing and heating equipment and supplies	3%
	Ineffectiveness of antimonopoly Laws	23

Source: SCAD, Center for the Study of Democracy.

Figure 48. Ineffectiveness of antimonopoly laws and Monopolization pressure at the sectoral level



Source: SCAD, Center for the Study of Democracy.

Table 68. Sector 35. Electricity, gas, steam and air conditioning supply

Statement	%
A specific company or a small number of companies win too many public tenders	50%
Laws that provide illegitimate competitive advantage	34%
Control and/or sanctions are applied selectively which helps particular companies	18%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	7%

Source: SCAD, Center for the Study of Democracy.

Table 69. Regulatory/control function type

Regulatory/control function type	Institutional enablers: indicator	
Energy sector regulation and control	Estimated external corruption pressure	69%
	Estimated pressure from above	50%
	Estimated involvement in corruption	25%
	Ineffectiveness of anticorruption policies	48%
	Often serves private interests	13%
	Would never sanction certain people/firms	63%
	Its rules of operation are violated often	25%
	Lack of impartiality	33%
	Activities are not transparent	38%
	Not accountable for its actions	31%
	No checks and balances	25%
	Lack of integrity	31%
	Private interest bias	13%

Source: SCAD, Center for the Study of Democracy.

Table 70. Sector 61. Telecommunications

Statement	%
A specific company or a small number of companies win too many public tenders	49%
Laws that provide illegitimate competitive advantage	40%
Control and/or sanctions are applied selectively which helps particular companies	14%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	7%

Source: SCAD, Center for the Study of Democracy.

Table 71. Sector 4646. Wholesale of pharmaceutical goods

Statement	%
A specific company or a small number of companies win too many public tenders	28%
Laws that provide illegitimate competitive advantage	42%
Control and/or sanctions are applied selectively which helps particular companies	3%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	11%

Source: SCAD, Center for the Study of Democracy.

Table 72. Regulatory/control function type

Regulatory/control function type	Institutional enablers: indicator	
Pharmacy and health related control and regulatory bodies	Estimated external corruption pressure	69%

Table 72. Regulatory/control function type (continued)

Regulatory/control function type	Institutional enablers: indicator	
	Estimated pressure from above	63%
	Estimated involvement in corruption	38%
	Ineffectiveness of anticorruption policies	56%
	Often serves private interests	25%
	Would never sanction certain people/firms	88%
	Its rules of operation are violated often	19%
	Lack of impartiality	44%
	Activities are not transparent	19%
	Not accountable for its actions	38%
	No checks and balances	31%
	Lack of integrity	29%
	Private interest bias	6%

Source: SCAD, Center for the Study of Democracy.

Table 73. Sector 4671. Wholesale of solid, liquid and gaseous fuels and related products

Statement	%
A specific company or a small number of companies win too many public tenders	31%
Laws that provide illegitimate competitive advantage	25%
Control and/or sanctions are applied selectively which helps particular companies	13%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	19%

Source: SCAD, Center for the Study of Democracy.

Table 74. Section F. Construction

Statement	%
A specific company or a small number of companies win too many public tenders	74%
Laws that provide illegitimate competitive advantage	26%
Control and/or sanctions are applied selectively which helps particular companies	35%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	9%

Source: SCAD, Center for the Study of Democracy.

Table 75. Regulatory/control function type

Regulatory/control function type	Institutional enablers: indicator	
Construction-related bodies	Estimated external corruption pressure	95%
	Estimated pressure from above	91%
	Estimated involvement in corruption	73%

Table 75. Regulatory/control function type (continued)

Regulatory/control function type	Institutional enablers: indicator	
	Ineffectiveness of anticorruption policies	86%
	Often serves private interests	55%
	Would never sanction certain people/firms	68%
	Its rules of operation are violated often	55%
	Lack of impartiality	59%
	Activities are not transparent	59%
	Not accountable for its actions	64%
	No checks and balances	14%
	Lack of integrity	45%
	Private interest bias	18%

Source: SCAD, Center for the Study of Democracy.

Table 76. Ineffectiveness of anticorruption policies

Organization	Estimated external corruption pressure	Estimated pressure from above	Estimated involvement in corruption	Ineffectiveness of anti-corruption policies
Road Infrastructure public company	95.45%	90.91%	72.73%	86.36%
Regional administrations	89.19%	89.19%	58.33%	78.90%
Provinces and municipalities	91.84%	83.67%	52.08%	75.86%
Local Health Agency	89.74%	79.49%	52.63%	73.95%
SAISA - Custom Agency	93.33%	66.67%	46.67%	68.89%
National Revenue Agency	82.76%	70.00%	41.38%	64.71%
Custom Agency	78.57%	71.43%	42.86%	64.29%
National Labor Agency	81.25%	68.75%	37.50%	62.50%
Regional Agencies for Environmental Protection	81.48%	70.37%	33.33%	61.73%
Agency for payments in agriculture	100.00%	75.00%	0.00%	58.33%
Italian Drug Agency	68.75%	62.50%	40.00%	57.08%
National Social Security Institute	58.06%	64.52%	34.48%	52.35%
Supervisory body for insurance	62.50%	62.50%	25.00%	50.00%
Chamber of Commerce	64.00%	60.00%	24.00%	49.33%
Italian Regulatory Authority for Electricity Gas and Water	68.75%	50.00%	25.00%	47.92%
National Agency for Tourism	85.71%	57.14%	0.00%	47.62%
Transport Regulation Authority	71.43%	57.14%	14.29%	47.62%
Italian Patent and Trademark Office	57.89%	63.16%	15.79%	45.61%
National Healthcare Agency	66.67%	55.56%	11.11%	44.44%
Italian National Bank	68.00%	48.00%	16.00%	44.00%

Table 76. Ineffectiveness of anticorruption policies (continued)

Organization	Estimated external corruption pressure	Estimated pressure from above	Estimated involvement in corruption	Ineffectiveness of anti-corruption policies
Italian Competition Authority	52.00%	48.00%	24.00%	41.33%
Supreme Audit Court	40.74%	32.14%	17.86%	30.25%
Anticorruption Authority	21.05%	15.79%	7.89%	14.91%
Authority for Childhood	10.00%	20.00%	0.00%	10.00%
Average	70.0	60.9	28.9	53.3

Source: SCAD, Center for the Study of Democracy.

Table 77. Regulatory/control function type

Regulatory/control function type	Estimated external corruption pressure	Estimated involvement in corruption	Estimated pressure from above	Ineffectiveness of anti-corruption policies
Construction-related bodies	95%	73%	91%	86%
Local government	91%	53%	86%	77%
Labor conditions control and regulation; Employment policies	87%	47%	76%	70%
Customs	86%	45%	69%	67%
Environmental regulation and control	81%	33%	70%	62%
Pharmacy and health related control and regulatory bodies	69%	38%	63%	56%
Agriculture-related	83%	17%	67%	56%
Social and health insurance authorities	58%	32%	65%	52%
Trade control and licenses	64%	24%	60%	49%
Energy sector regulation and control	69%	25%	50%	48%
Investments and tourism	86%	0%	57%	48%
Mobility and transport	71%	14%	57%	48%
Tax and audit authorities	60%	29%	52%	47%
Patent bodies	58%	16%	63%	46%
Fiscal policies, regulation and control	67%	18%	52%	45%
Health-related regulators	67%	11%	56%	44%
Antitrust bodies	52%	24%	48%	41%
Anticorruption, organized crime and money laundering	21%	8%	16%	15%
Human rights	10%	0%	20%	10%

Source: SCAD, Center for the Study of Democracy.

Table 78. Lack of integrity

Organization	Activities are not transparent	Not accountable for its actions	No checks and balances	Lack of integrity
Regional administrations	69%	43%	24%	45%
Local Health Agency	68%	54%	14%	45%
Provinces and municipalities	63%	48%	15%	42%
Road Infrastructure Public Company	62%	70%	15%	49%
Customs Agency	62%	58%	33%	51%
SAISA – Customs Agency	50%	46%	23%	40%
National Revenue Agency	48%	54%	25%	42%
National Labor Agency	47%	53%	40%	47%
National Social Security Institute	37%	50%	25%	37%
Regional Agencies for Environmental Protection	42%	28%	24%	31%
Italian Drug Agency	20%	43%	36%	33%
Italian Regulatory Authority for Electricity Gas and Water	40%	33%	27%	33%
Transport Regulation Authority	57%	57%	43%	52%
Agency for Payments in Agriculture	25%	50%	0%	25%
National Healthcare Agency	44%	44%	33%	41%
National Agency for Tourism	67%	50%	0%	39%
Supreme Audit Court	22%	35%	65%	41%
Italian Patent and Trademark Office	24%	41%	47%	37%
Italian National Bank	35%	30%	39%	35%
Italian Competition Authority	29%	35%	52%	39%
Supervisory Body for Insurance	29%	14%	29%	24%
Chamber of Commerce	21%	30%	26%	26%
Authority for Childhood	22%	56%	50%	43%
Anticorruption Authority	5%	20%	44%	23%
Average	41.2	43.5	30.4	38.3

Source: SCAD, Center for the Study of Democracy.

Table 79. Lack of impartiality

Organization	Often serves private interests	Would never sanction certain people/firms	Its rules of operation are broken often	Lack of impartiality
Regional administrations	69%	78%	53%	66%
Local Health Agency	65%	84%	53%	67%
Provinces and municipalities	69%	81%	61%	70%
Road Infrastructure Public Company	57%	75%	57%	63%
Customs Agency	38%	85%	38%	54%

Table 79. Lack of impartiality (continued)

Organization	Often serves private interests	Would never sanction certain people/firms	Its rules of operation are broken often	Lack of impartiality
SAISA – Customs Agency	36%	86%	50%	57%
National Revenue Agency	36%	79%	34%	50%
National Labor Agency	47%	60%	27%	44%
National Social Security Institute	37%	73%	27%	46%
Regional Agencies for Environmental Protection	27%	76%	35%	46%
Italian Drug Agency	27%	93%	20%	47%
Italian Regulatory Authority for Electricity Gas and Water	13%	67%	27%	36%
Transport Regulation Authority	14%	71%	0%	29%
Agency for Payments in Agriculture	0%	50%	25%	25%
National Healthcare Agency	11%	56%	33%	33%
National Agency for Tourism	17%	67%	17%	33%
Supreme Audit Court	15%	48%	19%	27%
Italian Patent and Trademark Office	11%	67%	6%	28%
Italian National Bank	25%	50%	13%	29%
Italian Competition Authority	8%	50%	8%	22%
Supervisory Body for Insurance	14%	86%	14%	38%
Chamber of Commerce	17%	63%	13%	31%
Authority for Childhood	0%	22%	11%	11%
Anticorruption Authority	5%	35%	8%	16%
Average	27.4	66.7	27	40.4

Source: SCAD, Center for the Study of Democracy.

Table 80. Private interest bias

Organization	Private interest bias (control and sanctions are enforced partially, serving private interests)
Regional administrations	23%
Local Health Agency	21%
Provinces and municipalities	21%
Road Infrastructure public company	20%
Customs Agency	25%
SAISA – Customs Agency	15%
National Revenue Agency	11%
National Labor Agency	7%
National Social Security Institute	13%
Regional Agencies for Environmental Protection	16%

Table 80. Private interest bias (continued)

Organization	Private interest bias (control and sanctions are enforced partially, serving private interests)
Italian Drug Agency	7%
Italian Regulatory Authority for Electricity Gas and Water	13%
Transport Regulation Authority	0%
Agency for Payments in Agriculture	25%
National Healthcare Agency	0%
National Agency for Tourism	0%
Supreme Audit Court	4%
Italian Patent and Trademark Office	6%
Italian National Bank	4%
Italian Competition Authority	4%
Supervisory Body for Insurance	0%
Chamber of Commerce	4%
Authority for Childhood	0%
Anticorruption Authority	0%
Average	10

Source: SCAD, Center for the Study of Democracy.

Table 81. Media capture

Indicator	Normalized From 0 to 100	Source
2017 World Press Freedom Index	24	World Press Freedom Index
2017 Freedom of the Press	31	Freedom of the Press
2016 Media Pluralism Monitor: Market plurality	43	Media Pluralism Monitor
2016 Media Pluralism Monitor: Political independence	51	Media Pluralism Monitor
Media capture: Italy average	37	

Source: World Press Freedom Index by Reporters without Borders,¹⁴⁷ Freedom of the Press Index by Freedom House,¹⁴⁸ Media Pluralism Monitor by CMPF.¹⁴⁹

Table 82. Administrative corruption

Asked for an extra payment	10%
Enough successful prosecution to deter people from corruption practices	
Agree	38%
Disagree	52%
Don't know	10%

Source: Eurobarometer 470.

¹⁴⁷ Reporters without Borders. 2018. *2018 World Press Freedom Index*.

¹⁴⁸ Freedom House. 2017. *Freedom of the Press 2017*.

¹⁴⁹ Centre for Media Pluralism and Media Freedom. 2016. *Media Pluralism Monitor 2016 – Results: Italy*.

Table 83. Judiciary capture

Indicator	Original Value	Normalized From 0 to 100	Source
7.3. No corruption	0.68	32	Rule of Law Index: 7. Civil justice
7.4. No improper gov. influence	0.70	30	Rule of Law Index: 7. Civil justice
2.2. No corruption in the judiciary	0.82	18	Rule of Law Index: 2. Absence of corruption
8.5. No corruption	0.74	26	Rule of Law Index: 8. Criminal justice
8.6. No improper gov. influence	0.84	16	Rule of Law Index: 8. Criminal justice
Judiciary capture: average	0.68	24	

Source: World Justice Project. 2019. WJP Rule of Law Index: Italy.

Table 84. Public organizations included in SCAD

Regulatory/control function	Organization
Agriculture-related	Agency for Payments in Agriculture
	Rice National Agency
Anticorruption, organized crime and money laundering	Anticorruption Authority
Antitrust bodies	Italian Competition Authority
Construction-related bodies	Road Infrastructure Public Company
Customs	Customs Agency
	SAISA – Customd Agency (for paybacks to exports)
Tax and audit authorities	National Revenue Agency
	Supreme Audit Court
Social and health insurance authorities	National Social Security Institute
Energy sector regulation and control	Italian Regulatory Authority for Electricity Gas and Water
Environmental regulation and control	Regional Agencies for Environmental Protection
Fiscal policies, regulation and control	Central Bank
	Supervisory Body for Insurance
	Italian National Bank
Health-related regulators	National Healthcare Agency
Human rights	Authority for Childhood
	National Office Against Racism and Discrimination
Investments and tourism	National Agency for Tourism
Labor conditions control and regulation; Employment policies	Local Health Agency
	National Labor Agency
Local government	Regional administration
	Provinces and municipalities
Mobility and transport	Transport Regulation Authority
Patents-related bodies	Italian Patent and Trademark Office
Pharmacy and health related control and regulatory bodies	Italian Drug Agency
Trade control and licenses	Chamber of Commerce

Source: SCAD, Center for the Study of Democracy.

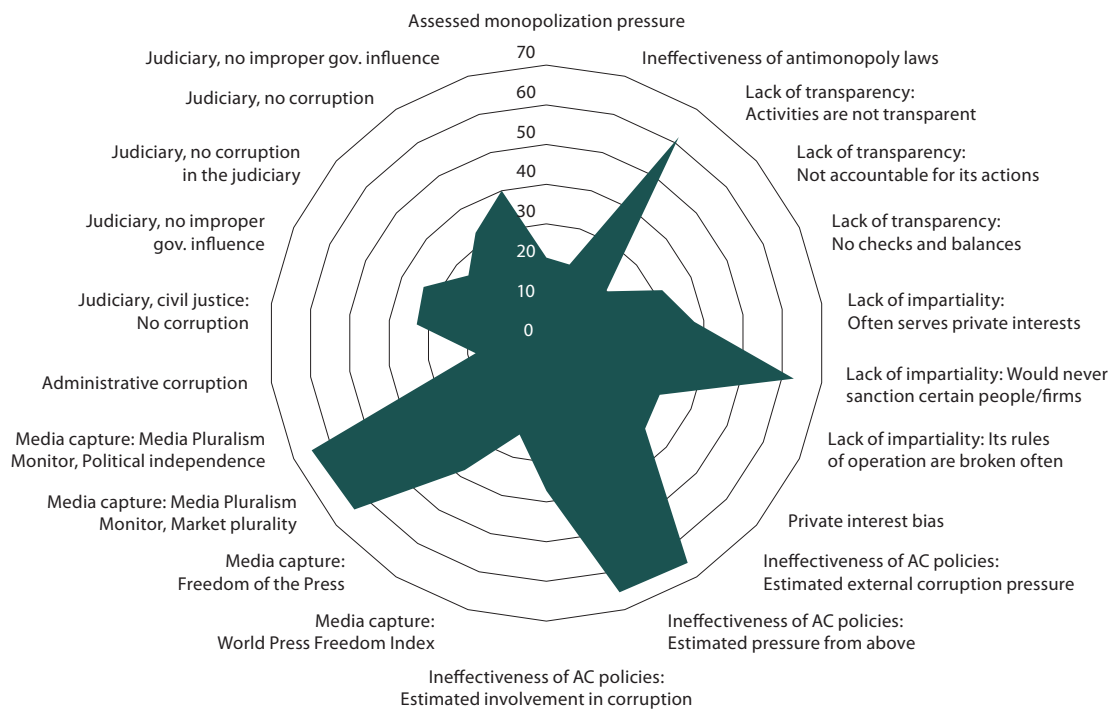
ROMANIA

Table 85. State capture and its dimensions

Indicator	0 to 100
BUSINESS STATE CAPTURE PRESSURE	21
Assessed monopolization pressure	22
Ineffectiveness of antimonopoly laws	21
STATE CAPTURE ENABLERS	38
Institutional enablers	43
Lack of integrity	38
Lack of impartiality	44
Private interest bias	33
Ineffectiveness of anticorruption policies	56
Environmental enablers	33
Media capture	48
Administrative corruption	18
Judiciary capture	33

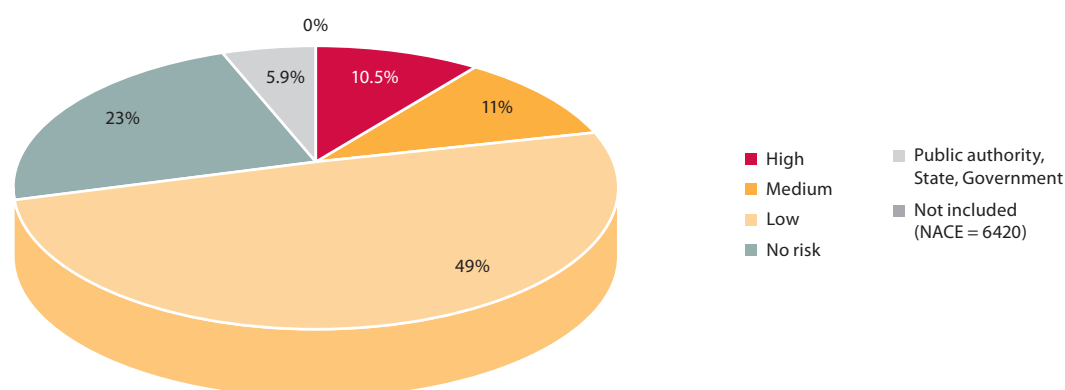
Source: SCAD, Center for the Study of Democracy.

Figure 49. State capture pressure



Source: SCAD, Center for the Study of Democracy.

Figure 50. Assessed monopolization pressure (% of the total turnover for the country)



Source: SCAD, Center for the Study of Democracy.

Table 86. Monopolization pressure by sectors

NACE	Name	% MP total	% of operating turnover in sector
49	Land transport and transport via pipelines	58%	4%
4646	Wholesale of pharmaceutical goods	56%	2%
61	Telecommunications	54%	2%
35	Electricity, gas, steam and air conditioning supply	52%	3%
4730	Retail sale of automotive fuel in specialized stores	46%	2%
F	Construction	44%	6%
4673	Wholesale of wood, construction materials and sanitary equipment	42%	1%
62	Computer programming, consultancy and related activities	33%	1%
610	Extraction of crude petroleum	27%	1%
4621	Wholesale of grain, unmanufactured tobacco, seeds and animal feeds	23%	2%
4671	Wholesale of solid, liquid and gaseous fuels and related products	23%	1%
4711	Retail sale in non-specialized stores with food, beverages or tobacco predominating	21%	5%
4635	Wholesale of tobacco products	21%	1%
4773	Dispensing chemist in specialized stores	21%	1%
4652	Wholesale of electronic and telecommunications equipment and parts	21%	1%
92	Gambling and betting activities	21%	1%
38	Waste collection, treatment and disposal activities; materials recovery	21%	1%
68	Real estate activities	19%	1%
1	Crop and animal production, hunting and related service activities	17%	3%

Table 86. Monopolization pressure by sectors (continued)

NACE	Name	% MP total	% of operating turnover in sector
7022	Business and other management consultancy activities	15%	1%
11	Manufacture of beverages	15%	1%
4639	Non-specialized wholesale of food, beverages and tobacco	13%	2%
4675	Wholesale of chemical products	13%	1%
4634	Wholesale of beverages	12%	0%
73	Advertising and market research	12%	1%
10	Manufacture of food products	10%	4%
24	Manufacture of basic metals	10%	1%
Assessed monopolization pressure		22	

Source: SCAD, Center for the Study of Democracy.

Table 87. Procurement capture

Criteria	
Single bidder	43.00
No calls for bids	17.00
Publication rate	5.70
Cooperative procurement	1.00
Award criteria	93.00
Decision speed	64.00
SME contractors	17.00
SME bids	50.00
Procedures divided into lots	56.00
Missing calls for bids	5.00
Missing seller registration numbers	50.00
Missing buyer registration numbers	100.00

Legend: Green – satisfactory, yellow – average, red – unsatisfactory.

Source: Single Market Scoreboard, European Commission, 2017. Public Procurement.

Table 88. Ineffectiveness of antimonopoly laws

NACE rev. 2 code	Sector name	Ineffectiveness of antimonopoly laws (law in the sector help the formation of monopolies: % of the experts who answered the question)
92	Gambling and betting activities	47%
35	Electricity, gas, steam and air conditioning supply	42%
4646	Wholesale of pharmaceutical goods	37%
F	Construction	35%

Table 88. Ineffectiveness of antimonopoly laws (continued)

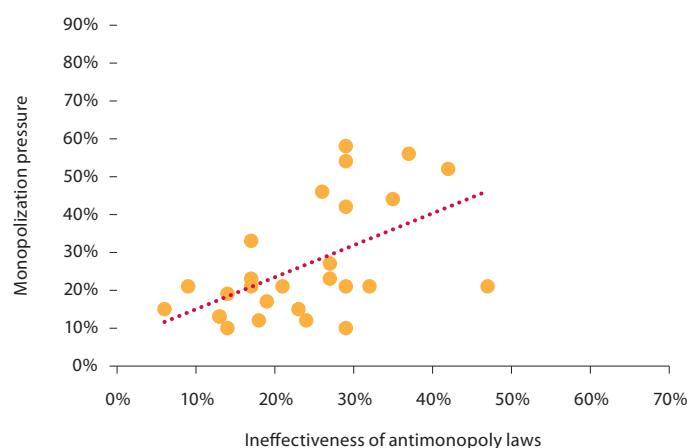
NACE rev. 2 code	Sector name	Ineffectiveness of antimonopoly laws (law in the sector help the formation of monopolies: % of the experts who answered the question)
38	Waste collection, treatment and disposal activities; materials recovery	32%
4673	Wholesale of wood, construction materials and sanitary equipment	29%
4773	Dispensing chemist in specialized stores	29%
49	Land transport and transport via pipelines	29%
61	Telecommunications	29%
10	Manufacture of food products	29%
4671	Wholesale of solid, liquid and gaseous fuels and related products	27%
610	Extraction of crude petroleum	27%
4730	Retail sale of automotive fuel in specialized stores	26%
4634	Wholesale of beverages	24%
11	Manufacture of beverages	23%
19	Manufacture of coke and refined petroleum products	23%
4635	Wholesale of tobacco products	21%
1	Crop and animal production, hunting and related service activities	19%
73	Advertising and market research	18%
4721	Retail sale of fruit and vegetables in specialized stores	18%
25	Manufacture of fabricated metal products, except machinery and equipment	18%
55	Accommodation	18%
4621	Wholesale of grain, unmanufactured tobacco, seeds and animal feeds	17%
62	Computer programming, consultancy and related activities	17%
4711	Retail sale in non-specialized stores with food, beverages or tobacco predominating	17%
4619	Agents involved in the sale of a variety of goods	15%
68	Real estate activities	14%
3109	Manufacture of other furniture	14%
4649	Wholesale of other household goods	14%
4754	Retail sale of electrical household appliances in specialized stores	14%
14	Manufacture of wearing apparel	14%
4752	Retail sale of hardware, paints and glass in specialized stores	14%
4719	Other retail sale in non-specialized stores	14%
24	Manufacture of basic metals	14%

Table 88. Ineffectiveness of antimonopoly laws (continued)

NACE rev. 2 code	Sector name	Ineffectiveness of antimonopoly laws (law in the sector help the formation of monopolies: % of the experts who answered the question)
28	Manufacture of machinery and equipment n.e.c.	14%
4639	Non-specialized wholesale of food, beverages and tobacco	13%
4675	Wholesale of chemical products	13%
52	Warehousing and support activities for transportation	10%
4651	Wholesale of computers, computer peripheral equipment and software	9%
4669	Wholesale of other machinery and equipment	9%
4652	Wholesale of electronic and telecommunications equipment and parts	9%
45	Wholesale and retail trade and repair of motor vehicles and motorcycles	8%
7022	Business and other management consultancy activities	6%
4690	Non-specialized wholesale trade	6%
29	Manufacture of motor vehicles, trailers and semi-trailers	6%
4771	Retail sale of clothing in specialized stores	5%
71	Architectural and engineering activities; technical testing and analysis	5%
56	Food and beverage service activities	4%
	Ineffectiveness of antimonopoly laws	21

Source: SCAD, Center for the Study of Democracy.

Figure 51. Ineffectiveness of antimonopoly laws and Monopolization pressure at the sectoral level



Source: SCAD, Center for the Study of Democracy.

Table 89. Sector 49. Land transport and transport via pipelines

Statement	%
A specific company or a small number of companies win too many public tenders	40%
Laws that provide illegitimate competitive advantage	10%
Control and/or sanctions are applied selectively which helps particular companies	20%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	17%

Source: SCAD, Center for the Study of Democracy.

Table 90. Sector 4646. Wholesale of pharmaceutical goods

Statement	%
A specific company or a small number of companies win too many public tenders	34%
Laws that provide illegitimate competitive advantage	17%
Control and/or sanctions are applied selectively which helps particular companies	24%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	3%

Source: SCAD, Center for the Study of Democracy.

Table 91. Sector 61. Telecommunications

Statement	%
A specific company or a small number of companies win too many public tenders	32%
Laws that provide illegitimate competitive advantage	18%
Control and/or sanctions are applied selectively which helps particular companies	25%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	4%

Source: SCAD, Center for the Study of Democracy.

Table 92. Sector 35. Electricity, gas, steam and air conditioning supply

Statement	%
A specific company or a small number of companies win too many public tenders	37%
Laws that provide illegitimate competitive advantage	26%
Control and/or sanctions are applied selectively which helps particular companies	19%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	11%

Source: SCAD, Center for the Study of Democracy.

Table 93. Regulatory/control function type

Regulatory/control function type	Institutional enablers: indicator	%
Energy sector regulation and control	Estimated external corruption pressure	63%
	Estimated pressure from above	63%
	Estimated involvement in corruption	38%

Table 93. Regulatory/control function type (continued)

Regulatory/control function type	Institutional enablers: indicator	
	Ineffectiveness of anticorruption policies	54%
	Often serves private interests	25%
	Would never sanction certain people/firms	75%
	Its rules of operation are violated often	38%
	Lack of impartiality	46%
	Activities are not transparent	63%
	Not accountable for its actions	25%
	No checks and balances	63%
	Lack of integrity	50%
	Private interest bias	25%

Source: SCAD, Center for the Study of Democracy.

Table 94. Section F. Construction

Statement	%
A specific company or a small number of companies win too many public tenders	57%
Laws that provide illegitimate competitive advantage	9%
Control and/or sanctions are applied selectively which helps particular companies	43%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	17%

Source: SCAD, Center for the Study of Democracy.

Table 95. Regulatory/control function type

Regulatory/control function type	Institutional enablers: indicator	
Construction-related bodies	Estimated external corruption pressure	90%
	Estimated pressure from above	85%
	Estimated involvement in corruption	70%
	Ineffectiveness of anticorruption policies	82%
	Often serves private interests	50%
	Would never sanction certain people/firms	65%
	Its rules of operation are violated often	50%
	Lack of impartiality	55%
	Activities are not transparent	90%
	Not accountable for its actions	20%
	No checks and balances	30%
	Lack of integrity	47%
Private interest bias	45%	

Source: SCAD, Center for the Study of Democracy.

Table 96. Ineffectiveness of anticorruption policies

Organization	Estimated external corruption pressure	Estimated pressure from above	Estimated involvement in corruption	Ineffectiveness of anti-corruption policies
Management Authority National Program for Rural Development (General Directorate for Rural Development, Ministry for Agriculture and Rural Development)	100.00%	100.00%	100.00%	100.00%
Local public authorities	95.65%	95.65%	78.26%	89.86%
National Company for Road Infrastructure Administration	100.00%	77.78%	77.78%	85.19%
National Health Insurance House	90.00%	100.00%	60.00%	83.33%
Romanian Road Authority	75.00%	100.00%	75.00%	83.33%
National Customs Authority	75.00%	100.00%	75.00%	83.33%
National Agency for Environmental Protection	75.00%	100.00%	75.00%	83.33%
National Investment Company	100.00%	100.00%	50.00%	83.33%
State Inspectorate in Constructions	100.00%	83.33%	50.00%	77.78%
Agency for Payments and Intervention for Agriculture	90.00%	90.00%	50.00%	76.67%
National Council for the Audiovisual	87.50%	77.78%	44.44%	69.91%
National Agency for Fiscal Administration	86.67%	73.33%	46.67%	68.89%
National Agency for Employment	100.00%	80.00%	0.00%	60.00%
Ministry of Education and Scientific Research	63.16%	68.42%	42.11%	57.89%
Romanian Energy Regulatory Authority	71.43%	57.14%	42.86%	57.14%
National Agency for Payments and Social Inspection	83.33%	40.00%	16.67%	46.67%
National Authority for Management and Regulation in Communications	50.00%	66.67%	16.67%	44.44%
Financial Supervisory Authority	46.15%	50.00%	21.43%	39.19%
National Council for Combatting Discrimination	44.44%	33.33%	22.22%	33.33%
National Authority for Consumer Protection	50.00%	50.00%	0.00%	33.33%
Court of Accounts	36.00%	37.50%	8.33%	27.28%
National Agency for Public Procurement	25.00%	26.32%	15.00%	22.11%
National Integrity Agency	31.25%	25.00%	0.00%	18.75%
Competition Council	15.79%	21.05%	0.00%	12.28%
Anti-Fraud Department	11.11%	22.22%	0.00%	11.11%
National Bank of Romania	8.33%	25.00%	0.00%	11.11%
Average	65.8	65.4	37.2	56.1

Source: SCAD, Center for the Study of Democracy.

Table 97. Regulatory/control function type

Regulatory/control function type	Estimated external corruption pressure	Estimated involvement in corruption	Estimated pressure from above	Ineffectiveness of anti-corruption policies
Local government	96%	78%	96%	90%
Environmental regulation and control	83%	83%	100%	89%
Agriculture-related	89%	68%	95%	84%
Customs	75%	75%	100%	83%
Social and health insurance authorities	90%	60%	100%	83%
Construction-related bodies	90%	70%	85%	82%
Investments and tourism	80%	40%	100%	73%
Privatization and post-privatization control, restitution	80%	60%	80%	73%
Media-related bodies	78%	44%	78%	67%
Labor conditions control and regulation; employment policies	100%	0%	80%	60%
Science, academia – research, regulation, accreditation, etc.	63%	42%	68%	58%
Energy sector regulation and control	63%	38%	63%	54%
Telecommunications and broadcasting	50%	17%	67%	44%
Trade control and licences	60%	10%	60%	43%
Fiscal policies, regulation and control	49%	24%	51%	41%
Human rights	44%	22%	33%	33%
Tax and audit authorities	45%	10%	35%	30%
Procurement	21%	10%	24%	18%
Anticorruption, organized crime and money laundering	28%	0%	22%	17%
Antitrust bodies	16%	0%	21%	12%

Source: SCAD, Center for the Study of Democracy.

Table 98. Lack of integrity

Organization	Activities are not transparent	Not accountable for its actions	No checks and balances	Lack of integrity
National Customs Authority	100%	25%	25%	50%
Local public authorities	91%	35%	22%	49%
Romanian Road Authority	100%	50%	50%	67%
State Inspectorate in Constructions	100%	20%	40%	53%
National Agency for Environmental Protection	100%	0%	25%	42%
National Council for the Audiovisual	56%	11%	44%	37%
National Agency for Fiscal Administration	64%	7%	21%	31%

Table 98. Lack of integrity (continued)

Organization	Activities are not transparent	Not accountable for its actions	No checks and balances	Lack of integrity
National Company for Road Infrastructure Administration	89%	11%	22%	41%
National Health Insurance House	80%	20%	20%	40%
Management Authority National Program for Rural Development (General Directorate for Rural Development, Ministry for Agriculture and Rural Development)	75%	0%	25%	33%
Romanian Energy Regulatory Authority	57%	29%	57%	48%
National Investment Company	75%	0%	0%	25%
National Agency for Employment	80%	20%	20%	40%
National Agency for Payments and Social Inspection	50%	0%	17%	22%
National Authority for Management and Regulation in Communications	50%	0%	17%	22%
Financial Supervisory Authority	43%	14%	29%	29%
Court of Accounts	38%	48%	71%	52%
National Authority for Consumer Protection	63%	25%	38%	42%
National Council for Combatting Discrimination	63%	0%	0%	21%
Agency for Payments and Intervention for Agriculture	50%	0%	10%	20%
National Bank of Romania	27%	64%	64%	52%
Anti-Fraud Department	67%	33%	56%	52%
Ministry of Education and Scientific Research	47%	22%	11%	27%
National Integrity Agency	13%	33%	60%	36%
Competition Council	6%	44%	65%	38%
National Agency for Public Procurement	21%	5%	26%	18%
Average	61.7	19.9	32.1	37.9

Source: SCAD, Center for the Study of Democracy.

Table 99. Lack of impartiality

Organization	Often serves private interests	Would never sanction certain people/firms	Its rules of operation are broken often	Lack of impartiality
National Customs Authority	75%	75%	75%	75%
Local public authorities	87%	96%	83%	88%
Romanian Road Authority	50%	75%	50%	58%
State Inspectorate in Constructions	67%	67%	50%	61%

Table 99. Lack of impartiality (continued)

Organization	Often serves private interests	Would never sanction certain people/firms	Its rules of operation are broken often	Lack of impartiality
National Agency for Environmental Protection	75%	75%	50%	67%
National Council for the Audiovisual	56%	78%	44%	59%
National Agency for Fiscal Administration	47%	73%	40%	53%
National Company for Road Infrastructure Administration	44%	67%	56%	56%
National Health Insurance House	80%	70%	20%	57%
Management Authority National Program for Rural Development (General Directorate for Rural Development, Ministry for Agriculture and Rural Development)	75%	75%	75%	75%
Romanian Energy Regulatory Authority	33%	71%	43%	49%
National Investment Company	50%	100%	0%	50%
National Agency for Employment	40%	80%	20%	47%
National Agency for Payments and Social Inspection	17%	67%	0%	28%
National Authority for Management and Regulation in Communications	17%	50%	17%	28%
Financial Supervisory Authority	14%	64%	14%	31%
Court of Accounts	16%	44%	16%	25%
National Authority for Consumer Protection	13%	88%	13%	38%
National Council for Combatting Discrimination	22%	67%	33%	41%
Agency for Payments and Intervention for Agriculture	40%	40%	50%	43%
National Bank of Romania	8%	42%	8%	19%
Anti-Fraud Department	0%	22%	11%	11%
Ministry of Education and Scientific Research	26%	32%	26%	28%
National Integrity Agency	6%	44%	6%	19%
Competition Council	5%	37%	5%	16%
National Agency for Public Procurement	15%	40%	10%	22%
Average	37.6	63.0	31.4	44.0

Source: SCAD, Center for the Study of Democracy.

Table 100. Private interest bias

Organization	Private interest bias (control and sanctions are enforced partially, serving private interests)
National Customs Authority	75%
Local public authorities	48%
Romanian Road Authority	50%
State Inspectorate in Constructions	60%
National Agency for Environmental Protection	50%
National Council for the Audiovisual	56%
National Agency for Fiscal Administration	57%
National Company for Road Infrastructure Administration	44%
National Health Insurance House	40%
Management Authority National Program for Rural Development (General Directorate for Rural Development, Ministry for Agriculture and Rural Development)	25%
Romanian Energy Regulatory Authority	29%
National Investment Company	50%
National Agency for Employment	20%
National Agency for Payments and Social Inspection	50%
National Authority for Management and Regulation in Communications	50%
Financial Supervisory Authority	36%
Court of Accounts	17%
National Authority for Consumer Protection	13%
National Council for Combatting Discrimination	25%
Agency for Payments and Intervention for Agriculture	20%
National Bank of Romania	9%
Anti-Fraud Department	11%
Ministry of Education and Scientific Research	11%
National Integrity Agency	0%
Competition Council	0%
National Agency for Public Procurement	11%
Average	32.9

Source: SCAD, Center for the Study of Democracy.

Table 101. Media capture

Indicator	Normalized From 0 to 100	Source
2017 World Press Freedom Index	24	World Press Freedom Index
2017 Freedom of the Press	38	Freedom of the Press
2016 Media Pluralism Monitor: Market plurality	64	Media Pluralism Monitor

Table 101. Media capture (continued)

Indicator	Normalized From 0 to 100	Source
2016 Media Pluralism Monitor: Political independence	65	Media Pluralism Monitor
Media capture: Romania average	48	

Source: World Press Freedom Index by Reporters without Borders,¹⁵⁰ Freedom of the Press Index by Freedom House,¹⁵¹ Media Pluralism Monitor by CMPF.¹⁵²

Table 102. Administrative corruption

Asked for an extra payment	18%
Enough successful prosecution to deter people from corruption practices	
Agree	55%
Disagree	37%
Don't know	8%

Source: Eurobarometer 470.

Table 103. Judiciary capture

Indicator	0 to 100	Source
7.3. No corruption	33	Rule of Law Index: 7. Civil justice
7.4. No improper gov. influence	34	Rule of Law Index: 7. Civil justice
2.2. No corruption in the judiciary	26	Rule of Law Index: 2. Absence of corruption
8.5. No corruption	33	Rule of Law Index: 8. Criminal justice
8.6. No improper gov. influence	40	Rule of Law index: 8. Criminal justice
Judiciary capture: average	33	

Source: World Justice Project. 2019. WJP Rule of Law Index: Romania.

Table 104. List of organizations included in SCAD and their regulatory/control function

Regulatory/control function	Organization
Agriculture-related	Agency for Financing Rural Investments
	Agency for Payments and Intervention for Agriculture
	Agency for the State's Domains
	Management Authority National Programme for Rural Development (General Directorate for Rural Development, Ministry for Agriculture and Rural Development)
Anticorruption, organized crime and money laundering	National Agency for the Management of Seized Assets
	National Integrity Agency
Antitrust bodies	Competition Council

¹⁵⁰ Reporters without Borders. 2018. *2018 World Press Freedom Index*.

¹⁵¹ Freedom House. 2017. *Freedom of the Press 2017: Romania Profile*.

¹⁵² Centre for Media Pluralism and Media Freedom. 2016. *Media Pluralism Monitor 2016 – Results: Romania*.

Table 104. List of organizations included in SCAD and their regulatory/control function (continued)

Regulatory/control function	Organization
Construction-related bodies	State Inspectorate in Constructions
	National Company for Road Infrastructure Administration
	Romanian Road Authority
	National Agency for Cadastre and Real Estate publicity
Customs	National Customs Authority
Tax and audit authorities	National Agency for Payments and Social Inspection
	Court of Accounts (Audit Authority)
Social and health insurance authorities	National Health Insurance House
Energy sector regulation and control	Romanian Energy Regulatory Authority
	National Commission for Nuclear Activities Control
Environmental regulation and control	National Agency for Environmental Protection
	National Guard for the Environment
Mining and mineral resources	National Agency for Mineral Resources
Fiscal policies, regulation and control	National Bank of Romania
	Financial Supervisory Authority
	National Agency for Fiscal Administration
Human rights	National Council for Combatting Discrimination
Internal investments	National Agency for the Implementation of Projects and Programs for Small & Medium Sized Businesses
Investments and tourism	National Investment Company
	Department for Foreign Investments and Public Private Partnership
Labor conditions control and regulation; Employment policies	National Agency for Employment
Local government	Local public authorities
Media-related bodies	National Council for the Audiovisual
Mobility and transport	Romanian Railway Authority
Privatization and Post-Privatization Control, Restitution	Department for the Privatization and Administration of the State's Participation (administers, restructures, liquidates, privatizes, finds investments for state owned companies + implements corporate governance rules)
	National Authority for Property Restitution
Procurement	National Agency for Public Procurement
	Anti-Fraud Department (EU funds exclusively)
Telecommunications and broadcasting	National Authority for Management and Regulation in Communications
Trade control and licences	National Authority for Consumer Protection
	National Sanitary Veterinary and Food Safety Authority
Science, academia – research, regulation, accreditation, etc.	Ministry of Education and Scientific Research

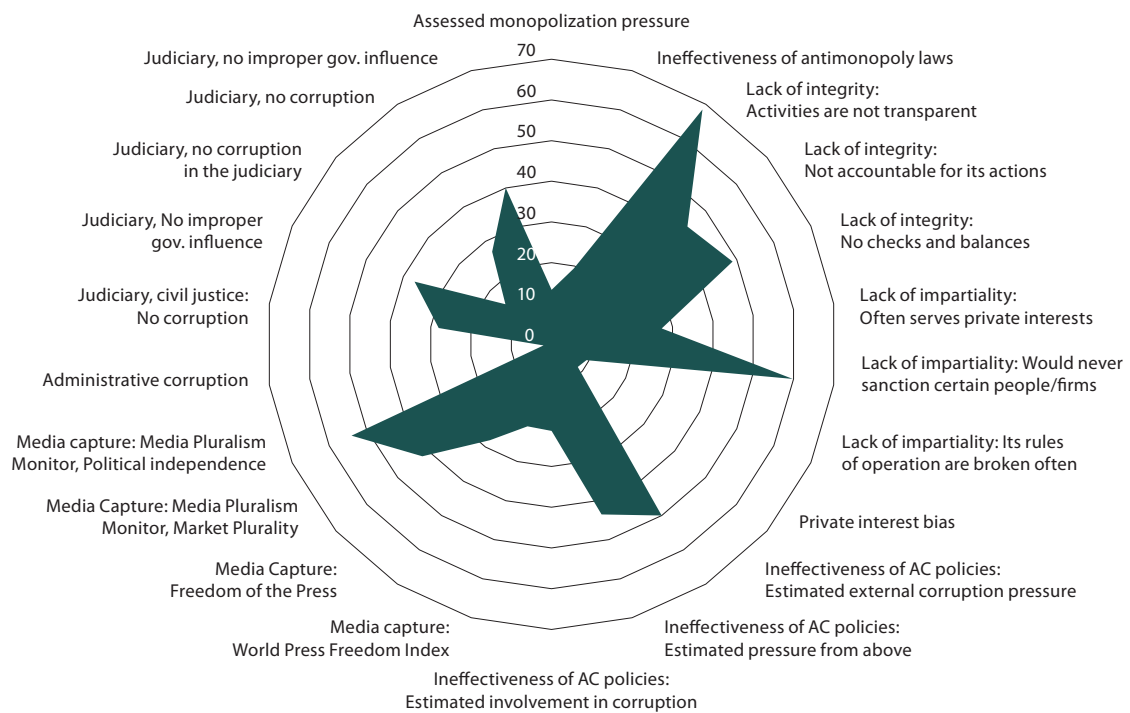
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Table 105. State capture and its dimensions

Indicator	0 to 100
BUSINESS STATE CAPTURE PRESSURE	15
Assessed monopolization pressure	13
Ineffectiveness of antimonopoly laws	19
STATE CAPTURE ENABLERS	28
Institutional enablers	33
Lack of integrity	54
Lack of impartiality	32
Private interest bias	9
Ineffectiveness of anticorruption policies	38
Environmental enablers	23
Media capture	36
Administrative corruption	2
Judiciary capture	29

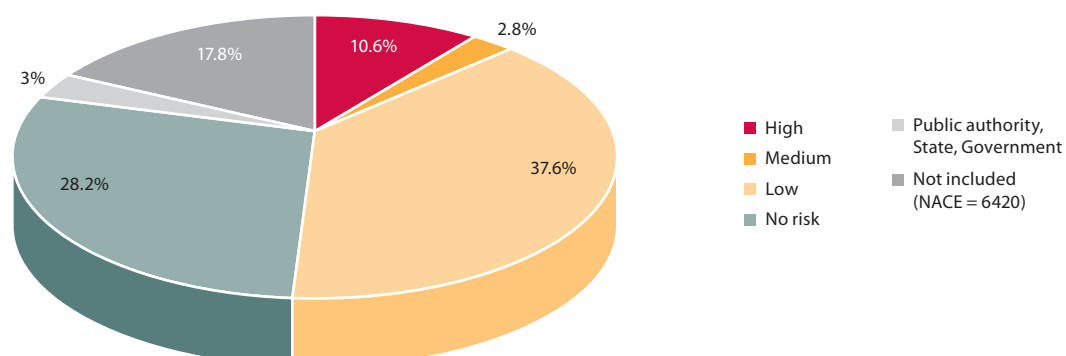
Source: SCAD, Center for the Study of Democracy.

Figure 52. State capture pressure



Source: SCAD, Center for the Study of Democracy.

Figure 53. Assessed monopolization pressure (% of the total turnover for the country)



Source: SCAD, Center for the Study of Democracy.

Table 106. Monopolization pressure by sectors

NACE	Name	% MP total	% of operating turnover in sector
35	Electricity, gas, steam and air conditioning supply	73%	4%
64	Financial service activities, except insurance and pension funding (NACE 6420 holdings excluded)	67%	1%
F	Construction	53%	6%
4671	Wholesale of solid, liquid and gaseous fuels and related products	47%	2%
61	Telecommunications	33%	1%
19	Manufacture of coke and refined petroleum products	29%	1%
4646	Wholesale of pharmaceutical goods	29%	1%
92	Gambling and betting activities	24%	0%
3600	Water collection, treatment and supply	24%	0%
4110	Development of building projects	22%	1%
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	20%	1%
29	Manufacture of motor vehicles, trailers and semi-trailers	18%	3%
68	Real estate activities	18%	2%
49	Land transport and transport via pipelines	18%	2%
4730	Retail sale of automotive fuel in specialized stores	16%	1%
73	Advertising and market research	13%	1%
38	Waste collection, treatment and disposal activities; materials recovery	13%	0%
4639	Non-specialized wholesale of food, beverages and tobacco	11%	1%
51	Air transport	11%	0%
71	Architectural and engineering activities; technical testing and analysis	9%	1%

Table 106. Monopolization pressure by sectors (continued)

NACE	Name	% MP total	% of operating turnover in sector
45	Wholesale and retail trade and repair of motor vehicles and motorcycles	7%	3%
10	Manufacture of food products	7%	3%
4642	Wholesale of clothing and footwear	4%	1%
69	Legal and accounting activities	4%	1%
55	Accommodation	4%	1%
4621	Wholesale of grain, unmanufactured tobacco, seeds and animal feeds	4%	1%
79	Travel agency, tour operator and other reservation service and related activities	4%	1%
62	Computer programming, consultancy and related activities	4%	1%
3030	Manufacture of air and spacecraft and related machinery	4%	0%
4711	Retail sale in non-specialized stores with food, beverages or tobacco predominating	2%	3%
4631	Wholesale of fruit and vegetables	2%	1%
52	Warehousing and support activities for transportation	2%	1%
4634	Wholesale of beverages	2%	1%
4675	Wholesale of chemical products	2%	0%
2362	Manufacture of plaster products for construction purposes	2%	0%
4673	Wholesale of wood, construction materials and sanitary equipment	2%	0%
24	Manufacture of basic metals	2%	1%
20	Manufacture of chemicals and chemical products	2%	2%
4672	Wholesale of metals and metal ores	2%	0%
4719	Other retail sale in non-specialized stores	0%	1%
7490	Other professional, scientific and technical activities n.e.c.	0%	1%
4690	Non-specialized wholesale trade	0%	1%
4638	Wholesale of other food, including fish, crustaceans and molluscs	0%	1%
56	Food and beverage service activities	0%	1%
4771	Retail sale of clothing in specialized stores	0%	1%
4669	Wholesale of other machinery and equipment	0%	0%
5020	Sea and coastal freight water transport	0%	0%
Assessed monopolization pressure		13	

Source: SCAD, Center for the Study of Democracy.

Table 107. Procurement capture

Criteria	
Single bidder	23.00
No calls for bids	8.00
Publication rate	1.60
Cooperative procurement	1.00
Award criteria	30.00
Decision speed	124.00
SME contractors	28.00
SME bids	57.00
Procedures divided into lots	24.00
Missing calls for bids	19.00
Missing seller registration numbers	35.00
Missing buyer registration numbers	45.00

Legend: Green – satisfactory, yellow – average, red – unsatisfactory.

Source: Single Market Scoreboard, European Commission, 2017. Public Procurement.

Table 108. Ineffectiveness of antimonopoly laws in different economic sectors

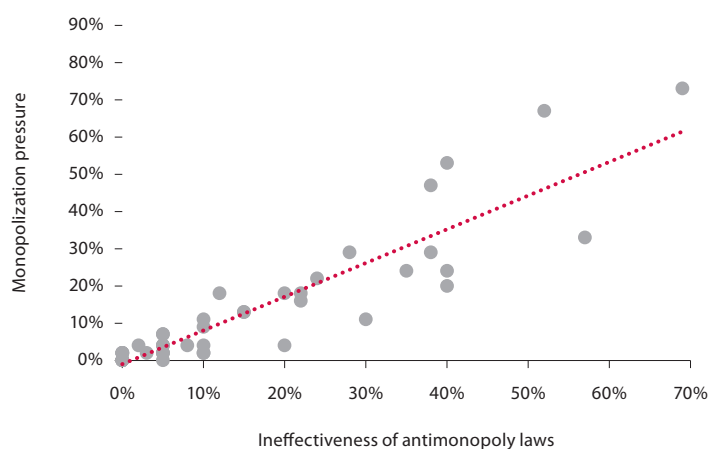
NACE	Sector name	Ineffectiveness of antimonopoly laws (law in the sector help the formation of monopolies: % of the experts who answered the question)
35	Electricity, gas, steam and air conditioning supply	69%
61	Telecommunications	57%
64	Financial service activities, except insurance and pension funding	52%
92	Gambling and betting activities	40%
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	40%
F	Construction	40%
19	Manufacture of coke and refined petroleum products	38%
4671	Wholesale of solid, liquid and gaseous fuels and related products	38%
3600	Water collection, treatment and supply	35%
51	Air transport	30%
4646	Wholesale of pharmaceutical goods	28%
4110	Development of building projects	24%
68	Real estate activities	22%
4730	Retail sale of automotive fuel in specialized stores	22%
3030	Manufacture of air and spacecraft and related machinery	20%
49	Land transport and transport via pipelines	20%
73	Advertising and market research	15%
38	Waste collection, treatment and disposal activities; materials recovery	15%

Table 108. Ineffectiveness of antimonopoly laws in different economic sectors (continued)

NACE	Sector name	Ineffectiveness of antimonopoly laws (law in the sector help the formation of monopolies: % of the experts who answered the question)
29	Manufacture of motor vehicles, trailers and semi-trailers	12%
24	Manufacture of basic metals	10%
20	Manufacture of chemicals and chemical products	10%
71	Architectural and engineering activities; technical testing and analysis	10%
4639	Non-specialized wholesale of food, beverages and tobacco	10%
55	Accommodation	10%
4621	Wholesale of grain, unmanufactured tobacco, seeds and animal feeds	8%
69	Legal and accounting activities	5%
62	Computer programming, consultancy and related activities	5%
10	Manufacture of food products	5%
4634	Wholesale of beverages	5%
4673	Wholesale of wood, construction materials and sanitary equipment	5%
5020	Sea and coastal freight water transport	5%
4711	Retail sale in non-specialized stores with food, beverages or tobacco predominating	5%
79	Travel agency, tour operator and other reservation service and related activities	5%
45	Wholesale and retail trade and repair of motor vehicles and motorcycles	5%
4631	Wholesale of fruit and vegetables	3%
4642	Wholesale of clothing and footwear	2%
4719	Other retail sale in non-specialized stores	0%
7490	Other professional, scientific and technical activities n.e.c.	0%
4690	Non-specialized wholesale trade	0%
4638	Wholesale of other food, including fish, crustaceans and molluscs	0%
56	Food and beverage service activities	0%
52	Warehousing and support activities for transportation	0%
4771	Retail sale of clothing in specialized stores	0%
4669	Wholesale of other machinery and equipment	0%
4675	Wholesale of chemical products	0%
2362	Manufacture of plaster products for construction purposes	0%
4672	Wholesale of metals and metal ores	0%
52	Warehousing and support activities for transportation	0%
	Ineffectiveness of Antimonopoly laws	19

Source: SCAD, Center for the Study of Democracy.

Figure 54. Ineffectiveness of antimonopoly laws and Monopolization pressure at the sectoral level



Source: SCAD, Center for the Study of Democracy.

Table 109. Sector 35. Electricity, gas, steam and air conditioning supply

Statement	%
A specific company or a small number of companies win too many public tenders	61%
Laws that provide illegitimate competitive advantage	52%
Control and/or sanctions are applied selectively which helps particular companies	42%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	27%

Source: SCAD, Center for the Study of Democracy.

Table 110. Sector 64. Financial service activities, except insurance and pension funding

Statement	%
A specific company or a small number of companies win too many public tenders	33%
Laws that provide illegitimate competitive advantage	47%
Control and/or sanctions are applied selectively which helps particular companies	53%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	17%

Source: SCAD, Center for the Study of Democracy.

Table 111. Regulatory/control function type

Regulatory/control function type	Institutional enablers: indicator	%
Fiscal policies, regulation and control	Estimated external corruption pressure	36%
	Estimated pressure from above	43%
	Estimated involvement in corruption	25%
	Ineffectiveness of anticorruption policies	35%
	Often serves private interests	39%
	Would never sanction certain people/firms	68%
	Its rules of operation are violated often	7%

Table 111. Regulatory/control function type (continued)

Regulatory/control function type	Institutional enablers: indicator	
	Lack of impartiality	38%
	Activities are not transparent	79%
	Not accountable for its actions	29%
	No checks and balances	50%
	Lack of integrity	52%
	Private interest bias	18%

Source: SCAD, Center for the Study of Democracy.

Table 112. Section F. Construction

Statement	%
A specific company or a small number of companies win too many public tenders	92%
Laws that provide illegitimate competitive advantage	25%
Control and/or sanctions are applied selectively which helps particular companies	29%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	21%

Source: SCAD, Center for the Study of Democracy.

Table 113. Sector 4671. Wholesale of solid, liquid and gaseous fuels and related products

Statement	%
A specific company or a small number of companies win too many public tenders	48%
Laws that provide illegitimate competitive advantage	43%
Control and/or sanctions are applied selectively which helps particular companies	29%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	29%

Source: SCAD, Center for the Study of Democracy.

Table 114. Sector 61. Telecommunications

Statement	%
A specific company or a small number of companies win too many public tenders	80%
Laws that provide illegitimate competitive advantage	47%
Control and/or sanctions are applied selectively which helps particular companies	60%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	7%

Source: SCAD, Center for the Study of Democracy.

Table 115. Sector 4646. Wholesale of pharmaceutical goods

Statement	%
A specific company or a small number of companies win too many public tenders	54%
Laws that provide illegitimate competitive advantage	62%

Table 115. Sector 4646. Wholesale of pharmaceutical goods (continued)

Statement	%
Control and/or sanctions are applied selectively which helps particular companies	46%
Concentration of grants in the sector (euro funds, direct subsidies, etc.)	23%

Source: SCAD, Center for the Study of Democracy.

Table 116. Ineffectiveness of anticorruption policies

Organization	Estimated external corruption pressure	Estimated pressure from above	Estimated involvement in corruption	Ineffectiveness of anti-corruption policies
Railway Infrastructure Manager	75%	88%	50%	71%
Fund for Orderly Banking Restructuring	57%	71%	43%	57%
Spanish Agency of Consumption, Food Safety and Nutrition	100%	67%	0%	56%
National Stock Market Commission	94%	50%	19%	54%
Court of Auditors	65%	57%	17%	46%
Bank of Spain	50%	50%	33%	44%
State Agency of Tax Administration	63%	37%	16%	39%
National Commission on Markets and Competition	70%	33%	8%	37%
Spanish Agency for International Cooperation for Development	46%	38%	23%	36%
Nuclear Safety Council	56%	44%	0%	33%
Spain Exports and Investments	25%	50%	25%	33%
Spanish Office of the Patents and Brand	33%	33%	0%	22%
Public Service of State Employment	13%	38%	13%	21%
State Holding Company	20%	20%	20%	20%
National Social Security Institute	30%	20%	10%	20%
Transparency and Good Governance Council	36%	7%	4%	16%
Institute of Accounting and Audit of Accounts	17%	0%	17%	11%
Independent Fiscal Responsibility Authority	0%	11%	0%	4%
Average	50	44	21	38

Source: SCAD, Center for the Study of Democracy.

Table 117. Lack of integrity

Organization	Activities are not transparent	Not accountable for its actions	No checks and balances	Lack of integrity
Fund for Orderly Banking Restructuring	100%	43%	57%	67%
Bank of Spain	100%	42%	73%	71%

Table 117. Lack of integrity (continued)

Organization	Activities are not transparent	Not accountable for its actions	No checks and balances	Lack of integrity
Spanish Agency of Consumption, Food Safety and Nutrition	100%	67%	100%	89%
Court of Auditors (Monitors financing of public bodies and political parties)	70%	43%	71%	61%
Railway Infrastructure Manager	88%	50%	67%	68%
Nuclear Safety Council	78%	56%	63%	65%
Spain Exports and Investments	75%	50%	33%	53%
Spanish Agency for International Cooperation for Development	69%	69%	25%	54%
National Social Security Institute	60%	30%	44%	45%
State Agency of Tax Administration	68%	32%	41%	47%
National Stock Market Commission	81%	19%	46%	49%
Institute of Accounting and Audit of Accounts	67%	33%	60%	53%
National Commission on Markets and Competition	41%	19%	58%	39%
Spanish Office of the Patents and Brand	67%	67%	33%	56%
Public Service of State Employment	38%	38%	29%	35%
Transparency and Good Governance Council	25%	11%	50%	29%
State Holding Company	80%	60%	0%	47%
Independent Fiscal Responsibility Authority	33%	0%	25%	19%
Average	68.5	44.1	48.8	53.8

Source: SCAD, Center for the Study of Democracy.

Table 118. Lack of impartiality

Organization	Often serves private interests	Would never sanction certain people/firms	Its rules of operation are broken often	Lack of impartiality
Fund for Orderly Banking Restructuring	86%	86%	14%	62%
Bank of Spain	42%	100%	8%	50%
Spanish Agency of Consumption, Food Safety and Nutrition	33%	100%	0%	44%
Court of Auditors (Monitors financing of public bodies and political parties)	30%	74%	22%	42%
Railway Infrastructure Manager	50%	63%	38%	50%
Nuclear Safety Council	33%	67%	22%	41%
Spain Exports and Investments	50%	75%	25%	50%
Spanish Agency for International Cooperation for Development	15%	69%	8%	31%

Table 118. Lack of impartiality (continued)

Organization	Often serves private interests	Would never sanction certain people/firms	Its rules of operation are broken often	Lack of impartiality
National Social Security Institute	50%	80%	0%	43%
State Agency of Tax Administration	21%	63%	21%	35%
National Stock Market Commission	25%	63%	13%	33%
Institute of Accounting and Audit of Accounts	0%	33%	0%	11%
National Commission on Markets and Competition	19%	58%	7%	28%
Spanish Office of the Patents and Brand	33%	33%	0%	22%
Public Service of State Employment	25%	50%	13%	29%
Transparency and Good Governance Council	11%	32%	7%	17%
State Holding Company	0%	0%	0%	0%
Independent Fiscal Responsibility Authority	0%	11%	0%	4%
Average	27.3	59.8	9.4	32.2

Source: SCAD, Center for the Study of Democracy.

Table 119. Private interest bias

Organization	Private interest bias (control and sanctions are enforced partially, serving private interests)
Fund for Orderly Banking Restructuring	43%
Bank of Spain	17%
Spanish Agency of Consumption, Food Safety and Nutrition	0%
Court of Auditors (Monitors financing of public bodies and political parties)	22%
Railway Infrastructure Manager	0%
Nuclear Safety Council	11%
Spain Exports and Investments	0%
Spanish Agency for International Cooperation for Development	15%
National Social Security Institute	10%
State Agency of Tax Administration	11%
National Stock Market Commission	6%
Institute of Accounting and Audit of Accounts	17%
National Commission on Markets and Competition	11%
Spanish Office of the Patents and Brand	0%
Public Service of State Employment	13%
Transparency and Good Governance Council	4%
State Holding Company	0%

Table 119. Private interest bias (continued)

Organization	Private interest bias (control and sanctions are enforced partially, serving private interests)
Independent Fiscal Responsibility Authority	0%
Average	8.5

Source: SCAD, Center for the Study of Democracy.

Table 120. Media capture

Indicator	Normalized From 0 to 100	Source
2017 World Press Freedom Index	21	World Press Freedom Index
2017 Freedom of the Press	28	Freedom of the Press
2016 Media Pluralism Monitor: Market plurality	42	Media Pluralism Monitor
2016 Media Pluralism Monitor: Political independence	54	Media Pluralism Monitor
Media capture: average	36	

Source: World Press Freedom Index by Reporters without Borders,¹⁵³ Freedom of the Press Index by Freedom House,¹⁵⁴ Media Pluralism Monitor by CMPF.¹⁵⁵

Table 121. Administrative corruption

Asked for an extra payment	2%
Enough successful prosecution to deter people from corruption practices	
Agree	28%
Disagree	63%
Don't know	9%

Source: Eurobarometer 470.

Table 122. Judiciary capture

Indicator	0 to 100	Source
7.3. No corruption	28	Rule of Law Index: 7. Civil justice
7.4. No improper gov. influence	37	Rule of Law Index: 7. Civil justice
2.2. No corruption in the judiciary	15	Rule of Law Index: 2. Absence of corruption
8.5. No corruption	27	Rule of Law Index: 8. Criminal justice
8.6. No improper gov. influence	40	Rule of Law Index: 8. Criminal justice
Judiciary capture: average	29	

Source: World Justice Project. 2019. WJP Rule of Law Index: Spain.

¹⁵³ Reporters without Borders. 2018. *2018 World Press Freedom Index*. Reporters without Borders.

¹⁵⁴ Freedom House. 2017. *Freedom of the Press 2017*.

¹⁵⁵ Centre for Media Pluralism and Media Freedom. 2016. *Media Pluralism Monitor 2016 – Results: Spain*. Centre for Media Pluralism and Media Freedom.

Table 123. List of organizations included in SCAD and their regulatory/control function

Regulatory/control function	Organization
Anticorruption, organized crime and money laundering	Transparency and Good Governance Council
Antitrust bodies	National Commission on Markets and Competition
Tax and audit authorities	State Agency of Tax Administration
	Court of Auditors
Social and health insurance authorities	National Social Security Institute
Energy sector regulation and control	Nuclear Safety Council
Fiscal policies, regulation and control	Bank of Spain
	Independent Fiscal Responsibility Authority
	Fund for Orderly Banking Restructuring
Health-related regulators	Spanish Agency for the Protection of Health in Sport
Human rights	Ombudsman
Investments and tourism	Spain Exports and Investments
	Spanish Agency for International Cooperation for Development
Labor conditions control and regulation; Employment policies	Public Service of State Employment
Mobility and transport	Railway Infrastructure Manager
Patent bodies	Spanish office of the patents and brand
Pharmacy and health related control and regulatory bodies	Spanish Agency for Medicines and Health Products
Privatization and Post-Privatization Control, Restitution	State Holding Company
Registries and data banks	Company Register
Trade control and licenses	Spanish Center of Metrology
	National Stock Market Commission
	Spanish Agency of Consumption, Food Safety and Nutrition
	Food Information and Control Agency
	Commissioner for the Tobacco Market
	Institute of Accounting and Audit of Accounts
Security	National Intelligence Center
Science, academia – research, regulation, accreditation, etc.	State Agency Higher Council for Scientific Research

Source: SCAD, Center for the Study of Democracy.

APPENDIX I. SCAD QUESTIONNAIRE



SCAD: [country] [year]

This is an anonymous survey, your individual answers will remain strictly confidential and will be used only for statistical analyses of collected data.

Part 1. General information

- Q1. Are you a:
2. A public official who is **currently** employed by the state?
 3. An external expert who is not employed by the state **at the moment**?

Ask Q3 only if answer 2 in Q1

- Q3. Which of the following statements best represents your responsibility with regard to corruption reduction in the organization you are currently working for?
1. Corruption reduction is my only function/responsibility.
 2. Corruption reduction is a major part of my functions/responsibilities.
 3. Corruption reduction is a minor part of my functions/responsibilities.
 4. Corruption reduction is not an explicit part of my responsibilities.
 5. Other (please explain) _____

Ask Q4 only if answer 3 in Q1

- Q4. As an expert, how familiar are you with corruption in [country]: practices, frequency, mechanisms, risk zones?
1. I am very familiar.
 2. I am rather familiar.
 3. I am rather unfamiliar.
 4. I am not familiar at all.

List of public organizations (to be specified for each state) with regulatory and control functions with respect to the economy and market relations inside the country. Judiciary, parliament, president, cabinet, and ministries are **not** included. Example given for Bulgaria.

1. District administrations
2. Municipal administrations
3. Customs Agency
4. National Revenue Agency
5. National Audit Office
6. Public Procurement Agency
7. Commission for Protection of Competition
8. Commission for Illegal Assets Forfeiture
9. Commission for Prevention and Ascertainment of Conflict of Interest
10. Bulgarian National Bank
11. Energy and Water Regulatory Commission
12. Commission for Protection against Discrimination

13. Communications Regulation Commission
14. Financial Supervision Commission
15. National Social Security Institute
16. National Health Insurance Fund
17. State Agency for Metrological and Technical Surveillance
18. State Commission on Commodity Exchanges and Markets
19. Executive Environment Agency
20. Executive Forestry Agency
21. General Labor Inspectorate Executive Agency
22. Audit of European Union Funds Executive Agency
23. Bulgarian Drug Agency
24. Public Financial Inspection Agency
25. State Commission on Gambling
26. Directorate for National Construction Supervision
27. Road Infrastructure Agency
28. Council for Electronic Media
29. Privatization and Post-Privatization Control Agency
30. Sustainable Energy Development Agency
31. Bulgarian Nuclear Regulatory Agency
32. Registry Agency
33. Geodesy, Cartography and Cadastre Agency
34. InvestBulgaria Agency
35. Patent Office
36. Commission for Consumer Protection

Part 2. Public organizations

- Q7. Now you will see several questions about different public organizations, state agencies, and control bodies in [country]. Please select these of the listed organizations with which you are familiar at least to some extent and **you can answer the questions about them**.

(Please select as many of the listed institutions as possible, it is preferable that you select all the organizations with which you are familiar).

Rotate answers

1. District administrations
2. Municipal administrations
3. Customs Agency
4. National Revenue Agency
5. National Audit Office
6. ...

Ask Part 2 (Q8 – Q57C) only for the public organizations selected in Q7.

Part 2. Public organizations

- Q8. Would you say that the external pressure for corruption transactions (bribes, lobbying, etc.) for the following public organizations is: high, medium, low or no pressure at all?

External pressure means people outside the organization (regardless whether citizens, members of other institutions, etc.) offering bribes or/and asking for favors.

One answer for every row

	High pressure	Medium pressure	Low pressure	No pressure at all
District administrations	4	3	2	1
Municipal administrations	4	3	2	1
Customs Agency	4	3	2	1
...	4	3	2	1

Q10. How likely would it be for a superior to order his/her staff members to perform **unauthorized** activities or services in the following public organizations?

One answer for every row

	Very likely	Rather likely	Rather unlikely	Not likely at all
District administrations	4	3	2	1
Municipal administrations	4	3	2	1
Customs Agency	4	3	2	1
...	4	3	2	1

Q41. In your opinion, how do the following public organizations affect corruption risk and cases of corruption in [country]?

One answer for every row

	With their activity they rather reduce corruption	Do not affect corruption levels in any way	With their activity they rather increase corruption
District administrations	2	3	4
Municipal administrations	2	3	4
Customs Agency	2	3	4
...	2	3	4

Q42. In your opinion, are there cases when the listed organizations protect private interests in violation to their formal rules of operation?

One answer for every row

	No such cases exist	There are individual cases	It happens often
District administrations	1	2	3
Municipal administrations	1	2	3
Customs Agency	1	2	3
...	1	2	3

Q43. In your opinion, are there companies or individuals that this institution would never sanction?

One answer for every row

	No such companies/ individuals exist	There are some companies/ individuals	There are many companies/ individuals like this	Not applicable
District administrations	1	2	3	9
Municipal administrations	1	2	3	9
Customs Agency	1	2	3	9
...	1	2	3	9

Q44. In your opinion, how often are the laws or rules governing the operations (regulating the activity) of each of the listed organizations violated?

One answer for every row

	They are never violated	They are sometimes violated	They are often violated	Not applicable
District administrations	1	2	3	9
Municipal administrations	1	2	3	9
Customs Agency	1	2	3	9
...	1	2	3	9

Q45. Please indicate for each of the listed public organizations: whether its activity is transparent, whether it is accountable for its actions, whether there are other public organizations that could exercise effective control over its activities.

One answer for every row

	A. Its activity is transparent	B. It is accountable for its actions (activity)	C. There are other public organizations that could exercise effective control over its activities
District administrations	Yes/No	Yes/No	Yes/No
Municipal administrations	Yes/No	Yes/No	Yes/No
Customs Agency	Yes/No	Yes/No	Yes/No
...	Yes/No	Yes/No	Yes/No

Q57C In your opinion, how effective is the control and punitive activity of the following organizations?

One answer for every row

	They carry out effective control and/or impose sanctions	Their control and/or sanctions are sporadic and rare	They don't actually carry out any control or impose any sanctions	The control and the imposition of sanctions are done selectively, and the choice of whom to control/sanction follows private interests	Not applicable
District administrations	1	2	3	4	9
Municipal administrations	1	2	3	4	9
Customs Agency	1	2	3	4	9
...	1	2	3	4	9

Part 3. Economic sectors

S1. In your opinion, is there any reason to suspect the existence of a monopoly/oligopoly/cartel in any of the following economic sectors in [country]? Please select all the sectors for which you think there are such reasons.

(Please indicate those of the sectors where you suspect a monopoly, oligopoly or cartel exists in the sector. The sector names are from the 2008 NACE classification. If you would like to mark another sector that is not in the list, please select the "other" answer to show the rest of the sectors.)

A list of 20-30 initial 4-digit NACE sectors is selected for each country based on econometric data (size of turnover, red flags for the sector, sectors of particular interest, etc.)

S2 is asked only for the sectors selected in S1 and S1B

S2. Please indicate **for each** of the following economic sectors whether there are any of the problems listed by columns:

	A specific company or a small number of companies win too many public tenders	Laws that provide illegitimate competitive advantage	Control and/or sanctions are applied selectively which helps particular companies	Concentration of grants in the sector (euro funds, direct subsidies, etc.)	Other
NACE sector 1	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No
NACE sector 2	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No
NACE sector 3	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No
...	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No

S3. In your opinion, **the laws regulating the following sectors** rather help or rather hinder the formation of monopolistic, oligopolistic or cartel structures in the sector?

One answer for every row

Insert the list from S1 in column 1

	They rather help the formation of monopolistic, oligopolistic or cartel structures	They rather hinder the formation of monopolistic, oligopolistic or cartel structures	They are not related to the formation of monopolistic, oligopolistic or cartel structures	Cannot answer
Nace sector 1	1	2	3	9
Nace sector 2	1	2	3	9
Nace sector 3	1	2	3	9

APPENDIX II: MARKET RELATED GOVERNMENT FUNCTIONS



TYPE	Explanation	Italy	Bulgaria	Czech Republic	Romania	Spain
Agriculture-related, incl. forestry	Agriculture related licenses and control, including direct subsidies	Agency for Payments in Agriculture	State Agricultural Fund		Agency for Financing Rural Investments	
		Rice National Agency (for rice only)			Agency for Payments and Intervention for Agriculture	
		SAISA – Customs Agency (for paybacks to exports)		Czech Agriculture and Food Inspection Authority	Agency for the State's Domains (agricultural lands)	
		Italian Competition Authority		State Environmental Fund of the Czech Republic	Management Authority National Program for Rural Development (General Directorate for Rural Development, Ministry for Agriculture and Rural Development)	
			Executive Forestry Agency	Forest Management Institute		
Anticorruption, organized crime and money laundering	Bodies which control and investigate for corruption, conflict of interest, money laundering, illegal assets, organized crime (from financial perspective), etc. Should be dedicated in the field: i.e. different from general prosecuting or investigating bodies. Separate bodies, but not units in prosecution or investigation (if such exist)	Anticorruption Authority	Commission for Illegal Assets Forfeiture	Unit for Detection of Illegal Proceeds and Tax Crime	National Agency for the Management of Seized Assets	
		Central Bank	Commission for Prevention and Ascertainment of Conflict of Interest			
		Supervisory Body for Insurance		Office for the Supervision of the Finances of Political Parties and Movements	National Integrity Agency	Transparency and Good Governance Council

TYPE	Explanation	Italy	Bulgaria	Czech Republic	Romania	Spain
Antitrust bodies	Bodies dedicated to regulating the market and applying antitrust laws	Italian Competition Authority	Commission for Protection of Competition	Office for the Protection of Competition	Competition Council	National Commission on Markets and Competition
Construction-related bodies			Directorate for National Construction Supervision	Building Authority	State Inspectorate in Constructions	
		Road Infrastructure Public Company	Road Infrastructure Agency	Road and Motorway Directorate	National Company for Road Infrastructure Administration	
		Anticorruption Authority			Romanian Road Authority	
			Geodesy, Cartography and Cadastre Agency	State Administration of Land Surveying and Cadastre	National Agency for Cadastre and Real Estate Publicity	
Customs, revenues and finances	Customs, tax authorities and audit of revenues or budget spending with the exception of public procurement money	Custom Agency	Customs Agency	Customs Administration of the Czech Republic	National Customs Authority	
		National Revenue Agency	National Revenue Agency	Financial Office	National Agency for Payments and Social Inspection	State Agency of Tax Administration
		National Social Security Institute	National Audit Office	Supreme Audit Office		
		Supreme Audit Court	National Social Security Institute	Czech Social Security Administration	National Health Insurance House	National Social Security Institute
			National Health Insurance Fund	General Medical Insurance Company of the Czech Republic		
					Court of Accounts (Audit Authority)	Court of Auditors (monitors financing of public bodies and political parties)
Energy sector regulation and control	Regulating and controlling in the energy sector	Italian Regulatory Authority for Electricity Gas and Waste	Energy and Water Regulatory Commission	Energy Regulatory Authority	Romanian Energy Regulatory Authority	

TYPE	Explanation	Italy	Bulgaria	Czech Republic	Romania	Spain
			Sustainable Energy Development Agency			
			Nuclear Regulatory Agency	State Office for Nuclear Safety	National Commission for Nuclear Activities Control	Nuclear Safety Council
Environmental regulation and control, forestry, mining	Environmental regulation and control as well as regulation and control of forestry and mining activities or regional bodies	Regional Agencies for Environmental Protection	Executive Environment Agency	Czech Environmental Inspectorate	National Agency for Environmental Protection	
					National Guard for the Environment	
				Czech Mining Office	National Agency for Mineral Resources	
Fiscal policies, regulation and control	National bank and controlling bodies	National Revenue Agency	Bulgarian National Bank	Czech National Bank	National Bank of Romania	Bank of Spain
			Financial Supervision Commission		Financial Supervisory Authority	Independent Fiscal Responsibility Authority
			Public Financial Inspection Agency	Financial Analytical Office		
					National Agency for Fiscal Administration	
		Italian National Bank				Fund for Orderly Banking Restructuring
Gambling regulating bodies		Customs Agency	State Commission on Gambling			
Health-related regulators		National Healthcare Agency				
						Spanish Agency for the Protection of Health in Sport
Human rights		Authority for Childhood	Commission for Protection against Discrimination		National Council for Combatting Discrimination	
		National Office against Racism and Discrimination	Ombudsman	Public Defender of Rights		Ombudsman

TYPE	Explanation	Italy	Bulgaria	Czech Republic	Romania	Spain
Internal investments					National Agency for the Implementation of Projects and Programs for Small & Medium-Sized Businesses	
Investments and tourism		National Agency for Tourism	InvestBulgaria Agency	CzechInvest	National Investment Company	Spain Exports and Investments
Investments and tourism		Italian Competition Authority			Department for Foreign Investments and Public Private Partnership	Spanish Agency for International Cooperation for Development
Labor conditions control and regulation; employment policies		Local Health Agency	General Labor Inspectorate Executive Agency	State Labor Inspection Office		
		National Labor Agency			National Agency for Employment	Public Service of State Employment
Local government	District, municipal and other local administrations such as mayors, municipal administration, etc.	Regional administration	District administrations	Regional Authority	Local public authorities	Local public authorities
	Local government	Provinces and municipalities	Municipal administrations	Municipal Authority		
Media-related bodies	License and control over media-related laws, including content	Italian Competition Authority	Council for Electronic Media		National Council for the Audiovisual	
Mobility and transport		Transport Regulation Authority		Transport Infrastructure Access Authority		
					Romanian Railway Authority	Railway Infrastructure Manager
Patent bodies		Italian Patent and Trademark Office	Patent Office	Office of Industrial Property		Spanish Office of the Patents and Brand
Pharmacy and health related control and regulatory bodies		Italian Drug Agency	Bulgarian Drug Agency	State Institute for Drug Control	National Agency for Medicines and Medical Devices	Spanish Agency for Medicines and Health Products

TYPE	Explanation	Italy	Bulgaria	Czech Republic	Romania	Spain
Privatization and post-privatization control, restitution			Privatization and Post-Privatization Control Agency		Department for the Privatization and Administration of the State's Participation (administers, restructures, liquidates, privatizes, finds investments for state owned companies and implements corporate governance rules)	State Holding Company
					National Authority for Property Restitution	
Procurement	Procurement and audit connected to procurement	Anticorruption Authority	Public Procurement Agency		National Agency for Public Procurement	
		Supreme Audit Court	Audit of European Union Funds Executive Agency		Anti-Fraud Department (EU funds exclusively)	
Registries and data banks			Registry Agency	National Registers Authority		Company Register
Telecommunications and broadcasting		Italian Competition Authority	Communications Regulation Commission	Czech Telecommunication Office	National Authority for Management and Regulation in Communications	
				Council for Radio and Television Broadcasting		
Trade control and licenses	Controlling the trade in terms of issuing licenses, controlling the quality, etc.; includes customer protection agencies	Italian Competition Authority	State Agency for Metrological and Technical Surveillance	Czech Office for Standards, Metrology and Testing		Spanish Center of Metrology
		Chamber of Commerce	State Commission on Commodity Exchanges and Markets	Czech Trade Inspection Authority		National Stock Market Commission
			Commission for Consumer Protection		National Authority for Consumer Protection	Spanish Agency of Consumption, Food Safety and Nutrition

TYPE	Explanation	Italy	Bulgaria	Czech Republic	Romania	Spain
					National Sanitary Veterinary and Food Safety Authority	Food Information and Control Agency
						Commissioner for the Tobacco Market
						Institute of Accounting and Audit of Accounts
Security	National security, internal security, etc.		State Agency for National Security	National Security Authority		National Intelligence Center
Science, academia – research, regulation, accreditation, etc.					Ministry of Education and Scientific Research	State Agency Higher Council for Scientific Research



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