

# 19 Specific manifestations of corruption: comparing Brazil and Russia

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## Introduction

A general index of national corruption levels, such as TI's Corruption Perceptions Index (CPI), is convenient, but may not explain important differences and similarities among economies. Moreover, within a specific individual economy, the intensity of corruption may vary by region, industry and type of interaction with the government, among other factors. This paper compares specific levels of perceived corruption in two emerging economic giants, Brazil and Russia, across several industries and points of interaction with the state.

## Specific indices of corruption compared

Corruption has been a problem for both Brazil and Russia for a long time. Russia scores consistently lower than Brazil on the TI CPI: the difference in their respective CPI scores ranges between 1.1 and 1.8 for different years from 1998 through 2005. Despite the substantial and consistent differences between the two countries' CPI scores, detailed data from other sources show a more complex picture. Indeed on some measures of corruption Russia performs better than Brazil.

Figure 1 illustrates the differences between Brazil and Russia according to 18 factors that have a bearing on corruption, such as distorting government subsidies, efficiency of legal framework and transparency of government policymaking, taken from the 2003 *Global Competitiveness Report* indices of bribery and corruption.<sup>2</sup> As can be observed, the differences between the ratings for Brazil and Russia do not show a uniform pattern. First, the differences in macro-characteristics such as judicial independence and property rights (variables 2 and 4) are generally more accentuated than variations in the micro-aspects of corruption, such as the indices that point to bribery in specific areas (variables 9 through 14).<sup>3</sup> This observation puts the challenge of corruption in each country in a broader context, one influenced by the hurdles to conducting business. Poor institutions separate Russia from Brazil more than the manifestations of bribery, with Brazil performing most poorly overall. Second, there is a great similarity in lack of trust in politicians (variable 17, which has the lowest rating for both countries) and in the cost of organised crime and bribery in tax collection (variables 8 and 11, respectively).

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2 Executive Opinion Survey in World Economic Forum, *The Global Competitiveness Report* (Oxford: Oxford University Press, 2003).

3 The differences become clearer when we calculate the relative deviation between the indices for both countries (this means that, say, a difference of 0.8 is greater relative to the absolute index value of, say, 3.0 rather than 5.0).

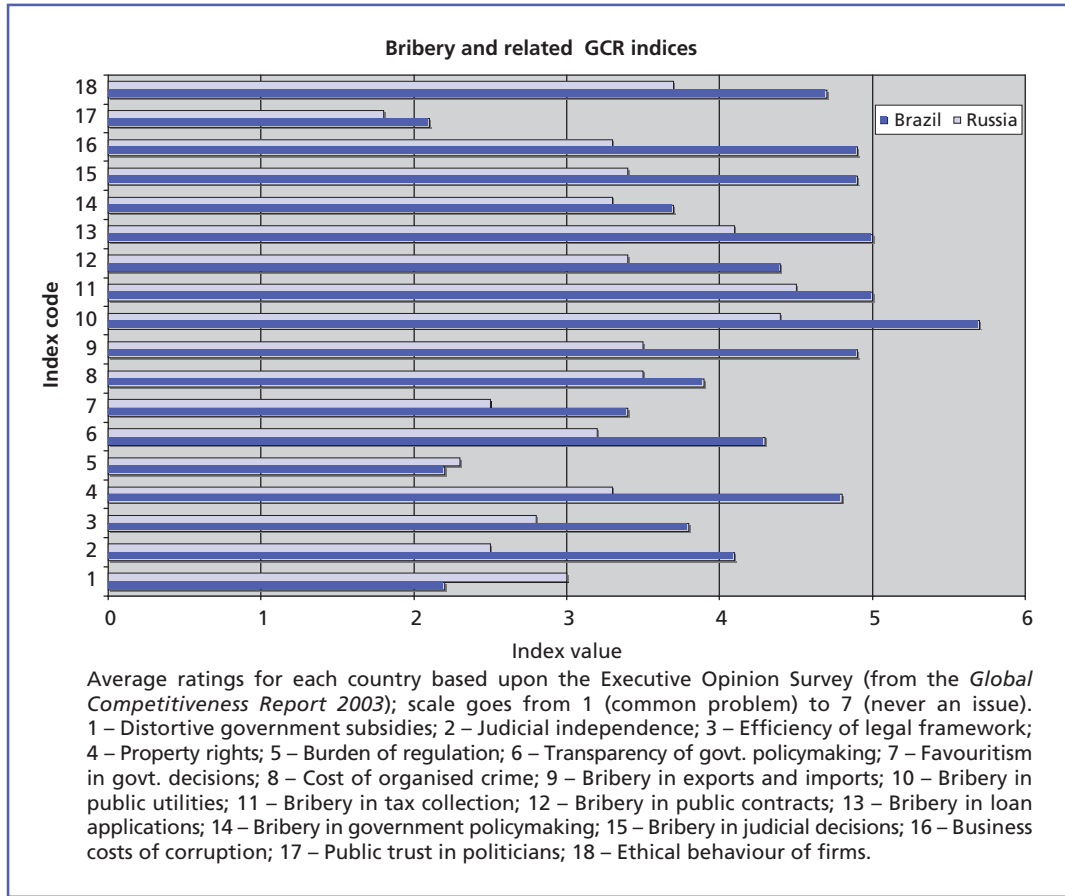


Figure 1: Presentation of various bribery and related indices for Brazil and Russia in 2003

Further, Figure 1 leads to interesting speculations. For example, the difference in the perceived business cost of corruption (index 16) is greater than the difference in the evaluation of the ethical behaviour of firms (index 18). Comparative costs of corruption to business might prove higher than is suggested by comparisons of national ratings of ethical conduct.

Figure 2 illustrates the differences in perceived corruption from the perspective of small, medium and large Brazilian and Russian companies, using data from the World Bank Investment Climate Surveys.<sup>4</sup> The coordinates reflect the percentages of businesses acknowledging the need to make payments to get things done. For benchmarking purposes, the observations on the predictability of the officials’ interpretation of regulations (scale O) and problems with business licensing (scale BL) were also included. Whereas the small (scale S) and medium (scale M) sized companies in Brazil and Russia perceive a higher than average burden of corruption, the difference between the two countries is strongest for small companies and

4 Available at [rru.worldbank.org/InvestmentClimate/](http://rru.worldbank.org/InvestmentClimate/)

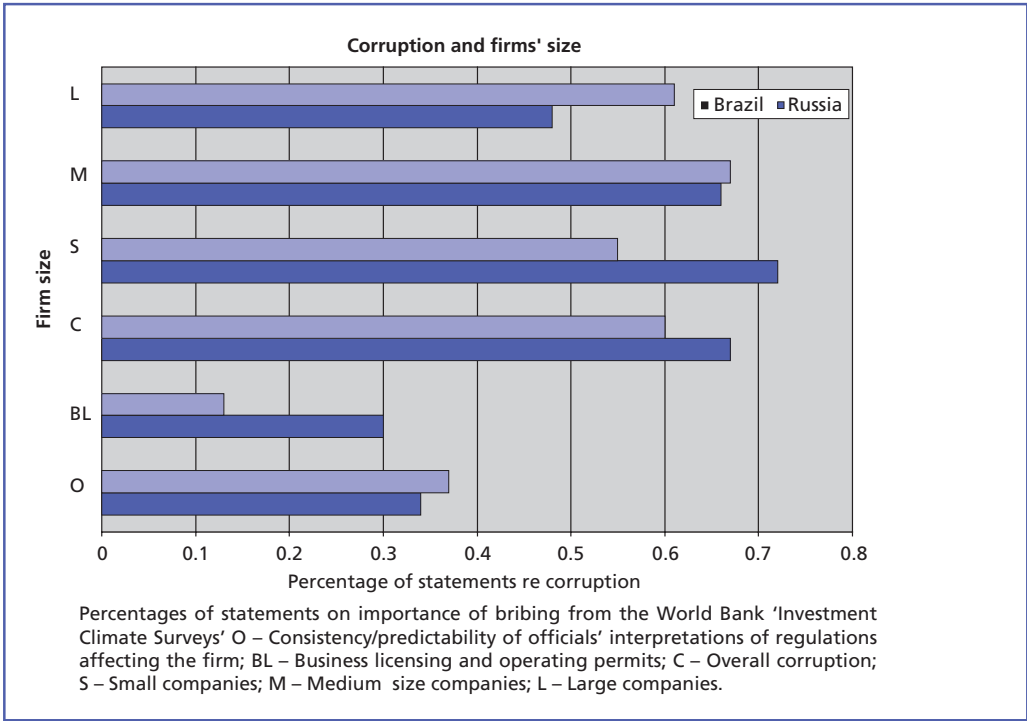


Figure 2: Perceived corruption and firms' size for Brazil and Russia in 2003

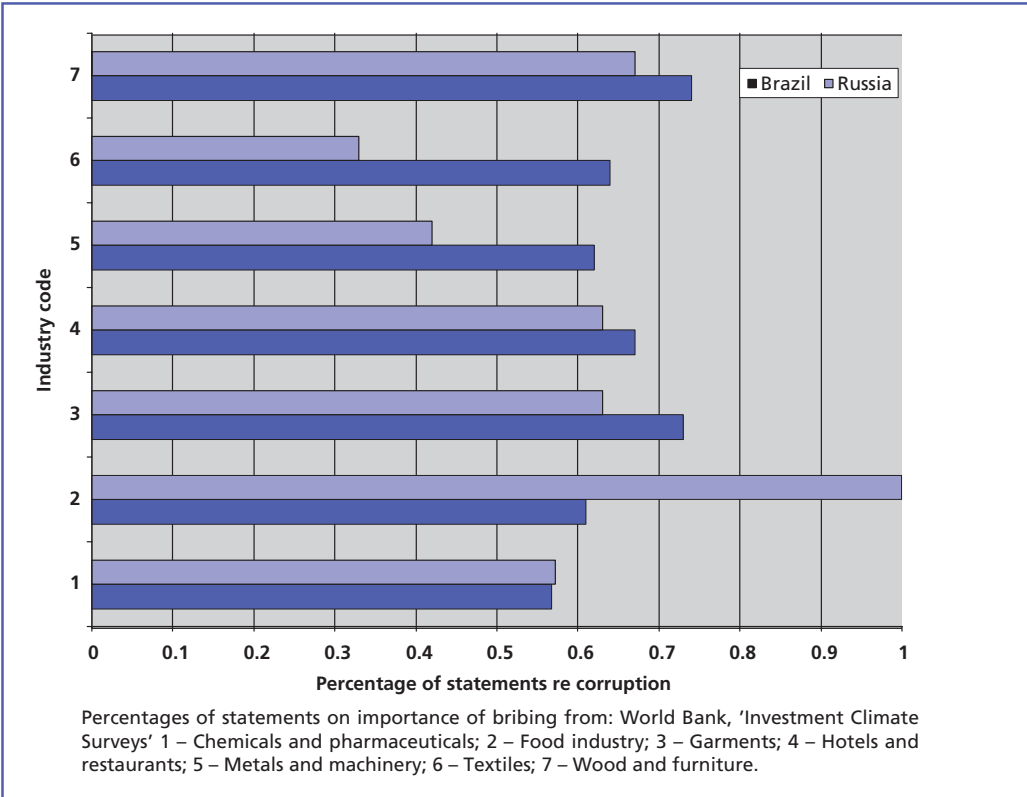


Figure 3: Similarity of corruption in selected industries in Brazil and Russia in 2003

lowest for the medium ones. The overall burden of corruption (scale C) is higher in both countries than problems relating to officials' interpretation of regulations and to business licensing. This suggests that companies face more traps in the operational stage than in the initial start up phase of running a business. Also, officials' unpredictability only partly explains bribery.

Finally, Figure 3 shows the variations between Brazil and Russia for individual industries, again data from World Bank Investment Climate Surveys.<sup>5</sup> It is important to note that except for the food industry (index 2), corruption in Brazil is deemed *worse* than in Russia in the industries assessed, which may or may not capture the most relevant industrial groupings in each country.

## Conclusion

This analysis highlights two aspects of the variability of specific indices of corruption: (1) within a particular economy, (2) between two countries. Brazil and Russia were selected because of their similar size, resources, GDP/capita and potential as powerhouses of the world economy. The conclusion is straightforward: different components of corruption might not have the same impact on overall corruption measures such as the CPI. A challenging task remains to determine how the overall impression of the state of corruption derives from its specific manifestations. A more nuanced picture of corruption, such as this analysis provides, could be usefully applied to decisions to invest in a particular country or sector rather than another.

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<sup>5</sup> The World Bank, Investment Climate Surveys, op. cit.