

## 20 Explaining patterns of corruption in the Russian regions

Phyllis Dininio and Robert Orttung<sup>1</sup>

Corruption is one of the key problems facing Russia as it seeks to grow out of its socialist past. High levels of corruption pose a serious threat to the establishment of democracy and the creation of a robust, market-based economy. Cross-national indices highlight the severity of the problem, but cross-national data only provide a superficial picture of a country as large and diverse as the Russian Federation. To make up for this shortcoming, TI-Russia and the Information for Democracy Foundation (INDEM) conducted a survey of 40 regions in 2002 that was the first attempt to measure differences in corruption levels across Russia.<sup>2</sup> The survey demonstrates that there is extensive variation at the regional level. We analyse these variations in an effort to understand how to reduce corruption in Russia.<sup>3</sup>

We tested a number of economic and political theories to explain the variation in corruption across Russian regions. The first we examined focuses on level of development. Studies of corruption emphasise the importance of this variable in explaining different levels of corruption across countries, and it may be important in explaining regional differences within a country, too. The second variable we examined is the presence of natural resources, as theory suggests that countries rich in resources face more governance challenges due to greater opportunities for rent seeking. In the political sphere, we examined the size of government since theory suggests that a larger state may engender more corruption because of the greater opportunities for abuse of office. We also look at the imbalance of power between the state and the business sector: theory suggests that levels of corruption increase when there are imbalances of power between these groups because one party has monopoly power over the other.<sup>4</sup> Another variable we examine is accountability, which theory suggests will lower corruption levels. We use voter turnout and the level of media freedom as measures for getting at political and civil aspects of accountability.

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1 Phyllis Dininio is an affiliate scholar and Robert Orttung is an associate research professor at American University's Transnational Crime and Corruption Center. Contact at pdininio@att.net and rorttung@att.net

2 TI and INDEM Foundation, 'Regional'nyi indeksy korruptsii', 9 October 2002, available at [www.transparency.org.ru/DOC/Presentation\\_index.doc](http://www.transparency.org.ru/DOC/Presentation_index.doc). Funds were not available for surveys in all 89 regions, but the 40 surveyed are generally representative, including a mix of ethnic Russian and non-Russian regions, rich and poor, and across the country from west to east. The regions in the survey accounted for 73 per cent of the population.

3 We published an article on this research in the July 2005 issue of *World Politics*.

4 Susan Rose-Ackerman, *Corruption and Government: Causes, Consequences, and Reform* (Cambridge: Cambridge University Press, 1999). See also David Kang, *Crony Capitalism: Corruption and Development in South Korea and the Philippines* (Cambridge: Cambridge University Press, 2002), which explains different levels of corruption in South Korea and the Philippines by classifying business–government relations in each country by how concentrated or dispersed the business sector is and by how coherent or fractured the state is.

The data for corruption levels come from a TI/INDEM survey of 5,666 citizens and 1,838 representatives of small and medium-sized enterprises in 40 Russian regions.<sup>5</sup> TI/INDEM compiled an index of the amount of corruption that aggregates citizens' and entrepreneurs' personal experiences with corruption along the following dimensions:

- Share of respondents stating that they have given a bribe at least once
- Share of respondents stating that they gave a bribe the last time they felt they had to
- Average annual number of bribes local residents paid to officials
- Average amount of a bribe
- Total annual amount of bribes paid by local residents
- Total annual amount of bribes as a percentage of the gross regional product.

The index assigns 0 to the region demonstrating the smallest amount of corruption and 1 to the region demonstrating the maximum value of corruption.<sup>6</sup> Admittedly, this methodology produces an incomplete index: it focuses on bribes in health care, traffic violations and higher education, and does not include other kinds of corruption, such as asset stripping by officials or state capture by corrupt networks that may be more harmful to Russia's transition toward a market economy.

We tested the model using ordinary least square estimates. As the coefficient table shows, only two variables – the per capita gross regional product and the number of bureaucrats – are statistically significant and have large standardised coefficients. These two variables alone explain 46 per cent of the variation in corruption.<sup>7</sup> Our research shows that the amount of corruption in each region increases as the number of bureaucrats grows and gross regional product per capita decreases. This suggests that Russian policymakers can work to reduce corruption by reforming or scaling back bureaucracies and by encouraging economic development outside of the key centres of Moscow and St Petersburg. Though President Putin set up a presidential commission to combat corruption on 24 November 2003, his efforts to address this issue have had little impact since his administration has not focused more on reform of bureaucracy and regional development.

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5 Although the researchers claimed that this sample size was unprecedented, it did not meet sample size requirements in all regions, making some of the findings indicative, but not statistically significant.

6 See 'The Methods Applied to Implement the Project "Indices of Corruption in Russia's Regions"' for a detailed discussion of how TI/INDEM constructed the corruption indices on the base of the survey questions. The paper is available at [www.transparency.org.ru/proj\\_index.asp](http://www.transparency.org.ru/proj_index.asp).

7 This number is the R square generated from running the regression with only two independent variables: the per capita gross regional product and the number of bureaucrats.

Table 1: Regression results explaining amount of corruption

Model	Coefficients <sup>a</sup>			t	Sig.
	Unstandardised coefficients		Standardised coefficients		
	B	Std. error	Beta		
(Constant)	.437	.316		1.385	.176
GRP capita (thousands)	-.010	.005	-.589	-2.102	.044
Natural resources	-3.3E-005	.001	-.011	-.043	.966
Bureaucrats (thousands)	.037	.008	.834	4.727	.000
State capture	-.078	.094	-.132	-.831	.413
Predatory state	-.042	.128	-.051	-.325	.748
Competitive market	-.035	.141	-.036	-.251	.804
Voter turnout	-.003	.004	-.119	-.811	.424
Media freedom	-.001	.007	-.029	-.170	.866

<sup>a</sup> Dependent variable: corruption amount