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Anti-corruption Strategies and Fighting Corruption in Central
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**Anti-Corruption Strategies and Fighting Corruption
in Central and Eastern Europe**

By

Monica Dorhoi

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Abstract

Anti-Corruption Strategies and Fighting Corruption in Central and Eastern Europe

By

Monica Dorhoi

This study investigates why and how countries fight corruption. It focuses on the latest anti-corruption strategies (ACS) across 15 Central and Eastern European countries. It builds the first quantitative measurement of ACS comprehensiveness by taking into account 12 ACS areas of which 9 are specific policy areas and 3 represent their specific application across the three branches of government. The 9 policy areas include overall anti-corruption strategy, anti-corruption policy, political party finance, asset monitoring, conflict of interests, freedom of information, public procurement, financial control and audit, and immunity. ACS variation is measured at three significant points in time for the region (1995, 2002, and 2003). I find great variation in ACS from quite comprehensive in the Baltics to far less comprehensive in Ukraine and Macedonia. Nevertheless, over time there has been a dramatic increase in the comprehensiveness of ACS although different countries have prioritized differently the anti-corruption reform areas. The study also investigates the factors that account for their variation. The factors investigated can be categorized as the level of corruption, political and economic factors as well as international organizations' anti-corruption norms and standards. The political factors investigated are the level of democratization, regime type, frequency of government turnover, political affiliation of cabinets, and political fragmentation in both

cabinet and parliament. The economic factors taken into account here are the level of GDP and its annual change, the level of unemployment, and foreign direct investment. This study unequivocally finds evidence that increased political competition taking the form of increased turnover in government and increased party fragmentation in parliament has been beneficial for ACS comprehensiveness. One explanation is that increased political competition forces politicians to start fighting corruption to ensure their stay in power as anti-corruption issues are high on the public agenda. It also finds evidence on the role of increased level of unemployment and membership into the Council of Europe by 1995 and candidate country status to the European Union by 2002.

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Chapter 1. Introduction

What is the relationship between the level of corruption and the design of anti-corruption reforms? What role, if any, do political institutions play in whether a country will start fighting corruption?

Riley (1999) argues that attempts to control corruption are as old as corruption itself. However not the same thing can be said about research on corruption. For several decades, corruption research has mainly focused on the causes and consequences of corruption (Anusiewicz, Verheijen and Dimistriva, 2001; Johnston, 2001; Kaufman, 1999; Rose-Ackerman, 1999; Holmes, 1993) and the taxonomy and dynamics of corruption models (Caiden et al, 2000; Vittal and Mahalingham, 2001). Since the 1990s when international organizations such as the World Bank, the International Monetary Fund, the Organization of Economic Cooperation and Development, and the Council of Europe got involved in assisting countries with drafting and implementing anti-corruption strategies (ACS), an extensive literature has developed and targeted the fighting of corruption.

Since the overwhelming negative effects of corruption have been demonstrated in the corruption literature (Rose-Ackerman, 1999; Kaufman, 2002; Miller, 2002; Johnston, 1998), adoption of Anti-Corruption Strategies has become a priority for many countries. Nevertheless, a much closer look indicates that the argument fails to specify the conditions under which the fight against corruption is started or continued, or how bad corruption should be for a country to start fighting it. Empirical evidence suggests that the correlation between the levels of corruption (the extent of perceived public corruption

measured by the Corruption Perception Index) and the starting or continuing of anti-corruption reforms is less than 10%. In other words, starting an ACS and the level of corruption would seem to have nothing to do with each other. Differently put, if corruption exists in all countries and has negative effects (Kaufman, 2000), why do only some countries fight it, and only during limited periods?

The debate whether the best way to fight corruption is to have an ACS (i.e., an up-front package of laws with the clearly stated purpose of reducing or eliminating corruption vs. disparate measures and laws) is far from being settled as the literature fails to provide a clear and convincing answer. For example, proponents of ACS argue that ACS needs to comprise a wide variety of laws implemented by the executive (Quah, 1989). Thus, when the ACS becomes an official binding document, all governmental agencies need to adopt and put into practice its goals. However, there is no doubt that the most important advantages of ACS are their special law status (i.e., ACS takes precedence if in conflict with other laws, other than the Constitution), while policy supervision and coordination is being provided by specially created anti-corruption bodies. On the other hand, some authors (Krastev, 2003; Etzioni, 1984) question whether ACS is an efficient way to fight corruption and consider ACS to fly in face of other government reforms (e.g., decentralization, demonopolization). They argue that ACS efficiency is impossible to measure due to the lack of exact and objective data on the real rise and decline of corruption; that in the long run it will make public administration less effective as ACS does not really curb corruption or pro-corruption factors; that it leads to more state regulation and anti-market reform; and that it can destabilize democratic institutions as the fight against corruption can be used as populist rhetoric. However,

questions remain as to why ACS is considered the most appropriate way for fighting corruption, and if their reforms' sequencing and "appropriateness" are effective in fighting corruption.

The literature has generally concluded that there is no panacea to fighting corruption and that corruption can never be entirely eliminated. Nevertheless, some authors (Gardiner and Lyman, 1989; Quah, 1989; Rose–Ackerman, 1999; Caiden, 1979, 2001, Doig and McIvor, 2003) have argued for an ACS core (i.e., a sum of laws and measures can reduce especially in the long term the level of corruption). In recent years international organizations and NGOs have developed instruments (e.g., the Anti-Corruption Toolkit - the legal guidelines developed by the World Bank or the United Nations Manual on Anti-corruption Policy recommendations and assessments of the Council of Europe), and taken action in setting international standards (e.g., OECD anti-bribery conventions, UN convention against corruption), while others focused on enforcing them (e.g., the annual accession monitoring reports by the European Union, loan warrantees by the International Monetary Fund). Grigorescu (2002) finds evidence that such initiatives have managed to raise awareness of the negative effects of corruption. It has become very fashionable, as Krastev (2003) put it, to have an ACS. However, the debate is far from over as to what should be included in ACS, how and why ACS should vary across countries. In addition, there are no theoretical models on the exogenous factors that influence the adoption and implementation of Anti-Corruption Strategies (ACS) and how such factors (e.g., international organizations) impact ACS long-term effectiveness and sustainability.

A much closer look at the ACS literature also reveals no theoretical explanatory models on the endogenous factors that predispose, determine, or facilitate ACS. Of course, some authors have hinted at their existence. For example, the suggested factors are economic crises (Rose-Ackerman, 1999; Golden, 2002); natural wealth (Rose-Ackerman, 1999); level of inflation (Bruno and Easterly, 1996); level of democratization (Geddes, 1991; Rose-Ackerman, 1999; Angemus, 2002; Johnston, 2002); and electoral system (Rose-Ackerman, 1999) (an-depth discussion on such explanatory models takes place in Chapter 4).

It has long been concluded that policy makers' motivations and preferences play a significant role in the policy-making process (Mayhew, 1974, Niskanen, 1971; Gruber, 1987; Mintrom, 2000). Political elites use corruption to get or strengthen their grip on power (Nye, 1989; Kpundeh, 1993 Kramer, 1998; Verheijen and Dimitrova, 1996; Chaikin, 2001). However, some authors (Rose-Ackerman, 1999; Klitgaard, 1997; Kpundeh, 1998; Lamour and Wolanin, 2001) have only hinted at the possibility that ACS might be used as a political tool for political gain (e.g., to discredit and silence opponents, blackmail support into maintaining the incumbent regime). Anechiarico and Jacobs (1996: 12) claim that anti-corruption reforms are instituted for political cover after a scandal or in response to pressures from the media or moral entrepreneurs. In addition, Varese (2000) argues that anti-corruption campaigns are suspected to foster the immediate interests of their initiators, rather than the interests of society. However, only Maor (2004) demonstrates how politicians oppose ACS if they feel threatened by ACS investigations. If statesmen use ACS as a political tool, when and what are they used for? What exactly are their "gains"?

Anti-corruption literature has always been interested in why only some corruption acts are considered “scandalous” by getting public and media attention, and why, even fewer, initiate ACS (Blankenburg, 2002). Some authors argue that scandals make it more likely that an investigation committee will be formed, which will recommend the creation of an anticorruption agency to give a “visible” indication that something is being done. However, the literature fails to clarify the role played by such catalysts (Haarhuis and Leeuw, 2000) or “focusing” factors (Birkland, 2001) on the fighting of corruption either on the short or the long run.

Several authors (Fitzpatrick, 2004; Gardiner and Lymann, 1989; Ogus, 2003) have anticipated theoretically the problems ACS might run into. Treisman (2000) finds evidence that policy decisions have little significant or else a painfully slow impact on corruption. Nevertheless, in some countries the adoption of anti-corruption reforms has completely destabilized government and caused governments or regimes to fall. Such is the case of Soviet Union when Gorbachev started Glasnost and Perestroika to “clean” the government of corrupt Communists. Why did it affect the regime so deeply? Krastev (2003) claims that the major difference between Western and Eastern and Central European ACS is that Western ACS are against big government, while Eastern ACS are anti-liberal and anti-market (e.g., less privatization). Is this true?

The dominant anti-corruption model today is built around an anti-corruption agency (Klitgaard, 1988; Galtung, 1997; Doig, 1995; Quah, 1989) and many ACS laws are considered inefficient if such a “pillar” is lacking. However, some countries have created a large number of them. For example, the 2001 Romanian ACS has created and allocated prerogatives to 5 different anti-corruption agencies (Prime Minister’s Control

Department, Romanian President's National Office of Anti-corruption, Ministry of Justice's Directorate for Prevention of Corruption and Criminality and the Ombudsman). Increasing criticisms by the Romanian press tend to indicate the inefficiency of such arrangements. To make things even more complicated the debate is far from settled as to how ACS performance should be evaluated, how failure should be defined or what brings about the ACS failure.

Some authors have recently suggested that costs might be an important cause of ACS failure. For example, Anechiarico and Jacobs (1996) conclude from New York City's various attempts to fight corruption that the price to be paid is very high. Gulick (1941) asserts that the risk, reforms such as Anti-Corruption Strategies are running into, is to make any administration impossible. Nevertheless, it was concluded that ACS is most likely to succeed in wealthy countries. In this case, what are the prospects for the newly initiated anti-corruption prospects of Central and Eastern Europe? How much does it really cost to fight corruption?

One interesting observation on the latest Central and Eastern European anti-corruption strategies is puzzling. All CEE ACS have been adopted within a very few years or within several months of each other (Open Society Institute, 2002). Why did ACS policy diffusion and innovation spread so quickly among CEE countries? Does it have an impact on ACS' possible success or failure?

As this brief introduction indicates, the fighting of corruption is a very complex issue and the literature has yet to come up with conclusive findings. After several decades of anti-corruption research, the literature is still ridden by ideological conflicts while failing to give a definite answer to even fundamental questions such as why

countries adopt anti-corruption strategies and what are the factors that determine them to do so. Therefore, it is high time to investigate the above-mentioned questions.

Thus, the remainder of the chapter will be organized as follows. I will first clarify the scope and importance of this study. Second, I will make an inventory of the conceptual framework as developed in the anti-corruption literature. Third, I will briefly discuss my new approach and hypotheses as well as sources of information.

Scope and Importance of the Study

The study seeks to emphasize a new perspective on anti-corruption strategies (ACS). It tries to distance itself from the overwhelmingly cost-benefit economic analysis approach in the study of corruption. The main reason is that cost-benefit analysis does not explain the distribution of costs and benefits of fighting corruption within and across countries (Rose-Ackerman, 2004). Instead my research emanates from public policy and political science by linking a policy-oriented approach with political, economic, and other external factors that shape the policy process. More specifically, this project first investigates government's fight against corruption (i.e., anti-corruption programs) by looking at the legislation adopted and measures taken. For this purpose it builds on previous studies and models developed to assess the anti-corruption strategies. However, it will correct for their most important shortcoming: such theoretical models fail to connect with the plethora of specific studies from extensive fieldwork of international organizations such as World Bank or the Council of Europe. Second, it will especially cast the debate in terms of the factors that have shaped anti-corruption fight by looking at levels of corruption and political variables such as level of democratization, regime type,

number of cabinets, political affiliation of cabinets, and political fragmentation in cabinet and government. In addition, I investigate the impact of economic factors such as the GDP and its annual variation, the level of unemployment, and foreign direct investment and international organizations' efforts in creating and promoting international anti-corruption norms and best practice.

The geographical area about which this study will draw its conclusions is Central and Eastern Europe between 1995 and 2003. In-depth discussion of the theoretical approach takes place in the immediately following sections. However, where can such a study be situated in the anti-corruption literature? And even more important, what is my approach and how is this study going to address the above-mentioned questions?

Conceptual Roots

Beginning in the 1980s a series of high-level official scandals in Western Europe and America changed the perception that corruption was only associated with developing countries. Increasing difficulties of transition reforms in the former Communist bloc (TI, 2002) as well as new research findings on the overwhelming negative effects of corruption (Rose-Ackerman, 1999; Neild, 2002) have increased public pressure on decision makers for devising (successful) ACS.

If the research through the late 1990s focused mainly on corruption's causes and consequences and much less on its fighting, it cannot be said that countries have not fought against it. The latest studies record such efforts all over the world: in Africa (Riley, 1998; Jabra and Jabra, 2001; Olowu, 2001); in Eastern Europe (Krastev 2004; Krastev, 2003; World Bank, 2000; Anusiewicz, Verheijen, and Dimitrova, 1996, Miller

et. Al, 2001); in Western Europe (Sousa, 2002; Neild, 2002; Levi and Nelken, 1996; Ridley and Doig, 1995); Latin America (Tulchin and Espinach, 2000), Australia (Lamour and Wolanin, 2001); Middle East (Johnson, 2004; Jabbra and Jabbra, 2001; Gillespie, 1991); Asia (Johnson, 2004; Klitgaard, 1988; Vittal and Mahalingam, 2001; Quah (2001). However, if initially ACS research was mainly qualitative case study oriented, a few cross-national qualitative comparative studies have been undertaken (Sung, 2004; NORAD, 2000; Mbaku, 2000; Rose-Ackerman, 2004; Lamour, 200, Vogel, 1998).

The evolution of ACS across time has also preoccupied corruption researchers (EBRD, 2003; Neild, 2002; Rose-Ackerman, 1999; Vogl, 1998; Johnston, 1998; Etzioni 1984; White 2001; Searle, 1987). They record the successful and long-term positive effects of Western Europe anti-corruption reforms of the early and late 19th century – which later have become the patterns to follow. Nevertheless, the ACS literature has mainly developed around models of “how” to fight corruption (Theobald, 2000; Williams, 2000; Riley, 1998; Caiden, Dwivedi and Jabbara, 2001; Lamour and Wolanin, 2001; Zimmerman, 1994; World Bank, 2000; Vittal and Mahalingam, 2001; Anusiewicz, Verheijen, and Dimitrova, 2001: 87; Maor, 2004).

Thus, when faced with corruption, authors (Alam, 2002; Gardiner and Lyman, 1989) have devised more or less general response frameworks. For example, Alam (2002) identifies three types of responses or countervailing actions (CA). They span from evasive (e.g., reduce dependence on corrupt officials) to direct (e.g., raise of costs to officials engaging in corruption), to illicit (e.g., use corruption as a means of combating losses from corruption). Nevertheless, Alam (2002) fails to clarify the appropriate

conditions when a certain response or other measures should be taken and how the breadth and typology of corruption play a role on the appropriate responses to counter it.

As corruption research developed across countries, it became clear corruption is much deeper and harder to successfully combat. New paradigms have been brought in to explain the occurrence of corruption. Thus, sciences such as public administration (Anechiarico and Jacobs, 1996), political science and economics (Rose-Ackerman, 1999; Kaufman, 2000) have contributed to the better understanding of corruption.

Unsurprisingly, ACS has also become an increasingly sophisticated and complex package of laws. For example, Anechiarico and Jacobs (1996) argue that controlling corruption focused initially on patronage-ridden public service, on “spoils based” political systems (during the Progressive Era), on inefficient government (Scientific Administration Era) and now takes the form of a governance panoptic approach. An example of the panoptic approach is the 2001 Latvian ACS with its three different objectives. The preventive element aims at improving the functioning of the court system, administrative and competition procedures, issuing of licenses, and transparency. It also states the need to further reform political party finance. Under the enforcement section, the program identifies the need to establish an Audit Center and improve anti-corruption mechanisms in customs and the State Revenue Service. The objectives of the educational element are training civil servants in new, more transparent administrative procedures and in ethics, raising public awareness of citizens’ rights and trying to involve ordinary citizens in the fight against corruption (Open Society Institute, 2002).

Recent developments of ACS literature register some timid and tentative theoretical taxonomies of anti-corruption efforts (Andvig et al., 2000; World Bank, 2000;

Quah, 2001; Larmour and Grabosky, 2001; Gillespie, 1991; Riley, 1998; Maor, 2004).

For example, Andvig et al.'s, (2000) ACS typology is based on the policy instruments used, motivation of the campaign, position of the agents targeted, effect of the policy and the type of the organization initiating ACS. Riley (1998) classifies ACS types based on the level at which they take place: international, national, local or 'citizen' levels.

Extensive research has focused on the reform areas and specific legislation to be adopted (TI Source Book, 1997; Open Society Institute, 2002; Transparency International, 2002; Riley, 1998:134; Williams, 2000; White, 2001; Stapenhurst and Kpundeh, 1999; Gardiner and Lymann, 1989). For example, Gillespie (1991) distinguishes between societal, legal, market and political strategies.

Extensive research has developed regarding the evaluation of ACS performance (e.g., cost, impact). In the last decade, criteria such as effectiveness and sustainability have become the standards for evaluating ACS (Fitzpatrick, 2004; Quah, 2004; White, 2001; Caiden, Dwivedi and Jabbara, 2001; Shah, 2000; NORAD, 2000; Galtung, 1998; Zimmerman, 1994). Riley (1998) recognizes that the policy-orientated debate over the effectiveness of ACS has been changed markedly by events in developing countries and in the former Soviet Bloc in late 1980s. The literature has also investigated ACS performance in terms of conditions that would favor them, such as political will, public pressure, law enforcement and public ethics codes (Johnson, 2004; Caiden, Dwivedi and Jabbara, 2001; White, 2001). Other authors (Neild, 2002; Frederickson, 2003) have investigated the role the institutional framework plays in the anti-corruption efforts through such indicators as centralization/decentralization.

By the mid-1990s, the lack of results in curbing corruption (Marquette and Doig, 2004) and growing voters' disenchantment with politics (Sajo, 2004) have raised the profile of the anti-corruption issue and brought it to the forefront of the public policy agenda. Authors like James B. Jacobs (2004) have started arguing against anti-corruption programs and efforts as they may make government less efficient and discourage people from entering public service for fear that something they have done in the past might *now* be defined as corrupt.

All in all, the literature is still overwhelmingly in favor of anti-corruption programs, even if in its details the debate is far from over. As Gillespie (1991) emphasizes, much attention was paid in the literature to the elements of the anti-corruption strategies ('how to' model), but much less attention to the factors that determine countries' decisions to adopt such legislation (the 'why' model). Thus, since the late 1990s anti-corruption research has started questioning its fundamental assumptions and taken on new questions while conducting applied research. For example, authors have started focusing on "the logic of fighting corruption" and its policy-making problems (Quah, 2004; Gardiner and Lyman, 1989; Zimmerman, 1994). Meldolesi (2000) demonstrates the role played by conflicting policy "visions," and the fragmentation and lack of coordination of the adopted policies on 1990s Italian ACS called *Mani Pulite*. Maor (2004) finds evidence that policy makers are even ready to undermine their own initiated ACS when ACS get too close to home (e.g., investigates their own allies or political party colleagues) and he shows how and why politicians can turn against and sometimes undermine their own anti-corruption strategies. Others (Miller, 2004; Heidenheimer, 2004; Pelizzo and Stapenhurst, 2000; Stapenhurst, 2000;

Stapenhurst, 1998, Collier, 2002; Ogus 2002; ABD, 1999) have focused on better linking corruption and anti-corruption. For example, Collier (2002) concludes that on-going international organizations and national anti-corruption efforts are likely to fail unless they include reforms to state internal power structures and political cultures.

Studies have also investigated the relationship between the regime type and anti-corruption strategies (Bohara, 2004; Angermund, 2002; Miller et al., 2001, 2002; Hao and Johnston, 2002; Aleman, 1989). Some authors (Angermund, 2002; Miller et al., 2001, 2002) found evidence that both democracies and authoritarian regimes adopt ACS. As the latest research amply demonstrates, depending on which facets of democracy and democratization (e.g., free and fair elections with successful hand over of power) are taken into account, there are significantly different results in curbing corruption (Sajo, 2004; Sousa, 2002; Bohara, 2004). More specifically, as Sajo (2004) ably demonstrates, the solution to curbing corruption is not necessarily, for example, more democracy per se due to paradoxes that democracy comprises. On the other hand, Gillespie (1991) finds evidence that the type of government has an impact on ACS. She argues, for example, that in the 1960s and 1970s in the Middle East region the newly chosen monarchs did not start any ACS, but only continued previous ACS, because they did not want to alienate the people in the regime (Parliaments) that appointed or supported them as successors.

The resurgence of the anti-corruption issue is clearly due to a large extent to the involvement of non-governmental and international intragovernment organizations. It is worth noting their extensive contribution to research (Council of Europe, 2004, World Bank, 2004, 2003, 2002 & 2000; OSI, 2002 & 2001; United Nations Global Program against Corruption, 2001) especially through monitoring and assessments reports of

countries' public policies. More specifically, authors acknowledge their driving role and actions (Johnson, 2004; Sajo, 2004; Sung, 2004; Kimberly Ann Elliott, 2002; Grigorescu, 2002). Nevertheless, they have scrutinized their own anti-corruption efforts' efficiency (Haarhuis and Leeuw, 2004; Haarhuis and Leeuw, 2000; Heidenheimer and Moroff, 2002). With his 2004 study "Shifting Obsessions: Three Essays on the Politics of Anti-Corruption," Krastev is the first to investigate the future of the international "coalition" promoting anti-corruption or the *why* model. However, much work still needs to be done to clarify the impact of international organizations' anti-corruption efforts especially in the long run.

Extensive attention in the literature has been paid to developing anti-corruption legal standards and best practice (Miller et al., 2005; Fitzpatrick, 2004; Marquette and Doig; Sousa, 2002) as well as institutions to be engaged in its fighting (Johnson, 2004; Dye and Stanhurst, 1998; Klitgaard, 1988). In conjunction with the involvement of international organizations, these arguments were to be questioned for their applicability or what is called in the literature "top-down" vs. "home-grown" solutions (Haarhuis and Leuw, 2004; Krastev, 2004). The main problem for the body of literature still remains the relatively untested claims of fighting corruption due to the poor link to the actual anti-corruption strategies on the ground.

As can be concluded from this brief literature review, the research on fighting corruption is quite recent. However, in spite of the already quoted research there is still a major missing link between the literature and the real content of anti-corruption strategies – legislation adopted and measures taken on the ground. In brief, the existing research is too theoretical and was too little explanatory power as to what shapes the anti-corruption

campaigns. At the same time, after reviewing the literature I retain the impression that anti-corruption campaigns or strategies seem like a box whose contents we do not know since we have barely opened the lid, and then we close it right back. Clear investigations, which connect anti-corruption strategies (i.e., their components), for example, to political conditions that made their adoption possible are fundamentally lacking. This is where this project is needed to close the gap.

A New Approach

My project is the first comprehensive analysis of anti-corruption strategies and the factors that influence their adoption. In this project, an ACS is taken into consideration if political statements of the high public officials are made public, measures are taken by the executive, and laws adopted by the Parliament with the clearly stated goal of fighting corruption. Regarding the factors influencing ACS, they are separated into endogenous and exogenous factors. For now, I will briefly enumerate them, while the rest of the section will specify their association with anti-corruption strategies. Among the endogenous factors considered are the level of democratization, regime type, number of cabinets per year, political affiliation of cabinets, and political fragmentation of the cabinet and parliament. The other endogenous factors analyzed are economic factors such as GDP and its annual change, the level of unemployment, and foreign direct investment. The exogenous factors taken into account are the involvement of international organizations in drafting international anti-corruption norms and mechanisms for determining countries to adopt them.

Before further proceeding it is worth noting that the analysis will focus on 15 Central and Eastern European countries (CEE) and more specifically, Albania, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Poland, Romania, Slovakia, Slovenia, and Ukraine.

For the remainder of this project, I will interchangeably use the terms anti-corruption strategies, ACS, anti-corruption campaigns, anti-corruption programs, or anti-corruption efforts. ACS are assessed in this project based on their comprehensives and the development of the Anti-Corruption Assessment Index (ACAI).

Before further proceeding it needs to be made clear, why assessing anti-corruption strategies in terms of comprehensiveness and not for example, in terms of effectiveness, is important and relevant.

As corruption research as long concluded, because of the complex forms corruption takes and the difficulty of rooting it out, the latest ACS have taken whole new dimensions compared to any previous ACS. This is reflected even from ACS definition. For example, Anechiarico and Jacobs (1996:XI) define ACS as the sum of “laws, regulations, and organizational policies aimed at identifying, preventing, and punishing official corruption”.

In spite of the above definition, there are almost no applied studies that account for the variation on ACS provisions. As ACS has just been adopted across countries and it takes times to see any results, this study will rather focus on the potential such legislation has on reducing of corruption by looking at its comprehensiveness than its effectiveness.

But what is meant by ACS comprehensiveness and how is it evaluated?

ACS comprehensiveness is evaluated by using the Anti-Corruption Assessment index. In brief, ACAI focuses on the anti-corruption measures, legal framework, and institutions put in place to monitor and supervise their implementation. This approach is appropriate as in most countries such frameworks have been very recently or have yet to be put into place. The study builds on previous national and cross-national policy research (OSI, 2000-2002; EU Commission annual reports, 1995-2002; GRECO, 2000; Southeast European Legal Development Initiative, 2002), which has identified common ACS policy core areas. ACAI evaluates the comprehensiveness of anti-corruption measures across 12 policy areas. ACAI's main 9 areas are Anti-corruption Strategy, Anti-Corruption Policy, Asset Monitoring, Conflict of Interest, Financial Audit and Control, Freedom of Information, Immunity of public officials and Public Procurement. However, ACAI will go beyond inventorying the ACS measures and legislation since their application across the three branches of government (Executive and Civil Service, Legislative and Judiciary) will also be investigated. For an in-depth look of ACAI methodology see the Data and Methodology section of this chapter as well as Chapters 3 and 5, and Appendix 5.

Because anti-corruption strategies are intended to curb corruption, the association with the level of corruption will be investigated first. As already discussed, Transparency International's Corruption Perception Index (CPI) accounts for only 10% of the variance in all countries' ACS. The CPI scores for Central and Eastern Europe indicate an even lower accounted variance with ACS - of only 9.9 %. Should this be interpreted as corruption having no impact on ACS comprehensiveness? Before rushing to any conclusion, it must not be forgotten that ACS initial measurement is based upon a

dichotomous variable (i.e., a country having or not an ACS). The approach this study is taking is to develop an index on the comprehensiveness of ACS called Anti-Corruption Assessment Index or ACAI, and thus to get a better grasp of what anti-corruption fight represents in each country. As far as the link with corruption is concerned, the more widespread corruption is, the less comprehensive its ACS is.

Next the impact of political factors on the anti-corruption efforts will be investigated. I expect to find that the level of democratization (as defined by Sajo, 2004; Lijphart, 1999) is correlated with the degree of comprehensiveness of ACS. The more democratic a country is the more comprehensive its ACS is going to be. At a first glance, autocrats or democratically elected leaders are equally likely to start fighting corruption because of ACS's "perceived" benefits (i.e., strengthening or maintaining the grips of power). Even more, authoritarian regimes' ACS campaigns may seem more sanguine in fighting corruption than the democratic ones (e.g., many more high profile arrests occur in shorter periods of times such as Germany in 1933). However, they fail to institute the much needed "checks and balances" of power, which consolidate institutions and assure transparency in government activities and public officials dealings - fundamental ACS elements. In other words they fail to institute the interlocking systems of oversight and self-regulation among the civil service, parliament, judiciary and civil society.

Among democratic countries, parliamentary regimes (as defined by Lijphart, 1999; Powell, 1982) are more likely to have a comprehensive ACS than presidential ones, as presidential systems produce more stable executives, and cabinets do not depend on the parliamentary support and thus, there is no challenge to include more points of

view or the reforms be sweeping enough to have a comprehensive fight against corruption.

The number of governments that succeeded to power may matter, that is, changes in government (e.g., resigned or reshuffled) affect ACS comprehensiveness. I expect to find that the more governments a country has, the more likely a country is to have a comprehensive ACS. It is true that more governments per year affect the pace of reforms as newer cabinets take time to install and re-install to power. However, increased political competition forces politicians to start fighting corruption to ensure their electoral win as anti-corruption has been high on the public agenda.

The political affiliation of cabinet members might also affect the comprehensiveness of ACS. In other words, non-politically affiliated governments are less likely than the politically affiliated ones to put in place a comprehensive ACS as they lack the political mandate and legitimacy to undertake such radical reforms an ACS requires. For example, executives made up of technocrats are less likely to adopt very controversial legislation such as conflict of interests in Czech Republic or Romania, than a politically committed executive is.

The impact of political parties (as defined by Lijphart, 1999) on ACS comprehensiveness will also be investigated. Simply put, I expect that the higher the party fragmentation in cabinet or legislative is (e.g., 10 parties in Poland's Sejm), the more likely a country is to have a comprehensive ACS. The reason is that the political competition forces politicians to adopt anti-corruption legislation to ensure their stay in power as anti-corruption remains high on the public agenda.

Economic factors and their impact on ACS comprehensiveness will also be investigated. The factors or indicators taken into account are the level of GDP and annual change, the level of unemployment and foreign direct investment (further information on the rationale of selecting these factors see Chapter 4 as well as Rose-Ackerman, 1999; Fitzpatrick, 2003). In brief, I expect to find that the higher the level of GDP per capita, the more likely countries are to have a more comprehensive ACS. The main reason is that ACS requires not only financial resources but also an “advanced” legislative context characteristic to the Western wealthier countries. I also expect that the higher the variation in GDP, the more likely a country is to have a comprehensive ACS. In addition, the CEE ACS reforms can be considered as representative of their overall transition to democracy reforms, at least of their latest stages. The adoption of extensive reforms increases the transparency and accountability of government institutions and investors’ confidence, which in turn are directly linked to the increase in GDP. The comparison is even more relevant as it represents a good measure of whether countries have managed to overcome the initial critical economic transformation and put in place a working market economy.

The higher the level of unemployment is, the less likely a country is to have a comprehensive ACS. In other words, unemployment can affect ACS comprehensiveness indirect through declining of standards of living, which in turn can create a protest vote to sanction the government in power. However, when a new government takes office it will be focused on economic reforms and not on ACS. If nevertheless, ACS reforms are also going to be adopted they will be most likely adopted when there is a lack of results from the economic reforms.

As far as the connection between foreign direct investment (FDI) level and ACS comprehensiveness is concerned, the higher FDI inflows in a country the more likely the country is to have a comprehensive ACS. There is no doubt that the relationship can be circular. As a result of the adoption of a comprehensive ACS, the FDI level does increase as ACS increases government accountability and transparency.

Last but not least, the impact of intra-government organizations' efforts such as the European Union, the Council of Europe and non-governmental organizations such as Transparency International on the national ACS programs are taken into account. I will argue that since mid 1990s, pressure for the adoption of ACS has been created either through the enactment of international conventions or participation in country assistance programs in various ACS areas sponsored by such organizations. I expect to find that countries that have signed and ratified the main international anti-corruption conventions (e.g., OECD Anti-Bribery convention, UN Anti-Corruption Convention) are more likely to have more comprehensive ACS because they incorporate the norms a comprehensive ACS should have.

One might ask why such factors have been selected and in what way are they relevant compared to the overall factors that might influence ACS comprehensiveness. There is no doubt that many conditions and situations influence a country's decision to start fighting corruption and the way it might do so. Nevertheless, some of the factors have been already but briefly considered in the literature as playing a role on ACS. Others are the result of my own conjectures based on my understanding of the role of political institutions in the policy-making process. An in-depth discussion of the factors

and their association with the anti-corruption efforts through the development of the explanatory model takes place in Chapter 4.

Summary: Main Hypotheses

- (H1) The more widespread corruption in a country is, the less likely is for a country to have a comprehensive ACS.
- (H2) The higher the level of democratization in a country, the more comprehensive its ACS is likely to be.
- (H 3) Parliamentary regimes are more likely to have a comprehensive ACS than presidential ones.
- (H 4) The more cabinets a country has, the more likely a country is to have a comprehensive ACS.
- (H 5) The higher political fragmentation in cabinet or parliament is, the more comprehensive country's ACS is likely to be.
- (H 6) The higher political fragmentation in parliament is, the more comprehensive a country's ACS is likely to be.
- (H 7) Non-politically affiliated governments are less likely than politically affiliated governments to put in place comprehensive ACS.
- (H8) The higher a country's GDP is, the more comprehensive its ACS is likely to be.
- (H 9) The higher the annual variation of GDP is, the more likely a country is to have a comprehensive ACS.
- (H 10) The higher the level of unemployment, the less likely a country is to have a comprehensive ACS.

(H 11) The higher foreign direct investment (FDI) inflows in a country are, the more likely a country is to have a comprehensive ACS.

(H 12) Countries that have signed and ratified the main international anti-corruption conventions are more likely to have comprehensive ACS.

Data and Methodology

In order to test my hypotheses, the analysis will concentrate on 15 Central, Eastern, and South Eastern European countries (Czech Republic, Slovakia, Slovenia, Poland, Romania, Croatia, Hungary, Macedonia, Moldova, Ukraine, Bulgaria, Albania, Latvia, Lithuania and Estonia). Even if their political and historical evolution is intertwined (including the last century's Communist experience), there is no doubt about the variety of socio-economic, cultural, ethnic, and political conditions these countries encompass (Financial Times Central and Eastern Europe 2003 and 2003 World Briefing reports, Verdery, 2000; Tismaneanu, 1998). The Central and Eastern Europe 2004 Financial Times' report underlines that CEE countries have common characteristics including nostalgia and anger sparked by a common past, or in some cases by painful economic reforms. However, under the pressure of the EU enlargement the differences have also been accentuated as some countries have benefited from high levels of foreign investment, while others are stuck in a "poverty belt with problems that defy solution" (FT, 2004). Thus, the reduction in taxation, of the state share in the economy, low inflation, highly qualified labor, and relatively low wages compared to Western Europe have made countries like the Slovak Republic or Hungary the "manufacturing" centers of Europe.

There is also a great variety as far as corruption and fighting corruption are concerned. Suggestive is a comparison with the European Union members. According to the Corruption Perception Index for the 1995-2003 period, the average score of the perceived levels of corruption of European Union (EU) members was 7.71, while the average of its newly accepted members for the same period was only 4.46. Higher CPI country score indicates less corruption: the maximum CPI score is 10 (ten) and means a country is the least corrupt. In the case of the two remaining EU candidate countries, Bulgaria registered an average score of 3.42, while the lowest (worst) average score belonged to Romania with 2.9. On the other hand, public corruption studies (Transparency International, World Bank, 1999, 2001) reveal that the extent of corruption affects CEE countries differently. According to the 2003 Corruption Perception Index, the countries in the sample rank from 27th (Estonia) to 93rd Serbia and Montenegro (Yugoslavia) of the average of 93 countries ranked annually. (In-depth discussion of the extent and types of corruption practices will take place in Chapter 2; however, for specific country rankings see Appendix 1. Table 1).

As far as anti-corruption efforts are concerned, in 1995 only Latvia, Estonia and Ukraine had officially started an ACS, but by 2003 14 out of the 15 countries had done so. By the end of 2003, only Slovenia had not “officially” initiated an ACS. However, all the measures had been taken as a part of the transition to democracy reforms and it will be considered as also having an ACS in my analysis. Because of the complexity of anti-corruption strategies (Johnston, 1998; Neild, 2002), this research’s crux is to clarify and lay their foundations. More specifically, ACS are composed of many laws adopted frequently at different points in time and with results that are difficult to assess (Jarquin

and Carillo-Flores, 2000; Robinson, 1998). Thus, before any further analysis, the project needs to specify what is understood by corruption and anti-corruption strategy (ACS).

Corruption is defined as “the breaking by public persons, for the sake of private financial or political gain, of the rules of conduct in public affairs prevailing in a society in the period under consideration” (Neil, 2002:6). The variable used to measure corruption is the ranking given by the general public in different surveys (World Bank, 1999; SELDI, 2002).

Anechiarico and Jacobs (1996) define ACS as the sum of “laws, regulations, and organizational policies aimed at identifying, preventing, and punishing official corruption” (1996:XI). For an ACS to be considered real the executive must take measures, and laws must be enacted by the Parliament and enforced by the administrative apparatus with the stated goal of targeting corruption. There is an increased “pressure” upon the judiciary to prosecute corruption and thus, an increased number of convictions. For example, in Italy, at the end of 1994 more than 7000 subpoenas were issued (L’Unita, 7 December 1994: 4). In addition, these actions have to be consistent with the best practice and international criteria set by the Organization for Economic Cooperation and Development, the Council of Europe or acknowledged as such by national and international NGOs (Gallup International and Transparency International). In-depth discussion will follow in Chapter 3.

In this project, anti-corruption strategies are evaluated based upon their measures and legislative comprehensiveness. This is the first quantitative cross-national study that evaluates the anti-corruption strategies and builds an index, the Anti-Corruption Assessment Index (ACAI). It builds on the literature’s findings that ACS needs to be

comprised of a certain “policies core” (Fitzpatrick, 2003; Rose-Ackerman, 1999; Caiden et al, 1979, 2001; Gardiner and Lyman, 1989; Haarhuis and Leeuw, 2000; Gillespie, 1991; Riley, 1998:134; Williams, 2000; White, 2001; Stapenhurst and Kpundeh, 1999) to successfully fight corruption. Quah (1989) argues that no single measure or law can fight such a complex phenomenon as corruption.

ACAI has two different sections. The first section is comprised of 9 areas: Anti-corruption Strategy (ACS), Anti-Corruption Policy (ACP), Political Party Finance (PPF), Asset Monitoring (AM), Conflict of Interests (CI), Freedom of Information (FOI), Public Procurement (PP), Financial Control and Audit (FAC) and Immunity (I). However, this study makes not only the most comprehensive recording of the anti-corruption legislation to date but also of their dynamics. For this reason, the second section of ACAI comprises the application of the anti-corruption measures across the three branches of government: the Executive and Civil Service (ECV), Legislative (L) and Judiciary (J) (see Chapter 3 For detailed information on each area).

Data were collected using a coding scheme at three different points in time (1995, 2002 and 2003). Data come from direct qualitative evaluation of the legislation and cross-national qualitative reports such as those of the Open Society Institute (2000-2002), EU Commission Annual Progress Evaluation Reports (1995-2002), GRECO (2000), World Bank (1999, 2002), Transparency International (2002), and Southeast European Legal Development Initiative (2002). In addition, interviews have been conducted with in-country experts from the sampled countries to fill some gaps and to clarify the information collected.

Because the different areas have a different number of sub-areas or variables, each area's score will be adjusted to give them an equal weight in the overall ACAI (see Chapter 5 for an in-depth discussion).

ACAI varies from 0 (zero) to 143, where zero represents the total lack of legislation to fight against corruption and 143 represents the most comprehensive anti-corruption strategy possible. A higher country ACAI score is better.

Although by 2003 no country has reached the maximum score of 143, in the vanguard are the Baltics (Lithuania, Latvia and Estonia), while in the rearguard are Ukraine and Macedonia (see Chapters 3 and 5 and Appendix 9 for individual country rankings and scores).

To test my hypotheses, I will examine the statistical relationships between corruption and independent variables both at both bivariate and multivariate levels. The independent variables will be entered into the regression model at the different stages.

Possible Caveats and Further Suggested Research

One possible criticism of my approach is that it takes into account only the enacted legislation and adopted measures but does not look at their application or implementation. Without any doubt such concerns are valid. However, the study does not want to demonstrate ACS legislation perfectionism per se, but rather whether the anti-corruption legislation has loopholes that make it ineffective even before being implemented. Further analysis must be undertaken on implementation or any other stages to better understand their ACS dynamics and impact.

Bichierri and Duffy (1997) have suggested that the threat of reforms and the resulting threat of losing power can induce high officials to become even more corrupt as a means of ensuring their economic well being once they are out of office. Further analysis could investigate such impact on ACS dynamics. The crucial point to make regards the capturing of the moment in which the public high officials understand that they are about to lose their grip of power (to the opposition) and how the extent of the perceived loss determines the types of actions taken.

This study is based on qualitative and quantitative ACS assessments by international organizations that are inventorying anti-corruption measures/legal provisions. Further reports could focus on evaluating ACS through methods such as means-ends consequences (e.g., cost-benefit analysis, performance measurement, risk analysis and qualitative methodology), and “appropriateness” or in what way it is adapted to that country’s extent and types of corruption.

Despite these limitations, I regard this study as an important first step at a comprehensive indexing of ACS and a useful effort to test key hypotheses to account for the comprehensiveness of ACS. Thus, ACAI is intended to be a model and an indicator to be used in future research while investigating variation of ACS. More specifically this study can contribute to the debate on the sequencing of transition to democracy reforms or whether economic liberalization reforms should take place before, after and simultaneously with other democratization reforms.

In Central and Eastern Europe, the adoption of the latest anti-corruption reforms is highly regarded as resulting from slowing or stalling of the previous macro-economic reforms under ever increasing or outright rampant corruption levels. What can

preliminary be concluded from this study is that irrespective of whether countries adopts first economic liberalization reforms first, when ACS are adopted the country needs to be stable and wealthy enough to be able to finance them.

Sources

Main sources

In this section I will briefly review the main sources of information used by this project. More extensive information on the anti-corruption efforts and more specifically, on ACAI areas, is to be found in Chapter 3.

In brief, the main sources used can be classified into five categories:

- 1) Official documents on fighting corruption (e.g., legislative acts, minutes of parliamentary committees, anti-corruption agencies/authorities reports) as well as international organizations evaluation reports on ACS progress, generally obtained from the on-line Libraries of the national parliaments or the Official Gazzette (the official government register or newspaper where all decisions and regulations need to be published before entering into force).
- 2) Specialized reports focusing on inventorying and evaluating the Central and Eastern European anti-corruption efforts such as EU Commission Progress Evaluation Annual reports (1995-2003); Transparency International's annual Global Corruption Reports (1999-2004); Organization for Economic Cooperation and Development (2002); US State Department's Bureau of Democracy, Human Rights, and Labor Annual reports (1990 – 2003), Stability Pact Anti-Corruption Initiative (2002) as well as national

government reports such as the 2002 Status Report of the Republic of Lithuania under the Baltic Anti-corruption Initiative of the Lithuanian Ministry of Justice.

3) Special attention will also be given to different evaluations of the levels of perceived corruption such as Transparency International's 2003-2004 Corruption Barometer and 1995-2004 Corruption Perception Index; and World Bank Diagnostic Surveys.

Country specific studies have examined aspects of fighting corruption but for other purposes (Financial Times annual country reports; EU Commission annual reports; 1998 –2004 Freedom House Nations in Transit surveys). In this category can be included studies on the different elements of the ACS such as the 2003 Romanian Public Policies Institute monitoring report on the implementation of the conflict of interest and financial disclosure legislation or the 2000 report of Management Systems International on the Legal Anti-corruption measures in the Romanian Public Sector.

4) Global overviews of the socio-economic and political situation of the Central and Eastern European countries such as Transparency International Corruption Global Reports (1999-2003), BBC Monitoring Service, Freedom House Nations in Transit reports; Counter Intelligence Agency Annual World Fact book; the US State Department Human rights reports; Financial times regional and country reports; The Economist country briefings; Economist Intelligence Unit country profiles and reports; BBC country profiles; assessments of the national chapter of EURACTIV.com - The European Union's news network; Amnesty International annual Human right reports and United Nations Conference on trade and Development (UNCTAD) World Investment annual reports.

Auxiliary sources

In addition to this basic research material, I will rely on multiple auxiliary sources.

Examples of such documents include newspaper articles (e.g., www.euractiv.com; Financial Times, The Economist), official accounts of corruption investigations, public reports left by special investigative bodies and the protagonists of anti-corruption fight. Open face-to-face interviews were conducted with politicians, government staff, reporters and scholars from different think tanks across CEE (e.g., Open Society Institute's Local Government Initiative, the network of Transparency International centers).

Chapter 2. Corruption in Central and Eastern Europe

By the end of 2003, all CEE countries had started an ACS. What role did corruption play in the shaping of their ACS efforts? These are fundamental questions that need to be addressed by any study of the factors that affect whether countries fight against corruption. However, first it needs to be clarified what is wrong with corruption and what corruption means for Central and Eastern Europe (CEE).

For this purpose, I will start by clarifying what is understood by corruption and how and why it is overwhelmingly considered to be a negative phenomenon. Second, I will investigate the nature and extent of corruption in CEE. For this purpose, I will conduct an overview of the various assessments of corruption. To understand the specifics of the problem of corruption, I will then discuss the Corruption Perception Index, the Global Corruption Barometer, and GfK's study on the climate of corruption. Next, I will elaborate on the link between corruption and anti-corruption.

Definition of Corruption

Gardiner and Lyman (1978) and Carl Friedrich (1989) were among the first attempts recorded to define corruption. Gardiner and Lyman (1978) define corruption as the acceptance of money or other material rewards in return for preferential treatment, while Carl Friedrich (1989) defines it as a deviant behavior associated with a particular motivation, namely that of private gain at public expense. Extensive literature has developed ever since on the definition of corruption (Fitzpatrick, 2003; Abend and Gupta, 2002; Ackerman, 1999; Tanzi, 1998 & 2002, Sajo, 2004; Kruger, 1974). In her study on

corruption scandals, Graeme C. Moodie (1989: 879) argues that “the search for the true definition of corruption is, like the pursuit of the Holy Grail, endless, exhausting and ultimately futile.” However, with the publication of the 1988 and 1989 seminal studies on corruption by Klitgaard, Heidenheimer and Johnston, the definition of corruption has been finally established and has become widely accepted. More specifically, Johnston (1989: 986) argues that corruption is

behavior which deviates from the formal duties of a public role (elective or appointive) because of private-regarding (personal, close family, private clique) wealth or status gains or (which) violates rules against the exercise of certain types of private-regarding influence.

Some authors have nevertheless pointed out its limitations (Krastev, 2004; Johnson, 2004, Tanzi, 1998). Among them it is worth noting that the definition is confined to public sector corruption; that is, the receiver of the corrupt payment is a government official. Activities perceived as corrupt but which lead to a personal benefit, conducted by a single party without involving a process of negotiation with any other external parties are also excluded.

To correct for some of these problems, Neil (2002) adds another element to the definition. Thus, the most complete definition of corruption to date – one also considered by this study -- is “the breaking by public persons, for the sake of private financial or political gain, of the rules of conduct in public affairs prevailing in a society in the period under consideration” (Neil, 2002:6).

In spite of having clarified what is being understood by corruption, it is still unclear as to why corruption is so strongly being fought against through the adoption of

anti-corruption programs (ACS). This last point in needs to be especially explored as one of the major objectives of this study and section is to investigate the role played by corruption in adoption of ACS.

What is wrong with corruption?

If in 1960s and 1970s corruption was seen as having positive effects, by mid 1990s it has become unanimously accepted as a negative phenomenon. Because such studies are not the center of this research, I will only sketch the main corruption research lines and cite the most influential writings.

Functionalists like Samuel Huntington (1968) and Nathaniel H. Leff (1964) have argued that the ethical aspect or moral of corruption is secondary; corruption is inherent to the human nature. Corruption occurs in transitional societies; it is inevitable to the process of modernization- where it facilitates development.

It “greases the wheels” or as the French say {MET DE L’HUILE DANS LES ROUAGES) and plays the role of social integration by allowing the excluded to profit from the system; therefore it avoids the violent revolutions. Nathaniel H. Leff (1964:11) put it simply: “if the government has erred in its decision, the course made possible by corruption may well be better one.”

With the studies such as Kaufman (1999) the fallacies of such arguments have been clearly laid out. Thus argues that such arguments ignore

the enormous discretion that many politicians and bureaucrats, particularly in corrupt societies, have over the creation, proliferation, and interpretation of counterproductive regulations. Thus instead of corruption, greasing the

squeaky wheels of a rigid administration, it becomes the fuel for excessive and discretionary regulations! (1999: 40-41)

To elaborate the definition of corruption, authors have extensively studied the characteristics of corruption acts. Thus, authors have developed extensive taxonomies based on corruption's characteristics considered to be the most important such as the nature of the initiator (i.e., bribe-initiated or bribee-initiated), the force involved (i.e., coercive or collusive), and if theft is involved, its degree of centralization or frequency (Tanzi, 1998 & 2002, Rose-Ackerman, 1999; Shleifer and Vishny, 1993, Johnston, 1989; Klitgaard, 1988). For example, Shleifer and Vishny (1993) distinguish between corruption with theft (e.g., bribes to customs officials in exchange for goods entering the country without paying a duty) and corruption without theft (i.e., the official passes the bribe to the government such as to the state treasury for an import license fee).

Extensive literature has been developed on the different models of corruption to assess and explain its causes and consequences. Economic theories (e.g., supply and demand or principal-agent) were initially the most widely used in understanding the "extraction" of bribes and ultimately, of the more broadly defined corruption phenomenon. As far as understanding the causes and consequences of corruption, the association between corruption and economic growth has been especially the center of mid-1990s studies. Many authors have searched for a causal relationship (e.g., high corruption lowers/retards economic development and growth, or the reverse). However, in recent years it has been concluded that there is a circular relationship between the two variables (Treisman, 2002). Corruption is found to have negative effects directly or indirectly through its taxation-like and rent-seeking nature of bribes (Collier, 2002;

Treisman, 2002; Myrdal, 1989; Shleifer and Vishny, 1993). Among its effects are the diversion of valuable resources to lower interest rates; the degradation of welfare of a states' poorest citizens by increasing income inequalities; and causing the under-funding of government programs (e.g., healthcare, education).

What is especially interesting is the debate around corruption and democracy, since until recently the findings were mixed (Bohara, 2004; Heidenheimer, 2004; Sajo, 2004). However, new studies have increasingly associated the facets of democratization and economic growth. These were also quickly reflected in corruption research (Sajo, 2004; Collier, 2002; Dye and Staphenurst, 1998; Rose-Ackerman, 1999; Mauro, 1995). One study has very much changed course of the debate. Specifically, Bohara (2004) uses the most comprehensive measurement of democracy to date (i.e., by adding civil society participation to Robert Dahl's (1971) criteria on electoral participation and competition). He finds convincing evidence that more democracy means greater control of corruption.

Others have looked at why some corruption acts never become "explosive" and are thus "tolerated" (Goodie, 1989) and if they are tolerated, what are the politics of scandals (Hayoz, 1993; Sherman, 1989). For example, Sherman (1989:887) argues that "scandals do not just happen; they are socially constructed phenomena involving the cooperation and conflict of many people."

New factors and their impact on corruption such as political conditions, institutional arrangements (Tanzi, 1998; Myrdal, 1989; Rose-Ackerman, 1999; Geddes, 1996), and social and cultural conditions (Sung, 2004; Varese, 2000) have also been considered. More specifically, Sung (2004) links corruption to economic hardships, cultural particularism, and a tradition of political unaccountability, while Wei (2000)

investigates the link between globalization, capital investment, and (local) corruption. In addition, Gupta, Davoodi, and Tiongson (2002) look at its impact on child and infant mortality rates and dropouts rates in primary schools. The causal relationships they found go like this: the higher the level of corruption, the higher infant mortality rates, and higher dropout rates in primary schools. In another explanatory model Bardhan (1996) considers that as the percentage of officials engaging in corruption increases the (possible) cost for any new officials engaging in corruption (e.g., loss of reputation) decreases. In the same vein, Collier (1995) argues that corrupt practices spread through a social learning process that is likely to follow a contagion S-curve.

In brief, there is no comprehensive theory on the causes and consequences of corruption. However, some factors are found to promote corruption either directly or indirectly. Such direct factors could be non-transparent and non-competitive regulations and authorizations, the level of taxation, and government intervention (e.g., investment projects, procurement spending, extra-budgetary accounts, and subsidies). Authors have also argued that among the factors to cause corruption are to be counted the human nature and transitions (e.g., give flowers to the dentist). The indirect factors are weak governmental institutions, the quality of bureaucracy, lack of proper incentives, the level of public sector wages, penalty systems, institutional controls, attitudinal acceptance of corruption, transparency of rules, and leadership.

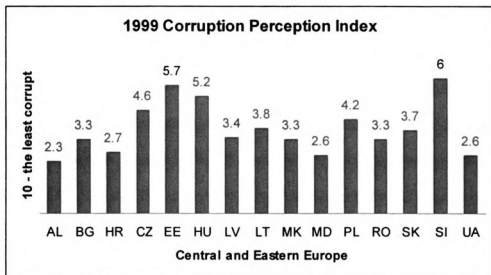
In recent times, corruption as a research theme has become increasingly trendy (Tanzi, 1998, Krastev, 2004, Sajo, 2004, Grigorescu, 2002). Krastev (2004) argues that at the end of 1990s increased attention to the “centrality” of corruption and curbing of corruption as a public policy issue is mainly due to the involvement of international

(intra-governmental and non-governmental) organizations. He continues by arguing that first, organizations did so by focusing on curbing corruption in their own programs and second, by refocusing their international organizations' goals (EU, WB, COE, OECD). Such interest in the issue of corruption is also due to increased interest of financial markets in transparency and accountability in the lending countries' systems. Fourth, the introduction of the 1977 US Act on Foreign corrupt practices has forced US companies to be at a disadvantage compared to companies whose countries did not ban bribing and thus influenced the US government to become involved in the creation of international norms on the issue. However, questions remain as to whether such efforts are cohesive and coordinated enough to have any significant effect on national anti-corruption strategies, especially since the programs evaluated by the providing organizations themselves do not claim to have reduced the level of corruption either in general or in specific cases.

Initially corruption studies were mainly qualitative, small-N studies such as on the financing of political parties in Italy (Della Porta, 2004; Hayoz, 1993) or the association between corruption and organized crime (Los, 2004). Recently, the situation changed with a plethora of quantitative local, regional, cross-national or global assessments of corruption (e.g., in 2004 Corruption Perception Index was composed of 133 countries). These entail either first-hand-assessments such as reported crime rates or second-hand or "soft" reports of corruption based on perception surveys. Such assessments have taken a whole new dimension especially in regards to CEE and for this reason, the next section will be entirely devoted to it. The other reason is to better understand a) the impact of

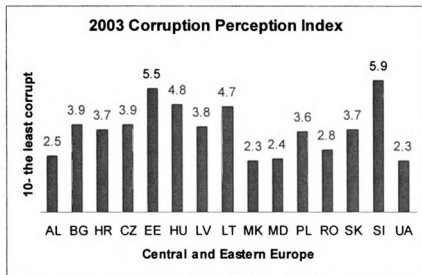
corruption and most importantly, b) if an increase in the level of corruption has occurred as to justify the adoption of ACS.

Table 2.1. Corruption in Central and Eastern Europe (CEE) in 1999



Source: Transparency International

Table 2.2. Corruption in Central and Eastern Europe (CEE) in 2003



Source: Transparency International

According to the Corruption Perception Index of Transparency International, the most widely used measurement of corruption, the overall level of perceived corruption in Central and Eastern Europe is significantly higher than in the Western Europe, to the extent that in some of the CEE countries corruption is rampant. For example, if on a scale of 10 where 10 is the most corrupt and 0 the most corrupt, the highest-ranked in the 2003 Corruption Perception Index are Slovenia and Estonia while the lowest are Ukraine and Macedonia.

Otherwise, CPI's corruption trends are much more mixed. For example, the 2003 highest-ranked (e.g., Slovenia and Estonia) are also the overall best ranked since 1995 even if their score has slightly decreased from 6 and 5.7 in 1999 to 5.9 and 5.5 in 2003. On the other hand, corruption has dramatically increased in some countries while in others it has decreased. Deterioration has been registered in Czech Republic from 5.37 in 1996 to 3.9 in 2003; in Ukraine from 2.6 in 1998 to 2.3 in 2003. However, the most spectacular deterioration was registered in Poland from 5.57 in 1996 to 3.6 in 2003. On the improvements' side, it is worth noting the cases of Croatia from 2.7 in 1999 to 3.7 in 2003; Bulgaria from 3.3 in 1999 to 3.9 in 2003 and Albania from 2.3 in 1999 to 2.5 in 2003. Even if the scores are relevant to cross-nationally compare the level of corruption, they give neither indication of the types of corruption nor their significance across CEE. Because this study investigates the nature of corruption and whether it has especially increased over time in the latter part of the study I will look at specific assessments of corruption such as the Global Corruption Barometer of Transparency International and The Climate of Corruption study of GfK.

Transition to democracy

The evolution of corruption needs to be examined in the context of the changes that affected the CEE since the fall of communism in 1989. The post-communist trajectory has been influenced by the post-communist legacy given by the strength of the communist party, and the brutality and length of the communist rule (Treisman, 2002). The collapse of the Communist regimes left behind an over-extended, non-transparent and non-performing public sector (Center For Public Integrity, 2004; Financial Times, 2003 and 2004) and an under-funded welfare state (FT Europe briefings reports). Political instability, poor economic performance (e.g., Financial Times, The Economist) and inefficient economic reforms (EBRD Transition Reports; Heritage Foundation Economies Openness Index) have been added to the cocktail and translated into lowering of the standards of living and increasing distrust towards public officials across the region.

According to the EBRD quoted in the Financial Times' 2003 Central and Eastern European report, the region's total output in 2002 was still only 77 per cent of the 1989 level (including the former Soviet Union). Nevertheless, the more advanced economies of central Europe and the Baltic states have exceeded the figures for communist times while south-east Europe (e.g., Romania, Bulgaria) still stands at only 81 per cent.

Table 2.3 Key Indicators of the 15 CEE Countries to Reflect the Sharp Differences in Development.

Country	GDP per head on PPP basis 2002	Real GDP level 2002 (as % of 1989)
Albania	\$ 1,514	114 %
Bulgaria	\$1, 966	80 %
Croatia	\$ 4,992	87 %
Czech Republic	\$ 6, 742	105 %
Estonia	\$ 4, 714	91 %
FYR Macedonia	\$ 1, 939	75 %
Hungary	\$ 6, 220	112 %
Latvia	\$ 3, 693	77 %
Lithuania	\$ 3, 988	77 %
Moldova	\$ 381	38 %
Poland	\$ 4, 803	130 %
Romania	\$ 1, 979	87 %
Slovak Republic	\$ 4, 250	111%
Slovenia	\$ 10, 677	121 %
Ukraine	\$ 820	46 %

Source: EBRD

Another example to better understand the economic picture of the region is being given by the Financial Times' 2003 report on Central and Eastern Europe.

Thus, the most economically prosperous of the sampled countries - Slovenia, the Czech Republic and Slovakia - have managed to reach by 2003 the average income per capita of 50 per cent of the average for the European Union. A closer look at Slovenia reveals its prosperity and very stable economy are not necessarily the result of 15 years of embracing foreign investment and reforms as foreign investors were present even before 1989.

The profound problems with which CEE countries are confronted vary to an even greater extent. Central Europe is mainly confronted with the side effects of the rapid economic reforms (e.g., in Poland, over 18% of population is unemployed). Slovenia, the richest country in CEE, is prodding itself with social stability and solidarity, in spite of being confronted with problems similar to Germany and Italy. The Financial Times 2004 report on Slovenia records the high taxes, generous public benefits, high quality and costly public services, the highest wages in the region, rigid labor rules, and large and influential trade unions. On the contrary in the Balkans, the lack of market reforms, dismal economic development, political instability looming ethnic tensions, and the effects of the ethnic war are taking a heavy toll on citizens. For example, in Albania the most important problems, recorded by the Financial Times' 2004 country report, are organized crime, a huge deficit, tax collection at record lows (i.e., in 2003 it represented only 20% of GDP), poverty (i.e., 25 % of Albanians are under the poverty line), and gray economy. It would be unfair to deny that over time, the situation has improved in the Balkans. Such is the case of Bulgaria, which in 1997 went in near financial bankruptcy

by defaulting on its debt while registering an inflation of over 1 080% in 1997 alone.

Under the condition of financial assistance, it has agreed to put in place very painful reforms. Thus, by 2004 as recorded by the Financial Times 2004 country report, Bulgaria has registered a balanced budget, falling interest rates, declining public debt (to 45 % of GDP in 2004), while unemployment was below 12 % down from 18% in 2001.

The evolution of CEE has been especially influenced by the involvement of international organizations such as the European Union, the North Atlantic Organization Treaty (NATO), the International Monetary Fund, and the Council of Europe. For the moment, I only briefly mention the organizations; however, their role and impact on the region and the national anti-corruption efforts will be discussed in-depth in Chapter 4.

A major source of corruption already mentioned in the literature is the consolidation of social networks built during the communist system based on shortages of all kinds, which have acquired a very subversive nature in the latest years. Thus, corruption has become predominant by taking new forms, from day-to-day petty corruption to large scale and systemic corrupt practices such as state capture. Studies have also discussed factors that are generators of corruption in CEE such as inconsistent or incomplete reforms (Hellman, 1998, Aslud, Boone and Johnston, 1997) and privatization (Bryne, 2004; Black, Kraakman, Tarassova, 2000).

Two models are specifically relevant in describing how corruption is being generated, including these of Frye (2001), which links corruption and political instability, and Mason (1978), which links corruption and the socio-cultural context. Frye (2001) argues that economic performance was systematically worse in post-communist countries where the two branches of government were dominated by opposing forces. Such

polarization might have increased corruption. First, through the proliferation of inconsistent laws and executive regulations, polarization facilitated the extortion of bribes by inspectors and other officials. Second, if the top leaders of the two institutions are themselves corrupt, their uncoordinated competition for bribes may lead to overgrazing similar to that associated with the center-regime competition (Shleifer and Vishny, 1993). Third, bureaucrats from the two camps may be able to play one off against the other, evading effective monitoring and discipline. On the other hand, divisions between president and parliament might reduce corruption if the political competition between them leads each to monitoring and exposes the abuses of the other.

Mason (1978) argues that the major sources of corruption in transitions to democracy are first, the divergence of cultural values in transitional societies from those necessary to support formal rules and procedures existent in the West. The government structures are the second source that offers little opportunity for various interests in the society to participate in the making of rules, thus inducing action to evade them after enactment. The third major source cited is the assumption by transitional governments of responsibilities that lie beyond the competence of their administrative agencies and for which they remain mainly unaccounted for.

Assessments of Corruption: *Real vs. Perceived Corruption*

If one is to understand the issue of corruption and its role in shaping of the anti-corruption efforts in CEE, one cannot do less than first investigate the extent and types of corrupt practices affecting the region.

As already mentioned, the main characteristic of recent anti-corruption research is the plethora of (direct and indirect) assessments of corruption undertaken either through qualitative or quantitative studies. Among such qualitative studies are the Czech Transparency International study on Corruption in Arms trade, the World Bank's country diagnostics reports, the 2002 Open Society Institute Accession Monitoring reports, and the European Commission's annual reports. As never before quantitative studies have so overwhelmingly dominated the assessments of corruption. To understand their scope and depth, this section is dedicated to an inventory of these studies, I will investigate what such assessments tell us about the extent of corruption in CEE. Special attention will be given to the Corruption Perception Index (CPI), Gfk's study on The Climate of Corruption and the Global Corruption Barometer. Finally, I will elaborate my explanatory model, which links corruption with the anti-corruption efforts.

To understand the scale of corruption direct or indirect assessments have been conducted. However, their results are contrasting if not contradictory. Generally, direct assessments take into account governmental criminal statistics of the criminalization of corruption offenses (e.g., accepting bribes and other inappropriate benefits; giving offering bribes) through prosecution and indictment. Extensive information on criminal statistics can be found in the 2002 OSI Corruption and Anti-corruption country reports and the Council of Europe' Group of Countries against Corruption (GRECO) first

evaluation rounds of country reports. As one might easily guess, there might be a difference between how much corruption is criminalized by the judiciary systems and the real level of corruption existing at a certain point in a country. Nevertheless, due to the secretive and illegal nature of corruption acts, as neither the briber nor the bribee might be willing to confess it, the second-best used assessment tools are the indirect assessments such as surveys of the perceived level of corruption. However, they vary not only based on the sectorial areas of corruption but also their methodology and results. For such a strong statement to be credible, I will first make an overview of the main assessments to date. Then, I will specifically investigate corruption in CEE as reflected by the findings of CPI, GCB, GfK, SELDI and Gallup.

To better understand how corruption affects a country's socio-economic and political conditions, quantitative studies on the level of corruption have used various geographical units of analysis. For example, local indicators of corruption are developed by TI Czech Republic under the name of 2004 Index V4 measures administrative corruption in four European capitals (Bratislava, Budapest, Prague, and Warsaw). However most studies have the national level as their unit of analysis. Such is the case of the 1999-2001 World Bank diagnostics of Romania, Slovakia and Poland as well as of the various Transparency International (TI) country chapters.

Authors have gone one step further as they studied the equivalency of cross-national corruption through the development of cross-national indicators. Examples of such surveys are the 2001 Official Corruption in Seven Southeast European Countries of the Southeastern European Development Initiative Survey; the 2002 Romanian Academic Society three-country survey; the 2004 Gallup international and GfK on the Climate of

corruption in CEE or the 2003-2004 Global Corruption Barometer. Due to its largest sample, the Corruption Perception Index of Transparency International has become the most extensive and most widely used measurement of corruption across the world.

For example, in 2004 it encompassed over 133 countries.

Studies have also investigated the specific types of corruption affecting countries such as state capture or day-to-day or petty corruption. Such is the case of the International Country Risk Guide Index of the Political Risk Services. The Index captures the extent to which “high government officials are likely to demand special payments” and to which “illegal payments are generally expected throughout lower levels of government” in the form of “bribes connected with import and export licenses, exchange controls, tax assessments, police protection, or loans.” Another index is Transparency’s International Bribe Payers Index, which assesses the supply side of corruption. In other words, it evaluates the extent to which foreign companies are likely to pay bribes to senior public officials in key emerging market economies.

Other assessments investigate either horizontally or vertically or both combined, the areas affected by corruption, where the horizontal analysis accounts for the fields affected by corruption and the vertical analysis the depth of corruption practices. For example, the 2002 SELDI Corruption Monitoring System evaluates the level of corruption in various professions (e.g., customs officers, lawyers, public prosecutors, judges, Members of Parliament, ministers, journalists and tax officials). On the other hand, the Business International Index or the Business Environment and Enterprise Performance Survey (BEEPS) rank countries based on the degree to which business transactions involve corruption or questionable payments. A typical analysis that

combines both types is the 1999 study of Transparency International on the Faces of Corruption.

Assessments of the scale of corruption are commissioned by various institutions. This is the case of non-governmental organizations (e.g., Romanian Academic Society, Transparency International), governmental organizations (e.g., governments of Romania, Slovak Republic or Poland), or intra-governmental organizations (e.g., World Bank, Southeast European Legal Development Initiative). On the other hand, some organizations have developed their own in-house expertise and prepare these analyses by themselves. Such are the cases of the World Bank with its World Business Environment Survey division or of the various chapters of Transparency International.

Assessments also vary based on their publication frequency, categories of respondents targeted or methodology used to aggregate data. Among the studies measuring corruption can be distinguished one-time surveys versus systematic studies (i.e., corruption is being measured at least in two different years). For example, such is the case of the 2004 GFK- Gallup International study on the Climate of corruption vs. the annual Business Intelligence Unit Index. As far as the categories of people targeted, one can distinguish among public officials surveys, enterprise surveys, household surveys or specialized surveys (such as customs, political parties), or all mixed together such as in the 1998 World Bank Diagnostic survey of Latvia. The methodology used differs depending on whether it is based on the aggregation of scores of various surveys (e.g., the composite index of the Corruption Perception Index) or it uses first-hand surveys (e.g., Gallup 2002 Indices of Corruption).

The purpose of this review is to give context to the research on CEE corruption and answer the lingering questions of what such surveys tell us about the level of corruption. Even more important is to understand how these surveys' results fit in with the much-touted scholarly debate on why corruption increased since the fall of Communism or whether corruption so significantly increased as to justify the adoption of ACS at the end of 1990s.

In order to understand the trends and types of corruption that affect CEE, I will compare and contrast the findings of direct and indirect assessments of corruption. More specifically, I will focus on criminal statistics on corruption charges and convictions (from the Open Society Institute 2002 reports) and perceived level of corruption as measured by the Corruption Perception Index (CPI). Criminal statistics are useful as they set the example on how serious political leaders are about implementing/ enforcing anti-corruption legislation as well as they might deter corrupt behavior. Because the CPI is so important, the entire Appendix 1 discusses its components and methodology. Further information on the CPI can also be found in Lambsdorff (1999, 2000, 2001, 2002, 2003 & 2004), Rose-Ackerman (2002), and Silk (2002).

When comparing CPI and the criminal statistics, the trends are very puzzling. For example, according to CPI Slovakia is confronted with near rampant corruption as its CPI scores vary from 3.9 in 1998 to 3.5 in 2003 where a score of 0 (zero) represents the most corrupt while 10, the least corrupt. In contrast, according to the 2002 OSI and GRECO reports on Slovakia there were only 30 prosecutions and 12 people indicted on corruption charges in 1995, 50 prosecutions and 8 indictments in 1999, and 18 prosecutions and 27 people indicted in 2001. In the case of Romania, much more affected by corruption than

Slovakia, its CPI scores vary between 3.44 in 1997 and 2.8 in 2003 while the number of convictions of all corruption counts has actually decreased on an annual basis. For example, according to the Romanian Directorate for Coordination of Corruption and Crime Prevention and Control Strategies of the Ministry of Justice there were 429 convictions in 1995 and only 343 in 2001 (OSI report on Romania, 2002: 457). Thus, it can be concluded that criminal statistics are not the most indicative of the level of real corruption, while indirect assessments clearly demonstrate an increase in perceived level of corruption.

Some might argue that such results are not surprising, as both the criminal statistics and CPI are biased measurements of corruption. For example, criminal statistics are rather the result of the political will to fight corruption, as political interference in the daily activities of the justice are very well known. How such interference is made possible will be discussed in detail in Chapter 3.

From where do supposed CPI biases originate? For the evaluation of corruption or expectations of future corruption levels, CPI is a double-edge sword. More specifically, CPI evaluates cross-nationally the level of corruption; however, being a composite index of 18 other surveys it gives just a unidimensional view of corruption. It does not provide us with any indication as to what types of corruption practices there are across countries, or even more important, whether they should be given equal weight in the aggregation process. Another distortion in CPI measurements might come right from the aggregation methodology used in building the CPI, which is based on the assumption that exposed cases of corruption (especially of high profile corruption) do not signify that a country is confronted with more corruption. It only means that more corruption has

been exposed. However, to “correct” for such rather “sudden spikes” CPI annual scores included a lagging indicator connected to the previous year’s country score. This is the reason why CPI is not a useful tool for drafting an anti-corruption strategy. In addition, more specialized and focused assessments are needed. Here come into play the other advantages of regional studies on the specifics of corruption practices. For the remainder of the section, I will clarify what is being understood by the specific assessments such as the Transparency International’s Global Corruption Barometer and Gfk’s survey on the Climate of corruption. An in-depth discussion of the instrumentation of the various corruption variables used in the explanatory model will take place in Chapter 4, which is in its entirety dedicated to the testing of hypotheses.

To make also clear from the beginning, I make the case that perception of corruption has increased even if the Corruption Perception Index (CPI) does not decisively indicate it. I will argue for the existence of a vicious circle, which runs like this: actual corruption determines the level of perceived corruption by the public; however, the perception of corruption (especially high) determines the increase of actual corruption (Cabelkova and Hanousek, 2004). To curb it, countries have adopted anti-corruption strategies. Nevertheless, anti-corruption strategies are raising the profile of the corruption issue and increase the sensitivity to corruption (Grigorescu, 2002) and as a result, increase the level of perceived corruption.

As discussed in the beginning of the chapter, the association between corruption practices as measured by CPI and anti-corruption efforts (measured as by whether the country has initiated an ACS) is less than 10%. In addition to better refocusing the assessments and measurements of corruption in the immediately following chapter

(Chapter 3), I will re-evaluate what is understood by ACS and devise a new method for assessing its Anti-Corruption Strategies, the so-called Anti-Corruption Assessment Index (ACAI).

Specific assessments of corruption in CEE

Because of CPI weaknesses, other instruments better capture corruption's extent and characteristics. More specifically, the studies used are the GfK's study of the Climate of Corruption and the Global Corruption Barometer. However, this combined approach also offers other benefits. First, it compares the 15 CEE countries with other countries of the world (e.g., GCB). Second, it links corruption and expectations of corruption, which can be considered an indirect measure of the ACS' comprehensiveness in the eyes of the public. Even more, it allows for a better understanding of the dynamics of perceived effectiveness of anti-corruption efforts and their impact on the perceived levels of corruption. For example, the 2004 GCB indicates there a decrease in the future level of corruption in Romania and one explanation might be the newly enacted ACS measures and laws.

The next point to be addressed is why those surveys have been selected from the myriad other CEE assessments. The first reason is their unquestionable validity, as they have become the standards in the CEE corruption research. The second reason is due to their scope: they link the extent of corruption with the expectations of corruption and assess the perceptions of the "seriousness" of governments' anti-corruption efforts. The third reason is the timing of surveys. They allow for investigating the perception of anti-corruption efforts by the public in 2001, when most anti-corruption measures were being

taken, and 2003, when the last measures were being taken. Fourth, they use similar methodology: they target the general public through face-to-face interviews. In addition, the surveys are not competing but rather complement each other as far as the questions and results are concerned. They also offer a more detailed and dynamic picture of how corruption is perceived in CEE. However, the best way for understanding why these surveys have been selected is to look at the surveys and their main findings. Extensive information on their rankings is to be found in Appendix 2 and 3.

The weakness of the approach might be that the assessments do not include all sampled countries at the same time. For example, the Gfk surveys include only 12 of the 15 sampled countries in this project (Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Lithuania, Poland, Romania, Slovakia, Slovenia and Ukraine). The Global Corruption Barometer also includes 12 of the 15 countries (Albania, Bulgaria, Croatia, Czech Republic, Estonia, Latvia, Lithuania, Macedonia, Moldova, Poland, Romania and Ukraine). The condition for my use of these surveys is that countries be included at least once in both surveys. Nevertheless, in the surveys most countries are included twice.

Figure 1. Corruption in CEE - Global Corruption Barometer (GCB)

Global Corruption Barometer (GCB)

The Global Corruption Barometer is the latest index developed by Transparency International, which investigates perceptions about corruption, experience of corruption, and expectations concerning corruption levels in the future. The Barometer is based on questionnaires administered to general publics (male or female aged 15+) in face-to-face or telephone interviews.

The surveys were first administered for TI by Gallup International "Voice of the People" across 47 countries in 2002 and 64 in 2004. The size of the sample was 40,000 in 2002 and 50,000 in 2004 respectively. The margin of error is ± 4 . The sampling is mostly national; however, in some of the countries it is only urban. Among the CEE countries urban sampling has been realized in the case of Albania, Moldova and Poland, while both sampling types were used in Macedonia.

In 2003, GCB was based on three indicators developed from three surveys' questions:

Question 1: Do you expect the level of corruption to change in the next three years and if so, how?

Question 2: How seriously do you believe corruption affects different spheres of life in this country?

Question 3: If you had a magic wand and you could eliminate corruption from one of the following institutions, what would your choice be?

In 2004, there have been added two new questions.

Question 4: How would you describe the following problems facing your country (i.e., ranking is between a given set of problems)?

Question 5: In the past 12 months, have you or anyone living in your household paid a bribe in any form?

Extensive information is to be found in the Smith and Homel (2003) and Hodess and Wolkers (2004) reports on the Transparency International Global Corruption Barometer (http://www.transparency.org/surveys/barometer/dnld/barometer_report_8_12_2004.pdf).

Table 2.4. Countries Covered by the Two Regional Studies Used

Country	Global Corruption Barometer	Gfk
Albania	X	
Bulgaria	X	X
Croatia	X	X
Czech Republic	X	X
Estonia	X	X
Hungary		X
Latvia	X	
Lithuania	X	X
Macedonia	X	
Moldova	X	
Poland	X	X
Romania	X	X
Slovakia		X
Slovenia		X
Ukraine	X	X

Table 2.5. TI Global Corruption Barometer 2004: Corruption's impact on political life, the business, personal and family life (1: not at all corrupt ...4 To a large extent corrupt)

Country	Political life	Business environment	Personal and family life
AL	3.1	3.3	2.3
BG	3.4	3.1	2
HR	3.1	3.5	2.6
CZ	3.3	3.1	1.8
EE	3	2.8	1.5
LV	3.4	3.2	2
LT	3.3	3.3	2.4
MK	3	2.9	2.6
MD	3.3	3.1	2.4
PL	3.5	3.3	2.6
RO	3.4	3.1	2.6
UA	3.4	3.1	2.1
CEE AVG	3.266667	3.15	2.241667
Overall GCB AVG	3.1	2.9	2.3

In the Global Corruption Barometer survey, the CEE publics answered that the areas (i.e., political life, the business environment or personal and family life) most affected by corruption are political life, with an average of 3.27, followed by the business environment with 3.15. The meaning of scores is this. For a maximum score of 5, corruption affects a country to the largest extent possible while for 1 a country is the least affected. The CEE averages for political and business areas affected by corruption are even higher than the overall GCB sample with 3.27 and 3.15 versus 3.1 and 2.9, respectively. The scores range between 3.0 for Estonia and 3.5 for Poland. While corruption affects the political life of most countries, the business environment is most in Albania and Croatia with 3.3 and 3.5, respectively.

The findings for CEE countries are in line with the overall Global Corruption Barometer (GCB) results as far as the level of corruption in national institutions and sectors is concerned. More specifically, in the 2004 GCB in 36 out of 62 countries the sectors most affected by corruption, and by the belief that something needs to be done first against it, are political parties (with 4.0), parliament (with 3.7) and legal/judiciary sector (with 3.6). For example, at the CEE level the most corrupt are considered political parties (with 3.96), followed by the legal system (3.91), customs (3.87) and parliament (3.85). A score of 5 represents an extremely corrupt institution or sector, while 1 is not at all corrupt.

When looking at the individual scores, the most worrisome situation regarding corruption of political parties is in Czech Republic with 3.9, in Estonia with 3.5, in Latvia, Poland and Romania with 4.2 and the most problematic, in Ukraine with 4.3. In the other countries, the most affected by corruption and clearly singled out are the

customs in Albania with 3.7 and Bulgaria with 4.5, the legal systems/judiciary in Croatia with 3.8, Macedonia and Ukraine (with scores of 4.3 for both). All in all, Ukraine seems to be the most affected by institutional corruption with 4 institutions and sectors (i.e., political parties, parliament, police and customs) ranked as extremely corrupt with a score of 4.3. Nevertheless, the overall level of corruption is also extremely high across the other Ukrainian institutions. (For more details see Appendix 2. Table 1)

To assess the impact of corruption on their countries, respondents were being asked in the 2004 GCB “how would they rank the following problem facing their country/territory.” In this case, CEE results varied slightly with the overall GCB sample. For example, for the overall GCB, the main problems are insecurity and unemployment with a score of 3.5, immediately following by grand or political corruption, high prices/inflation, and poverty with 3.4. The score scale is to be read like this 1 represents “not a problem at all” while 4 is “a very big problem”. On the other hand, the most problematic ranked are unemployment with a score of 3.6, poverty with 3.6 and grand corruption with 3.5. One interesting observation, which is in line with the overall findings of GCB, is that across the region grand corruption is seen as much more problematic than petty corruption with scores of 3.5 and 3.3, respectively. This finding is interesting as it supports some authors’ claim that political corruption is the most influential and visible form of corruption and sets the tone for the overall level of perceived corruption (Cabelkova and Hanousek, 2004). What is also surprising is that countries affected by grand corruption are Albania, Lithuania, and Macedonia with 3.7, while the least affected is Estonia with 2.9. In addition, Albania with 3.6 and Lithuania and Poland with 3.5 are most affected by petty corruption, while the least affected are

Czech Republic with 2.9 and Estonia with 2.7 (Appendix 2 Table 2 offers complete results).

Miller et al. (1997) argue that people tend to perceive and report higher levels of corruption than in reality (i.e., how much and how many people are giving or taking a bribe). The averages for the overall and specifically, CEE countries in the 2004 GCB offer supportive evidence. For example, for the overall GCB in average only 10 % of respondents acknowledge bribing, while 87% deny having done it. For CEE, the GCB scores are as follows 18% of people acknowledge having paid it and 76% deny any such payments. The most surprising are the results in Bulgaria where only 6% of respondents acknowledge the paying of a bribe, meanwhile 7% respond as “Do not know/No answer”. Most probably the “Do not know/No answer” percentage should be added to those who have paid a bribe, thus the overall percentage is the sum of the two, in other words, 13%. On the other hand, in Croatia the percentage added is 10%, while in Czech Republic it is 29% (21% say yes while 8% say Don’t Know) and Lithuania is 37%.

About the prospects of the level of corruption in the next three years, the results for the CEE differ slightly from the overall GCB sample as respondents tend to think that corruption increase will be less pronounced, or that corruption will rather stay the same. However, a much closer look reveals that respondents are very pessimistic about the political will to fight corruption even if anti-corruption efforts are under way (for more details see Appendix 2. Table 4). Generally, the range for corruption “increase and stay the same” is between 46% for Bulgaria and 75% for Moldova. One other observation worth noting is that in countries like Bulgaria where the prospects of corruption’s increase or staying the same are relatively low at 45%, the level of “Don’t know/No

answer” is extremely high at 34%. One explanation might be that citizens are disoriented and overall pessimistic about the fight against corruption and its future positive results. These high percentages of “Do not know/No answer” are nevertheless a bad mark for the country’s governments and their anti-corruption efforts as they fail to instill the much needed support for reforms.

Figure 2. The 2004 GfK’s study on The climate of corruption in Central and Eastern Europe

The study has been carried out by the GfK Group and is intended as a monitoring tool of the climate of corruption in Central and Eastern Europe. It is based on a questionnaire administrated in 2001 as well as at the end of 2003 and beginning of 2004 through carried out 15, 270 respondents through face-to-face interviews. The respondents were constituted of the general public aged over 15.

The objective of the research is to find out the level of corruption in the countries of Central and Eastern Europe. More exactly, it looks at the most corrupt sectors, the populations’ attitude towards corruption practices, and their willingness to fight or support the anti-corruption efforts.

The countries included in the study are Austria, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Lithuania, Poland, Romania, Russia, Serbia and Montenegro, Slovakia, Slovenia and Ukraine.

If the GCB asked whether respondents have paid a bribe in the previous year (see the above discussion), the 2004 GfK study on the Climate of Corruption goes one step further and asks about the attitudes towards bribing. For example, it asks if “bribes are an absolutely natural part of life, who wants to live his life, must give them” and “personally, I never bribe.” As a result, two very important trends can be observed across the region, which suggest one conclusion. In CEE, the level of corruption is on the increase as the percentage of respondents who consider bribing as natural and necessary way of life is on a slight increase from 24% to 24.5%. In addition, the percentage of respondents who never bribe is on the decrease from 56.6 in 2001 to 55.6 in 2003.

Support for anti-corruption efforts are developed not only by the GCB (e.g., the expectations of the level of corruption within 3 years), but also in the GfK study. However, they address them from a different angle. For example, GfK asks respondents whether “the state, and not the people, should fight corruption and bribes.”

Respondents in CEE increasingly answer that the state should have the main role from 78.6 in 2001 to 83.7. One of the explanations might be due to the raising of the profile of corruption by various intergovernmental and international organizations across the CEE. It could also mean that the conviction that because of the issue awareness citizens have become aware of its complexity and that the only organization that has enough resources can do it is the government itself. Outliers are Romania and Slovakia where the support for state anti-corruption efforts is in decline (see Appendix 3. Table 3), while in Poland the support for ACS efforts has surged since 2001. In the first two cases, the explanation might be the disappointment with the center-left governments’

unconvincing reforms such as of the judiciary, or of the conflict of interest legislation in Romania. On the other hand, at the end of 2003 the Polish government had just adopted an ACS and the surge in support for it might be due to the high expectations of its citizens have for it.

In spite of the overall increase of support for the anti-corruption efforts, since 2001 systematically and across countries there has increased the perception that the country is a corrupt state. More specifically, if the average in 2001 was 71.4, in 2003 was to 82.4. (For more details see Appendix 3. Table 4.) Another question regards more directly the anti-corruption efforts, as respondents are being asked whether “fighting corruption is meaningless, as there has always been corruption and there will always be”. All in all, there has been an increase in percentage of those who agree with it from 40% in 2001 to over 47% in 2003.

The use of the GfK study is especially relevant as in the literature the debate on whether corruption has increased since 1989 is not settled. For example, authors have argued that corruption has been aggravated since 1989 with the demise of the communist clientelistic relations, the lack of enforcement mechanisms, the dissolution of rule of law, and lengthy and painful transition. Sajo (2004) questions whether the new interest in corruption is due increase in real and perceived corruption. In addition, Krastev (2004) argues that corruption and anti-corruption have become fashionable because of responses to changes in the politics of trade and the politics of international institutions. Krastev (2004) argues that the extent of corruption in the East is not more than in the West or more than before 1989 as much as there is due to an increased centrality of corruption as a policy problem that in its turn fuels anti-corruption efforts. On the other hand,

Treisman (2002) argues that corruption has increased mainly due to economic development and the limited history of democracy in these countries. Such arguments are also reinforced by the findings of the November 2004 Global Corruption Report of Transparency International which concludes that the level of corruption in CEE has not diminished, even if it has not increased.

As already hinted, GfK brings new evidence not only that the perceived level of corruption has increased. For example the increase is very significant from 49.7 in 2001 to an average of 54.3 in 2003 (For more details see Appendix 3. Table 5).

The link between corruption and ACS

The purpose of this section is to elaborate on the link between corruption and anti-corruption efforts. I expect to find that the more widespread corruption is (i.e., measured by the Corruption Perception Index), the more likely a country is to have a comprehensive ACS.

The crux of the analysis is nevertheless to demonstrate that corruption does play a role either through its extent or forms and it that has increased enough as to justify the adoption of comprehensive ACS. I argued that corruption has increased since 1989 not just because of the demise of the communist state structures, the tortuous and endless road of transition, but because the pre-1989 petty corruption and clientelistic relations took new forms and dimensions. Thus, in the post-1989 period the cementing of the old patronize relations took place also due to the vacuum of power and transition changes such as privatization or market deregulation. In line with Cabelkova and Hanousek (2004) and McManus and Czubiska et al. (2004), I argued that due to the anti-corruption

campaigns there has been an increase of “exposed corruption,” which impacts the overall level of perceived corruption and spills over into the actual level of corruption. This is due to the fact that high levels of perceived corruption through mass media publication create or accentuate the public impression that the government bodies are corrupt and thus, citizens become more willing to pay bribes as “everybody does it.” On the other hand, authors have long documented the effects of various corruption issue awareness campaigns by national and international organizations and their effect on the increased negative perception of the phenomenon. In conclusion, I expect to find that adoption of a comprehensive ACS makes it more likely for the public to perceive corruption as a complex issue originating as a problem from the communist period.

The next chapter will be devoted in its entirety to assessing the comprehensiveness of anti-corruption strategies and a quantitative measure will be developed: the Anti-Corruption Assessment Index (ACAI).

Chapter 3. Anti-Corruption Strategies (ACS) in Central and Eastern Europe

The main purpose of this chapter is to analyze the nature and elements of the latest anti-corruption strategies while developing the first comprehensive quantitative assessment index, which I call the Anti-Corruption Assessment Index (ACAI). First, I shall discuss the need for ACS by making a literature review of the fight against corruption. Then, I shall describe ACAI and its methodology. More specifically, I discuss the need for quantitative anti-corruption strategy assessments and the ACAI, including its components, research stages, mathematical formula, and scale, as well as weaknesses and further suggested lines of refinement of ACAI. The next section is dedicated to the presentation of findings and trends for overall and each ACAI sub-area.

Overall context of adoption of Anti-Corruption Strategies

After the fall of communism, not only were the CEE countries' socioeconomic situations very different but also the pathway of reforms they choose to undertake. At the time, a major debate took place regarding both the speed of reforms (big bang vs. gradual) and policies' depth and breath. Svejnar (2001) argues that these reforms can be separated into 2 different waves the so-called Type I, which focused on macro stabilization, price liberation and dismantling of communist system institutions, meanwhile: Type II reforms involved the development and enforcement of laws, regulations and institutions that ensure a successful market-oriented economy. Svejnar continues that countries' ability to implement these reforms was

undermined by their inability to minimize corruption and rent-seeking behavior and for this reasons the anti-corruption campaigns were initiated.

The major problem a country is facing is the vicious circle of corruption or corrupt hands that have to clean themselves or take out the skeletons that tumble out of the cupboard. Such is the case of the United Democratic Forces Party of Bulgaria or the ex-communist party activists repackaged as the Romanian Social Democrat Party when they initiated the anti-crime campaign in 1997 and 2000, respectively. However, for an ACS to be successful it needs to create a system of checks and balances through institutions able to monitor each other. If such institutions are corrupt and prone to political interference, how could they fight against the corruption in the country?

One other objection raised to any anti-corruption campaign is the difficulty of assessing the progress in the fight against corruption, due to the nature of corruption itself (i.e., secret and illegal). Miller et al. (2005) and Fitzpatrick (2003) discuss in-depth the problems ACS might run into. However, all too often as already discussed in Chapter 2, the ACS is nothing but an image or the “perception of the anti-corruption efforts” in the eyes of the voters, which does not necessarily have anything to do with the real content of ACS. Due to the lack of time, I will not enter into detail as to how such opinions are being created and how do they evolve. Future research should focus on it as preliminary evidence suggests significant impact on politicians’ willingness to do something about it. Other authors (Krastev, 2004) have raised issues about the anti-corruption projects as they are based upon a newly imported institution of the rule of law in Central and Eastern Europe. In other words, the new

legislation and practices should replace the old communist ones. However, as citizens are suspicious and mistrustful of institutions and laws from before 1989, the new rule of law will do nothing to correct the underlying problem, which created corruption in the first place. Without any doubt, all such points in case are very much legitimate and valid.

Overwhelmingly, the literature has presented arguments as to why ACS is beneficial and successful in the fight against corruption. The case that ACS research has made is to distinguish between partial reforms and holistic or fully-fledged anti-corruption campaigns. For example, Nye (1989) suggests such partial reforms could be represented by increased pay for public officials; exchange rates closer to the market rates; less regulation regarding licenses and permits, or fewer discretionary powers to public officials. Other reforms should focus on the impact on corruption (Miller, 2005). Thus, ACS could be reactive (e.g., promoting ethical behavior, corporate governance procedures), preventive (e.g., transparency), or both.

A comprehensive overview of anti-corruption models and international efforts was made in Chapter 1. Further information can also be found in Johnson (2004). However, my new approach draws on quantitative and qualitative studies in assessing anti-corruption strategies' comprehensiveness across 15 CEE countries and developing the Anti-Corruption Assessment Index (ACAI). Nevertheless, two observations need to be made before proceeding with the ACAI analysis. First, an anti-corruption strategy can be composed of more than 1500 measures (Lithuania in OSI, 2002). However, recent literature (Miller et al., 2005; Tisne and Smilov, 2004; Steves and Russo, 2004; Fitzpatrick, 2004; EBRD, 1999 & 2002; Haarhuis and

Leeuw, 2000; Gillespie, 1991; Riley, 1998:134; Williams, 2000; White, 2001; Stapenhurst and Kpundeh, 1999; Rose-Ackerman, 1999; Doig and Stapenhurst, 1998; Ogus, 2002; Caiden et al, 1979, 2001; Gardiner and Lyman, 1989) argues for the need for an anti-corruption policy core to successfully fight corruption. Quah (1989) offers the rationale for this. He argues that no single law can fight such a complex phenomenon as corruption. The first influential model for drafting anti-corruption legislation is Klitgaard's 1988 study, in which he argues that in order to successfully curb corruption one should reduce the monopoly and discretionary power that officials exercise while increasing their accountability. Thus, his anti-corruption model combines market-oriented reforms, and administrative and civil service reforms, with the creation of watchdog agencies and integrity systems. On the same line, World Bank (1999) argues that an anti-corruption strategy should have intertwined goals such as the establishment of institutional restraints, political accountability, civil society participation and competitive private sector and public sector management to have any chance to successfully combat corruption. This study and consequently, ACAI, is built upon these findings.

The second observation is that governments adopt many laws that may never enter into force for various reasons (e.g., amended and nullified before implemented or never implemented at all). For this time and resource bounded project, I will take into account only if and when the legislation adopted was entered into force (month and year). This last point is quite visible regarding the institutional arrangements implementing the supervision and monitoring of the ACS. For example, if a commission is in charge of supervising and monitoring political party finance or

financial disclosure of public officials' wealth were authorized by law, it will be taken into account in ACAI only when that commission has been actually created. It is true that such an approach does limit the ACS study by not taking into consideration "false starts." In other words, this project investigates neither political statements without further actions being taken, nor legislation adopted, that never enter into force. It is to be remembered that ACAI is "breaking the ice" on quantitatively assessing cross-national and cross-sectional anti-corruption strategies. Without any doubt, further research needs to be undertaken and some research developments will be suggested at the end of the section. However, before getting to further ACAI developments, we first need to understand what ACS is being made of and how it is being built.

Anti-Corruption Assessment Index (ACAI)

The Anti-Corruption Assessment Index measures the comprehensiveness of the anti-corruption strategies for 15 of the Central and Eastern European countries at three different points in time: 1995, 2002 and 2003. The sampled countries are Albania, Bulgaria, Czech Republic, Croatia, Estonia, Hungary, Lithuania, Latvia, Macedonia, Moldova, Poland, Romania, Slovakia, Slovenia and Ukraine.

The countries selected are from the same geographical region (Central Eastern and Eastern Europe) and have almost 50 years of communist regimes in common. However, they encompass very different levels of economic development, ethnic, social, cultural, and political conditions (Doig and McIvor, 2003; Verdery, 2000; Tismaneanu, 1998). In addition, corruption affects thus to a very different extent. According to the Corruption Perception Index (1995 – 2003), they rank from 27th

(Estonia) to 89th (Romania) for an annual average ranking of 93 countries, where the 1st ranked is the least corrupt whilst the 93rd is the most corrupt (see Appendix 1, Table 2 with the Corruption Perception Index rankings).

One of the project's major purposes is to investigate the progress countries have made in adopting anti-corruption legislation. However, the literature has shown the influence international organizations such as the European Union played on ACS (see Chapter 4 for more details). For example, Grigorescu (2002) discusses their role on raising corruption issue awareness while Open Society Institute (2002) discusses their role on legal assistance in drafting the new legislation. This influence has been especially visible for the new European Union member states (Czech Republic, Estonia, Lithuania, Latvia, Poland, Hungary, Slovenia and Slovak Republic) and candidate countries (Romania and Bulgaria). To avoid such a bias and because the process of accession to the European Union started mainly in the second part of 1995, when the above-mentioned countries submitted their official candidacy letters, the first measurement of ACAI will refer to May 1995. The next ACAI measurements are made in June 2002 and December 2003. The year 2002 is relevant as accession negotiations were finished for most of the sampled countries and various assessments published. On the other hand, 2003 is the latest year when information was made available.

Why the Need for ACAI?

Anechiarico and Jacobs (1996) define ACS as the sum of "laws, regulations, and organizational policies aimed at identifying, preventing, and punishing official

corruption” (1996:XI). In this project, ACS is considered initiated as soon as the government adopted the first measures combating corruption. In most of the sampled countries, a complex National Anti-Corruption Plan was announced and adopted by the executive and the parliament. In others, only an Anti-Corruption Policy was at first adopted (Estonia). In other cases, anti-corruption measures were adopted as part of different legislation, and only later included in a coordinated strategy (Poland). All those different variants will be taken into account.

In contrast to previous studies, which qualitatively investigate one or very few countries (e.g., Shalom, 2004), this study represents the first comparative quantitative study of anti-corruption strategies across 15 countries. A previous EBRD (2003) study inventoried some of the anti-corruption legislation as well as international conventions that CEE countries had signed and ratified. The study only records the existence of anti-corruption legislation. In contrast, my study takes an in-depth look not only at dynamics of the anti-corruption laws (as the latest Central and Eastern European ACS are the most comprehensive ever), but it also radically extends the anti-corruption areas. In addition to the direct study of legislation, ACAI relies heavily on inter- and non-governmental international organizations’ country assessment reports (about 6-7 sources per country) as well as interviews with in-country experts (about 3 experts per country).

What Exactly is ACAI Made of?

ACAI is divided into two sections. The first section of ACAI assesses 9 (nine) policy areas including the overall anti-corruption strategy (ACS), anti-

corruption policy (ACP), political party finance (PPF), asset monitoring (AM), conflict of interest (CI), freedom of information (FOI), public procurement (PP), financial control and audit (FAC) and immunity (I). In the second part, the ACS measures are specifically investigated across the branches of government: executive (EX) and civil service (CV), legislative (L), and judiciary (J). ACAI is divided into these different areas to better capture the policy issues. A law does not necessarily regulate each area even if recent legislative trends convey it (OSI, 2002, GRECO, 2004). For example, in Romania asset monitoring and conflict of interest of public officials are regulated by a single set of legislation (subsequently amended several times). Meanwhile, in Hungary for each category of public officials there are different regulations. The anti-corruption measures' application across the branches of government was also needed as legislation such as asset monitoring and conflict of interest apply differently to the broad spectrum of public officials, while their effect is hard to quantify by using a "one size fits all" approach. More specifically, a conflict of interest law can have different enforcement mechanisms depending on the categories they refer to (e.g., civil servants, MPs, member of executive and judiciary). In addition, the project also investigates how the different checks and balances are established through the anti-corruption legislation. All of these are best captured if their application is also investigated across the branches of government.

What ACAI evaluates is whether, according to best practices and international standards, anti-corruption legislation adopted in the above areas is fighting corruption. It evaluates the comprehensiveness of legislation in the different designated areas. For example, the conflict of interest (CI) area is evaluated through

criteria such as the existence of conflict of interests regulations (CI 1); their strength (CI 2); conflict of interest declarations' comprehensiveness (CI 3); and free-from-political influence enforcement mechanism (CI 4) with enough powers to work properly (CI 5). Other criteria included are the depth of declarations verification (CI 6); the existence of other means for conflict of interest detection (CI7); the public access to declarations within a reasonable amount of time and cost (CI 8); the range of public employees covered (CI 9); clearly defined pathway for submission of declarations (CI 10) and clear standards for declarations' content (CI 11).

ACAI Mathematical Aggregation Formula and Scale

The question when building ACAI is whether ACAI areas should be given equal weight and summing them up in the final index. The risk is to over-emphasize some areas with higher number of questions and thus, different maximum total scores. An exploratory factor analysis has been conducted on ACAI area scores for the three different years (1995, 2002 and 2003) to test for the underlying ACAI structure. The factor analysis offers the most straightforward method to determine the clustering of issues around the underlying but not directly observable variables or dimensions among ACAI areas. As a result, four distinct components consistently appear to form ACAI. However, all but one of its components' content varied across time. Public procurement (PP) and financial control and audit (FAC) consistently form a common component. The similarity might be due to the fact that both represent a form of control over government dealings. An in-depth discussion of the results and methodology of the factor analysis will be made in Chapter 5.

In brief, the above analysis suggests ACAI areas are distinct and equally important. However, if the areas' criteria are added together their possible maximum scores vary greatly and give unequal weight to the areas. To correct for such a bias, for each of ACAI areas will be calculated an adjusted score. First, each area's raw scores will be calculated. Each area's raw score will be calculated as the sum of the scores on its criteria (e.g., ACS 1 + ACS 2 + ACS 3 + ACS 4 + ACS 5 + ACS 6). Each criterion can be either 0 (zero) or 1(one), where (zero) represents the lack of the provision and (one) its existence. Thus, ACAI areas' raw scores vary from a maximum of 6 (six) for ACS' raw to a maximum of 19 (nineteen) for ACP. Second, the adjusted scores for each area are calculated. The maximum ACAI score of 143 is divided by the number of areas (12). The result represents each of the ACAI areas maximum score of 11. 91.

Therefore, the formula used to calculate the adjusted score is

Area score = (11. 91 / Max area raw score) x the actual country raw score.

Finally, the formula for aggregating ACAI is:

ACAI = ACS + ACP + PPF + AM + CI + FOI + PP + I + L + (EX +CV) and J

ACAI varies from 0 (zero) to 143, where zero represents the total lack of legislation to fight against corruption and 143 represents the most comprehensive anti-corruption strategy possible. A higher country ACAI score is better. However, a high score does not necessarily mean the strategy is going to be successful. In brief, it means that the higher the score, the more likely it is for an ACS to be able to fight corruption. In any case, it should also be borne in mind that the legislative

framework is a necessary but not a sufficient condition for successfully combating corruption.

Research Design: The Stages of Developing the ACAI

Previous attempts to evaluate anti-corruption legislation are based on country questionnaires administered to government officials (e.g., GRECO, 2000-2002 and 2003-2005 inventorying the legislation) or documentation (e.g., OSI, 2002 review of the legislation combined with non-governmental in-country experts' interviews).

The data collection method used for this study was selected to better fit the study's main purpose (i.e., cross-national quantitative analysis of anti-corruption strategies' legislation). Due to the large amount of information which needed to be standardized, and to minimize as much as possible internal and external validity threats. I have chosen a combined method of primary legislative data collection, in-country expert interviews, and various assessment reports from various international organizations and think tanks.

In designing and collecting data, the study has drawn on qualitative anti-corruption evaluation reports of the Open Society Institute's EU Accession Monitoring Progress Program (2002), the Council of Europe's Group of Countries for Fighting Corruption (GRECO), and the Center for Public Integrity's 2004 Public Integrity Index. ACAI is also based upon reports of the European Commission Annual Progress Reports (1998-2003), Southeast European Legal Development Initiative (2002), and the Stability Pact for South Eastern Europe (2000-2002). In

addition, specific reports on ACAI individual areas were also used. For example, in assessing the judicial area were used the 2001 OSI Judicial Capacity reports and the 2002-2004 American Bar Association Central European and Eurasian Law Initiative (ABA-CEELI) Judicial Reform Index. To draft the index's conflict of interest criteria, of use has been Raile's (2004) study on conflict of interest while for the political party financing were the IDEA and Epic 2003 and 2004 data sets and the codes of conduct in the Palidauksants (2002) study. Local, national and regional newspapers and studies such as 2002-2004 Transparency International Global Corruption Reports have also represented important sources of information. For more details on the general sources of information, see chapter 1 while for the best practice standards on ACAI areas see section 2 of this chapter.

During the first stage, after an extensive study of the above-mentioned sources, a questionnaire was drafted. In designing the questionnaire for each of the 12 ACS areas, the goal was not to be exhaustive but to best capture the main elements and dynamics of anti-corruption provisions. For example, regarding financial disclosure I investigated the definition of assets, income and business activities; its application (i.e., whether it includes spouses and children); its enforcement mechanism (agency); and the powers at its disposal.

In the second stage, after drafting the questionnaire, the actual data collection took place. Based on initial feedback received, the evaluation criteria and questionnaire were further refined.

New data collection, based on the updated questionnaire, represented the third stage. However, some of the problems encountered at this stage need to be

underlined, as they are symptomatic of the problems encountered during the development of ACAI. First, data on the three different measurements in time (1995, 2002 and 2003) was difficult to gather even if the information is based not only on primary sources (e.g., laws, national programs) but also on secondary sources (e.g., reports evaluating the legislation). The role of such reports is vital as they put legislation's dynamics and principles in each country's context. However sometimes, reports were hard to find. For example, Ukraine and Belarus did not allow intergovernmental organizations such as the Council of Europe to undertake such assessments. Nevertheless, Ukraine has been included in the sample, as NGO's such as ABA-CEELI managed to conduct (even if partial) evaluations. Other countries not included in the sample are Serbia and Montenegro and Bosnia-Herzegovina due to their volatile statehood situation between 1995-2003. In addition, Bosnia-Herzegovina has not been included in the sample as its status is still unclear (under UN's KFOR protection). However, not being included among the countries sampled does not mean they should not be included in a future analysis. Their cases are very interesting as, for example, the United Nations has started an anti-corruption strategy in Bosnia Herzegovina (Kaufman, 1999). In contrast, the former Prime Minister Djindjic, who initiated an ACS in Serbia, has been assassinated because of its initiation. These countries are special cases and therefore, they need to be studied separately.

Other times, the assessments were either incomplete or inconsistent making it difficult to understand of the status of legislation. Such is the case of the Romanian Anti-corruption Law 78/2000. Its amendments were incorporated into the new

legislation - Law 116 of 2003 - amended in June 2003. However, its constitutionality was questioned at the Constitutional Court and later some parts declared null. On the other hand, studies were not consistent over time. Sometimes, they focus on legislation introduced do not record further amendments or changes (e.g., EU Commission Annual Reports).

In order to correct for these inconsistencies, a fourth research stage was undertaken, which included interviews with in-country experts (at least 3 experts per country). The experts are generally working in the nongovernmental sector monitoring the anti-corruption legislation in their respective countries. They are mainly from the extensive network of the American Bar Association Central European and Eurasian Law Initiative (ABA-CEELI), and national chapters of Transparency International. Experts from government agencies and other inter-governmental organizations (e.g., Council of Europe's Group of Countries for Fight against Corruption) were also interviewed. Their role has been especially relevant as they seek to validate the questionnaire's applicability for each country's national context.

During the fifth stage, the information provided by interviewees was reviewed. Among the problems encountered the most important was due to the experts' contradictory opinions on the interpretation of different law provisions. To mediate such conflicts, more information has been gathered (e.g., legislation, newspaper articles, assessments reports). The final decision for such cases was taken only after consulting with the experts of Council of Europe Group of Countries against Corruption (GRECO).

ACAI Criticisms and Further Lines of Research

The purpose of this section is to anticipate the possible criticisms to ACAI and suggest its further improvements. In-depth observations on the individual ACAI areas are also to be found in their respective sections in the second part of the chapter.

First, due to its quantitative nature, the ACAI might seem to take anti-corruption legislation out of its specific country context. However, it is to be kept in mind that at both designing and data collection stages, the ACAI is also built upon qualitative country assessment studies combined with expert interviews. The sheer volume of legislation made the quantitative approach the only feasible approach for such a comprehensive cross-national analysis. By developing an exploratory model (see Chapter 4) on what accounts for ACS comprehensiveness variation, the anti-corruption efforts and measures will be put again in their national context.

One other potential criticism might be related to the selective inclusion of anti-corruption measures in ACAI. This is a valid concern. The study builds upon previous findings, which argue for the existence of a common legislative core in the fighting of corruption. Thus, ACAI was never intended to be all-inclusive or exhaustive. The purpose of designing ACAI is to get the “pulse” of a country’s anti-corruption strategy. ACAI is intended to make not only an inventory of the legislative provisions but also to better capture its dynamics. Nevertheless, in order to see if the selected measures are relevant to countries’ anti-corruption efforts, in-country experts have also been interviewed.

Questions might also be raised on the selection of specific ACAI areas, as the linchpin of the analysis is to show how representative these areas are for the overall

anti-corruption efforts. As already discussed in Chapter 1, ACAI is mainly based on the latest literature and best practice findings (e.g., Council of Europe' Group of Countries Against Corruption (GRECO) recommendations and assessment reports), which argue in favor of such areas. Having said that, the expansion of existing areas and addition of new ones such as internal audit, privatization, or involvement of civil society are welcome. Another example is the Financial Audit and Control (FAC) area, which focuses on external control mechanisms. Only 2 out of the ACAI's 19 area's criteria refer to internal control mechanisms (e.g., FAC 7 refers to its existence, while FAC 12 refers to their application uniformity across the country). One possible expansion of the FAC area might be regarding internal financial control. The investigation of anti-corruption legislation across public agencies and services (e.g., health care, police, customs) could be of interest especially since surveys assessing the levels of corruption include them.

Other criticisms might regard the level and unit of analysis, as ACAI focuses exclusively at the national level. The span of legislation covered for the 15 CEE countries and the time-bound nature of this project were the biggest impediments to further widening the levels of analysis, for example, to provincial and local levels. Another suggested widening of the level of analysis is the year-by-year evaluation of ACS provisions. This type of analysis would give a more dynamic and accurate picture of the evolution of ACS legislation including of the legislative setbacks being temporary.

As in Chapter 1, one of the peculiarities of the latest CEE ACS is the complexity of measures included. At a first look, the ACAI might seem to focus only

on reactive measures (e.g., sanctioning of corruption) at the expense of preventive ones (e.g., codes of ethics, training and education). A much closer look reveals that such criteria are also being included (e.g., codes of ethics). It is nevertheless, true that the design of the latest ACS gives an increased weight to penalizing of corruption. This has prompted some authors to predict ACS failure. Their argument runs like this. The citizens of the former communist countries are so mistrustful of their state institutions and bureaucracy that any legislation added to the myriad of already existent regulations will do nothing but increase red tape and give more unaccountable powers (to bureaucracy) without really reducing the levels of corruption. Whether an ACS is doomed to failure is an open question, as the literature failed to give an answer as to when ACS should yield results (i.e., reduce the level of corruption).

The ACAI focuses on anti-corruption legislation, which enters into force. However, it is no doubt that for any result to show up, further possible gaps might appear between these formal measures and the government commitment and capacity to implement them. Further analysis could go beyond its adoption stage and investigate its comprehensiveness at other policy stages like policy implementation or policy termination. Preliminary analysis tends to emphasize the importance this last point as 2003 Freedom House Nations in Transit Albania report finds evidence that

While Albania has strengthened its anti-corruption legal framework and ratified relevant international agreements, the government acknowledges that implementing and enforcing legislation remains a challenge (2003:71).

Another further area of research could be on the costs of fighting corruption, as such studies are lacking. How much does it cost to fight corruption? What is the right amount? What are the best assessment models to be used (e.g., cost/benefit, cost effectiveness)?

Last but not least, ACAI might seem biased towards centralized fighting of corruption as it takes into account only the main enforcement agency, for example, in the Anti-Corruption Policy (ACP) area. This bias is mitigated by the fact that some enforcement agencies (not evaluated by ACP) will be taken into account in the enforcement mechanism criteria of other sections (e.g., conflict of interest, and supreme audit courts). For an in-depth discussion of this possible critique see in the immediately following section the ACP area, while for a comprehensive analysis of commissions and agencies involved in fighting corruption see the GRECO country assessments. Further studies could also investigate how the different agencies, committees, commissions, and their overlapping jurisdiction influence the success of fighting of corruption.

Anti-Corruption Assessment Index (ACAI): Trends and Findings

The existence of anti-corruption legislation is not a guarantee but a prerequisite for its success. With this in mind, this chapter will make an in-depth analysis of the overall ACAI and its 12 (twelve) individual areas: anti-corruption strategy (ACS), anti-corruption policy (ACP), political party finance (PPF), asset monitoring (AM), conflict of interest (CI), freedom of information (FOI), public procurement (PP), financial control and audit (FAC), immunity (I), executive and

civil service (EX and CV), legislative (L) and judiciary (J). The purpose of the section is not to recap each area's criteria and detail the answers but to discuss their variation across countries and more importantly, to clarify what are the best practices in each area. For more information on area criteria see Appendix 4 on the ACAI questionnaire and Appendix 5 on the final ACAI rankings per year and area.

The structure of the section is as follows. After this introduction, overall ACAI findings and trends will be presented. Second, each area's criteria and findings will be discussed. The underlying structure of the sections dedicated to investigating each area will follow the same pattern. It will first explain what each area is evaluating.

Second, it will present each area's findings and trends. Third, an in-depth analysis of criteria and scores will be made within each area while comparing their standards to the international best-practice ones.

Before any further discussion, three organizational observations need to be made. Throughout this project, I will refer to the sampled countries as All 15, EU, EU +2 or Non EU. It means that: All 15 incorporates all 15 sampled countries; EU refers to the new members of the European Union such as Czech Republic, Estonia, Hungary, Latvia, Lithuania, Slovenia, Slovakia, Poland; EU +2 refers to all of the above mentioned plus Romania and Bulgaria; while Non EU refers to Albania, Croatia, Moldova, Macedonia and Ukraine. Another reminder is that a country's score in any given year and area can vary between a maximum of 11.91 (very comprehensive legislation) and minimum of 0.00 (no legislation). Third, one distinction needs to be made. In this study anti-corruption strategies will be referred

to generally as acs. Nevertheless, when used in capital letters as ACS it refers exclusively to the ACAI area called Anti-Corruption Strategy.

Overall ACAI

Without any doubt the latest anti-corruption strategies (acs) are the most complex that countries have ever initiated. Nevertheless, if in 1995 only Latvia, Estonia and Ukraine had officially started an ACS, by 2003, 14 out of 15 countries had done so. Initially, by an anti-corruption strategy was understood the adoption of an anti-corruption policy (mainly see the ACP area discussed in this chapter). As it became obvious corruption was more complex and difficult to root out than previously thought, outright strategies have been put into place. Though no country manages to attain the maximum score, the best-ranked ACS are in the Baltics (Estonia, Latvia and Lithuania), while the worst ranked are those of Macedonia and Ukraine. All in all, EU scores the highest or has the most comprehensive ACS legislation. By 2002 this trend is accentuated while the best-ranked Non EU country comes only in the 8th place (Moldova).

Since 1995, across all sampled countries, there has been a very systematic positive improvement in the quality of anti-corruption legislation either through adoption of new legislation or perfecting the already existent one. The mean increase reflects this trend both at ACAI and its areas' levels. However, what is even more impressive is that over time, the absolute variation among ACAI country scores has diminished. In other words, once countries adopt new legislation or perfect their

existing one, the other countries in the region start doing the same thing. Another way of looking at it is that countries tend to copy each other's legislation.

Table 3.1. ACAI for 1995, 2002 and 2003

Countries or groups of countries	Year	Mean	Standard deviation	Coefficient of variation
ALL 15	1995	37.03	9.74	0.26
	2002	87.80	15.87	0.18
	2003	99.13	16.76	0.16
EU members	1995	31.31	11.50	0.37
	2002	75.59	19.03	0.25
	2003	91.90	15.71	0.17
EU + 2	1995	34.82	10.07	0.29
	2002	83.89	16.29	0.19
	2003	91.90	14.32	0.15
Non EU	1995	34.82	10.07	0.29
	2002	83.89	16.29	0.19
	2003	98.53	14.32	0.15

One other striking observation is that countries make such changes within very brief periods of time from each other (e.g., major legislation has been adopted mostly between 1997 and 2003). However, the countries that have introduced legislation later tend to introduce a more comprehensive one. Why do countries have this imitative behavior and how does it impact ACS comprehensiveness will be discussed in chapters 4 and 5.

As far as the pace of reforms is concerned, EU adopted almost all of its legislation by the end of 2002, most probably under the pressure of wrapping up the integration negotiations to the European Union (i.e., December 2002). However, what is surprising is that by 2003, Non EU (especially, Croatia and Macedonia) accelerated the pace of their reforms.

One other interesting finding is that countries' ACS are both different and similar. At a first look, the legislation is very similar regarding the ACS policy core and institutional arrangements in charge of enforcing the policies. However, a much closer look reveals, for example, that institutions' jurisdictions over issues, independence from political influence, and powers vary greatly (detailed discussion will follow in the next section).

One of the major findings is that Central and Eastern European ACS target mainly low-level corruption rather than high-level corruption, as well as petty corruption rather than state capture. In brief, even if senior public officials and politicians are considered the most corrupt and mistrusted (World Bank, 1999, 2002, 2004), the legislation fails to put into place the necessary checks and balances to ensure their accountability and transparency of their dealings. For example, across all

countries major problems are to be found regarding their monitoring and disclosure of conflict of interest declarations, their wide immunity, and complicated immunity withdrawal procedures. On the other hand, major problems also remain regarding political influence on day-to-day activities of the institutions in charge with fighting corruption and especially, the judiciary.

An interesting finding is the importance given in CEE ACS to the specialized anti-corruption bodies. Such arrangements tend to be similar with the 1970s Hong Kong ACA carrying not only criminal investigations but also policy formation and coordination but also prevention of corruption through education and other specific tasks (e.g., checks the financial declarations, income and asset declarations of individuals and political parties in Latvia).

All in all the best-ranked ACS are in Lithuania and Latvia, while the worst is Ukraine. The Ukrainian case is very interesting, as by 1995, with the coming to power of President Kuchima, Ukraine had already started its own ACS. However, ever since the initial reforms, Ukraine's anti-corruption efforts stalled as much as they took a reverse gear due to Kuchima's authoritarian rule. That is not to say legislation was not adopted. On the contrary, Ukraine has been one of the most prolific in this area but the quality of legislation has been poor as reflected by ACAI and area scores.

Anti-Corruption Strategy (ACS)

ACS area investigates country's overall ACS. Its design is based on the extensive work of Steves and Russo (2004), EBRD (1999 & 2002), and Tisne and Smilov (2004) who conclude that anti-corruption programs generally contain a

national anti-corruption law, strategy or program; a ministerial commission, specialized unit or dedicated agency; an action plan to implement the program and/or a monitoring mechanism. In consequence the ACS questionnaire looks at the degree of coordination/coherence of its anti-corruption program (ACS 2), the enforcement mechanism and its powers (ACS3 and ACS4), the level of funding allocated (ACS5) and the extent of mandate of agencies involved in fighting corruption (ACS6).

An anti-corruption strategy is considered started when there is an official government statement announcing the intent to fight corruption and a government and/or parliamentary national strategy being adopted. Thus, for ACAI an ACS is considered initiated whenever both have been adopted. For example, in Moldova the Act 900 on Combating Corruption and Nepotism was adopted as early as 1996. However, a comprehensive national anti-corruption program was adopted only in 1999. In the Moldovan case, ACS is considered initiated in 1999.

In 1995, only Estonia, Latvia and Ukraine had initiated an ACS by adopting an Anti-Corruption Prevention Act, but by 2003, 14 out of 15 countries had done so. Only Slovenia did not have an ACS by the end of 2003. Not only have countries adopted new legislation, but they also have very significantly improved it (i.e., ACS comprehensiveness). For example, if the maximum possible score for a country in a given year is 11.91, in 1995, the highest actual scores were attained by Ukraine with 2.88 and Latvia with 1.99, while the other countries had no legislation. By 2002, Lithuania with 11.91 and Albania with 9.43 were the highest ACS scores, while Estonia with 4.47 and Poland with 0.00 the lowest. On the other hand, in 2003, the ACS scores varied between 11.91 for Albania and Lithuania and 5.76 for Ukraine. If

the mean per year for the entire sample and composing groups (EU, EU+2, Non EU) are taken into account, this tendency is even more visible (see below Table 3.2 for more information). However, even if means increase over time, their absolute variation among each other (given by the coefficient of variation) has decreased over time.

Last but not least, in 2002 the Non EU ACS mean was the highest compared to either the entire sample or different groups. This finding is very interesting as it shows that Non EU have introduced legislation later than EU and EU + 2, however, when they did their legislation was much more comprehensive. On the other hand, this criterion must be seen in connection to the other areas of anti-corruption legislation that a high score ACS could just mean a signal of the desire to fight corruption, without really fighting it.

Table 3.2. Trends: Anti-Corruption Strategies for 1995, 2002 and 2003

Countries or groups of countries	Mean	Standard deviation	Coefficient of variation
ALL 15	0.36	0.87	2.42
	6.95	2.60	0.37
	8.67	1.87	0.22
EU members	0.31	0.7	2.26
	6.53	3.42	0.52
	8.50	1.73	0.2
EU + 2	0.25	0.63	2.52
	6.75	3.09	0.46
	8.76	1.67	0.19
Non EU	0.58	1.29	2.22
	7.36	1.38	0.19
	8.49	2.43	0.29

Details about Coding

To better understand the scores' meaning, I will briefly discuss the areas' main criteria and their optimum. As already mentioned, the underlying approach in conducting the evaluation is not to limit countries' policy choices (i.e., all countries should introduce only one type of anti-corruption agency irrespective of their country specific contexts) and thus, not accept their variation. The crux of the argument is to accept any policy variation, if better serves the countries' specific context while applying best practice findings. For this reason, of great use in evaluating each area are also secondary sources such as reports from the EU Commission, the Council of Europe, and Open Society Institute, which evaluate the legislation in its national context.

The degree of coordination criteria (ACS 2) investigates whether the measures taken and legislation adopted are in line with the official anti-corruption strategy goals (ACS 2a); whether the legislation needs any other further legislation to be adopted to enter into force (ACS 2b), and whether the anti-corruption strategy has clear short, medium and long term sequences of reform (ACS 2c). By 2003, only Albania and Lithuania had the highest ACS degrees of coordination, meanwhile Poland and Slovenia had the lowest ones.

The characteristics of the latest anti-corruption measures (e.g., extent and complexity) require an overarching institutional framework to monitor, coordinate and supervise the anti-corruption strategy (GRECO, OECD).

One of this study's findings is that the types and roles of enforcement mechanisms vary across time and countries. As a general rule, inter-ministerial

commissions or committees responsible for ACS are under the supervision of the head of Executive (i.e., Prime Minister). Nevertheless, their composition varies greatly across countries. For more details, see the 2002-2003 GRECO reports on the Ukrainian Coordination Committee for Fighting Corruption and the Moldovan National Anti-corruption Working Group. However, one observation needs to be made. Sometimes the same commission that drafts the anti-corruption strategy also has the role of supervising it (e.g., the Romanian National Committee for the Prevention of Criminality with its Central Group for Analysis and Coordination of Corruption Prevention Activities and the Macedonian Anti-Corruption Commission). Other times, one committee drafts it while a separate body administers it. Such are the cases of Czech Republic, Albania, and Bulgaria. In 2001, the Czech government established the Office for the Prevention of Corruption responsible to the Prime Minister with the role to prepare the national strategy and draft new legislation. The Czech Coordinating Commission for Combating Corruption was created to coordinate the ACS and is composed of representatives from various ministries and other executive bodies. In Albania, the Governmental Commission of the Fight against Corruption drafted the anti-corruption program meanwhile the Anti-Corruption Monitoring Group (ACMG) is in charge of its implementation. According to GRECO, OSI, EU, SELDI, the powers needed by the ACS bodies to fulfill their mission (ACS 4), are to monitor and coordinate ACS implementation, to draft new legislation, and to devise new anti-corruption programs such as education.

The funding Allocated criterion (ACS 5) investigates whether funding is being allocated for ACS agencies and programs on an annual basis. It does not set a

threshold above which ACS funding might be at an “acceptable” level, because there are no conclusive studies on how much it costs to fight corruption. Further research in this area is needed. Instead, as long as funding is being allocated systematically and irrespective of its sources (e.g., international organizations, NGOs, government funding) and the assessment reports used as sources acknowledge it, the criterion is considered fulfilled.

However, by 2003 only 8 out of 15 countries had fulfilled it satisfactorily. Even if countries’ overall wealth is an important factor, both EU and Non EU countries fulfill it (Albania, Bulgaria, Croatia, Estonia, Lithuania, Latvia, Romania and Slovakia). Again, it seems to be much more of a political decision whether money is to be allocated from government as well as from international organizations than the actual sum being taken into account.

The mandate and jurisdiction of anti-corruption agencies (ACS 6) criterion refers to all anti-corruption agencies and investigates whether there are overlapping jurisdictions and mandate to fulfill their tasks. Though the criterion might seem broad, it is based upon very thorough analysis of the first round GRECO assessment reports. Nevertheless, by the end of 2003, only Albania, Bulgaria and Lithuania had fulfilled this criterion. To better understand to what this criterion refers two case studies will be presented. For example, in Moldova the anti-corruption agencies are the police (with its different departments: the Department for Fighting Organized Crime, the Criminal Investigation Department and the Directorate of Cross Border), Information and Security Service, Center for Fighting Economic Crimes and Corruption, Ombudsmen, the Court of Audits, Customs Department, National

Procurement Agency and Tax Inspectorate. In Bulgaria, the anti-corruption agencies are under the supervision of either the Ministry of Interior (i.e., National Service of Police, National Service on Combating Organized Crime (NSCOC), National Service of Security (NSS) and Directorate Inspection) or the Ministry of Finance (i.e., the Financial Investigation Bureau, the customs agency, the tax authority and the National Audit Office).

Anti-Corruption Policy (ACP)

OSI (2002), SELDI (2001), SPAI (2002) have concluded there are some fundamental elements needed to successfully fight corruption. Therefore, it is the role of the ACP area to evaluate them. More specifically, ACP focuses upon the definition of corruption (ACP 1), the various criminal offenses under which corruption is sanctioned (ACP 2 through ACP 14) and the specific bodies and institutions directly in charge of fighting corruption (ACP 15 through ACP 19). The ACP area evaluation is tailored based upon the qualitative reports of the 2000-2002 first evaluation round GRECO questionnaire (and especially, its 2.1 – 2.7 criteria). In the remainder of the section I will first, present ACP area scores and trends across countries. Second, I will conduct an in-depth discussion of the scores' meaning.

There is a very significant increase in the comprehensiveness of legislation since 1995, when all countries registered record low ACP scores. In addition, if in any given year a country's score cannot be higher than 11.91, in 1995 scores varied from 6.09 for Ukraine to 0.63 for Bulgaria. By 2002, countries' scores varied

between 10.83 for Latvia and 9.85 for Slovenia, and 6.27 for Bulgaria, Poland and Slovakia. By 2003, scores varied between 11.66 for Lithuania and 8.09 for Slovakia.

However, what is interesting is that the highest mean recorded in 2003 was for Non EU. Non EU were the last to introduce the ACP legislation; however when they did so, they adopted a much stronger legislation than previous countries did.

One other significant finding is that even if countries have tended to perfect their ACP legislation over time, they did so while the absolute variation among them has decreased (see the coefficient of variation). In brief, once countries started adopting anti-corruption legislation all of them in their respective groups and across the sample have tended to so. This tendency is clearly more visible at the Non EU level.

Table 3.3. Anti-Corruption Policy for 1995, 2002 and 2003

Countries or groups of countries	Mean	Standard deviation	Coefficient of variation
ALL 15	3.29	1.58	0.48
	8.39	1.44	0.17
	9.76	1.28	0.13
EU members	3.47	1.32	0.38
	9.69	1.69	0.19
	9.76	1.54	0.16
EU + 2	3.03	1.52	0.5
	8.47	1.68	0.2
	9.7	1.5	0.15
Non EU	3.72	1.77	0.48
	8.23	0.95	0.12
	9.86	0.79	0.08

Details about Coding

To better understand the meaning of the scores, the rest of the section will be devoted to understanding the main individual criteria and their variation.

Some countries have a single-law on Anti-Corruption Policy (e.g., Estonia, Macedonia, Romania), even if supplemented by the Penal, Civil or Criminal Codes provisions. What needs to be noted is that countries that have adopted an Anti-Corruption Policy have also included in ACS legislation belonging to the other ACAI areas. Primarily due to lack of time and because it was discussed elsewhere (Open Society Foundation report on Romania, 2002), I will not discuss the advantages and disadvantages of including so many other anti-corruption measures in the Anti-Corruption Policy. However, I will present two cases. For example, the 2002 Macedonian Law on Prevention of Corruption also regulates the financing of political parties, the administration of budgetary resources, the protection of justice collaborators and witnesses and state secrets. The Romanian Law 78 of 2000 for preventing, uncovering, and sanctioning of corruption acts (amended by the Law 161 of 2003 on introducing some measures to ensure transparency of public office and business environment, prevention and sanctioning of corruption) also regulates disposal of budgetary resources, use of electronic means in public administration, conflict of interest and asset monitoring of public officials, lobbying, use of European Union funds and civil servant status.

The first criterion (ACP 1) investigates the definition of corruption in a country's legislation. It looks at whether a country's penal, civil or criminal or administrative codes define its extent (i.e., include as material and non-material

bribery). It also looks at whether corruption offenses are criminalized (i.e., according to international standards solely administrative and disciplinary sanctions are not sufficient to successfully fight corruption). For example, in the Moldovan Act 900 of 1996 on Combating Corruption and Nepotism, corruption is defined as an antisocial act, which involves unlawful collusion between two parties, one of which offers or promises illicit privileges and benefits, while the other, being a public official, accepts or receives such privileges or benefits in return for performing or failing to perform certain acts that form part of his duties, and which constitute an offense under the Criminal Code.

If in 1995, most countries did not have a clear definition of corruption, by 2002 the situation had reversed. However, by 2003 the Czech Republic and Croatia, Hungary still did not have a clear and uniform definition of corruption or else included in it only material bribery. Some countries do not have a uniform definition of corruption, but have a wide range of criminal offenses associated with it, thus, indirectly clarifying its meaning. Such is the case of Hungary, where there is no uniform definition of corruption but there are various criminal acts against fairness in public life and criminal acts committed while in office (GRECO First Round Evaluation of Hungary, 2003). Therefore, as long as GRECO acknowledges and considers them in line with the Council of Europe's recommendations, the criterion will be considered fulfilled. The late introduction in the national legislation of a clear definition of corruption might be due to its late crystallization at the international best practice level through recent convention adoption (e.g., the Council of Europe

Criminal Law Convention on Corruption and the Civil Law Convention on Corruption). But what exactly are these various acts associated with corruption?

The criteria ACP 2 through ACP 14 evaluate the main criminal offenses under which corruption is being sanctioned (e.g., active and passive bribery of domestic and foreign public officials; corruption committed in an organized manner; corruption in the private sector; using public resources for private gain; using confidential information for private gain; counterfeiting or falsification related to office).

Among these criteria some observations need to be made. The money-laundering (ACP 9) criterion investigates not only if money laundering is being criminalized but also if it is a separate criminal offense from stolen goods. For example, in the 2002 Albanian Law on Prevention of Money Laundering, money laundering is defined as “the cycling and recycling of money derived from criminal activities called dirty” and covers the deposition, disposition, transferring and exchange of money, ownership in bad faith, and mediation (GRECO Evaluation Report in Albania, 2002: 8).

The gifts and hospitality (ACP 11) criterion evaluates both the definition of gifts and the threshold when a gift becomes a bribe. For example, the Art 30 of the Macedonian 2002 Law on Prevention of Corruption defines gifts and other special occasion gifts as books, souvenirs and similar objects of lower value.

Notwithstanding, what complicates the application of this criterion is its variation across the different branches of government (e.g., different thresholds). For this reason, it will be separately investigated for each branch of government.

Of the above-mentioned criteria, the latest introduced in national legislation are bribery in the private sector (ACP 12) also known as economic bribery (GRECO evaluation of Hungary, 2003:4, the OECD Convention and UN convention on anti-corruption) and criminal liability of a legal person (ACP 14). However, most countries have problems with criminalizing them (e.g., the institution which employs them or which they represent is solitarily sanctioned with its employees if during the exercise of its functions corrupt acts are being committed). By 2003, 11 out of 15 sampled countries had criminalized bribery in the public sector. The countries that had yet to criminalize it are Poland, Romania, Slovenia, and Ukraine. On the other hand, by 2003 only 6 out of 15 countries had introduced criminal liability of legal persons in their legislation. The countries are Estonia, Lithuania, Moldova, Poland, Slovenia, and Slovakia.

One other observation regards the level of penalties. A recent trend across countries has been to increase the penalties for corruption offenses. For example, the penalties vary between 3 and 10 years for both offering and receiving a bribe (Moldova). Though it is not clear what the optimum level of penalties should be, OSI (2002) argues the existence of a paradox. The high level of penalties influences judges to not apply them, as they are deemed too high. In addition, countries penalize very differently based upon for example, the types of corruption (i.e., active and passive corruption). For example, if in Romania for giving a bribe (i.e., active corruption) the maximum penalty is 6 years in prison, for taking a bribe (passive corruption) the penalty is only 3 years. In contrast, in Latvia, the penalties vary between up to 6 years for offering a bribe and up to 8 years for receiving a bribe

(Latvia). Authors have argued it is not fair to differently penalize the same bribery acts as it creates different accountability. With this in mind, the level of penalties is being taken into account in building ACAI through the criminalization of offenses.

The criteria ACP 15 through ACP 17 investigate whether countries have bodies with the main mandate of fighting corruption, whether those bodies are organizationally and administratively independent and have enough powers to fulfill their mandate. The main advantages to have specialized bodies in fighting of corruption are their clear purpose of administrative review and redress combined with the fact that judicial process should be the way to go, however, it takes time and money. The centralization bias is mitigated by also evaluating the agencies across the different 9 (nine) areas. (For more details on the evaluation criteria see the sample questionnaire Appendix 4).

The nature of anti-corruption strategies (e.g., to reduce as fast and for as long as possible the level of corruption) has prompted researchers (Klitgaard, 1988) to argue for the creation of an agency specialized in fighting corruption. Thus, it will take into account the main anti-corruption agency. As already mentioned, the bias (i.e., some countries scored higher only for having an anti-corruption agency) is mitigated by the fact that the other anti-corruption agencies are also evaluated in the immediately following ACAI areas. However, the analysis is based upon international organizations' reports (e.g., 2000-2004 GRECO reports, the Council of Europe, 2002 OSI) and if they have acknowledged and accepted other homegrown institutional enforcement mechanisms, any such arrangement will be taken into

account. What is striking is nevertheless the extreme similarity in the anti-corruption enforcement frameworks.

The trend over time and countries is clearly to have one agency in charge of corruption. For example, if in 1995 only 4 out of 15 countries (e.g., Czech Republic, Ukraine, Estonia, and Slovenian Republic) had such a specialized body, by 2003 only 4 out of 15 (Bulgaria, Hungary, Poland, Macedonia and Slovakia) did not have such a specialized body. Nevertheless, their official status varies greatly. For example, some are subordinated to the Executive (the Czech Department for Revealing Corruption and Serious Economic Crime (UOK), the Slovak Government Office for Fight against Corruption). Others are part of the judiciary system (e.g., the Romanian Parchetul National impotriva Coruptiei, the Croatian Office for the Prevention of Corruption and Organized Crime) or are independent bodies (e.g., the Latvian Corruption Perception Bureau, the Moldovan Center for Fighting Economic Crimes and Corruption and the Lithuanian Special Investigative Services since 2002).

Most of the time, the agencies in charge of fighting corruption are numerous and have overlapping jurisdictions in the anti-corruption fight. For example, in addition to the above-mentioned specialized bodies fighting against corruption, there are also special departments, services, units or persons within the police, prosecution service, judiciary or other state authorities (e.g., intelligence services) which have powers in the prevention, control, investigation and enforcement of measures to combat corruption. Without any doubt, further separate research needs to be undertaken on the most appropriate institutional framework for fighting of corruption (e.g., centralized vs. decentralized), the different dynamics or interactions among the

different bodies, and their impact on the goals of anti-corruption strategies (e.g., reduce corruption levels).

As previously discussed, the analysis looks at the organizational and administrative autonomy of such bodies, however, in some countries the constitutional arrangements do not allow for it. For this purpose, the role of qualitative reports of GRECO and EU become vital as they assess ACA in their respective institutional arrangement in the national context. Generally, their optimal powers should also include power to investigate or to gather intelligence (e.g., Slovakia, Moldova, Czech Republic, Latvia, Macedonia). However, only in Croatia and Romania do they also have prosecution powers. One of the major problems arises when an anti-corruption institution has extensive powers, but it is not completely independent from political interference either in the appointment of its leaders or day-to-activities. More on this will be discussed in the chapter on political influence.

The ACP 19 criterion refers to citizens' access to documents, including annual activity reports of the bodies involved in dealing with corruption. To better understand the optimum, I will contrast the cases of Lithuania and Macedonia. The very strong Lithuanian Special Investigation Services reports to the Parliament and President; however its reports are not made public, nor they are discussed in public open sessions. On the other hand, the Macedonian State Commission must submit reports to the Parliament of Macedonia within 60 days (2002 Law on Prevention of Corruption, Art 17 Paragraph 5). The Parliament must discuss the report at the first session (after its submission) of the Parliament. The report is reviewed in the public

session. The Macedonian State Commission also must inform the public about the undertaken measures and activities and their results through regular annual reports or whenever deems it necessary (Art 49 Paragraph 2).

Political Party Financing (PPF)

The PPF area evaluates the legislative framework governing political party finances. It investigates contributions to political parties (PPF 2), political parties' commercial activities (PPF 3), candidate and party fundraising and expenditure (PPF 4), bans of sources of income (PPF 6), anonymous donations (PPF 7), monitoring of financial documentation and its audit (PPF 5 and PPF 11), enforcement mechanism and its powers (PPF 8 through PPF 10), standardization criteria of financial reports (PPF 12), types of financial information submitted (PPF 13), access to financial records (PPF 14) and state subsidies (PPF 15).

The design of the questionnaire and collection of data are based upon the 2004 Election Process Information Collection Project and the 2002 Funding of Political Parties and Election Campaigns of the International Institute for Democracy and Electoral Assistance and the 2002 Open Society Institute reports and well as the Council of Europe financing of political parties standards. Because of their comprehensive explication of their code book (www.epicproject.org), I will discuss only very briefly the PPF criteria. The organization of the section is as follows. First, I will discuss the variation of scores and trends across countries. Second, I will investigate more in-depth the meaning of those scores (at criteria level).

There is a very significant improvement in the political party financing legislation over time. If the mean of maximum scores' mean in any given year for all the 15 countries is 11.91, the 1995 the mean is 2.88, meanwhile by 2003 it has increased to 7.75. On the other hand, the same pattern manifested in other ACAI areas is also respected for PPF. Specifically, the relative variation (given by the coefficient of variation) decreases systematically and significantly over time. In other words, countries do start improving their PPF legislation, however, if they do it, they still managed to remain "clustered" together. A closer look at scores gives a better picture of the improvement in the comprehensiveness of the legislation. If the maximum score attained is 11.91 in 1995 scores varied from 8.73 for Romania to 2.05 for Ukraine and 0.93 for Czech Republic. In 2002, scores varied from 9.94 for Lithuania, 9 for Poland to 2.38 for Croatia. Last but not least in 2003, the scores varied from 10.43 for Latvia, 10.2 for Lithuania to 2.38 for Croatia.

Table 3.4. Political Party Financing for 1995, 2002 and 2003

Countries or groups of countries	Mean	Standard deviation	Coefficient of variation
ALL 15	2.88	2.33	0.81
	7.17	1.77	0.25
	7.75	1.99	0.26
EU members	2.58	1.39	0.54
	7.90	1.28	0.16
	8.36	1.71	0.2
EU + 2	2.94	2.51	0.85
	7.75	1.17	0.15
	8.39	1.54	0.18
Non EU	2.94	2.51	0.85
	7.75	1.17	0.15
	8.39	1.54	0.18

Details about Coding

The first criterion (PPF 1) looks at whether a country does have any PPF legislation. Again it does not necessarily mean a single project of law must be adopted (although it is strongly recommended by COE, OSI) as much as clearly defined areas in the legislation available to regulate party financing. For example, in 1995 there were no regulations in Bulgaria, Croatia and Poland. However, in some of countries (Romania, Ukraine, Czech Republic, Moldova and Albania) there were provisions spread across other laws. In brief, a country will not be penalized if it does not have a single legislation but a sum of regulations. Nevertheless, the project acknowledges best practice's recommendation that a single law would better regulate political party financing than a sum of separate regulations and laws would do. An in-depth discussion on the politics of anti-corruption legislation will follow in the Political Conditions chapter.

Even today, there are no limits on the private contributions to political parties in Moldova, Slovak Republic, Hungary, Czech Republic, Albania and Croatia. On the other hand, in the countries where such regulations exist, the thresholds that define the contribution's ceilings also vary greatly. For example, in 2003 in Poland private contributions cannot exceed 15 times the minimum wage per year, meanwhile in Romania, 100 average wages for individuals and 500 salaries from legal entities per year while the average annual wage is around 1500 Euros. In contrast, in Bulgaria, the ceiling for individual contributions is 15, 000 Euros and for legal entities 44, 000 Euros. Therefore, as long as a country has regulations restricting

private contributions and are acknowledged as such by the EPIC and IDEA projects, they will be taken into account in the PPF data collection.

The most problematic are the criteria on the clarity and standardization of financial reports (PPF 12), the depth of audit (PPF 11), and the types of financial records submitted (PPF 13). If in 1995, only the Czech Republic fulfilled the PPF 12 criterion by 2003, six other countries (Slovenia, Slovakia and Lithuania Poland, Romania and Bulgaria) have also adopted it. However, Ukraine, Estonia, Moldova, Macedonia, Hungary, Croatia and Albania still did not have such standardized requirements at the national level.

The depth of audit (PPF 13) criterion includes both whether a declaration has been received and whether it complies with the law and truthfully discloses all financial information. If by 1995 most countries (but Croatia) required declarations to be submitted, the same cannot be said about their accuracy. Nevertheless, by 2002, most countries have introduced it (Ukraine, Slovenia, Poland, Bulgaria, Romania, Slovakia, Lithuania, Czech Republic, Albania and Latvia). The types of financial information disclosed (PPF 13) refer to the extent of information included in the financial declarations and more specifically, to party and candidate contribution and expenditure. If in 1995, only Latvia and Lithuania required the disclosure of both types of information, by 2003 other countries (Albania, Estonia Hungary, Macedonia, Moldova, Poland, Slovakia, Slovenia and Ukraine) have also introduced it. In contrast, in countries such as Romania only party expenditure is being disclosed and only since 2003; meanwhile in Bulgaria only party contributions are being disclosed since 2002.

Asset Monitoring (AM)

The asset monitoring (AM) area evaluates the comprehensiveness of financial assets disclosure legislation for public officials. The criteria are the regulations' existence (AM 1), their strength (AM 2), asset declarations' comprehensiveness (AM 3), enforcement mechanism and its powers (AM 4 and AM 5), depth of verification of declarations (AM 6), other disclosure mechanisms available (AM 7), authority over (AM 8), access to public declarations (AM 9), clear pathway for submission of declarations (AM 10), and standardized criteria for declarations content (AM 11).

Countries have significantly improved their legislation over time, and their relative variation has decreased (see the coefficient of variation in the below attached table). If the maximum (the best) score for a country is 11.91, in 1995, the scores vary from 5.23 for Latvia, 4.68 for Czech Republic, 4.66 for Moldova, to 0.00 (none) for Bulgaria, Croatia, Macedonia and Poland. By 2002, their values ranged from 11.67 for Lithuania, 9.35 for Estonia, 9.28 Latvia, to 2.27 for Croatia and 0.00 (none) for Macedonia. The increase was even more significant by the end of 2003. In that year, scores varied from 11.67 for Lithuania, 11.36 for Latvia, 10.59 for Albania, to 5.1 for Czech Republic and 5.00 for Ukraine. (For more details, see Appendix with the Asset monitoring results.)

The increase becomes much clearer if per-year averages are being compared either for the entire sample or different groups of countries (see means in the below table.) One other observation is that by 2002 most EU and EU +2 countries had in place asset declaration and monitoring legislation; by the end of 2003, Non EU have very dramatically improved theirs. An explanation might be that EU and EU +2 had

to improve their legislation to fulfill their European Union negotiations' requirements. In contrast in 2003, international organizations' pressure refocused on Non EU. More specifically, the European Union has given clear signals to Croatia that it was ready to sign an accession partnership with it if it continued with the anti-corruption reforms. In these conditions, the Croatian government showed its commitment in doing the reforms by accelerating the adoption of the legislation. (For more on the country specific conditions, which have generated the legislative improvement see chapter on the Political Conditions.) In conclusion, the same trend of legislation perfectibility, seen across other areas, is also visible for the AM legislation. In addition, if in 1995 the different groups had similar averages, by 2002, EU and EU+2 scored the highest.

Table 3.5. Asset Monitoring for 1995, 2002 and 2003

Countries or groups of countries	Mean	Standard deviation	Coefficient of variation
ALL 15	2.20	2.03	0.92
	5.76	3.12	0.54
	8.06	2.18	0.27
EU members	2.61	2.14	0.82
	7.55	2.34	0.31
	8.10	2.66	0.82
EU + 2	2.37	2.07	0.87
	7.33	2.13	0.29
	8.2	2.36	0.29
Non EU	1.87	2.15	1.15
	2.60	2.28	0.88
	7.77	1.99	0.26

Details about Coding

While countries such as Romania have a law on asset monitoring and disclosure, others such as Hungary have regulations spread across different laws. Some of the countries have *one* law, which covers both asset disclosure and conflict of interest. Such is the case of the 1995 Slovak Act on Prevention of Conflict of Interest in Performance of Tasks of Constitutional Officials and High Ranking Officials and 1998 Croatian Act on the Rights and Duties of Public Officials and the Act on Preventing of the Conflict of Interest in Exercise of Public Office. In brief, any such variation in regulations' format will be taken into account.

By the end of 2003, most countries have significantly fulfilled the asset-monitoring regulations' strength (AM2) criterion; only Ukraine, Slovenia still had some problems. Among the strength criteria that need clarification are the frequency of declarations' submission (AM 2b) and the level of penalties (AM 2c). According to GRECO (2004) and OSI (2002), the optimum for declarations' submission (frequency) should be at the beginning and end of mandate, and annually in between (e.g., in Bulgaria, the 31st of May). In addition, some countries require its resubmission if there is any change (Slovakia) or a "significant" change (30% change in Poland and 30% or 6, 333 euros, whichever comes first, in Estonia). If such a change takes place it needs to be reported within 30 days of its occurring (Slovakia and Estonia).

As far as penalties are concerned, the best practice (GRECO, 2004) and international conventions argue that criminal offenses need to be associated with non-submission, false, or incomplete financial declarations. Therefore, if penalties are

only disciplinary and take the form of administrative and moral sanctions through the publication of a list of those who fail to submit declarations as in Bulgaria), they are considered insufficient. Nevertheless, future research is needed on the impact of penalties and their level on the anti-corruption strategy effectiveness (i.e., increase in corruption “costs” for public officials).

The declarations are also evaluated in terms of their comprehensiveness (AM 3), the standards for filling them (AM 11) and the depth of verification (AM 6). Extensive information on each of them can be found in the OSI 2002 Corruption and Anti-corruption policy in Hungary report. For example, assets refer to a) high value moveables, debts, b) income declaration, c) business interest declaration or c) gifts or other allocations, things received in relation to the mandate.

“The declaration must contain data on immovable assets (including assets in joint ownership), vehicles, shares, other securities and dividends, bank accounts, taxable income, debts exceeding six’ months salary in value and extra income exceeding ten percent of the previous six months of salary” (OSI, 2002:206).

As far as the standards for filling in the declarations (AM 11) are concerned, the best practice recommends the existence of a standardized form made available across countries for the declaration of assets. By 2003, only Czech Republic, Croatia, Hungary, Macedonia and Poland have not fulfilled this requirement.

As the name of criterion indicates, the “depth of declarations’ verifications” (AM 6) takes into account not only their submission but also their accuracy. If in most countries declaration’s submission was mainly verified since the regulations’

introduction, their accuracy exists only in a few countries and mainly since 2003 (Albania, Croatia, Estonia, Latvia, Lithuania, Macedonia, Romania and Slovenia). OSI in Estonia (2002: 207) argues that the declaration's existence is a deterrent in itself. However, if the declaration is not made public and an agency, commission or committee does not verify its content, it is very unlikely that AM legislation will achieve its desired effect. Because institutional arrangements play a fundamental role in enforcing such regulations, it is high time to investigate them.

There are various types of enforcement mechanisms (AM 4 and AM 5) based upon the categories of public officials under their jurisdiction. For example, in Slovakia, the Civil Service Office monitors civil servants, the National Council Committee for the Incompatibility of Public Officials' Functions monitors MPs, while the Chairman of the Judicial Council and the Ministry of Justice monitor the members of Judiciary.

Generally, there is one law (Albania, Croatia, Lithuania, Latvia, Moldova, Slovenia, Slovakia and Ukraine) regulating asset disclosure, while its supervision and enforcement is being assigned to one agency or committee (e.g., Slovakian chairman of the National Council). However, even if countries have only one agency or committee it takes different forms. It ranges from parliamentary committees (the Slovak National Council's Committee for the Incompatibility of Public Officials' Functions, OSI for Slovakia, 2002: 537), collegial bodies (the Lithuanian Chief Official Ethics Commission, composed of the President, the Speaker of the Parliament, the Prime Minister, the Chairman of the Supreme Court and the President of the Lithuanian Bar Association) to the "conventional" agency (the Lithuanian

Special Investigation Services). However, some countries have not only dispersed regulations on asset disclosure for the different categories of public officials (Hungary) but also more agencies to enforce them.

Therefore, if in law there is only agency in charge of implementing the regulations that one will be taken into account. However, if there is no such clearly assigned enforcement institution, separate criteria will be devised to take into account that possibility. (See the Appendix with the sample questionnaire for extensive discussion on the different institutional frameworks see 2002 OSI reports.)

In 2003, the most independent agencies are the Albanian High Inspectorate of the Declaration and Audit of Assets, the Lithuanian Special Investigation Services and the Croatian Commission for the Resolution of Conflicts of Interest. In contrast, the most powerful are the Croatian Commission for the Resolution of Conflicts of Interest, the Latvian Corruption Prevention Bureau, the Lithuanian Chief Official Ethics Commission and the Albanian High Inspectorate of the Declaration and Audit of Assets. The most important problem regarding these bodies' powers across countries is the lack of gathering of intelligence. In brief, it refers to the access to tax returns and bank accounts. By 2003, 10 out of 15 countries have introduced it, while most of them did so that year (Albania, Croatia, Lithuania, Latvia, Moldova, and Macedonia).

By "clear pathway for submission of declarations" (AM 10), it is understood the clear specification as to whom declarations should be submitted, who should process and verify them. This criterion becomes vital for the AM area as more and more categories of public officials are required to submit them (e.g., about 15, 000

public officials in Estonia, versus 230 in Slovakia). For example, the declarations of civil servants in public administration are generally submitted and held by the head of the institution. The same institution holder may inspect at its own initiative or is obliged to do it in case of suspicion of corruption.

By “other mechanisms for detection criterion” (AM 7) is understood not only the existence of media, hot lines or the easiness to report suspicion of corruption or false declarations, but also the system to take in consideration such declarations. For example, in Hungary declarations can be submitted only to the immediate superior and only he can initiate the verification procedures. Even more, public servants may submit complaints only about the staff junior to them, not their superior. More specifically, ministers can only be investigated at the request of the Prime Minister and not the reverse. Members of the public can make complaints, but only if they are willing to provide their names and address. In the Czech Republic, the review of declarations can be initiated only if 5 Senators or 10 Deputies request it to the Mandate and Immunity Committee. By the end of 2003, among the EU + 2 countries only Bulgaria, Czech Republic, Hungary and Slovenia, and among Non EU only Moldova and Ukraine did not fulfill this criterion.

“Authority over” (AM 8) is one of the fundamental AM criteria as it investigates the categories of civil servants, politicians, and public officials the regulations are applying to. This is a very important issue as all other elements can be into place however if its application (i.e., categories of people) is very limited, regulations are inefficient. For example, according to OSI (2002: 206) in Estonia over 15 000 politicians and officials must present such declarations while in Slovakia

only about 230 functionaries (OSI, 2002:536). In the Czech Republic, only senior high officials such as MPs, President, ministers, Constitutional Court Judges, senior magistrates, and local authorities only if they are spending central budget (state) funding. In Bulgaria, even if district governors are also included, the AM regulations do not apply to officials below the ministerial level (OSI, 2002:106).

“Public access to declarations” (AM 9) refers to access to declarations of public servants and their relatives (AM 9a), the time (AM 9b) and costs (AM 9c) needed to access the declarations. This criterion is a major problem across countries as by the end of 2003 only Albania, Bulgaria, Latvia, Lithuania and Moldova have fulfilled it. The Council of Europe and OSI consider optimal disclosure only if both declarations of public officials and their spouses and children are published and verified. The rationale is that if spouses and children’s declarations are not public and monitored, public officials can be transfer their assets and business interests into their names and thus continue undeterred from their outlawed activities. For example, the optimum in disclosure is attained in Bulgaria where spouses’ declarations are also made public.

Conflict of Interests (CI)

The most significant difference among the sample countries (especially between the EU and Non EU) regards the conflict of interest legislation. The reason for this is that they are the last introduced and target directly, like no other legislation, the interests of senior public officials. Conflict of interests is defined as existing if a politician, former politician, or someone close to the current governing party sits on a

board of directors or is a big shareholder who is directly or indirectly controlling more than 10% of voting shares, since at this level of control, most countries require public disclosure (The Economist, 2003).

The legislation's importance is also underscored by the findings of Mara Faccio's (2004) study on the impact of political connections and private firms. Thus, she concludes that the lack of conflict of interest legislation or of its implementation has a negative impact also on the private sector. She shows that well connected firms enjoyed lower tax rates and higher market shares than otherwise similar firms. However, they had relatively more debt and strikingly, a lower return on equity. Faccio's explanation is that firms closely tied to politicians have unskilled (but well connected) managers in place. And connected firms may have a core competence in corruption rather than in creating shareholder value.

I will not enter in the details of the politics of CI legislation. In-depth discussion will take place in the Political Conditions chapter. But what exactly CI area refers to, how countries fare regarding conflict of interest legislation and what their scores really mean are the main questions that will be dealt with in the remainder of this section.

The "conflict of interest of public officials area (CI) evaluates the comprehensiveness of conflict of interest regulations. The composing criteria are their existence (CI 1), the regulations' strength (CI 2), the declarations' comprehensiveness (CI 3) enforcement mechanism and its powers (CI 4 and CI 5), depth of verification of declarations (CI 6), other mechanisms available for conflict of interest detection

(CI 7), access to public declarations (CI 8), authority over (CI 9), pathway for submission (CI 10), and standardized criteria for declarations (CI 11).

The comprehensiveness of conflict of interest legislation has dramatically increased over time, while the variation among countries (given by the coefficient of variation) has decreased (see the below attached table for systematic mean increase). More specifically, if in any given year per country, the maximum score obtained is 11.91, in 1995, the scores varied from 6.86 for Slovenia, 5.58 for Slovakia, 5.43 for Latvia, to 0.27 for Lithuania and zero (no regulations at all) for Albania, Moldova, Macedonia, Poland and Romania. In 2002, scores varied from 11.67 for Lithuania, 11.01 for Latvia, 6.73 for Slovenia, to 1.08 for Bulgaria, and 0.00 (no legislation) for Albania, Macedonia and Romania. By 2003, the increase, for the EU countries compared to the Non EU has been even more significant. The mean of EU scores is 7.12, while for Non EU is 3.67. The legislation varied from very comprehensive 11.69 for Latvia, 11.67 for Lithuania, to very narrow 1.81 for Macedonia and 1.08 for Albania and Bulgaria.

Table 3.6. Conflict of Interests for 1995, 2002 and 2003

Countries or groups of countries	Mean	Standard deviation	Coefficient of variation
ALL 15	2.06	2.47	1.2
	4.12	3.71	0.9
	5.64	3.43	0.61
EU members	3.30	2.64	0.8
	6.58	3.32	0.5
	7.12	3.17	0.45
EU + 2	2.75	2.62	0.95
	5.37	3.89	0.72
	6.63	3.43	0.52
Non EU	0.68	1.51	2.22
	1.63	1.60	0.98
	3.67	2.72	0.74

Because CI and AM regulations are quite similar, I will only discuss the main contentious points not covered in the AM and which are peculiar to CI. In addition, it is also worth revealing that a few countries (Slovakia, Latvia and Croatia) the same legislation covers both conflict of interest and asset monitoring. Again the purpose of the area is to clarify the CI criteria and countries' optimum policy solutions. An optimum answer does not mean perfect policy. All policy solutions based upon best practice findings and accepted by international organizations' experts will be taken into account in building of ACAI.

It is necessary to first discuss what might seem straightforward for some while for others a rather contentious criterion on the formal and informal (flexible) incompatibilities for public officials (CI 3b). "Formal incompatibilities" refers to incompatibilities between the cumuli of public functions. In other words, in Hungary,

“a member of Parliament cannot simultaneously serve as President of the Republic, a member of the Constitutional Court, an ombudsman, President, Deputy President or an auditor of the Supreme Audit Office, or as a judge, prosecutor, civil servant, member of the armed forces, police or other institution responsible with law enforcement”

(OSI (2002:259).

Second, to really capture conflict of interest at the individual level, regulations must

accommodate detection of “informal” incompatibilities. For example, the Slovak regulations are considered optimum and provide that public functionaries cannot mediate a business contact with State or State companies for a profit; perform other paid functions or run private business activities; obtain assets from the State through open tender, auction or voucher privatization; be a dormant partner in a company, and accept or offer any gifts in connection with performance of their duties.

In contrast, according to OSI (2002) in Hungary, a Member of Parliament may not sit on the board of State-owned companies. However, it is legal for an MP to own or work for a private-sector company, even one that bids for public procurement contracts but such activities must be reported in the asset declaration. These cases are not considered optimal, especially in light of the inefficient monitoring and time delays in accessing the MPS declarations. (For more details, see OSI for Hungary, 2002: 260)

Notwithstanding this criterion's benefits being straightforward, some have raised questions over it. For example, OSI (2002) argues that a narrow definition of incompatibilities of functions within the public sector and between public and private interests can exclude talented people from working in the government. In a country where "talent" is limited that might be a liability and increase government's inefficiency.

"Although it is clearly desirable that officials are not motivated in their public capacities by their ancillary activities, the immediate introduction of incompatibility provisions may have counterproductive effects in the context where the problem of conflict of interests is poorly understood, and where the pool of political and official talent is small" (OSI Overview, 2002: 33).

Public Procurement (PP)

The 2002 Global Corruption Report concluded that across the CEE region, state procurement remain liable to illegal deals, kickbacks and administrative corruption. The purpose of the section is to investigate public procurement legislation existent in a country and show how such a state of things is made possible. The Public Procurement (PP) criteria include the existence of legislation (PP 1), the standards on public procurement (PP 2), procurement authorities, procedures and requirements (PP 3), appeal to procurement tenders (PP 4), penalties (PP 5), monitoring of civil servants' assets and conflict of interest involved in public procurement (PP6), access to information on public procurement (PP 7), codes of

ethics (PP 8), enforcement mechanism, its independence and its powers (PP 9, PP 10, PP 11 and PP 12).

The purpose of the public procurement (PP) area is to compare national legislation with the international and European public procurements' standards. The standards are being laid out in the Stability Pact Anti-corruption Initiative (2001) General Assessment Report on Macedonia, the Group of Countries against Corruption (GRECO) recommendations and assessments reports, the 2002 Open Society Institute Monitoring Progress to EU Accession reports, the European Commission Directives (SIGMA experts) and the United Nations Commission on International Trade Law (UNCITRAL) legislation.

By 2003, all countries have public procurement regulations. There is a clear and significant improvement in the quality of public procurement rules across the 15 countries (see the table below for a systematic mean increase). However, since 1995 when countries started introducing or perfecting the legislation, their scores' absolute variation (given by the coefficient of variation) has decreased over time either for the entire sample or composing groups (EU, EU+2 and Non EU).

Table 3.7. Public Procurement for 1995, 2002 and 2003

Countries or groups of countries	Mean	Standard deviation	Coefficient of variation
ALL 15	2.34	1.75	0.75
	7.18	1.87	0.26
	8.43	2.02	0.24
EU members	3.19	1.86	0.58
	8.37	0.98	0.12
	9.56	1.38	0.14
EU + 2	2.95	1.78	0.6
	8.09	1.05	0.13
	9.45	1.35	0.14
Non EU	2.95	1.78	0.60
	8.09	1.05	0.13
	9.45	1.35	0.14

Details about Coding

The PP 2 criterion evaluates the thresholds for organizing public tenders for goods, works and services, the types of public procurement tenders (e.g., restricted tender, sole source, open tender, competitive negotiations, request for quotations) and the tender conditions (e.g., tender restrictions, bidders competitiveness, division of contracts in smaller parts). By 2003, all countries but Macedonia had clear thresholds for tenders requirements (i.e., the maximum value a contract for goods or services can take and not be subject to public tender); however their set values varied greatly. For example, in 2002, the limit for Slovakia was 11,617 Euros for goods and services and 23,233 Euros for works, respectively. The limit for Bulgaria was 25,500 Euros for goods, 15,300 for services and 306,000 for (construction) works, but for Lithuania the limit was 22,000 Euros for contracts and services and 88,000 Euros for works. On the other hand in Romania, an open tender must be organized if the contract exceeds 40,000 Euros for goods or services and 100, 000 Euros for public works contract. Even if some of the above thresholds are considered quite high, as long as they are being considered acceptable, and they are, by the international organizations they will be included in ACAI.

As far as the other PP 2 criteria are concerned, major problems are raised by the clarifications and limits on tenders' conditions (For more details see the 2002 OSI and 1997- 2003 European Commission assessment reports). In conclusion, by 2003 only the Czech Republic, Lithuania, Slovakia and Slovenia had legislation regarding PP2 in line with international standards. Overall, EU and EU +2 tend to have a much

more comprehensive legislation than Non EU, most probably because public procurement legislation has been a major issue in the process of accession to the European Union and the *acquis communautaire*.

“Public access to tender information” (PP 7) refers to the publication of tender notices. The criterion evaluates whether public procurement regulations (PP 7a), tender announcements (PP 7b) and major procurement bids results (PP 7c) are readily accessible. It is generally accepted that only in special cases (e.g., unforeseen events and catastrophic situations) can tenders be organized without prior notice. However, the legislation needs to clearly delineate such situations to prevent possible abuse. Having said that, in normal conditions the publication of tender notices generally takes place in the national Official Gazette, Internet and major national and international newspapers several weeks before tenders’ organization. Clear criteria should also exist on when the results are to be announced and what to include in the tender’s results announcement. According to the OSI report on Lithuania (2002:385), the results need to be published in the Official Gazette within 3 days after signing the contract.

PP 3 criterion refers to the administrative redress authorities, procedures and requirements for complaints filed regarding public tenders. Complaints generally can be filed with the procurement entity, the Office of Public Procurement, or the courts. The PP 3 criterion investigates the first two, while PP 4 investigates the court system. Across countries institutional arrangements have very similar formats. For example, the Lithuanian Commission for Examination of Complaints is instituted for each complaint filed, is formed by three members: one appointed by the bidder, one by the

procurements entity and one by the Office of Procurement. Nonetheless, one problem such other arrangements are confronted with is the lack of clear criteria on how to remove unsuitable persons from the committee (OSI for Lithuania, 2002:385). On the other hand, obstacles for legal remedies were, for example, in Lithuania and Hungary in 2002, the high fees of initiating such a review procedure (i.e., 880 Euros and 615 Euros, respectively). The World Bank Diagnostic Survey of Corruption in Slovakia (2000) finds evidence that in Slovakia, the process was too expensive as participants were required to make a pre-payment to demonstrate their earnestness. By 2003, few countries (Estonia, Bulgaria, Lithuania, Latvia, Poland and Slovenia) had such legislation in place. The other countries did not have it, or it was not in line with international best practice standards regarding authorities (Moldova, Macedonia and Ukraine) and procurement procedures (Czech Republic, Romania Croatia, Latvia and Slovenia).

The “independent Appeal authorities” (PP 4) criterion refers to the existence of specialized courts such as administrative court or Constitutional Court (Croatia) where complaints previously filed can be appealed. What can be observed is that if almost all EU and EU +2 had such courts by 1995, Non EU have introduced them only by 2002 or early 2003.

If public procurement rules are broken (PP 5), penalties range from fines to requirements of certain tender conditions to be met, to prohibiting the bidder from taking part in any public procurement tender within a certain period of time (*blacklisting*). Some assessment reports have pointed out the issue of fines leniency (e.g., fines ranked between 510 and 1,530 Euros in Bulgaria (OSI, 2002:119) or their

absence (Latvia). On the other hand, in Estonia, the Public Procurement Office can impose fines up to 31,670 Euros for violations and can do so to legal entities other than state agencies, municipalities, or local governments. By the end of 2003, however, all EU and EU +2 have introduced such requirements; meanwhile only Albania has done so among Non EU.

Across countries, the “types of institutional arrangements” (PP 9, PP 10 and PP 11) in charge of implementing public procurement legislation vary greatly. However, by the end of 2003, only Ukraine did not have a Public Procurement Office or an institutional arrangement to supervise the procurement of government. As a rule, Public Procurement Offices are generally, subordinated to the Executive (e.g., the Ministry of Finance in Croatia, Estonia (since 2003), Macedonia, and Latvia; the Ministry of Economic Affairs in Moldova); and under joint supervision (e.g., the Ministry of Finance and Ministry of Public Works in Romania). In other countries, the Public Procurement Office is a body outside government. Such is the case of the Hungarian Public Procurement Council even if formed by 19 members representing the central government agencies. The most independent of all offices are the Slovak Public Procurement Office, followed by the Moldovan National Public Procurement Agency, the Estonian Public Procurement Office, while the least independent are the Bulgarian and the Czech Public Procurement Offices. Typically the role of the Office is to oversee the application of procurement rules (e.g., coordination, process appeals, impose fines and sanctions), initiate new legislation and amendments to the existent one, provide information on tenders and training and publish procurement procedures. By 2003, the most powerful were the Lithuanian and Slovak Offices of Public

Procurement, while the least powerful are the Czech, Slovenian Offices and the Macedonian Office.

The power to suspend tenders if suspicion of corruption exists (PP 12) is one of the most important criterion any enforcement agencies. For example, in Latvia (OSI assessment report on Latvia, 2002) upon receipt of such complaint, the tender can be halted for 30 days, deadline within which appeals must be dealt with. Participants may later appeal to courts. Generally, EU and EU +2 fulfill this criterion and they do so only by up-dating their legislation in 2002 or early 2003. Among Non EU countries only Albania (2002) and Croatia (2002) have introduced it.

Financial Control and Audit (FAC)

Financial Control and Audit (FAC) evaluates the extent of (external) financial control regulations. It investigates the existence of national audit institutions (FAC 2), their degree of organizational and administrative independence (FAC 3), their powers (FAC 4), access to audit reports (FAC 5), code of ethics for auditors (FAC6), jurisdiction (FAC 8), scope of audit (FAC 10), training available for auditors (FAC 11) and clear external audit standards (FAC 12). Regarding internal audit, it investigates the existence of internal audit mechanisms (FAC 7) and clear internal audit standards (FAC 12).

Countries have dramatically improved their FAC legislation since 1995. Improvement in the legislation's comprehensiveness is underlined by the systematic mean increase for the overall sample (from 4.65 in 1995, to 9.47 in 2003). Meanwhile, countries' scores variation (given by the coefficient of variation) has

decreased from 0.30 in 1995 to 0.17 in 2003. The same trends are to be found at the levels of individual groups of countries (EU, EU + 2 and Non EU).

One other significant finding is that EU and EU +2 have registered the highest scores and means compared to Non EU for each area. One of the explanations is in the process of integration to the European Union. Strong external audit regulations have been one of the building blocks of their progress in accession negotiations to the European Union. (More on the factors that influenced the adoption of legislation, see the Political Conditions' chapter.)

A much closer look at the country scores over time only reinforces the above-mentioned trends. If in a given year, the maximum score for a country (i.e., very comprehensive legislation) is 11.91, in 1995, scores varied from 6.61 for Hungary, 6.26 for Czech Republic to 1.83 (almost no legislation) for Ukraine. In 2002, scores varied from 11.4 for Slovenia, 10.4 for Estonia to 6.08 for Macedonia. By 2003, the perfectibility of legislation trend has been even more pronounced. For example, the scores varied from 11.4 for Slovenia, 11.21 for Bulgaria to 6.73 for Ukraine.

Table 3.8. Financial Audit and Control in 1995, 2002, 2003

Countries or groups of countries	Mean	Standard deviation	Coefficient of variation
ALL 15	4.65	1.4	0.3
	8.15	1.65	0.2
	9.47	1.61	0.17
EU members	5.47	1.17	0.21
	9.30	1.34	0.14
	10.46	0.56	0.05
EU + 2	5.28	1.15	0.22
	8.88	1.48	0.17
	10.44	0.62	0.06
Non EU	3.39	0.98	0.29
	6.69	0.81	0.12
	7.51	1.00	0.13

Details about Coding

The analysis is based upon the standards laid down by the Council of Europe and OSI (2002), International Organization of Supreme Audit (INTOSAI, 2004) and Dye and Stapenhurst (1998). However, some observations need to be made. Therefore, the rest of the section is dedicated to discussing the FAC criteria and examples from the sampled countries will also be used to clarify them.

Across countries, the supreme audit institutions have different names (e.g., High State Control in Albania, State Audit Office in Macedonia, Court of Audit in Romania). However, their basic functions are all set in the constitution. In brief, they are the highest institution of economic and financial audit of the state and other legal entities where the state has a part of the shares (the percent varies) or where loans, credits and obligations are guaranteed by the state.

In this project, their independence or autonomy is evaluated not just based upon the official statement in the Constitution (e.g., the Lithuanian State Control Agency or the Slovenian Court of Audit is independent) even if such provisions are fundamental. It looks at their *de facto* independence given by their organizational and administrative aspects. In the first case, it investigates the official formal status (independent or subordinated), head of the agency appointment and removal (i.e., clear appointment requirements and procedures), and budget establishment. In the latter case, it looks at the status of its employees (i.e., civil servant status, regular and full-time staff), the level of qualifications (i.e., professional standardized criteria for employment), and funding allotted. More specifically, according to the Constitution the Ukrainian Auditing Chamber is independent; however, it does not have any input

on its budget (i.e., drafting and spend-as-you-go authority), while the legislative branch can mandate an unrestricted number of audits and its annual audit plan needs also legislative approval. Therefore, it will not be considered fully independent. On the other hand, since 2001 the Hungarian Supreme Audit Office does have the authority to draft its own budget; however, the Executive kept its prerogatives to draft also a parallel budget. While both drafts of the proposed budgets are being submitted to the Parliament, the reference budget taken into discussion is the one of the Executive. An in-depth discussion will follow in the Judiciary section; however, one other thing needs to be noted. Among the countries sampled only the Slovenian Court of Audit and has the authority to control its own budget only since 2001.

Regarding powers, the best practice standards recommend that the Court of Audits cannot impose penalties even if mismanagement of funds is found. However, the Court must have penalizing powers not directly on the offenders, but against the agencies, which are supposed to enforce and implement its findings. Therefore, the optimum for penalties incorporates these “indirect” penalizing powers.

Regarding “codes of ethics” (FAC 6), what has been measured is the existence of mandatory codes of ethics or conduct for external auditors. That is not say that mandatory internal audit codes are not important. The ACAI data collection is based on the evaluation criteria and data collected by OSI, European Commission and the Council of Europe and their evaluation does not investigate it. Nevertheless, countries have recently started devising internal audit mechanisms including codes of conduct. By internal control and audit is understood that “all state organizations must have a system of internal control and revision and a system of procedures and

responsibilities of employees within each agency receiving budget funds” (OSI, 2002:588). One of the findings is that EU started putting into place internal mechanisms much earlier than Non EU candidate countries. However, future developments of ACAI could include the development of an entire area to evaluating internal audit mechanisms.

Regarding “jurisdiction over” (FAC 8) or the so-called audit competence, the optimum is for auditors to have prerogatives over all state finances, budget and other public finances (including budgets of local governments). In addition, they should be able to audit any legal entity where the state owns a certain percentage of shares (e.g., 50% of shares in Albania).

One of the major problems for all country audit frameworks is the scope of audit (FAC 10) and more specifically, audit compliance (i.e., if money were being spent for the purposes allocated) and performance (i.e., if funds were being spent efficiently). For example, if in 1995 only 4 out of 15 countries had performance audits, by 2003, 13 out of 15 have introduced them. The countries, which did not require them are Croatia and Macedonia. In addition, most countries do not have clear and standardized internal and external audit guidelines and procedures (FAC 12 and FAC 13). The countries that have adopted them are Bulgaria, Latvia, Estonia, Lithuania, Slovenia, Slovakia and Romania. In contrast, some of the countries have adopted clear external standards but not the internal ones. They are Croatia, Poland, Hungary, and Czech Republic.

Freedom of Information (FOI)

Beginning with late 1960s, weakening public confidence in political institutions increased the pressure governments to promote more transparency and greater accountability of officials. It was argued it is in the interest of effective, democratic governance “to ensure the free interchange of opinion and enlightenment of the public” (Frankel, 2001:2). To facilitate this process, Freedom of Information acts were adopted as part of ACS. By December 2003, all 15 countries have put into place such frameworks compared to only 50 countries across the world. However, what is interesting is the extent to which they differ with regard to their requirements: some acts are strong and far-reaching, and give governments relatively little authority to reject FOI requests; other acts are weak and limited, and give governments great authority to reject such requests.

The FOI area investigates whether a country has the legislative provisions that enable its citizens to have access to information. It identifies and investigates the basic elements and limitations of FOI across various countries. Its specific criteria are right to access information for all citizens (FOI 1), types of information to be disclosed (FOI 2), exemptions for disclosure (FOI 3), discretion tests to overcome “exemptions” (FOI 4), appeal authority (FOI 5) and public access to documents (FOI 6).

In designing the area’s criteria and collecting the data of great use have been the Mendel (2003), OSI (2002), the 2004 Public Integrity Index and 2004 Freedom of information and access to government documents data set (i.e., the most

comprehensive cross-national data set on freedom of information, accessible at www.freedominfo.org).

FOI legislation has improved systematically and incrementally across the entire sample and its different groups of countries (EU, EU+2 and Non EU). If in a given year a maximum score for a country is 11.91, in 1995, scores vary between 5.96 for Ukraine, and 0.00 (zero) for Croatia, Lithuania and Macedonia. In 2002, they vary between 9.93 for Estonia, Latvia, Lithuania, Moldova, Romania and Slovakia, and 0.00 (zero) for Croatia. On the other hand, by 2003 scores varied from 11.91 for Romania, 9.93 for Bulgaria, Estonia, Lithuania, Latvia, Moldova, Slovakia, Czech Republic, to 1.99 for Macedonia. This increase is best reflected if means are compared over time. However, as countries adopt FOI legislation, their absolute variation among them decreases (given by the coefficient of variation). Other observation is that countries especially Non EU tend to introduce legislation later than EU; however, their legislation tends to be much more comprehensive than the one first introduced for example, by EU countries.

Table 3.9. FOI in 1995, 2002 and 2003

Countries or groups of countries	Mean	Standard deviation	Coefficient of variation
ALL 15	2.45	1.71	0.7
	6.88	3.43	0.5
	8.07	2.54	0.31
EU members	2.73	1.48	0.54
	7.44	3.14	0.42
	8.19	1.97	0.24
EU + 2	2.58	1.34	0.52
	7.74	2.88	0.37
	8.73	2.13	0.24
Non EU	2.18	2.47	1.13
	5.16	4.12	0.8
	6.75	3.01	0.45

Details about Coding

Freedom of Information Acts are laws that grant the legally enforceable right to freely request and receive information regarding the activities of public institutions and officials. However, the FOI 1 criterion on the right to access government information refers not only to the existence of FOI law, but also to the Constitutional provisions that guarantee the freedom of information. The main reason is that any law on freedom of information needs to enforce citizens' rights to access to information on public services and their officials' dealings. The need for such a law is undeniable, as it establishes citizens' right to access information from government bodies, which were previously stated only in general terms in Constitution. In 1995, several countries (Albania, Croatia, Lithuania, Macedonia and Ukraine) did not have constitutional provisions to confer the right to information, but by 2003 only Macedonia and Ukraine still did not have them. The case of the FOI 2 criterion is similar. If in 1995, almost no country had a clear and broad definition of public information, records or documents to be disclosed (FOI 2), by 2003 almost all countries (but not Macedonia and Albania) had such provisions. According to best practice, a clear and broad definition of public information should include "all information from bodies of public authorities, including state bodies, local and regional governments, and legal and other persons vested with public powers" (the 2003 Croatian Act on the Right of Access to Information). Another definition of information is "any form (of information) held by state institutions and other legal entities by state budget and exercising public functions" (the 2000 Bulgarian Access to Public Information Act). A broad definition should also include Parliament draft

laws, voting records of MPs, ministries' draft laws or any conceptual materials (Slovakia). (For more details on defining public information, see Banisar, 2004.)

Two of the fundamental FOI criteria are the FOI 3 criterion on the breadth of exemptions or limitations of disclosure and FOI 4 on the existence of both balancing and harm tests as their lack drastically limits any FOI application. By "limitations or exemptions of FOI" are understood the legal provisions that allow public officials and government bodies entirely outside the ambit of the law to withhold information in the name of law or have no obligation to disclose it. All laws have common exemptions; however, their extent varies across countries. Common exemptions can be provided by the law due to the excessively narrow definition of public bodies or include too broad exemptions' areas such as the protection of national security and international relations, personal privacy, commercial confidentiality, law enforcement and public order, information received in confidence, and internal discussions (Banisar, 2004: 5). For example, in Slovakia, exemptions include any state or professional secret, personal information, trade secrets (but not including any information regarding environmental pollution), cultural sites or anything related to public funds. In addition, the information cannot be obtained "from a person not required by law to provide information" and who declines to release it, intellectual property and information on the decision-making power of the courts, bodies in criminal proceedings and habitats to be protected. However, the use of public funds in the Czech Republic is considered as a commercial secret being exempt from disclosure (OSI for Czech Republic, 2002:186) and it is not clear what commercial secret does really means. In brief, by the end of 2003, only Slovakia and Romania

have managed to restrict or clarify the definition of exemptions and harmonize it with the international best practice recommendations.

In order to establish the legitimacy of exemptions (FOI 4), FOI provisions should require public authorities to use the balancing discretion tests. The disclosure tests are

“balance of interests test” (i.e., the balancing of disclosure and non-disclosure benefits with the overall public interest served by the disclosure) and “harm test” (i.e., potential harm, prejudice or “costs” to national security that might arise for the public authority and the public interest if information is to be disclosed). If the use of the harm test is rather obvious, the use of the balance of interest test could be used where personal information regarding a civil servant exposes acts of corruption. Due to limited space, I will not explain in detail the two tests; however, for more information see my previous study on freedom of information acts across 39 democracies (Dorhoi, 2002). By 2003, many of the sampled countries still did not have balance of interest tests (Czech Republic, Croatia, Hungary, Macedonia, Poland, Slovenia, Slovakia and Ukraine). On the other hand, the ones that have introduced them did so by 2002 (Albania, Bulgaria, Estonia, Latvia, Lithuania, Moldova and Romania). In building of ACAI, as long as a country has at least one of the tests the maximum score will be awarded. This codification is in line with OSI (2002) and Banisar (2004) findings, even if the best option would be the existence of both tests.

Giving discretionary power to civil servants on what to disclose can be open to abuse. Legal provisions need to be adopted to enable individuals to contest any refusal to disclose information and independent bodies to supervise FOI

implementation should exist (e.g., Administrative Courts). Independent oversight is essential where public officials refuse to disclose information, especially if they are hiding corruption or other wrongdoing (Mendel, 2003). In the countries where the citizens have the right to appeal to courts, this remedy is often inaccessible and time consuming. For in-depth understanding see the Judiciary section of this chapter where the lengthy judiciary logs are being discussed.

As far as the independent instance of appeal (FOI 5) is concerned, its existence is important as it creates an enforceable right to access to government files. The instances of appeal status vary from subordinated with non-binding decisions to independent with binding decision. A major problem arises when there is no independent reviewer if the request for disclosure was previously rejected or if exists, but is not independent. The latter is the case of most countries (Croatia, Czech Republic, Hungary, Macedonia, Poland, Slovenia, Slovakia and Ukraine). In contrast, only Albania, Bulgaria, Estonia, Lithuania, Latvia, Moldova and Romania have enough legislative provisions to warrant the existence of such an independent authority.

For an FOI to be effective, citizens' access to official documents criterion (FOI 6), referring to disclosure time span and fees, is fundamental. For a long time, only academics and researchers tended to use FOI due to lengthy disclosure procedures and time delay in reply it. However, the situation has changed. The latest FOI legislation introduced by the sampled countries requires disclosure or rejection within a defined time span. The time span for disclosure is generally 15 days (Hungary, Latvia, Croatia) or 14 days (Czech Republic, Lithuania, Bulgaria) or 10

days (Slovakia). In this project, any time span for disclosure under 2 weeks (under restricted and special circumstances, one month) is considered optimum. By 2003, most countries (e.g., Albania, Croatia, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Moldova, Poland, Romania, Slovakia, Slovenia and Ukraine) have optimal disclosure times. A reasonable fee is a fee "within the limits of actual expenses". In other words, fees should be flat for each request along with graduated fees based on the actual cost of retrieving/processing and transporting/providing information. The expenses incurred in the process of disclosure (e.g., the actual cost of photocopying, transportation of the requested documents) are generally understood as *reasonable* cost of disclosure.

Immunity (I)

The immunity (I) area evaluates the extent of immunity that public officials are enjoying. The composing criteria are the categories of public officials exempted (I 2), the clarity of immunity withdrawal authority and procedures (I 4), the scope of (I 3), and duration (I 5) of immunity.

All countries have immunity provisions; however, their depth varies greatly. Over time, there has been only a slight improvement in legislation's comprehensiveness either for the entire sample or its composing groups. If in 1995 scores varied between 10, 71 for Moldova and 0.00 (zero) for Albania, by 2002, the highest scores registered were 10.72 for Moldova, 8.34 for Latvia, Slovenia, Ukraine and the lowest 2.38 for Macedonia, Poland, Romania. In 2003, scores varied between 10.72 for Moldova, and 2.38 for Macedonia and Poland. One very striking

observation is that scores tended to remain at their 1995 level, even if their absolute variation has had a descending trend.

Table 3.10. Immunity for 1995, 2002 and 2003

Countries or groups of countries	Mean	Standard deviation	Coefficient of variation
ALL 15	4.92	3.08	0.63
	5.48	2.58	0.47
	5.88	2.53	0.43
EU members	5.06	2.61	0.52
	5.66	2.09	0.37
	5.96	2.30	0.39
EU + 2	4.88	2.48	0.51
	5.36	2.12	0.4
	5.96	2.02	0.34
Non EU	4.88	2.48	0.51
	5.36	2.12	0.4
	5.96	2.02	0.34

Details about Coding

According to GRECO, the *reasonable* categories of public officials enjoying immunity (I 2) are the president, members of parliament, judges, especially High Courts judges. The countries, which fulfill it, are Estonia, Czech Republic, Latvia and Moldova. The second best, but still optimal, is considered the inclusion of prosecutors (Croatia and Macedonia). However, some countries also include members of government (Macedonia, Romania, Croatia and Poland), notaries, former members of government (Romania), and candidates for parliamentary elections (Hungary). The introduction of any of these categories broadens too much the categories of public officials covered.

The scope of immunity (I 3) criterion refers to both substantive and procedural immunity (GRECO, 2004 and OSI, 2002). In brief, substantive immunity relates to immunity from prosecution regarding voting and opinion expressed during mandate. Meanwhile, procedural immunity provides that public officials can be criminally prosecuted for the other criminal acts only if their immunity is lifted (Czech Republic, Slovak Republic). The optimum for a country is to provide only substantive immunity but not procedural immunity and, if otherwise, not for all civil and criminal offenses. Only Slovakia and Moldova have restricted their scope of immunity in accordance with international standards. Other countries have also tightened their regulations; however, public officials still enjoy complete immunity (unless caught red handed) from prosecution of acts, which carry less than 5 years in prison (Croatia and Macedonia).

Across all countries there are clear immunity withdrawal authorities and procedures (I 4). For example, the authorities in Romania are the Parliament and the Parliamentary Committee on Mandates and Immunity. The situation is different as far as the guidelines for immunity withdrawn are concerned. More specifically, in countries such as Poland, Romania, Estonia and Lithuania, there are no clearly delimited instances when such a procedure should be initiated, thus leaving open the door for their abuse.

The duration of immunity (I 5) criterion refers to whether immunity ends with the termination of mandate. For example, if immunity is not lifted during their parliamentary mandate regarding an allegation, senior officials enjoy lifetime immunity from prosecution regarding it. Such is the case of Albania, Croatia, Czech Republic, Hungary, Macedonia, Poland, Romania (until 2003) and Slovak Republic. On the other hand, the countries which have limited the immunity to mandate are Bulgaria, Estonia, Lithuania, Latvia, Moldova, Slovenia and since 2003, Romania and Ukraine.

The Executive and Civil Service (ECV)

ECV area makes an in-depth evaluation of the application of above-mentioned legislation to government. The ECV area focuses both on the civil service (CV) and the Executive (EX). However, such divisions are purely organizational as they do not give special weight to either one of them in the final country score. The criteria on civil service investigate (a) independence of civil service (CV 2), employment and post-employment restrictions (CV 3, CV 4, and CV 6), (b) administrative redress

procedures (CV 5), (c) whistle-blower protection (CV 7), and (d) other measures (codes of ethics (CV 8), systematic training of civil servants (CV9), and lobbying (CV 10)).

At the Executive level, the criteria focus on accountability and transparency of the decision-making process (EX 1), Executive budgetary powers (EX 2), immunity of high officials (EX 3), and conflict of interest and asset monitoring for civil servants (EX 4, EX 5, EX 6 and EX 7).

In the questionnaire's criteria selection and data collection, the sources of information used are the 2002 Open Society Institute Corruption and Anti-corruption reports, the 2002 SIGMA standards, the 2004 Public Integrity Index reports, the 2002 OSI reports, the second round GRECO evaluation reports, supplemented especially for Non EU by in-country experts' interviews.

Since 1995, there is a significant overall improvement in legislation's comprehensiveness both at the overall sample and different group levels. Even if average scores have increased over time, their absolute variation among countries has decreased. Nevertheless, systematic and fundamental problems remain (e.g., political intervention not only in appointment of civil servants but also in their day-to-day activity). Such problems are fundamental, as World Bank (1997) has shown that high level of politicization of the public service makes it more prone to corruption. If the maximum country score (the most comprehensive legislation) is 11.91, the best country score, in 1995, is 4.17 for Czech Republic, in 2002, 8.57 for Latvia, and in 2003, 9.7 for Estonia.

A much closer look at the scores indicates that, by 2003, only Slovenia had comprehensive enough legislation to ensure independence of its civil service (CV2). The other countries (especially EU and among Non EU countries only Macedonia) have reformed public administration or made significant steps in achieving it. However, major problems remain regarding transparency, competitiveness, and systematic schemes for recruitment and career advancement of civil servants, as well as the clarity and extent of political and career appointments within the Civil Service.

Table 3.11. Executive and Civil Service (ECV) in 1995, 2002 and 2003

Countries or groups of countries	Mean	Standard deviation	Coefficient of variation
ALL 15	2.55	1.47	0.58
	6.17	1.83	0.3
	7.61	1.44	0.19
EU members	3.00	1.09	0.36
	7.23	1.43	0.2
	8.43	1.29	0.15
EU + 2	3.02	0.97	0.32
	6.87	1.47	0.21
	8.14	1.43	0.18
Non EU	3.02	0.97	0.32
	6.87	1.47	0.21
	8.14	1.43	0.18

Details about Coding

As far as employment and post-employment restrictions (CV 3) are concerned, only Bulgaria, Estonia and Ukraine have comprehensive legislation. Albania, Czech Republic, Slovenia and Slovakia have provisions during employment but not post-employment. Other countries have in place some legislation. However, existent loopholes allow public servants to continue outside their business activities. (For in-depth discussion see the 2002 OSI report on Romania.)

A very interesting finding is also the significant improvement in administrative redress procedures (i.e., the deadlines for providing administrative decisions, the channels for appealing legality and substance of official decisions, and the appeal to special administrative courts). By 2003, 12 out of 15 countries had in place either a strong or a fairly strong appeal system.

Regarding protection of whistleblowers (CV 7) both in the public and private sectors, only a handful of countries (Hungary and Slovenia, Estonia, Croatia and Macedonia) have any legislation at all.

By the end of 2003 almost all countries have a code of conduct (CV 8). However, more problematic are the systematic training requirements (CV 9) and lobbying legislation (CV 10). Regarding training, only 8 countries out of 15 countries (Bulgaria, Czech Republic, Estonia, Hungary, Latvia and Slovenia) have fulfilled it. Regarding lobbying, only 4 out of 15 countries (Estonia, Hungary, Lithuania and Latvia) have also fulfilled it. One important finding is that all countries belong exclusively to EU, which reinforces the observation that EU countries have significantly more comprehensive legislation than Non EU have.

As far as the mechanisms to supervise the application of conflict of interest and asset monitoring provisions at the civil service and executive branch level, by the end of 2003 only Estonia and Hungary had very strong bodies while Lithuania, Albania, Croatia, and Moldova had fairly strong ones. By “strong” is understood independent and with enough powers to fulfill their mandate.

Legislative (L)

The legislative (L) area investigates the application of anti-corruption provisions to the second branch of government: the parliament. In brief, the evaluation criteria include citizens access legislative processes and documents (L 1); legislative control over budget (L 2); MP degree of immunity (L 3), regulations governing asset disclosure and conflict of interests (L 4); asset disclosure and conflict of interests are publicly available (L9); a-priori application of the above regulations (L 5); enforcement mechanism (L 6); ethics codes (L 7); lobbying (L 8) and judiciary review of laws (L 10).

In addition to the other sources of information already mentioned for other areas, for the evaluation of this area there have been of great use the study of Pelizzo and Staphenurst (2002), the Public Integrity Index (2004) and OSI reports (2002).

The main trends found across the other areas apply also to the legislative area. There is a clear and strong improvement in anti-corruption legislation applied to the legislative branch across all countries. For example, the best-ranked in 1995 is Estonia

with 4.88 out of 11.91. Nevertheless, by 2002 the most comprehensive legislation is to be found in Latvia and Lithuania with 9.49 and 8.93 followed in the third place by Estonia with 8.25 out of 11.91. The legislative improvement is further accentuated by 2003, when the best ranked Lithuania and Latvia reach scores of 10.12 and 9.49, with Estonia closely following with 8.49. In the same time, their relative variation among countries as given by the coefficient of variation decreases across time for all countries and groups of countries (see table below).

Table 3. 12. Legislative (L) in 1995, 2002 and 2003

Countries or groups of countries	Mean	Standard deviation	Coefficient of variation
ALL 15	2.28	1.67	0.73
	4.89	2.62	0.54
	6.09	2.20	0.36
EU members	3.32	1.31	0.39
	6.89	1.80	0.26
	7.27	1.83	0.25
EU + 2	3.19	1.22	0.38
	6.16	2.22	0.36
	6.84	1.88	0.27
Non EU	3.19	1.22	0.38
	6.16	2.22	0.36
	6.84	1.88	0.27

Details about coding

The difference between the different groups of countries was never more visible then regarding for the access to the legislative processes and documents criterion (L 1). If initially (1995), NonEU compared to EU had especially low scores thus, very poor access, by 2003 the situation has dramatically changed when only Albania and Macedonia still having great loopholes in their legislation.

Legislative budgetary powers (L 2) criterion is based on the fact that a major source of corruption is the misuse of public funding due to lack of transparency in the adoption process and improper supervision and Executive's involvement both at the adoption and implementation stages. The best practice suggests a separation of budgetary prerogatives, which give adoption budgetary powers to parliament while the Executive maintains only its execution powers. By the end of 2003, only 7 of the 15 countries (Albania, Czech Republic, Estonia, Lithuania, Latvia, Slovenia and

Slovakia) introduced or up-dated their legislation to give budgetary adoption power only to Parliament and if they did so they did it in the very recent years.

The extent and duration of Immunity for MPs (L 3) criterion has yet to be fulfilled only by Moldova by the end of 2003. For more information on immunity extent and duration, see Immunity area.

Judiciary (J)

The Judiciary (J) mainly evaluates the judiciary's capacity in dealing with corruption (including within its ranks). The criteria are the guaranteed independence of judiciary (J 1), the degree of political interference of high judges (J 2), of public prosecutors (J 3), of all judges (J 4), the degree of autonomy of the administrative judicial body (J 5), citizens' access to judicial system (J 6), transparent judicial/court proceedings and enforcement (J 7), categories of members of the judiciary subject to disclosure laws (J 8), strength of disclosure laws (J 9), disclosure laws are used to prevent conflict of interest before happening (J 10), ethics codes (J 11), training for members of judiciary (J 12), case assignment (J 13), political interference in the day-to-day activity (J 14), transparent complaint system (J 15), publication of judicial records, judicial decisions, judgments and reasoning (J 16), distribution and indexing of current legislation (J 17), and witness protection legislation and programs (J 18).

There is a clear improvement in the quality of judiciary legislative framework across countries as reflected by the mean increase (from 1.36 in 1995 to 6.47 in 2003). While this trend is obvious at the scores level, their variation (given by the coefficient of variation) has decreased. More specifically, in 1995, scores varied

from 3.31 for Czech Republic, 3.04 for Lithuania, to 0.00 (zero) for Albania. By 2002, the scores significantly increased due to the systematic judiciary reforms undertaken by the different countries. In brief, the scores varied from 9.26 for Lithuania, to 1.03 for Bulgaria. By 2003, significant problems still remain mainly regarding the independence of judiciary. The highest score is 9.79 for Lithuania, followed by 8.93 for Estonia while the lowest is 4.00 for Croatia.

Table 3.13. Judiciary 1995, 2002 and 2003

Countries or groups of countries	Mean	Standard deviation	Coefficient of variation
ALL 15	1.36	1.09	0.8
	4.46	2.02	0.45
	6.47	1.93	0.3
EU Members	1.97	1.01	0.51
	5.68	1.85	0.33
	7.44	1.58	0.21
EU + 2	1.61	1.17	0.73
	5.12	2.19	0.43
	7.28	1.46	0.2
Non EU	1.61	1.17	0.73
	5.12	2.19	0.43
	7.28	1.46	0.2

Details about Coding

In designing the questionnaire and collecting the data, the project has especially relied on the 2002-2003 Judicial Reform Index (JRI) of American Bar Association Central European and Eurasian Law Initiative, the 2001 OSI Judicial Capacity reports, the 2002 OSI Monitoring reports and GRECO first evaluation rounds of reports. The main advantage of using Judicial Reform Index (JRI) is that it also offers background and analysis to legislation. The immediately following section is intended to briefly discuss the main judiciary criteria and where needed, offer specific examples of their variation.

The independence of judiciary (J 1) is based upon the Factor 14 and 16 of Judicial Reform Index (JRI) and refers to structural safeguards such as guaranteed tenure and immunity (inviolability and non-liability) of all judges at every stage of their judiciary career. More specifically, Factor 14 reads that senior level judges are appointed for fixed terms that provide a guaranteed tenure, which is protected until retirement age or the expiration of a defined term of substantial duration. At first glance such a criterion would seem trivial; however, as the GRECO and OSI reports point out Romania and Albania were the last to introduce them. Thus, by 2003 Bulgaria and Czech Republic still do not have enough guarantees for members of judiciary. However, even if the independence of judiciary is guaranteed in the constitution, it is not the only factor that characterizes its status. Three different groups of factors have also been devised: first, the degree of political interference (J 2, J 3, J 4); second, the degree of autonomy of administrative judicial body (J 5); and third, the political interference in day to day activity of judiciary (J 14).

The degree of political interference separately investigates three categories of members of the judiciary: high judges (J 2), all judges (J 4), and prosecutors (J 3). The main reason for their separate investigation is their status and parallel organizational structures for each category. These criteria are based upon the Factors 1, 2, 15 and 17 of the Judicial Reform Index on Romania (2002: 18 & 30), which reads for example, that judges are advanced through the judicial system on the basis of objective criteria such as ability, integrity, and experience. It is not that political influence should not be exercised in selection and appointment of judges; however, there should be clear and objective criteria at the base of the selection, appointment, promotion and dismissal of members of judiciary (e.g., performance in law school, other training, experience, professionalism, and reputation in the legal community). All in all, the system should foster the selection of independent and impartial judges. For example, the members of the Ukrainian High Council of Justice nominate judges to be appointed by the president, but the Romanian Ministry of Justice nominates the judges to the Supreme Council of Magistrates, which can only vote them up or down, while the president later appoints them. However, there are no clearly defined and transparent criteria for their appointment and the media has reported more often than not existence of abuse. The “other sub-criteria” (J 2d, J 3d and J4d) refer to the role-played by the judiciary in adopting its own budget. It is based on Factor 10 of the Judicial Reform Index, which reads that,

“The judiciary has a meaningful opportunity to influence the amount of money allocated to it by the legislative and/or executive branches, and, once funds are

allocated to the judiciary, the judiciary has control over its own budget and how such funds are expended.”

The situation for the three different categories of members of judiciary is very different. For example, by 2003 high judges (e.g., Supreme Court, Court of Audit, Constitutional Court, Court of Appeal) have been given powers over budget only in Albania, Croatia, Hungary, Lithuania, Moldova, Macedonia, Poland and Slovakia. The public prosecution service has an impact on its budget only in Albania, Lithuania, Hungary and Macedonia. For the overall judiciary system, the judiciary has input on drafting its budget in Albania, Estonia, Lithuania, Hungary and Macedonia. However, with all the progress being made, members of the judiciary still have a long way until fully using their new prerogatives. For example, the 2001 Judicial capacity report on Hungary records that the Ministry of Justice (part of the Executive) still submitted a parallel draft budget of the judiciary to the Parliament, which considers it as the base of its annual budget.

As long as such practices continue, the judiciary is not independent, and it will not be considered as such in the ACAI index either. All in all, countries with major problems in the above mentioned criteria are Croatia, Poland, Romania and Ukraine. (For further discussion, see the JRI reports, the 2001 Judiciary capacity report and the 2002 OSI Monitoring of EU Accession reports.)

As the literature concluded that the lack of separation of powers (i.e., Executive-Judiciary Legislative) is a major source of corruption, countries searched for different solutions in removing political influence on the judiciary (e.g., the Ministry of Justice organizing and administrating the judiciary). For this purpose, in

late 1990s supervisory bodies were created within the judiciary. The criterion (J 5) investigates precisely the degree of autonomy of these supervising bodies by looking at their powers, appointments of their members, and political influence on their day-to-day activity. By 2003, all countries had such supervisory judicial bodies even if their membership and prerogatives varied greatly. They bear different names the National Judicial Council (Slovenia), High Council of Justice (Albania), National Judiciary Council (Poland), Judicial Service Commission (Moldova), State Judicial Council (Croatia), Court of Council Administration (Estonia), Supreme Judicial Council (Bulgaria), National Judicial Council (Hungary), High Council of Justice (Ukraine) and Superior Council of Magistracy (Romania). One additional observation should be made. In Lithuania, the organization and administration is divided between the Council of Courts and National Court Administration. In the analysis, both will be evaluated. However, only Bulgaria, Lithuania and Estonia have managed to put into place the necessary safeguards to ensure their autonomy (e.g., non-politically affiliated members, its own budget) and thus, to reduce “unwanted” political influence. To illustrate the typical problems with which such bodies are confronted, I will start by briefly presenting the membership of the Albanian High Council of Justice and the Moldovan Judicial Service Commission (both created in 2002). The Albanian High Council of Justice counts among its members the President of the Republic, the President of the High Court, the Ministry of Justice, 3 (three) members appointed by Parliament, 9 (nine) judges elected by the National Judicial conference. The Moldovan Judicial Service Commission has 11 (eleven) members among which the Ministry of Justice, the President of the Supreme Court,

the President of Court of Appeal, the President of the Court of Audit and the Prosecutor General.

Political interference in the day to day activity of the judiciary (J 14) criterion represents a major problem across all countries and is based upon the Factor 20 on Judicial Decisions and Improper Influence of the Judicial Reform Index, which reads that “Judicial decisions are based solely on the facts and law without any undue influence from senior judges (e.g., court presidents), private interests, or other branches of government.”

Citizens’ access to judicial system (J 6) is based upon the Factor 28 on Case Filing and Tracking Systems of JRI, which reads that “the judicial system maintains a case filing and tracking system that ensures cases are heard in a reasonably efficient manner”.

Since 1995, only Bulgaria, Hungary and Macedonia have managed to significantly reduce the time for solving court cases from filing to final decision stages. (For more details see 2001 OSI Judicial capacity reports and the 2002 OSI monitoring reports.)

The “clear contempt subpoena enforcement powers of the court” (J 7) criterion is based upon Judicial Reform Index’ Factor 9, which reads that “Judges have adequate subpoena, contempt, and/or enforcement powers, which are utilized, and these powers are respected and supported by other branches of government.” By 2003 only Slovakia and Slovenia have adopted such corrective measures.

Prevention of corruption within the judiciary is measured by the J 11 criterion on ethics laws or codes (J 11). This criterion is based upon Factor 21 of JRI, which reads that

“A judicial code of ethics exists to address major issues such as conflicts of interest, ex-parte communications, and inappropriate political activity, and judges are required to receive training concerning this code both before taking office and during their tenure.”

By 2003, only Hungary, Slovakia, Ukraine still did not have a code of ethics.

However, most countries have introduced them as early as 2002 (Albania, Estonia, Croatia, Lithuania, Latvia, Moldova, Romania and Slovenia). To better understand to what exactly this criterion is referring, the problems associated with the Macedonian case will be presented. More specifically, in Macedonia, there is an ethics code for the judiciary; however, it is not in a unified format (i.e., it is spread over several acts), is voluntary, there are no penalties broken, and it is enforced only by the Macedonian Judges Association.

The training and legal requirements (J 12) criterion is based upon the Factor 3 of Judicial Reform Index (JRI), which reads that

“Judges must undergo, on a regular basis and without cost to them, professionally-prepared continuing legal education courses, the subject matters of which are generally determined by the judges themselves and which inform them of changes and developments in the law.”

By 2003, Albania, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia and Slovenia have introduced training for judges as a

systematic requirement. In contrast, Romania, Croatia, Moldova, Poland, Romania, Slovakia and Ukraine still did not fulfill this criterion.

The case assignment criteria (J 13) is based upon the factor 18 of the Judicial Reform Index (JRI), which reads that

“Judges are assigned to cases by an objective method, such as by lottery, or according to their specific areas of expertise, and they may be removed only for good cause, such as a conflict of interest or an unduly heavy workload.”

If in 1995 only the Czech Republic and Slovenia had introduced random or clear rules for case assignment, by the end of 2003, only 6 out of 15 countries still did not have random case assignment (Croatia, Hungary, Latvia, Moldova, Poland and Ukraine).

Transparent complaint system (J 15) is based upon the Factor 22 on Judicial conduct complaint process of JRI, which reads that “A meaningful process exists under which other judges, lawyers, and the public may register complaints concerning judicial conduct.” If most countries have introduced it by 2003 (Bulgaria, Croatia, Estonia, Lithuania, Moldova, Poland, Slovenia and Ukraine), some countries still did not have it (Albania, Latvia, Slovakia and Romania).

Publication of judicial records, judicial decisions, judgments, and reasoning at all levels (J 16) is based upon the Factor 25 on the Maintenance of trial records and Factor 24 on the Publication of Judicial decisions, of JRI, which reads that “judicial decisions are generally a matter of public record, and significant appellate opinions are published and open to academic and public scrutiny.” On the other hand, the distribution and indexing of the current law (J 17) is based upon the Factor 30 on

Distribution and indexing of Current Law of JRI, which reads that “system exists whereby all judges receive current domestic laws and jurisprudence in a timely manner, and there is a nationally-recognized system for identifying and organizing changes in the law.” By 2003, only Non EU countries (Albania, Croatia, Moldova and Ukraine) still had problems with fulfilling the J16 and J17 criteria. One of the explanations for their overwhelming recent adoption by the newly EU member states is that the European Union has conditioned their membership acceptance by their introduction while devising programs (also including funding) to assist the countries.

Regarding the J 18 criterion on witness protection legislation and programs, in 1995 only Lithuania fulfilled it, but by 2003, 13 out of 15 countries have fulfilled it (i.e., all but Albania and Slovenia).

Conclusion

The Central and Eastern Europe anti-corruption strategies are the most complex ever initiated. By the end of 2003, all countries have introduced an anti-corruption strategy.

However their extent varied greatly. All in all, since 1995 when first ACS was initiated the ACS legislation has improved dramatically; however, it fails to create the climate of accountability and transparency so needed to successfully fight corruption. Across all sampled countries, one of the major findings is that the latest Central and Eastern European anti-corruption strategies target mainly low-level corruption rather than high level as well as petty corruption rather than state capture.

Chapter 4. Political Instability, Economic Factors, International Organizations and ACS Comprehensiveness

This chapter investigates the factors that influence anti-corruption strategies' comprehensiveness across CEE. The chapter will not only identify the factors but also their dynamics and impact on ACS comprehensiveness. I will specifically look for the impact of the various facets of political instability on ACS comprehensiveness. The idea of investigating political instability and its facets was first suggested by the Economist article from December 9th 2004 (www.economist.com) and the 1999 Human Rights Watch report on Romania (<http://www.hrw.org/worldreport99/europe/romania.html>). The Economist article describes the political context of CEE and the alarming pace of government changes. It records in 2003 the installation of the 12th government in Latvia and Lithuania and only hinting at their impact on the political reforms. In addition, without offering any in-depth analysis the Human Rights Watch 1999 report on Romania claimed that in 1998 political instability and infighting among partners in the governing coalition slowed the pace of democratic and economic reforms and inhibited progress on human rights in Romania.

Though authors have been interested in the factors that influence the pace of CEE transition to democracy reforms, there are no studies linking political institutions and policy outcomes. Furthermore, soon after 1989 the political science literature registered a revival of constitutional engineering research. Fifteen years later nothing is more interesting than evaluating the institutional political frameworks put in place and their political performance in the policy making process.

The structure of the chapter is as following. First, I will put political instability in light of previous research and discuss the different models investigating its advantages and disadvantages of political instability. Second, I will investigate the role of political institutional arrangements such as cabinets, president, parliaments and political parties on ACS comprehensiveness. The first three are considered representatives of formal institutional configurations, while the last as representative of informal ones. The reason political parties are also the focus of the study is because previous research (e.g., Harfst, 2000) found evidence of their effects on political (in) stability across CEE especially though party fragmentation. I will also consider the interaction between executive and legislative to determine whether the nature of their relationship has an impact on ACS comprehensiveness. Third, I will focus on economic factors and ACS comprehensiveness. Fourth, I will investigate the role of international organizations efforts as a driving force in the anti-corruption efforts at both international and national level.

Political instability

The development of government stability concept can be paralleled to that of economic flexibility. In other words, flexible networks in the economy are viewed as more productive than hierarchic organizations. Powell (1982) and Liphart (1994:165) argue that a stable government is an indicator for “good” or “effective” government as short-lived cabinets are regarded as ineffective by policy-makers as government needs time to develop and implement coherent political programs and decisions. On the other hand, Sartori (1994: 112-115) contends that a bad government can also be a long lasting

one. Nevertheless, Harfst (2000) underscores among the facets of stability, the duration of cabinets, by arguing that in any democracy the first 100 days of a new government are usually considered a 'period of grace' to put in place its policies.

I will not undertake a complete overview of the political instability literature as this has been done elsewhere (e.g., Brada, Kutan, Yigit, 2004; Campos and Nugent, 2000; and Campos, Nugent and Robinson, 1999). In brief, the extensive literature has mainly focused on the link and effects of political stability on economic performance (e.g., Carmignam, 2003; Fosu, 2001). Some authors argue that political instability disrupts productive activities and increases uncertainty and thus lowers economic growth. On the contrary, some authors claim that economic growth is causing political instability as growth entails substantial changes that undo political coalitions and induce painful readjustments in the balance of power among the different interest groups. Irrespective of the direction of the relationship, nobody contests that an association between the two exists. However, the literature has never investigated the link between economic performance, political instability, and their spillover effects on a political programs/policies such as anti-corruption strategies.

Recent developments have focused on formal institutional arrangements and (in) stability as a re-evaluation of the research on constitutional engineering from the beginning of the 1990s. Such research is very much of interest to this study, the next sections will be dedicated to discussing it.

Political Institutions in Central and Eastern Europe

A. The Level of Democratization

Before starting our discussion on the connection between democratization and ACS, some observations are needed on what I consider the impact of the 1989 democratization wave on ACS comprehensiveness.

Being part of the Third Democratization Wave or the 1989 wave (Huntington, 1991) plays a significant role on whether countries have introduced comprehensive ACS. The ex-communist countries have greatly benefited in their transition process by the development of international standards on fighting of corruption and the extensive research on the anti-corruption models as well as by the substantial assistance of the Western countries, especially the European Union.

Nevertheless, both autocracies and democracies have put into place anti-corruption strategies. Authors such as Sajo (2004) and Rose-Ackerman (1999) have hinted at the fact that a dictatorship may be better equipped and actually be more interested in curtailing mass corruption than democracies are, as centralization of authority might also confer the “benefits” of centralized corruption. **However, I will argue that the more democratic a country is, the more comprehensive its ACS is expected to be (H2).** In other words, I expect to find that authoritarian regimes are less likely to have a comprehensive ACS than democracies as they fail to install the checks and balances needed to really fight corruption and create institutions to continue it (e.g., separation of powers; non-interference in judiciary’s daily matters; independent bureaucracy; transparency in government decision-making process). (H7)

As far as the level of democratization is concerned, according to the Freedom House' Freedom in the World Index, the countries in the sample rank as follows:

Table 4.1. Freedom House' Freedom in the World Index

Country	1995	2002	2003
Albania	3.5	3.5	3
Bulgaria	2	2	1.75
Croatia	4	2	2
Czech Republic	1.5	1.5	1.5
Estonia	2.25	1.5	1.5
Hungary	2.25	1.5	1.5
Latvia	2.25	1.5	1.5
Lithuania	1.75	1.5	1.5
Macedonia	3.5	4	3
Moldova	4	3	3.5
Poland	1.87	1.5	1.5
Romania	3.5	2	2
Slovakia	2.5	1.5	1.5
Slovenia	1.5	1.5	1
Ukraine	3.5	4	4

Several examples are going to be used to better understand the interactions between authoritarian regimes and ACS. One of the first and most sweeping anti-corruption campaigns in modern history is that of Prussia in the late 19th century. As a result, its bureaucracy had been transformed into what Max Webber (1941) called the ideal incorruptible bureaucrat. However, the very centralized nature of bureaucracy put it under the “absolute” authority of Bismarck, the Prime Minister. Thus, many authors have argued that left without any right to contest decisions, the bureaucracy’s capabilities and know-how were used as an indirect weapon in the WWI and WWII.

The second observation is that an ACS is incompatible with the authoritarian nature of dictatorships, as a real ACS is more likely to destabilize the regime. As an example, Carnes (2000: 96-98) recorded that “Mikhail Gorbachev started the Perestroika {an ACS} in despair that Soviet society was rotten to the core, and corruption was dragging the system into the mud.” But Gorbachev’s anti-corruption campaign completely destabilized the Soviet regime and contributed to its 1990s demise as the attempts of openness further revealed and accentuated the rifts of the system.

In addition, without any checks and balances as well as transparency of government dealings, ACS is most likely to be used as a political tool. In 1933, the German NAZI party (NSDAP) clearly used ACS to get its grip on power. By 1938, as the new NAZI regime consolidated, even Hitler acknowledged any measures against corruption and mismanagement would have weakened the loyalty of the party and state leadership (Angermund, 2002). As a result of ACS, even if changes of cadre take place in dictatorships, cadre will always be loyal to the autocrat and the political machine,

which have put them into that position, and not to the rule of law as would be true of democracies.

Last but not least, Gillespie (1991) and Angemud (2002) connect the coming to power and ACS. They focus on whether a certain regime is more or less likely to start an ACS based on its type of coming to power (succession, coups, revolutions or elections). What is interesting is that they find evidence that ACS are initiated in authoritarian regimes immediately after the coup or revolution, meanwhile in post-succession regimes leaders are more likely continue than initiate them. Across the 15 CEE countries, all ACS have been adopted as result of elections.

One might argue that more democracy is the solution to fight corruption. Nevertheless, Sajo (2004) makes very interesting arguments in suggesting that more democracy does not mean less corruption and does not make it more likely for the government to venture in anti-corruption efforts. Though such points are valid but let us remember what Winston Churchill said in 1944 about democracy: Democracy is not perfect but is the least bad of all of the systems of government produced out of human experience.

B. Executive – Parliamentary Relations

The two most fundamental political institutions - the cabinet and the parliament - have been among the first foci of taxonomies of democratic regimes. More specifically, the taxonomies vary based upon autonomy and separation of powers (presidentialism) versus dependence and fusion of powers (parliamentarism) (see Fuchs (2001), for a comprehensive literature overview of various taxonomies).

As far as the link with ACS, I expect to find that parliamentary systems are more likely to have a comprehensive ACS than presidential ones (H3) because increased political competition induces politicians to be more likely to adopt legislation high on public agenda as well as to incorporate more points of view to gain legislative support to pass the legislation.

It is true that presidential systems are characterized by independent elections of the president and parliament, by fixed terms of office without dissolution or vote of no-confidence, and by an executive named and headed by a directly elected president (Hafst, 2000). In addition, stability is increased as the president is directly elected and cannot be dismissed neither by the Congress nor by the Senate, except following the violation of the constitution or laws and the president alone decides on the composition of the cabinet. It is also true that presidential systems produce more stable executives, and cabinets that do not depend on the parliamentary support (Blondel, 1968; Powell, 1982; Shugart, 1993). However, exactly this stability creates all the incentives to maintain the political status quo, against the adoption of a comprehensive ACS, as any ACS will most probably reveal corruption of one's party or coalition members.

To test the link between regime type and ACS comprehensiveness, I will use the Shugart and Carey (1992) presidential powers index. When the 5 constitutional systems as defined by Shugart and Carey (1992) and Shugart (1993) are applied to Central and Eastern Europe, the countries rank as following see Table 4.X.

Table 4.2. Presidential index for the Central and Eastern Europe – Shugart and Carey

Purely presidential
--
President Parliamentary
Croatia
Ukraine
Premier Presidential
Lithuania
Moldova
Poland
Romania
Parliamentary with directly elected president
Bulgaria
Macedonia
Slovenia
'Purely' parliamentary
Albania
Czech republic
Estonia
Hungary
Latvia
Slovakia
Moldova (since 1999)

For the remainder of the chapter, I will investigate the role of economic factors and international organizations on ACS comprehensiveness. Nevertheless, one observation must be made. Preliminary analysis reveals that negative effects of rapid succession of governments (e.g., 12 governments in Latvia during 1995-2003) could be mitigated if cabinets endorse and continue previous' governments' ACS. This prompts me to suspect that even if a country has a higher number of governments, countries tend to have more comprehensive ACS, if they somehow continue each other's policies.

C. Cabinet Stability

Extensive literature has developed regarding the functioning of cabinets under different political settings, coalition structures, administrative rules and leadership styles of both prime ministers and presidents (Blondel and Muller-Rommel, 2001; Agh, 1998; Lijhart, 1999; and Sartori, 1994). Much less attention has been given to the impact and performance of CEE cabinets on the policy process. A notable study is the one of Verhult (2002), which investigates the role of support structures that directly advise or serve government. Nevertheless, the indicators used in the literature to investigate cabinets' stability are the number of cabinets, the types of cabinets (e.g., single party vs. coalition cabinets), and the number of parties in parliament. It is true, there are also other indicators on governments such as turnover of ministers, durability of the Prime Minister, administrative characteristics and cabinet decision-making (Blondel and Muller-Rommel, 2001, Protsyk, 2003). Further research should also investigate their impact. However, even these last authors recognize representativeness the above-mentioned indicators' in

measuring their impact on the policy-making process. For an in-depth discussion of all the indicators see Harfst (2000).

Before further proceeding with the analysis, it needs to be clarified when a cabinet begins and ends. There are different definitions for cabinets' beginnings and endings (Harfst, 2000). The most widely used definition of a cabinet also used by this study is given by three criteria: the same Prime Minister continuously in office, the same parties in government, and the same legislative period.

D. The Number of Cabinets

The more cabinets per year a country has, the more likely a country is to have a comprehensive ACS (H 4). The main explanation is that increased turnover, due for example, to increased political competition increases the pressure on politicians to adopt policies that the electorate deems important to ensure their stay in power.

The number of governments also includes partial-term cabinets. By a change in cabinet is understood any official reshuffle, dismissal, or resignation of cabinets irrespective of whether the cause was internal or external to the life of cabinet. In addition, a new cabinet is counted if it has also been recorded as such by the Economist, Financial Times, Keesing, Roberto Ortiz de Zárate (1996-2004), Blondel and Muller-Rommel (2001), and Harfst (2000).

For the period 1995 – 2003, there were registered 100 governments across the 15 CEE countries. The 15 CEE countries are Albania, Bulgaria, Czech Republic, Estonia Croatia, Hungary, Lithuania, Latvia, Moldova, Macedonia, Poland, Romania, Slovakia Slovenia, and Ukraine.

The findings also suggest an average of 6.67 cabinets per country and a median of 6 cabinets (e.g., Moldova and Slovenia). The most cabinets were registered in Lithuania with 12, followed by Latvia and Albania with 9, while the fewest cabinets were registered in Hungary and Slovakia with 3.

Table 4.3. Numbers of CEE Cabinets/Governments

Country	No. of governments
Albania	9
Bulgaria	5
Czech Republic	5
Estonia	8
Croatia	5
Hungary	3
Lithuania	12
Latvia	9
Moldova	6
Macedonia	8
Poland	5
Romania	8
Slovakia	3
Slovenia	6
Ukraine	8
AVERAGE	6.7
Median	6

Source: The Economist, Financial Times, Keesing, Roberto Ortiz de Zárate (1996-2004) Blondel and Muller-Rommel (2001), Harfst (2000) and Author's data collection

Types of Cabinets

The effects of parties and coalitions on government's activity have been underlined by various studies (Harfst, 2000; Lijpahrt, 1999; Riker, 1962; Axelrod, 1970; Kitschelt et al., 1999; Laver and Schofield, 1990; Weaver and Rockman, 1993). It is common knowledge that more veto-players, given by the existence of more parties, make it potentially harder to build a coalition, get a qualified vote, or achieve a consensus on fundamental changes such as the reform of judiciary. Based on previous findings, the types of cabinets will also be investigated regarding the political fragmentation in cabinet and parliament, and political affiliation of cabinet members. For a party to be taken into account as a parliamentary party, it must win at least one seat as a result of national parliamentary elections.

E. Political Fragmentation in Cabinet and Parliament

The more parties there are in cabinet, the more comprehensive country' ACS is (H5).

Previously models in the literature models suggest that single party cabinets and majority governments tend to be more stable than coalition and minority governments because the "larger the number of parties in the cabinet, the more conflictual is the decision making process" (Blondel and Muller-Rommel, 2001: 194). However, one party cabinet and especially, the long-time serving ones, will no incentive to start any such radical reforms that true anti-corruption campaigns presuppose as they have no interest to even accidentally reveal their own corruption. Even if they will start an ACS, the question is as to why should they adopt a comprehensive ACS as nobody within the

cabinet is really challenging them on the policies they put forward. What does play a role is also the political fragmentation in the parliament. In other words, the more parties there are in the parliament the more comprehensive ACS is more political views and interests must be accommodated because to build majority support to pass the legislation. In the same vein, the model involving the number of parties in the Parliament and ACS comprehensiveness runs the same. I expect to find that **the higher number of parties in Parliament, the more comprehensive a country's ACS is (H6).**

The question remains as to whether having too many parties in both cabinet and parliament is detrimental to reaching any decision. Further research should look, for example, at oversized coalitions and their impact on ACS comprehensiveness. However, in our case the overwhelming majority of the parties across countries have endorsed the need for ACS and not just because the European Union is requiring it. Nevertheless, two observations need to be made. First, one might argue that party composition of the cabinet includes all parties that support the cabinet, even if not participating in the cabinet with ministers or other high officials. Because of the difficulties in determining such support and the limited resources of this project, the parties to be counted as "supporters" of government will be only those represented in the cabinet (i.e., have ministers or high officials as representatives in the cabinet). For the advantages and disadvantages of such an approach see Harfst (2000) and Lijphart (1999). Second, parliamentary parties taken into account in this study are those that have obtained at least one seat in the parliament either as a party or a coalition of parties. Without any doubt, non-parliamentarian parties could also have an impact on the decision-making process and might be taken into account in a future study.

The number of parties varied between single-party cabinet for 15 out of the 100 CEE cabinets to a maximum of 9 parties in the 1997 Albanian cabinet of Bashkim Fino, followed by 7 parties in 5 other cabinets in Macedonia and Latvia. The average number of parties across the 100 CEE governments is 3.32 parties, while the median is 3 parties. On the other hand, the average number of parties in the parliament is 7.84 across the 15 CEE countries, while the median is 7 parties. The highest number of parties - 20 parties - was registered in Ukraine after the 1998 parliamentary election, while the lowest number 3 parties was registered in Moldova and Bulgaria after the 2001 and 1991 parliamentary elections. Further information on averages across countries can be found in Table 4.2.

Table 4.4. Average Number of Parliament and Government Parties

Country	Average number of government parties	Average number of parliamentary parties
Albania	4	6
Bulgaria	1.8	4.4
Czech Republic	2.8	5.8
Estonia	2.4	8.1
Croatia	3	9
Hungary	2.7	6
Lithuania	2.6	9.9
Latvia	5.4	7.8
Moldova	1.7	3.8
Macedonia	4.5	7
Poland	2.4	8.6
Romania	3.6	7
Slovakia	4.7	7.3
Slovenia	3.8	8.5
Ukraine	NA*	13.5

*Due to stronger presidential powers, the party components of the cabinet are considered irrelevant (Ortiz, 2004).

F. Political Affiliation of Cabinet Members

Authors have found evidence that ideology does not define political parties' alignment across the CEE political arena (Kitschelt et al., 1999). Among the reasons quoted are the impact of post-communist era and the lack of democratic tradition to forge party platforms and believes. More specifically, because of the painful memories of the Communist Era there is still a strong public distaste for extremist ideologies across the region. It is true that former communists converted into politicians have re-packaged their old communist parties and especially, as a result of painful economic reforms and lackluster improvement of standards of living, were prompted back to power by the late 1990s across most of the CEE countries.

As far as the connection with ACS is concerned, one thing becomes clear. Both center-left and center-right cabinets are likely to adopt comprehensive ACS. Having said that, I expect to find that extreme ideology-driven governments (either left or right wing) are less likely to have comprehensive ACS due to their undemocratic foundations, which clash with the fundamental principles of ACS. Such ideologies make it impossible to put in place the absolutely necessary checks and balances characteristic to a comprehensive ACS.

Nevertheless, one distinction must be made. Even if the color of the political party in power does not matter for ACS comprehensiveness, the membership in a political party does matter. In other words, I argue that **non-politically-affiliated governments are less likely than politically-affiliated governments to put in place comprehensive ACS as they lack a political mandate and legitimacy (e.g., lack a public electoral backing) to undertake such radical reforms an ACS requires (H7)**. This distinction

has been prompted by repeated declarations of non-political affiliated leaders invoking the lack of support for the party or coalition, which has brought them to power (The Economist). This is the reason that has pushed some PM to join a political party (e.g., the Romanian Prime Minister Vacaroiu in 1996). Though extensive discussion on the measurement of indicators will take place in Chapter 5, politically affiliated governments will be classified based on PM involvement in a political party.

According to the ZPC (Roberto Ortiz de Zárate), between 1995 and 2003 there were only 7 non-politically affiliated Prime Ministers across CEE (e.g., 2 in Romania, 2 in Bulgaria, and 1 in Latvia).

In a future study, it would be interesting to analyze the reasons that prompted successive cabinets to continue ACS and the impact they have on ACS comprehensiveness. Some cabinets decided to continue ACS because they were of the same political color as the previous cabinet (e.g., same party or coalition); they considered the anti-corruption plan as worth being respected; or international organizations have required them to do so. Further study could investigate to what extent these various reasons for continuing previous' government ACS might have a different impact on the commitment and comprehensiveness of ACS.

Economic Factors

Another set of variables that might affect the comprehensiveness of ACS might be the economic ones as all too often experts (The Economist, Financial Times) have drawn attention to poor economic performance and subsequent declining of the standards of living and their impact on countries' daily activities across the region. Economies in turmoil are said to generate an electoral protest vote to change the government in power and bring demagogues to power that will not adopt and implement the measures necessary to solve the situation and thus the erosion of trust in political institutions and processes deepens (see the Economist 2003). On the other hand, economic crises might actually shift the normal political equilibrium of forces and put pressure on politicians to change policies and practices. However, crises can create political instability and affect political continuity, which may in turn have an impact on ACS comprehensiveness. In brief, economies' performance is correlated with the comprehensiveness of ACS. The poorer the economic performance the less likely is for a country to have a comprehensive ACS.

There are various indicators of economic performance. However, some of them were previously found to have an impact on the post -1989 transition to democracy reforms such as macro-stabilization, price liberalization, and privatization reforms, and beginning in the 1990s targeting the consolidation of the market-oriented economy. Such indicators and their evolution after 1989 are discussed in the seminal study of Svejnar (2001) and they include gross domestic product (GDP) and its annual growth, level of unemployment, and foreign direct investment. These factors are also found to have an

impact on corruption (Mauro, 1995) and until now are only hinted to have an impact on anti-corruption efforts (Rose-Ackerman, 1999).

A. Gross Domestic Product

The Gross Domestic Product is a measure of economic activity in a country and is calculated by adding the total value of a country's annual output of goods and services.

(For more details see www.economist.com Economics A-Z section.)

I expect to find that a sudden variation in GDP level is a better predictor of countries' ACS comprehensiveness; however, the most comprehensive ACS is to be found in wealthier countries (i.e., higher the level of GDP). More specifically, **the higher the level of GDP is, the more likely an ACS will be comprehensive (H8)**. For an ACS to be comprehensive a certain legal and institutional framework needs to exist and this legal framework is generally characteristic of the Western wealthier democracies. **In addition, the higher the annual variation (and especially decline) of reported GDP levels, the more likely a country will to have a comprehensive ACS (H 9)**. The most important reason is that high variation in annual GDP is a sign of the gravity of an economic crisis. Thus, politicians become more likely to do something about corruption affecting their country.

Across the sampled countries, the GDP per capita varied widely with the Central and Eastern such as Poland, Slovenia, Hungary, Slovakia, and the Czech Republic fairing better than the Baltics and the Balkan states such as Romania, Bulgaria, and Albania. In brief, the GDP per capita varied between \$386.7 in Moldova in 1995 and \$13,756 in Slovenia in 2003. While the comparable figures for the United States and the European

Union, for example in 2000, were \$33,900 and \$22,560. As far as the drastic variation of GDP is concerned, the highest drops were registered in Ukraine in 1995 with a 12 % drop followed by the financial crash in 1996/1997, in Bulgaria reflected in a 10% drop, and in Albania with a 7 % drop. On the other hand, the highest increases in GDP registered were 9.0 % in Lithuania and 9.3% in Ukraine in 2003.

Authors have drawn attention to the weaknesses of such a measurement. Before the 1989 GDP of the former communist countries did not include services and did not reflect the real supply and demand (Svejnar, 2001). During transition, the gray or underground economy, which in countries like Romania might reach up to 40-45% of the official GDP, was not captured by the official statistics and thus was not included in the reported GDP. (For further details on the interpretation of GDP see Filer and Hanousek, 2000.) Further analysis could be undertaken on how soon after the actual crisis an ACS is adopted and how important the crisis needs to be for such an ACS to be adopted.

B. The Level of Unemployment

According to the Key Indicators of the Labour Market database of the International Labor Organization, unemployment refers to the share of the labor force that is without work but available for and seeking employment. The level of unemployment although basically unknown across the region before 1989 rose into double digits by mid 1990s. For example, unemployment reached over 36% of the labor force in Macedonia in 1995 and stayed in the 30s even by the end of 2003 (NIT, 2003 and CIA WorldFact Book, 2004). In the period 1995 – 2003, across all countries unemployment levels increased. For example, Romania and Latvia are exceptions. In

Romania unemployment has decreased from 9.5% of the labor force in 1995 to 7.2% in 2003, while in Latvia from 18.1% in 1995 to 8.6% in 2003 (NIT, 2003 and CIA WorldFact Book, 2004). The increase across the region is, nevertheless, best reflected in unemployment averages. If in 1995, unemployment average was 12.28%, by 2003 the average has increased to 13.1% (NIT, 2003 and CIA WorldFact Book, 2004).

As far as the connection between unemployment and ACS is concerned, **I expect to find that the higher the level of unemployment, the less likely a country will have a comprehensive ACS (H 10).** High level of unemployment is more likely to create/reflect low or declining standards of living, which in turn create “protest” votes and the government in power is more likely to be thrown out in the next elections. Thus, high on public agenda are the measures directly targeted to improving economic and standards of living and not necessarily anti-corruption reforms. The governments will focus on economic reforms rather than on anti-corruption strategies. And if ACS is adopted, ACS is just to divert attention, for example, from failing economic measures and to shift the blame or attention to other things. No real political commitment is made by politicians to undertake the complex anti-corruption reforms.

C. Level of Foreign Direct Investment (FDI)

According to the Economist, Foreign Direct Investment (FDI) refers to investing directly in production in another country, either by buying a company there or establishing new operations of an existing business (www.economist.com). Studies have unanimously concluded in favor of the necessity of FDI for a country's economy. See

Brad et al. (2004) for a literature review. In brief, its importance is reflected not just through FDI level per se, as much as by its “subjective” significance.

A high level of FDI inflows is a sign of progress of the successful adoption of transition to democracy reforms.

As far as the link between ACS and FDI, the literature has already hinted at the relationship. Sajo (2004) argues that free trade and globalization “condemn” post-communist governments (both the Executive and the parliament) to work permanently at the ACS measures as the international financial community and investors are requiring them. Nevertheless, there is no doubt that the impetus to adopt a comprehensive ACS is influenced by FDI level, due to the direct link with the scope of ACS (e.g., to increase government accountability and transparency), which tends to create a more predictable business environment and attracts foreign investors. Thus, **the higher FDI inflows in a country are, the more likely a country will have a comprehensive ACS (H11).**

Before further advancing our discussion to better understand the level of FDI, I will present several tables reflecting the level of FDI between 1992 and 2003 in various regions of the world and compare them with Central and Eastern Europe. In addition, CEE countries will be compared to other Eastern European countries. The data and tables used are from the 2003 and 2004 Economist available at www.economist.com.

A first striking difference revealed by the tables is the level of FDI among CEE countries, for example, between Poland, Czech Republic, Hungary, and Macedonia and Albania. For example, FDI ranges from 12 million in Macedonia in 1995 and 1996 to over 9 billion US dollars in Poland in 2000. Some authors (Brada et al. 2004; Svenjar, 2001) argue that the flow of foreign direct investment appears to increase with the

proximity to the European Union, the desirability of the country's political, economic and legal environment, availability of attractive privatization projects in the country (Castensen and Kinoshita, 2003). In addition, other authors have demonstrated the impact on FDI level of "the starting conditions" existing in 1989, the progress in economic transition to capitalism, the economic policies towards FDI, and macroeconomic performance or corruption (Easterly, 2001). But how exactly does FDI levels influence ACS comprehensiveness?

The data on FDI inflows are collected and compiled from the Freedom House Nations in Transit reports for the years 1995-2001 and the European Bank for Reconstruction and Development Transition Report: An expert Assessment of Economic Developments in Central and Eastern Europe and the Community of Independent States between 2002 and 2003.

International Organizations' Anti-Corruption Efforts

Characteristic of the latest anti-corruption strategies is the wide array of international organizations involved in the fight against corruption. The World Bank, the Council of Europe, the Organization for Economic Cooperation and Development, the World Trade Organization, the International Monetary Fund to the International Chamber of Commerce to name just a few. Also significant were the building of coalitions among these organizations, governments, NGOs, private sector, and civil society.

In spite of these efforts, some authors (Haarhuis and Leeuw, 2004, and Tisne and Smilov, 2004) have raised questions over their effectiveness as no organization is claiming that corruption has been effectively reduced as result of their programs. Furthermore, Tisne and Smilov (2004) concluded that none of the international

organizations' projects in Central and Eastern Europe have managed to have the level of influence over government policy that was expected from them. The main reason they continue is due to the mismatch between donors' message and public demands.

International donors have focused on long-term solutions through the development of institutional framework; meanwhile, the public wanted more immediate, politicized, and short-term response. On a different tone, OSI (2002) draws attention to the over-influence of international organizations on the national ACS that ACS are no longer solving the problems existing in the countries but serves only the agenda and priorities of the international organizations. Before jumping to any conclusion, I will investigate the international organization's anti-corruption efforts and how they materialized at the national level. Even more importantly, I will investigate whether they were coherent enough to have a significant influence on ACS comprehensiveness. I expect to find that international organizations are the main drivers of ACS efforts in CEE. Furthermore, I argue that the larger and longer the extent of international organizations' involvement the more likely countries are to have comprehensive ACS. Then, I will argue that since the mid 1990s, a trend towards adoption of comprehensive ACS has developed either through the enactment of international best practice standards in the fight against corruption or participation into country assistance programs sponsored by international organizations.

To prove this last point, I will investigate the impact of the main international anti-corruption conventions (e.g., OECD Anti-bribery convention, UN Anti-Corruption convention). **I expect to find that countries that have signed and ratified the main international anti-corruption conventions are likely to have more comprehensive**

ACS as the conventions incorporate the norms a comprehensive ACS should have.

(H12)

Before further proceeding, with the anti-corruption efforts it needs to be understood why the international organizations are interested in fighting corruption and how they intervene.

International organizations have different goals as far as anti-corruption efforts are concerned. The European Union stresses the need to establish viable economic partners (see European Commission, Agenda 2000), while the North Atlantic Treaty Organization wants to ensure the transparency of who is to get access to the information on its military capabilities (NATO, 2002). The United Nations Development Program (UNDP) approaches the issue as a governance matter and a failure of institutions, and emphasizes the need for partnerships between key shareholders while strengthening the enabling environment.

The World Bank and International Monetary Fund (IMF) focus on creating sustainable development (IMF Charta). However, it has not been always the case. For example, until the 1980s IMF conditionality for its financial assistance was largely limited to policies affecting macroeconomic aggregates, such as controlling domestic credit expansion and reducing government debt. During the 1980s, there was an increased criticism that IMF was looking to redress only the short-term crises of countries' balances of payments and not much attention was paid to restoring their sustained growth. (For more details see Ahmed and Timothy, 2001; Martin-Vazquez, 2001.)

Thus, in the last two decades complex structural policy conditions were attached to the IMF loans. For example, IMF supported programs covering a broad range of policy measures intended to strengthen the structural underpinnings of macro-economic policies such as privatization, and ‘good governance,’ including anti-corruption strategies. More specifically, if the fiscal deficit partly reflects the government’s lack of administrative capacity to collect taxes due to corruption, anti-corruption measures had to be taken to correct for it.

In brief, the IMF programs for the developing countries have taken a new dimension. They represent not only the financial support but also a guarantee that the respective receiving country is economically and politically stable. In other words, a loan represents a “green” light to the international financial community that the respective country is propitious to investment.

If two or more organizations are advising one country how to go about fighting corruption, the effect of individual international institutions’ anti-corruption efforts is nearly impossible to isolate. On the other hand, because not all international organizations are specialized on ACS – however to the extent that they consider fighting of corruption to be a priority – collaboration among them becomes vital. (Further details are to be found in Anderson and Deepak, 2001). For example, Belarus and the IMF signed a six-month monitoring program to run in 2001 during which price controls were repealed, domestic subsidies lifted, and budget restraints imposed. As a result, Belarus qualified for an IMF stand-by agreement as well as enhanced disbursements from a World Bank’s Country Assistance Strategy (SAC). Another example is Croatia, which soon after joining the World Trade Organization in November 2000, signed a

Stabilization and Association Agreement with the European Union and gained the financial support of the IMF.

In brief, international organizations' efforts against corruption could be summarized in four categories: first, fighting transnational crime including the flow of illicit funds; second, international anti-corruption norms (e.g., the UN Convention against Corruption, the OECD anti-bribery conventions, membership accession requirements to such organizations as the Council of Europe and the European Union). The third category includes the direct support through assistance programs such as institutional reform projects (e.g, technical assistance, training seminars, to study tours) or projects intended to change the interface between government and citizens. For example, the Council of Europe's Programme against Corruption and Organized Crime in South Eastern Europe (PACO) specializes on evaluating and monitoring the Albanian ACS and strengthening the cooperation of state institutions with the anti-corruption monitoring groups in order to implement the action plan. Another illustration is the reform of the prosecutorial office in Bulgaria or customs administration office in Albania. Furthermore, the first document reflecting Albanian's strategy to combat corruption was finalized in July 1998 with the support of the World Bank and it focused on reform of public administration and prevention of corruption; however, it has never been implemented. Another example is Macedonia where the Council of Europe with the financial help of the Swedish International Development Cooperation Agency (SIDA) set up a comprehensive institutional structure to monitor and support the implementation of the action plan.

The fourth category is donor conditionality. When confronted with financial crises, economic downturns or just the need for security warrantees countries are

increasingly turning to international organizations for assistance (Miriam Golden, 2002). For example, International Monetary Fund (IMF) loans have become essential to the survival of country's ailing economy, and an end to this assistance could easily provoke a complete collapse of the country's economic system. The failure to combat corruption is one of the reasons for exclusion of developing countries from a US aid funding for economic recovery and poverty alleviation.

To understand the importance of international organizations' support the example of Albania could be used. In 1996, the World Bank and the European Union contributed about a third of the Albanian state budget or with about \$960 million.

Its importance is also stressed by Nye (1989),

...the opportunity costs of aid forgone or withdrawn by outside donors (*such as IMF, I add*) because of disgust with corruption in a developing country could be a serious cost in the sense that development countries are highly dependent on external sources of capital. (1989:970)

Dependence upon assistance from international financial institutions varies greatly across countries based upon countries' depth of the internal economic and financial crises and their level of foreign direct investment. For example, in the 1990s Hungary received roughly 40% of all FDI in Eastern Europe and therefore needed almost no financial assistance from the International Monetary Fund (United Nations Economic Commission for Europe, 1998). For more information on the European Union accession, NATO, WTO membership, and other conditionalities, see Tisne and Smilov (2004).

All in all, this study will demonstrate that ACS comprehensiveness is correlated with the external pressure imposed by international institutions such as the International Monetary Fund, the World Bank, and the European Union.

Downsides to “External” Intervention

The problems raised by international organizations’ intervention could be summarized as follows. First, there is increased risk for quick fixes. Because monitoring and implementation of ACS is difficult and results might take a very long time to appear, international organizations have tended to disburse funds even before reforms were adopted. Such is the case of Romania with the IMF stand-by agreements in 1994, 1996 and 2000 in “exchange” of an ACS, which never took place. Second, international institutions can be nothing but political tools in the hands of few powerful states. For example, under the pressure of the US in November 2001, the IMF rushed to disburse 135 million of an existing loan to Pakistan despite the fact that its economic reforms efforts (including creating transparency in government and fighting corruption) have been choppy and incomplete (Jenny Anderson, and Gopiath Deepak, 2001:41). Third, there are increasing criticisms regarding corruption within these institutions and the lack of a real anti-corruption strategy to deal with them (Useem, 2001). Such is the case of the European Commission’s aid programs to Albania in 2002 evaluated at the Commissions’ demand by Development Strategies, a British consultancy, as inefficient, ridden with financial and contractual irregularities (The Economist, March 14th, 2002).

Fourth, the risks of overlapping jurisdictions and conflicting goals and timetables in fighting of corruption among international organizations could also be a big

impediment to the effectiveness of such efforts. As already mentioned, the World Bank has initially focused mainly on promoting economic development; meanwhile, the United Nations Development Program and the USAID have seen corruption as a governance and institutional failure. And what is interesting is that the allegations of

lack of cooperation and different political and economic agendas of Western Agencies (e.g. Anti-Fraud Department of the Office of the High Representative, USAID) and embassies prevent the creation of any serious long-term, or at least medium-term, anti-corruption strategy. (TI Global Report, 2001:89)

Another risk is represented by the inconsistency over time of these organizations' anti-corruption tools or priorities. First, there are shifting paradigms or priorities as in the 1999 EU program for Albania. Initially, EU efforts have focused on building of the Albania the EU relations and not on creating a solid economy and robust democracy. Such mistakes are due to the European Commission's own limited management capacity, lack of staff, and red tape (The Economist, October 25th, 2001). In addition, EU does not have a coherent anti-corruption policy for its own current member states. Its anti-corruption initiatives are mainly based on the assessments of the Council of Europe, the World Bank and various regional and national NGOs, and these apply only to the candidate countries from the Central and Eastern Europe. However, even if the EU does have the tools to enforce its opinions it can do so with much more authority before accession of the new member states than later by using its veto power to halt or delay the candidate countries' accession progress. After becoming EU members, as 8 of the 15 CEE sampled countries did, even with some provisional periods and monitoring, the

coercive power of the tools at EU disposal significantly decreased. This is exemplified by the fact that even before the accession in 2003, Slovenia and Estonia were perceived by Transparency International and its Corruption Perception Index as less corrupt than some of current EU members such as Italy or Greece.

To test my hypotheses, I will look at whether countries have ratified and implemented the international anti-corruption conventions (See appendix 6), and for more subtle signs of influence I will look at the EU Commission reports, which recommended special measures to be taken each year. If the country was asked to adopt an ACS measure by the European Union the “influence” will be recorded as such.

Weaknesses of the Approach and Extensions

This study is intended to contribute to a better understanding of democratic governance structures and their delivery of policies. Their dynamics are even more important to understand as authors like Kitschelt (1999) have drawn attention to the limited explanatory power of formal institutions for democratic processes in CEE.

In brief, he argues that the power networks of the ruling elite are not built around and do not emphasize the role of institutions. In other words, politicians choose institutions that objectively undercut their interests but these institutions are exogenous to power relations. Furthermore, the ruling elite is in a learning process, as it does not have fully-fledged institutional democratic experience. Thus, the outcomes of institutions are not always predictable in the transition process and the political ruling elite does not necessarily have all the knowledge and experience in the democratic political process. As a consequence, the advancement of democracy - if it takes place - does not necessarily

take place through institutions, as politicians do not have the “appropriate” cognitive maps.

In addition to the institutions and indicators already mentioned to characterize political institutions, others could also be included such as federalism and unitarism, the degree of centralization (centralized vs. decentralized), or bicameralism and unitarism. I expect to find federalism and the degree of centralization to play a role not so much on ACS comprehensiveness as measured by this study - at the legislative adoption level - as on the other successive policy making stages and especially implementation. It is true that, for example, federalism and a highly decentralized political system and a bicameral parliament tend to accommodate more veto players, which provide more input on ACS legislation. However, the existence of more veto players and the potential subsequent difficulty to reach a consensus make such systems more stable (Tsebelis, 1999). In my opinion, further analysis should investigate not only the veto players but also the impact of their stand on ACS legislation. Eloquent examples are Romania and Ukraine. Extensive feedback in the judiciary reform has been made by various government agencies, members of the judiciary, and civil society. However, in early 2004 when the legislation was being adopted the Romanian Cabinet brushed away all the proposed amendments and adopted the most conservative draft through emergency government ordinance. This leads me to suspect that the procedures used to adopt ACS legislation, (for example emergency governance and parliamentary legislation) have a significant impact on ACS comprehensiveness. In brief, one should expect that the more transparent and open to debate the legislative process is, the more likely ACS is to be comprehensive.

Future research could also investigate the electoral system, the degree of accountability it confers to politicians and ACS comprehensiveness. More specifically, one should also expect that the higher the degree of accountability the more comprehensive an ACS is as the electorate can better identify the role of previous election's winner on ACS reforms and sanction/reward its performance. In the same vein, winner take-all-systems are more likely to adopt a more comprehensive ACS than proportional representation systems are.

Rose-Ackerman (1999) has hinted at the impact of party discipline on ACS through the use of closed-list. She argues that closed-list made that Britain in the 19th century promoted reforms and only, much latter did the US (an open-list system) do so. Therefore, I expect to find that closed-lists systems are more likely to have a comprehensive ACS than open list ones as close-list systems are more likely to counterbalance the need and desirability of politicians to pursue their own agenda and electoral reputations. In open-list systems politicians are more independent and more voter oriented while in closed list systems loyalty to the party and party discipline are stronger and become fundamental to get an eligible seat. More specifically, in open-list systems politicians are more likely to differentiate themselves from their party members and establish their own electoral reputation and base, threatening, for example, the party discipline needed to pass such comprehensive reforms such as ACS.

All too often political infighting and polarization have been quoted as a major source for weak parties across the region. Such is the case of the Albanian Socialist Party after January 2002 when three rival factions led by Ilir Meta, Pandeli Majko, and Fatos Nano formed. For more details see Freedom House "Nation's in Transit" 2003 report on

Albania (2003:56-58). Their impact on the strength of parties and ACS comprehensiveness should be further studied. The direction of the relationship should run like this: the more political infighting and polarization, the less likely a country is to have a comprehensive ACS mainly due to the political instability they create.

Some authors (Brinkerhoff and Kulibaba, 1999) have suggested that the locus of anti-corruption initiatives (i.e., whether they lie with in-country reformers) influences the actual anti-corruption strategy and the commitment towards it. In other words, a home grown ACS initiative demonstrates that country reformers perceive corruption as an important issue and are willing to do something about it, while an imported initiative confronts the perennial problem whether its pursuit is genuine. Though the section dedicated to international organizations does detail their role, further suggested studies should focus on assessing the influence of policy-makers and its translation into a policy outcome. One other aspect of the locus of anti-corruption efforts should be investigated regarding the drafting of ACS legislation and its impact on ACS comprehensiveness. The Parliament is the chief rule-making organ through adoption of legislation; however, the majority of actual drafting of legislation takes place in the various ministries and government agencies.

One criticism to the above model might be that it ignores the policy-makers and their interests. Studies of previous economic reforms have found a positive correlation between the pace of reforms and elite “changing” (or the replacement of the old guard by the new elite). In addition, the nature of the often intertwined relationship between business and politics might have an impact on ACS comprehensiveness as politicians

might have all the interest to keep their dealings secret and thus sabotaging the strength of conflict of interest or financial disclosure legislation.

Public support for reforms should also have a significant role on ACS comprehensiveness. My suggested approach is to investigate not only support for the ACS but also for the government in general, as ACS reforms can very broadly be considered to have taken an entire mandate of any 4 year government. According to most important CEE surveys (CPI, BPI, SELDI), corruption is overwhelmingly considered bad and needs to be fought against. However, the 2002 Southeast European Legal Development Initiative (SELDI) survey reveals a decrease in general public expectation of successfully fighting of corruption, especially in countries that have initiated an ACS (e.g., Romania, Macedonia, and Serbia). I expect to find that if anti-corruption has become an important campaign issue (included in the electoral platform of parties or quoted by public surveys as the most important issue in the election campaign), the more likely is a country to have a more comprehensive ACS. Nevertheless, one should also expect to find the most comprehensive ACS in countries where public support also remained high during the post-election period for the government in general and for ACS in particular, the rationale being that politicians are more likely to adopt ACS if the public supports it.

Anti-corruption reforms all across the region seem to be confronted with a paradox. On the one hand, even when public support for reform is high, no two radically reforming governments have managed to get two consecutive mandates. On the other hand, politicians who have not kept campaign promises (e.g., to reduce corruption) have also been voted out. (For more details, see the extensive country briefings from The

Economist available at www.economist.com.) Krastev (2004) goes one step further and argues that even non-corrupt governments do not have the incentives to do the ACS reforms as they cannot control the factors that influence the public's perception of corruption. The two factors quoted are the perceived spread of corruption (i.e., citizens' assessments of the spread throughout the society), and the expectations of corruption (i.e., citizen's personal expectations about the future spread of corruption).

Further analysis of the role of public support for the government and for its ACS is also greatly needed for the following reasons. First, Krastev tests his hypotheses on one case study - Bulgaria in 2000. In addition, he does not extend his analysis to the depth of the Bulgarian case though he hints at the risks of associating ACS with a government image. In 2000, the Movement for Simion II, which was formed four months before the legislative elections, had no governance experience and their populist electoral promises were almost impossible to keep (e.g., a dramatic increase in the standard of living in 800 days).

Conclusion

The purpose of the chapter was to investigate the other factors (than corruption) that might influence ACS comprehensiveness. Thus, the factors investigated can be categorized as political and economic factors as well as international organizations. In addition, the weaknesses of the approach and future research have been also discussed.

The direction of association between the factors investigates and ACS comprehensiveness will be briefly re-summarized in the remaining of this section.

The more cabinets a country has, the less likely a country is to have a comprehensive ACS. (H 1)

One-party cabinets are more likely to have a comprehensive ACS than countries with multi-party cabinets are. (H 2)

The lower number of parties in Parliament, the more comprehensive a country's ACS is likely to be. (H 3)

The less durable the cabinet is, the less likely the country is to have a comprehensive ACS (H 4).

Non-politically affiliated governments are less likely than politically affiliated governments to put in place comprehensive ACS. (H 5)

Presidential systems are more likely to have a comprehensive ACS than parliamentary ones. (H 6)

The higher level of democratization of a country is, the more comprehensive ACS is likely to be. (H 7)

The higher the level of GDP in a country is, the more likely an ACS is to be comprehensive. (H 8)

The higher the annual variation (and especially decline) in reported GDP levels, the more likely is countries to have a comprehensive ACS. (H 9)

The higher the level of unemployment, the less likely a country is to have a comprehensive ACS. (H 10)

The higher FDI inflows in a country the more likely a country is to have a comprehensive ACS. (H 11)

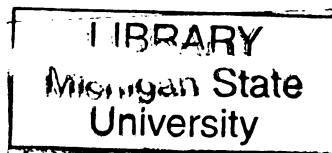
Countries that have signed and ratified the main international anti-corruption conventions are likely to have more comprehensive ACS than those, which did not. (H

12)

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Chapter 5. Hypothesis Testing

I will now investigate whether there is statistical evidence to suggest a connection between ACAI and the various factors proposed in Chapter 4. In particular to what extent do internal political institutions, economic conditions, and international connections account for differences in the level of corruption-fighting legislative effort?

First, I will describe the candidate variables. I will start by reviewing the development and aggregation of the Anti-Corruption Assessment Index (ACAI), the dependent variable, then turn to the independent variables. However, because of the small N and many indicators that highly correlate with each other – a common problem in such cross-national studies – I will not do the analysis immediately by including all indicators simultaneously. In addition, it is very plausible that in such a small N study one or two countries could be deviant cases. Such outliers may be influential in the multivariate analysis either by making apparent a statistical relationship when in reality there is none, or by undermining it when there is an actual relationship.

If we agree with Przeworski and Teune (1970) that the purpose of comparative analysis is to substitute variables for country names we must nonetheless identify which countries might not be constantly behaving with the larger set of countries. The goal remains to generalize without country name, but the risks of working with only a small N need to be recognized.

Second, because of the lack of degrees of freedom in testing simultaneously all independent variables, a bivariate analysis will be first conducted to examine the relationships between ACAI and each of the explanatory variables. I will do a

correlational analysis combined with constructing scatter diagrams in which individual countries are shown. The role of the bivariate analysis is to identify which variables are statistically relevant and help me devise the selection criteria of variables to be further introduced in the multivariable analysis. Again the goal of the second section is not only to examine the bivariate relationship between ACAI and potential explanatory variables but also to set the foundation for the multivariate analysis.

Third, I will show multivariable regression results.

Theoretical Model

What exactly is to be expected in terms of associations between ACAI and independent factors?

Initially in Chapter 1, anti-corruption strategies were assessed in dichotomous terms (i.e., a country does or does not have an ACS). In Chapter 3, a much more finely tuned instrument for evaluating countries' fight against corruption called ACAI was devised and applied to 15 Central and East European countries. My first expectation across countries is that the level of corruption plays a role in the comprehensiveness of ACS. Because ACS is targeted to fight corruption, any multivariate analysis in the later part of this chapter should include a measure of corruption in the equation. I will employ transparency International's Corruption perception Index (CPI) as it is the only measurement of corruption available for the three different measurement dates, and in spite of criticisms it is the most widely used cross-national measure of corruption.

I will also expect that because some governments were corrupt or perceived as corrupt, change in government was often necessary to bring about change in legislation as

governments were subjected to criticisms. Increased electoral competition made it more likely for governments to be replaced and new legislation to be introduced directed at solving the immediate cause of corruption. We also expect progress due to political competition over time. Thus, political competition, reflected for example by increased number of governments, might be generated as countries democratize (e.g., electoral cycles, increased democratic experience by governments and politicians), and as economic factors and the international context come to bear (e.g., becoming a member of the Council of Europe by 1995). As a result, ACS legislation should be improved over time as a result of electoral competition.

As far as political factors are concerned, I expect to find that political fragmentation measured by either the number of parties in government or parliament to impact ACS comprehensiveness. I will argue that the higher the number of parties in the cabinet or parliament, the more likely it is for an ACS to be comprehensive as increased competition forces politicians to start adopting anti-corruption legislation. This situation might nevertheless be peculiar to Central and Eastern Europe as all governments have previously endorsed the anti-corruption fight of the previous government and pledged to continue it. Whether such commitment was genuine is another question. However, there is no doubt that international pressures and conditions have also forced politicians to continue the fight.

Politicians' willingness to undertake legislative changes might also have been affected by economic disruptions. For example, one can cite the wrenching economic transitions of the 1990s (hyperinflation, high unemployment, restructuring of the economy, low economic growth wiping away savings).

In addition, by the mid-1990s the priority of governments became membership into international organizations such as the Council of Europe as such organizations represented a measure of guaranteeing a country's progress towards democratization. However, governments set their eyes on more and more complex organizations such as the European Union. In order to apply for EU accession membership status, countries introduced significant changes to their internal legislative framework. The tortuous accession process for 10 of the 15 countries sampled – 8 countries becoming members of EU only in 2004 – meant the harmonization of all their national legislation to the *acquis communautaire*.

By 2003, it was without doubt the EU that forced the pace of the reforms.

In addition, as time passed, countries had a chance to improve their legislation as they learned from the implementation process within their own country or from their neighboring countries' experiences. These reasons might make ACS more likely to be improved across countries or for all countries to move in that direction over time. ACAI scores ratcheted upwards over time in every country, but the different countries proceeded at different rates and achieved different levels at each date.

I also expect the role of international organizations to be so great as to trump many national political or economic factors that might otherwise be significant explanatory factors. For example, although one might initially suppose that high government instability makes it less likely for that country to have a comprehensive ACS, the pressure of international factors might force a country to adopt certain legislation irrespective of who is in power – as long as the country seeks EU membership – then that

legislation is likely to be adopted. In such a situation, government turnover presents an opportunity for new legislative initiatives, not an obstacle.

Anti-Corruption Assessment Index (ACAI)

A quantitative measure called the Anti-Corruption Assessment Index (ACAI) was developed in Chapter 3. ACAI is based on an international best practice policy core advocated by international organizations and specialists of anti-corruption fight.

ACAI is formed by nine distinctive areas including the overall anti-corruption strategy (ACS), anti-corruption policy (ACP), political party finance (PPF), public procurement (PP), asset monitoring (AM), conflict of interests (CI), freedom of information (FOI), financial control and audit (FAC), and immunity (I). In addition, to better capture the different institutional capabilities that enforce and monitor the application of the legislation, the three branches of government such as executive and civil service (EX and CV), legislative (L), and judiciary (J) have also been investigated separately. Thus, I developed data on twelve legislative areas for all 15 countries.

As mentioned in Chapter 3, when building the final ACAI index, I was faced with the dilemma of how to aggregate the different dimensions of ACAI. The question was whether the different areas of ACAI are distinct, and furthermore should be given equal weight – by summing them up – running the risk of over-emphasizing some areas instead of others. For example, the number of questions for each area varies from 6 for Immunity to 25 for Judiciary. Or this might be due to the fact that some legislative areas were redundantly represented in my scoring, while others were captured by a single indicator.

Before solving the ACAI aggregation problem, the distinctiveness of ACAI areas has to be confirmed. In other words, are the ACAI areas really distinct and not overlapping? To detect such underlying ACAI structure, exploratory factor analysis has been used. Factor analysis is considered the most straightforward method of determining the clustering of issues around the underlying but not directly observable variables or dimensions of ACAI.

In brief, the fundamental question remains whether ACAI should be the summated score of all 12 areas or whether each area, or each cluster of related areas, should be considered separately.

The option adopted here is to summate all 12 sub-areas scores to build an ACAI overall score, for the following reasons. First, exploratory factor analysis also confirms that the best option is to sum up the sub-areas scores as the correlation between ACAI (as a sum of 12 areas) and a one dimension factor solution is consistently very high across time ($r > .96$).

Table 5.1. Correlation between ACAI and One-Dimension Factor

	1995	2002	2003
Correlation between ACAI and One-Dimension Factor	0.994	0.978	0.969

However, the question remains whether using a single overall ACAI score is appropriate. If we apply exploratory factor analysis using the 12 areas that measure ACS

comprehensiveness, we find distinct clusters of variables each time. However, the items do not load consistently on the 3 or 4 factors across the three dates (1995, 2002, 2003).

For example, in 1995 the first factor was formed by executive and civil service, asset monitoring, conflict of interest, legislative and anti-corruption strategy. The second factor was formed by financial audit and control and public procurement. The third was formed by anti-corruption policy and freedom of information. The fourth factor for 1995 was political party financing.

In 2002, the reform priorities across countries are different, as is also reflected by the clustering of factors. Financial audit and control, public procurement and anti-corruption policy are joining the other 1995 areas (legislative, executive and civil service, asset monitoring, conflict of interest) to form the first factor. The second factor also changes as it is formed by political party financing and freedom of information, while the third and fourth factors are anti-corruption strategy and immunity.

In 2003, the anti-corruption strategy area again forms the first factor along with areas such as legislative, executive and civil service, asset monitoring, conflict of interest, financial audit and control, and public procurement.

What is nevertheless interesting is that anti-corruption strategy loads similarly onto the second factor, which is also formed by immunity and freedom of information. One of the explanations might be that the changes in those areas also refer to the overall anti-corruption strategy. Furthermore, the third and fourth factors are anti-corruption policy and political party financing.

As can be seen in Tables 5.2 and 5.3, although the different components of the factor analysis are loading differently across years, the explained cumulative variance of the model is never less than 80%.

What can be concluded from the above analysis is that if we conduct a regression analysis using the factor scores as dependent variables, we might not measure the same ACS over time. For example, the first factor in 1995 is not the same as any of the factors in 2002 or 2003. For more information on the results of factor analysis see below Table 5.2.

Thus, by using the factors resulting from the explanatory factor analysis, the measurement of change in ACS over time would be greatly complicated if not made impossible. One explanation might be that different countries have considered different ACS policy areas as priorities across time. To some extent the clustering of legislative activities is the result of idiosyncratic factors in each country as well as the legislative priorities in different countries. We therefore do not want to make too much out of the different factor structures over time. We prefer to examine the overall cumulative ACS effort. For this reason, we prefer using the overall ACAI score that captures the effort of the 12 areas at each date. To do this, we have chosen the summated ACAI index.

Table 5. 2. Exploratory factor analysis results for 1995

1995 Rotated Component Matrix

	Component			
	1	2	3	4
Executive and civil service	.880	.110	.253	.116
Asset Monitoring	.850	-0.0563	.241	.213
Immunity	.830	-.280	-.133	-.144
Conflict of Interests	.808	.268	.202	-.141
Legislative	.686	.584	-0.0664	-0.0592
Anti-Corruption Strategy	.468	-.443	.405	- 0.0604
Financial Audit and Control	0.052	.871	-.213	0.0881
Public Procurement	-.238	.823	.336	0.0830
Justice	.251	.695	-.110	-0.0272
Anti-Corruption policy	0.0131	-0.0706	.938	0.0328
Freedom of Information	.401	-0.0298	.834	-.102
Political Party Financing	0.0189	0.3564	-0.0388	.990

Component and Total Variance Explained by Factor Analysis in 1995

Component	% of Variance	% Cumulative variance
1	34.79	34.79
2	22.41	57.20
3	13.93	71.13
4	9.15	80.29

Table 5. 3A. Exploratory Factor Analysis Results for 2002

2002 Rotated Component Matrix

	Component			
	1	2	3	4
Financial Audit and Control	.894	-0.0119	0.0750	0.0322
Legislative	.864	.408	-.172	0.0269
Executive and civil service	.836	.155	.155	.366
Justice	.759	.22	.408	-.257
Conflict of Interests	.741	.382	0.0844	.234
Asset Monitoring	.724	.550	-.102	.192
Public Procurement	.723	.197	-.447	-.172
Anti-Corruption Policy	.661	-.287	.381	.366
Political Party Financing	.166	.845	- 0.0469	-0.0674
Freedom of Information	.146	.785	0.08936	.306
Anti-Corruption Strategy	0.026	0.0693	.939	- 0.0335
Immunity	0.0929	.174	- 0.04200	.934

Component and Total Variance Explained by Factor Analysis in 2002

Component	% of Variance	% Cumulative variance
1	47.99	47.99
2	13.49	61.49
3	11.78	73.27
4	9.84	83.11

Table 5. 3B. Exploratory Factor Analysis Results for 2003**2003 Rotated Component Matrix**

	Component			
	1	2	3	4
Public Procurement	.898	0.0799	-.213	.167
Legislative Asset	.885	.123	-0.0348	-0.0518
Monitoring	.791	-.290	.440	0.0433
Financial Audit and Control	.727	0.0338	-.575	0.0808
Executive and civil service	.720	0.0388	-.390	-.480
Judiciary	.692	-.280	-.408	-0.0447
Conflict of Interests	.652	.299	.320	-.154
Anti-Corruption Strategy	.586	-.535	.301	.250
Immunity	0.0763	.884	.128	-.104
Freedom of Information	.493	.634	.306	0.0586
Anti-Corruption policy	.545	-.271	.601	-.297
Political Party Financing	.371	.207	-0.0476	.771

Component and Total Variance Explained by Factor Analysis in 2003

Component	% of Variance	% Cumulative variance
1	43.27	43.27
2	15.534	58.18
3	12.97	71.78
4	8.71	80.49

Another question may be raised regarding the distinctive application of anti-corruption legislation across the three branches of government: executive (ECV), legislative (L), and judiciary (J) and the other ACAI areas. Factor analysis has revealed that even if the three areas are excluded as separate variables, the same factor patterns and structures are maintained. In other words, it does not make any statistical difference whether or not the application of the three branches is taken into account. Nevertheless, due to the peculiarity of the application of anti-corruption strategy – most of the times different legislative provisions or monitoring and enforcement mechanisms – these three areas (executive and civil service, legislative and judiciary) will be included in ACAI (See Appendix 8 for exploratory factor analysis results without the application across the three branches of government).

Having addressed the question of the distinctiveness of ACAI areas, I return to the initial unsolved problem of aggregating ACAI. As already mentioned one other issue relates to unequal weight of areas. More specifically, maximum raw scores differ across areas. ACAI areas' raw scores vary from a maximum of 6 for ACS to a maximum of 19 for ACP. To correct for such a bias, for each of the ACAI areas I calculated an adjusted score. The summation methodology is as follows. First, each area's raw scores are calculated. Each area's raw score is calculated as the sum of the scores on its criteria (e.g., $ACS\ 1 + ACS\ 2 + ACS\ 3 + ACS\ 4 + ACS\ 5 + ACS\ 6$). Each criterion can be either 0 or 1, where 0 represents the lack of the provision and 1 its existence. Second, the adjusted score for each area is calculated. Each area maximum score is obtained by dividing the overall ACAI theoretically maximum possible score of 143 by the number of areas (12). The result is possible maximum ACAI score of 11.91.

Third, the formula used to calculate the adjusted score is

Area score = $(11.91 / \text{Max area raw score}) \times \text{the actual country raw score}$.

Finally, the formula for aggregating the adjusted ACAI is:

$\text{ACAI} = \text{ACS} + \text{ACP} + \text{PPF} + \text{AM} + \text{CI} + \text{FOI} + \text{PP} + \text{I} + \text{L} + (\text{EX} + \text{CV}) \text{ and J}$

Again, the overall ACAI is the summation of each of the 12 area's maximum possible adjusted scores of 11.91. The overall ACAI scores for a country can vary from 0 (zero) to 143, where zero represents the total lack of legislation to fight corruption and 143 the most comprehensive ACS legislation in place. The higher a country's score is, the more comprehensive its legislation against corruption.

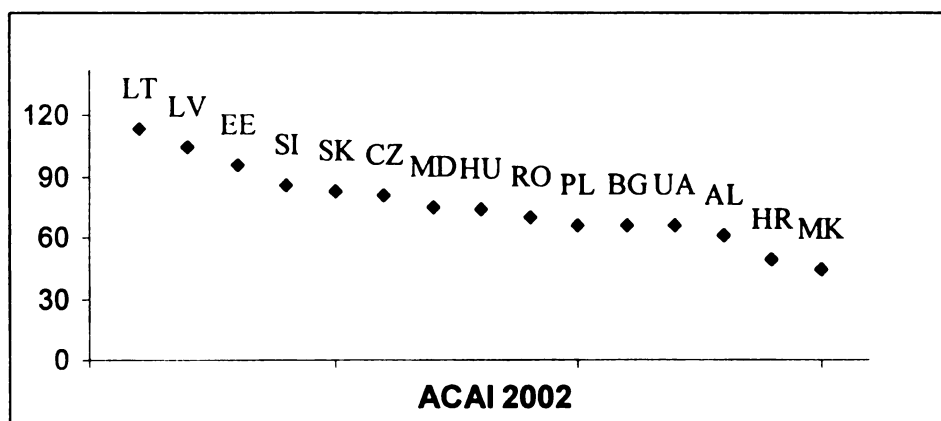
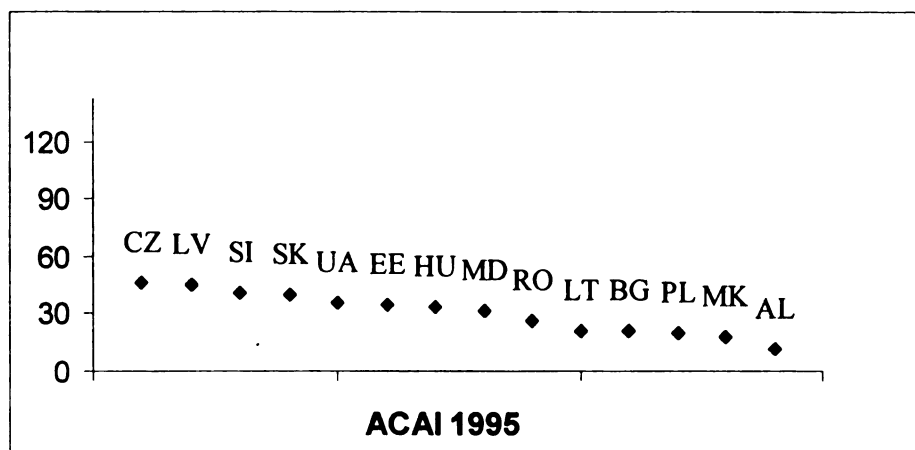
Therefore, we end up with the overall ACAI score summary statistics shown in the tables below. In Chapter 3, there is a complete analysis of ACAI scores. At each date the maximum theoretical possible score is 143, while the maximum observed score is 47.22 for Czech Republic in 1995, and 113.59 and 122.38 for Lithuania in 2002 and 2003. However, recall that in 2002 and 2003 all the Baltic countries (Lithuania, Latvia and Estonia) are ranked as having the most comprehensive anti-corruption legislation.

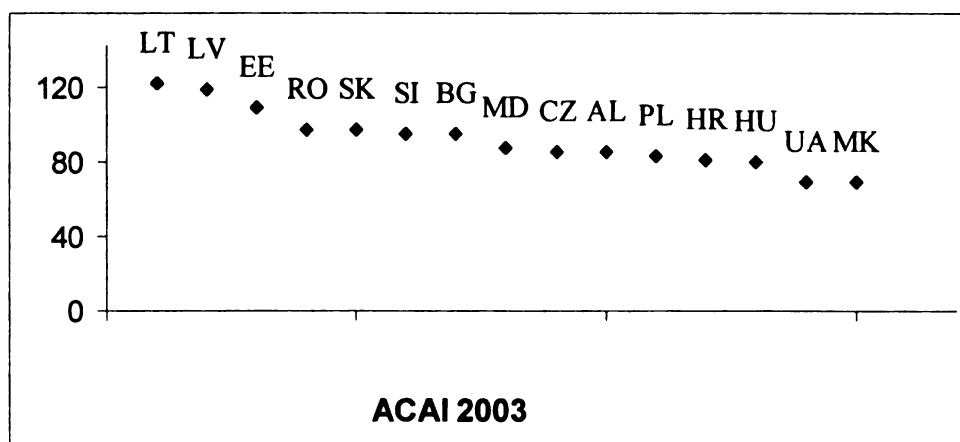
Table 5.4. Summary Statistics for ACAI in 1995, 2002 and 2003

	Year	Mean	Standard deviation	Minimum	Maximum*	Coefficient of variation
Anti-corruption Assessment Index	1995	37.03	9.74	11.17 (Croatia)	47.22 (Czech Republic)	0.26
	2002	87.80	15.87	44.12 (Macedonia)	113.59 (Lithuania)	0.18
	2003	99.13	16.76	69.51 (Macedonia)	122.38 (Lithuania)	0.16

* Maximum theoretically possible score is 143 in each year.

Table 5.5. ACAI across Countries in 1995, 2002 and 2003





Before proceeding further, two overall observations must be made. First, as can be seen in Table 5.6, the relative variation among countries has dramatically decreased. The same trend is maintained at the ACAI area level (see Chapter 3). Second, while the variation among countries has decreased, there is a systematic improvement in the overall legislation.

Table 5.6. Anti-Corruption Assessment Index for 1995, 2002 and 2003

Countries or groups of countries	Year	Mean	Standard deviation	Coefficient of variation
ALL 15	1995	37.03	9.74	0.26
	2002	87.80	15.87	0.18
	2003	99.13	16.76	0.16
EU members	1995	31.31	11.50	0.37
	2002	75.59	19.03	0.25
	2003	91.90	15.71	0.17
EU + 2	1995	34.82	10.07	0.29
	2002	83.89	16.29	0.19
	2003	91.90	14.32	0.15
Non EU	1995	34.82	10.07	0.29
	2002	83.89	16.29	0.19
	2003	98.53	14.32	0.15

I shall now turn to examining the independent variables and their relationship to ACAI.

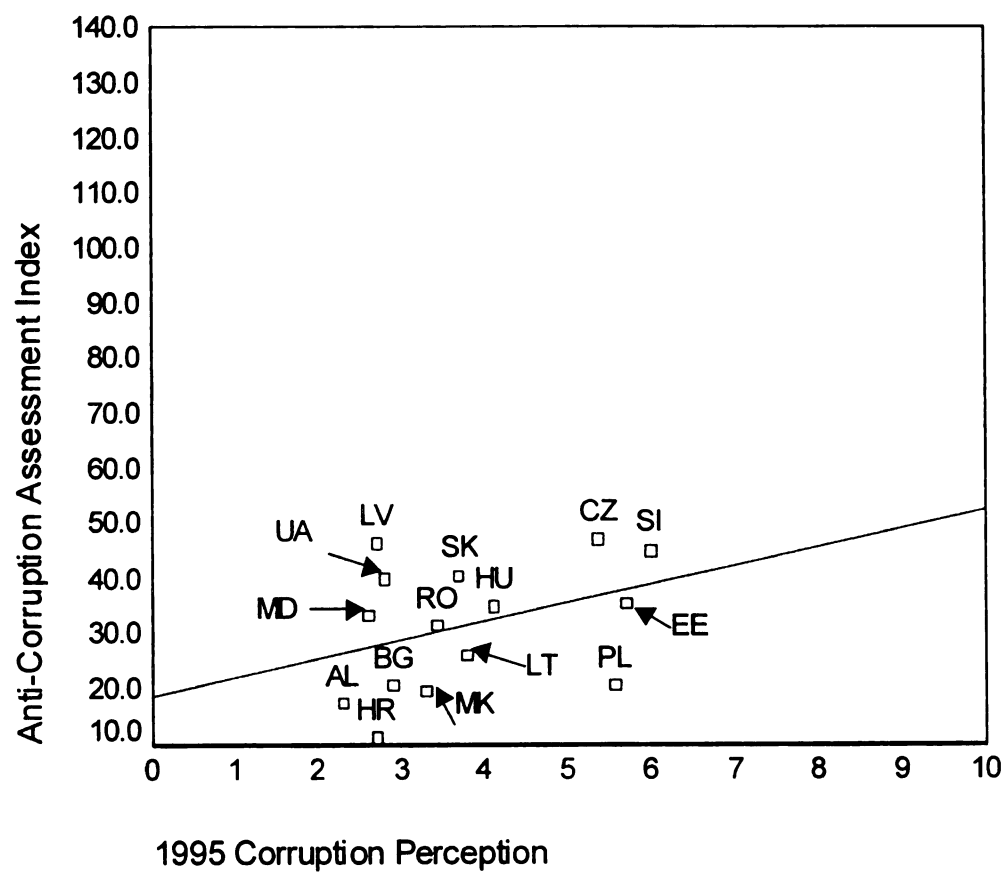
The Level of Corruption

The hypothesis is the higher CPI score, the more comprehensive ACS is. Chapter 2 and Appendix 1 discuss in depth the Corruption Perception Index (CPI), its advantages and disadvantages, as well as the sample and surveying techniques. In this study, only the CPI data for 1995, 2002 and 2003 will be used. One observation, nevertheless, needs to be made. In 1995 corruption levels had not been observed in all countries. To mitigate for the missing data, a proxy measure has been developed. Any first observation available after 1995 will be introduced for the year 1995. CPI scores vary between 10 (the least corrupt) and 0 (the most corrupt). In other words, the higher the CPI score, the less corrupt a country is.

As can be seen from Table 5.7 bivariate regression, the increase in R^2 over time from 0.14 in 1995 to 0.27 in 2003 confirms the existence of a relationship and its strength between ACAI and CPI. The level of corruption explains 14% in 1995 and 28% in 2003 of the variance in ACAI scores. The Baltic countries rank at the top for both ACAI and CPI, while the laggards over time are Macedonia, Croatia, and Albania.

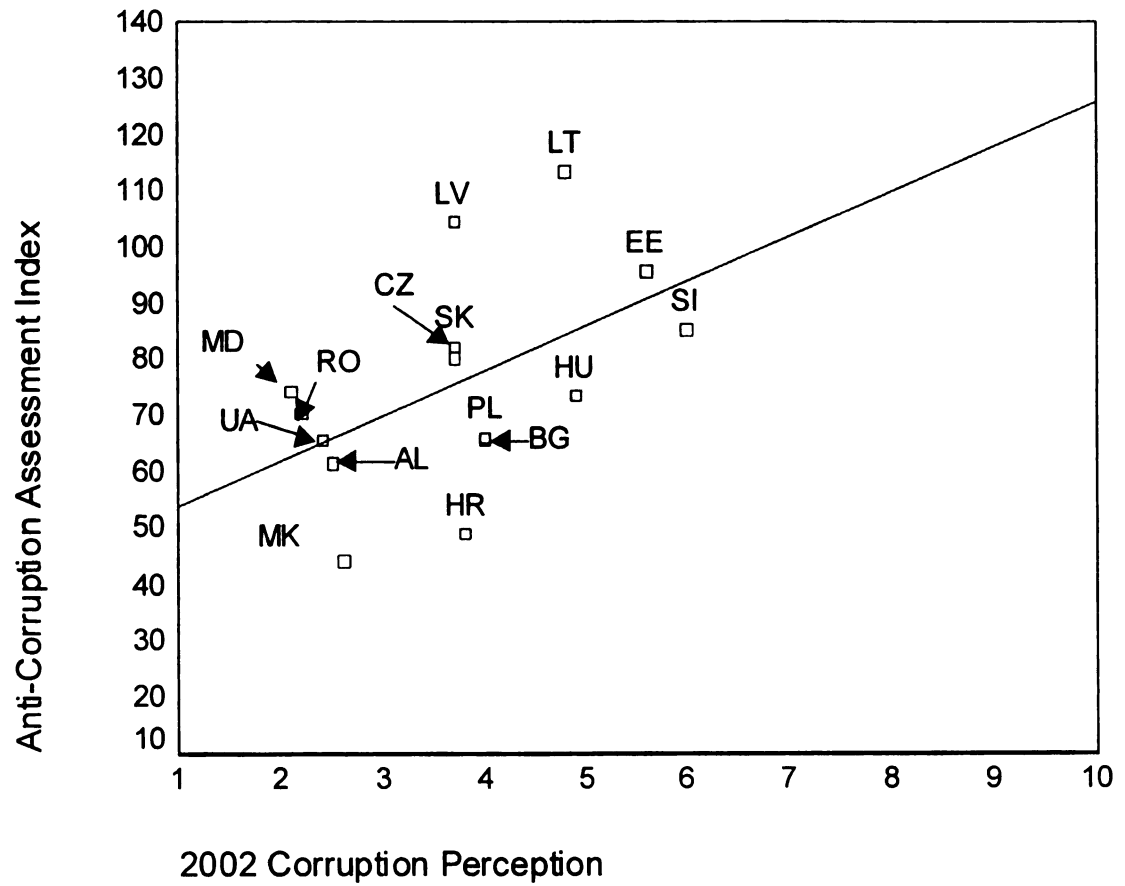
Table 5.7. Anti-corruption Assessment Index (ACAI) and Corruption Perception Index(CPI)

Table 5.7. A. 1995 – ACAI and CPI



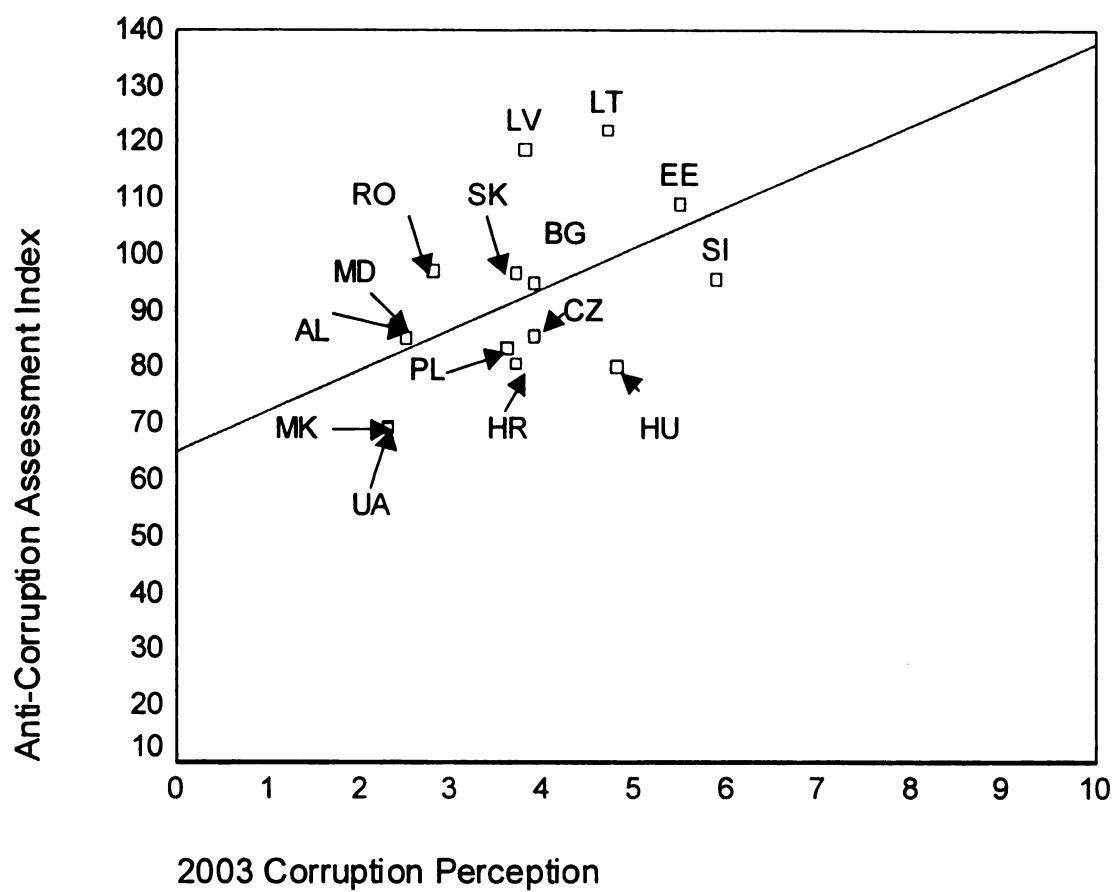
$Rsq=0.14$

Table 5.7. B. 2002 – ACAI and CPI



$R_{sq} = 0.26$

Table 5.7. C. 2003 – ACAI and CPI



$R_{sq} = 0.28$

Political Factors

The association between political factors and ACS comprehensiveness has been discussed extensively in Chapter 4. However, in addition to enumerating previously discussed indicators, this section is dedicated to the development of variables.

Information on country political systems and context has been taken mainly from Freedom House Nations in Transit annual reports, Freedom in the World Index, the Shugart and Carey (1992, 1999) presidentialism index, and Roberto Ortiz de Zarate database on governments.

A. The Level of Democratization

The more democratic a country is, the more comprehensive its ACS is. The level of democratization will be measured by using Freedom in the World index of Freedom House. In brief, in the Freedom in the World Index each country is assigned a rating for political rights and a rating for civil liberties based on a scale of 1 to 7, with 1 representing the highest degree of freedom present and seven the lowest level of freedom. The combined average of each country's political rights and civil liberties ratings determines an overall status of "free" if scores fell between 1.0 and 2.5, "partly free" for scores between 3.0 and 5.5 and "not free" between 5.5 and 7.0.

One observation needs to be made: the scores in 1995 were based on two distinct observations made in 1994-1995 and 1995-1996. In this case, a country score is the average score of the two observations. (For a further in-depth discussion on the methodology and country ratings see Freedom in the World survey available <http://www.freedomhouse.org/ratings/index.htm>. Several measures will be devised to

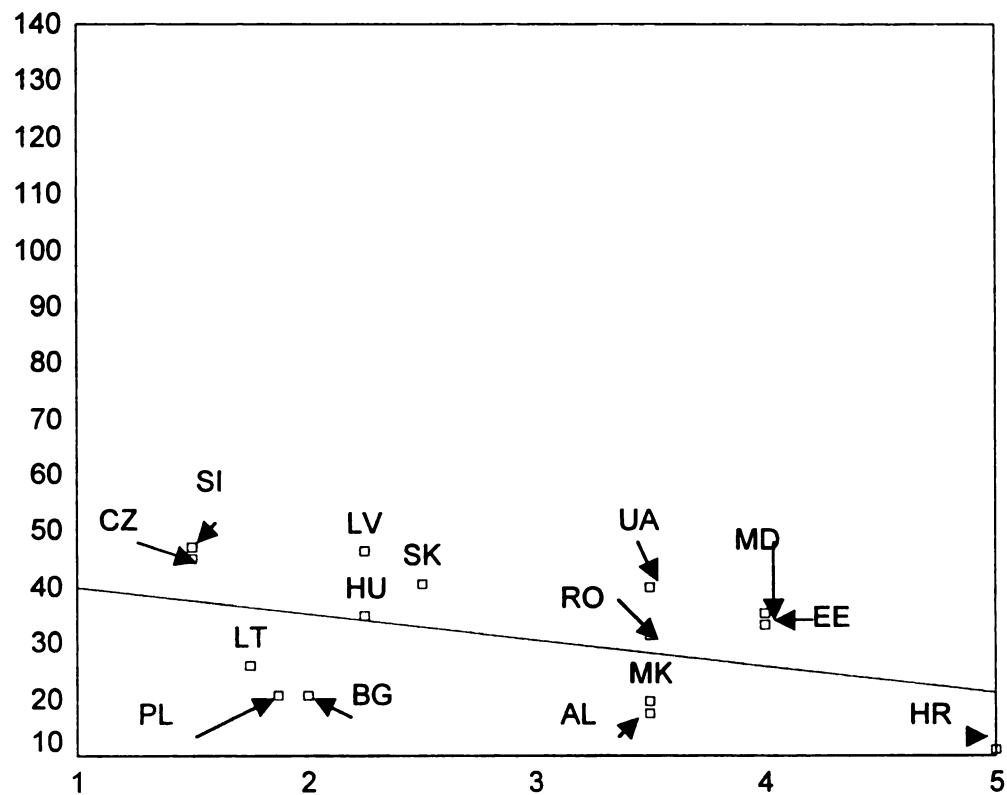
investigate the role of the executive parliament relationship and its role in ACS comprehensiveness.

As far as the relationship between ACAI and Freedom in the World Index, the R^2 of the bivariate regression tends to increase over time from 0.20 in 1995 to .36 in 2002 and 0.31 in 2003. In other words, the explanatory power of the model having ACAI as dependent variable and Freedom House as independent variable tends to increase in time.

Table 5. 8. Anti-Corruption Assessment Index (ACAI) and Freedom House'

Freedom in the World Index (FH)

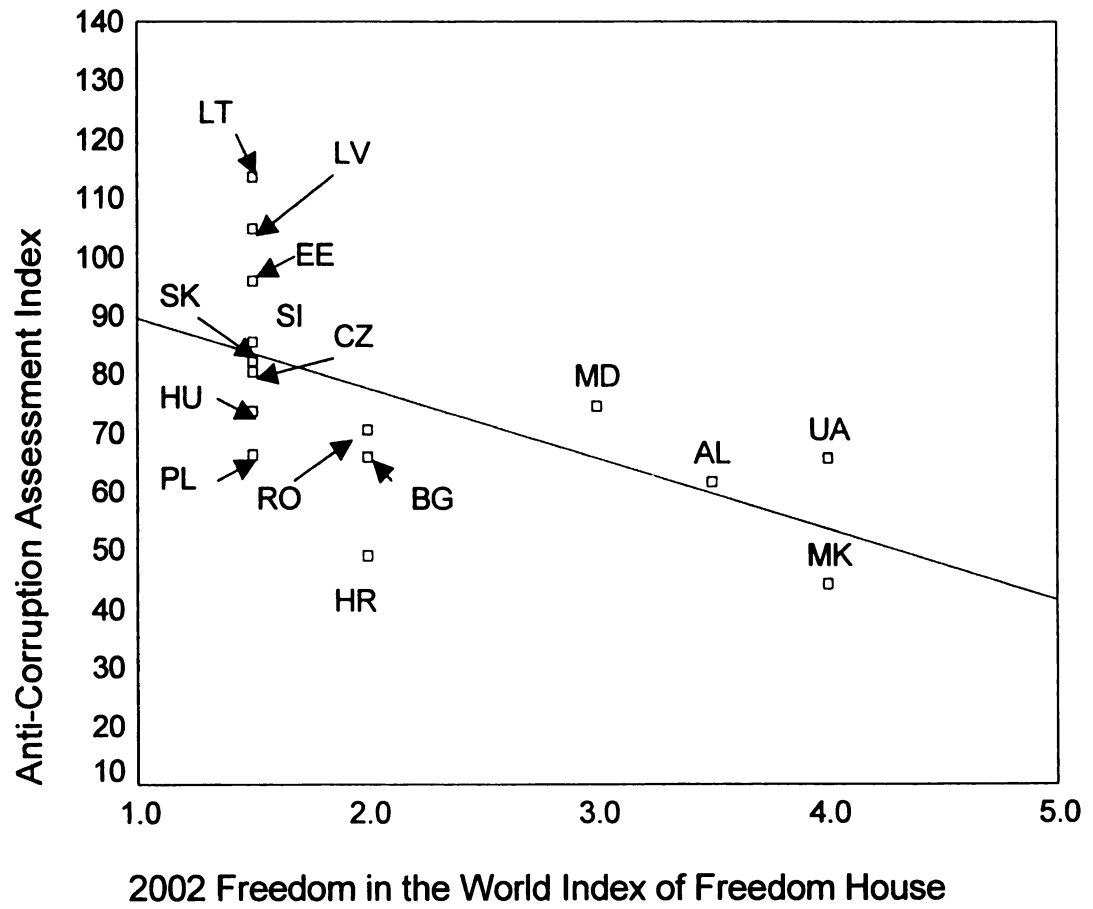
Table 5. 8. A. 1995 – ACAI and Freedom in the World Index of Freedom House



1995 Freedom in the World Index of Freedom House

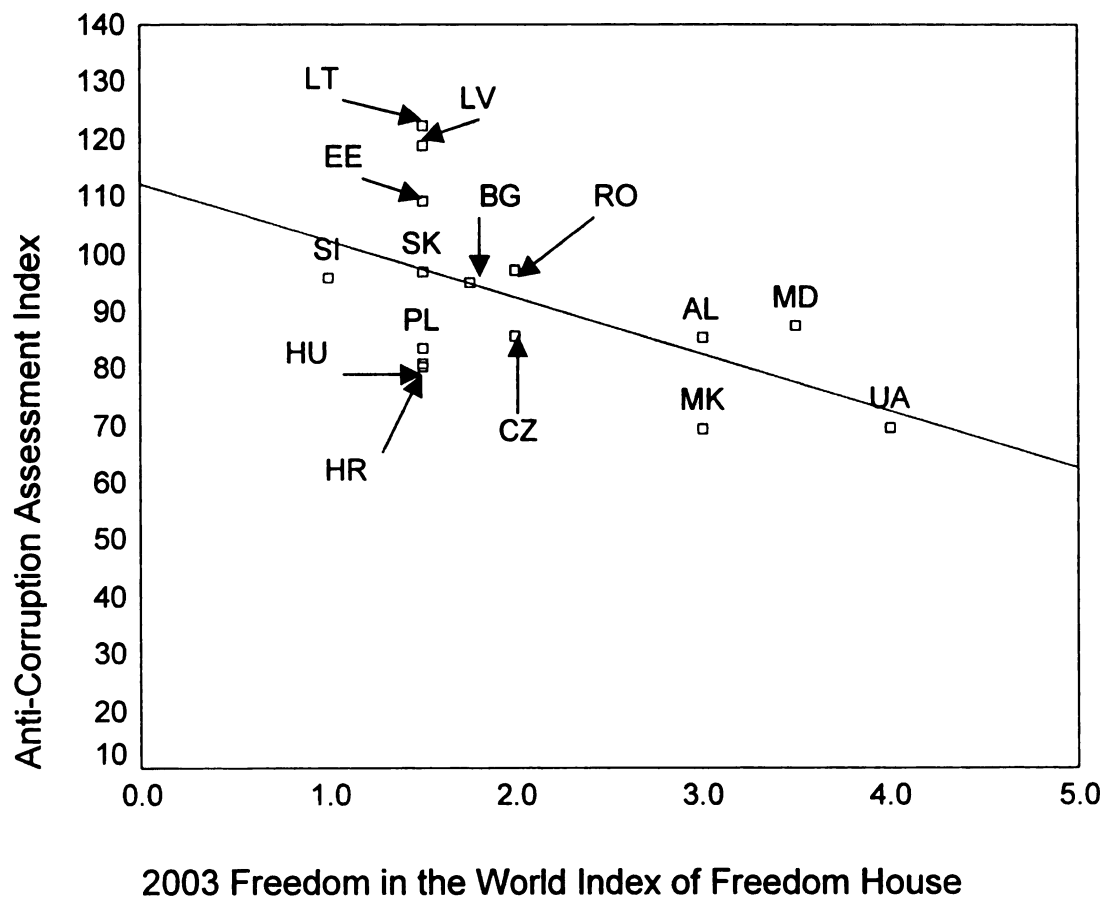
$Rsq = 0.20$

Table 5. 8. B. 2002- ACAI and Freedom in the World Index of Freedom House



$R_{sq} = 0.36$

Table 5. 8. C.2003 – ACAI and Freedom in the World Index of Freedom House



$R_{sq} = 0.31$

B. Regime Type

Our prediction is that parliamentary regimes are more likely than presidential regimes to have a comprehensive ACS. Several measures are used in this study to investigate the role of cabinet/parliament and prime minister/president on ACS comprehensiveness. The next sections look at the number of cabinets per year, political fragmentation in cabinet/parliament, and political affiliation of cabinet members. However, to measure simultaneously the nature of the relationship cabinet and parliament, and Prime Minister/president predominance, the Shugart and Carey (1992) and Shugart (1999) presidential index will be used. The scores range between 5 for purely presidential to 1 for purely parliamentary.

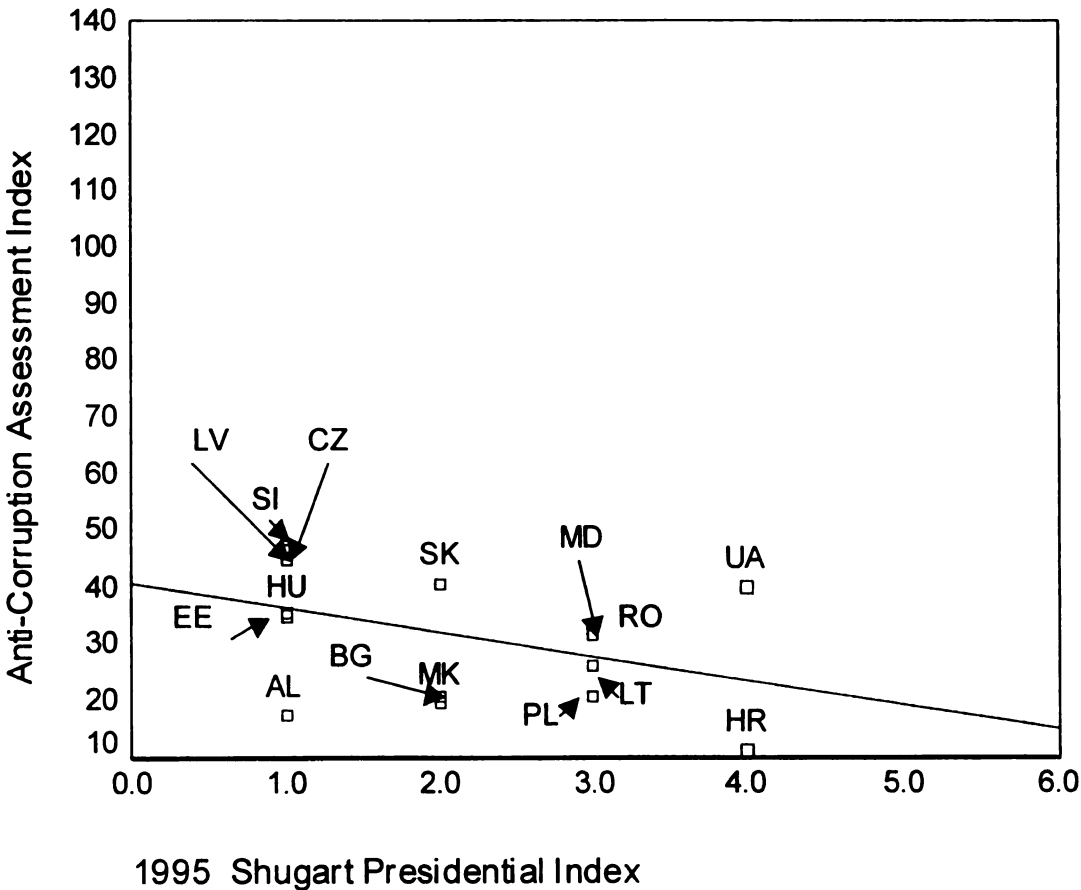
Although across countries preliminary analysis tended to suggest that a strong president vs. a strong Prime Minister does play a role in the political process of the adoption of ACS, the bivariate regression tends to suggest there is no such significant relationship. In other words, the explanatory power of the model tends to decrease over time as R^2 decreases from 0.17 in 1995 to 0.07 in 2003. Even if there is no significant relationship, the regression line suggests a negative association between ACAI and the Shugart presidential index. In brief, parliamentary regimes are more likely to have more comprehensive ACS rather than presidential regimes.

The reason for the low variation, however, might be the low variation of country scores. For example, most countries have parliamentary regimes while none has a purely presidential one. Only Croatia and Ukraine come the closest to the presidential regime category by having presidential parliamentary regimes (see Chapter 4 for an in-depth

discussion). Due to the high number of variables and low degrees of freedom, I will not include these variables in the multivariate analysis in the third part of the chapter.

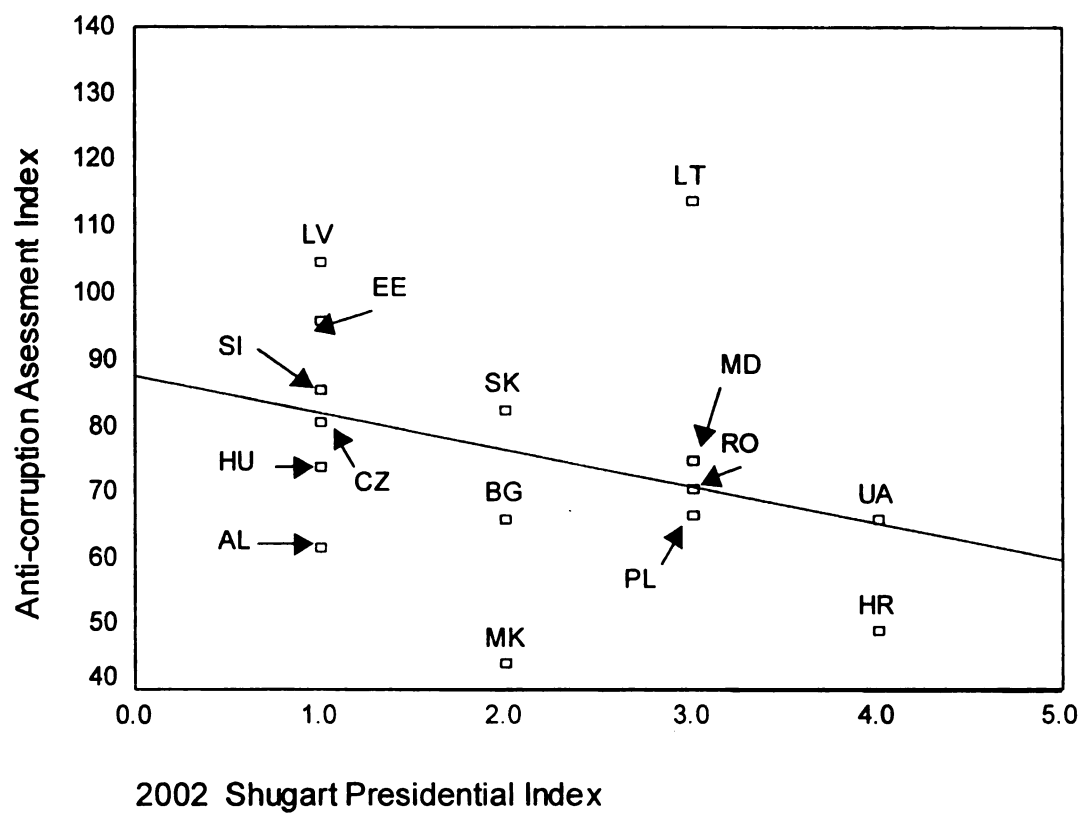
Table 5.9. Anti-Corruption Assessment Index (ACAI) and Shugart Presidential Index (Shugart)

Table 5.9. A. 1995- ACAI and Shugart Presidential Index



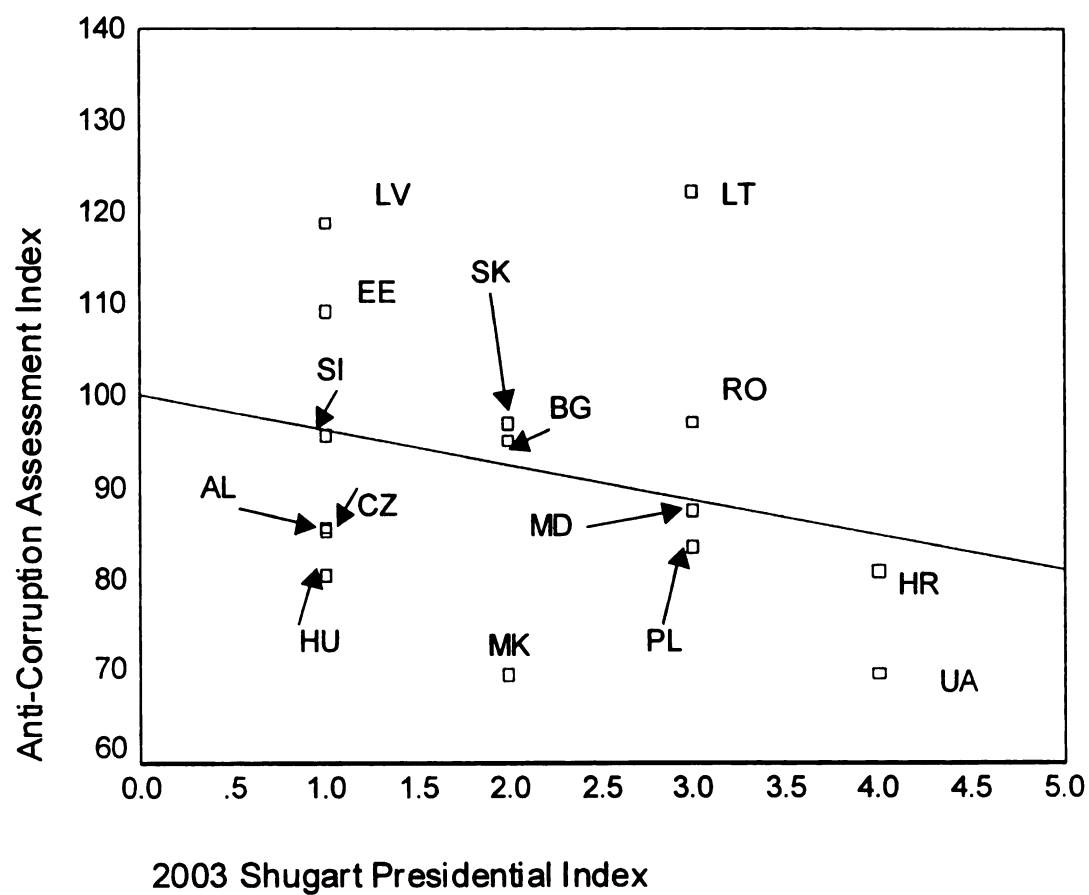
$R^2 = 0.17$

Table 5.9. B. 2002- ACAI and Shugart Presidential Index



$Rsq = 0.11$

Table 5.9. C.2003 –ACAI and Shugart Presidential Index



$Rsq = 0.07$

C. The number of cabinets

The more cabinets a country has, the more likely the country is to have a comprehensive ACS. Increased cabinet turnover might be due for example, to increasing political competition. Thus, to ensure their stay in power politicians adopt the reforms that their electorate is requiring them to adopt either directly or indirectly. As already discussed in Chapter 4, by a change in cabinet is understood any official reshuffle, dismissal or resignation of cabinet irrespective of the internal or external life of the cabinet and recorded as such by The Economist, the Financial Times and the Roberto Ortiz de Zarate database on governments.

The number of governments measurements will be taken in 1995, 2002 and 2003 and include the number of cabinets in a given country since its independence. However, as the time goes by or simply due to the electoral cycle, each country tends to have more and more governments. In order to avoid such bias the number of cabinets will be divided by the number of years since each country's independence. For the countries sampled, the cut years are generally 1989 or immediately afterwards as the new Constitution has been adopted. Nevertheless, for countries like Slovakia, Czech Republic or Ukraine, the years since their political separation and subsequent independence in 1993 will be taken into account.

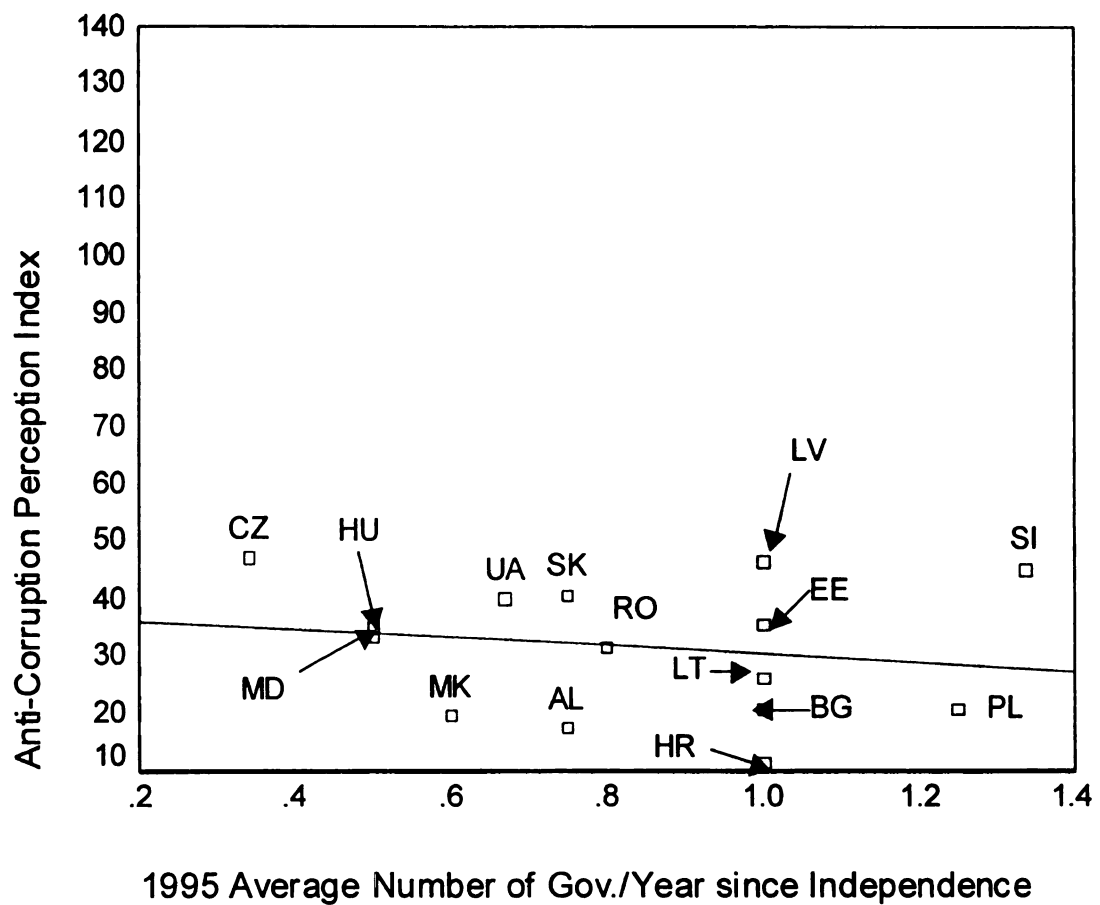
From the bivariate regression and the scatter plots, it is safe to conclude that there is a relationship between the average number of governments per year since Independence and ACAI. Even if the R_{sq} in 1995 was only 0.03, by 2004 R_{sq} equals 0.41. In other words, the explanatory power of the variable increases dramatically with time. The low number of governments most countries had by 1995 might be explained

by the fact that some countries have gained their independence as late as 1992 such as Czech Republic and Slovak Republic. In addition, the average number of governments per year indicator explains 40% of the variation of ACAI scores by 2003.

As shown in the regression results, government turnover is positively related to ACAI. This result might be peculiar to Central and Eastern Europe due to the pressure of international organizations to use opportunities of government changes to introduce new ACS legislation.

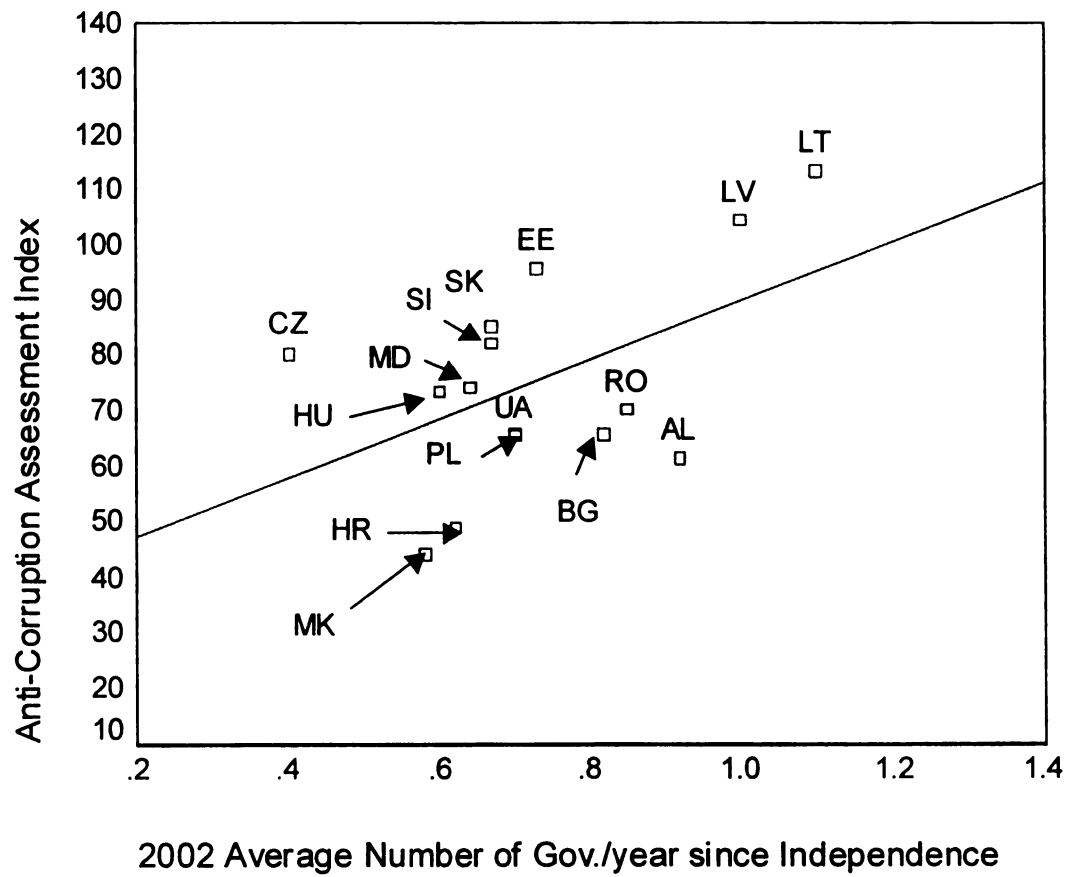
Table 5.10. Anti-Corruption Assessment Index and Number of Governments for 1995, 2002 and 2003

Table 5.10. A. 1995 - ACAI and the Number of Governments/ year since Independence



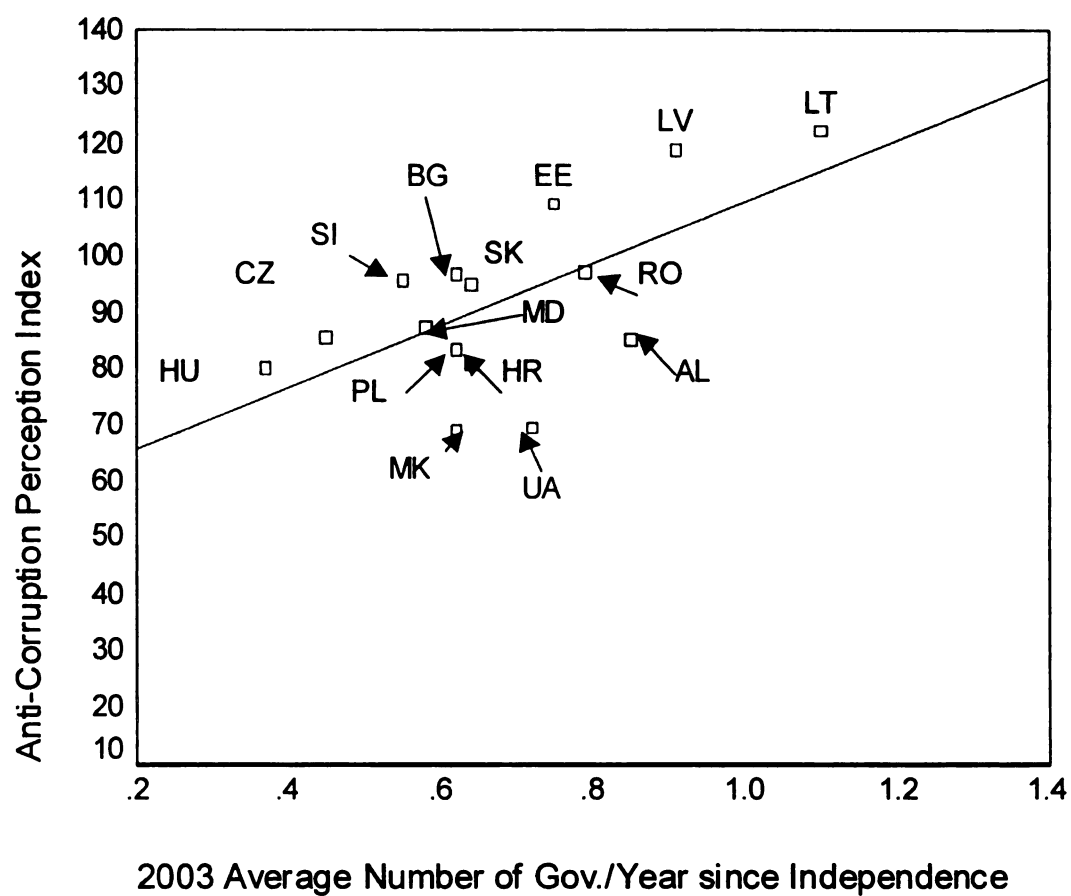
$Rsq = 0.03$

Table 5.10. B. 2002 – ACAI and the Number of Governments/ year since Independence



$R^2 = 0.25$

Table 5.10. C. 2003 – ACAI and the Number of Governments/ year since Independence



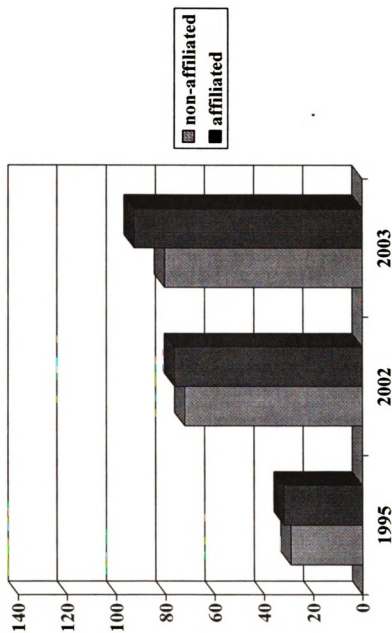
$R^2 = 0.41$

D. Political Affiliation

Countries with politically affiliated cabinet members are more likely to have a more comprehensive ACS than non-politically affiliated ones. By political affiliation of cabinet members is understood the active membership of cabinet members in a political party. The variable thus developed is a dichotomous variable and takes into account the political affiliation of the Prime Minister. If at any time during the 1995, 2002 or 2003 a government in power had a non-politically affiliated Prime Minister, the country receives a score of zero (0). Otherwise it receives a score of one (1). It is true that it is a truncated measure of political affiliation or political ideology of a cabinet. However, the role of the PM has long been demonstrated and hence, his political affiliation may matter to ACS.

The bivariate analysis and scatter plot diagrams tend nevertheless to suggest that there is no significant association between political affiliation of PM and ACS comprehensiveness. In brief, the explanatory power of the model is very low and stays that way at all times. Across all years R^2 equals 0.01. In addition, when the averages of ACAI scores for the countries with politically affiliated prime ministers are compared to those which do not have politically affiliated prime minister, the difference in ACAI scores is minimal (see below graph). In conclusion, due to the high number of independent variables for such a small-N study, I will not include political affiliation in the final multivariate analysis. That is not to discount the numerous complaints from former non-politically affiliated prime ministers about the lack of support in undertaking any reforms.

Table 5.11. Anti-Corruption Assessment Index and Politically Affiliation of Governments



E. Political Fragmentation in Cabinet and Parliament

The higher the political fragmentation in cabinet or parliament, the more likely a country is to have a comprehensive ACS. Political fragmentation will be measured by the number of parties that form the government in power either as coalition or one-party cabinet. If the number of parties in cabinet has been obtained from Roberto Ortiz de Zarate database on governments, for the number of parties in parliament there have also been used the CNN Election watch (1998-2004) database.

Measuring real support for the cabinet is a very complicated issue. For example, a party might support the cabinet without having a member in the cabinet. There are different majorities (simple, qualified, or unanimity) that could also be considered.

In this study, if a government has enjoyed a parliamentary majority at all times during its stay in power, a maximum score of 1 will be assigned. If the government in power has never enjoyed a majority or has lost it irrespective of whether it has been temporary or permanent, a score of 0 will be given. On the other hand, the durability of the government will be measured in months. In both cases, a cabinet is considered in power if recorded as such by Roberto Ortiz de Zarate database and The Economist.

According to bivariate regression and scatter plot, there is a positive though very weak relationship between ACAI and the number of parties in Cabinet or Parliament. The picture of the relationship is, however, much more mixed.

In 1995, 13% of the variation of ACAI scores is accounted for by the variation in the number of parties in the cabinet. In contrast, only 7% in 1995 and 17% in 2003

of the variation of ACAI scores is accounted for by the variation of the number of parties in the cabinet. However, outliers such as the Baltic countries tended to accommodate more and more parties to get the majority support in the parliament while managing to pass the reforms. The underlying explanation might be that irrespective of the number of parties in the cabinet or parliament, as long as anti-corruption has become a priority among political elites and the parties have endorsed the need for reforms, the effect of increasing party fragmentation might be canceled out.

Table 5.12. Number of Parties in Cabinet and Parliament

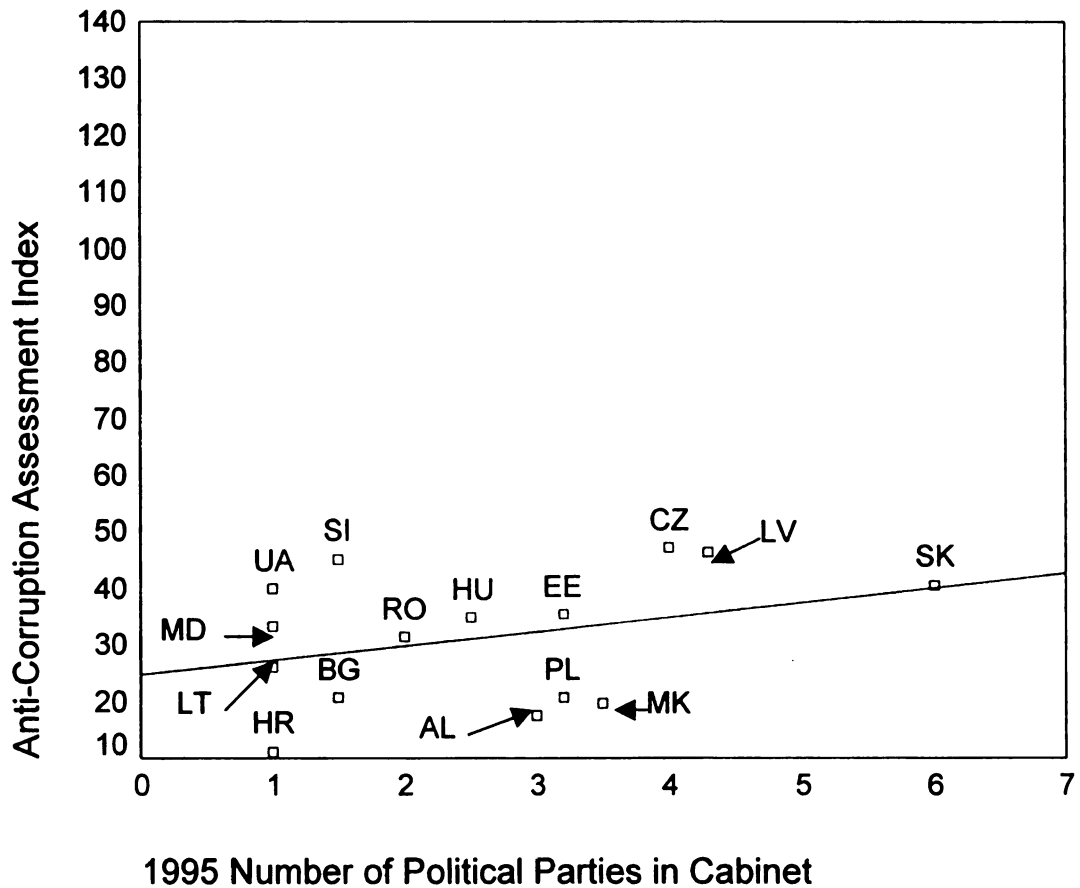
	Year	Minimum	Maximum	Mean	Std. Deviation
Number of Parties in Government	1995	1.00	6.00	2.8	1.5
	2002	1.60	5.20	3.1	1.1
	2003	1.60	5.20	3.1	1.1

Table 5.13. Number of Parties in Cabinet and Parliament

	Year	Minimum	Maximum	Mean	Std. Deviation
Number of Parties in Parliament	1995	3.80	15.80	8.1	3.6
	2002	3.80	13.50	7.8	2.8
	2003	3.80	13.50	7.7	2.7

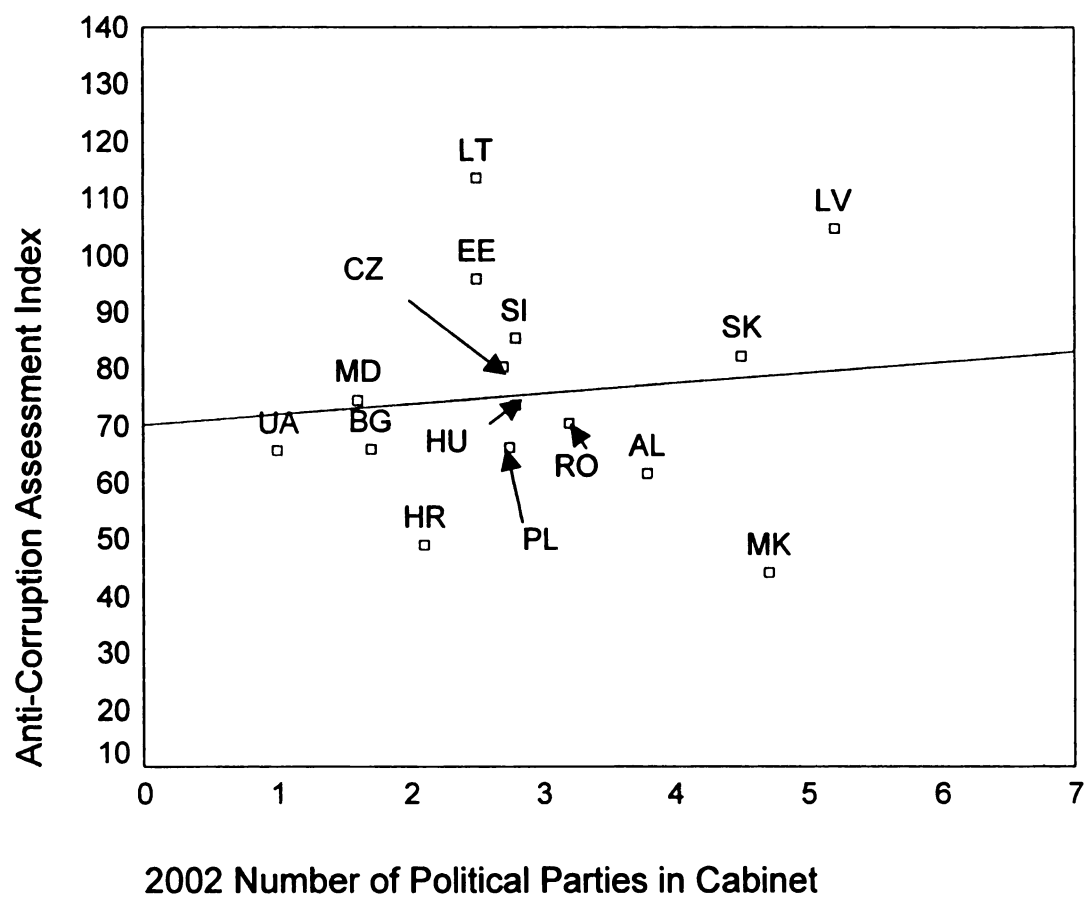
Table 5.14. Anti-Corruption Assessment Index and Number of Parties in Cabinet

Table 5.14. A. 1995 – ACAI and Number of parties in Cabinet



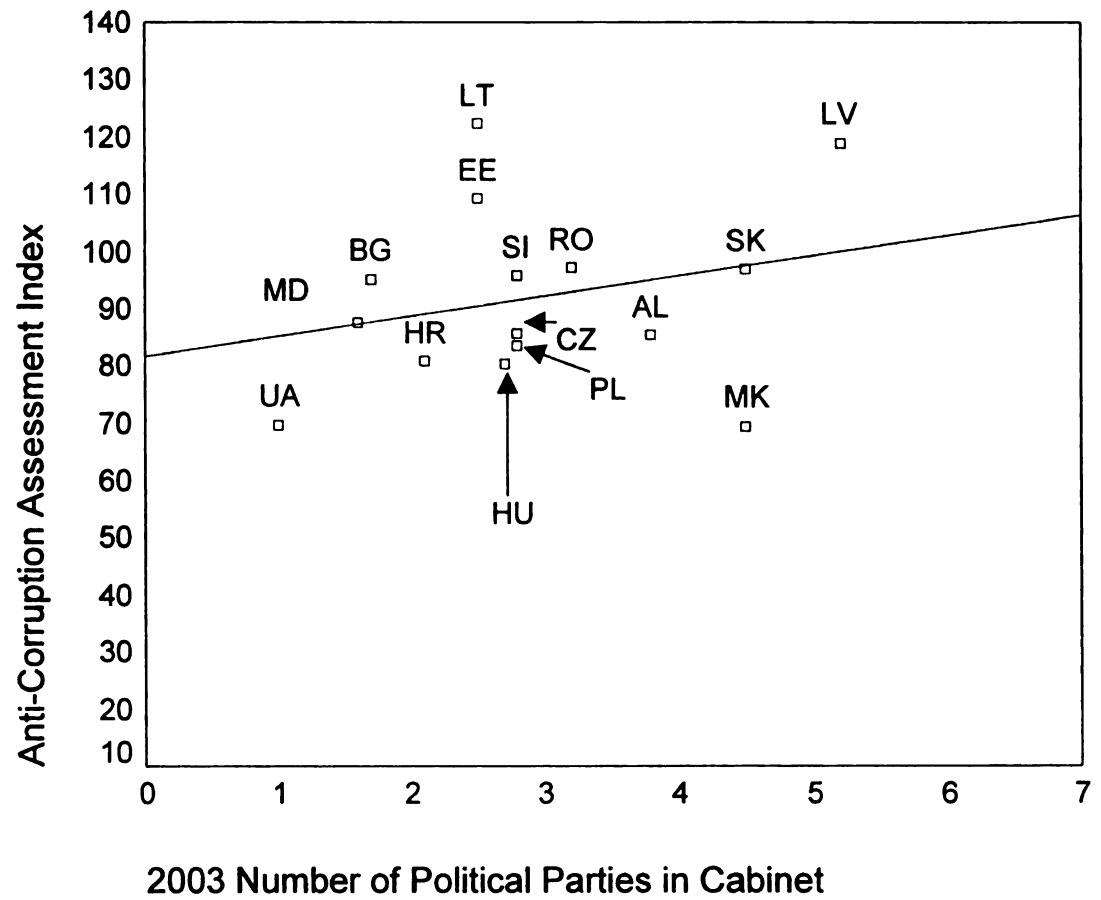
$Rsq = 0.13$

Table 5.14. B. 2002 – ACAI and Number of Parties in Cabinet



$Rsq = 0.02$

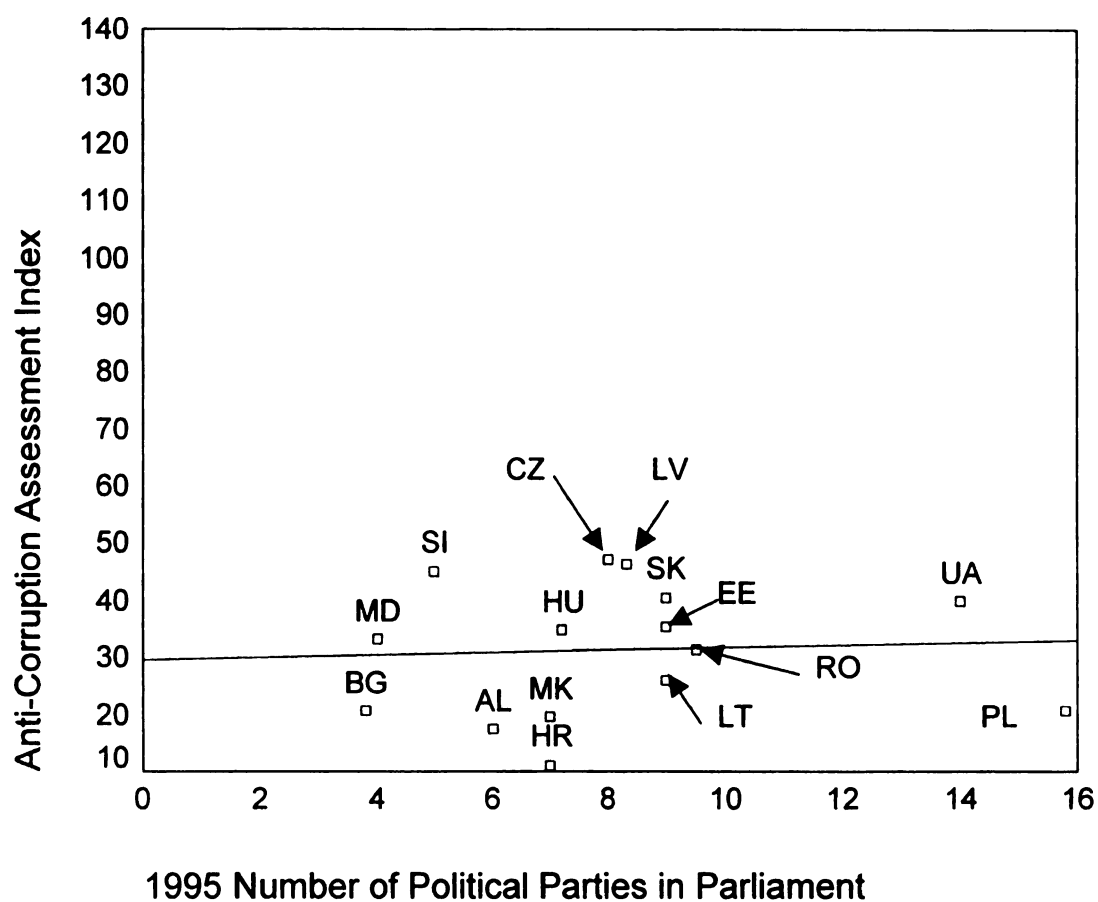
Table 5.14. C. 2003 – ACAI and Number of Parties in Cabinet



$Rsq=0.07$

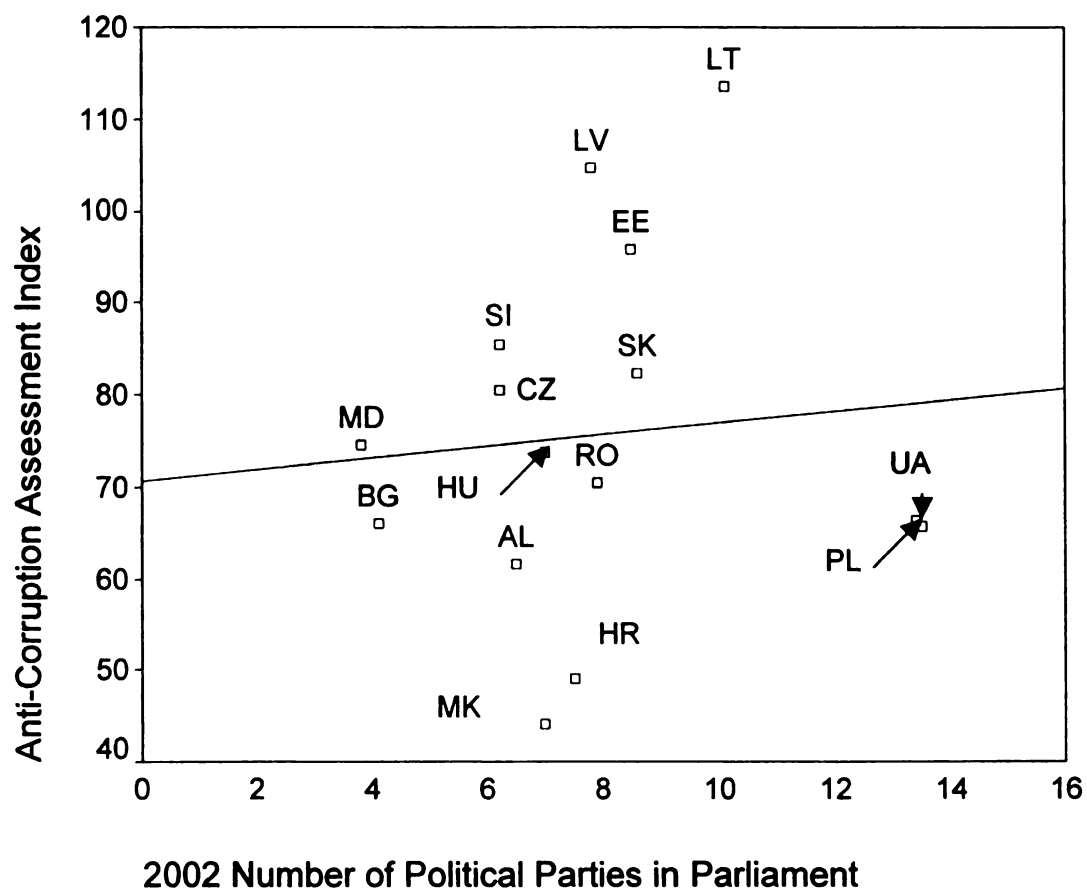
Table 5.15. Anti-Corruption Assessment Index and Number of Parties in Parliament

Table 5.15.A. 1995 – ACAI and Number of Parties in Parliament



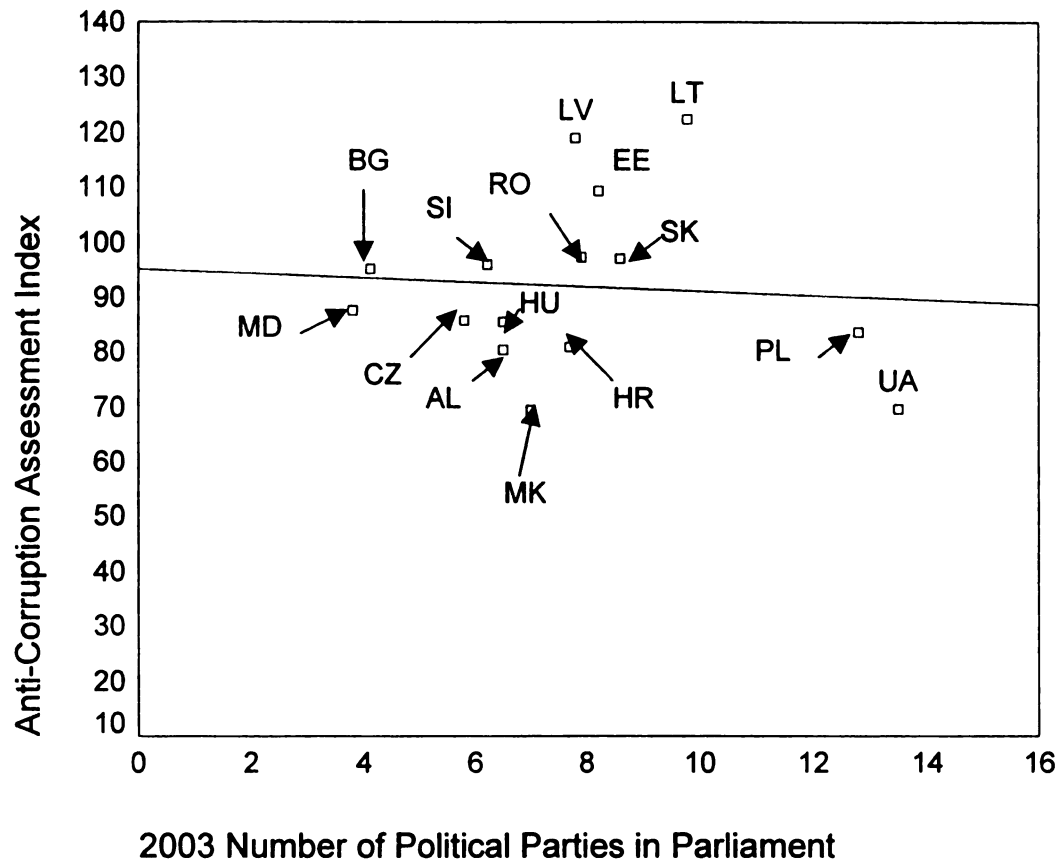
$Rsq = 0.07$

Table 5.15. B.2002 – ACAI and Number of Parties in Parliament



$Rsq = 0.09$

Table 5.15. C. 2003 – ACAI and Number of Parties in Parliament



$Rsq = 0.18$

Economic Factors

In Chapter 4, it was argued that the poorer the economic performance, the less likely a country is to have a comprehensive ACS. Four different variables (the level of wealth, the annual variation of the Gross Domestic Product, the level of unemployment and the amount of foreign direct investment) represent economic performance indicators.

A. Gross Domestic Product and its Annual Change

Our hypothesis is that the wealthier a country is, the more likely a country is to adopt a comprehensive ACS. In order to measure a country's wealth, the variable annual Gross Domestic Product (GDP) per capita is to be used. The main advantage of using a per capita measure is that it overcomes the main bias that a country might seem to have a big GDP and seem very wealthy like India yet have a very large population. The data sources for GDP per capita are the Freedom House Nations in Transit reports and the 2002 and 2003 CIA World Fact Book and World in Figures.

We also hypothesize that the higher the GDP annual variation, the *less* likely a country is to have a comprehensive ACS. The data sources as in the case of the GDP are Freedom House Nations in Transit reports and the 2002 and 2003 CIA World Fact Book and World in Figures.

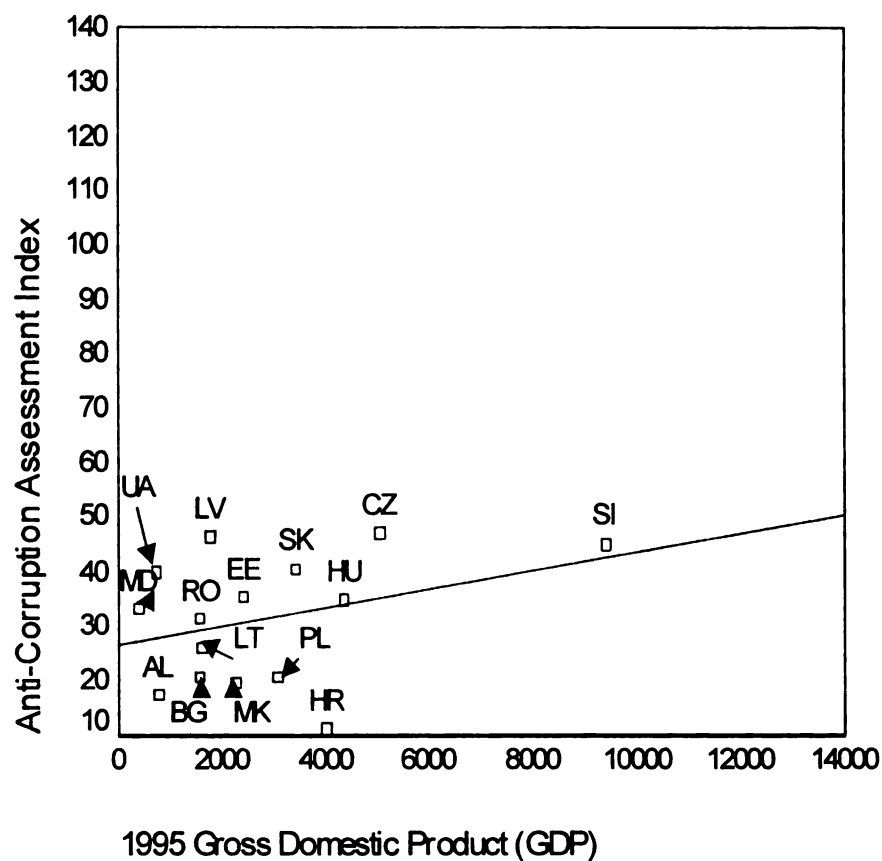
On the basis of the bivariate analysis and scatter plots, it can be concluded that annual change in GDP tends to have a higher impact on ACAI scores than GDP the level itself.

More specifically, only 12% in 1995 and 4% in 2003 of ACAI scores variation is explained by the level of GDP.

In contrast 11% in 1995, 23% in 2002, and 8% in 2003 in variation of ACAI scores is explained by the annual change in the level of GDP. One observation is to be made. In 1995, the rapidly changing economic context due to transition and especially due to extremes in 1995 such as Ukraine (–13% GDP change) and Albania (+13 %), the explanatory power of the model is affected. However, by 2003 countries have tended to have a more compact GDP change performance, between 2% for Slovenia and 9% for Ukraine. The explanatory power of the model is not surprisingly reduced as the world economy was going through a economic crisis. Thus, based on their global trade share, and specifically of exports, the countries' GDP was affected differently. Having said that, due to the high number of variables for such a small N study and unclear and unequivocal bivariate regression results, I will not include these two variables in the multivariate regression.

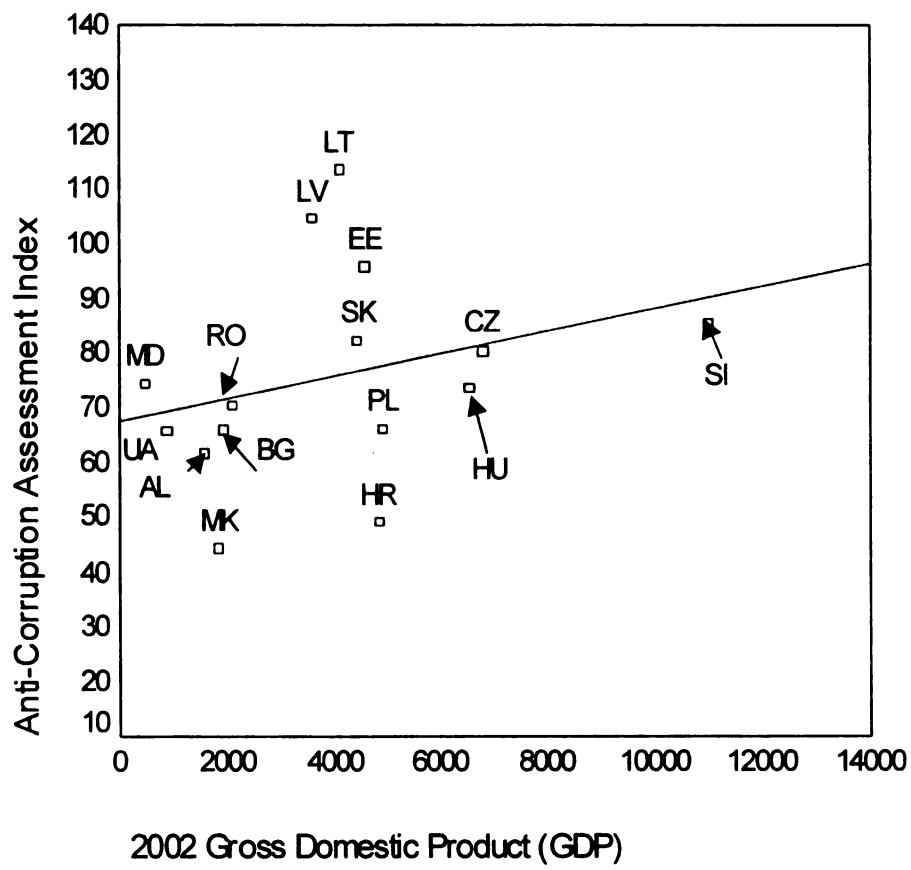
Table 5.16. ACAI and Annual Gross Domestic Product for 1995, 2002 and 2003

Table 5.16. A. 1995 –ACAI and Annual GDP



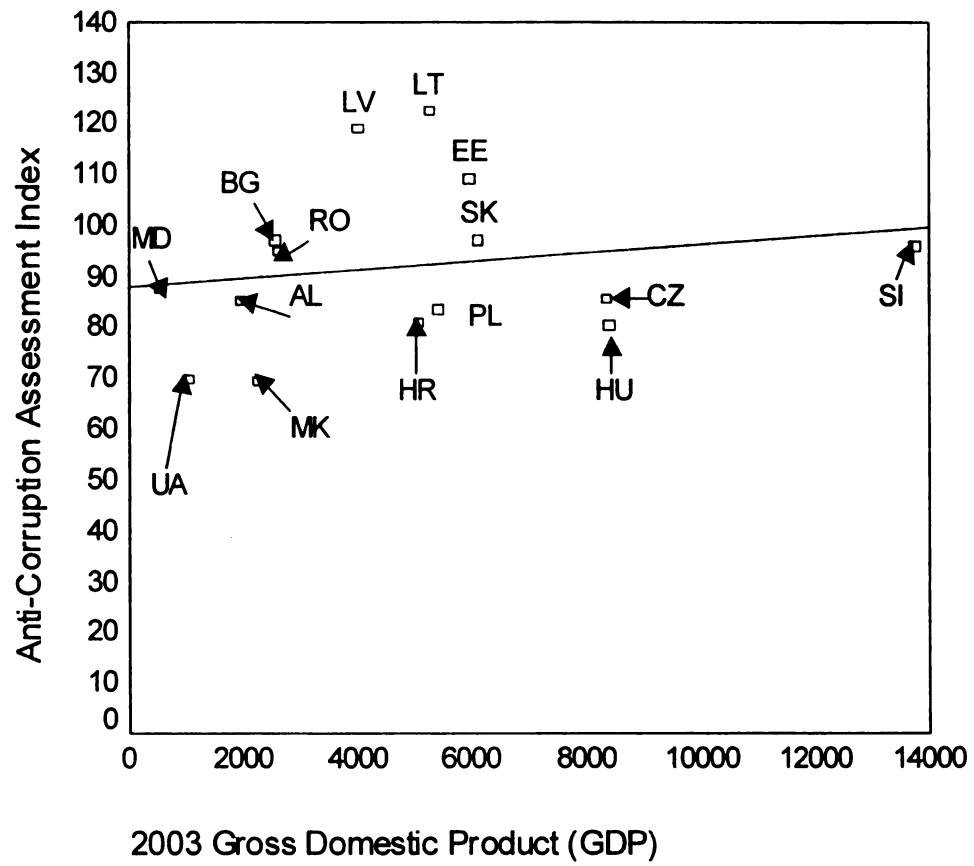
$Rsq = 0.12$

Table 5.16. B. 2002 – ACAI and Annual GDP



$Rsq = 0.09$

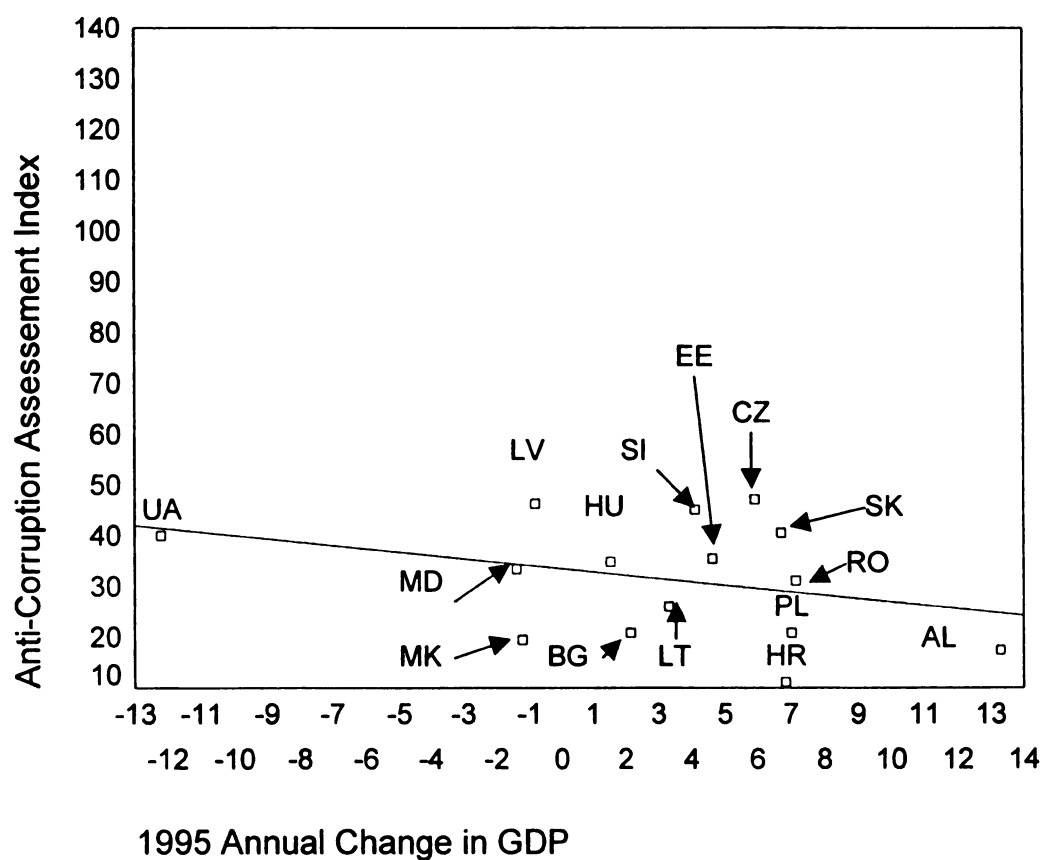
Table 5.16. C. 2003 – ACAI and Annual GDP



$R^2 = 0.04$

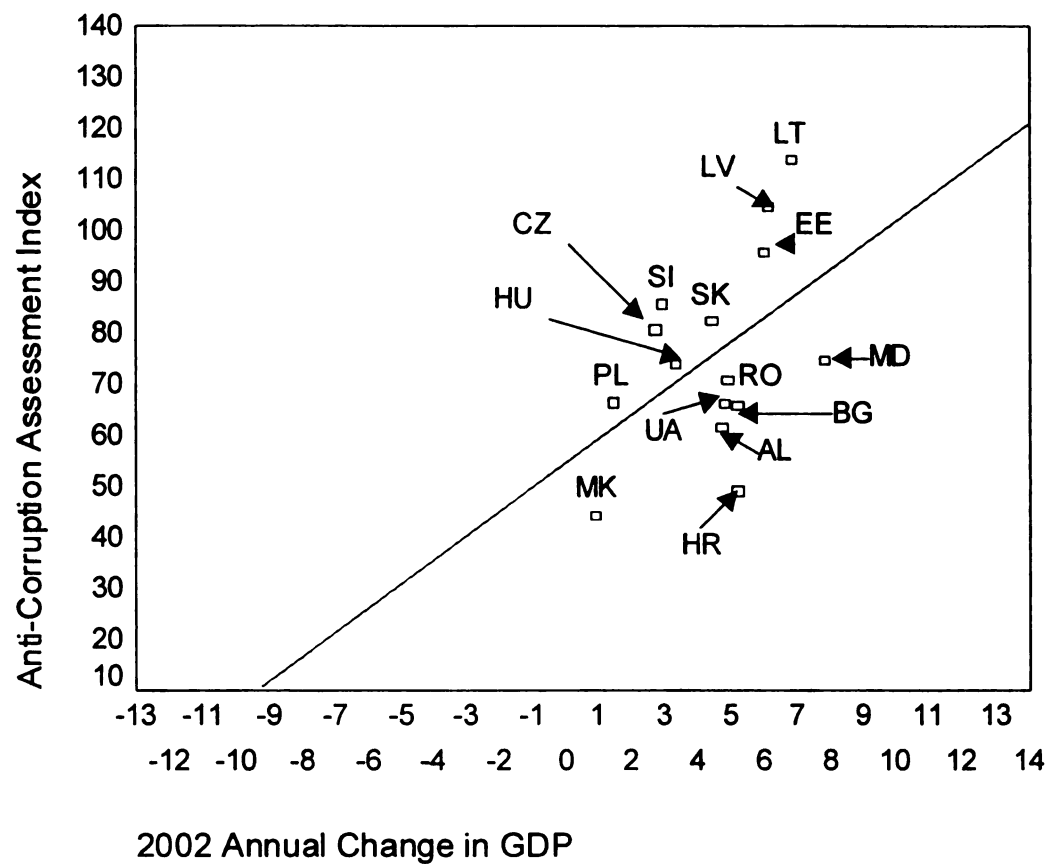
Table 5.17. Anti-Corruption Assessment Index and Annual Change in Gross Domestic Product (GDP)

Table 5.17. A. 1995- ACAI and Annual change in GDP



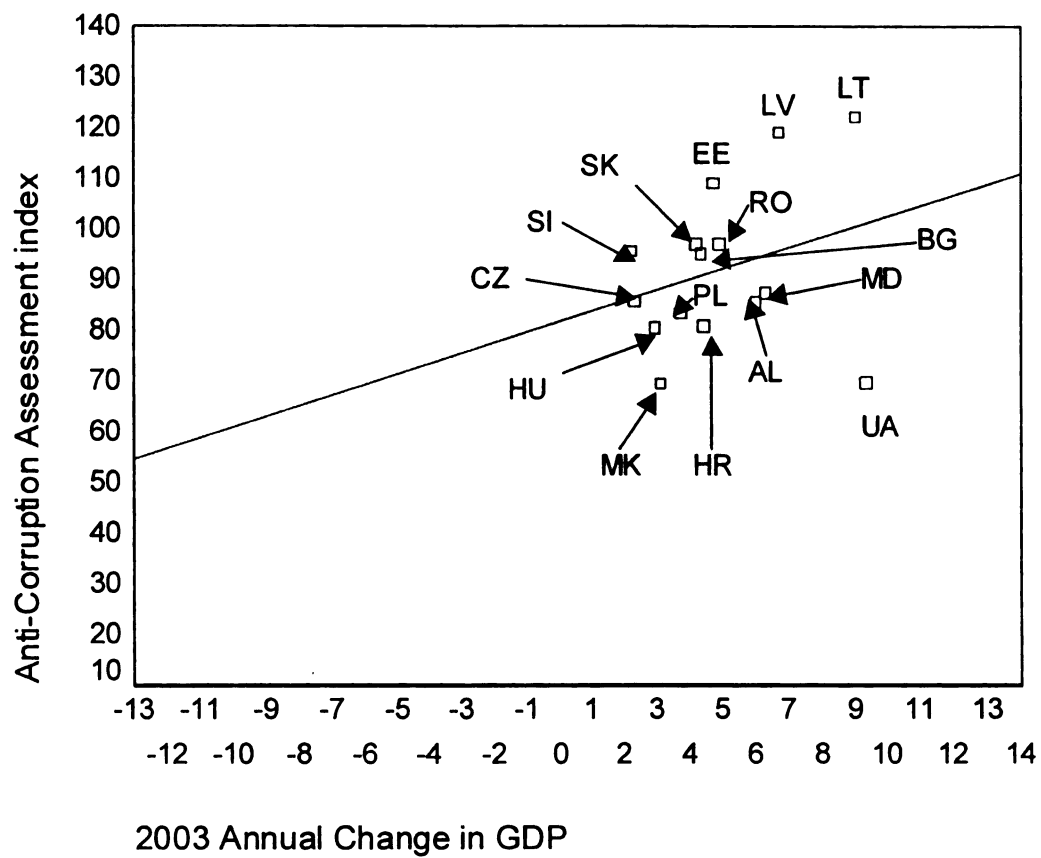
$Rsq = 0.11$

Table 5.17. B. 2002 – ACAI and Annual Change in GDP



$Rsq = 0.23$

Table 5.17. C. 2003 – ACAI and Annual Change in GDP



$Rsq = 0.08$

B. The Level of Unemployment

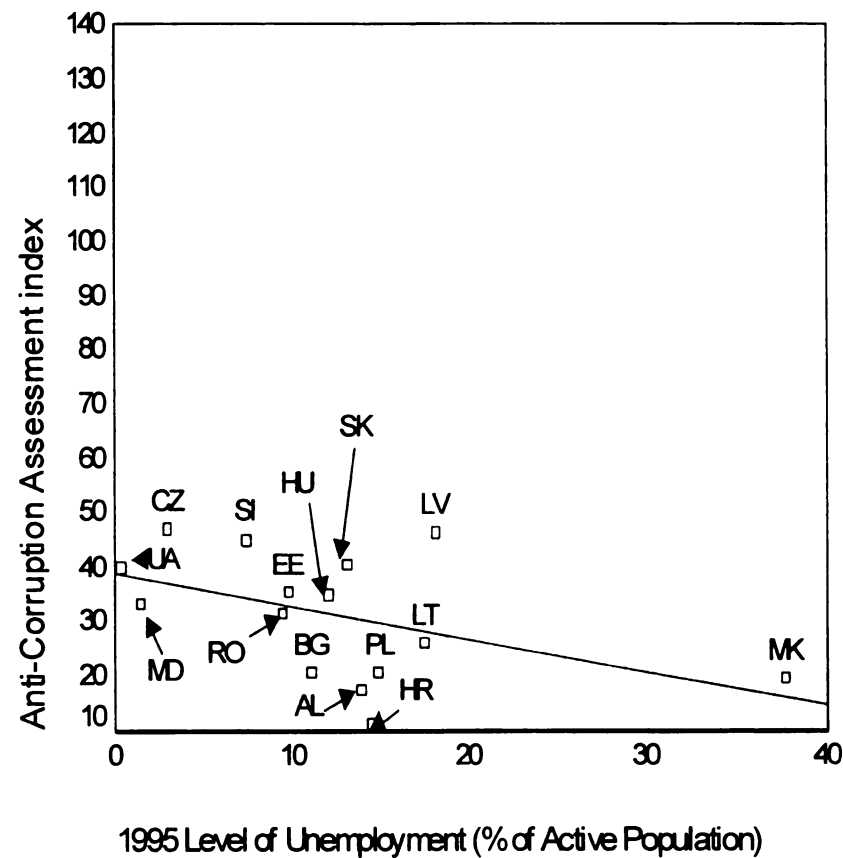
We propose that the higher the level of unemployment, the less likely a country is to have a comprehensive ACS. Unemployment will be measured as the percentage of the labor force that is without work but available for and seeking employment.

The data sources used are the 2002 and 2003 CIA World FactBook, The World in Figures, the Bank of Latvia, and the 2004 Country Commercial Guide.

The bivariate regression and scatter plots reveal a negative relationship between ACAI and the level of unemployment. In addition, 22% in 1995, 28% in 2002, and 12% in 2003 in ACAI score variance is explained by unemployment levels. Thus, unemployment will be included in the multivariate analysis.

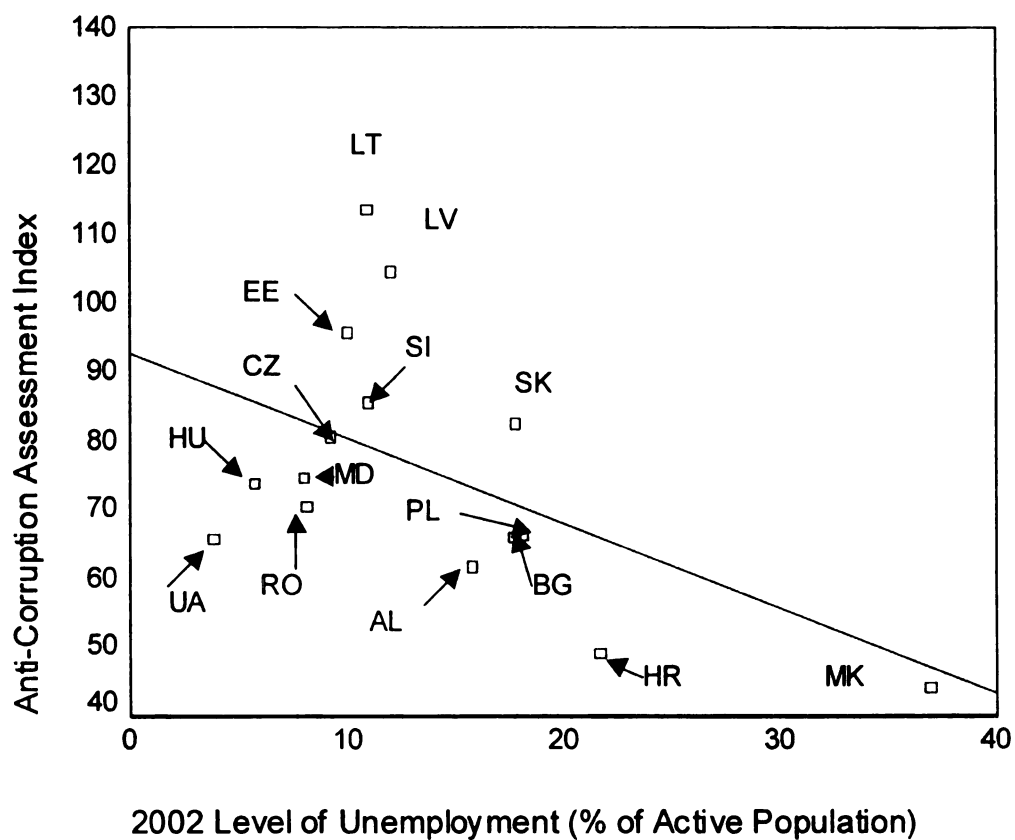
Table 5.18. Anti-Corruption Assessment Index and Level of Unemployment for 1995, 2002 and 2003

Table 5.18. A. 1995 - ACAI and Level of Unemployment



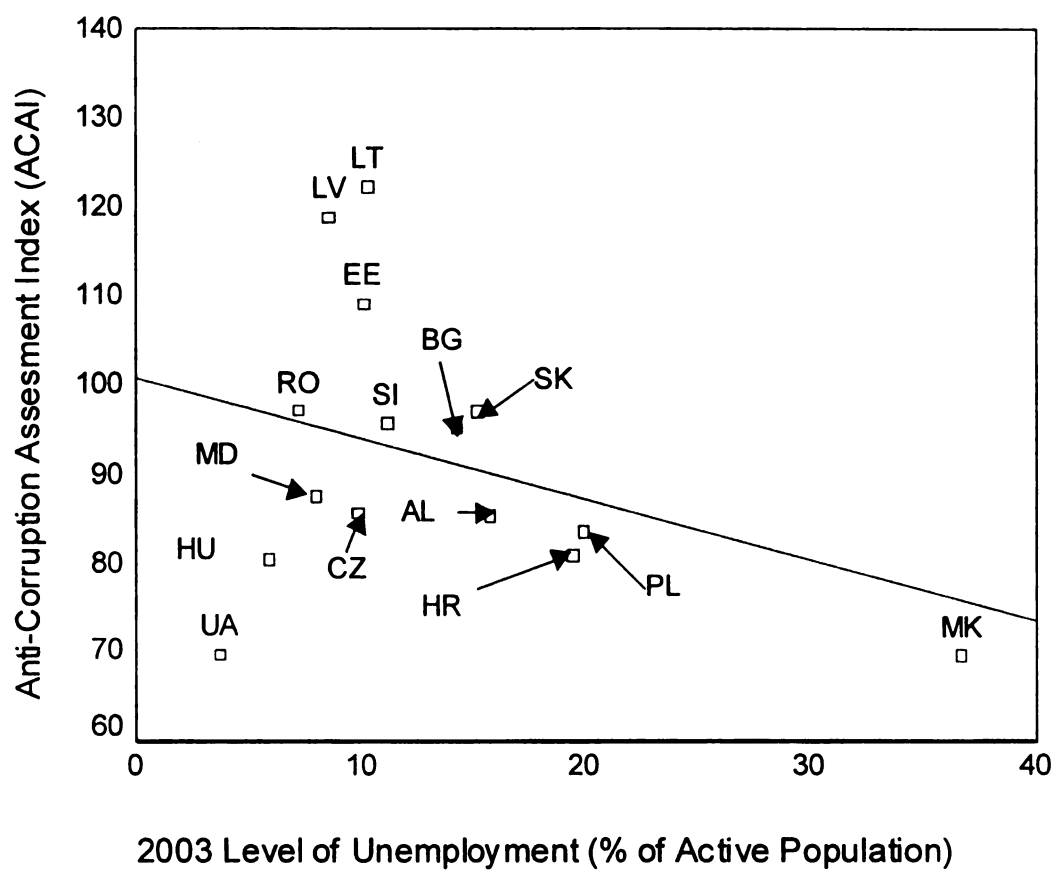
Rsq= 0.22

Table 5.18. B. 2002 – ACAI and Level of Unemployment



$Rsq = 0.28$

Table 5.18. C. 2003 – ACAI and Level of Unemployment



$R_{sq} = 0.12$

C. Foreign Direct Investment (FDI)

Our expectation is that the higher the FDI inflow in a given country is, the more likely a country is to have a comprehensive ACS. According to The Economist (www.economist.com), by Foreign Direct Investment is understood the investing in another country's production whether by buying a company there or establishing new operations of an existing business. The data sources to be used are Freedom House Nations in Transit annual reports as well as the UNCTAD database on FDI (available at www.unctad.org/fdistatistics).

Bivariate regression (R^2) and scatter plots indicate a very weak but still positive relationship between ACAI and foreign direct investment. Because of the very low explanatory power of the bivariate model and the high number of independent variables, FDI will not be included in the final multivariate regression.

Table 5.19. Anti-Corruption Assessment Index (ACAI) and Foreign Direct Investment (FDI)

Table 5.19. A. 1995 – ACAI and Foreign Direct Investment (FDI)

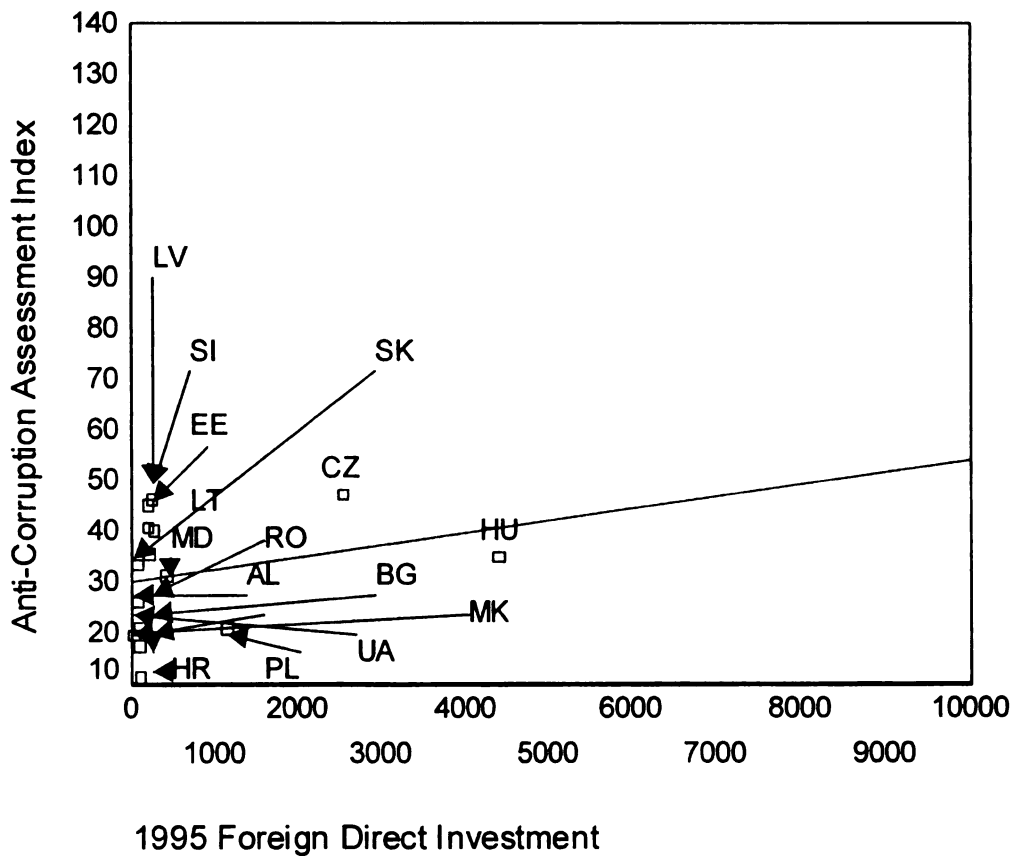
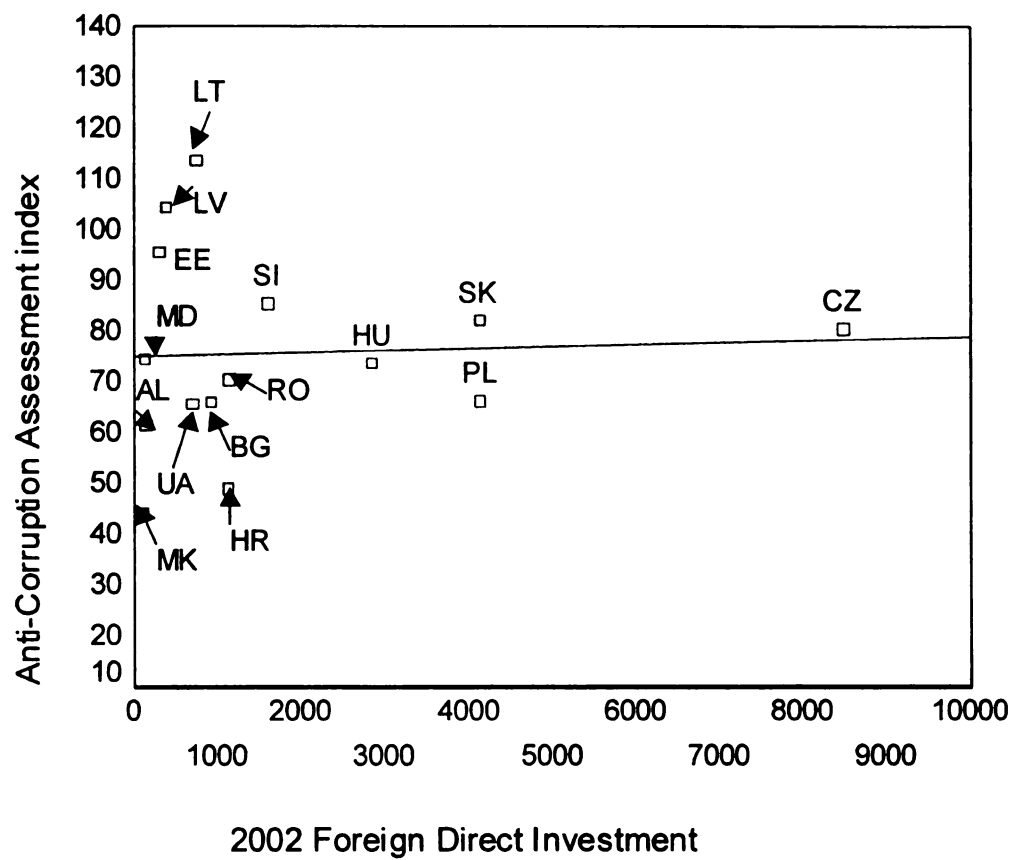
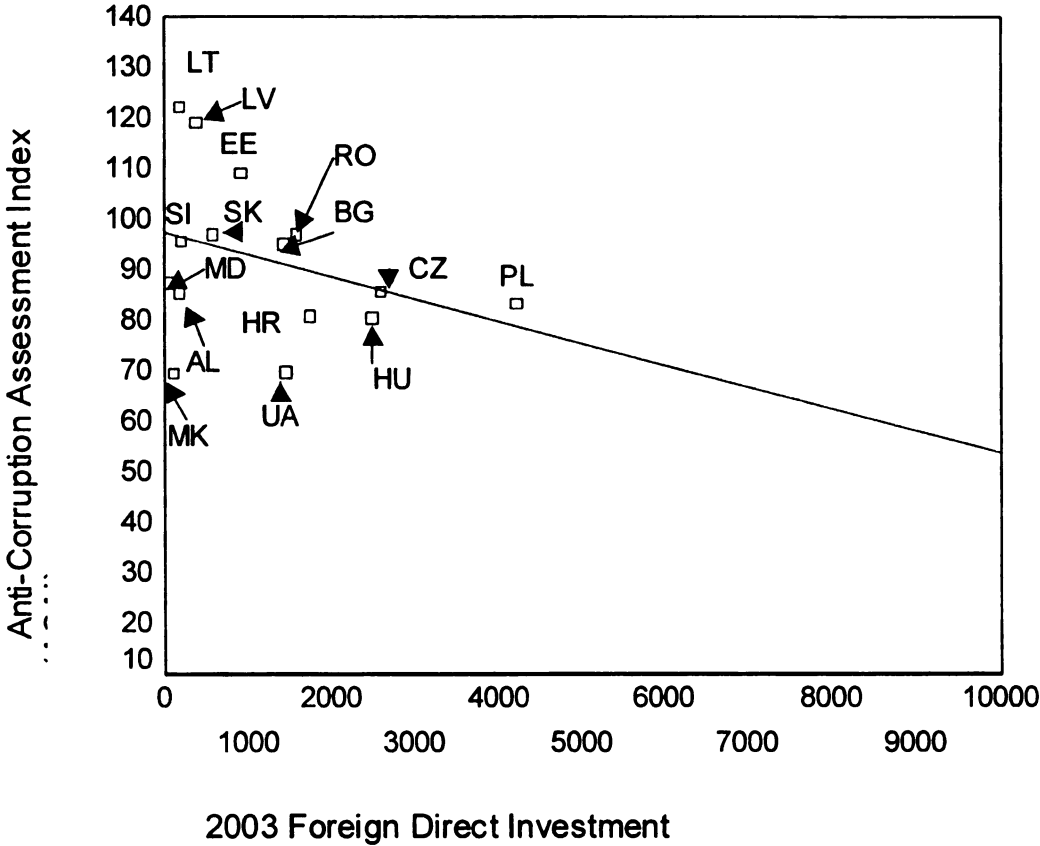


Table 5.19. B. 2002 – ACAI and Foreign Direct Investment (FDI)



$Rsq = 0.00$

Table 5.19. C. 2003 – ACAI and Foreign Direct Investment (FDI)



International Organizations

Chapter 4 discusses at length the various facets of the international organizations' efforts in supporting national anti-corruption efforts. It has been hypothesized that the greater the international organization involvement in a given country, the more comprehensive the national anti-corruption strategy of that country is likely to be.

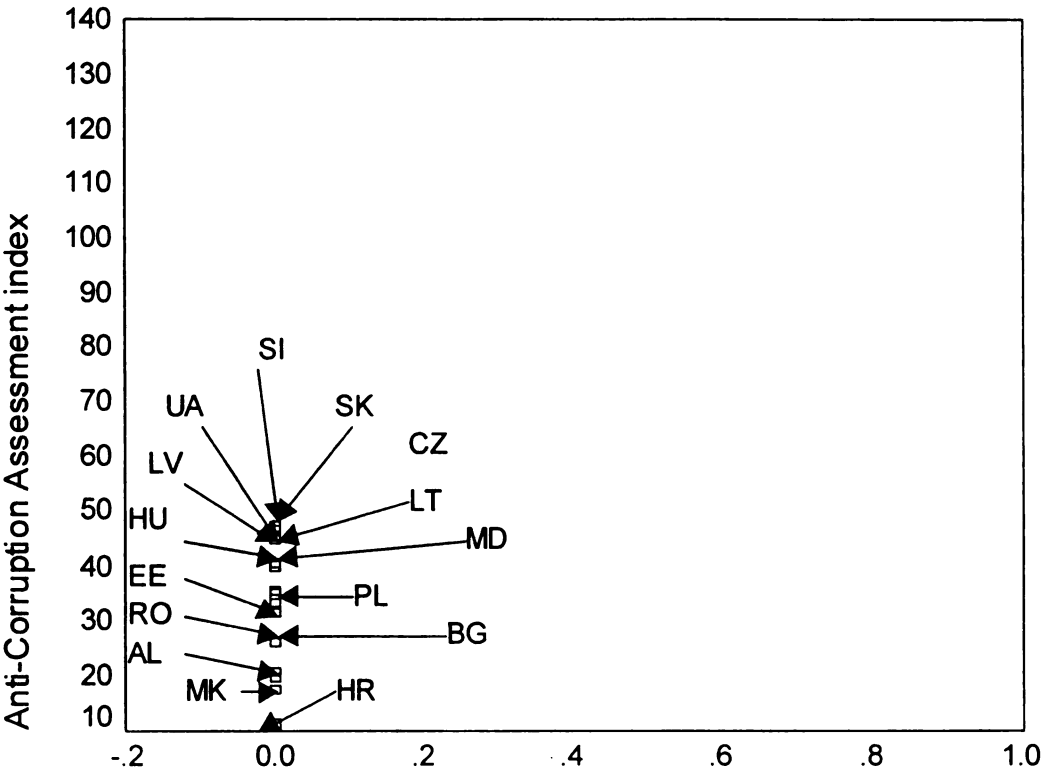
In order to test this hypothesis, two variables have been operationalized to capture the international organization's efforts. The first takes into account whether a country has put into force the main anti-corruption international legal instruments such as Civil Law Convention, Criminal Law Convention on Corruption of the Council of Europe, and the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions of the OECD. The three international conventions are the only international standards to date (the UN Convention against Corruption has yet to be ratified by a sufficient number of countries to become binding).

The bivariate regression (R^2) and scatter plots reveal no significant relation between ACAI and international organization efforts. Nevertheless, there is no doubt in the literature and the evidence presented in this study (including Chapter 4) of their impact. One of explanations for our results might be international organizations' efforts although important were not consistently high across time. For this reason, in the final multivariate analysis I will include indicators for international organizations,

for example in 1995 membership in the Council of Europe, and in 2002 and 2003 European Accession status.

Table 5.20. Anti-Corruption Assessment Index and Entry into Force of the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions of OECD for 1995, 2002 and 2003

Table 5.20. A. 1995 – ACAI and OECD



1995 Convention on Combating Bribery of Foreign Public Officials

Table 5.20. B. 2002 – ACAI and OECD

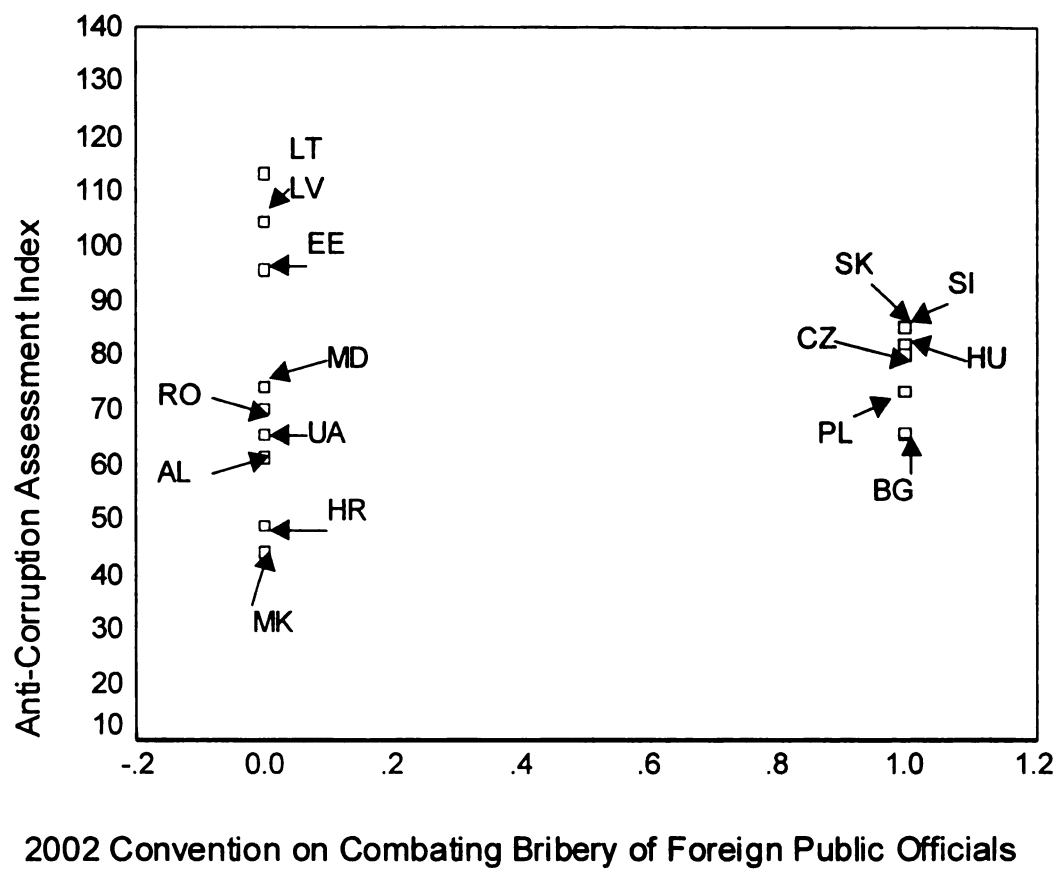
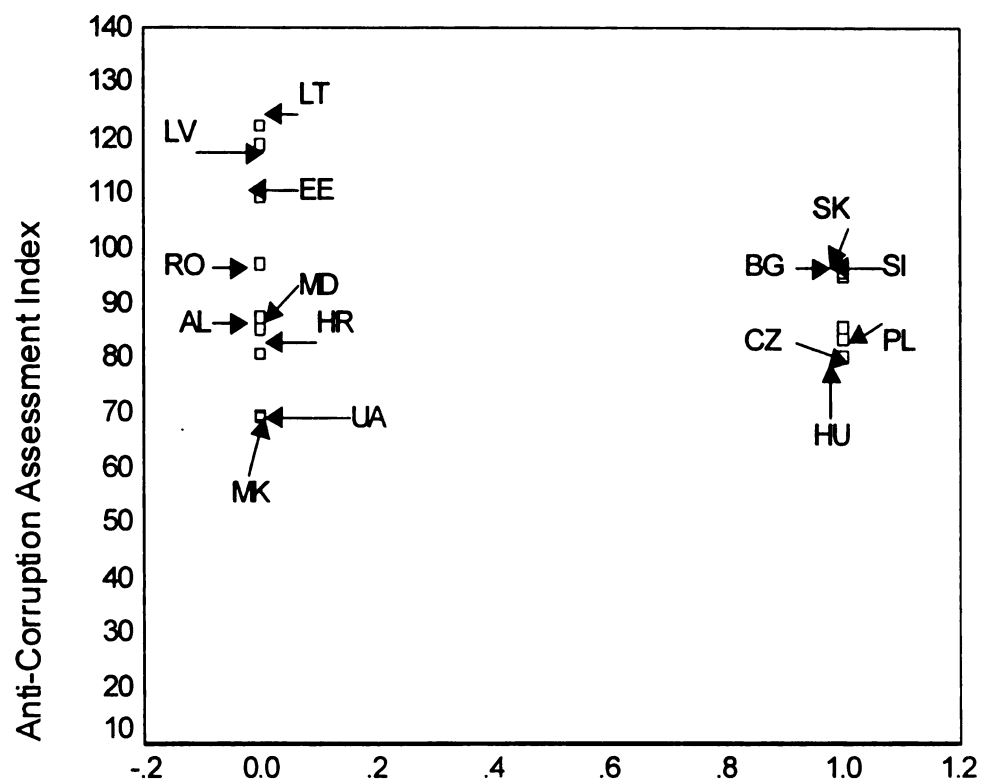


Table 5.20.C. 2003 – ACAI and OECD



2003 Convention on Combating Bribery of Foreign Public Officials

The reason these two international organizations have been selected is that the Council of Europe has focused on setting standards in fighting of corruption without having the legal instruments to force countries to comply, while the European Union had such instruments and has focused on enforcing them at least at the “future EU members” level. In both cases, a dichotomous variable has been developed which codifies whether a country has not only signed or ratified but also whether the conventions are being enforced. Thus, if a convention has entered into force by 1995, 2002, or 2003, a country receives a score of 1, if not it receives a score of 0.

Table 5.21. Anti-Corruption Assessment Index and Entry into Force of the Criminal Law Convention of Corruption for 1995, 2002 and 2003

Table 5.21. A. 1995 – ACAI and Criminal Law Convention of Corruption

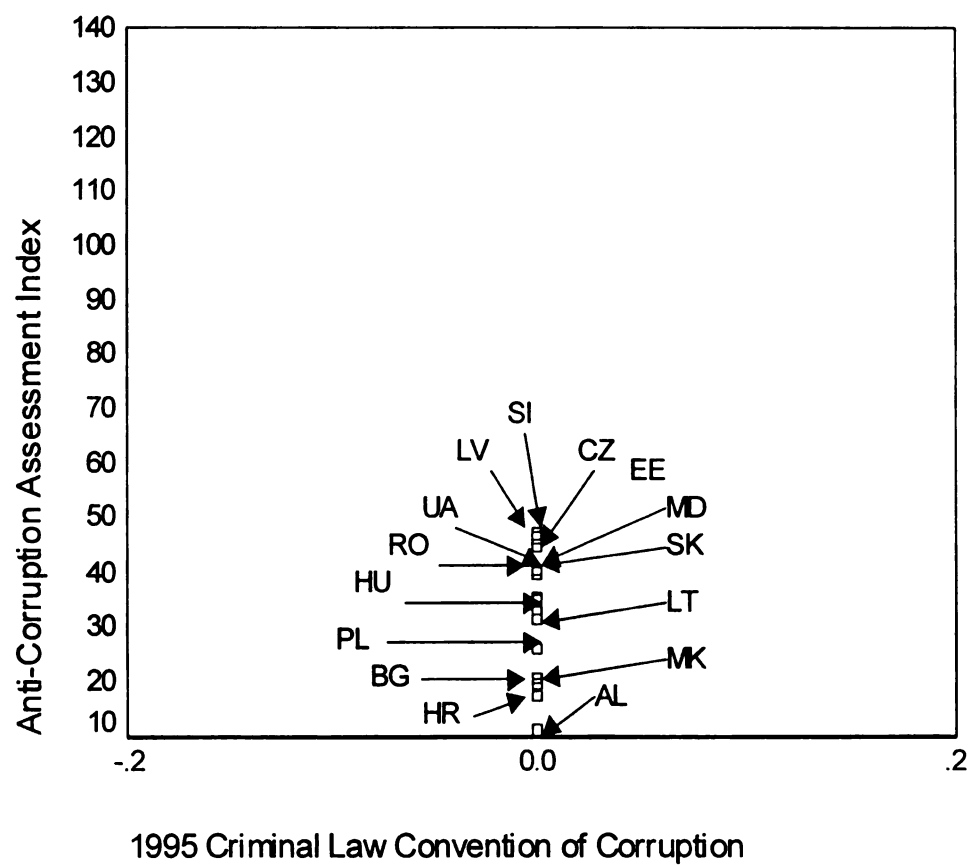


Table 5.21. B. 2002 – ACAI and Criminal Law Convention of Corruption

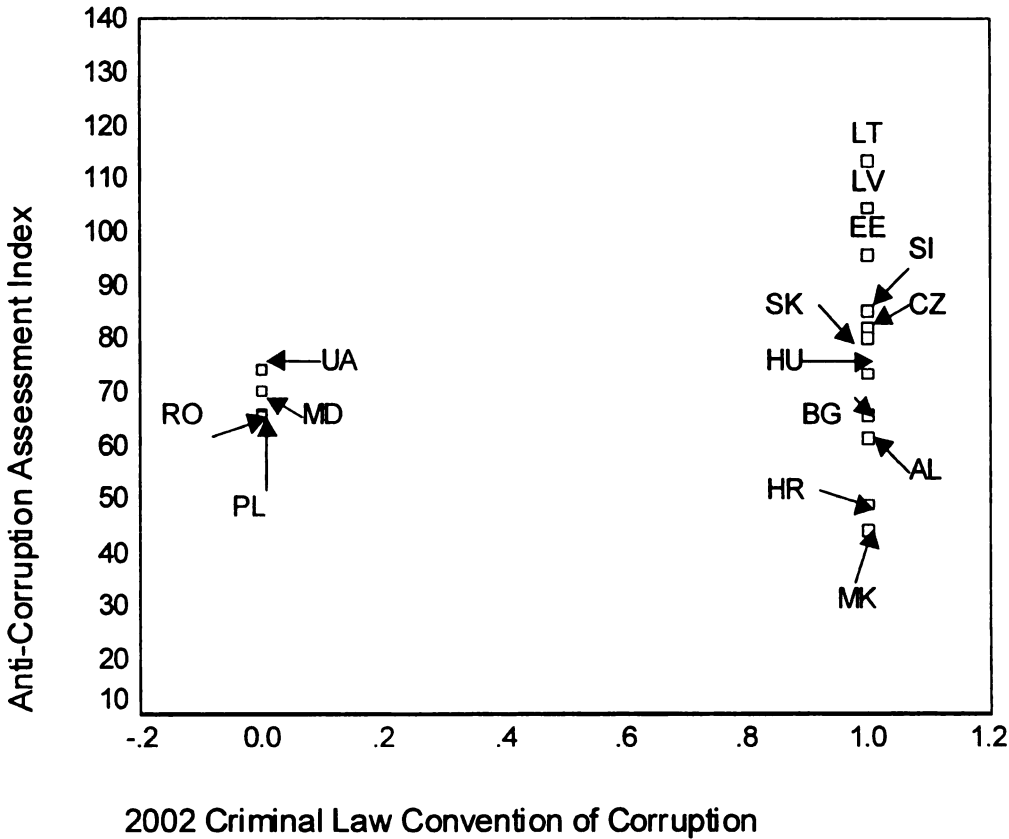


Table 5.21. C. 2003 – ACAI and Criminal Law Convention of Corruption

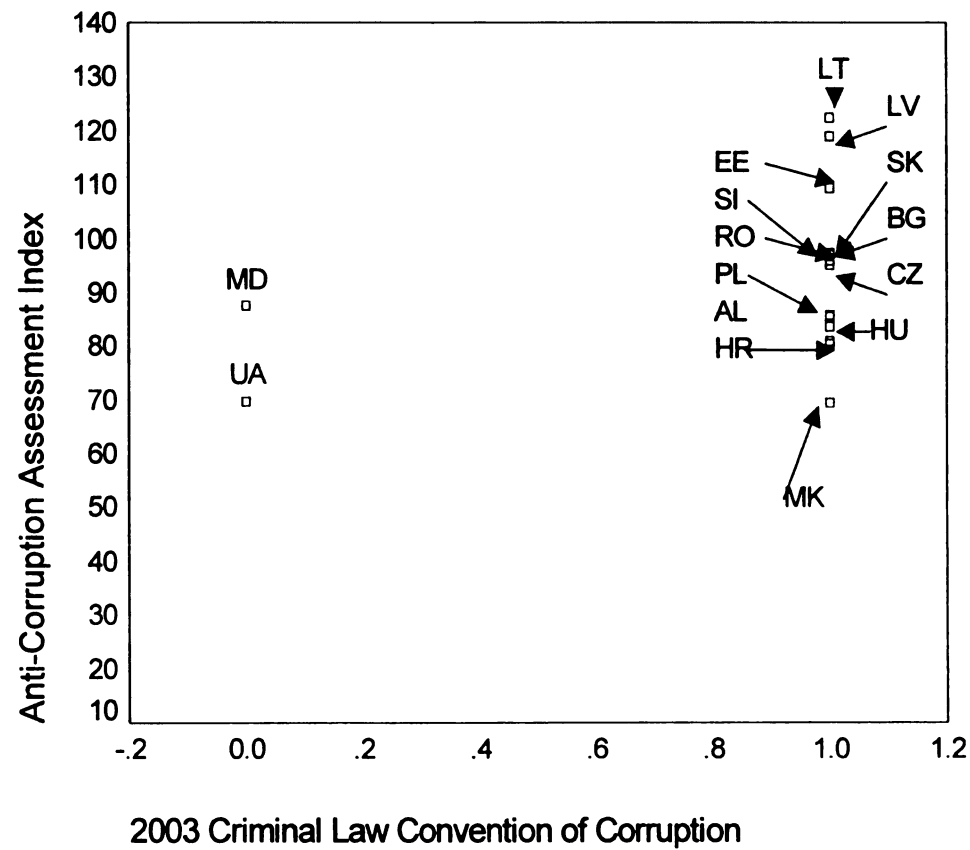


Table 5.22. Anti-Corruption Assessment Index and Civil Law Convention

Table 5.22. A. 1995 – ACAI and Civil Law Convention

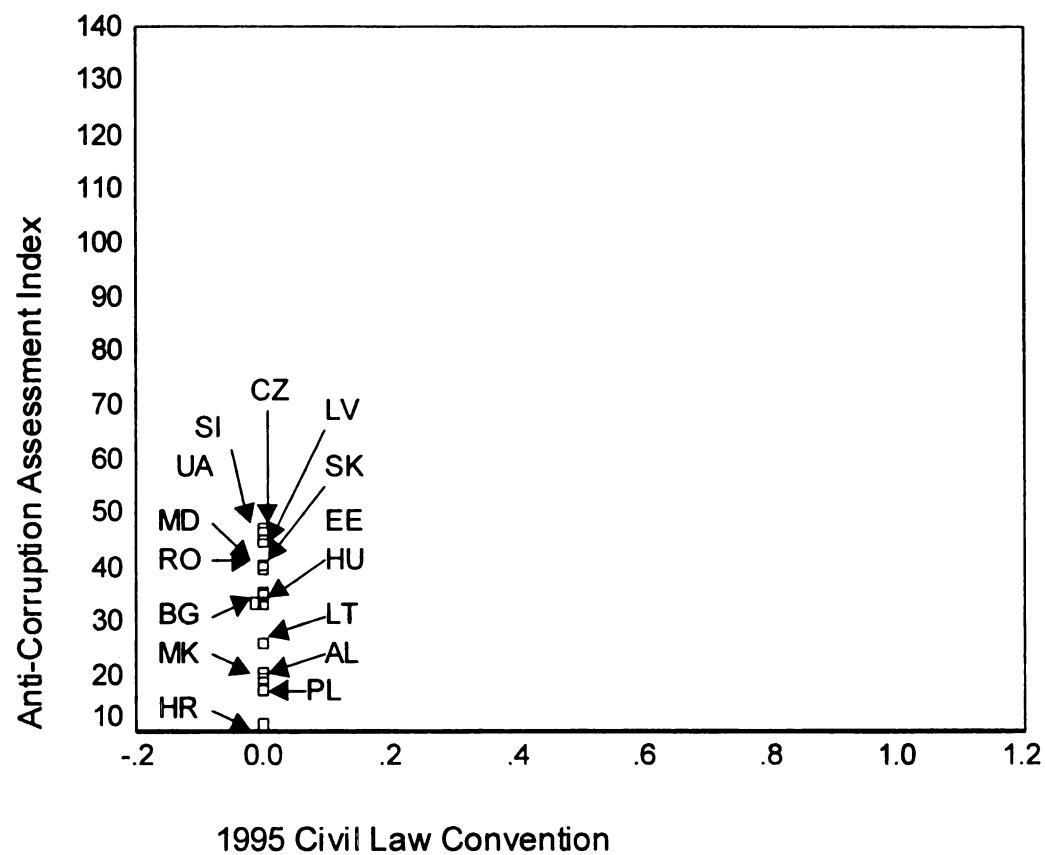


Table 5.22. B. 2002 – ACAI and Civil Law Convention

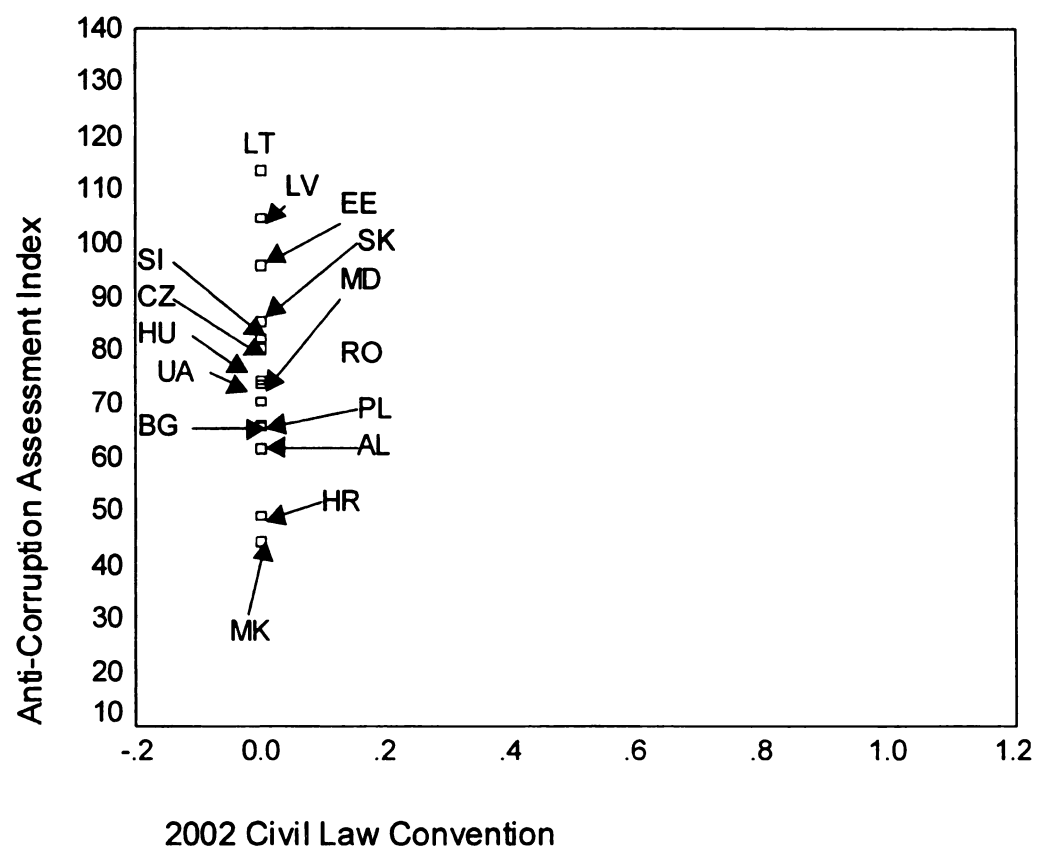


Table 5.22. C. 2003 – ACAI and Civil Law Convention

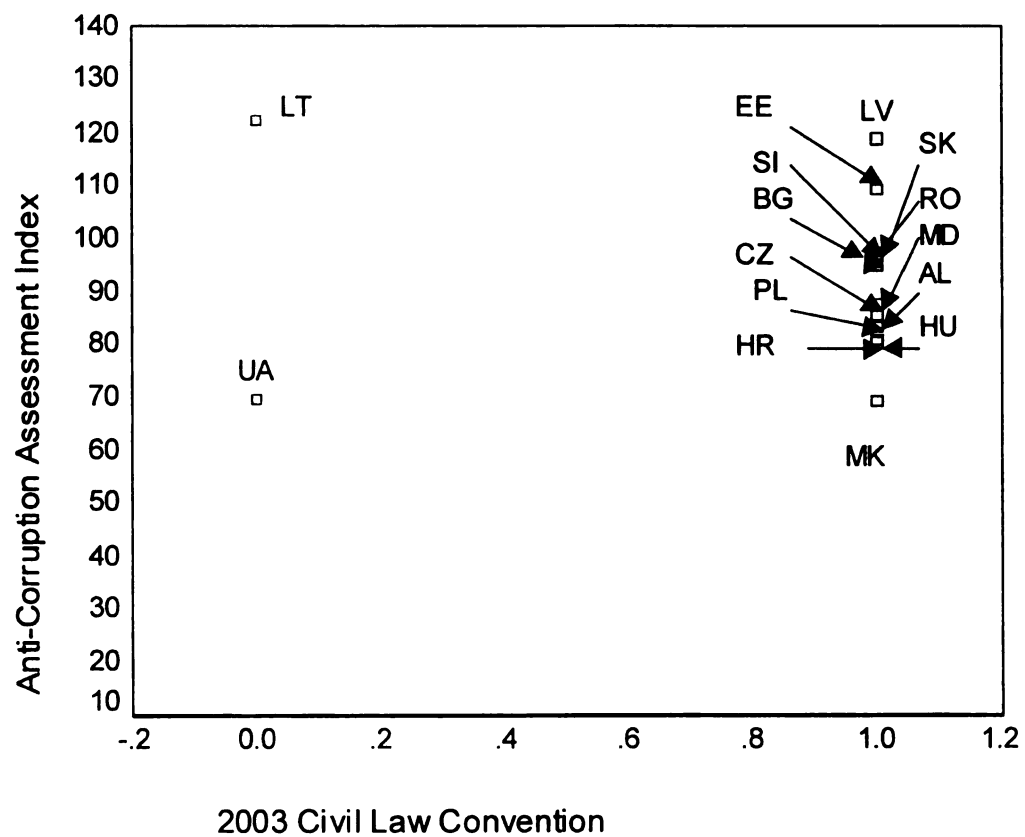
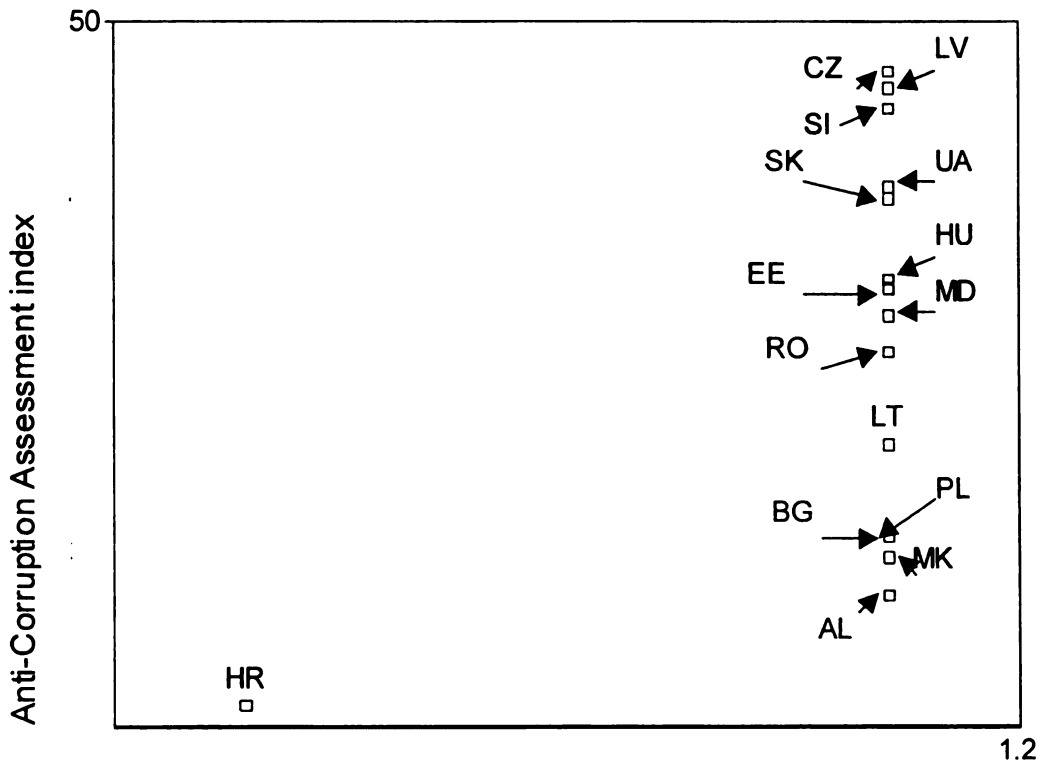


Table 5.23. Anti-Corruption Assessment Index and Council of Europe Membership

Table 5.23. A. 1995 – ACAI and Council of Europe Membership



1995 Council of Europe Membership

Table 5.23. B. 2002 – ACAI and Council of Europe Membership

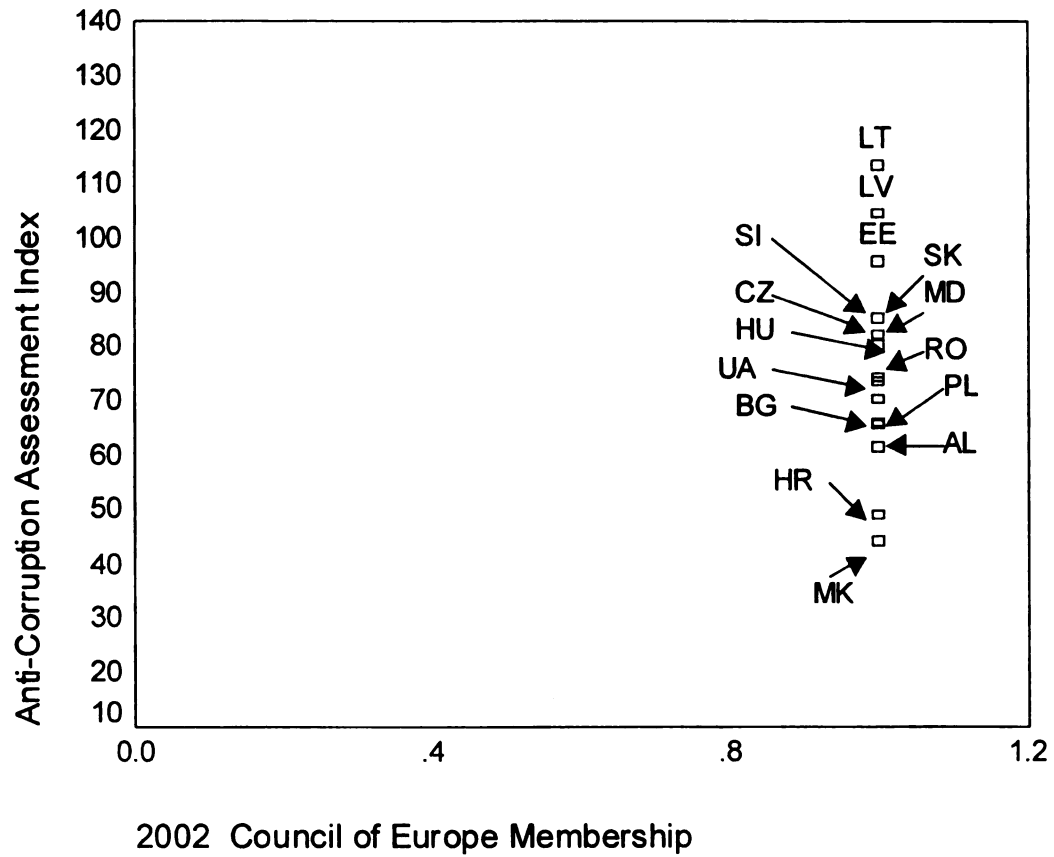
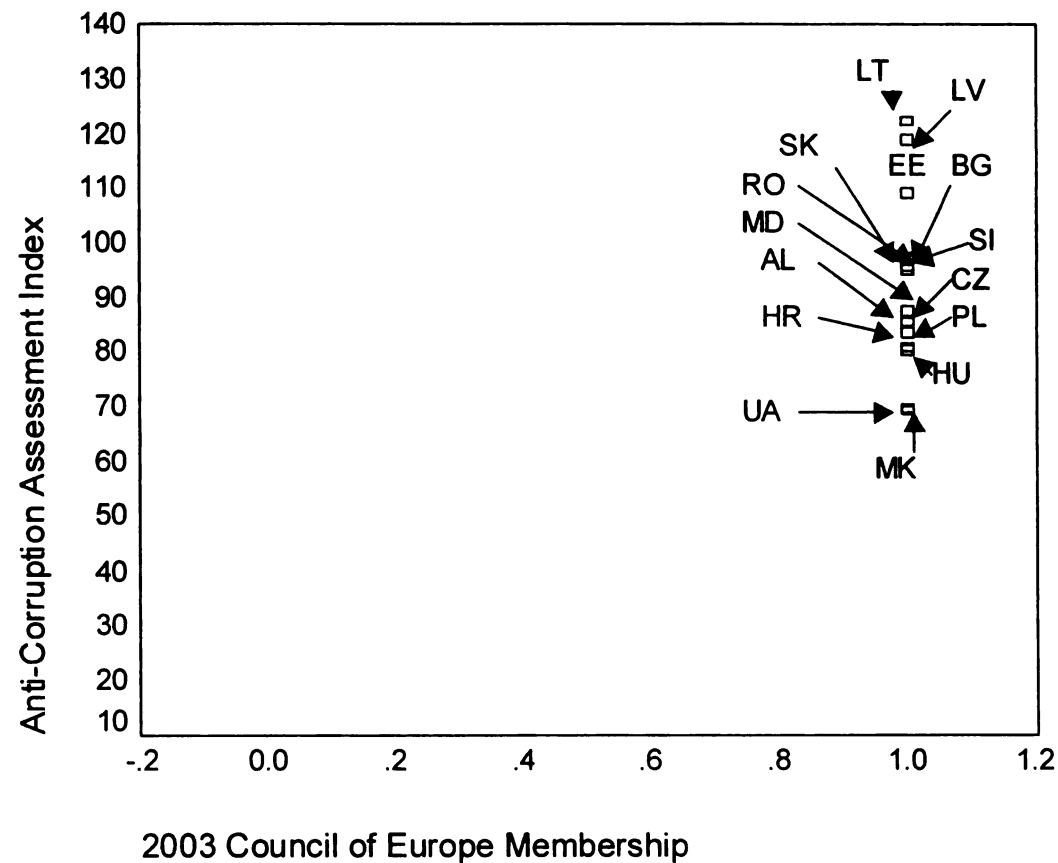


Table 5.23. C. 2003 – ACAI and Council of Europe Membership



However, in the case of the European Union the membership process is so lengthy and complicated that it will be investigated when countries have applied for EU accession and the year they have been granted accession status.

By the end of 2003 no sampled country had actually become a member of the European Union.

However, once EU accession status was granted a very thorough annual monitoring process was initiated by the European Commission – the executive body of the European Union. For the purpose of the study, accession status will be considered as an independent variable. To make things even clearer, two dichotomous variables have been developed. Thus, if a country has applied for accession it will be given a score of 1 and if it has been granted EU accession status it would also be given a separate score of 1 (one).

Table 5.24. Anti-Corruption Assessment Index and Application for EU Accession Status

Table 5.24. A. 1995 – ACAI and Application for EU Accession Status

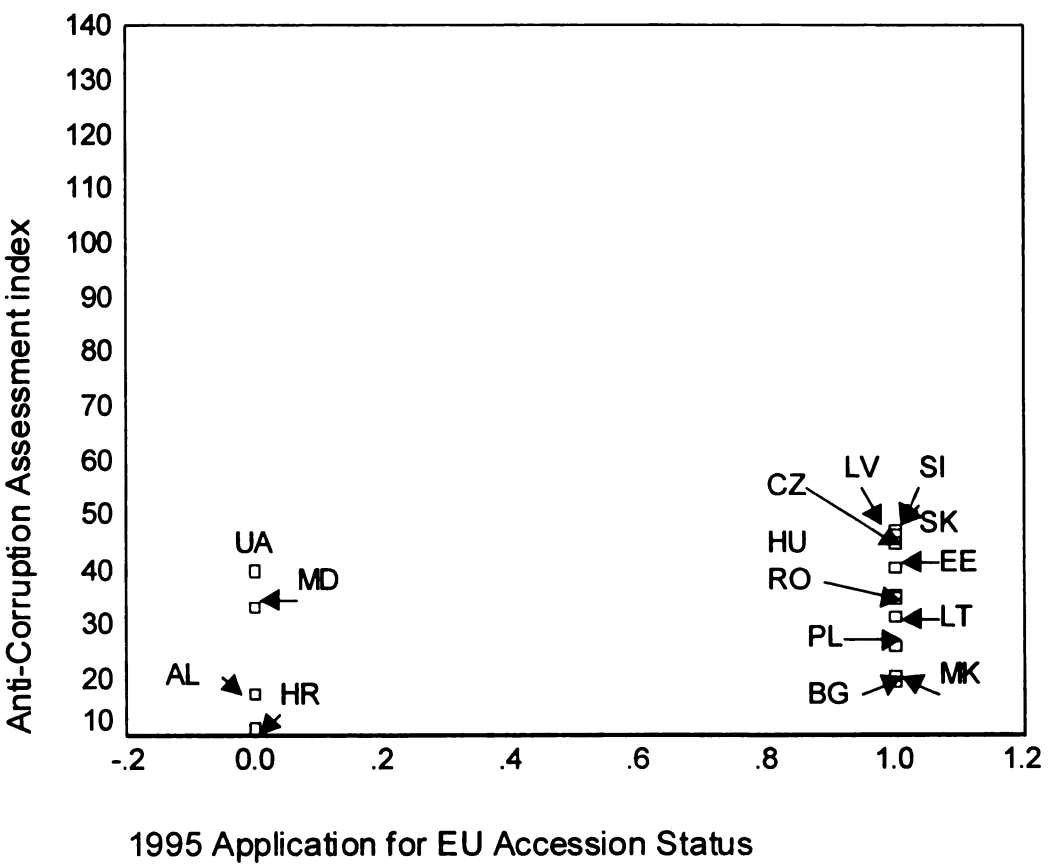


Table 5.24. B. 2002 – ACAI and Application for EU Accession Status

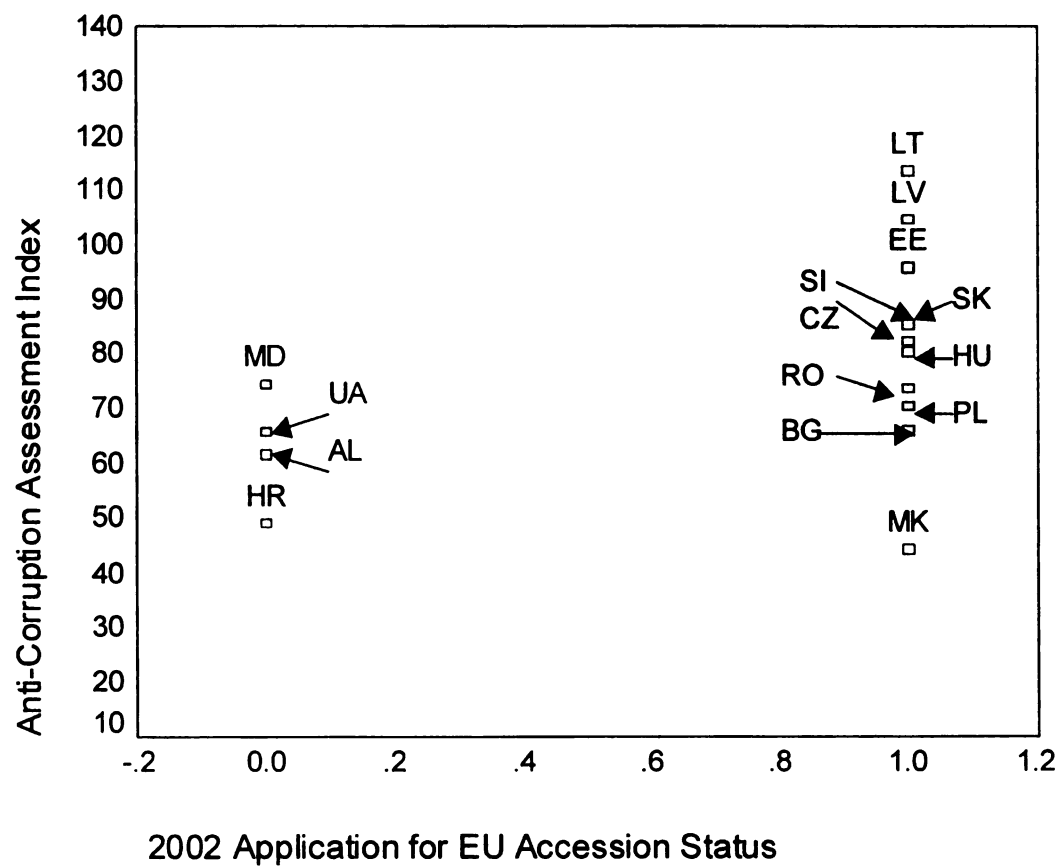


Table 5.24. C. 2003 – ACAI and Application for EU Accession Status

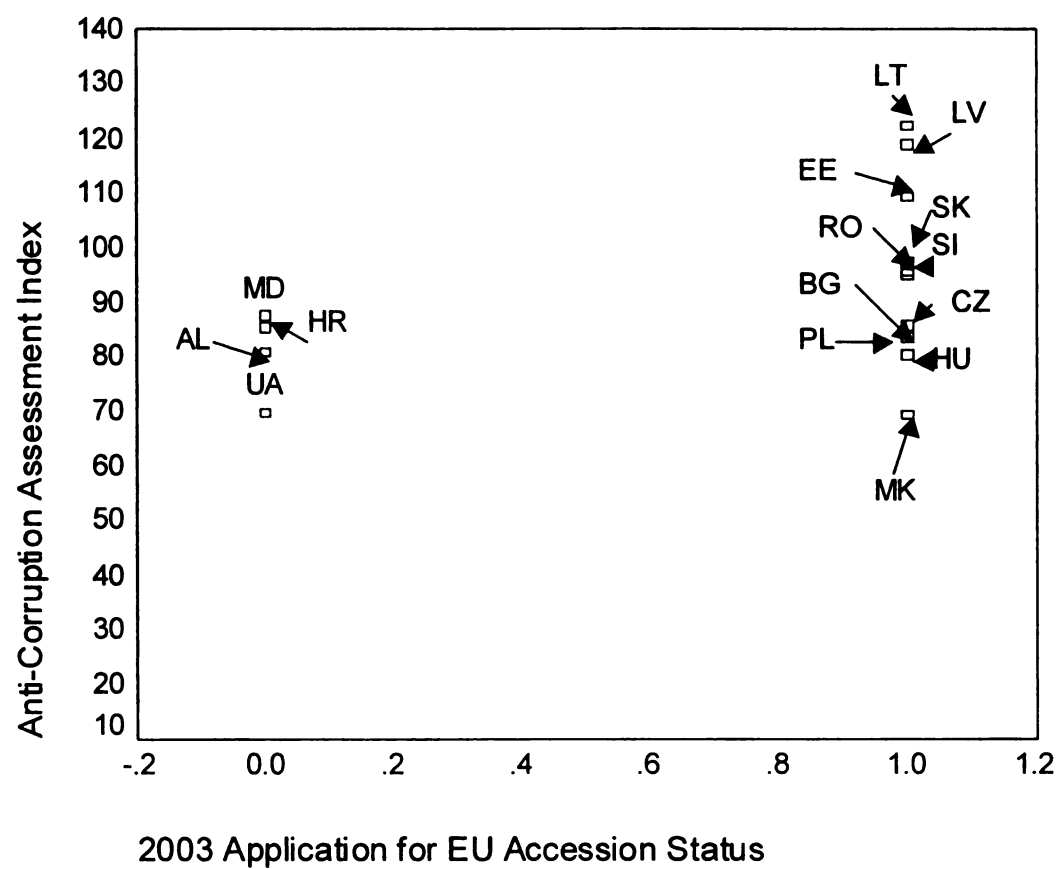


Table 5.25. Anti-Corruption Assessment Index and Granted EU Accession Status

Table 5.25. A. 1995 – ACAI and Granted EU Accession Status

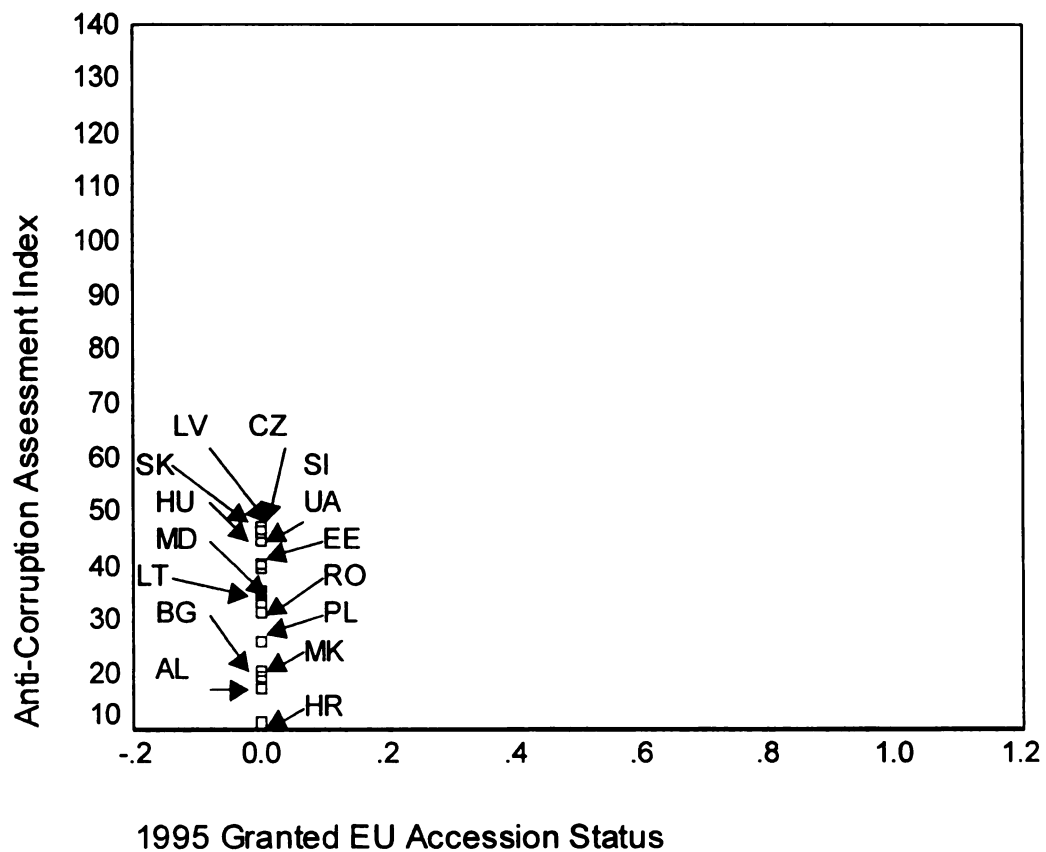


Table 5.25. B. 2002 – ACAI and Granted EU Accession Status

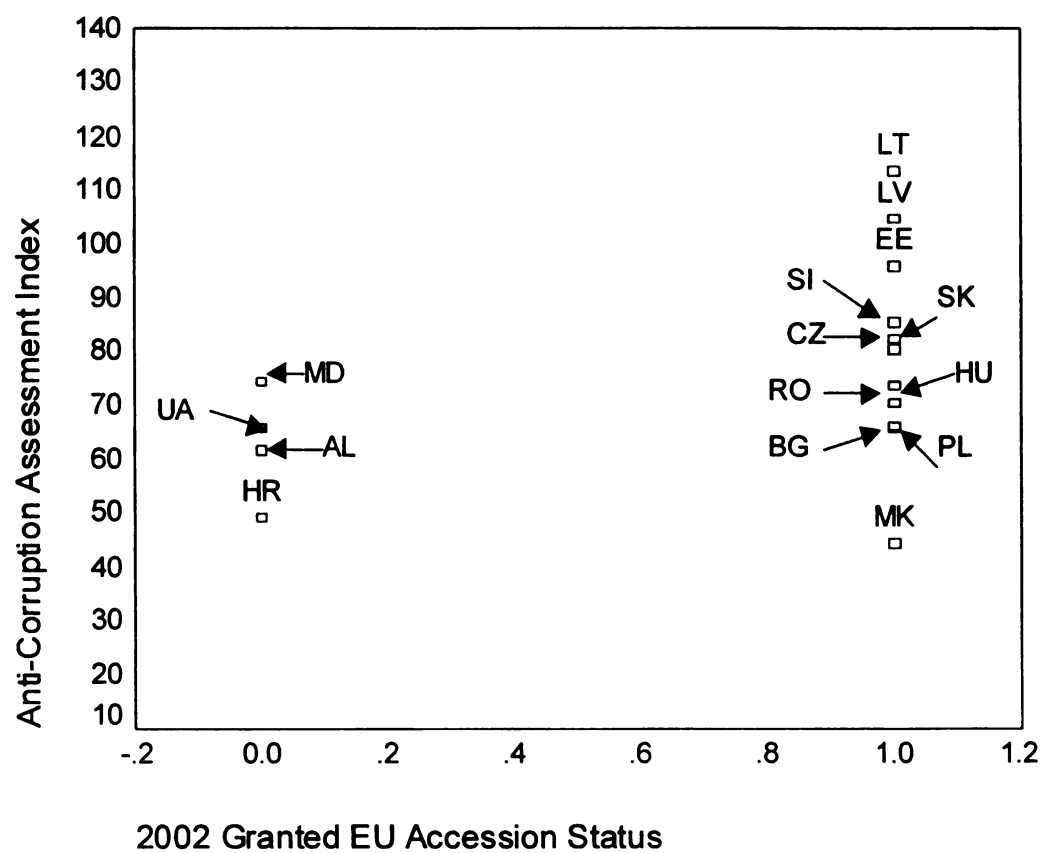
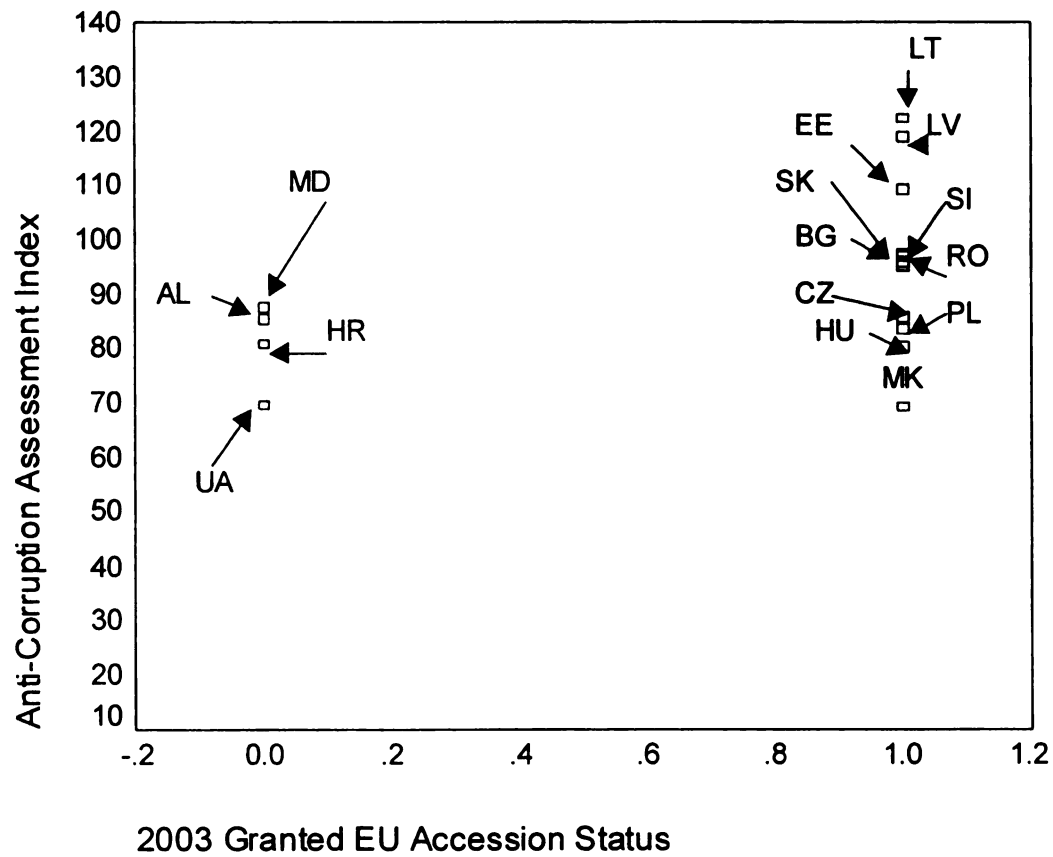


Table 5.25. C. 2003 – ACAI and Granted EU Accession Status



Multivariate Analysis

Any small-N cross-national such as this study is confronted not only with multicollinearity problems among variables but also with limited options on the number of variables included in any multivariate regression. In other words, because there are only 15 cases, the 14 independent variables cannot be included in the multivariate analysis at the same time. Thus, different methods have been used in generating the model to explain ACAI variation based on the different political, economic, and international context variables already selected.

Anti-corruption Strategies are targeted, at least in theory, to fighting corruption. Thus, at all times the first variable included in the multivariate model is the Corruption Perception Index. The political variables represent the second set of variables. As already described in Chapter 4 and the beginning of this chapter, the political variables investigated are level of democratization, regime type, number of governments per year, political affiliation of governments, and number of political parties in cabinet and parliament.

The first observation is that the above-mentioned political variables hardly correlate with each other (see Appendix 9). In other words, the political variables investigate different aspects of countries' political context.

In addition, the bivariate regression has indicated there is a significant relationship between ACAI and four of the political variables, namely the level of democratization, number of governments per year, effective number of parties in cabinet, and effective number of parties in parliament. However, in order to test my hypotheses I will separately use the number of parties in cabinet and the number of

parties in parliament because even if the correlational statistical measure does not indicate it, in theory at least they are expected to be highly correlated. The main reason might simply be that the cabinet must incorporate more parties to get the parliament's majority support as long as more parties share seats.

The economic variables already discussed are Gross Domestic Product (GDP) and Annual Change in GDP, Foreign Direct Investment, and Unemployment. A correlational analysis of the economic variables also reveals no significant relationships among the economic variables. In brief, as expected the economic variables capture different aspects of economic influence. However, the bivariate regression has found significant statistical evidence of a relationship only between ACAI and unemployment levels. Thus, only unemployment will be included in the final multivariate analysis.

As far as international organizations' efforts are concerned, the bivariate analysis has surprisingly found no significant statistical evidence of a relationship between them and ACAI. As a reminder, the international organizations' efforts variables taken into account are first the entry into force of the three most important international anti-corruption conventions. The next variables selected are membership in the Council of Europe and accession status to the European Union.

In spite of the abundance of incidents across countries that indicate international organizations' role in adoption of comprehensive legislation (see Chapter 4) the bivariate analysis does not reveal any type of significant statistical confirmation. One of the reasons might be that across time and countries, international organizations' influence might have varied. For example, if by 1995 *en*

vogue was membership in the Council of Europe, by the late 1990s it was accession status and membership to the European Union that preoccupied politicians across Central and Eastern Europe. As a consequence, in testing my model, I will use for the year 1995 as an independent variable membership in the Council of Europe, while for 2002 and 2003 I will use the granting of EU accession status. Until May 2004, none of the sampled countries were full-fledged members of the European Union.

Thus the model becomes:

$$\text{ACAI} = \beta_1 \text{ Corruption Perception Index} + \beta_2 \text{ Freedom in the World Index} + \beta_3 \text{ Government/year} + \beta_4 \text{ Political Parties in Cabinet (or } \beta_4 \text{ Political Parties in Parliament)} + \beta_5 \text{ Unemployment} + \beta_6 \text{ Council of Europe member in 1995 (and European Accession Status Granted for 2002 and 2003)} + \lambda$$

Table 5.26 presents the results of the regression analysis for the three years, with the effective number of parties in the government as one of the independent variables. Table 5.27 presents analogous results, with effective number of parties in the parliament as one of the independent variables. The following conclusions can be drawn. Our first finding is that in 1995 the ACAI score is basically determined by random factors. In other words, for 1995 the explanatory power of the model is negligible. As time progresses, more variables become statistically significant. For example, if unemployment seems to always have had an influence on ACAI, only by 2003 does the number of governments per year seem to have an influence on ACAI.

As far as the second model is concerned (Table 5.27 with the number of parties in parliaments) the picture is more mixed. If in 1995, the model does not fit even at the 90% confidence interval, by 2003 the model becomes significant at the

99% confidence interval. This model confirms the trends of the increasing explanatory power of the theoretical variables over time. Thus, by 2002 having been granted formal accession status to the European Union and the number of political parties in Parliament seem to have a very significant influence on the comprehensiveness of ACS. By 2003, the Corruption Perception Index and Unemployment also become significant.

The question remains as to why when changing the number of parties in Cabinet from the number of parties in Parliament there is such difference in the results. One of the explanations might be that the number of parliamentary parties reflects better what is going on in the political arena and its impact on ACS than the number of parties in the cabinet. The importance of political parties in Parliament might also be increased due to the fact that none of the countries selected are purely presidential.

Table 5.26. ACAI Model That also Includes Political Parties in Cabinet, Unemployment and International Organizations' Influence

For 1995

ACAI = .166 Corruption Perception Index - .214 Freedom in the World Index - .094 Governments/year + .369 Political Parties in Cabinet - .448 Unemployment + .156 Council of Europe member + 27.8

Rsq = .622 and Adj Rsq = .338

F = 1.397; Sig. = .322

For 2002

ACAI = .076 Corruption Perception Index - .166 Freedom in the World Index + .317 Governments/year + .331 Political Parties in Cabinet - .398 Unemployment + .177 European Accession Status Granted + 54.11

Rsq = .805 and Adj Rsq = .658

F = 3.717; Sig. = .045

For 2003

ACAI = .108 Corruption Perception Index - .301 Freedom in the World Index + .664 Governments/year - .63 Political Parties in Cabinet - .281 Unemployment + .252 European Accession Status Granted + 62.09

Rsq = .857 and Adj Rsq = .749

F = 1.397; Sig. = .322

Variables	Standardized Coefficients			T test			1 tail significance		
	1995	2002	2003	1995	2002	2003	1995	2002	2003
Year									
Corruption Perception Index	.166	.076	.108	.626	.320	.408	.276	.375	.347
Freedom in the World Index	-.214	-.166	-.301	-.721	-.618	-1.15	.240	.225	.149
Governments/year	-.094	.317	.664**	-.367	1.88	4.695	.361	.47	.01
Political Parties in Government	.369	.331	-.63	1.527	1.69	-.398	.083	.74	.351
Unemployment	-.448*	-.398*	-.281**	-1.97	-2.21	-1.865	.042	.29	.05
Council of Europe membership/	.156	.177	.252	.551	.790	1.290	.29	.227	.116
European Accession Status Granted									
Constant	27.8	54.11	62.09	1.33	1.917	2.275	.145	.042	.026

* p = ≤ .05; 1-tailed test

** p = ≤ .01, 1 tail test

...

Table 5.27. ACAI Model That also Includes Political Parties in Parliament, Unemployment and International Organizations' Influence

For 1995

ACAI = 0.237 Corruption Perception Index - 0.319 Freedom in the World Index - 0.315 Governments/year + 0.242 Political Parties in Parliament - 0.291 Unemployment + 0.212 Council of Europe membership + 32.015

Rsq = .512 and Adj Rsq = .146
F = 1.397; Sig. = .322

For 2002

ACAI = .208 Corruption Perception Index -.131 Freedom in the World Index + .420 Governments/year -.032 Political Parties in Parliament -.441 Unemployment + .261 European Accession Status Granted + 44.106

Rsq = .736 and Adj Rsq = .538
(at 95% confidence interval)
F = 3.717; Sig. = .045

For 2003

ACAI = .115 Corruption Perception Index + -.291 Freedom in the World Index +.735 Governments/year -.278 Political Parties in Parliament -.298 Unemployment +.244 European Accession Status Granted + 67.449

Rsq = .791 and Adj Rsq = .864
F = 15.851; Sig. = .000

Variables	Standardized Coefficients			T test		1 tail significance		
	1995	2002	2003	1995	2002	2003	1995	2002
Corruption Perception Index	.216	.208	.115**	.706	.789	.610	.706	.099
Freedom in the World Index	-.216	-.131	-.291	-.636	-.416	-1.467	-.636	.226
Governments/year	-.194	.420	.735	-.689	2.260	6.982	-.689	.344
Political Parties in Parliament	-.019	-.032*	-.278**	-.075	-.169	-2.661	-.075	.026
Unemployment	-.384	-.441	-.298**	-1.511	-2.107	-2.694	-1.511	.435
Council of Europe Membership/ European Accession Status Granted	.257	.261*	.244**	.815	1.021	1.809	.815	.034
Constant	32.874	44.106	67.449	1.190	1.401	67.499	1.190	.168

* p = ≤ .05; 1-tailed test

** p = ≤ .01, 1 tail test

What is nevertheless surprising is the strong and different role international organizations seem to play by 2002 based on whether the number of political parties in cabinet or parliament is being taken into account. However, in order to see the role that internal factors only play on ACS comprehensiveness, I conduct a further regression excluding the international organizations' anti-corruption efforts. The model thus includes all political factors (the number of parties in government and parliament will not be introduced simultaneously) and economic factors:

$$\text{ACAI} = \beta_1 \text{ Corruption Perception Index} + \beta_2 \text{ Freedom in the World Index} + \beta_3 \text{ Government/year} + \beta_3 \text{ Political Parties in Cabinet (or } \beta_3 \text{ Political Parties in Parliament)} + \beta_4 \text{ Unemployment} + \lambda$$

As shown in Table 5.27, at a 95% confidence interval, the trends seen in the previous models (with the number of parties in cabinet and international organizations' variables) are also maintained after excluding the external politics variables. In other words, the number of governments per year and unemployment seem to have a significant impact on ACS comprehensiveness. When the regression is run with the number of political parties instead (and without the international organization's efforts variables), the number of political parties in Parliament and unemployment remain statistically significant. However, by 2002 and 2003 both the number of governments per year and freedom in the world index also become significant in the model.

Table 5.28. Political Factors (Political Parties in Cabinet) and Economic Factors

For 1995

ACAI = .167 Corruption Perception Index -, 299 Freedom in the World Index -, 127 Governments/year + .400 Political Parties in Cabinet -, 457 Unemployment + 37.359
 Rsq = .607 and Adj Rsq = .389
 F = 2.782 and Sig. = .087

For 2002

ACAI = .277 Corruption Perception Index -, 321 Freedom in the World Index +, 376 Governments/year + .234 Political Parties in Cabinet -, 413 Unemployment + 44.402
 Rsq = .746 and Adj Rsq = .606
 F = 5.299 and Sig. = .015

For 2003

ACAI = .159 Corruption Perception Index -, 439 Freedom in the World Index +β Governments/year + .009 Political Parties in Cabinet -, 255 Unemployment + 68.252
 Rsq = .827 and Adj Rsq = .730
 F = 8.588 and Sig. = .003

Variables	Standardized Coefficients			T test			1 tail significance		
	1995	2002	2003	1995	2002	2003	1995	2002	2003
Corruption Perception Index	.167	.277	.159	.656	1.141	.584	.656	.142	.237
Freedom in the World Index	-.299	-.321	-.439	-1.233	-1.286	-1.708	-1.233	.115	.061
Governments/year	-.127	.376*	.641*	-.531	2.158	4.411	-.531	.030	.001
Political Parties in cabinet	.400	.234	.009	1.765	1.266	.056	-1.765	.119	.480
Unemployment	-.457*	-.413*	-.255	-2.090	-2.261	-1.646	-2.090	.025	.067
Constant	37.359	44.402	68.252	2.241	1.580	2.451	2.241	.075	.018

* p = ≤ .05; 1-tailed test

** p = ≤ .01, 1 tail test

Table 5.29. Political factors (Political Parties in Parliament) and Economic Factors

For 1995

ACAI = .222Corruption Perception Index - .367 Freedom in the World Index -.269 Governments/year + .005 Political Parties in Parliament -.384 Unemployment + 49.78

Rsq = .471; Adj Rsq = .177
F = 1.604; Sig. = .253

For 2002

ACAI = .241 Corruption Perception Index - .294 Freedom in the World Index + .427 Governments/year - .017 Political Parties in Parliament - .358 Unemployment + 53.14

Rsq = .702 and Adj Rsq = .536
F = 4.232; Sig. = .029

For 2003

ACAI = .138 Corruption Perception Index - .437 Freedom in the World Index + .726 Governments/year - .268 Political Parties in Parliament - .263 Unemployment + 76.901

Rsq = .891 and Adj Rsq = .830
F = 14.665; Sig. = .000

Variables	Standardized Coefficients			T test			1 tail significance		
	1995	2002	2003	1995	2002	2003	1995	2002	2003
Corruption Perception Index	.222	.241	.138	.739	.920	.655	.739	.191	.264
Freedom in the World Index	-.367	-.294	-.437**	-1.320	-1.082	-2.151	-1.320	.154	.030
Governments/year	-.269	.427*	.726**	-1.032	2.294	6.168	-1.032	.023	.000
Political Parties in Parliament	.005	-.017	-.268**	.020	-.091	-2.296	.020	.462	.023
Unemployment	-.384	-.358*	-.263**	-1.540	-1.852	-2.160	-1.540	.048	.030
Constant	49.78	53.14	76.901	2.78	1.75	3.598	2.781	.057	.003

* p ≤ .05; 1-tailed test

** p ≤ .01, 1 tail test

Some might argue that the inclusion of any economic factors given the interdependence and globalization of the world economy de facto incorporates a measure of international pressure on the countries' political arena.

As one of the goals of this study is to isolate the relationship between political variables and ACS comprehensiveness, a further regression analysis will be conducted and that includes only CPI and all the political factors (the number of parties in government and parliament will be introduced separately).

The model thus becomes:

$$ACAI = \beta_1 \text{ Corruption Perception Index} + \beta_2 \text{ Freedom in the World Index} + \beta_3 \text{ Government/year} + \beta_4 \text{ Political Parties in Cabinet} (\beta_4 \text{ Political Parties in Parliament}) + \lambda$$

As was to be expected in the model, which takes into account the number of parties in the cabinet, the number of governments per year remains significant. The same holds true from the previous analysis, and that is the number of parties in Parliament becomes statistically significant when all major international influences variables are excluded. More specifically, the number of governments and number of political parties in parliament have an impact on ACS. But while number of governments is positively related to ACAI, number of parties in parliament is negatively related. This might imply that while turnover in power helps the corruption fighting agenda, excessive party fragmentation hurts it.

Table 5.31. ACAI Model Including CPI and Political Factors (the Number of Parties in Cabinet)

For 1995

ACAI = .275 Corruption Perception Index -.301 Freedom in the World Index -.242 Governments/year + .311 Political Parties in Cabinet + 32.314

Rsqr = .417; Adj Rsqr = .183

F = 1.785; Sig. = .208

For 2002

ACAI = .217 Corruption Perception Index -.449 Freedom in the World Index + .438 Governments/year + .131 Political Parties in Cabinet + 40.951

Rsqr = .602; Adj Rsqr = .443

F = 3.789; Sig. = .040

For 2003

ACAI = .329 Corruption Perception Index -.303 Freedom in the World Index + .679 Governments/year -.023 Political Parties in Cabinet + 47.316

Rsqr = .775; Adj Rsqr = .984

F = 8.588; Sig. = .003

Variables	Standardized Coefficients			T test			1 tail significance		
	1995	2002	2003	1995	2002	2003	1995	2002	2003
Corruption Perception Index	.275	.217	.329	.955	.756	1.207	.955	.234	.127
Freedom in the World Index	-.301	-.449	-.303	-1.076	-1.555	-1.150	-1.076	.075	.138
Governments/year	-.242			-.902	2.144	4.374	-.902		
Political Parties in Cabinet	.311	.131	-.023	1.206	.617	-.140	1.206	.275	.447
Constant	32.314	40.951		1.695	1.228	1.765	1.695	.123	

* p ≤ .05; 1-tailed test

** p ≤ .01, 1 tail test

Table 5.32. ACAL Model Including CPI and Political Factors (the Number of Parties in Parliament)

For 1995

ACAI = .302 Corruption Perception Index -.357 Freedom in the World Index -.343 Governments/year + .014 Political Parties in Parliament + 42.826
 Rsq = .332; Adj Rsq = .065
 F = 1.241; Sig. = .354

For 2002

ACAI = .197 Corruption Perception Index -.426 Freedom in the World Index +.458 Governments/year + .023 Political Parties in Parliament + 45.42
 Rsq = .588 and Adj Rsq = .423
 F = 3.566; Sig. = .047

For 2003

ACAI = .330 Corruption Perception Index -.288 Freedom in the World Index +.756 Governments/year -.259 Political Parties in Parliament + 52.82
 Rsq = .834 and Adj Rsq = .768
 F = 12.561; Sig. .001

Variables	Standardized Coefficients			T test		1 tail significance		
	1995	2002	2003	1995	2002	1995	2002	2003
Corruption Perception Index	.302	.197	.330	.961	.677	1.474	.961	.257
Freedom in the World Index	-.357	-.426	-.288	-1.203	-1.460	-1.290	-1.203	.137
Governments/year	-.343	.458*	.756**	-1.251	2.213	5.529	-1.251	.025
Political Parties in Parliament	.014	.023	-.259**	.051	.111	-1.900	.051	.457
Constant	42.826	45.42	52.82*	2.318	1.35	2.478	2.318	.102

* p ≤ .05; 1-tailed test

** p ≤ .01, 1 tail test

Until now the analysis has been designed around the number of parties in cabinet and parliament as at least theoretically they are highly correlated.

The next step in my analysis, however, is to see how the political variables behave if the two variables are excluded altogether from the analysis. Thus, the new regression analysis will include only CPI and two political factors (level of democratization and number of governments per year). Thus, the model becomes:

$$\text{ACAI} = \beta_1 \text{ Corruption Perception Index} + \beta_2 \text{ Freedom in the World Index} + \beta_3 \text{ Government/year} + \lambda$$

As it was expected, the regression analysis confirms the positive influence the number of governments a country on ACS comprehensiveness (see table below).

Table 5. 32. ACAI Model Including CPI and Only Two of the Political Factors (i.e., Level of Democratization and Number of Governments per Year)

For 1995

ACAI = .306 Corruption Perception Index -. 356 Freedom in the World Index -.341 Governments/year + 43.02
 Rsq = .332; Adj Rsq = .149
 F = 1.819; Sig. = .202

For 2002

ACAI = .199 Corruption Perception Index -. 424 Freedom in the World Index +.462 Governments/year + 46.12
 Rsq = .587 and Adj Rsq = .475
 F = 5.220; Sig. = .017

For 2003

ACAI = .340 Corruption Perception Index -. 297 Freedom in the World Index +.674 Governments/year + 45.782
 Rsq = .774 and Adj Rsq = .712
 F = 12.564 Sig. = .001

Variables	Standardized Coefficients			T test			1 tail significance		
Year	1995	2002	2003	1995	2002	2003	1995*	2002	2003
Corruption Perception Index	.306	.199	.340	1.046	.719	1.365	1.046	.244	.099
Freedom in the World Index	-.356	-.424	-.297	-1.261	-1.525	-1.196	-1.261	.076	.128
Governments/year	-.341	**		-1.313	2.374	4.671	-1.313		
Constant	43.02	46.12		2.49	1.47	1.961	2.498	.085	

* p = ≤ .05; 1-tailed test

** p = ≤ .01, 1 tail test

Conclusion

The number of governments per year seems to have a very significant and positive influence on ACS comprehensiveness. The number of parties in the cabinet (and in the Parliament, respectively) seems to have very important influences for different reasons. As mentioned, while the number of governments is positively related to ACAI, the number of parties in parliament is negatively related.

One of the interpretations might be that while turnover in power helps the corruption fighting agenda, excessive party fragmentation hurts it.

From one perspective, the positive relationship between the number of governments and ACAI is surprising since after all high turnover of governments could imply instable leadership. However, the positive correlation makes sense: turnover in government allows the state to get rid of one set of corrupt and ineffective leaders and to pass new legislation to patch the holes in the legal framework for corruption fighting. The result may be peculiar to Central and Eastern Europe and to the pressure of the European Union on the countries to have the anti-corruption strategies. That may help to induce new governments to endorse ACS just to obtain the much-coveted EU membership, while the EU perspective is advancing its own anti-corruption agenda. Further studies are needed to better capture the role of such influence on the “quality” of the corruption fight.

Chapter 6. Conclusion

This study investigates why countries fight corruption and the factors that shape their fights. It has found that anti-corruption strategies vary greatly across 15 Central and Eastern European countries, from quite comprehensive ACS for the Baltic states to far less comprehensive in Ukraine and Macedonia.

This last chapter will not only review the study's main findings but also explain what accounts for ACS variation across countries. Furthermore, it will situate and compare these findings with previous research. Then it will stress the main limitations and discuss further implications and extensions of the study.

How Have CEE Countries Addressed Corruption?

The anti-corruption reforms across CEE were adopted mainly in the second part of the 1990s. Some authors (Svejnar, 2001) have argued that ACS was adopted only as a second wave of reforms because high levels of corruption undermined previously adopted macroeconomic and political reforms.

In 1995 only Ukraine and Estonia had some anti-corruption legislation, but by the end of 2003, all countries studied had an Anti-Corruption Strategy. However, countries have gone about adopting their ACS differently. In most countries, the executive and parliament first adopted complex anti-corruption action plans, called anti-corruption strategies, after consultations with civil society and international organizations. In others, an anti-corruption policy initially adopted was expanded into an anti-corruption strategy (e.g., Estonia, Poland).

Anti-corruption strategies across Central and Eastern Europe are built on a common anti-corruption policy core intended to target corruption at both prevention and enforcement levels. Although overwhelming arguments were developed in the literature in favor of having such anti-corruption policy cores (see Chapter 3), previous assessments evaluated ACS content only superficially (e.g., whether a country had an ACS; whether it has signed and ratified the main anti-corruption conventions).

Such assessments did not comparatively account for the variation of ACS provisions. A new quantitative measure has been developed in this study – the Anti-Corruption Assessment Index (ACAI). ACAI is based on qualitative assessments of countries' anti-corruption legislation and institutional arrangements. ACAI is comprised of 12 areas of which 9 are policy areas and 3 represent their specific application across the three branches of government. The 9 policy areas include overall anti-corruption strategy, anti-corruption policy, political party finance, asset monitoring, conflict of interests, freedom of information, public procurement, financial control and audit, and immunity. The measurements of ACS comprehensiveness were taken at three dates (1995, 2002 and 2003), which are significant for the post-communist experience of these countries.

The Anti-corruption Index (ACAI) draws on primary sources such as specific legislation provisions, and secondary sources such as assessments by (international) organizations and interviews with anti-corruption experts across the region (at least 3 per country). Limitations on finding reliable qualitative assessments and in some cases restricted access to legislation (e.g., Belarus, Bosnia-Herzegovina) and prompted me to develop ACAI for only 15 of the Central and Eastern European countries. Future

research should include all these other countries. The standardized questionnaire developed across 12 ACS areas for data collection assures such further extensions as well as replicability of ACAI final scores.

ACAI Major Findings

Since 1995, there has been registered a progressive improvement with no significant (permanent) reversal of ACS provisions across countries. Nevertheless, across time countries have adopted different areas of ACS as priorities to be improved. (See Appendix 4 for ACAI area scores.) In addition, the variance of ACAI scores has been reduced over time, moving towards the maximum legislative corpus. Although the maximum possible score for ACAI is 143, however, none of the sampled countries had reached it even by the end of 2003. In the vanguard of these countries are the Baltic States (Lithuania, Latvia and Estonia) with a score of over 109, while in the rearguard are Ukraine and Macedonia with a score of 69 (see Table 6.1).

The questions yet to answered regard why some countries were more successful than the others in adopting anti-corruption strategies and what accounts for the main differences among countries' ACS.

The Main Findings Compared to Previous Literature Findings

Previous research on anti-corruption and the CEE context indicates that four types of factors influence ACS comprehensiveness. The factors investigated by this project can be categorized as the level of corruption, political factors, economic factors, and international organizations' anti-corruption norms and standards. The political indicators

developed, (i.e., whose influence was investigated), are the level of democratization, regime type, frequency of government turnover, political affiliation of cabinets, and political fragmentation in both cabinet and parliament. The economic indicators developed are the level of GDP and its annual change, the level of unemployment, and foreign direct investment.

Mainly due to multicollinearity among variables, a situation that is widely encountered in such small N cross-national studies, both bivariate and multivariate analyses have been conducted.

Examining indicators' influence across countries, it can be concluded from the bivariate analysis that ACAI was more likely to be high in a country if:

- 1) Corruption is not very widespread or rampant;
- 2) The country is a fully-fledged and consolidated democracy;
- 3) There is an increased turnover in government;
- 4) It has a higher party fragmentation in parliament;
- 5) There is a high annual growth in the level of GDP;
- 6) There is a high level of unemployment;
- 7) There is a higher inflow of foreign direct investment;
- 8) By 1995, the country was a member of the Council of Europe and by 2002 it had been granted accession or candidate country status to the European Union.

Multivariate analysis using selective indicators found that ACAI is going to be higher in a country if:

- 1) There is an increased turnover in governments;
- 2) The level of unemployment is high;

- 3) There is a high party fragmentation in parliament;
- 4) By 1995, the country was a member of the Council of Europe and by 2002 it had been granted accession or candidate country status to the European Union.

Simply put, this study finds unequivocal evidence that comprehensive ACS have been adopted as a result of increased political competition expressed by increased turnover in government, increased party fragmentation or increased level of unemployment, and under international organization pressures.

As far as increased turnover is concerned, Baltic countries such as Latvia have had 12 cabinets (since gaining independence) and adopted a much more comprehensive ACS than Hungary, which registered only 3 governments. In addition, the highest number of parties was also registered in the Baltics. For example, an average of 9.9 parties was registered in Lithuania, followed by Estonia and with 8.1 and Latvia with 7.8 parties. Two surprising cases are Poland and Ukraine, where although the number of parties in the Parliament was above average – with 8.6 and 13.5 parties, their ACS are not that comprehensive. In the case of Poland, the low ACAI score might be due to the “non-aggression” agreement reached in 1996 between the Right-right and center left parties, which has prevented any passing of “uncomfortable” legislation such as anti-corruption reforms. By 2002, Poland has nevertheless, started closing the gap with the other CEE countries. On the other hand, in Ukraine the iron hand ruling of president Kuchma has prevented the parliament from really having a saying in the political scene. For an in-depth discussion of both countries’ political conditions see OSI (2001, 2002).

Before proceeding further, I should remark on the role of variables not found to be statistically significant influences on ACS comprehensiveness (or found significant in either bivariate or multivariate analyses).

Can they be discounted as not influencing ACS comprehensiveness? Even more, how do this study's findings align to the previous literature as highlighted in Chapter 1?

The variables found significant in only one of the two regression analyses are the level of corruption, level of democratization, annual change in GDP, and foreign direct investment.

Their statistical results will be further discussed.

The link between the level of corruption and anti-corruption fighting has never been previously investigated, as the literature simply assumes that corruption forces a country to fight it. This study first questioned that assumption in Chapter 2. The entire Chapter 2 discusses what is corruption, how it affects CEE countries, and how it is being measured. Compared to previous research, my analysis goes one step further as it asks how much corruption there must be for a country to adopt a comprehensive ACS. It argues that the more widespread corruption in a country is, the less strong a country's ACS is going to be.

The bivariate statistical analysis between ACAI and the Corruption Perception Index (CPI) of Transparency International finds evidence of such relationship. The multivariate results are more mixed. However, it cannot be definitely concluded that the level of corruption plays a role in a country's ACS comprehensiveness. The main reason might be due to interactions among variables including multicollinearity, for example, with the level of democratization. More specifically, the Freedom in the World Index of

Freedom House, which measures the level of democratization, also includes the extent of corruption affecting a country. Again, this problem is very common among such small N cross-national studies. In addition, although low overall CPI scores are registered across countries, their variation is also low, as the scores are not greatly improving over time.

So this still leaves us with the question: Does the extent of corruption play a role on the comprehensiveness of ACS? The answer is yes, but the direction of the relationship might not be the expected one. More specifically, this study has found evidence that the more widespread corruption is, the less comprehensive a country's ACS is. In other words, countries with rampant corruption are less likely to have a comprehensive ACS. Gradual reductions in the level of corruption take place only simultaneously with (gradual) improvements of the anti-corruption strategies. In other words, there might be circular causation.

Corruption can induce a country to adopt an anti-corruption strategy. On the other hand, as a comprehensive anti-corruption strategy is adopted, corruption might also be reduced. Anti-corruption strategy is so complex that it takes time to adopt and implement. This study confirms that there is no "overnight" solution to corruption as well intended such an initiative might be. In brief, very corrupt societies with corrupt politicians are less likely to forcefully fight corruption by adopting a comprehensive ACS.

Some might question how sanguine, short-lived but very successful anti-corruption campaigns such as the 1970s Hong Kong ACS fits in this model. Briefly put, the Hong Kong anti-corruption strategy was based on the two-pronged approach of increasing legislative enforcement and punishments by creating a very strong

(independent) anti-corruption agency to oversee the implementation of laws while discovering and sanctioning corruption acts. The Hong Kong case had one important anomaly, which hardly any country has managed to replicate (Klitgaard, 1988). The key was the unyielding and unwavering commitment of the president to support the fight against corruption by relinquishing some of his executive authority and ensuring the anti-corruption agency's activity was not influenced by "extraneous factors." With time, significant overall legislative improvements were made to maintain and reinforce the success of the anti-corruption campaign, which are characteristic of a comprehensive ACS.

Previous research has concluded that both democracies and autocracies are likely to adopt anti-corruption strategies. Autocracies might be more likely to have an ACS if it can strengthen the "grip" on power of its leaders. On the contrary, this study argues that only democracies are likely to adopt a comprehensive ACS, as fundamental anti-corruption principles (e.g., checks and balances, accountability or transparency) are incompatible with any other form of government.

If bivariate analysis statistically confirms the influence of the level of democratization on ACS comprehensiveness, the multivariate analysis has yielded more mixed results. Most probably due to multicollinearity among variables, the level of democratization becomes statistically significant only by 2003 and in a model that includes all the other political indicators as well as the level of unemployment. Having said that, it must be remembered that the political indicators selected have a low correlation among each other as they measure various aspects of political institutions and context (see Appendix 9 on the correlation among independent variables).

Regarding the impact of annual change in GDP and foreign direct investment on ACS comprehensiveness, only the bivariate analysis confirms the association. When the multivariate regression is run, the multicollinearity between the two variables (as either increase/decrease in the level of foreign direct investment inflows in the country impacts the volatility of the annual change in GDP levels) may cancel out their effects on ACS.

Nevertheless, when in early 1990s CEE countries like Poland registered consistently high GDP percentages increases any serious anti-corruption reforms were delayed. The economic crises was also accelerated by the global economic conditions, politicians had to adopt measures including against corruption to bring back the annual variation in GDP in positive territories.

There is no previous literature on the impact of political factors such as regime type, political affiliation, cabinet political fragmentation, economic factors such as the GDP level, and the other international organization's anti-corruption efforts on ACS comprehensiveness. Across the 15 countries and for the three different measurements taken (1995, 2002 and 2003) the above-mentioned factors were not found to have a consistent influence in determining ACS comprehensiveness. Again, this study cannot confirm nor disconfirm their consistent association with ACS comprehensiveness. However, qualitative and historical analysis revealed that at various points in time, some of the individual factors did play a role in policy makers' decisions to adopt a comprehensive ACS. For example, in Romania or Bulgaria all too often apolitical prime ministers have complained about the lack of political support for any reforms – not only ACS. Such is the case in 1992 and 1996 of the Romanian Prime Ministers Theodor

Stolojan and Nicolae Vacaroiu, which have prompted the latter to join the Romanian Social Democratic Party just to win the political support to stay in power.

Further research should be undertaken to investigate whether such an influence exists, for example, by measuring both ACAI and the independent variables for each year between 1995 and 2003 or by increasing the number of cases and the amount of variance on key variables.

Limitations to the Study

This study focuses on 15 Central and Eastern European countries and their latest anti-corruption strategies measured at three different points in time that were significant for these countries' post communist experience (1995, 2002 and 2003). Because of the high number of factors that affect countries' context and implicitly their ACS comprehensiveness, this study is confronted with typical problems encountered in such small N cross-national studies. In addition, the variation in the factors tends to be limited across countries and time, while makes some of the factors seem not statistically significant or to reveal a statistical association. One solution is to increase ACAI observations on ACS comprehensiveness by also taking into account the other years between 1995 and 2003. Another solution is to extend the database by including more countries.

Although I feel confident on drawing conclusions about CEE countries, it is very difficult to transplant these conclusions to countries in different regions of the world. Nevertheless, the clearly defined criteria and principles of the ACAI questionnaire can be applied to any country. There is one other limitation. To assess the comprehensiveness

of a country's anti-corruption measures and legal provisions, a country needs to be stable and open enough for one to have access to its information. Most CEE countries have adopted a very advanced anti-corruption framework even by Western European standards (even compared to some of the established European Union members). Nevertheless, the international organizations have been the driving factor for the CEE to do so. The question yet to be investigated is whether such comprehensive ACS will yield any results. It is to be remembered that for an ACS to be successful it is necessary to be comprehensive; however this is not sufficient. Thus, one other limitation is that this study cannot tell whether ACS is successful as neither measures ACS performance nor its impact on corruption.

The main achievements of this study can be summarized as follows:

This study has designed and completed the most extensive evaluation of anti-corruption legislation to date across 15 Central and Eastern European countries. It has created the first cross-national quantitative measurement of the comprehensiveness of anti-corruption measures and legislation. By using consistent ACS evaluation criteria, it has registered its progress over time across CEE countries.

The impact of political institutional arrangements, economic factors, and international organizations' anti-corruption efforts on national governments policies has also been investigated. The study has shown what kind of factors are to be expected to play a role and their direction of association with ACS comprehensiveness. It will be interesting and, I believe, fruitful in the future to apply the ACAI index, expand the dataset, and test the main hypotheses in a larger comparative framework.

Appendices

Appendix 1. The Corruption Perception Index (CPI)

The Corruption Perception Index focuses on corruption in the public sector. Because precise empirical data on corruption is very difficult to obtain since the activities are illegal and hidden, the CPI is built "on the experiences and perceptions of those who are most directly confronted with the realities of corruption"¹. In other words, it evaluates corruption in terms of perception of corruption or the degree to which corruption is *perceived to exist* among public officials and politicians (e.g., bribe taking in public procurement or public funds embezzlement).

In addition, CPI is a composite index or "poll of the polls". Transparency International motivated its decision to build CPI as a composite index as follows:

no single source and polling method has been yet developed that combines a perfect sampling frame, large enough country coverage, and a fully convincing methodology to produce comparative assessments [of corruption]².

The index ranks countries on a scale from 0 to 10 according to perceived level of corruption. A score of ten (10) represents a totally honest country, while zero (0) indicates a country is totally corrupt.

Published annually since 1995, the Corruption Perception Index initially used data from 3 sources on 41 countries. In 2002, data were used from 15 surveys of 9 institutions³ on 102 countries⁴.

The 1995 CPI index included as sources the World Competitiveness Report, the Political and Economic Risk Consultancy, and the 1980 Business International survey. In 2002, as

¹ www.gwdg.de/~uwvw last accessed on October 3, 2002.

² Background paper to the 2000 CPI -Framework document by Johann Graf Lambsdorff, Goettingen University, September 2000, p.4.

³ In the 2002 edition where also published other 52 countries but because of the small number of sources (less than three) it is not included.

more data became available the Corruption Perception Index (CPI) included additional sources derived from:

- The World Economic Forum (WEF)
- The Institute for Management Development, Lausanne (IMD)
- PricewaterhouseCoopers (PwC)
- World Bank's World Business Environment survey (WBES)
- The Economist Intelligence Unit (EIU)
- Freedom House, Nations in Transit (FH)
- Political and Economic Risk Consultancy (PERC)
- Gallup International
- State Capacity Survey by Columbia University (CU).⁵

In order to be included in the CPI, sources had to meet the following conditions: first, provide a ranking of nations (a comparison from one country to another is not feasible); second, use the same methodology in the same survey across countries, and third, assess the overall level of corruption.

Transparency International defines corruption in terms of abuse of public office for private gain and assesses the level of corruption in terms of the frequency of corrupt acts, the amount of bribes paid or the overall gain corrupters achieve via corruption. But none of the component surveys include all these elements. For example, ICVS, WEF and WB base their analysis only on the frequency of bribes paid. More specifically, ICVS (used only until the 1997 CPI index but not updated since then) asks its respondents:

In some areas there is a problem of corruption among government or public officials. Has any government official, for instance customs officer, police officer or inspection in your own country, asked you or expected you to pay bribe for his service?⁶

⁴ See Appendix 1.

⁵ See Appendix 2

⁶ Framework document CPI 1999, www.gwdg.de/~uwwv last accessed on October 3, 2002

WEF addresses the degree of "improper practices" in the respective home countries and particular areas where corruption can occur and asks if irregular, additional payment connected with import and exports permits, business licenses, exchange controls, tax assessments, police protection or loan application are common/not common.⁷

PERC and WB have questions about the damage to private business caused by corruption: " To what extent does corruption exist in the country (in which you are posted) in a way that detracts from the business environment for foreign companies?" The Political and Economic Risk Consultancy (PERC) rates on a scale from 0 to 10 the level of corruption perceived by businessmen and analysts in Asian countries with which they have had the first-hand experience. On the other hand, Freedom House (FH) determines the level of corruption without providing further statements.

Despite the vagueness of the definition of corruption and the fact that sources do not use the same explanation of corruption, Lambsdorff argues it doesn't matter because the results correlate well with CPI (the correlation index is above 80 percent or higher).⁸ The high correlation of CPI between 1997 and 1998 (0.988) may be partly explained by the overlap in sources as from the 12 sources used in 1998, 4 were used in 1997. However between 1996 and 1998 there was no overlap of sources and the correlation are still high (0.968 and 0.966). In terms of confidence ranges, all results are given for a 90% confidence range.

Even if changes in level of corruption occur slowly, changes in perception occur much faster (e.g., as the result of revealed corruption scandals). Thus, to avoid abrupt annual variation not just due to changes in methodology and also due to fortuitous factors and events, two other conditions have to be fulfilled: first, the data from different years has to be included. For example, the 2002 CPI comprises data from 1999, 2000 and 2001. Second, for a country to be included in the CPI, it had to be evaluated in at least three sources.

⁷ Framework document CPI 2001, www.gwdg.de/~uwvw last accessed on October 3, 2002.

⁸ For more information see Lambsdorff CPI 2002 or Appendix 3.

Sample

The CPI sample includes business people and country analysts, both local and expatriate. For example PRS, FH, EIU and PERC are conducted by a small number of country experts who regularly analyze a country's performance and have built-in checks to ensure cross-country consistency. But these sources rely mostly on sample residents who (in their turn) must rely on their personal, local estimate of the degree of corruption and the meaning of the term on its own cultural context".⁹ Thus, the answers may depend on the cultural background, residents or non-residents, income groups, and experts or general public.¹⁰

Lambsdorff (1999) argues that such factors are insignificant because the correlation between sources is high, which implies that the perceived "degree of corruption" is consistent among the different categories of respondents, or maybe respondents have the same idea of how to define corruption. Even if the perceptions vary among respondents, it still makes sense to aggregate data and obtain an assessment of the level of corruption seen by a broad and possibly heterogeneous sample of respondents.¹¹

One of the criticisms regarding the sample is that it tends to give higher weight to elites instead of the general public. Even if more study is needed a simple correlation with World Values Survey, which has a mixed sample, shows correlation of 0.82.¹²

The different biases that can occur based on a national and expatriate sample that can occur relate to residents and expatriates.

A respondent may assign high levels by comparing corruption to other pressing problems facing the country or by evaluating it according to a high standard (e.g. which assumes any kind of gift-giving to a public official to be corrupt and not culturally acceptable). In such a case, a high

⁹ Idem, p. 5.

¹⁰ NORAD, p. 42.

¹¹ Norad, p.42 quoting Lambsdorff.

¹² Paper to be published soon.

degree of corruption may reflect a high standard of ethics rather than a high degree of misbehavior. Perception would be a misleading indicator for real levels of corruption.¹³

In other words, residents would tend to compare corruption to the other problems of the country, rather than to other countries, and they tend to be influenced by ethical norms. Their answers would be valid only if they are asked and manage to compare their country with the others. In the case of expatriates, the bias can be the result of lack of cultural understanding of the country and may be dominated by cultural heritage of the expatriate.

The Methodology of the Corruption Perception Index

The reliability varies according to countries according to the number of sources and the difference in values provided by the sources. Over time a country's score is the result of not only its perceived performance but also changes in sample and methodology.

I will only outline the methodology that determined the CPI index. For more information, Lambsdorff (2002) gives more details.

For a composite index such as CPI, the aggregation of data requires a standardization of data before determining the country's mean since CPI uses a scale from 0 to 10, whereas some surveying institutes are using different scales. For example, if IMD and PERC are using a scale from 0 to 10, WEF, PRS and EIU have a scale between 1 and 7, 0 and 6 and, 0 and 4. The original data from FH was given in "a broader alphabetical grade" assigned to respective categories.

If until 2001, the standardization used a simple means and standard deviation approach, from 2001, the starting point of standardization was the 2000 CPI.

¹³ Ibidem, p.5.

Until 2001, the following formula¹⁴ was used:

$$S(j,k) = [S'(j.k) - \text{Mean}(S'(k))] \times \text{SD}(2000\text{CPI}) / \text{SD}(S'(k)) + \text{Mean}(2000\text{CPI})$$

Where the means and standard deviations (SD) for the source K and the 2000 CPI have been determined for the joint subset of countries.

The next step is to have a final standardization of the average values determined previously was made.

From 2002, the new approach used "the matching percentiles" because it is considered a much better solution for indices with different distributions, even if some information is wasted. Instead of using the means and standard deviations, the ranks and not the scores were used. Thus, to the best scoring country in surveys is assigned the top matching percentile and so forth. In the second step, a beta (β) transformation standardization is used and its parameters determined $\alpha=1.1756$ and $\beta=1.1812$. The averages of the β -transformation for each country will be computed and determine a country's score. As a form of testing the validity of results, one can check the correlation between the different other indexes.¹⁵

Strengths of the Corruption Perception Index are represented by the combination of sources which confer reliability of the index and reduce the possibility of misinterpreting the responses from individual countries, and data must be from at least three sources and no more than 3 years old.

Weaknesses of the CPI are inherent to the nature of an uni-dimensional perception index.

CPI measures corruption unidimensionally. Yet corruption has many facets including embezzlement, bribery and extortion, and the CPI does not distinguish between these. There are different ways corruption is organized, how the incomes from corruption are

¹⁴ Lambsdorff, J. Graff (2002) "Framework document," Background paper 2002 CPI http://www.gwdg.de/~uwwvw/2002_CPI_FD.pdf, p.6.

¹⁵ See Appendix 3.

spent, etc., and it does not distinguish between them. *What it shows is how systemic corruption is perceived by chosen informants.*

CPI is a perception index. If a respondent does not reply on his/her own personal experience but on media coverage and reports obtained from others or hearsay, the perceptions are correlated with the quality of the press, the market demand for scandal stories and the freedom to report them. Thus, countries that suppress a free press may escape a bad reputation for corruption among their population. On the other hand, the fact that media is reporting cases of corruption more often in one country does not mean that it is more frequent than in others.

Going back to the statement of TI President Eigner, quoted earlier, the results have to be interpreted carefully as one should look at individual scores of countries and not at the rankings. These rankings are determined by the number of countries included in the index and not by the number of existing countries.¹⁶ In brief, the last ranked in the index does not mean it is the most corrupt in the world; it just means it is more corrupt compared to the other countries with which it was compared. In addition to that, the index covers only countries where the information might be available. Thus, a number of countries are not included, for example Burundi, Cambodia, Laos and Nepal.

Secondly, even with a clear understanding of this shortfall, as well as knowledge of the methods used in estimating the indexes, what does the level of corruption mean? Should this be defined as the number of transactions affected by corruption and/or the total number of bribes during a year? Should it be understood as the total sum of costs and benefits of corruption to the society, or the extent to which politics are affected by corruption? For example, imagine that bribes represent 10% of all payments in country X. In country Y, bribes represent only 1% of all transactions. If we measure the volume of corruption, that is the total sum paid in bribes, then country X is 10 times as corrupt as the country Y.

¹⁶ www.gwdg.de/~uwwv, last accessed on October 3, 2002.

A question remains over the impact of how TI defines corruption, in terms of the frequency, amount paid and the total amount paid in bribes, but no two sources included define it in the same way.

In addition to that, comparing corruption among countries is problematic. Even if the definition may be different, it may measure veiled information and such rankings are informative only if they provide us with information on whether corruption is "most likely" to become a serious problem in one country compared to the others.¹⁷

Furthermore, given the unclear measure, one cannot say if the differences in corruption levels between two countries with ranking 3 and 4, are identical with the differences between rankings 5 and 6.

Regarding the comparisons over time reflected by the changes in CPI scores, if there is a change the CPI does not tell us from where that changes come, nor when it happened since the rankings are based on impressions and not necessarily limited to the calendar year.¹⁸

Last but not least, the fundamental dilemma in CPI is represented by the choice of giving no definition to respondents, or giving too precise a definition while risking leaving out important information. Is it important to leave to the respondent to define what he understands by corruption? Or avoid it be better to give a narrow definition of corruption with the risk that many corruption acts are left out?

It is true that corruption might take different forms (clientelist versus patrimonial corruption, petty versus grand corruption, downward distribution versus upward extraction, political versus administrative/ bureaucratic corruption, kleptocracy or (neo) patrimonialism, market versus parochial corruption, functioning versus chaotic corruption, single versus organized system. But with the help of the CPI some of the

¹⁷ Norad, p. 45.

¹⁸ Norad. p.46.

many causes of corruption such as absence of competition, policy distortions, political system, colonialism, gender and other cultural dimensions, could be tested.

Table 1. Corruption Perception Index for CEE from 1995 to 2003

Country	CPI 1995	CPI 1996	CPI 1997	CPI 1998	CPI 1999	CPI 2000	CPI 2001	CPI 2002	CPI 2003	CPI 2004
Albania	n/a	n/a	n/a	n/a	2.3	n/a	n/a	2.5	2.5	2.5
Bulgaria	n/a	n/a	n/a	2.9	3.3	3.5	3.9	4	3.9	4.1
Croatia	na	n/a	n/a	n/a	2.7	3.7	3.9	3.8	3.7	3.5
Czech Republic	n/a	5.37	5.2	4.8	4.6	4.3	3.9	3.7	3.9	4.2
Estonia	n/a	n/a	n/a	n/a	5.7	5.7	5.6	5.6	5.5	6
Hungary	4.12	4.86	5.18	5.7	5.2	5.2	5.3	4.9	4.8	4.8
Latvia	n/a	n/a	n/a	2.7	3.4	3.4	3.4	3.7	3.8	4
Lithuania	n/a	n/a	n/a	n/a	3.8	4.1	4.8	4.8	4.7	4.6
Macedonia	n/a	n/a	n/a	n/a	3.3	n/a	n/a	n/a	2.3	2.7
Moldova	n/a	n/a	n/a	n/a	2.6	2.6	3.1	2.1	2.4	2.3
Poland	n/a	5.57	5	4.6	4.2	4.1	4.1	4	3.6	3.5
Romania	n/a	n/a	3.44	3	3.3	2.9	2.8	2.2	2.8	2.9
Slovakia	n/a	n/a	n/a	3.9	3.7	3.5	3.9	3.7	3.7	4
Slovenia	n/a	n/a	n/a	n/a	6	5.5	5.2	6	5.9	6
Ukraine	n/a	n/a	n/a	2.8	2.6	1.5	2.1	2.4	2.3	2.2

Appendix 2. GfK study on The Climate of Corruption

Table 1. Bribes are an absolutely natural part of life, who wants to live his life, must give them.

[% of respondents]		
Country	2001	2003
BG	17	24
HR	18	16
CZ	25	26
EE	n/a	12
HU	24	27
LT	n/a	26
PL	17	19
RO	24	33
SK	48	40
SI	7	12
UA	36	24
AVG	24	23.54545

Table 2. Question: Personally, I never bribe.

[% of respondents]		
Country	2001	2003
BG	73	71
HR	75	79
CZ	65	58
EE	n/a	69
HU	51	44
LT	n/a	39
PL	66	78
RO	40	37
SK	40	41
SI	n/a	85
UA	43	37
AVG	56.625	58

Table 3. Question: The state, and not the people, should fight the corruption and bribe.

[% of respondents]		
Country	2001	2003
BG	70	73
HR	94	93
CZ	80	81
EE	n/a	80
HU	74	79
LT	n/a	77
PL	47	80
RO	84	79
SK	89	83
SI	88	95
UA	81	90
AVG	78.55556	82.72727

Table 4. Question: The country is a corrupt state.

[% of respondents]		
Country	2001	2003
BG	76	96
HR	77	88
CZ	53	64
EE	n/a	59
HU	64	72
LT	n/a	86
PL	51	92
RO	75	86
SK	84	83
SI	77	88
UA	86	92
AVG	71.44444	82.36364

Table 5. Question: During communism, the corruption wasn't that high.

[% of respondents]		
Country	2001	2003
BG	49	58
HR	53	57
CZ	34	37
EE	n/a	33
HU	49	56
LT	n/a	48
PL	51	53
RO	61	63
SK	63	55
SI	38	52
UA	49	58
AVG	49.66667	51.81818

Table 6. Fighting corruption is meaningless, as there has always been corruption and there will always be.

[% of respondents]		
Country	2001	2003
BG	27	43
HR	25	46
CZ	42	44
EE	n/a	42
HU	43	52
LT	n/a	53
PL	56	47
RO	39	54
SK	48	44
SI	39	39
UA	42	54
AVG	40.11111	47.09091

Appendix 3. Questionnaire

ACAI Criteria

Anti-Corruption Strategy

		Mid 1990s	2002	2003
ACS 1.	Does the country have an ACS?			
ACS 2.	ACS degree of coordination			
ACS 2a.	Matching Goals and provisions (missing legislation, etc.)			
ACS 2b.	Other legislation is NOT needed to be adopted for ACS to enter into force			
ACS 2c.	Clear short, medium and long term sequence of reforms			
ACS 2d.	Clear deadlines			
ACS 2e	Regularly updated			
ACS 3.	Is there an agency/agencies or committee/s in charge of the overall ACS?			
ACS 4.	Does it have enough powers to fulfill its mission?			
ACS 4a.	Coordination (between different agencies, etc.)			
ACS 4b.	Monitoring			
ACS 4c.	Prevention (draft legislation, propose legislation to correct loopholes)			
ACS 4d.	Education (organizing legal and ethical state officials and society, etc)			
ACS 5.	Are regularly resources allocated for ACS (e.g., International organizations, NGOs and national government)			
ACS 6.	Clear mandate for agencies regarding fighting corruption –Overlapping jurisdiction of other agencies			
ACS	Total Score			

Section 2

I. Anti-Corruption Policy

A. Key concepts

		mid 1990s	2002	2003
ACP 1.	Extent of criminalized corruption definition (to include both material and non-material bribery)			
ACP 2.	Attempted corruption (requesting or offering a bribe)			
ACP 3.	Trading in influence			
ACP 4.	Offering a bribe (active corruption)			
ACP 5.	Receiving a bribe (passive corruption)			
ACP 6.	Bribing a foreign official while in domestic territory			
ACP 7.	Using public resources for private gain			
ACP 8.	Using confidential information for private gain			
ACP 9.	Money laundering			
ACP 10	Conspiracy to commit a crime			
ACP 11	Gifts and hospitality			
ACP 12	Bribery in the private sector (either passive or active)			
ACP 13	Criminal liability of a legal person			
ACP 14	Counterfeiting or falsification related to office (Office forgery)			
ACP 15.	Is there an Agency (or group of agencies) with a main legal mandate to address corruption? <i>If there are several I will take into account the MAIN one – with MAIN goal of fighting corruption.</i>			
ACP 16.	Degree of agency independence			
ACP 16a.	Organizational independence (or is the agency protected from political interference?)			
ACP 16ai.	Is the formal status independent, vs. executive agency			
ACP 16a ii.	Head is appointed/elected to enforce organizational independence? (elected/appointed by			

	Parliament/Government)			
ACP 16a.	Head of the agency is protected from removal without relevant justification?			
ACP 16aiii.				
ACP 16aiv.	Makes regular reports to the government/Parliament			
ACP 16av.	The same body does not establish the budget			
ACP 16b.	Administrative independence			
ACP 16bi.	Employees have civil servants status			
ACP 16bii.	Appointments to the agency are based on professional criteria			
ACP 16biii.	Agency has professional, full-time staff			
ACP 16biv.	Agency received regular funding			
ACP 17.	Enough powers to work properly			
ACP 17a.	Investigates on own initiative			
ACP 17b.	Responsive Investigation			
ACP 17c.	Gather intelligence			
ACP 17d.	Coordinate			
ACP 17e.	Monitoring			
ACP 17g.	Advisory opinions			
ACP 17h.	Biding opinions			
ACP 17i.	Penalize (directly)			
ACP 17J.	Education			
ACP 18.	Clear procedures for detecting corruption (Hot lines, etc.)			
	Clear system of processing these declarations			
ACP 19.	Citizens' access to ACA reports			
ACP 19a.	Citizens can access ACA annual reports or any annual report on declarations			
ACP 19b.	Access in a reasonable amount of time			
ACP 19c.	At a reasonable cost?			
ACP	Total Score			

II. Political Party Finance (PPF)

		Mid 1990s	2002	2003
PPF 1.	Are the regulations governing political party finances?			
PPF 2.	Are there regulations governing contributions to political parties? (including			

	membership fees, etc.)			
PPF 2a.	Are there regulations governing private contributions to political parties?			
PPF 2b.	Are there limits on individual donations to candidates and political parties?			
PPF 2c.	Are there limits on corporate donations to candidates and political parties?			
PPF 3.	Parties are not allowed commercial activities (if they receive state subsidies)			
PPF 4.	Are there limits (caps) on:			
PPF 4a.	Candidate expenditure per election (THERE IS A CAP FOR PRESIDENT)			
PPF 4b.	There is a ceiling on how much a candidate can raise			
PPF 4c.	Party expenditure per election			
PPF 4d.	There is a ceiling on how much a party can raise per election			
PPF5.	Monitoring of financing documentation			
PPF 5a.	Clear deadlines for submitting the information			
PPF 5b.	How frequent parties submit financial reports?			
PPF 5bi.	Annually			
PPF 5bii.	Before, during and after elections			
PPF 5c.	Penalties if false or not submitted			
PPF 6.	Bans on sources of income			
PPF 6a.	Prohibition of candidates and parties to receive foreign funding			
PPF 6b.	Bans on STATE OWENED ENTREPRISES contributions			
PPF 6c.	Bans on GOVERNMENT contractors contributions			
PPF 6d.	Ban on in-kind donations			
PPF 7.	Anonymous donations are not allowed			
	Enforcement mechanism			
PPF 8.	Is there an agency such as an National Electoral Body			
PPF 9.	Administrative statute			
PPF 9a.	Organizational independence of the Agency			
PPF 9ai.	Formal status (independent vs. subordinated agency)			
PPF 9aii.	Head of the agency is appointed or elected to support agency independence?			
PPF 9aiii.	Head cannot be removed without relevant			

	justification?			
PPF 9aiv.	Makes regular reports to the government/parliament			
PPF 9av.	Same body does not establish its budget			
PPF 9b.	Administrative independence Double check in OSI reports!			
PPF 9bi.	Employees have Civil servant status			
PPF 9bii.	Appointment to the agency are based upon professional criteria			
PPF 9biii.	Agency has professional, full-time staff			
PPF 9biv.	Agency receives regular funding			
PPF 10 .	Enough powers to work properly			
PPF 10a.	Investigates on own initiative			
PPF 10b.	Responsive Investigation			
PPF 10c.	Gathering intelligence			
PPF 10d.	Coordinate			
PPF 10e.	Monitoring			
PPF 10f.	Prosecute			
PPF 10g.	Advisory opinions			
PPF 10h.	Biding opinions			
PPF 10i.	Penalize (directly)			
PPF 10j.	Education			
PP 11.	AUDIT			
PP 11a.	Checks			
PP 11b.	The content			
PP 12	Clear and standardized criteria on what should be included in the reports (OSI, 2002)			
PPF 13.	Access financial records			
PPF 13a.	Public disclosure of party contributions received			
PPF 14.	Citizens can access the financial records of political parties			
PPF 13b.	Public disclosure of party expenditure (ONLY CAMPAIGN EXPENDITURE)			
PPF 14a	Access in a reasonable amount of time (EPIC)			
PPF 14b.	At a reasonable cost?			
PPF 15.	Subsidies			

Specific: declaration of assets of candidates in some countries such as Romania!

III. Asset monitoring (AM)

- separate legal frameworks

		Mid 1990s	2002	2003
AM1.	Are there laws regulating asset monitoring?			
AM2.	Asset monitoring regulations strength			
AM 2a.	Mandatory declarations are required			
AM 2b.	How frequent? At the beginning and end of mandate and annually?			
AM 2c.	Sets clear deadlines for submission of declarations			
AM 2d.	Penalties if not submitted or false			
AM 2e.	Exact penalties			
AM 3.	Comprehensiveness of declarations			
AM 3a.	Broad definitions of assets, income and business activities			
AM 3b.	Refers to spouses and children?			
AM 4.	Is there an independent enforcement agency?			
AM 4a.	Organizational independence of the Agency			
AM 4ai.	Formal status (independent or sub-ordinate agency)			
AM 4aii.	Head of the agency is appointed or elected to support agency independence?			
AM 4aiii.	Head cannot be removed without relevant justification?			
AM 4aiv.	Makes regular reports to the government/parliament			
AM 4av.	Same body does not establish its budget			
AM 4b.	Administrative independence			
AM 4bi.	Employees have Civil servant status			
AM 4bii.	Appointment to the agency are based upon professional criteria			
AM 4biii.	Agency has professional, full-time staff			
AM 4biv.	Agency receives regular funding			
AM 5.	Enough powers to work properly			
AM 5a.	Investigates on own initiative			
AM 5b.	Responsive Investigation			
AM 5c.	Gather Intelligence			
AM 5d.	Coordinate			
AM 5e.	Monitoring			
AM 5g.	Advisory opinions			

AM 5h.	Biding opinions			
AM 5i.	Penalize (directly)			
AM 5j.	Education			
AM 6.	Depth of verification of submission (even by that ACA or any other agency)?			
AM 6a.	Check the submission			
AM 6b.	Check content correctitude			
AM 7.	Are the other mechanisms available for conflict of interests detection			
AM 8.	Authority over (normal range)			
AM 9.	Can the public access declarations			
AM 9a.	Public have access to declarations (either directly or indirectly through auditing reports)			
AM 9b.	Reasonable amount of time			
AM 9c.	Reasonable cost			
AM 10	Clear pathway for submission of declarations?			
AM 11	Clear standardized criteria in submission of the declaration			
ALT AM 4	Alternative criteria			
ALT AM4a	Is there an agency			
ALT AM 4b	Administrative independence			
ALT AM 5.	Enough powers?			
AM	Total Score			

IV. Conflict of interests (CI)

		Mid 1990s	2002	2003
CI1.	Are there laws regulating conflict of interests?			
CI2.	Conflict of interests laws – or provisions – strength			
CI 2a.	Mandatory declarations			
CI 2b.	How frequent? At the beginning and end of mandate and annually?			
CI 2c.	Sets clear deadlines for submission of declarations			
CI 2d.	Penalties if not submitted or false			

CI 2e.	Exact penalties			
CI 3.	Comprehensiveness of declarations			
CI 3a.	Clear definition of conflict of interest			
CI 3b.	Incompatibles formal and also flexible for individual cases			
CI 3c.	Refers to spouses and children (nepotism)			
CI 4.	An independent enforcement agency			
CI 4a.	Organizational independence of the Agency			
CI 4ai.	Formal status (independent vs. subordinated)			
CI 4aii.	Head of the agency is appointed or elected to support agency independence?			
CI 4aiii.	Head cannot be removed without relevant justification?			
CI 4aiv.	Makes regular reports to the government/parliament			
CI 4av.	Same body does not establish its budget			
CI 4b.	Administrative independence			
CI 4bi.	Employees have Civil servant status			
CI 4bii.	Appointment to the agency are based upon professional criteria			
CI 4biii.	Agency has professional, full-time staff			
CI 4biv.	Agency receives regular funding			
CI 5.	Enough powers to work properly			
CI 5a.	Investigates on own initiative			
CI 5b.	Responsive Investigation			
CI 5c.	Gathering Intelligence			
CI 5d.	Coordinate			
CI 5e.	Monitoring			
CI 5f.	Prosecute			
CI 5g.	Advisory opinions			
CI 5h.	Biding opinions			
CI 5i.	Penalize (directly)			
CI 5j.	Education			
CI 6	Depth of verification of submission (even by that ACA or any other agency)?			
CI 6a	Check the submission			
CI 6b	Check content correctitude			
CI 7	What are the other means available for conflict of interests detection			
CI 8	Can the public access declarations			
CI 8a.	Public access to declarations (either directly or indirectly through auditing reports)			

CI 8b.	Reasonable amount of time			
CI 8c.	Reasonable cost			
CI 9.	Authority over (normal range?)			
CI 10.	Clear pathway for submissions			
CI 11.	Standardized criteria for filing in the forms and audit of the forms			
ALT CI 4	Alternative criteria			
ALT CI 4a	Is there an agency			
ALT CI 4b	Administrative independence			
ALT CI 5.	Enough powers?			
CI	Total Score			

IV. Freedom of Information (FOI)

		Mid 1990s	2002	2003
FOI 1.	Do citizens have access to information?			
FOI 1a.	Basic right (The right to request information is to be open to citizens, permanent residents and corporations without a need to show legal interest.)			
FOI 1b.	Right to appeal			
FOI 2.	Breadth of public information subject to disclosure			
FOI 3.	Breadth of definition of Exemptions or limitations of disclosure (public information to NOT to be disclosed)			
FOI 4.	Existence of discretion of public officials to disclose information through tests (balancing test or the balancing of disclosure and non-disclosure benefits or <i>harm test</i> (potential harm, prejudice or "costs" that might arise for the public authority and the public interest)			
FOI 5	Independent Appeal Authority (Administrative Courts)			
FOI 6.	Can the public access public documents			
FOI 6a.	Reasonable amount of time (days)			
FOI 6b.	Reasonable cost			
	Total Score			

V. Public Procurement (PP)

		mid 1990s	2002	2003
PP1.	Are there regulations of procurement?			
PP2.	Clear limits when to organize a public tender?			
PP 2a.	Goods, works and services			
PP 2b.	Strict formal requirements delimitate the condition between different types of tenders (open, to sole sourcing)			
PP 2c.	All major procurements require competitive bidding			
PP 3.				
PP 3a.	Clear administrative redress procedures (e.g., unsuccessful bidders can instigate an official review of procurement decisions)			
PP 3b.	No fees for submitting the compliant or any other requirements able to create obstacles			
PP 4.	Appeals (either court or independent enforcement agency, or both)			
PP 5.	Penalties (Restrictions on further tender participations such as <i>blacklisting</i> – used as <i>preventive</i> investigations)			
PP 6.	Monitoring of civil servants involved in public procurement			
PP 6a.	Conflict of interest law for public officials involved in tenders			
PP 6b.	Assets, incomes and spending habits of public officials are monitored			
PP 6c.	Penalties for the civil servants involved in public procurement			
PP 7.	Can citizens access the public procurement process?			
PP 7a.	Are procurement regulations readily accessible?			
PP 7b.	Are tender announcements made public within a reasonable amount of time?			
PP 7c.	Can citizens access the results of major public procurement bids?			
PP 8.	Are there codes of ethics for civil servants involved in procurement?			
PP 9	Agency – Public Procurement Office(since the new 1999 Law on Public Procurement			

PP10				
PP 10a.	Organizational autonomy			
PP 10ai.	Subordinated or independent			
PP 10aaii.	Head appointed			
PP 10aaiii.	Head removed			
PP 10aiv.	MAKE REGULAR REPORTS			
PP 10av.	THE same institution is NOT establishing the same BUDGET			
PP 10b.	Administrative			
PP 10bi.	Civil servant status			
PP 10bii.	Professional			
PP 10biii.	Regular staff			
PP 10biv.	Receives regular funding			
PP 11	Enough powers to work properly			
PP 11a.	Investigates on own initiative			
PP 11b.	Responsive Investigation			
PP 11c.	Gather Intelligence			
PP 11d.	Coordinate			
PP 11e.	Monitoring			
PP 11g.	Advisory opinions			
PP 11h.	Biding opinions			
PP 11i.	Penalize (directly or indirectly)			
PP 11j.	Education			
PP12	IF SUSPICIONS OF CORRUPTION IT CAN SUSPEND Tender			

VI. Financial Control and Audit (FCA)

		Mid 1990s	2002	2003
FCA 1.	Are there regulations of financial control?			
FAC 2.	Are there national audit institutions, audit general or equivalent agency covering the entire sector (e.g., Supreme Audit Institution)?			
FAC 3.	Degree of independence of the supreme audit institution			
FAC 3a.	Organizational independence of the Agency			
FAC 3ai.	Formal status (independent vs. subordinated)			
FAC 3aii.	Head of the agency is appointed or elected to support agency independence?			

FAC 3aiii.	Head cannot be removed without relevant justification?			
FAC 3aiv.	Makes regular reports to the government (including president)/parliament			
FAC 3av.	Same body does not establish its budget			
FAC 3b.	Administrative independence			
FAC 3bi.	Employees have Civil servant status			
FAC 3bii.	Appointment to the agency are based upon professional criteria			
FAC 3biii.	Agency has professional, full-time staff			
FAC 3biv.	Agency receives regular funding			
FAC 4.	Enough powers to work properly			
FAC. 4a.	Investigates on own initiative			
FAC 4b.	Responsive Investigation			
FAC 4c.	Gather Intelligence (bank accounts)			
FAC 4d.	Coordinate			
FAC 4e.	Monitoring			
FAC 4f.	Prosecute			
FAC 4g.	Advisory opinions (including draft legislations, give inputs on legislation to cover its loopholes) This happens especially when they present their annual reports to the Parliament)			
FAC 4h.	Biding opinions			
FAC 4i.	Penalize (directly)			
FAC 4j.	Education (training of its employees, etc.)			
FAC 5.	Can citizens access the reports of the agency?			
FAC 5a.	Citizens can access reports of the agency			
FAC 5b.	Within a reasonable amount of time			
FAC 5c.	At a reasonable cost			
FAC 6	Are there available codes of Ethics?			
FAC 7	Internal audit			
FAC 8	Jurisdiction (audit competence) (e.g., local governments)			
FAC 9	Sets itself the audit plan			
FAC 10	Audit			
FAC 10a	Formal			
FAC 10b	Performance			
FAC 11	Training			
FAC 12	Internal Standards			
FAC 13	External Standards			

VII. Immunity (I)

		Mid 1990s	2002	2003
I 1.	Are there provisions regarding immunity			
I 2.	Breadth of people's categories exempted			
I 3.	Scope of immunity Non-violability and Inviolability			
	- investigation			
	- prosecution			
I 4	Clarity of immunity withdrawal procedures			
I 4a.	Clear guidelines for when immunity should be withdrawn			
I 4b.	Clear immunity withdrawal authorities (from initiation, lifting and criminal procedures)?			
I 5	Duration of immunity is in line with the international standards			
	Total Score			

VIII. Civil Service (CV)

(sub-category Whistleblower protection)

		Mid 1990s	2002	2003
CV 1.	Are there regulations regarding civil servants?			
CV 2.	Degree of independence of civil servants			
CV 2a.	Civil servant status			
CV 2b.	Transparent, systematic and competitive schemes for recruitment and promotion			
CV 2c.	Impartiality and independent CS			
CV 2d.	The Law clearly distinguishes between political and career appointments/posts and their responsibilities; Political appointments are limited.			
CV 3.	Civil servants post-employment restrictions			
CV 3a.	Restrictions for civil servants entering positions in the private sector during their public employment?			
CV 3b.	Restrictions for public servants after leaving the office			
CV 4.	Civil servants convicted of corruption are prohibited from future government employment?			

CV 5.	Clarity of administrative procedures and redress			
CV 5a.	Clear deadlines for providing administrative decisions			
CV 5b.	Clear administrative channels for appealing both legality and substance of official actions – Office for Civil Service			
CV 5c.	Right to appeal (Supreme Administrative Court)			
CV 6.	Are private employees that are full-time a part-time employment by the government covered by the corruption laws and regulations?			
CV 6a.	Are private sector employees are temporarily loaned to the government covered by the corruption laws and regulations?			
CV 6b.	Does the government ever loan civil servants to the private sector covered by the corruption laws and regulations?			
CV 7.	Are there regulations regarding whistleblower protection?			
CV 7a.	Civil servants who report corruption are protected from recrimination or other negative consequences			
CV 7b.	Private sector employees who report corruption are protected from recrimination or other negative consequences			
CV 8	Are there codes of Ethics?			
CV 9	Systematic training legal requirements, structures			
CV10	Existence of lobbying legislation			
CV	Total Score			

Section 3

Branches of government

Executive (EX)

		Mid 1990s	2002	2003
EX 1.	Can members of the executive be held accountable for their decisions?			

EX 1a.	People can access government decisions			
EX 1b.	Members of the executive give reasons for their policy decisions			
EX 1c.	Can the judiciary review the actions of the executive?			
EX 2.	The executive does not have the authority to allocate funding not included in the annual budget and without the approval of Parliament (other than in exceptional cases)?			
EX 3.	Are the senior civil servants subject to investigation and prosecution?			
EX 3a.	Extent			
EX 3b.	Categories			
EX 3c.	Duration			
EX 4.	Strength of regulations governing asset disclosure laws (asset monitoring and conflict of interests) by the executive branch			
EX 4a.	Are there regulations concerning gift and hospitality for the executive?			
EX 4b.	Clear deadlines for submitting their declarations			
EX 4c.	How often (at the beginning and end of mandate and annually)?			
EX 4d.	Penalties if declarations are false or incomplete			
EX 4e.	Extent of penalties			
EX 5.	Are disclosure forms used to prevent conflict of interests from before happening – as a <i>preventive</i> measure?			
EX 6.	Categories of members of the Executive subject to disclosure laws			
EX 6a.	The head of state is required to file an asset/conflict of interest forms.			
EX 6b.	The ministers and Prime Minister are required to file an asset/conflict of interest forms.			
EX 6c.	All other senior civil servants			
EX 7.	Is there an agency (independent) to monitor senior civil servant?			
EX 7a.	Is there an Agency ?			
EX 7b.	Administrative independence			
EX 7bi.	Employees have Civil servant status			
EX 7bii.	Appointment to the agency are based upon professional criteria			

EX 7biii.	Agency has professional, full-time staff			
EX 7biv.	Agency receives regular funding			
EX 7c.	Enough powers			
EX	Total Score			

Not clear immunity

Legislative (L)

		Mid 1990s	2002	2003
L 1.	Can citizens access legislative processes and documents?			
L 1a.	Citizens can access to Parliament's documents			
L 1b.	Within a reasonable amount of time			
L 1c.	At a reasonable cost			
L 10.	Can members of the legislature be held accountable (i.e., judiciary can review the actions of the legislature)?			
L 2.	Does the legislature have control over the budget? – Legislature adopts and amends the budget (including significant public expenditures)			
L 3.	Are MPs subject to and prosecution?			
L 3a.	Extent of the immunity			
L 3b.	Duration			
L 4.	Are there regulations governing asset disclosure and conflict of interest by members of the legislature?			
L 4a.	Are there regulations regarding gift and hospitality for members of the legislature?			
L 4b.	Are there restrictions for outside working?			
L 4c.	Clear deadlines for submitting the declarations			
L 4d.	How often?			
L 4e.	Are there penalties? What extent?			
L9	Are them made public?			
L 5.	Is the disclosure used to prevent the conflict of interests from before happening – as a <i>preventive</i> measure?			
L6.	Is there an agency (independent) to monitor compliance?			
L 6a.	Organizational independence			
L 6ai.	Formal status (independent vs.			

	subordinated)			
L 6aii.	Head of the agency is appointed or elected to support agency independence?			
L 6aiii.	Head cannot be removed without relevant justification?			
L 6aiv.	Makes regular reports to the government/parliament			
L 6av.	Same body does not establish its budget			
L 6b.	Administrative independence			
L 6bi.	Employees have Civil servant status			
L 6bii.	Appointment to the agency are based upon professional criteria			
L 6biii.	Agency has professional, full-time staff			
L 6biv.	Agency receives regular funding			
L 7.	Are there ethics codes?			
L 8	Is Lobbying regulated?			
L	Total Score			

Judiciary (J)

		mid 1990s	2002	2003
J1.	Is the independence of the judiciary guaranteed (in the law, Constitution, etc)? Guaranteed tenure and immunity (Inviolability and Non-liability) for judges after the probationary period			
J2.	Degree of Political interference - High judges (e.g., High Supreme Court)			
J 2a.	Professional criteria in selection of high court judges			
J 2b.	Transparent procedure in appointment of high judges			
J 2c.	Transparent procedure in removal of high court judges (Head cannot be removed without a relevant justification)			
J 2d.	Receives regular funding and its budget is NOT established and administrated by the executive (e.g., Ministry of Justice)			
J 2e.	Appointments / selection if high judges are made to support institutions' independence			
J 3.	Degree of political interference - Public prosecutors			
J 3a.	Professional criteria in selection of public prosecutors (including the Prosecutor General)			

J 3b.	Transparent procedure in selection of Public prosecutors (including the Prosecutor General)			
J 3c.	Transparent procedure in removal of public prosecutors (including Prosecutor general cannot be removed without a relevant justification)			
J 3d.	Receives regular funding and its budget is NOT established and administrated by the executive (e.g., Ministry of Justice)			
J 3e.	Appointments /selection of public prosecutors is made to support institutions' independence			
J 4.	Degree of political interference - All judges			
J 4a.	Judges are appointed based on objective criteria, such as passage of an exam, performance in law school, other training, experience, professionalism, and reputation in the legal community. As far as their advancement is concerned			
J 4b.	Transparent procedure in selection of judges			
J 4c.	Transparent procedure in removal of judges			
J 4d.	Receive regular funding and instances' budgets are NOT established and administrated by the executive (e.g., Ministry of Justice) - The judiciary has a meaningful opportunity to influence the amount of money allocated to it by the legislative and/or executive branches, and, once funds are allocated to the judiciary, the judiciary has control over its own budget and how such funds are expended.			
J 4e.	Appointments /selection of judges is made to support institutions' independence			
J 5.	Degree of autonomy of administrative judicial body			
J 5a.	Is there a judicial body in charge of the administration?			
J 5b.	Prerogatives (normal range)			
J 5c.	Even if political power is involves in the appointment of its members there is no political interference in the day-to-day activity?			
J 5d.	Clear appointment of its members			
J 6.	Citizens access to judicial system from case filing to final decision			
J 6a.	Citizens access courts and court decisions			
J 6b.	Within a reasonable amount of time			

J 6c.	With a reasonable cost			
J 7.	Transparent judicial/court proceedings and enforcement?			
J 8.	Categories of members of the judiciary subject to disclosure laws			
J 8a.	High Judges are required to file an asset disclosure forms			
J 8b.	All judges			
J 8c.	Prosecutors			
J 9.	Strength			
J 9a.	Are there regulations concerning gift and hospitality for the judiciary?			
J 9b.	Clear deadlines for submitting their declarations			
J 9c.	How often (at the beginning and end of mandate and annually)?			
J 9d.	Penalties if declarations are false or incomplete			
J 9e.	Extent of penalties Normal			
J 10.	Are disclosure laws used to prevent the conflict of interests from before happening – as a <i>preventive</i> measure?			
J 11.	Are there ethics laws/codes?			
J 12.	Training no systematic teaching through a magistrate training school nor are any legal requirements for judges to do so.			
J 13.	Case assignment			
J 14.	No Day-to-day political interference			
J 15.	Is there a transparent complaint system – refers to submission as well as solving the problem?			
J 16.	Publication of judicial records, judicial decisions, judgments and reasoning at all levels. At Supreme Court level they are published!			
J 17.	Distribution and indexing of current law			
J 18.	Witness protection act and programs			

Appendix 4. Anti-Corruption Assessment Index (ACAI)

Table 1. Anti-Corruption Assessment Index (ACAI) Country Rankings

Country	ACAI 1995
CZ	47.22
LV	46.29
SI	45.16
SK	40.61
UA	39.94
EE	35.35
HU	34.88
MD	33.3
RO	31.27
LT	25.94
BG	20.76
PL	20.76
MK	19.55
AL	17.4
HR	11.17

Country	ACAI 2002
LT	113.59
LV	104.68
EE	95.81
SI	85.51
SK	82.35
CZ	80.45
MD	74.56
HU	73.72
RO	70.49
PL	66.3
BG	65.95
UA	65.71
AL	61.56
HR	48.99
MK	44.12

Country	ACAI 2003
LT	122.38
LV	119
EE	109.27
RO	97.13
SK	97.01
SI	95.8
BG	95.16
MD	87.55
CZ	85.62
AL	85.41
PL	83.52
HR	80.96
HU	80.45
UA	69.78
MK	69.51

Table 2. Anti-corruption Strategy (ACS)

Country	ACS1995
UA	2.88
LV	1.99
EE	0.5
AL	0
BG	0
CZ	0
HR	0
HU	0
LT	0
MD	0
MK	0
PL	0
RO	0
SI	0
SK	0

Country	ACS 2002
LT	11.91
AL	9.43
RO	8.63
SK	8.63
MK	7.84
HR	7.15
HU	7.15
LV	7.15
CZ	7.05
BG	6.65
MD	6.65
SI	5.86
UA	5.76
EE	4.47
PL	0

Country	ACS 2003
AL	11.91
LT	11.91
BG	10.62
HR	9.53
LV	9.53
SK	9.13
RO	9.03
EE	8.73
MK	8.63
PL	7.84
HU	7.15
CZ	7.05
MD	6.65
SI	6.65
UA	5.76

Table 3. Anti-Corruption Policy (ACP)

Country	ACP 1995
UA	6.09
HU	5.64
SK	5.01
AL	4.39
MD	3.76
PL	3.76
CZ	3.58
MK	3.13
LV	3.09
EE	2.54
SI	2.25
LT	1.88
RO	1.88
HR	1.25
BG	0.63

Country	ACP 2002
LV	10.83
SI	9.85
LT	9.78
EE	9.64
HR	9.13
RO	8.88
AL	8.87
UA	8.67
CZ	8.59
HU	8.29
MD	7.58
MK	6.9
BG	6.27
PL	6.27
SK	6.27

Country	ACP 2003
LT	11.66
EE	11.65
LV	11.09
RO	10.82
MK	10.59
HR	10.38
AL	10.19
SI	9.85
MD	9.47
CZ	9.22
UA	8.67
HU	8.36
BG	8.15
PL	8.15
SK	8.09

Table 4. Public Procurement (PP)

Country	PPF 1995
RO	8.73
MK	5.94
HU	3.74
LV	3.68
SI	3.43
MD	3.39
EE	3.31
LT	3.18
AL	2.42
SK	2.37
UA	2.05
CZ	0.93
BG	0
HR	0
PL	0

Country	PPF 2002
LT	9.94
PL	9
LV	8.31
SK	8.11
MK	8
UA	7.94
SI	7.8
CZ	7.61
RO	7.3
BG	7
EE	6.49
MD	6.37
HU	5.97
AL	5.38
HR	2.38

Country	PPF 2003
LV	10.43
LT	10.2
PL	10.06
RO	9.18
SK	8.11
MK	8
UA	7.94
BG	7.88
CZ	7.81
SI	7.8
AL	7.07
MD	6.96
EE	6.49
HU	5.97
HR	2.38

Table 5. Asset Monitoring (AM)

Country	AM 1995	Country	AM 2002	Country	AM 2003
LV	5.23	LT	11.67	LT	11.67
CZ	4.68	EE	9.35	LV	11.36
MD	4.66	LV	9.28	AL	10.59
SK	4.23	SI	7.22	EE	10.47
UA	3.62	BG	6.93	BG	8.89
SI	3.29	PL	6.8	RO	8.36
EE	2.91	RO	5.99	HR	8.11
RO	2.82	MD	5.74	MD	7.62
AL	1.08	SK	5.67	MK	7.54
LT	0.41	HU	5.41	SI	7.22
HU	0.12	CZ	5.01	PL	6.8
BG	0	UA	3.92	SK	6.75
HR	0	HR	2.27	HU	5.41
MK	0	AL	1.08	CZ	5.1
PL	0	MK	0	UA	5

Table 6. Conflict of Interest (CI)

Country	CI 1995	Country	CI 2002	Country	CI 2003
SI	6.86	LT	11.67	LV	11.69
SK	5.58	LV	11.01	LT	11.67
LV	5.43	SI	6.73	RO	8.28
CZ	4.41	EE	6.53	HR	7.89
UA	3.38	SK	6.17	EE	7.29
EE	2.74	CZ	4.41	SK	7.26
BG	1.08	PL	3.99	SI	6.86
HU	1.08	UA	3.51	UA	4.66
LT	0.27	HR	2.82	CZ	4.41
AL	0	HU	2.09	PL	4.21
HR	0	MD	1.81	HU	3.54
MD	0	BG	1.08	MD	2.89
MK	0	AL	0	MK	1.81
PL	0	MK	0	AL	1.08
RO	0	RO	0	BG	1.08

Table 7. Financial Audit and Control (FAC)

Country	FAC 1995	Country	FAC 2002	Country	FAC 2003
HU	6.61	SI	11.4	SI	11.4
CZ	6.26	EE	10.9	BG	11.21
LT	6.26	HU	9.58	EE	10.9
LV	6.26	LT	9.48	LV	10.6
SI	5.6	LV	8.76	HU	10.5
EE	4.99	CZ	8.65	LT	10.4
RO	4.94	SK	8.1	SK	10.39
PL	4.88	AL	8.06	PL	9.78
HR	4.33	PL	7.49	CZ	9.68
AL	3.98	RO	7.3	RO	9.59
BG	3.94	BG	7.08	AL	8.98
MK	3.67	UA	6.73	HR	8.11
MD	3.12	HR	6.28	MK	6.99
SK	3.06	MD	6.28	MD	6.74
UA	1.83	MK	6.08	UA	6.73

Table 8. Freedom of Information (FOI)

Country	FOI 1995
UA	5.96
CZ	3.97
EE	3.97
HU	3.97
SK	3.97
AL	2.98
BG	1.99
LV	1.99
MD	1.99
PL	1.99
RO	1.99
SI	1.99
HR	0
LT	0
MK	0

Country	FOI 2002
EE	9.93
LT	9.93
LV	9.93
MD	9.93
RO	9.93
SK	9.93
BG	7.94
CZ	7.94
UA	7.94
AL	5.96
PL	5.96
HU	3.97
MK	1.99
SI	1.99
HR	0

Country	FOI 2003
RO	11.91
BG	9.93
EE	9.93
LT	9.93
LV	9.93
MD	9.93
SK	9.93
CZ	7.94
HR	7.94
UA	7.94
AL	5.96
HU	5.96
PL	5.96
SI	5.96
MK	1.99

Table 9. Immunity (I)

Country	Immunity 1995
MD	10.72
LV	8.34
SI	8.34
UA	8.34
BG	5.96
CZ	5.96
SK	5.96
LT	4.76
EE	3.57
HR	3.57
MK	2.38
PL	2.38
RO	2.38
HU	1.19
AI	0

Country	Immunity 2002
MD	10.72
LV	8.34
SI	8.34
UA	8.34
BG	5.96
CZ	5.96
EE	5.96
SK	5.96
LT	4.76
AL	3.57
HR	3.57
HU	3.57
MK	2.38
PL	2.38
RO	2.38

Country	Immunity 2003
MD	10.72
LV	8.34
SI	8.34
SK	8.34
UA	8.34
BG	5.96
CZ	5.96
EE	5.96
RO	5.96
LT	4.76
AL	3.57
HR	3.57
HU	3.57
MK	2.38
PI	2.38

Table 10. Public Procurement (PP)

Country	PP 1995	Country	PP 2002	Country	PP2002
CZ	5.63	EE	9.63	LT	11.4
HU	5.53	PL	9.62	EE	10.74
PL	3.88	LV	9.04	LV	10.72
LT	3.08	CZ	8.47	BG	10.11
RO	2.98	LT	8.1	SK	9.73
SK	2.98	SK	7.39	PL	9.62
SI	2.48	SI	7.37	CZ	8.8
AL	2.3	HU	7.31	SI	7.87
LV	1.93	BG	7.2	RO	7.83
MK	1.67	MD	6.83	MD	7.65
HR	1.12	RO	6.78	AL	7.64
BG	0.99	HR	6.64	HU	7.64
UA	0.33	AL	6.52	HR	7.14
MD	0.2	MK	4.16	MK	5.45
EE	0	UA	2.65	UA	4.14

Table 11. Executive and Civil Service (ECV)

Country	ECV1995
CZ	4.17
UA	4.04
EE	3.83
SK	3.67
LV	3.51
SI	3.51
MD	3.49
RO	3.32
BG	2.8
HU	2.52
LT	1.66
PL	1.17
HR	0.23
MK	0.23
AL	0.14

Country	ECV 2002
LV	8.58
HU	8.35
LT	8.16
EE	8.06
SI	7.71
CZ	6.41
AL	6.1
SK	5.97
UA	5.97
MD	5.71
RO	5.55
BG	5.36
PL	4.56
HR	3.97
MK	2.01

Country	ECV 2003
EE	9.7
LV	9.58
SI	9.23
HU	9.05
LT	8.86
BG	8.29
CZ	7.96
HR	7.31
AL	7.17
SK	6.67
MD	6.62
PL	6.37
UA	5.97
RO	5.69
MK	5.68

Table 12. Legislative (L)

Country	Legislative 1995
EE	4.88
SI	4.64
CZ	4.34
LV	3.93
BG	3.22
SK	2.86
HU	2.62
RO	2.06
PL	1.91
LT	1.39
MD	1.19
UA	0.64
MK	0.4
AL	0.12
HR	0

Country	Legislative 2002
LV	9.49
LT	8.93
EE	8.25
PL	6.75
CZ	5.93
SI	5.84
HU	5.48
SK	4.49
MD	3.57
BG	3.45
RO	2.98
AL	2.95
MK	1.83
UA	1.71
HR	1.67

Country	Legislative 2003
LT	10.12
LV	9.49
EE	8.49
MD	7.47
PL	6.75
CZ	6.07
SI	6.07
AL	5.89
BG	5.84
SK	5.68
HU	5.48
HR	4.59
RO	4.41
MK	2.94
UA	2.06

Table 13. Judiciary (J)

Country	Judiciary 1995
CZ	3.31
LT	3.04
SI	2.78
EE	2.12
MK	2.12
HU	1.85
LV	0.93
SK	0.93
MD	0.79
PL	0.79
UA	0.79
HR	0.66
BG	0.17
RO	0.17
AL	0

Country	Judiciary 2002
LT	9.26
EE	6.62
HU	6.55
SK	5.67
SI	5.43
RO	4.78
CZ	4.43
LV	3.97
AL	3.64
PL	3.47
MD	3.37
HR	3.11
MK	2.94
UA	2.58
BG	1.03

Country	Judiciary 2003
LT	9.79
EE	8.93
SI	8.57
HU	7.84
MK	7.51
BG	7.21
SK	6.95
LV	6.25
RO	6.05
CZ	5.62
PL	5.59
AL	5.36
MD	4.83
HR	4
UA	2.58

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