

# Public Integrity and Performance of Governance. A Comparative Study for South-Eastern Europe

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***Abstract.** The studies concerning the impact of corruption on the effectiveness of governance are numerous, valorising profound approaches, based on criteria and standards related to good governance, organizational behaviour.*

*The concepts and mechanisms specific for econometrics and statistics provide the quantitative support for qualitative analyses, substantiating public policies, in view to assure effectiveness in performance measurement.*

*For all South-Eastern European countries, the level of development and social organization determines specific ethical behaviours.*

*In this context, the current paper aims a comparative economic and social evaluation of the correlations between corruption, performance and economic freedom in South-Eastern European countries, including Romania.*

*The working hypotheses turn into consideration the following issues:*

- *corruption holds national specific character and the statistic, econometric or sociologic analyses reveal that it is stable during the time;*
- *an effective governance leads to increasing the citizens' welfare;*
- *if a country is poor and the economic freedom is reduced than the bureaucratic and political system tends to be more corrupted;*

- *the perspective of accession into the EU has led to the perception concerning the reduction of the corruption level.*

*The above hypotheses will be completed and we shall achieve comparative analyses, relevant for the group of South-Eastern European countries.*

*The above quantitative analyses will use both own results of the researches carried out by the authors and public results of World Bank, Transparency International and Heritage Foundation, as well as results of authorities responsible for national statistics.*

*The comparative research is achieved on a 10 years period, comprising also the moment of accession into the European Union for some states.*

**Keywords:** public integrity; governance performance; corruption; economic freedom.

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**JEL Codes:** H11, H83.

**REL Codes:** 13C, 13I, 13K.

## I. The governance performance

### I.1. A systemic framework

The issue of governance performance is more and more present in the field literature. Regarded as a finality of a complex public management process, the governance performance, we refer either to the central, or to the local government, acquires systemic characteristics and, according to their level, the governors establish the feedback that is carried out through new public decisions meant to lead towards a performance improvement.

The concerns for a systemic modelling of the public management can be met both when the issue of the public administration comes out (Pierre, 1995) and, lately, the public management reform (Pollitt and Bouckaert, 2000, pp. 39-134). A brief presentation of some systemic models used in the public management of the local development is also made by Matei (2008). Referring to the performance oriented managerial reforms, Pollitt (1995, 1998) shows that for the public sector “the organisations must redirect in order to focus more on results. These have to take into account the costs, to measure the outputs, to assess the effects and to use all this information in a systemic process of feedback and continuous improvement”.

The most relevant and recent point of view respecting the systemic approach of the public sector performance is presented by Bouckaert and Halligan (2008, pp. 11-34). Following a logical sequence of building a complex systemic model of the public sector performance, the mentioned authors described micro, meso and macro models, integrated or individual, that can deliver the

proper framework for understanding and study thoroughly the specified concept. The result of this measure is a complex system, with mixed architecture that includes more cycles of intermediary feedback and that integrates “four positions on managing performance: Performance Administration, Management of Performance, Performance Management and Performance Governance” (Ibidem, p. 32). In this context, the governance performance can be seen as a subsystem of the public sector performance or, more, of the managerial performance. Specific to the governance performance is also the fact of being a result of the interaction between public economic systems and that of the public management. Thus, the fundamental concepts as the public intervention, public decision, optimisation, and so on, become adjacent and determinant for the level of the governance performance.

### I.2. Present approaches

Bouckaert and Halligan (2008) make an international comparison related to “managing performance”. The statistical ratios and/or connections between management the performance, in the context of the public sector, become determinant both for the understanding of the processes of performance’s management, and for the governance performance.

The general approach framework of this issue is delivered by the New Public Management (Hood, 1995) or by “reinventing government” (Osborne, Gaebler, 1992).

A broad and generic definition of performance – based public management is taking/allocating responsibility for the performance of the system and being

accountable for its results (Osborne, Gaebler, 1992, p. 32).

Hannagan (2008, p. 294), referring to the performance management in an organisation, states that “the term *performance management* means different practices to different managers but usually includes the following elements:

- The organisation has a shared statement of its objectives, or a mission statement or corporate objectives, which it communicates to its employees;

- Individual performance management targets are set which are related to the organisational objectives;

- A regular, formal review is carried out to monitor progress toward the objectives;

- The review process is used to identify training needs, career development and possible rewards;

- The effectiveness of the whole process is evaluated against the overall performance of the organisation”.

Important and constant concerns this time with regard to the performance of the public sector can be also found in the UN Public Administration Programme<sup>(1)</sup>, which in the 2005 and 2008 reports presents both the public sector performance (WPSR, 2005), and the issue of the public governance (WPSR, 2008). Thus, WPSR (2005) focuses upon the way in which the human potential will be transformed in order to improve the performance of the public sector. The general context in which the stated issue is approached is characterised, on one hand, by the complexity of the policy making processes and of the public strategies and, on the other hand, by the deterioration of the human resources capacities of accomplishing these functions. The aspects

set forth render difficult, for many states, the application of the national objectives and strategies for increasing the governance performance through poverty and corruption reduction, promoting the sustainable human development as it is underlined in the Millennium Development Goals (MDGs).<sup>(2)</sup>

WPRS (2008) emphasizes the role of the civic engagement in the public governance process. By presenting several case studies, it is being emphasised, in a real manner, the role of the different practices in consolidating the governance capacity through transparency and responsibility. In the context, the relations between the power and the civil society organisations are tackled, as well as the necessity of adopting methodologies and strategies proper for each state’s condition for a successful civic engagement in the public governance.

The mentioned technical support is also offered by the analysis made by Willmore (2005).

### **I.3. The integrity, as a governance principle in the public sector**

Along with the UN concerns there are also the ones of the World Bank, which dedicate numerous studies both to the researches regarding the Governance Indices and the Public Sector Governance. The concern of the present paper is situated at the meeting point of the two mentioned topics. Worth to be mentioned, from the point of view of the World Bank, are the governance principles in the public sector, which are referring to:

- Responsibility – according to which the public authority is responsible for the decisions and promotes mechanisms that ensure the application of public management high standards;

- Transparency/openness – that expresses the public authority capacity regarding the roles and responsibilities assumed, as well as the decision-making procedures and the power exercise;

- Integrity – with reference to the public and personal, impartial, ethical action, and in the interest of the public authority;

- Stewardship – imposing the use of each opportunity for developing the public assets;

- Efficiency – ensuring the best use of resources in order to accomplish the organisation’s objectives;

- Leadership – applied through a commitment for good governance.<sup>(3)</sup>

All these principles lead to a public governance approach that would allow obtaining some superior results, in terms of efficiency and with a high performance.<sup>(4)</sup>

In the view presented in the above papers, the public sector governance includes: “...the set of responsibilities and practices, policies and procedures, exercised by an agency’s executive, to provide strategic direction, ensure objectives are achieved, manage risks and use resources responsibly and with accountability”.<sup>(5)</sup> We used this approach of the concept of public sector governance giving the practical approach manner and turning account of the possible connections with the second part of the paper referring to integrity and economic freedom. The State Services Authority (SSA) from Australia addresses the issue in the same manner, accentuating the public integrity among the main pillars of public integrity, assuming the “promotion of high integrity and conduct standards in the public sector”.<sup>(6)</sup> Similar stands took the Association of Chartered Certified Accountants (ACCA), emphasising the fact

that “the governance can also cover the behaviour standards, the organisational structures and the processes”.<sup>(7)</sup>

At the same time, OECD states that “good, effective public governance helps to strengthen democracy and human rights, promote economic prosperity and social cohesion, reduce poverty, enhance environmental protection and the sustainable use of natural resources, and deepen confidence in government and public administration”.<sup>(8)</sup> The real issue of public integrity is developed by OECD, in this very moment a global forum is being organised with regard to “building integrity in government”.<sup>(9)</sup>

## II. The corruption, integrity and economic freedoms

As it was also shown in the 1<sup>st</sup> chapter of the present paper there are several indices of the governance performance. We will keep in mind as indices, as Prohnițchi (2003) does too, the Gross Domestic Product (GDP) per inhabitant, as well as the economic freedom (IEF). The mentioned author reaffirms the conclusions of the World Bank or Transparency International, according to which “the poorer the country and the more reduced is the economic freedom, the more corrupt is its bureaucratic and political system”. The present study perspective determines us to take into account many organisations’ analysis based on the conclusion that the “concern about the negative social and economic impact of corruption has grown rapidly in both emerging and advanced democracies” (Akai et al., 2005).

The conclusion is also supported by the World Bank which identifies the concept “as

the single greatest obstacle to economic and social development. It undermines development by distorting the rule of law and weakening the institutional foundation on which economic growth depends”.<sup>(10)</sup> A similar position is that of the International Monetary Fund, which states that “many of the causes of corruption are economic in nature, and are its consequences – poor governance clearly is detrimental to economic activity and welfare”.<sup>(11)</sup>

The development of theoretical and empirical studies has not always been the cause and effect type, between corruption and economic performance.

Worth mentioning here are the comments made by Rose-Ackerman (2009, p. 3) with regard to the conclusions expressed by different specialists and analysts of the corruption issue.

Mauro (1995, 1998) demonstrates that the high corruption levels are associated with low investment levels as part of GDP.

The corruption indices are extremely isolated from the bureaucratic efficiency, as for example the level of bureaucracy and judicious quality. As a consequence, Mauro was incapable of measuring the marginal effect of each of these measures. By putting together the separated indices in a measure of bureaucratic efficiency (on a scale from one to ten): “if Bangladesh, with a score of 4.7 would have improved the integrity and the bureaucratic efficiency at Uruguay’s level, 6.8, its investment rate would increase with approximately five percentage points and the annual growth rate of GDP would increase with almost half of a percentage point” (Mauro, 1998). Also, Mauro proves that the extremely corrupted countries tend to

under-invest in human capital, spending less on education. Mauro argues that this fact happens because the education delivers less work opportunities for corruption than other types of capital-intensive public expenditures.

Ades and Di Tella (1997) state that an aggressive industrial policy could be motivated, on a certain extent, by the corrupt gains made available by that policy. In such cases, the positive direct effect of the policy could be submitted by its role in the increase of corruption, thus discouraging the investments. Their empirical results demonstrate that, in presence of corruption, the positive influence of the industrial policy is reduced to a half.

Also, for public integrity we end up choosing the corruption perceptions index (TI) computed by Transparency International in the last decade, for the South-Eastern Europe states<sup>(12)</sup>, as well as the KKM index (control of corruption) computed by the World Bank, for the same sample and period, as aggregated and individual governance index. The two used indices express, in different ways, the perception upon the way in which the public power exercise has an impact upon the private sector profit, including both the narrow and the wide corruption form, as well as “capturing” the states by the elites and the personal interests.

### II.1. Corruption and governance

One of the fundamental papers presenting the indissoluble link between the corruption and the governance is that of Rose-Ackerman (2005) that eloquently proves how the high level of corruption limits the investment and the economic growth and leads to the government’s inefficiency.

For the developing countries, as well as for those being in transition from socialism,

the risk is higher. The mentioned author identifies the corruption phenomenon as a complex one of economic<sup>(13)</sup>, cultural (Rose-Ackerman, 2005, pp. 89-111, 175) and political nature.

Also, a series of classical papers must be mentioned, having as object the identification of causes and mechanisms of corruption transmission inside a economic and social system, from which we mention: Krueger (1974), Rose-Ackerman (1975), Mauro (1995), Tanzi (1998), etc. In the field literature four categories of factors are identified, which directly influence the corruption in a system: historical factors, social and cultural factors and economic factors. In the political and juridical factors category we include the quality of the political system, the features of the juridical system (Leite, Weidmann, 1999), especially the legislation and the institutions specialised in the fight against corruption, the quality of the democratic system, the features of the electoral system in a country, the features of the administrative system, the degree of administrative decentralisation in a country etc. A series of studies, like those made by La Porta (1999) and Treisman (2000), accentuate the influence of the traditions and historical factors upon the level of corruption in a country and the features of the mechanisms of its development and transmission. The social and cultural factors have a special role in accentuating the corruption features in a country (La Porta (1999), Treisman (2000), Alesina (2003). Equally, the religious factor play an important part in spreading the corruption on a social system level. The economic factors, as well as the openness level of the economy (for example Dreher, 2003, Treisman, 2000, Wei, 2001), the size of the public sector (Tanzi,

1998, Treisman, 2000), the salaries' level in the public sector (van Rijckeghem, Weber, 1997) etc. directly influence the corruption level in a country.

Another important aspect when studying corruption is choosing the most appropriate econometric models for estimating its effects upon some sectors of activities. From the most important research directions that target the estimation of corruption's effects upon the economic and social environment, we mention:

(i) Measuring the corruption effect upon the economic growth (Mauro, 1995, Abed, Davoodi, 2000, Krueger, 1974);

(ii) The corruption's effects upon the development of some sectors of national economies (Tanzi, 1998, Wei, 2001);

(iii) The effects of the decentralisation process upon the level and the mechanisms of corruption transmission in a system (Shah, 2006) etc.;

(iv) The consequences of corruption upon the financing systems of some activity sectors, like the military one, Gupta (2001), the salaries in the public sectors (van Rijckeghem, Weber, 1997).

For the states in South-Eastern Europe, with special reference to Romania, we remark the papers of Andrei, Matei and Rosca (2008), as well as Andrei, Matei, Stancu and Andrei (2009), approaching the effects of corruption in the public administration systems, education or health, formulating econometric models for evaluating performance in the public sector.

## II.2. Public integrity systems

The first chapter of the paper approached the relation between integrity and

performance of governance. The National Integrity Systems (NIS) represent an important instrument for promoting public integrity.<sup>(14)</sup>

In Transparency International (TI) conception, the National Integrity Systems (NIS) comprise “key institutions, laws and practices (the ‘pillars’) that contribute to integrity, transparency and accountability in a society.”<sup>(15)</sup>

The perspectives of the analysis and modelling the corruption phenomena, aimed by our paper, are supported by the country studies that provide both an overview on NIS, the indicators for measuring the subsequent progresses from those countries, as well as a basis of comparisons among states.

The above mentioned country study asserts: “when it functions correctly, NIS fights against corruption as part of a broader fight against the abuse of power, breaking the law and fraud under all its forms”.

### *II.2.1. Stages in developing the National Integrity System in Romania*

1990–1998

- The period coincides with the first half of the transition period;

- The main exponents of the national public integrity were the Parliament and Government, that did not elaborate a public policy to promote the public integrity;

- The Judiciary had no capacity to adjust the deficiencies of the other two powers in the state;

- The social perception on the public pillars reveals a high degree of corruption, just in the interior of most of the public integrity pillars;

- The civil society was not concerned with corruption, focusing on ensuring the

basic requirements of democracy, rule of law and respect for human rights;

- The international institutions were concerned about the economic and democratic reforms.

1999–2004

- The second stage coincides with the beginning of the negotiations of accession into the European Union;

- The international agencies have expressed their interest towards the Romanian public integrity system (programmes were initiated and political pressures were exerted for reforms);

- The main pillars of integrity – the Executive and Legislative – have realised the seriousness of the national corruption level;

- In 2001, the Government elaborated a National Anticorruption Strategy and the National Anticorruption Prosecutor’s Office was set up;

- Other NIS pillars were strengthened, such as Ombudsman or Court of Audit;

- The progresses have determined Romania to become NATO member and closing the negotiations for accession into the European Union;

- The other pillars: Parliament, justice, police have not recorded progresses;

- The civil society was focused on the fight against corruption, adding on the public agenda draft laws, essential for public integrity;

- The public policies designed to ensure the cooperation between pillars were inconsistent, proving a low capacity of implementation and reduced political will.

2005–2007

- The third period coincides with signing the Treaty of Romania Accession into the European Union;



- The main political criteria were fulfilled;
- Romania should implement effectively EU standards in the area of justice concerning corruption level, competition and control in customs.

2007–present

- Getting thorough knowledge about European standards, instruments and practices about strengthening public integrity as indicator of efficient governance.

The stages undergone by Romania in order to develop its own integrity system are present, with certain features in most states analysed in the actual paper.

### II.3. Integrity framework

The concerns of various public bodies, institutions and authorities, universities or outstanding specialists have shaped a model for ethics framework in the public sector<sup>(16)</sup>. Adapting this framework to the general topic of public integrity, we obtain a logical causal relation between integrity and performance of governance.

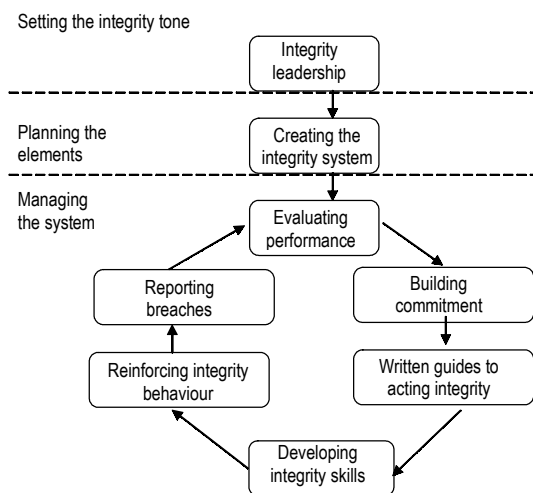


Figure 1. Integrity framework

The Integrity Framework comprises in fact three subsystems concerning: integrity leadership, creating the integrity system and managing the integrity system. We add the integrity resource kit, referring to take the integrity challenge, to develop integrity skills and implement the kit.

### II.4. Economic freedom

According to the assertions of Heritage Foundation, the economic freedom represents the individual's right to control his/her work and property. In an economically free society, the individuals have the freedom to work, produce, consume and invest in any way, being protected and not constrained by the state. In order to determine the global indicator of economic freedom (IEF), Heritage Foundation uses ten specific indicators, evaluated on fields such as: business, trade, taxation, government size, monetary freedom, investment, finance, right to property, freedom from corruption, labour.

Altman (2007) analyses the impact of economic freedom, including its various components, on the global economic performance of a country. The author states that some specific indicators of IEF are positively correlated to higher levels of GDP per capita, while other indicators are in the opposite situation.

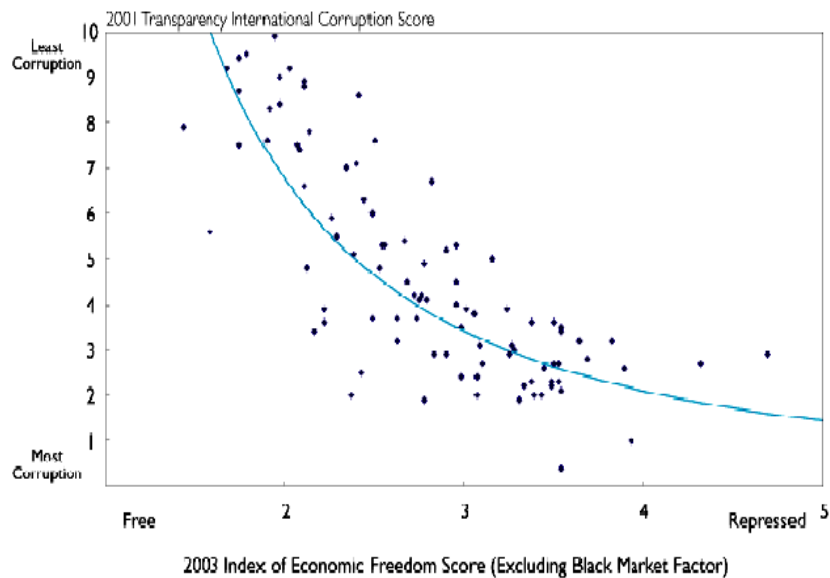
Hall and Lawson (2008, p. 3) conclude concerning Altman's approaches (2007, pp. 1-20): „Altman's simple correlations add nothing to the on-going and important discussion about the role of economic freedom in contributing to aggregate economic performance”.

The specialised literature emphasises connections between the economic freedom

and corruption. Graeff and Mehlkop (2003) investigate the impact of various components of the economic freedom on corruption. Also, in this case, the results confirm the fact that certain fields of economic freedom discourage corruption – financial and monetary freedom, freedom of affairs- while others favour corruption –government size. At the same time, Rose-Ackerman (1997) remarks the possibility to increase corruption when obstacles are imposed in free development of economy. Eiras (2003) carries out a complex analysis, referring to ethics, corruption and economic freedom. The conclusions of the author<sup>(17)</sup> reveal relations between the economic freedom and corruption on the formal and informal economic activities. Informal economy, direct effect of the corruption phenomena will have a higher weight in GDP as long as the economic

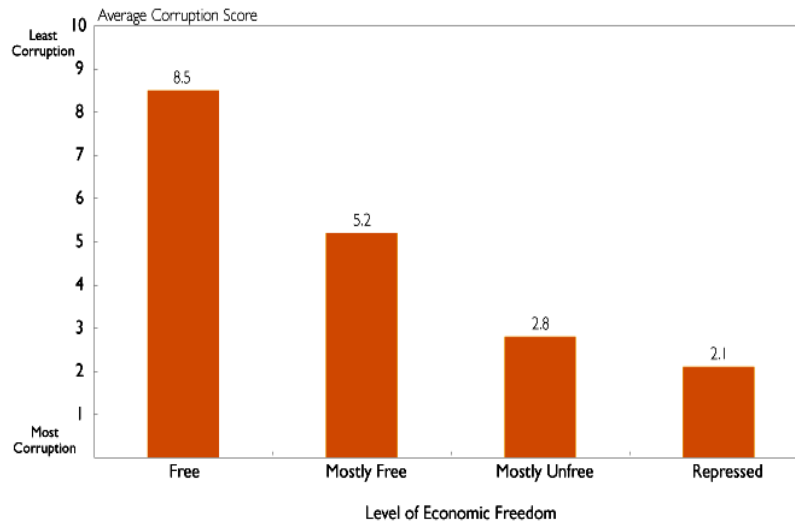
freedom disappears. „On average, the size of the informal economy in economically unfree and repressed economies is almost three times the size of the informal economy in free economies and almost double the size of the informal economy in mostly free economies”.

The following charts are illustrative in the study mentioned, showing “the relationship between economic freedom and the level of corruption in 95 countries around the world. Figure 1 shows a strong correlation between these two factors. As economic freedom vanishes, corruption flourishes. On average, as shown in Figure 2, the level of perceived morality – as a contrast to corruption – in economically free countries is almost four times the level of perceived morality in the public sector in mostly unfree or repressed economies, and almost 60 percent greater than in mostly free economies.”



**Figure 1.** *Economic freedom and corruption*

**Sources:** Gerald P. O’Driscoll, Jr., Edwin J. Feulner, and Mary Anastasia O’Grady, 2003 *Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2003); Transparency International, *The Corruption Perception Index 2001 and 2000*, Berlin, Germany, 2001 and 2000, available at <http://www.transparency.org/cpi/2001.htm> and <http://www.transparency.org/cpi/2000.htm>



**Figure 2.** *Economic freedom and corruption*

**Sources:** Gerald P. O’Driscoll, Jr., Edwin J. Feulner, and Mary Anastasia O’Grady, 2003 Index of Economic Freedom (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2003); Transparency International, The Corruption Perception Index 2001 and 2000, Berlin, Germany, 2001 and 2000, available at <http://www.transparency.org/cpi/2001.htm> and <http://www.transparency.org/cpi/2000.htm>

Mushfiq and Dean (2007) achieve similar studies with the study proposed in the current paper, using an econometric model applied in a panel of 60 countries, including the economic freedom as independent variable.

### III. An empiric comparative study

The theoretical framework briefly presented in the first two chapters of the paper again substantiates the idea of some mutual determinations between public integrity, corruption and governance performance.

The following empirical study focuses on a sample of 11 states, most of them belonging to the former European communist space and situated at different EU integration levels: an older EU state (GR), 4 states that entered the EU in the last but one wave (2004), (HU, CZ, SK, SL), 2 states that entered EU in the last wave (RO, BG), or others in the process of adhering (HR, TR, MD, UA).

Extending the sample outside the South-Eastern European area also, was determined both by the need to obtain a more relevant comparative study and by the use of some empirical data as comprehensive as possible that can deliver the adequate support necessary for the statistical processing. The states taken into consideration belong to both the former Soviet Union (MD, UA), former Yugoslavia (HR, SI), Balkan area (GR, BG, TR), Central Europe (SK, CZ, HU) and, of course, Romania.

The analysed period is 1998–2008 and the results regarding the used indices belong to the World Bank, Transparency International, Global Integrity or Heritage Foundation.

#### III.1. Correlating the used indices for public integrity

We stopped both at the index for corruption perception of Transparency International and that of corruption control, annually computed by the World Bank. At the

same time, we made a connection with the Global Integrity Index (GI) although, as the very ones who promote it are announcing that their computing methodology<sup>(18)</sup> is different from that of other governance and corruption specific indices. GI embodies an appreciable quantity of quantitative data delivered by more than 300 indices related to responsibility and governance transparency, as well as different anticorruption mechanisms, benefiting from the expertise of famous analysts and specialists in the complex field of public integrity.

Exactly as their presentation shows, GI does not measure the “corruption disease”, but rather it tries to find remedies that the citizens and governments could use in order to fight against it.<sup>(19)</sup> Considering that it is impossible to accomplish a real corruption measuring<sup>(20)</sup>, GI assesses the corruption’s opposite – that is “the access that citizens and businesses have to a country’s government, their ability to monitor its behaviour, and their ability to seek redness and advocate for improved governance”.<sup>(21)</sup>

For 2008, the integrity indices have been organised on six big categories and 23 subcategories. The mentioned categories are: Civil Society, Public Information and Media, Elections, Government Accountability,

Administration and Civil Service, Oversight and Regulation, Anti-Corruption and Rule of Law (GI, 2008, pp. 5-6).

The analysis preliminary to the results’ completion regarding the GI refer not only to the formal aspects – the existence of the legislative framework, procedures, etc. – but also to their assessment and their application through the indices of personnel, budgetary support, political independence, the citizens’ access to the most important anticorruption mechanisms. We insisted on a wider presentation of the GI approach model in order to substantiate, as it will be seen, an option of the present study for using the TI corruption perception index as a relevant index, from a statistical point of view, for determining the connections between public integrity and governance performance.

The quantitative data used in the statistical analysis are presented in Appendix 1, for the TI index, Appendix 2, for the control of corruption index of the World Bank (KKM) and Appendix 3, for the Global Integrity Index (GI).

In Table 1 are presented the Pearson linear correlations for the evolutions of the corruption perception index, TI, in the mentioned states.

**Pearson linear correlations of the corruption perception index computed by Transparency**

**International**

Table 1

	TI_RO	TI_BG	TI_HU	TI_CZ	TI_SK	TI_GR	TI_SI	TI_HR	TI_TR	TI_MD	TI_UA	TI
TI_RO	1	-.169	.457	.931(**)	.787(**)	.518	.741(*)	.297	.848(**)	.419	.428	.906(**)
TI_BG	-.169	1	-.117	-.285	.284	-.817(**)	.161	.312	-.086	-.018	-.065	.116
TI_HU	.457	-.117	1	.465	.271	.366	-.028	.065	.648(*)	.711(*)	.004	.484
TI_CZ	.931(**)	-.285	.465	1	.784(**)	.610(*)	.768(**)	.211	.785(**)	.510	.501	.880(**)
TI_SK	.787(**)	.284	.271	.784(**)	1	.013	.867(**)	.437	.725(*)	.525	.571	.953(**)
TI_GR	.518	-.817(**)	.366	.610(*)	.013	1	.183	-.166	.427	.089	-.002	.235
TI_SI	.741(*)	.161	-.028	.768(**)	.867(**)	.183	1	.229	.528	.125	.731(*)	.808(**)
TI_HR	.297	.312	.065	.211	.437	-.166	.229	1	.491	.113	-.142	.438
TI_TR	.848(**)	-.086	.648(*)	.785(**)	.725(*)	.427	.528	.491	1	.593	.106	.873(**)
TI_MD	.419	-.018	.711(*)	.510	.525	.089	.125	.113	.593	1	.289	.582
TI_UA	.428	-.065	.004	.501	.571	-.002	.731(*)	-.142	.106	.289	1	.484
TI	.906(**)	.116	.484	.880(**)	.953(**)	.235	.808(**)	.438	.873(**)	.582	.484	1

Also, in Table 2 are presented the Pearson linear correlations for the evolutions of the control of corruption indices in the mentioned

states. For each of the two tables there were introduced two variables, TI and KKM, representing the mean of the presented indices.

**Pearson linear correlations of the control of corruption index computed by the World Bank**

Table 2

	KKM_RO	KKM_BG	KKM_HU	KKM_CZ	KKM_SK	KKM_GR	KKM_SI	KKM_HR	KKM_TR	KKM_MD	KKM_UA	KKM
KKM_RO	1	-.460	-.287	.419	-.344	-.022	.628	-.515	.062	.795	-.376	.382
KKM_BG	-.460	1	.822	-.426	.127	.552	-.152	.590	-.149	-.679	.024	.161
KKM_HU	-.287	.822	1	-.116	-.078	.827	.153	.458	-.326	-.505	-.468	.135
KKM_CZ	.419	-.426	-.116	1	-.748	-.093	.688	-.412	-.400	.396	-.668	-.200
KKM_SK	-.344	.127	-.078	-.748	1	.190	-.826	.598	.840	-.410	.746	.401
KKM_GR	-.022	.552	.827	-.093	.190	1	.139	.586	.091	-.258	-.405	.556
KKM_SI	.628	-.152	.153	.688	-.826	.139	1	-.546	-.522	.669	-.802	.122
KKM_HR	-.515	.590	.458	-.412	.598	.586	-.546	1	.365	-.663	.321	.395
KKM_TR	.062	-.149	-.326	-.400	.840	.091	-.522	.365	1	-.046	.670	.628
KKM_MD	.795	-.679	-.505	.396	-.410	-.258	.669	-.663	-.046	1	-.299	.258
KKM_UA	-.376	.024	-.468	-.668	.746	-.405	-.802	.321	.670	-.299	1	.129
KKM	.382	.161	.135	-.200	.401	.556	.122	.395	.628	.258	.129	1

In order to ensure an unitary correlation framework, upon the KKM indices a translation and amotation was performed so to place them in the same interval as the TI. Knowing the fact that the KKM index varies in the (-2.5, 2.5) interval, giving the conditions from above we obtain:

$$y = \frac{1}{2}TI - 2.5 \text{ or } x = 2KKM + 5 \quad (1)$$

Also, for the G.I. index the following transformation:

$$z = \frac{1}{10}GI \quad (2)$$

The different assessment methodologies of these indices lead to the impossibility of drawing some common conclusions regarding the evolutions of the corruption phenomena in the analysed states. The support for this statement results also from Table 3 where there are presented the Pearson linear correlations between the TI and KKM indices. Moreover, the very value of - 0.386 for the correlations of the indices' means reveal negative correlations of the variables. The same conclusion results also from most of the correlations for indices at the level of the analysed states.

**Pearson linear correlations of the indices computed by TI and WB**

Table 3

	KKM_RO	KKM_BG	KKM_HU	KKM_CZ	KKM_GR	KKM_SI	KKM_HR	KKM_TR	KKM_MD	KKM_UA	KKM	KKM_SK
TI_RO	.463	-.491	-.668	.141	-.552	-.204	-.218	.231	.207	.294	-.129	.043
TI_BG	-.688	.545	.153	-.748(*)	.004	-.895(**)	.621	.365	-.836(**)	.732(*)	-.080	.705
TI_HU	.168	-.499	-.461	.162	-.449	-.183	-.162	-.233	.131	-.015	-.490	-.136
TI_CZ	.606	-.687	-.713(*)	.176	-.556	-.046	-.452	.143	.443	.119	-.169	-.045
TI_SK	.065	-.374	-.682	-.322	-.697	-.580	-.217	.330	-.045	.636	-.315	.352
TI_GR	.732(*)	-.578	-.227	.682	.009	.613	-.350	-.280	.683	-.623	.052	-.532
TI_SI	.169	-.286	-.627	-.311	-.774(*)	-.730	-.685	.179	-.077	.625	-.380	.190
TI_HR	.300	.332	.148	.504	-.114	.411	.043	-.452	-.385	-.267	-.236	-.672
TI_TR	.182	-.467	-.491	.078	-.424	-.288	-.059	-.072	.084	.113	-.375	.005
TI_MD	.100	-.951(**)	-.805(*)	-.016	-.604	-.769(*)	-.517	.266	.443	.365	-.385	.345
TI_UA	.166	-.404	-.660	-.066	-.827(*)	-.083	-.705	.094	.250	.396	-.363	-.064
TI	.169	-.451	-.674	-.103	-.677	-.456	-.225	.174	.015	.445	-.386	.172

As a result, we will proceed to drawing some conclusions relevant for each type of correlations.

So, the analysis of Table 1 result in contradictory evolutions of corruption perception between TI\_BG and most of the other states' indices, the strongest being TI\_GR (- 0.817), and the lowest TI\_MD (- 0.018). For SK, as well as for RO, CZ, TR and MD, except for TI\_BG, and for SI, except TI\_HU, all the other correlations are positive, the strongest correlations, though not having a high level of significance. In Table 4 are presented, in brief, the types of correlations with the other states.

**The synthesis of correlations and significance levels for the evolutions of corruption perception index, TI**

Table 4

Index	Positive correlations	Negative correlations	Sig 0.01 level	Sig 0.05 level
TI_RO	9	1	3	1
TI_BG	2	8	1	-
TI_HU	7	3	-	2
TI_CZ	9	1	4	1
TI_SK	70	0	3	1
TI_GR	7	3	1	1
TI_SI	9	1	2	2
TI_HR	8	2	-	-
TI_TR	9	2	1	2
TI_MD	9	1	0	1
TI_UA	7	3	-	1

The previous conclusions are stressed also by the correlations' analysis of the mean index for corruption perception (TI) from which we infer three levels of correlations:

- Weak – TI\_BG (0.116) and TI\_GR (0.235)
- Medium – TI\_HU (0.484), TI\_HR (0.438), TI\_MD (0.582), TI\_VA (0.484)
- Strong – TI\_RO (0.906), TI\_CZ (0.880), TI\_SK (0.953), TI\_SI (0.808), TI\_TR (0.873).

From analysing Table 2 are obtained the results below the synthesis of the correlations and significance levels is the one presented in Table 5.

Table 5

Index	Positive correlations	Negative correlations	Sig 0.01 level	Sig 0.05 level
KKM_RO	4	6	-	1
KKM_BG	5	5	-	1
KKM_HU	4	6	-	2
KKM_CZ	3	7	-	1
KKM_SK	3	7	1	3
KKM_GR	6	4	-	1
KKM_SI	5	5	-	2
KKM_HR	6	4	-	-
KKM_TR	4	6	1	-
KKM_MD	3	7	-	-
KKM_UA	3	7	-	2

From this synthesis, as well as from Table 2 we observe that drawing certain conclusions is heavier. This is due to the fact, in our opinion, on one hand, to the complexity of the model used by the World Bank to determine the corruption control index, as well as the series of data insufficiently used.

This time we will find a negative correlation too, with the mean control of corruption index (KKM) for KKM\_CZ (- 0.2). The other positive correlations with the mentioned index can be considered:

- Weak: KKM\_BG (0.161), KKM\_HU (0.135), KKM\_SI (0.122), KKM\_UA (0.129)
- Medium: KKM\_RO (0.382), KKM\_SK (0.401), KKM\_HR (0.395), KKM\_MD (0.258)
- Strong: KKM\_GR (0.556), KKM\_TR (0.628).

From the two analyses appear as obvious the differences or similarities between the processes of corruption perception and control of corruption (see Table 6).

**Compatibility of the methodological processes concerning the corruption perception and control of corruption**

Table 6

Compatibility		Incompatibility	
Major	Mean	Major	Mean
TR, BG	HR, MD	CZ, GR, SI	HU, UA, RO, SK

For Global Integrity Index, taking into account the available series of data, we cannot achieve correlations for the developments of the above indices in the states under analysis.

However, we calculated a mean index of integrity (GI) and on this basis we calculated the correlations with the other mean indices. The results are not surprising if we take into consideration the calculation “philosophy” of the Global Integrity Index, briefly presented in this paper, the major differences between the legislative and procedural framework of anticorruption mechanisms and concrete public action, in view to change the social perception on this phenomenon in those states.

**Pearson linear correlations between mean indices of corruption perception and control of corruption and public integrity**

Table 7

Indicator	TI	KKM	GI
TI	1	-0.386	-0.797
KKM		1	0.701
GI			1

All correlations being significant for 0.01 level, we find out a negative correlation between TI and GI and another strong positive correlation between KKM and GI, whose justification derives once again from the calculation methodology.

Therefore, related to the significance of the regression coefficients, it is likely to use

TI or KKM or GI index as dependant variable. In fact, a simple regression between the latter 2 indices leads to the relation:

$$KKM = 4.529 + 0.102 GI + e \quad (3)$$

with coefficients revealing a corresponding significance level.

The results included in Table 7 emphasise a characteristic element for the states analysed, that could be transposed in the conclusion anticipated concerning social inefficiency for the mechanisms of anticorruption action, even in the conditions of an adequate legislative and procedural framework.

**III.2. Correlations of the indicators of governmental performance**

As stated, from the indices of governmental performance we took into consideration the Gross Domestic Product per capita (GDP) and the Index of Economic Freedom (IEF).

The qualitative data are presented in *Appendix 5* for GDP and *Appendix 6* for IEF. In statistical processing, we apply log GDP so that the statistic analyses use data of the same order of dimension.

Concerning GDP index, the correlations of the indices for the analysed states are not significant, taking into consideration the ascending evolution of GDP during the period analysed. At the same time, the correlations between IEF and GDP indices are approximately constant for each country, emphasizing either strong positive correlations (BG, HR, HU, RO, SK) but with a significance level almost null or negative correlations or almost null, with a high significance level (for the other states).

**The correlations for IEF are more relevant (see Table 8)**

Table 8

	IEF_BG	IEF_HR	IEF_CZ	IEF_GR	IEF_HU	IEF_MD	IEF_RO	IEF_SK	IEF_SI	IEF_TR	IEF_UA	IEF
IEF_BG	1	,334	-,515	-,455	,583	,003	,677	,963	,200	-,324	,728	,830
IEF_HR	,334	1	,171	-,157	,217	,178	,722	,397	,269	,349	,024	,587
IEF_CZ	-,515	,171	1	,776	,058	-,448	,079	-,405	,450	,782	-,783	-,084
IEF_GR	-,455	-,157	,776	1	,223	-,583	-,032	-,331	,589	,736	-,507	-,042
IEF_HU	,583	,217	,058	,223	1	-,093	,662	,587	,243	,372	,255	,767
IEF_MD	,003	,178	-,448	-,583	-,093	1	-,048	-,079	-,753	-,272	,286	-,095
IEF_RO	,677	,722(*)	,079	-,032	,662	-,048	1	,780	,491	,396	,202	,938
IEF_SK	,963	,397	-,405	-,331	,587	-,079	,780	1	,355	-,163	,678	,905
IEF_SI	,200	,269	,450	,589	,243	-,753	,491	,355	1	,481	-,109	,496
IEF_TR	-,324	,349	,782	,736	,372	-,272	,396	-,163	,481	1	-,604	,233
IEF_UA	,728	,024	-,783	-,507	,255	,286	,202	,678	-,109	-,604	1	,457
IEF	,830	,587	-,084	-,042	,767	-,095	,938	,905	,496	,233	,457	1
	,002	,058	,807	,903	,006	,781	,000	,000	,120	,491	,157	

The analysis on the results in Table 8 emphasise different policies of economic freedom, therefore it is hard to establish the perspective. The synthesis of the developments and significance levels is presented in Table 9.

**Synthesis of IEF correlations**

Table 9

Index	Positive correlations	Negative correlations	Sig 0.01 level	Sig 0.05 level
IEF_BG	7	3	1	2
IEF_HR	8	2	-	1
IEF_CZ	6	4	3	-
IEF_GR	4	6	2	-
IEF_HU	9	1	-	1
IEF_MD	3	7	1	-
IEF_RO	8	2	1	3
IEF_SK	6	4	2	1
IEF_SI	8	2	1	-
IEF_TR	6	4	2	1
IEF_UA	6	4	1	2

In Table 9, we emphasise the situation for HU, whose policy of economic freedom positively correlates with most states and at extreme, MD which has negative correlations with most states analysed.

The correlations with a mean index of economic freedom underline evolutions almost independent related to the other states (CZ (- 0.084), GR (- 0.042), MD (- 0.195), weak correlated (TR (0.233)), mean correlated (HR (0.587), SI (0.496) or (UA (0.457)) and strong correlated (BG (0.830), HU (0.767), RO (0.938), SK (0.905)).

**III.3. Linear regressions**

The analyses reveal that the single interesting regressions in view of the current study are those using TI or GI (or KKM) as dependent variables and IEF and GDP as independent variables. In order to emphasise statistically the influence of the European integration process on public integrity, we introduced an independent variable “dummy”, called UE, awarding the following values for each state during the analysed period:



$$UE = \begin{cases} 1, & \text{if the respective state is EU Member State} \\ 0, & \text{in the opposite case} \end{cases}$$

UE variable introduced in the above regressions will underline quantitatively the influence of the integration process on the indices of public integrity.

For TI, we obtain:

$$TI = -2.944 + 0.759 IEF + 0.606 \text{Log GDP} + \varepsilon_1$$

(0.219)      (0.371)      (0.699)

(4)

or

$$TI = -1.122 + 0.654 IEF + 0.287 \text{Log GDP} + 0.276 UE + \varepsilon_3$$

(0.832)      (0.485)      (0.877)      (0.701)

(5)

In both situations, the significance levels of the coefficients are in parentheses.

Unfortunately, lacking comprehensive series of data, for the other regression, the significance levels of the coefficients are null.

Both expressions (4) and (5) help us to determine, approximately, possible influences of the governance indices on public integrity, expressed by means of TI.

As an example, for Romania, the increase by 0.5 of IEF index (in reality by 5, according to formula 2) will lead to an increase by 0.33 of the index concerning perception on corruption, taking into consideration the influence of the European integration process, thus it results an increase by 0.4.

In 2007, the year of Romania's accession in the EU, the increase by 0.6 of the index concerning perception on corruption is due especially to the mentioned event (0.56), according to (5).

GDP growth influences significantly TI index only if it exceeds the annual mean of GDP evolution. Thus, for Romania, an increase by 1500\$ of GDP will lead to an increase by 0.0125 of TI index. Consequently, the index of economic freedom will have the most significant influence and UE index will have the most significant influence at the moment of accession of a state in the EU.

#### IV. Conclusions

The paper presents a new approach for public integrity in view of the influence of the indices concerning GDP and economic freedom. The further developments might take in consideration both enlargement of the area of analysis, comprising more states and longer periods, and introducing new indices for governmental performance.

At the same time, even in the conditions of the current study, other relevant regressions could be determined. For example, if GDP is dependant variable and TI and IEF independent variables, we obtain:

$$\text{Log GDP} = 1.139 + 0.032 TI + 0.467 IEF + \varepsilon_3$$

(0.020)      (0.699)      (0.002)

(6)

or introducing UE variable:

$$\text{Log GDP} = 1.994 + 0.013 TI + 0.326 IEF + 0.168 UE + \varepsilon_4$$

(0.037)      (0.877)      (0.066)      (0.247)

(7)

Continuing the judgements, we shall obtain for IEF:

$$IEF = -0.781 + 0.133 TI + 1.53 \text{Log GDP} + \varepsilon_5$$

(0.450)      (0.371)      (0.002)

(8)

$$\text{IEF} = 0.432 + 0.110\text{TI} + 1.237 \text{Log GDP} + 0.184\text{UE} + \varepsilon_6$$

(0.843) (0.485) (0.066) (0.530)

(9)

All the above regressions reveal a strong dependency between IEF and GDP. For more consistent series of data, the significance level of the coefficients of regression will increase.

## Notes

- <sup>(1)</sup> See <http://unpan1.un.org/intradoc/groups/public/documents/UN/UNPAN.pdf>.
- <sup>(2)</sup> A more detailed presentation of these aspects can be found in the UN Millennium Declaration, <http://222.un.org/millenniumgoals/bkgd.shtml>.
- <sup>(3)</sup> See ANAO, (2003), “Public Sector Governance”, Volumes 1&2: Better Practice Guide, Commonwealth of Australia, Canberra, p. 2.
- <sup>(4)</sup> For details and explanations can be seen also Australia Public Service Commission, (2005), “Foundations of Governance in the Australian Public Service”, Commonwealth of Australia, Canberra, <http://www.apsc.gov.au/foundations/>.
- <sup>(5)</sup> See ANAO and Department of the Prime Minister and Cabinet, (2006), “Implementation of Programme and Policy Initiatives: Making Implementation Matter, Better Practice Guide, Commonwealth of Australia, Canberra, p. 13, <http://www.anao.gov.au/uploads/documents/>”.
- <sup>(6)</sup> According to “Public Sector Standards Commissioner (PSSC), Ethics framework”, <http://www.ssa.vic.gov.au/>.
- <sup>(7)</sup> See <http://www.accaglobal.com/.../activities/subjects/publicsector/governance/>.
- <sup>(8)</sup> OECD, (2009), “Public Governance and Management”, <http://www.oecd.org>, p. 1.
- <sup>(9)</sup> Details regarding the recent concerns of OECD about promoting governance integrity can be found, for example, in “Building a Clearer World: Tools and Good Practices for Fostering a Culture of Integrity” (2009), Paris, <http://www.oecd.publicgovernanceforum.org/>, or “OECD Recommendation on Enhancing Integrity in Public Procurement”, (2008), <http://www.oecd.org/document/...html>.
- <sup>(10)</sup> See <http://www.worldbank.org/>
- <sup>(11)</sup> See <http://www.imf.org/external/pubs/ft/issues6/>
- <sup>(12)</sup> See <http://www.transparency.org/>
- <sup>(13)</sup> See more details in Rose-Ackerman, S., (2005), “Corruption and Government Causes, Consequences and Reform”, part I, chapters 1-5, pp. 7-89.
- <sup>(14)</sup> The broad description of the relations between public integrity and corruption concerning the South-Eastern European states is presented in Matei, A., (2008), “Corruption, Transparency and Quality. Comparative Approaches and Judiciary Support; Themis Project “Transformation of the Role of the Judiciary within a European Integrated Context”, Bibliothèque de Droit Public Européen, vol LXXXV, Esperia Publications Ltd, London, pp. 127-142.
- <sup>(15)</sup> See “National Integrity System. Country Study. Romania 2005, Transparency International Romania, p. 1.
- <sup>(16)</sup> See “State Services Authority: Supporting Government Serving Victorians – Ethics Framework”, <http://www.ssa.vic.gov.au/.../Ethics Framework>.
- <sup>(17)</sup> Ana Isabel Eiras in Senior Policy Analyst for International Economies in the Center for International Trade and Economies at the Heritage Foundation.
- <sup>(18)</sup> For the data regarding the computing methodology of the integrity index see Camerer, M., (2006), “Measuring Public Integrity”, *Journal of Democracy*

No. 17:1, National Endowment for Democracy and the Johns Hopkins University Press.

<sup>(19)</sup> See <http://report.globalintegrity.org/globalIndex.cfm>.

<sup>(20)</sup> An idea also supported by authors like Arndt and Oman (2006).

<sup>(21)</sup> See The Global Integrity Report: 2008, Methodology White Paper, pp. 1, <http://globalintegrity.org/documents/Whitepaper2008.pdf>.

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## Appendix 1

### Transparency International Corruption Perceptions Index 1998-2008

Year	Romania (RO)	Bulgaria (BG)	Hungary (HU)	Czech Republic (CZ)	Slovakia (SK)	Greece (GR)	Slovenia (SI)	Croatia (HR)	Turkey (TR)	Moldova (MD)	Ukraine (UA)
1998	3.1	2.9	5.0	4.8	3.9	4.9			3.4		2.8
1999	3.3	3.3	5.2	4.6	3.7	4.9	6.0	2.7	3.6	2.6	2.6
2000	2.9	3.5	5.2	4.3	3.5	4.9	5.5	3.7	3.8	2.6	1.5
2001	2.8	3.9	5.3	3.9	3.7	4.2	5.2	3.9	3.6	3.1	2.1
2002	2.6	4.0	4.9	3.7	3.7	4.2	6.0	3.8	3.2	2.1	2.4
2003	2.8	3.9	4.8	3.9	3.7	4.3	5.9	3.7	3.1	2.4	2.3
2004	2.9	4.1	4.8	4.2	4.0	4.3	6.0	3.5	3.2	2.3	2.2
2005	3.0	4.0	5.0	4.3	4.3	4.3	6.1	3.4	3.5	2.9	2.6
2006	3.1	4.0	5.2	4.8	4.7	4.4	6.4	3.4	3.8	3.2	2.8
2007	3.7	4.1	5.3	5.2	4.9	4.6	6.6	4.1	4.1	2.8	2.7
2008	3.8	3.6	5.1	5.2	5.0	4.7	6.7	4.4	4.6	2.9	2.5

Source: [www.transparency.org](http://www.transparency.org)

## Appendix 2

### World Bank Control of Corruption Index (KKM)

Year	Romania	Bulgaria	Hungary	Czech Republic	Slovakia	Greece	Serbia	Slovenia	Croatia	Turkey	Moldova	Ukraine
1998	-0.11	-0.23	0.74	0.82	0.23	0.68	-1.30	1.7	-0.16	-0.05	-0.26	-0.96
1999												
2000	-0.19	-0.14	0.82	0.69	0.33	0.81	-1.20	0.98	0.11	-0.06	-0.59	-0.97
2001												
2002	-0.24	-0.02	0.84	0.74	0.28	0.72	-0.91	0.97	0.02	-0.14	-0.72	-0.84
2003	-0.22	-0.10	0.82	0.80	0.36	0.77	-0.97	0.92	0.06	0.02	-0.78	-0.85
2004	-0.17	-0.06	0.82	0.70	0.48	0.82	-0.70	0.87	0.11	0.11	-0.62	-0.71
2005	-0.23	-0.19	0.71	0.74	0.44	0.65	-0.86	0.79	0.06	0.08	-0.57	-0.57
2006	-0.21	-0.19	0.76	0.73	0.41	0.68	-0.59	0.79	-0.05	-0.01	-0.65	-0.77
2007	-0.17	-0.14	0.74	0.77	0.35	0.65	-0.57	0.84	0.03	0.00	-0.66	-0.70

Source: <http://www.worldbank.org/>

## Appendix 3

### Global Integrity Index

The State	Global Integrity Index		
	2008	2007	2006
Bulgaria	87.0	87.0	80
Croatia			
Czech Republic			
Greece			
Moldova	68.0	60.0	
Romania	80.0	81.0	86.0
Slovakia			
Slovenia			
Turkey	69.0	71.0	
Ukraine		68.0	
Hungary	77.0		

Source: <http://www.report.globalintegrity.org/globalIndex.cfm>

## Appendix 4

Year	Romania	Bulgaria	Hungary	Czech Republic	Slovakia	Greece	Slovenia	Croatia	Turkey	Moldova	Ukraine
1998	5.841.958	5477.05	10.550.932	13.745.803	10.690.076	16.746.918	15.565.882	8736.72	8.103.731	1.437.781	2.936.989
1999	5.886.238	5.714.082	11.178.707	14.152.22	10.827.393	17.484.193	16.568.128	8.684.596	7.825.376	1.409.092	2.990.677
2000	6.171.507	6199.81	12.052.619	15.007.517	11.217.903	18.587.874	17.602.617	9.487.722	8.149.598	1.472.371	3.316.795
2001	6.710.511	6.653.744	12.871.208	15.816.589	11.867.247	19.822.961	18.547.354	10.018.956	7.739.835	1.603.623	3.739.701
2002	7.204.313	7.120.287	13.702.771	16.405.646	12.639.343	20.904.433	19.551.164	10.747.971	8.226.385	1.762.427	4.038.091
2003	7.769.154	7.684.231	14.625.334	17344.17	13.512.702	22.380.907	20.514.626	11.565.336	8.705.242	1.923.758	4.554.824
2004	8.676.224	8.462.637	15.780.271	18.744.338	14.558.998	23.973.164	21.508.347	12.327.775	9.844.432	2.126.005	5.282.395
2005	9.334.619	9.322.486	16.996.586	20.289.544	15.970.747	25.481.636	22.977.456	13.234.634	11.005.798	2.507.868	5.625.911
2006	10426.16	10.293.976	18250.9	22184.25	17871.13	27.332.603	24.971.021	14.309.071	12.094.915	2.690.524	6.253.454
2007	11.386.509	11.302.483	19.026.503	24.235.511	20.251.125	29.172.089	27.204.876	15.549.453	12.888.286	2900.54	6.941.315
2008	12.285.071	12251.92	19.799.233	25764.79	22.024.495	30.745.408	28.848.256	16.536.688	13.511.161	3.165.931	7531.85

Source: *www.indexmundi.com*

## Appendix 5

## Economic Freedom Index

Economic freedom is the fundamental right of every human to control his or her own labour and property. In an economically free society, individuals are free to work, produce, consume, and invest in any way they please, with that freedom both protected by the state and unconstrained by the state. In economically free societies, governments allow labour, capital and goods to move freely, and refrain from coercion or constraint of liberty beyond the extent necessary to protect and maintain liberty

itself. We measure ten components of economic freedom, assigning a grade in each using a scale from 0 to 100, where 100 represents the maximum freedom. The ten component scores are then averaged to give an overall economic freedom score for each country. The ten components of economic freedom are: Business Freedom | Trade Freedom | Fiscal Freedom | Government Size | Monetary Freedom | Investment Freedom | Financial Freedom | Property Rights | Freedom from Corruption | Labour Freedom.

The State	Score 1998	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption
Bulgaria	45.7	55	49.0	53.5	48.8	25.2	50	50	50	30
Croatia	51.7	55	60.8	68.3	39.5	61.8	50	50	30	50
Czech Republic	68.4	85	77.4	54.7	39.3	75.9	70	90	70	54
Greece	60.6	70	77.8	53.3	52.5	71.4	70	30	70	50
Hungary	56.9	70	61.0	55.7	2.9	63.8	70	70	70	49
Moldova	53.5	70	75.0	57.7	52.7	46.3	50	50	50	30
Montenegro	-	-	-	-	-	-	-	-	-	-
Romania	54.4	55	74.0	43.9	64.3	52.1	70	50	30	50
Serbia	-	-	-	-	-	-	-	-	-	-
Slovakia	57.5	70	73.0	66.4	35.4	72.7	50	50	50	50
Slovenia	60.7	70	59.0	51.8	37.3	68.4	70	70	70	50
Turkey	60.9	70	73.8	58.4	68.5	31.8	70	70	70	35
Ukraine	40.4	55	53.0	64.4	51.0	0.0	50	30	30	30

The State	Score 1999	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption
Bulgaria	46.2	55	46.8	68.0	46.3	0.0	70	50	50	30
Croatia	53.1	55	63.8	68.4	38.4	72.1	50	50	30	50
Czech Republic	69.7	85	79.8	59.2	44.8	76.4	70	90	70	52
Greece	61.0	70	77.8	47.6	55.8	73.9	70	30	70	54
Hungary	59.6	70	63.2	62.6	12.8	66.3	70	70	70	52
Moldova	56.1	70	75.0	58.5	55.1	65.9	50	50	50	30
Montenegro	-	-	-	-	-	-	-	-	-	-
Romania	50.1	55	74.0	45.0	65.1	27.0	70	50	30	34
Serbia	-	-	-	-	-	-	-	-	-	-
Slovakia	54.2	70	73.0	53.0	17.6	74.0	50	50	50	50
Slovenia	61.3	70	59.0	52.4	39.5	70.8	70	70	70	50
Turkey	59.2	70	74.4	57.0	57.1	31.8	70	70	70	32
Ukraine	43.7	55	53.0	63.0	43.0	39.3	50	30	30	30

The State	Score 2000	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption
Bulgaria	47.3	55	49.8	67.9	54.4	0.0	70	50	50	29
Croatia	53.6	55	67.0	68.9	41.9	70.0	50	50	30	50
Czech Republic	68.6	85	72.0	58.1	49.6	75.0	70	90	70	48
Greece	61.0	70	77.8	52.2	54.4	75.5	70	30	70	49
Hungary	64.4	70	76.6	63.9	39.3	69.6	70	70	70	50
Moldova	59.6	70	75.0	55.8	85.5	69.9	50	50	50	30
Montenegro	-	-	-	-	-	-	-	-	-	-
Romania	52.1	55	74.0	58.3	63.3	38.1	70	50	30	30
Serbia	-	-	-	-	-	-	-	-	-	-
Slovakia	53.8	70	71.2	54.8	25.0	73.9	50	50	50	39
Slovenia	58.3	70	73.6	52.9	36.5	71.9	50	50	70	50
Turkey	63.4	70	75.0	67.2	82.7	31.8	70	70	70	34
Ukraine	47.8	55	70.0	62.3	41.9	63.0	50	30	30	28

The State	Score 2001	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption
Bulgaria	51.9	55	57.2	58.1	67.3	26.2	70	50	50	33
Croatia	50.7	55	71.6	66.9	33.7	71.7	50	50	30	27
Czech Republic	70.2	85	72.8	67.5	49.6	81.2	70	90	70	46
Greece	63.4	70	78.0	50.9	54.4	78.3	70	50	70	49
Hungary	65.6	70	77.8	65.7	41.9	73.3	70	70	70	52
Moldova	54.9	55	76.4	54.5	76.5	55.9	50	50	50	26
Montenegro	-	-	-	-	-	-	-	-	-	-
Romania	50.0	55	73.4	57.6	79.7	41.4	50	30	30	33
Serbia	-	-	-	-	-	-	-	-	-	-
Slovakia	58.5	70	80.2	59.3	39.3	70.8	70	50	50	37
Slovenia	61.8	85	67.4	52.8	47.1	73.6	50	50	70	60
Turkey	60.6	70	73.0	66.9	73.0	36.4	70	50	70	36

The State	Score 2002	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption
Bulgaria	57.1	55	60.2	68.3	49.6	75.8	70	50	50	35.0
Croatia	51.1	55	68.8	68.3	25.0	75.7	50	50	30	37.0
Czech Republic	66.5	70	73.0	66.8	33.7	82.2	70	90	70	43.0
Greece	59.1	70	79.6	50.1	54.4	78.7	50	50	50	49.0
Hungary	64.5	70	80.0	65.5	28.0	74.7	70	70	70	52.0
Moldova	57.4	55	76.0	78.2	76.5	54.7	50	50	50	26.0
Montenegro	46.6	40	88.4	89.8	74.8	46.8	10	30	30	10.0
Romania	48.7	55	74.4	64.4	58.9	46.6	50	30	30	29.0
Serbia	46.6	40	88.4	89.8	74.8	46.8	10	30	30	10.0
Slovakia	59.8	70	79.8	61.1	33.7	68.8	70	70	50	35.0
Slovenia	57.8	85	64.2	51.8	41.9	72.0	50	50	50	55.0
Turkey	54.2	55	79.6	65.2	58.9	41.0	50	50	50	38.0
Ukraine	48.2	55	71.0	66.1	58.9	58.2	50	30	30	15.0

The State	Score 2003	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption
Bulgaria	57.0	55	62.4	72.4	56.7	77.5	50	50	50	39.0
Croatia	53.3	55	72.8	77.6	28.6	76.3	50	50	30	39.0
Czech Republic	67.5	70	73.6	67.2	45.6	81.9	70	90	70	39.0
Greece	58.8	70	81.4	57.2	50.3	78.5	50	50	50	42.0
Hungary	63.0	70	76.0	65.6	22.3	70.6	70	70	70	53.0
Moldova	60.0	55	80.4	81.3	78.6	63.4	50	50	50	31.0
Montenegro	43.5	40	68.4	79.8	89.2	34.2	10	30	30	10.0
Romania	50.6	55	60.2	69.1	62.4	50.8	50	50	30	28.0
Serbia	43.5	40	68.4	79.8	89.2	34.2	10	30	30	10.0
Slovakia	59.0	70	72.8	67.5	22.3	71.3	70	70	50	37.0
Slovenia	57.7	85	62.2	53.1	40.6	76.7	50	50	50	52.0
Turkey	51.9	55	73.6	64.6	45.0	42.9	50	50	50	36.0
Ukraine	51.1	55	74.6	67.1	68.1	64.0	30	50	30	21.0

The State	Score 2004	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption
Bulgaria	59.2	55	63.2	81.1	64.5	78.7	50	70	30	40.0
Croatia	53.1	55	65.4	67.3	22.9	79.5	50	70	30	38.0
Czech Republic	67.0	70	73.4	67.0	40.9	84.6	70	90	70	37.0
Greece	59.1	70	79.8	58.4	53.2	78.1	50	50	50	42.0
Hungary	62.7	70	76.0	65.6	20.1	73.7	70	70	70	49.0
Moldova	57.1	55	80.4	81.5	74.2	71.3	30	50	50	21.0
Montenegro	-	-	-	-	-	-	-	-	-	-
Romania	50.0	55	57.6	69.9	74.8	56.8	30	50	30	26.0
Serbia	-	-	-	-	-	-	-	-	-	-
Slovakia	64.6	70	72.8	68.5	42.4	80.8	70	90	50	37.0
Slovenia	59.2	85	65.2	54.4	40.6	77.3	50	50	50	60.0
Turkey	52.8	55	74.2	60.8	56.9	46.1	50	50	50	32.0
Ukraine	53.7	55	74.4	67.5	77.8	74.5	30	50	30	24.0



The State	Score 2005	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption	Labour Freedom
Bulgaria	62.3	55	82.0	80.3	53.4	83.1	50	70	30	39.0	80.3
Croatia	51.9	55	65.4	59.3	26.2	81.4	50	70	30	37.0	44.3
Czech Republic	64.6	70	76.8	68.2	15.1	88.9	70	90	70	39.0	57.7
Greece	59.0	70	80.2	58.0	54.4	78.1	50	50	50	43.0	56.1
Hungary	63.5	70	70.0	67.9	25.6	75.6	70	70	70	48.0	68.2
Moldova	57.4	55	77.2	84.5	68.5	70.0	30	50	50	24.0	64.8
Montenegro	-	-	-	-	-	-	-	-	-	-	-
Romania	52.1	55	70.4	70.1	68.9	62.6	30	50	30	28.0	55.5
Serbia	-	-	-	-	-	-	-	-	-	-	-
Slovakia	66.8	70	72.8	81.9	42.4	78.0	70	90	50	37.0	75.7
Slovenia	59.6	85	81.8	55.6	45.3	79.1	50	50	50	59.0	40.3
Turkey	50.6	55	76.0	65.3	54.4	53.8	50	30	50	31.0	40.7
Ukraine	55.8	55	76.2	83.0	78.6	76.2	30	50	30	23.0	55.8

The State	Score 2006	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption	Labour Freedom
Bulgaria	64.1	70.5	65.8	83.2	49.8	80.7	70	70	30	41	79.8
Croatia	53.6	54.5	78.4	69.6	23.2	81.2	50	70	30	35	44.6
Czech Republic	66.4	57.8	82.4	68.8	36.8	85.9	70	90	70	42	60.3
Greece	60.1	73.2	82.4	61.0	53.9	78.7	50	50	50	43	58.6
Hungary	65.0	70.8	82.4	68.2	27.1	74.3	70	70	70	48	69.5
Moldova	58.0	67.4	79.4	81.9	66.1	68.4	30	50	50	23	63.4
Montenegro	-	-	-	-	-	-	-	-	-	-	-
Romania	58.2	74.6	68.4	87.5	68.9	66.6	50	50	30	29	57.5
Serbia	-	-	-	-	-	-	-	-	-	-	-
Slovakia	69.8	69.3	82.4	89.5	52.5	77.8	70	90	50	40	76.7
Slovenia	61.9	75.1	82.4	64.0	44.3	81.7	70	50	50	60	41.6
Turkey	57.0	66.7	81.0	68.0	68.1	64.7	50	50	50	32	39.1
Ukraine	54.4	43.1	77.2	90.2	75.8	72.9	30	50	30	22	53.2

The State	Score 2007	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption	Labour Freedom
Bulgaria	62.7	70.3	70.8	82.4	57.8	75.8	60	60	30	40	79.8
Croatia	53.4	54.2	87.8	69.9	24.4	79.3	50	60	30	34	44.5
Czech Republic	67.4	61.1	86.6	69.9	47.1	86.3	70	80	70	43	20.0
Greece	58.7	69.7	81.6	62.4	53.4	78.4	50	40	50	43	44.2
Hungary	64.8	70.2	86.6	68.8	26.8	76.6	70	60	70	50	44.0
Moldova	58.7	68.1	79.4	85.6	62.8	68.0	30	50	50	29	61.7
Montenegro	-	-	-	-	-	-	-	-	-	-	64.4
Romania	61.2	73.2	84.0	85.9	71.0	69.7	50	60	30	30	41.5
Serbia	-	-	-	-	-	-	-	-	-	-	84.9
Slovakia	69.6	70.7	86.6	89.5	53.7	76.6	70	80	50	43	32.7
Slovenia	59.6	72.9	86.6	54.6	30.9	78.9	70	50	50	61	97.8
Turkey	57.4	67.4	81.0	69.1	62.4	70.1	50	50	50	35	78.9
Ukraine	51.5	43.6	77.2	83.6	53.2	68.4	30	50	30	26	30.0

The State	Score 2008	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption	Labour Freedom
Bulgaria	63.7	68.4	86.0	82.7	56.0	73.7	60	60	30	40	80.6
Croatia	54.1	58.5	87.6	68.8	28.0	78.8	50	60	30	34	45.5
Czech Republic	68.1	64.2	86.0	71.3	45.6	80.3	70	80	70	48	66.1
Greece	60.6	70.4	81.0	65.6	57.8	78.5	50	50	50	44	58.8
Hungary	67.6	74.4	86.0	70.0	26.5	77.2	80	70	70	52	70.3
Moldova	57.9	69.3	79.2	83.0	56.9	67.6	30	50	50	32	60.7
Montenegro	-	-	-	-	-	-	-	-	-	-	-
Romania	61.7	74.9	86.0	85.6	70.8	72.5	60	50	30	31	56.3
Serbia	-	-	-	-	-	-	-	-	-	-	-
Slovakia	70.0	69.5	86.0	89.4	53.9	76.9	70	80	50	47	77.1
Slovenia	60.2	74.1	86.0	62.4	33.2	79.5	60	50	50	64	42.4
Turkey	59.9	68.3	86.8	77.7	68.3	70.8	50	50	50	38	39.5
Ukraine	51.0	44.4	82.2	79.0	43.0	69.9	30	50	30	28	53.1

The State	Score 2009	Business Freedom	Trade Freedom	Fiscal Freedom	Government Size	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption	Labour Freedom
Bulgaria	64.6	73.5	85.8	86.2	58.7	72.8	60.0	60.0	30.0	41.0	78.4
Croatia	55.1	59.9	87.6	68.7	31.1	79.0	50.0	60.0	30.0	41.0	43.4
Czech Republic	69.4	65.1	85.8	80.2	43.0	79.7	70.0	80.0	70.0	52.0	67.8
Greece	60.8	78.7	80.8	66.5	46.3	78.8	50.0	50.0	50.0	46.0	61.2
Hungary	66.8	77.4	85.8	70.6	19.2	73.8	80.0	70.0	70.0	53.0	68.4
Moldova	54.9	70.1	81.6	85.3	51.3	67.6	30.0	50.0	40.0	28.0	45.1
Montenegro	58.2	68.7	80.2	89.1	45.3	78.9	40.0	50.0	40.0	33.0	57.2
Romania	63.2	74.9	85.8	87.0	70.0	75.0	60.0	50.0	35.0	37.0	57.1
Serbia	56.6	56.0	78.0	85.9	46.3	65.8	40.0	50.0	40.0	34.0	70.0
Slovakia	69.4	73.4	85.8	84.1	57.4	78.7	70.0	70.0	50.0	49.0	75.4
Slovenia	62.9	84.4	85.8	62.9	38.4	78.6	60.0	50.0	60.0	66.0	42.8
Turkey	61.6	69.9	86.6	73.2	83.4	71.1	50.0	50.0	50.0	41.0	40.3
Ukraine	48.8	40.5	84.0	77.0	39.0	68.1	30.0	40.0	30.0	27.0	52.4

Source: <http://www.heritage.org/Index/Default.aspx>