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I. Concepts and research objectives

Can governance be changed by human agency? The answer to this central policy question has been taken for granted in the last twenty years as good governance promotion began to feature as a top priority of every international donor organization. Despite this fact, the answer is not as simple. In this introductory study, we divide the answer in two parts. **The first question** pertains to whether **governance—as defined in the framework of this project as a set of institutions determining who gets what in a given society—evolves at all, other than incrementally, in the absence of radical intervening factors (e.g., war, military occupation or natural disaster).** **The second part questions, where such natural evolution can be observed with some certainty, is it intentional human agency which brings the change about.** **The objective of this trend analysis report is to answer the first part of the question and identify cases of evolution. The future reports will model change and analyze its determinants.**

The concept of evolution is influenced by our definitions of governance and corruption. We define corruption as a governance regime—a stable configuration of rules of the game where the norm does not feature ethical universalism (i.e. every citizen treated equally by the state), but rather some kind of particularism shaping exchanges between public actors and citizens. According to the United Nations Convention against Corruption (UNCAC), particularism is corrupt when it changes the relations between a state and its citizens, which must be based on modern (universal and impersonal) principles resulting in a treatment (process) and an allocation of public resources (outcomes) based on fairness, impartiality and equality. If we discuss corruption at national level, we measure in fact governance regimes. Thus, we can speak of corruption as deviation from the norm only at individual or organization level, and even then, it is problematic as we do find many regimes where the norm is corruption itself, and governance works as a form of permanent spoliation of public resources by private actors. Corruption in this context includes behavior ranging from favoritism to bribes. Some of its forms are criminalized, others not, but the defining characteristic at national level, which makes people speak of ‘corrupt’ versus ‘non-corrupt’ countries, is not a legal definition of corruption, but rather the answer to the question whether transactions carried out by the state respect the norm of ethical universalism or are influenced by some particular ties which lead to privileged treatment and discrimination, respectively. We define control of corruption as

“[...] the capacity of a society to constrain corrupt behavior in order to enforce the norm of individual integrity in public service and politics and to uphold a state which is free from the capture of particular interests and thus able to promote public interest and social welfare.” (Mungiu-Pippidi 2013, 9)

But why should all countries strive to meet this unique benchmark of governance? While perfectly legitimate, the question has become one of historical interest as more than 150

countries had by 2013 signed UNCAC, which was put into force on 14 December 2005. In other words, most countries committed to a certain unique set of governance standards. In articles 7 (public sector) and 9 (procurement), the convention spells out the modern principles of efficiency, transparency, merit, equity and objectivity as the only accepted governance norms. It also goes far beyond the criminalization of bribing or influence trading, stating in article 1.c that it will ‘promote integrity, accountability and proper management of public affairs and public property’. **This puts an end to moral relativism in the area of governance.** The UNCAC, together with the International Covenant on Civil and Political Rights (adopted in 1966 and signed by 167 governments by 2011) and other related treaties and conventions, signals that the world now has universal governance norms which sovereign countries have willingly adopted and which should be implemented. This also means that citizens of these countries are able to demand better governance with respect to the standards adopted.

Operating at national level, this measurement of the main rule of the game in public resource allocation is what we refer to as **control of corruption**. **The World Bank measures it as an aggregate indicator composed of all established country ratings on corruption since 1996.** It aims to capture not only perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, but also the degree of state capture by elites and private interests¹. *The extent to which this indicator is reliable will be discussed in detail in the second methodological section of this report.*

The World Bank indicator thus allows us to observe the evolution of control of corruption in a large sample of countries over the past 17 years (1996-2012). This seems to be a considerable period of time in itself—but is it sufficient for a country to modernize its governance? Countries presently placed in the upper tercile of the World Bank scale have reached this position within a far longer interval, with very few exceptions. Although we do not have the kind of systematic data to go further back, there are enough historical indicators to inform us when countries have reached certain governance benchmarks. A wider historical view would thus divide the achievers of good governance into generations. The first generation, which we call ‘historical achievers’, is comprised of 14 countries, including atypical polities, such as Andorra or Lichtenstein. This generation includes the Scandinavian countries, which were created as a result of diverse secessions but have forged their own tools to good governance, despite their common origins; Britain, the classic historical performer, and the United States, its most prodigious colony; the Benelux countries, which have shared the same political space for many years, although Belgium in recent years seems to have reached a lesser standard of governance than the Netherlands; three historical German speaking principalities, Austria, Prussia and

¹ For the full composition of sources used for this aggregate indicator see <http://info.worldbank.org/governance/wgi/pdf/cc.pdf>.

Bavaria; France, and Switzerland. Their achievement in governance coincided with their modernity, leading to the belief reflected in UNCAC that the two can only go together, despite serious skepticism on this account voiced in the past (Nye 1967; Huntington 1968).

The second generation of 'early' achievers reached modern governance between the two World Wars. These were generally new states which seceded from a first generation achiever, mostly British Empire splinters populated by European Christians (i.e. Ireland, Australia and New Zealand) which continued to follow the tradition of British legal institutions, mixed with their own democratic developments. Also included here is Iceland, a splinter of Denmark. Finally, contemporary 'achievers' came close to the good governance benchmark after the Second World War, starting with two countries which evolved as Western protectorates following military occupation: Japan and West Germany. More recent achievers saw a new round of former British colonies, in particular Caribbean islands, a handful of Mediterranean and Eastern European countries, as well as some continental exceptions. **This suggests that historically, only a few countries achieved the benchmark of 'control of corruption' independently.** There appear to be only a few streams and a few exceptions from broader continental contexts. But is it wrong to presume an underlying governance trend toward modern governance? Formally, no: UNCAC itself is the proof, as well as the UN system. If nothing else, here we can find countries which conceive themselves in similar terms, and even use the same formal language of modernity and post-modernity, despite their differences in development. What about informal institutions, are they catching up with these pretenses of modernity? This is a far more difficult question, and more indicators than those of the World Bank Control of Corruption might be needed to answer it. However, first an overview of existing measurements is needed, in order to understand what are their limitations and what do they tell us. We shall then examine the other questions in turn.

II. Methodology

As defining corruption is difficult and controversial, measuring it is equally challenging, although considerable progress has been made in the last two decades (see Kaufmann et al. 2006). The only existing instruments allowing comparisons across time are based on perception indicators. There are mainly two ways to measure perceptions of corruption. The first is to rely on the opinions of experts, i.e. business executives, academics or development officials; such measures are criticized for their lack of transparency, such as the Economist Intelligence Unit, formerly the Business Index, or the International Country Risk Guide, (ICRG). The second method is to ask regular citizens to assess the extent of corruption in their own country or in certain institutions. Table 1 shows the correlations between several corruption measurements that follow different methodologies. The control of corruption indicator by the World Bank and Transparency International's Corruption Perceptions Index (CPI) are both aggregated index scores based on variables from different data sources. The World Economic Forum's diversion of public funds indicator as well as the PRS Group's Quality of Government indicator are based on expert surveys. Finally, the perception of corruption of public officials and political parties are taken from the Global Corruption Barometer, a general population survey.

Statistical aggregates can make use of all the above, either in the form of simple averages, such as the CPI, or by extracting more refined unobserved components, as the World Bank does to estimate its Worldwide Governance Indicators (WGI), which allow measuring the difference between sources. While these indicators have been criticized for their lack of validity and reliability (Andrews 2008; Thomas 2009), the fact remains, as argued by Kaufman et al. (1999) and Knack (2006), that most sources are highly correlated: citizens, businesses and experts tend to agree on which countries are more or less corrupt (see Table 1).

The control of corruption indicator has been published since 1996, on a biannual basis until 2002 and annually since then, and covers almost 200 countries. It is computed on the basis of some hundred individual variables on perception of corruption, drawn from about 40 data sources produced by more than 30 different organizations. From these sources the definition of corruption ranges from the frequency of additional payments, to the effects of corruption on the business environment, to measuring grand corruption in the political arena or in the tendency of elite forms to engage in state capture (Kaufmann 2005). To combine the various corruption indicators into a single index an unobserved component is extracted. The estimate of control of corruption is given therefore by the weighted average of (rescaled) scores of each of the component indicators, the model also allowing for computing the variance of a disturbance term, which is a measure of how informative the index is. The variance of this conditional distribution provides an estimate of the precision of the control of corruption

indicator for each country. The point estimate is the mean of the conditional distribution given the observed data and ranges between -2.5 (most corrupt) and +2.5 (least corrupt).

No corruption measurement developed until now enjoys universal acceptance. The challenge of acquiring data that allows comparing corruption across countries and across time still persists. The CPI, first released in 1995, was the initial attempt to measure and compare corruption on a global scale. This index has been credited widely with putting the issue of corruption on the global policy agenda and raising international awareness about the phenomenon. Nonetheless, its methodology was designed for cross-country comparisons in a single year and not for comparisons of a single country's score across several years. The PRS Group's International Country Risk Guide (ICRG) also includes a corruption measurement. However, methodological changes made in 1997 and 2001 make it also unreliable to analyze corruption trends.

This report uses the World Bank control of corruption indicator. Although this index has also been criticized, it provides data for the longest time span (1996-2011) and aggregates most measurements by a transparent methodology.

Table 1. Correlations between Different Corruption Indicators (2010)

		Control of Corruption estimate	Perception of Corruption among political parties	Perception of Corruption among public officials	Quality of Government index	Corruption Perception Index	Diversion of public funds	Source
Control of Corruption estimate	Pearson Corr. Sig. (2-tailed) N	1 196						World Bank's Worldwide Governance Indicators (2010)
Perception of Corruption among political parties	Pearson Corr. Sig. (2-tailed) N	-0.0467 0.6497 97	1 97					Global Corruption Barometer (2010/11)
Perception of Corruption among public officials	Pearson Corr. Sig. (2-tailed) N	-0.4455** 0.0000 97	0.6041** 0.0000 97	1 97				Global Corruption Barometer (2010/11)
Quality of Government index	Pearson Corr. Sig. (2-tailed) N	0.8685** 0.0000 139	-0.1323 0.2332 83	-0.5234** 0.0000 83	1 139			PRS Group's International Country Risk Guide (2010)
Corruption Perception Index	Pearson Corr. Sig. (2-tailed) N	0.9910** 0.0000 101	-0.0894 0.4188 84	-0.4893** 0.0000 84	0.8672** 0.0000 92	1 101		Transparency International (2010)
Diversion of public funds	Pearson Corr. Sig. (2-tailed) N	0.8475** 0.0000 140	-0.2523* 0.0214 83	-0.5868** 0.0000 83	0.7873** 0.0000 119	0.9433** 0.0000 88	1 140	World Economic Forum's Global Competitiveness Report (2010)

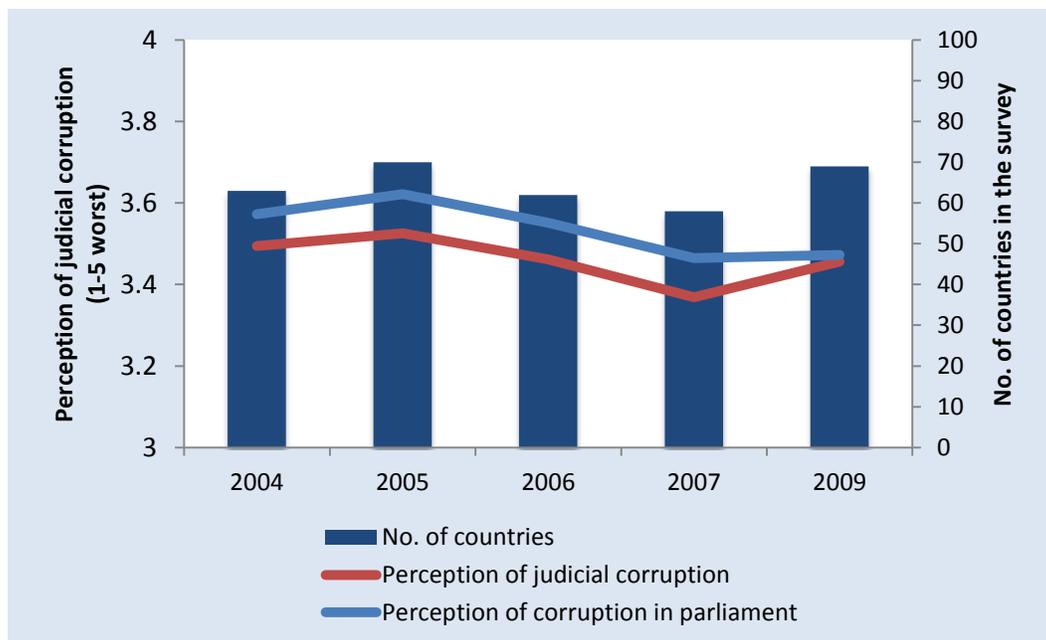
** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

III. Global and continental trends

Since the World Bank began monitoring the World Governance Indicators (WGI) in 1996², it seems that very few countries have managed to evolve in controlling corruption, despite the development of an international legal anti-corruption framework and increased awareness of the systematic nature of corruption, as a result of efforts by NGOs such as Transparency International. Control of corruption, due to its aggregate nature, is not very sensitive to change, but we do find changes in the lower part of the scale. The answer to our first question seems to be, therefore, in the negative. According to the WGI control of corruption indicator, no region has seen, on average, a statistically significant change in this period of time (see Figure 2). Surveys are more difficult to compare across time, but taking into account the number of countries polled, they also fail to show evolution. Figure 1, for instance, shows the evolution of average perceptions of corruption in the judiciary and the Parliament, based on data from the Global Corruption Barometer. All changes between 2004 and 2009 are not statistically significant. Both the judiciary and the legislatures are perceived as corrupt above the means of a 1-5 measure, oscillating between 3.4 and 3.6, with no improvement in 2009 versus 2004. In fact, we see a slight catch-up of the judiciary, which is increasingly seen as equally corrupt as the Parliament.

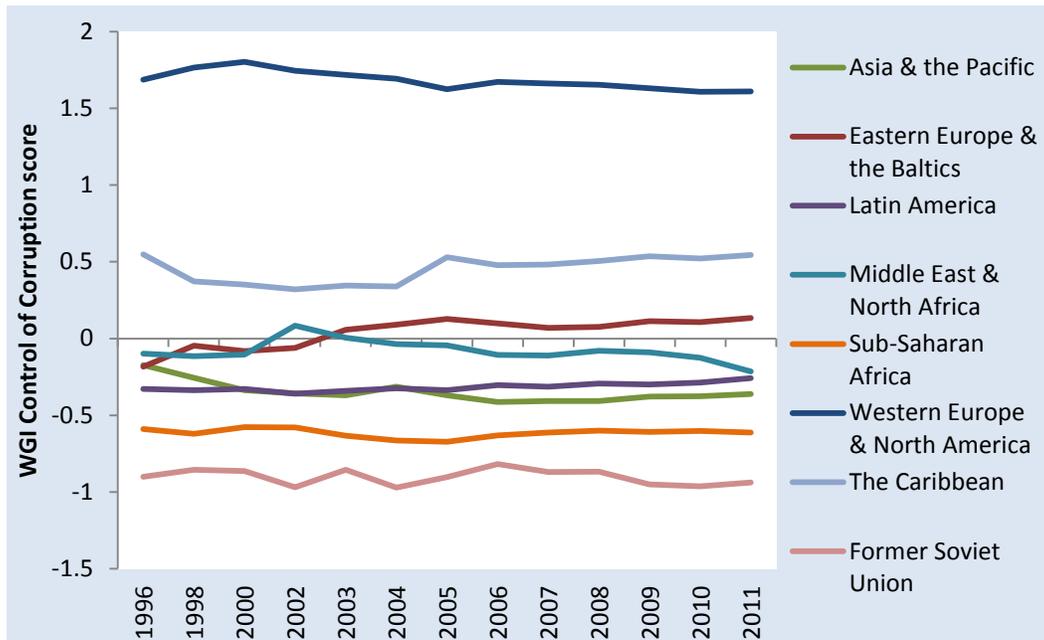
Figure 1. Perceptions of Corruption in the Judiciary and the Parliament (2004-2009)



Data source: Global Corruption Barometer 2004-2009.

² World Bank Institute monitors 6 dimensions of governance for 215 countries, see <<http://info.worldbank.org/governance/wgi/index.asp>>.

Figure 2. Evolution of the WGI Control of Corruption Average by Region (1996-2011)



Data source: Worldwide Governance Indicators.

Figure 2 shows that, according to the WGI control of corruption indicator, the best performing group of countries consists of the European first generation achievers and their overseas colonies in North America and Oceania. Their average control of corruption is more than one point higher (over a five point scale) than the second best-performing region, the Caribbean. In third place, Eastern Europe and the Baltics have demonstrated the highest degree of evolution, more than any other region in the world since 1989. However, this positive trend is not observed equally across post-communist countries, since most of the former Soviet Union actually rates at the very bottom, below Sub-Saharan Africa. What is discernible from this graph is that the rest of the world lags far behind the most achieving area.

Since the WGI control of corruption indicator calculates the standard errors of the estimates for each country by considering the number of sources used in the aggregation process and how much they vary in their individual country assessments, it is possible to assess how many countries have had a statistically significant change in their scores between 1996 and 2011. For the vast majority of countries (141 out of 189), no significant change was observed. Only 21 countries showed statistically significant improvement over the past 15 years, and 27 countries significantly regressed. On the average, the regions with higher positive development were Central Europe (including the Balkans) and the Caribbean. On the other hand, Middle East and North Africa, together with Asia and the Pacific, have on average worsened. Progress seems to

have been made in atypical polities, such as the United Arab Emirates, Hong Kong and Cape Verde, or remains controversial, as in Georgia.

Some of the countries that had evolved within the previous decades have, in fact, regressed over the last fifteen years of global anti-corruption efforts. When reviewing countries continent by continent, it is almost impossible to find a steady progression to the top of the World Bank ratings, although the lower part of the scale shows some cases of evolution. What we do find, however, is involution, for instance, in South Africa, Argentina, Eritrea and Ukraine. Control of corruption is not only hard to achieve, but difficult to sustain. A more detailed review by each region is offered below, highlighting control of corruption trends and achievers in a regional context.

Asia and the Pacific

<i>Best performers:</i>	Singapore, Hong Kong, Japan
<i>Worst performers:</i>	Myanmar, Afghanistan, Democratic Republic of Korea
<i>Positive change:</i>	Japan
<i>Negative change:</i>	Malaysia, Fiji, Maldives, China, Nepal, Philippines, Papua New Guinea

Asia and the Pacific is a very diverse region. Economically, it includes very poor countries such as Nepal (per capita income of USD 268.26 in 2010³) and East Timor (USD 369.57) and much richer countries such as Singapore (USD 32,535.83) and Japan (USD 39,309.48). Politically, it encompasses democratic regimes such as South Korea and India, and autocratic ones such as Cambodia, Laos and North Korea. Based on Freedom House scores, we see in fact that almost two-thirds of the region is either partially free or not free regimes⁴. Overall, there is great heterogeneity in development levels: While Afghanistan has a human development index (HDI) rating of only 0.368, Japan and South Korea are above 0.9.

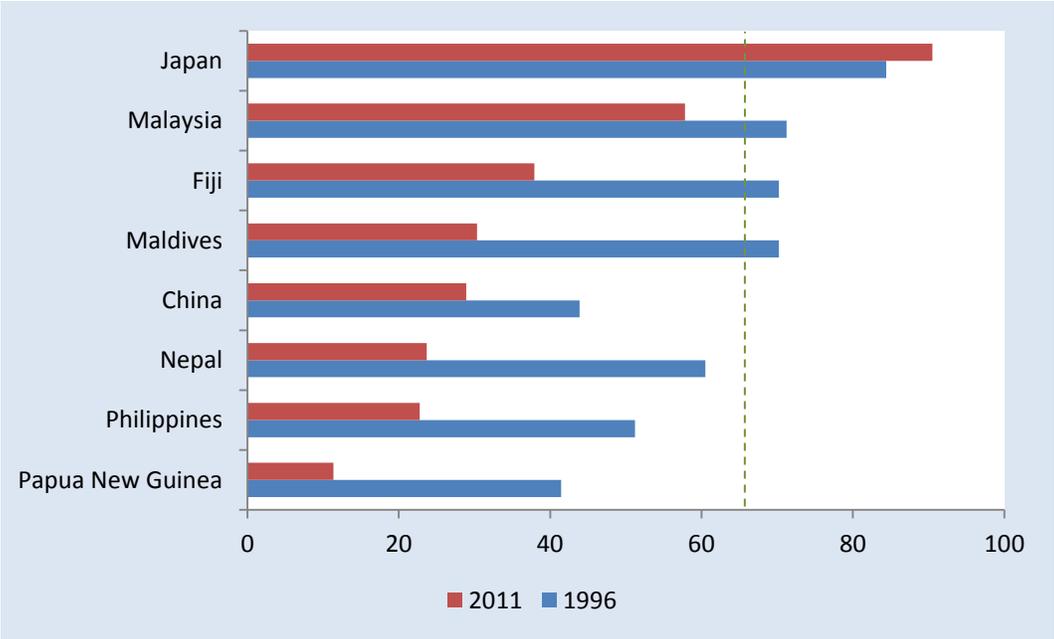
³ Data from the World Bank, measured in constant 2000 USD.

⁴ Freedom House applies one of three broad category designations to each of the countries and territories included in its Freedom in the World index: free, partly free and not free. A free country is one where there is open political competition, a climate of respect for civil liberties, significant independent civic life, and independent media. A partly free country is one in which there is limited respect for political rights and civil liberties. These states frequently suffer from an environment of corruption, weak rule of law, ethnic and religious strife, and a political landscape in which a single party enjoys dominance despite a certain degree of pluralism. A not free country is one where basic political rights are absent, and basic civil liberties are widely and systematically denied.

In terms of governance, the disparities are also extreme. The best performers in control of corruption, Singapore and Japan, are respectively ranked at the 96th and the 90th percentile, with scores of 2.12 and 1.50, whereas the worst performers, Myanmar (-1.69), Afghanistan (-1.55) and North Korea (-1.38), are among the countries with weakest control of corruption in the whole world and rank below the 3rd percentile.

As illustrated in Figure 2, this region has seen its average in the control of corruption indicator decrease from -0.17 to -0.36 in the period between 1996 and 2011. This change is, however, not statistically significant, and is likely explained by an increase in the number of countries in the sample from 26 to 34, and by the inclusion of more sources considered in the aggregate indicator: In 1996, an average of 3.62 sources were used per country in the estimation, and in 2011 this increased to 8.74. Even though the regional picture as a whole did not alter much in this period, eight out of the 34 countries considered did experience statistically significant change in control of corruption, as shown in Figure 3.

Figure 3. Significant Changes in Control of Corruption in Asia and the Pacific (1996-2011)



Data source: Worldwide Governance Indicators.

Japan was not only the second-best performer in the region, but was also the only case of statistically significant improvement in this indicator. In 1996, it already belonged to the top tercile (the area to the right of the green dotted line), ranked at the 84th percentile with a score of 1.05 (in a scale of -2.5 to 2.5). Since then, it has advanced even more, reaching a score of 1.5 and the 90th percentile. The other countries with significant change, on the other hand, saw

considerable deterioration in control of corruption. Malaysia, Fiji and Maldives also started out this period in the top tercile, with scores of 0.51, 0.44 and 0.44, respectively, but dropped to 0.00, -0.49 and -0.63. In the case of the Maldives, this negative development even led the country to drop from the top to the bottom tercile, ranking at the 30th percentile in 2011. China, Nepal, Philippines and Papua New Guinea also regressed significantly in this period.

Latin America and the Caribbean

<i>Best performers:</i>	Barbados, Chile, The Bahamas
<i>Worst performers:</i>	Haiti, Venezuela, Ecuador
<i>Positive change:</i>	St. Lucia, St. Vincent & the Grenadines, St. Kitts & Nevis, Uruguay, El Salvador
<i>Negative change:</i>	Dominican Republic, Trinidad and Tobago

These two regions are officially part of Latin America more broadly, but for the analysis presented here, it is useful to look at these two groups of countries separately, due to the many differences that we observe across these countries. For this purpose, the region described as Latin America comprehends mainly continental Latin America (Belize, Guyana and Suriname excluded) and insular countries Cuba, Dominican Republic and Haiti, with a total of 20 nations⁵. Other Caribbean nations belong to the region described as the Caribbean, which includes 13 countries in our sample.

It is interesting to notice that these two regions perform distinctly in many indicators and also in control of corruption. Latin America, for instance, presents an average income of USD 4,014, therefore at an upper-middle level. The Caribbean countries in turn have a much higher income of USD 7,382. On the political front Freedom House classifies all countries in the Caribbean in our sample as free, whereas Latin America includes mainly countries considered as partly free and even Cuba as the only autocracy in the continent. The gap in terms of overall development, measured by average HDI, is nevertheless small: Latin America has an average index of 0.7, whereas the Caribbean performs a bit better with an average score of 0.74.

In Latin America, the clear champions in control of corruption are Chile (1.5), Uruguay (1.29) and Costa Rica (0.67). Cuba (0.5) comes next, despite being an autocracy. The worst performers include politically unstable and natural-disaster ridden Haiti (-1.26), and borderline

⁵ This classification follows the regions as defined by the Worldwide Governance Indicators.

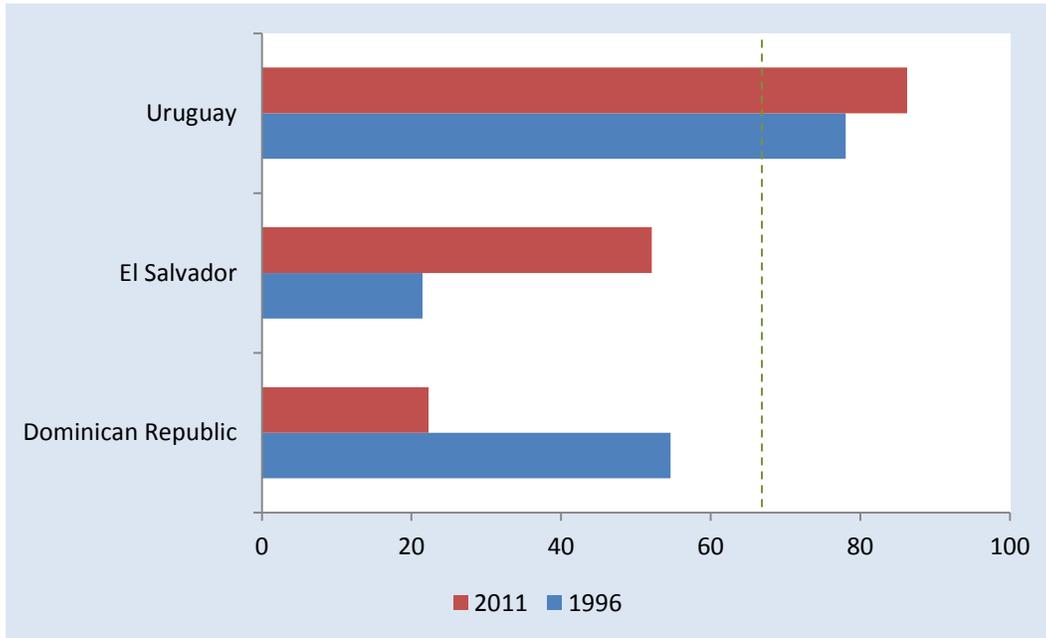
authoritarian Venezuela (-1.24). In the Caribbean, Barbados (1.43), Bahamas (1.35) and Antigua and Barbuda (1.33) are placed at the top, while the worst performers are Guyana (-0.56), Suriname (-0.43), Jamaica (-0.37) and Trinidad and Tobago (-0.35), but even these countries rank in the middle tercile of the world.

The trends for the control of corruption indicator also present important differences between these two regions. As shown in Figure 2, the Caribbean clearly outperforms Latin America; in fact, it outperforms all other regions except for Western Europe and North America. Between 1996 and 2011, the average control of corruption score in this region remained practically constant between 0.548 and 0.545. In Latin America, on the other hand, the average increased slightly from -0.32 to -0.26, but this change is not statistically significant.

A few countries in each region have experienced significant changes. Figure 4 illustrates the biggest changes in Latin America, where Uruguay and El Salvador appear as cases of improvement and the Dominican Republic as an instance of deterioration. Uruguay stayed in the top tercile of control of corruption, moving from a score of 0.72 (78th percentile) to 1.28 (86th percentile). El Salvador managed to jump from the bottom to the middle tercile, from a score of -0.9 (21st percentile) to -0.23 (52nd percentile). Dominican Republic moved in the opposite direction, falling from the middle tercile to the bottom one, from a 1996 score of -0.1 (54th percentile) to -0.79 (22nd percentile).

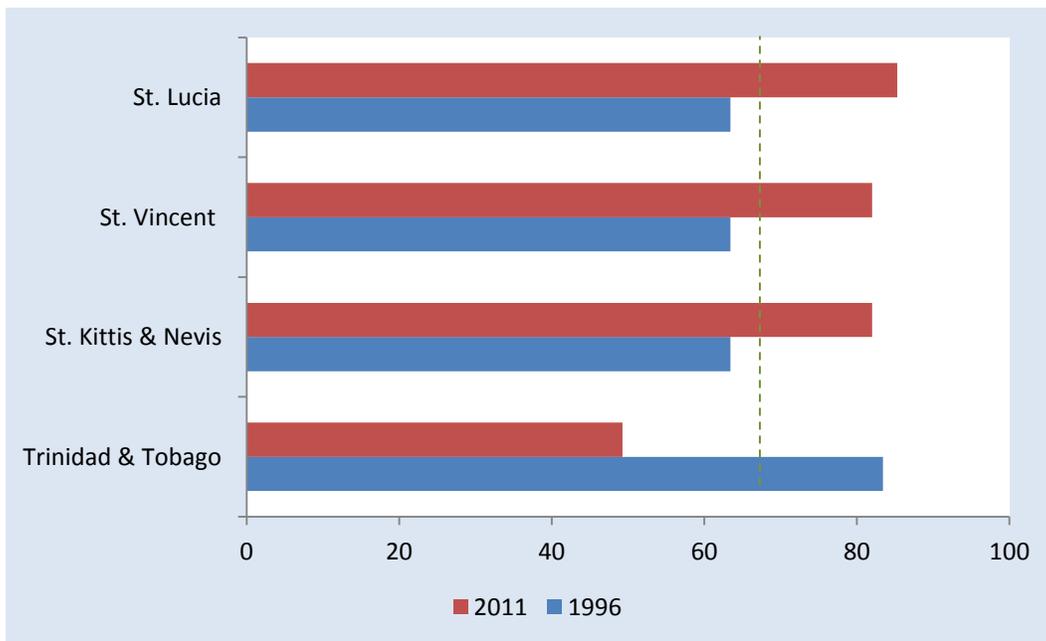
The Caribbean had three cases of progress, namely St. Lucia, St. Vincent and the Grenadines and St. Kitts and Nevis, as shown in Figure 5. As these countries did not received any score in 1996, the change was calculated based on 1998 scores, which shows that they managed to achieve significant improvement in an even shorter period of time. All three countries had a similar movement from the middle to the top tercile. Trinidad and Tobago appears as a case of negative trend, having dropped from the top tercile to the middle one, from a score of 1.01 (83rd percentile) to -0.28 (49th percentile).

Figure 4. Significant Changes in Control of Corruption in Latin America (1996-2011)



Data source: Worldwide Governance Indicators.

Figure 5. Significant Changes in Control of Corruption in the Caribbean (1996-2011)



Data source: Worldwide Governance Indicators.

Western Europe and North America

<i>Best performers:</i>	Denmark, New Zealand, Sweden
<i>Worst performers:</i>	Greece, Italy, Malta
<i>Positive change:</i>	
<i>Negative change:</i>	Greece, Portugal, Austria, United Kingdom

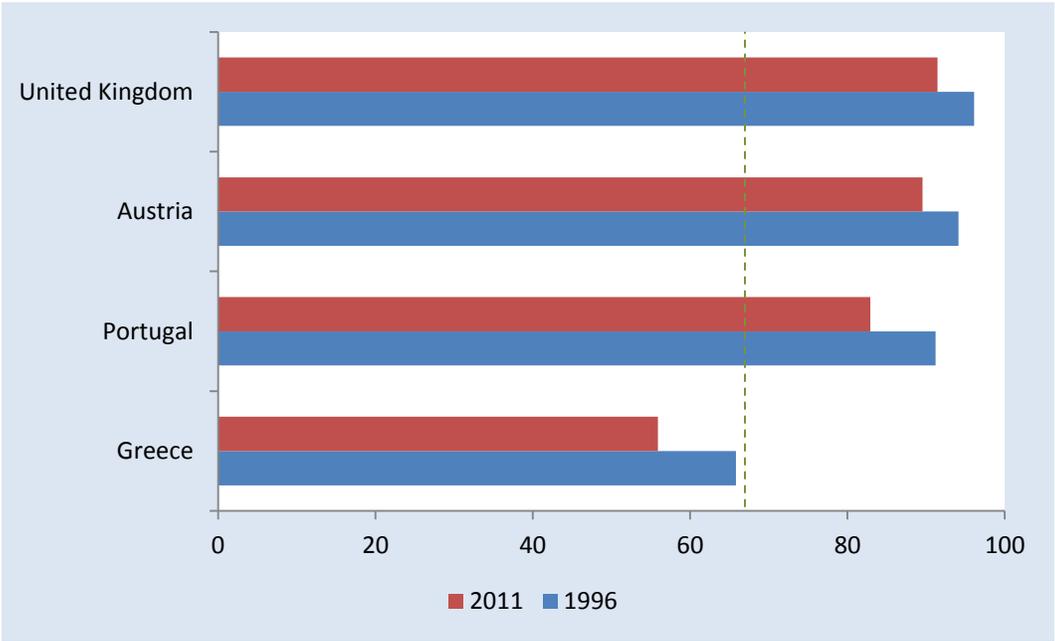
This region, which includes not only Western Europe and North America but also Australia and New Zealand⁶, is clearly the richest, most developed of all the regions considered here, with an average GDP per capita of USD 27,023 and an average HDI of 0.89. All of the 25 countries in this group are consolidated democracies that have been in place for on average over 80 years.

In control of corruption, it is also the region that performs the best, with an average score of 1.61 in 2011. This score has slightly dropped from 1.69 since 1996, but the difference is not statistically significant. Moreover, 23 out of 25 countries are in the top tercile of control of corruption; the two exceptions are Italy and Greece, which rank in the middle tercile. The top performers in the region are Denmark (score of 2.42), New Zealand (2.33) and Sweden (2.22), and the countries in the bottom, Italy and Greece, had scores of -0.01 and -0.15 in 2011, respectively.

Between 1996 and 2011, four countries have experienced a statistically significant change in their scores, as shown in Figure 6. All four cases demonstrate regression in control of corruption. Three of them remained in the top tercile: the United Kingdom dropped from 2.12 to 1.54, Austria from 1.93 to 1.44, and Portugal from 1.52 to 1.09. Finally, Greece was bordering the threshold to the top tercile in 1996 with a score of 0.34, but dropped to -0.15 in 2011. In the case of Greece, the significant drop took place from 2007 onwards, and intensified after the country's debt crisis.

⁶ The countries considered part of this group are: Andorra, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States.

Figure 6. Significant Changes in Control of Corruption in Western Europe and North America (1996-2011)



Data source: Worldwide Governance Indicators.

Eastern Europe

<i>Best performers:</i>	Slovenia, Estonia, Poland
<i>Worst performers:</i>	Albania, Kosovo, Bosnia and Herzegovina
<i>Positive change:</i>	Estonia, Latvia, Croatia, Republic of Macedonia, Bulgaria, Serbia
<i>Negative change:</i>	

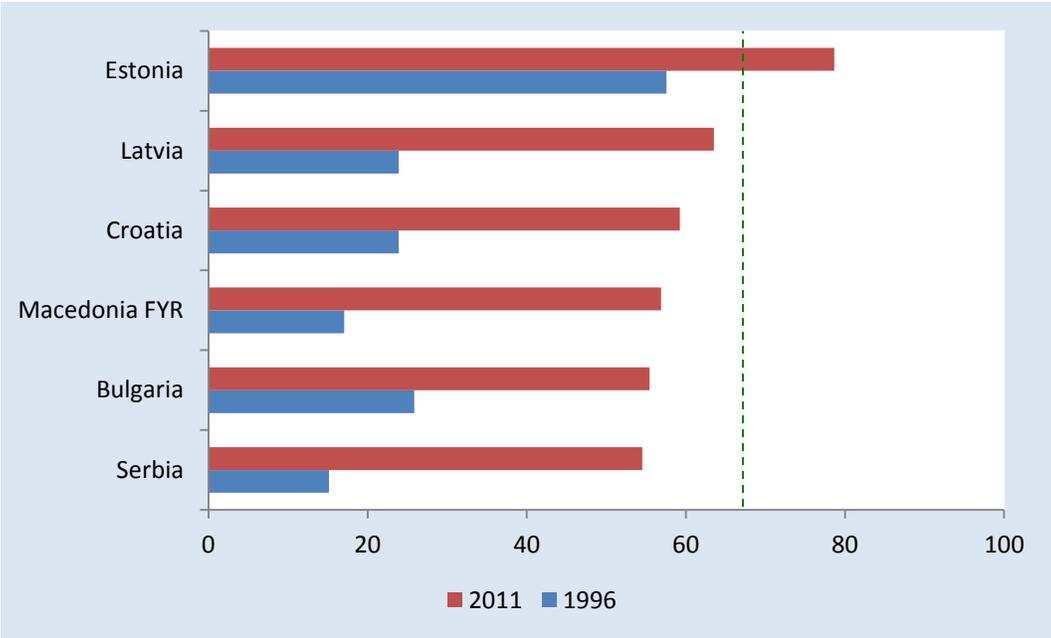
Eastern Europe is the region that has registered the highest improvement in control of corruption (see Figure 2). Out of the 17 countries in this region⁷, 6 have registered a statistically significant progress and not a single country has shown a significant deterioration (see Figure 7). Half of these good performers are Western Balkan countries that started with very low

⁷ The countries considered part of this region are Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Kosovo, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovak Republic and Slovenia.

corruption ratings after the Yugoslav conflict, i.e. Croatia, Serbia and the Republic of Macedonia.

When looking at the control of corruption scores in Eastern Europe we notice that countries can be clustered in three groups: There are good governance achievers with scores close to 1, namely Estonia and Slovenia; there are six borderline cases⁸ with scores between 0 and 0.5 (i.e. Czech Republic Hungary, Latvia, Lithuania, Poland and Slovakia); and finally, we see a group of laggards with scores lower than 0. This last group includes Albania, Kosovo, Bosnia and Herzegovina, Montenegro, Serbia, Romania and Bulgaria. Croatia and the Republic of Macedonia, two of the regional achievers identified in our analysis, fall right in between the borderline cases and the laggard group with scores around zero.

Figure 7. Significant Changes in Control of Corruption in Eastern Europe (1996-2011)



Data source: Worldwide Governance Indicators.

Although more than a third of the countries in Eastern Europe experienced an improvement in their levels of corruption after 1996, not all of them showed the same degree of improvement. Bulgaria, for example, saw a statistically significant improvement in the late 1990s, but only managed to catch up with neighboring Romania and stagnated afterwards. Despite having a score comparable to that of Croatia and Latvia when control of corruption was first measured in

⁸ A borderline case can be defined as a fairly modern state where the main norm in public resource allocation is still particularism. In other words, favoritism and corruption are still the norm rather than the exception.

1996, by 2011 Bulgaria had stayed behind these two other countries with its score of -0.17, while the Baltic state improved its score to 0.21 and Croatia reached a 0.02. These three countries are part of the first wave of good governance that hit the region between 1996 and 2000, but they stagnated afterwards. The second wave of good governance in Eastern Europe came in 2002 and hit Serbia and Macedonia, the two with the worst control of corruption scores in the region in 1996 (-0.96 and -1.03 respectively). These two countries have been constantly improving since 2002 and by 2011 Serbia had caught up with Bulgaria and Macedonia with a score of -0.02.

With the exception of Estonia, which started from a far better position than the rest of the countries in the region and is now part of the upper control of corruption tercile, all other achievers moved from the bottom to the middle group and still face some important challenges.

Former Soviet Union (FSU)

<i>Best performers:</i>	Georgia, Armenia, Moldova
<i>Worst performers:</i>	Turkmenistan, Uzbekistan, Tajikistan
<i>Positive change:</i>	Georgia
<i>Negative change:</i>	Turkmenistan

This group of former Soviet countries⁹, with its average of -0.94 in control of corruption, ranks as the most corrupt region in the world. Out of these 12 countries, 10 were in the lowest tercile of control of corruption in 2011 and only the top two performers, i.e. Georgia and Armenia with their scores of -0.02 and -0.58, respectively, made it into the middle tercile. To put this into perspective, the scores of Georgia and Armenia, although by far the best among this group of countries, would not signify a top-three performance in any other region.

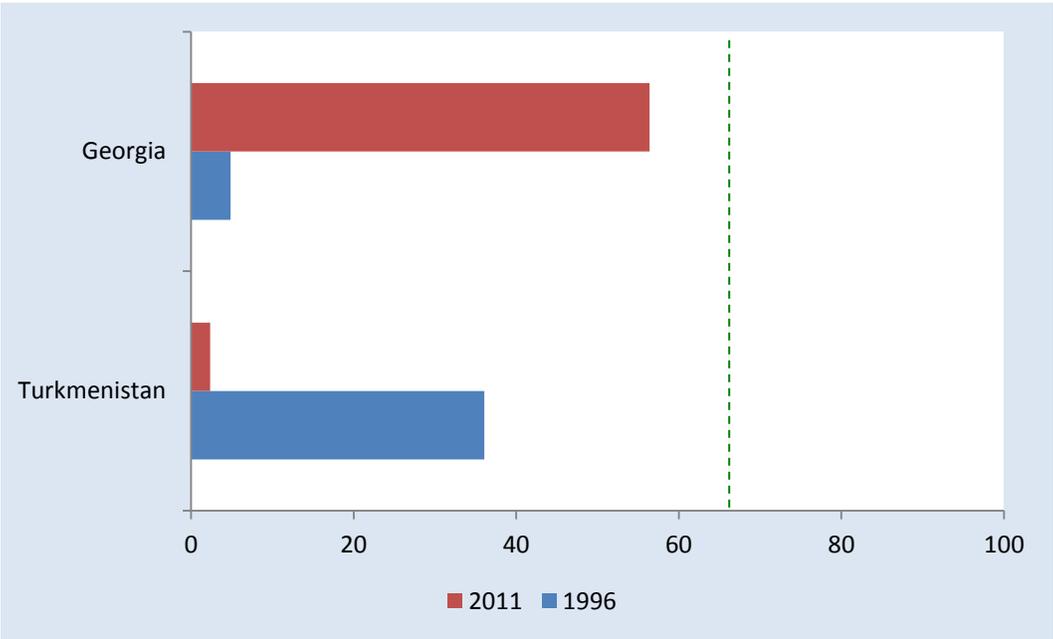
According to reports from Freedom House and Transparency International, corruption in this region has penetrated all spheres of life: It is widespread in interactions between individual citizens or businesses and the public administration, as well as among high-level officials and politicians. Moreover, the fact that civil society organizations have found it increasingly difficult to operate in the region is also fueling the levels of corruption. The news was uniformly grim

⁹ This region is formed by Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

concerning corruption patterns in the FSU between 1996 and 2011: 10 out of 12 countries stayed stable in the lowest tercile of control of corruption, one showed a significant worsening and only one showed improvement (see Figure 8).

Georgia is by far the region’s anti-corruption champion. The country’s score climbed to -0.02 in 2011, up from -1.39 in 1996. Georgia’s improvement started clearly in the aftermath of the 2003 Rose Revolution, and since then, the country has successfully managed to reduce petty corruption through several high profile anti-corruption campaigns, including the prosecution of senior corrupt officials, police reform, deregulation and the liberalization of the business environment as well as public sector reform. Despite the improvement, Georgia still has a long way to go to eliminate corruption. Some consider that corruption patterns evolved from rampant petty bribery to more clientelistic forms of corruption. This manifests itself through a discretionary distribution of public services by the state, whereby decisions about resource allocation are made in order to secure the loyalty of powerful groups or individuals to maintain political control (Kupatadze 2011).

Figure 8. Significant Changes in Control of Corruption in the Former Soviet Union (1996-2011)



Data source: Worldwide Governance Indicators.

Turkmenistan is the only other country in the FSU that registered significant change in its corruption rating. Unfortunately, it was not a positive change like in Georgia, but a dramatic fall from -0.47 in 1996 to -1.46 in 2011. This score places the country as the fifth most corrupt state in the world. Turkmenistan’s president is known for presiding over a system that enables him to

control and use at his own discretion revenues from hydrocarbons sales, which form the country’s primary source of income. There is also a notable lack of transparency with regard to true economic figures, with no national budget published in full. The country’s patronage networks have given rise to a political culture of bribery, nepotism, and embezzlement.

Sub-Saharan Africa (SSA)

<i>Best performers:</i>	Botswana, Cape Verde, Mauritius
<i>Worst performers:</i>	Somalia, Equatorial Guinea, Democratic Republic of the Congo
<i>Positive change:</i>	Rwanda, Cape Verde, Liberia, Zambia, Tanzania
<i>Negative change:</i>	Namibia, South Africa, Eritrea, Côte D’Ivoire, Guinea, Zimbabwe

Remaining as the world’s poorest region, Sub-Saharan Africa (SSA) is comprised of 48 countries¹⁰, 28 of which are among the 30 least developed countries in the world according to their HDI scores. SSA is also the only region in the world where poverty has increased since 1990. Although real per capita income has increased, more than two-thirds of the people in the region live on less than two US dollars per day. Nevertheless, in the first decade of this century, the region saw its longest period of growth since the 1960s. Not only was the average growth rate almost 6%, but several African economies also ranked among the fastest growing in the world. This economic improvement, however, has not helped SSA get a better hold of corruption: the average control of corruption score between 1996 and 2011 was -0.61, the second lowest in the world only after the former Soviet Union.

As Figure 9 shows, out of the 48 countries in SSA, 12 exhibit a significant change in control of corruption between 1996 and 2011. Five states (Cape Verde, Liberia, Rwanda, Tanzania and Zambia) moved in the positive direction, and seven (Congo, Côte d'Ivoire, Eritrea, Guinea, Namibia, South Africa and Zimbabwe) in the negative direction. But this region has some interesting cases and stellar performers. Botswana, for example, has remained the best

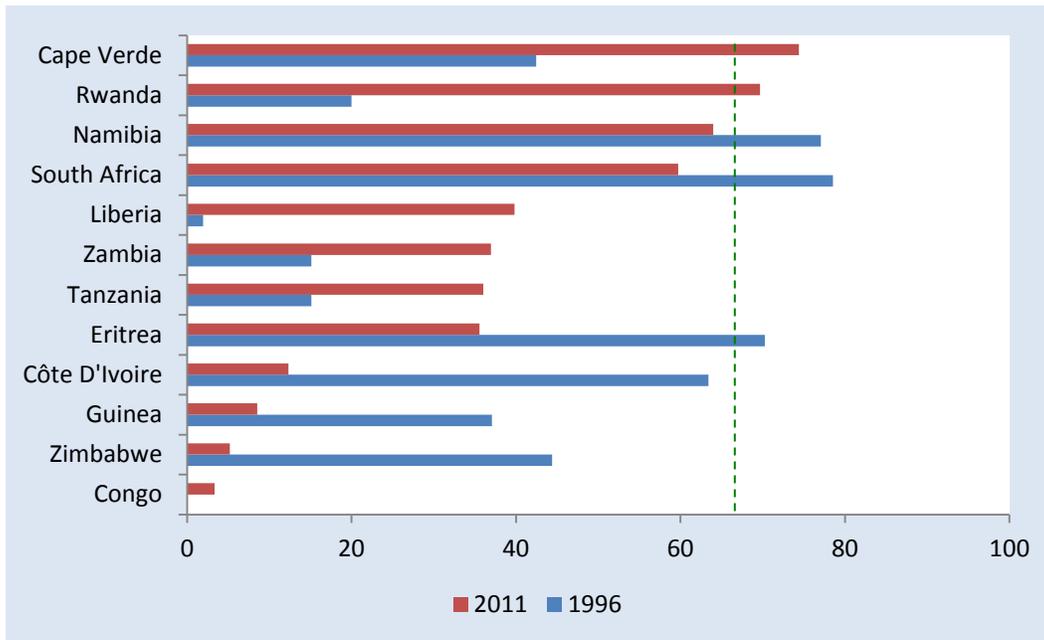
¹⁰ These are: Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Côte d’Ivoire, Democratic Republic of Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Republic of Congo, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia and Zimbabwe.

performer since 1996. Its control of corruption score has allowed this country to remain in the highest tercile of control of corruption since the beginning of measurements. In 2011 Botswana had a score of 0.97, which places the country closer to Spain than to any other country in its own region.

Other good performers are Cape Verde and Rwanda. Both countries improved their control of corruption significantly: Rwanda went from the lowest tercile to the highest in a matter of 15 years, and Cape Verde also made it into the peak group and consolidated itself as the second best performer in the region with a score of 0.80 in 2011. Other stories of success can be found in Liberia, Tanzania and Zambia. Although these countries are still far from catching up with the leaders of the pack (Botswana, Cape Verde and Rwanda), they have made great progress in fighting corruption and managed to move from the bottom group in 1996 to the middle group by mid 2000s.

How did Liberia, Tanzania and Zambia manage to improve their control of corruption? The answer seems to be in their transition to democracy and a market-oriented economy. Although democratic structures are still relatively new in Zambia, they are nonetheless robust in comparison with other countries in the region. This was underlined by the peaceful transition of power following the elections in September 2011. Tanzania is also moving from a centralist, state-run economy to a liberal, free-market economy and pluralistic multi-party democracy. In the case of Liberia, the political will of its president Ellen Johnson Sirleaf pushed for important anti-corruption reforms that included ensuring the independence of the General Auditing Commission, establishing the Liberia Anti-Corruption Commission, promoting transparent budget processes and assuring Liberia's compliance with the Extractive Industries Transparency Initiative. Steps were also taken to strengthen the Public Procurement Commission, improve the governance of state-owned enterprises and address capacity challenges in the public sector.

Figure 9. Significant Changes in Control of Corruption in Sub-Saharan Africa (1996-2011)



Data source: Worldwide Governance Indicators.

But not all countries in the region have followed a successful path. Two of the most developed countries in the region, South Africa and Namibia, slipped from the top in the late 2000s. Between 1996 and 2011, South Africa’s score fell from 0.76 in 1996 to 0.03 in 2011 and Namibia’s from 0.71 to 0.22. Eritrea also experienced a dramatic fall in its rating after getting the 6th best score in the region in 1996. Eritrea experienced a steep decline in control of corruption after the year 2000 due to the post-independence war and the border disagreements with neighboring Ethiopia and Djibouti. Another dramatic case is Côte d'Ivoire: In 1996, the country was still considered an economic powerhouse in West Africa that had managed to avoid the descent into civil war that plagued many of its neighbors. In the 1970s and 1980s, it was even referred to as the 'African miracle', but in September 2002, an army mutiny escalated into a full-scale rebellion, resulting in the country being split into a rebel-held north and a government-held south. This greatly impacted the state of governance and control of corruption fell from a score of 0.20, which almost placed the country in the highest tercile, to a score of -1.10, placing it at the bottom of the group.

Political conflicts are also responsible for the anti-corruption setbacks registered in Guinea, Zimbabwe and the Democratic Republic of the Congo. The first two countries fell from the mid to the lowest tercile and the last one, together with Somalia, simply has not managed to leave the very bottom of the scale over the past 15 years.

Middle East and North Africa (MENA)

<i>Best performers:</i>	United Arab Emirates, Qatar, Cyprus
<i>Worst performers:</i>	Libya, Iraq, Yemen
<i>Positive change:</i>	United Arab Emirates, Qatar
<i>Negative change:</i>	Cyprus, Israel, Kuwait, Morocco, Egypt, Yemen, Libya

The Middle East and North Africa (MENA)¹¹ is an economically diverse region that includes countries with a common heritage, but vastly different levels of per capita income: The GDP per capita of the poorest country in the region, namely Yemen, is USD 2,252.46, representing less than 3% of the per capita income of Qatar, the richest country in the region with a GDP per capita of USD 77,108.22. This region is characterized by its economic dependence on oil and the legacy of central planning and dictatorship, which have played a major role in shaping the region's political and economic systems.

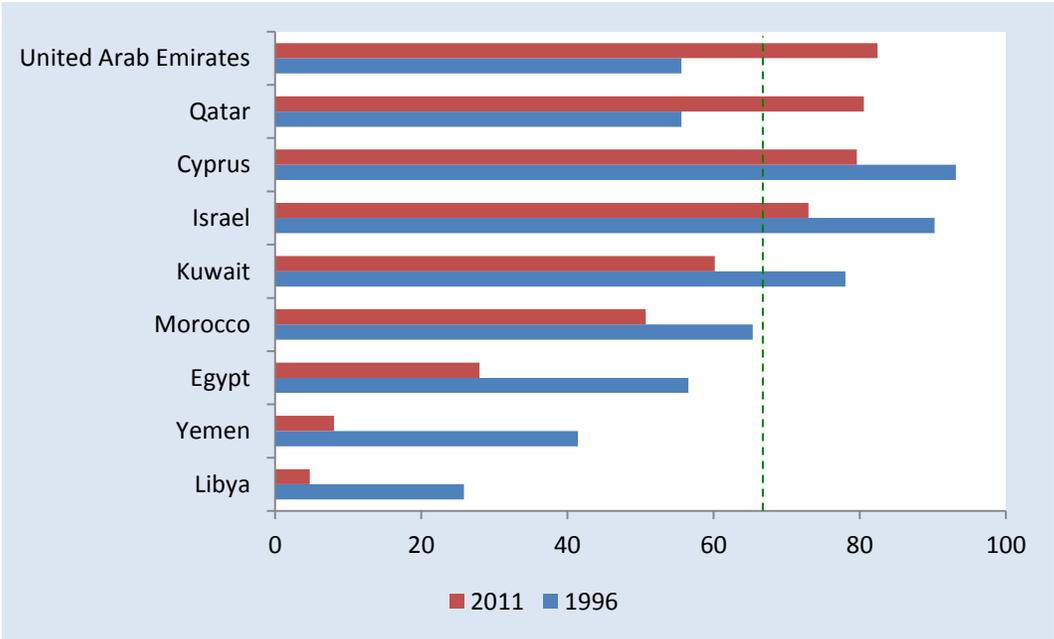
In terms of control of corruption, MENA seemed to experience an improvement between 1996 and 2003. During this period, the average score for the region increased from -0.12 to 0, but by 2010 the region was back to the level of corruption registered in 1996. This does not mean, however, that individual countries have not improved. Great advances have been made in Qatar and the United Arab Emirates (UAE). These two countries managed to move up into the highest tercile of control of corruption in a matter of 15 years (see Figure 10). Qatar had a score of 1.52 in 2010, which places it above countries like Belgium, France or the United Kingdom and the United Arab Emirates are now catching up with countries like Portugal and Spain. This means that the UAE and Qatar have overtaken Israel and Cyprus to become the Middle Eastern countries perceived to be the least corrupt. High-profile prosecutions of corrupt executives and improvements in financial tracking systems have helped improve the scores in these two countries.

However, despite the good performance of some countries in the region, not everything is good news. As shown in Figure 10, seven countries registered a significant regression in control of corruption. Cyprus's score dropped from 1.80 in 1996 to 1.07 in 2010 and Israel's from 1.47 to 0.64, but both countries managed to stay in the highest tercile despite this fall. Kuwait, on the other hand, another country that made it into the top tercile in 1996 with a score of 0.71, fell to

¹¹ Although MENA has no standardized definition and different organizations define the region as consisting of different countries, the sample for this paper is based on the World Bank's definition which encompasses the following 20 countries: Algeria, Bahrain, Cyprus, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, Turkey, the United Arab Emirates and Yemen.

the middle group with its score of 0.35 in 2010. Kuwait’s political system has long been seen as one of the most freewheeling in a region where politics are dominated by absolute monarchs, but its vast oil wealth has fueled corruption and fed public distrust due to the lack of transparency in government spending and resource allocation. Moreover, in late 2011, two of Kuwait’s biggest banks detected millions of dollars being transferred to the accounts of members of parliament, which triggered an investigation involving a fifth of the members of parliament and caused public discontent and demands for the removal of the prime minister and a move toward constitutional monarchy.

Figure 10. Significant Changes in Control of Corruption in the Middle East and North Africa (1996-2011)



Data source: Worldwide Governance Indicators.

Despite Morocco’s efforts to fight corruption, like the creation of the Central Agency for Corruption Prevention (ICPC) and the adoption of a procurement system that outlines the conditions and terms for awarding government contracts, the country’s control of corruption score worsened and reached its lowest score in 2008 (-0.37). Morocco was very close to making it into the top tercile in 1996 with a score of 0.33, but there are growing concerns about the Moroccan judicial system, which is seen as being subjected to political pressure from the monarchy, the military and political and economic elites (Denoeux 2011). Some other problems like the persistence of a significant degree of impunity for well-connected individuals and members of powerful institutions, the intertwined nature of political and economic interests in

the country and the existence of a large informal economy (Denoeux 2011) have also contributed to Morocco's negative development in control of corruption. As a response to the public demands that spread through the region during the Arab Spring, Morocco passed a set of governance reforms in 2011, including a new anti-corruption strategy, but it is still too early to evaluate its results. In 2011 the control of corruption score of Morocco (-0.26) was still lower than in 1996.

In the case of Egypt, several laws were passed between 2004 and 2011 to limit money laundering, improve auditing standards and regulate banking transactions. Despite these actions, the country's control of corruption score dropped from -0.07 in 1996 to -0.68 in 2011. This is mainly due to the fact that bribery and the use of personal networks to facilitate basic bureaucratic transactions are still common practice. After the revolution, not much has changed since the lack of legal accountability that allowed corruption to thrive under Mubarak remains largely unchanged (Stacher 2012).

Just like in Egypt, other two countries in the region experienced a statistically significant regression in their control of corruption ratings between 1996 and 2011 and had their governments overthrown during the Arab Spring: Yemen dropped from the middle to the lowest tercile, and Libya's score fell from -0.78 to -1.26. In the case of Yemen, government efforts to combat corruption have been largely cosmetic. Nepotism and patronage politics are still the rule rather than the exception and the low civil service salaries provide incentives for employees to seek petty bribes (Yadav 2012).

IV. Corruption, Development and Democracy Trends

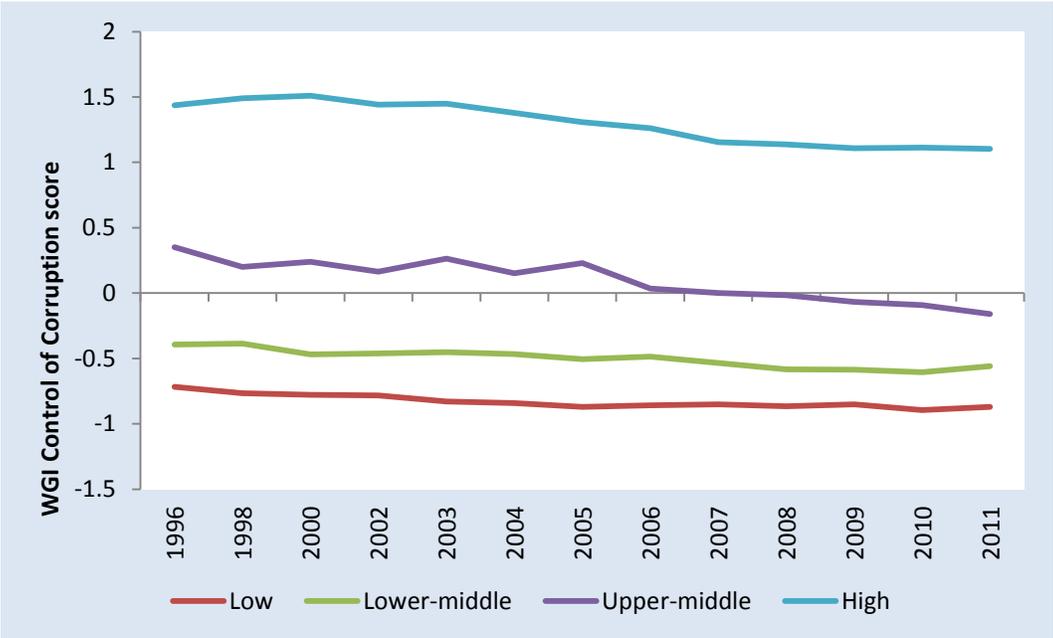
The literature on the determinants of corruption has emphasized the strong association between corruption indicators and economic development. At the same time, several studies have discussed that a causal link between the two is likely to run both ways. That is, while higher economic development contributes to stronger control of corruption, the latter also has a positive effect on development (Holmberg et al. 2009). Studies that have found evidence for an association between corruption and lower levels of development have been very influential in bringing the issue to the top of the international agenda in the past two decades.

Looking at the empirical data and comparing control of corruption and development trends from the last two decades, we get a better impression of whether the observed patterns corroborate these arguments. Figure 11, for instance, shows the evolution of the control of corruption indicator average between 1996 and 2011, according to four income groups. All income groups have seen some degree of a declining trend, but this has been most pronounced in the upper-middle and high- income categories. It is interesting to note, as revealed in

Figure 12, that precisely these two “clubs” have been joined by a considerable number of countries in the same time period: The number of nations has jumped from 27 to 52 in the upper-middle income category and from 40 to 56 in the high income group.

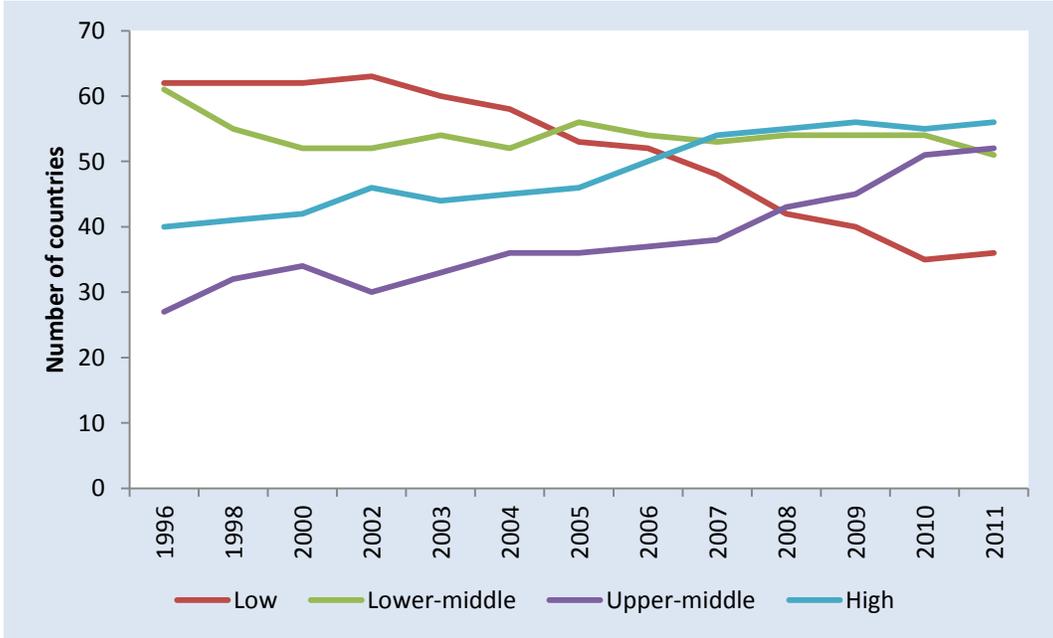
These data can be interpreted in two ways. One possibility is that control of corruption has been genuinely deteriorating significantly across the board in these two groups, both among the countries that already belonged to these categories and the new-comers, which has led to a considerable decline in the average of the control of corruption score. However, as has been observed in previous sections, this is not likely to be the case, since the trend of control of corruption has not observed statistically significant changes in any region in the world, and the vast majority of countries considered in our analysis present a rather stable trend. The second possibility is that the new-comers in these two income groups are countries that do not present the same high governance standards observed in other rich countries, and are therefore in fact pulling the group average down. This means that these countries are actually becoming richer faster than they are improving governance structures towards universalism and impartiality.

Figure 11. Evolution of the WGI Control of Corruption Average by Income Group (1996-2011)



Data sources: Worldwide Governance Indicators and World Bank.

Figure 12. Distribution of Countries by Income Group (1996-2011)



Data source: World Bank. (Note: The sample of countries for 1996 includes 190 countries, whereas the sample for 2011 includes 195 countries.)

A closer look at the new-comers to the two top income categories shows interesting insights on the connection between control of corruption and economic development. In our sample, 16 countries from virtually all regions, except Asia, have acceded to the high income category in this 15-year period. The average control of corruption score among these countries was 0.28 in 1996, much lower than the average of high income countries, at 1.44. Even though the average score of these 16 countries actually increased slightly to 0.36 by 2011¹², it is clear that their joining the high income countries has led to a considerable drop in the average control of corruption score in this income category, as shown in Figure 11. Nevertheless, it is also interesting to notice that more than half of these countries were already in the top tercile of control of corruption in 1996, thus suggesting that, although their governance structures can still be improved further, a certain level of pre-existing good institutions likely contributed to further economic development and may even have been necessary for it.

Among these 16 countries, only one, namely Trinidad and Tobago, had a statistically significant regression in control of corruption. At the same time, we see three countries with significant positive change in control of corruption in this group: Croatia, Estonia and St. Kittis and Nevis. Estonia is a particular interesting case because it is one of the two countries among the “new rich” that has managed to move from lower income levels to the top income category; in 1996, it was in the lower-middle income category. These three cases thus represent good examples of contexts where efforts to improve governance appears to have paid off in terms of a positive trend in economic development, and therefore, contribute to making a case for the positive effects of strengthened control of corruption. Their accelerated economic growth and improvement in control of corruption took place in parallel. In the other countries that have managed only to catch up economically in this time interval, future assessments will have to be made in order to see if a feedback effect from economic development to improvements in control of corruption will also come about.

Not all is positive in this group, however: Equatorial Guinea, which had a low per capita income in 1996, managed to jump from the very bottom to the high income category mainly due to the discovery of vast oil fields in 1996, despite being among the worst performers in control of corruption, with a score of -1.49 in 2011. These new-found natural resources contributed to an increase in revenue that has mainly benefited a small ruling elite and an authoritarian leader in a clear example of a kleptocratic regime, while a large portion of the population still suffers from poverty (Open Society Justice Initiative 2010). While we may expect that other countries that have achieved higher income levels may eventually also experience improvements in

¹² If Equatorial Guinea is excluded from this set of countries, as it performs much worse than the others in this group, the average in 2011 is actually much higher, reaching 0.49. This shows that the bad governance standards in this country influence the overall average of the group significantly in a downward direction.

control of corruption, the case of Equatorial Guinea offers less room for such optimism. It is argued that economic development may contribute to lower corruption as higher levels of wealth lead citizens to demanding increased investments by governments in public goods, among which better institutions (Charron and Lapuente 2010). However, this requires a minimum structure of democratic institutions through which citizens can actually express their demands, which in the case of Equatorial Guinea are completely lacking. Therefore, in such an undemocratic political system where the population at large benefits very little from the wealth generated in the country, it is unlikely that economic development on its own brings about any positive development in governance before more profound political and social changes are triggered.

An analysis of the 36 countries that acceded to the upper-middle income category shows a similar picture. The average control of corruption score of this group was -0.30 in 1996, also significantly lower than the 0.35 average of upper-middle income countries in the same year. Therefore, their accession to this income category has led to a drop in the average score of upper-middle income countries from 0.35 to -0.16 in 2011. Among these 36 new-comers, control of corruption has on average remained stable over this time period. Most countries have had no statistically significant change in their individual scores, with some cases of significant progress (e.g., Bulgaria, Latvia, Macedonia and St. Vincent and the Grenadines), but also others of regression (e.g., Dominican Republic, China, Maldives, Namibia and Turkmenistan).

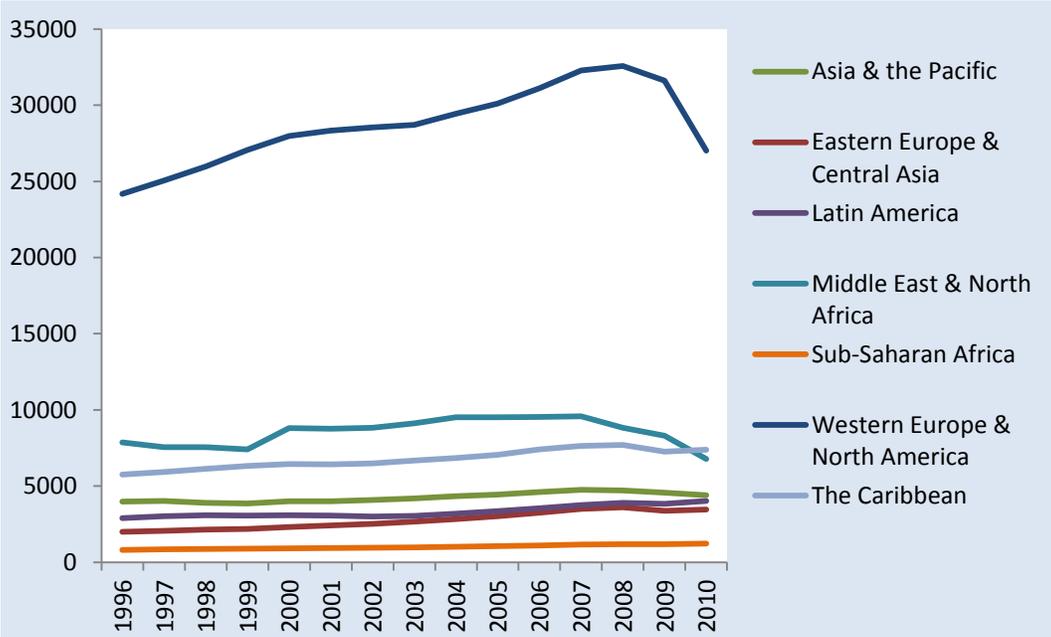
The case of China calls attention in this group, as a main emerging economy that has experienced very rapid economic growth, together with deteriorating control of corruption, with its score falling from -0.25 to -0.67. Although punishment of corruption by lower officials occurs often, this takes place more within the Communist Party structures than in the scope of state enforcement institutions (Bertelsmann Stiftung 2012). Moreover, many spurses of corrupt politicians have been politically motivated, seeking to weaken political rivals of party leaders. Meanwhile, high-level corruption appears to have increased in the past years, with more interaction between the state and the private sector (Minzner 2011). At the same time, corruption has become a big concern among Chinese citizens, and criticism about corruption in the government has become more common through channels that manage to escape government control, but state monitoring of media and the Internet has been tightened. Russia is another emerging economy that also appears in the group of countries that have joined the upper-middle income category since 1996, without much change in its control of corruption score, which fell slightly from -1.02 to -1.09.

These countries also raise the question of the relationship between control of corruption, economic development and democracy, as both are considered to be not free countries by

Freedom House. In fact, 21 out of the 36 countries that have joined the upper-middle income category are either partially free or not free regimes. Therefore, the question that emerges after an examination of these cases is whether economic development without positive effects in control of corruption is possible only in non-democratic contexts.

In a way, the trends illustrated above show that, in some countries, low levels of control of corruption have not impeded economic development altogether. Nevertheless, an analysis of income trends by region suggests that certain growth potential may be realized only in contexts with stronger control of corruption. This is what can be observed in Figure 13, for instance. Except for the Middle East and North Africa, all regions in the world have increased their income level since 1996. However, Western Europe and North America, which also perform best in control of corruption, have managed to grow at a fast pace despite having an already high average income. Until 2008, the average income in the region increased around 35%, more than in Asia, Latin America, Middle East and North Africa and the Caribbean in the same period. Since the financial crisis in 2008, however, a big portion of this improvement was eaten away, but the positive trend remained nonetheless.

Figure 13. Evolution of Average GDP per Capita (constant 2000 USD) by Region (1996-2010)

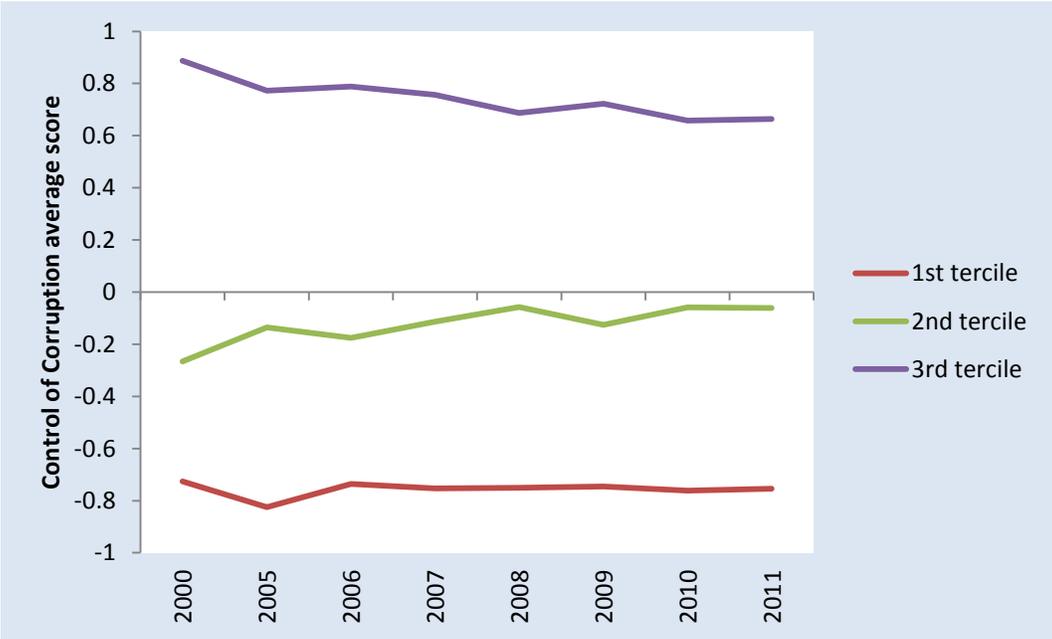


Data source: World Bank.

Development also has other components besides income. The HDI, for instance, takes into consideration indicators such as education and life expectancy as well, when measuring a country’s level of development. Education, in particular, may also have an impact on control of

corruption. It is an important aspect of a strong and dynamic civil society that actively monitors government and demands accountability and integrity from office holders. Figure 14 illustrates the evolution of the average control of corruption score in three education categories, based on the terciles of expected years of schooling in each country. The reference time frame is the period between 2000 and 2011. Yearly estimates for the education indicator are available only since 2005, and the lack of time overlap of data on control of corruption and expected years of schooling before 2000 does not allow for a longer time-series analysis.

Figure 14. Evolution of the WGI Control of Corruption Average by Education Tercile (2000-2011)



Data sources: Worldwide Governance Indicators and International Human Development Indicators (<http://hdr.undp.org>).

As we can see, there are clear gaps between the three groups in terms of how they perform on average in control of corruption. These differences are all statistically significant at a 95% confidence level. Countries in the third tercile (i.e. with higher levels of education¹³) also have higher levels of control of corruption. Although the average in this group has declined since 2000, from 0.89 to 0.66, this does not represent a statistically significant change. This is probably explained by the fact that almost half of the countries that managed to improve their education level enough to go up from the second to the third tercile ranked in the bottom

¹³ In 2011, this included countries with expected years of schooling between 13.9 and 19.7.

tercile of control of corruption in 2011¹⁴, and thus led to a decrease in the group average. The opposite dynamic is observed in the second tercile in the education indicator: Between 2000 and 2011, some countries performed well in control of corruption, yet relative to other countries have performed worse in education and thus have fallen from the third to the second tercile in this indicator, thereby leading to an increase in the average control of corruption score in the latter group. Nevertheless, this increase was not statistically significant. The bottom category of education, with expected years of schooling ranging from 2.4 to 11.4 in 2011, performs worst in control of corruption and has had a stable average score in this 11-year period. As was the case with economic development, we see that control of corruption trends across groups tend to be relatively stable, with the main changes being caused by movement across the groups rather than by significant changes in control of corruption within the individual countries belonging to each group.

It is also important to notice that education outcomes, as is the case with other social indicators as well, is probably linked to control of corruption through a more complex causal relationship, where corruption may also affect it negatively. The literature on consequences of corruption has convincingly argued and presented evidence of the negative impact of corruption on investments in universal public services, as it tends to distort the allocation of public resources (Holmberg et al. 2009). Therefore, although the empirical data suggest a strong association between control of corruption and development, it is still difficult to disentangle all the specific mechanisms by which one affects the other.

The relationship between political development and control of corruption also warrants further discussion. First, we see that democracy ratings in the world have, in general, improved, based on the categories established by Freedom House’s Freedom in the World report, Table 2 below shows that, between 1996 and 2011, the number of countries considered free increased from 41% to 45%, and the proportion of not free countries simultaneously decreased from 28% to 24%. The number of partly free countries remained stable at 31%.

Table 2. Distribution of Countries by Category in the Freedom Index

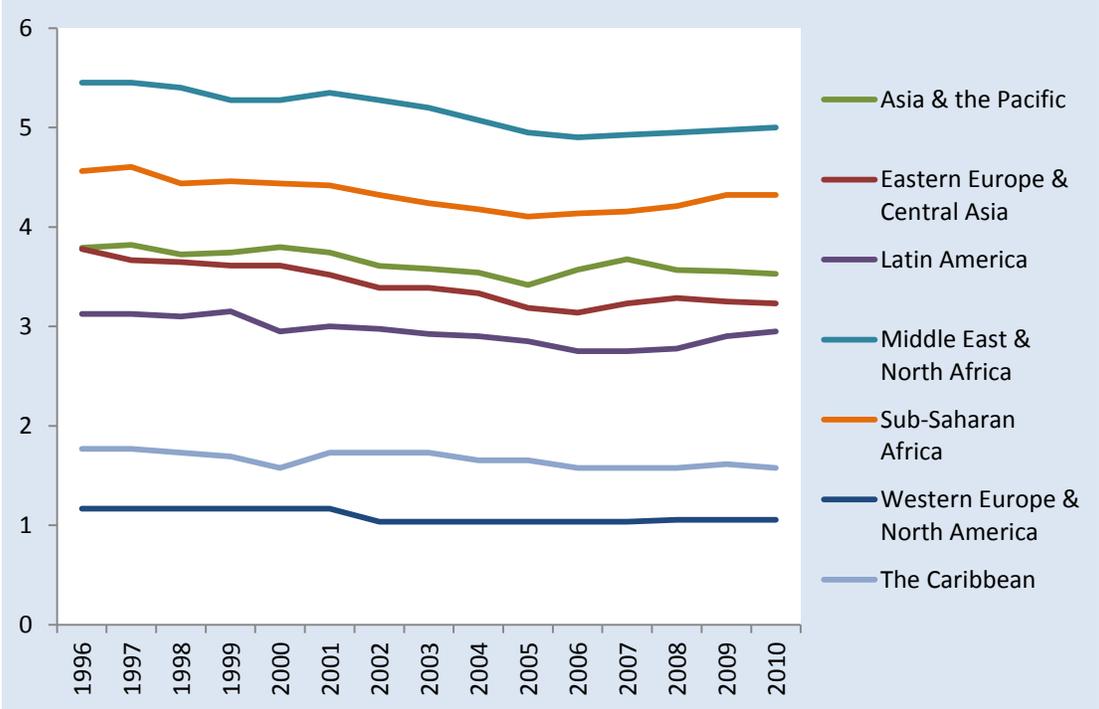
Freedom in the World Category	1996	2011
Free	79 (41%)	87 (45%)
Partly Free	59 (31%)	60 (31%)
Not Free	53 (28%)	47 (24%)
TOTAL	191	194

¹⁴ These are Iran, Kazakhstan, Lebanon, Mongolia, Russia, Ukraine and Venezuela.

These groups, however, showed important changes in their composition: 11 countries (Bhutan, Burundi, Guinea, Kenya, Lebanon, Liberia, Maldives, Niger, Nigeria, Togo and Tunisia) managed to improve from not free to partly free. Another 10 (Antigua and Barbuda, Brazil, Croatia, the Dominican Republic, El Salvador, Ghana, India, Peru, Slovakia and Suriname) moved up from the partly free to free category, and one (Indonesia) even managed to jump directly from the lowest to the highest category. Political rights and civil liberties, however, worsened significantly in another 12 countries: 7 fell from partly free to not free (Congo, Eritrea, Ethiopia, Gabon, Jordan, Russia and Zimbabwe), and another 5 fell from free to partly free (Bolivia, Malawi, Philippines, Solomon Islands and Venezuela).

The general improvement in political rights and civil liberties between 1996 and 2011 is reflected in the reduction of autocratic regimes (from 53 to 47), the increase in the number of countries ranked as free (from 79 to 87), and the fact that 22 countries moved up in the Freedom House categories and only 12 moved down. Considering that the freedom index is measured in a 1-7 scale, where one represents the best score, the graph below also shows a positive development: The average freedom score has dropped in all regions of the world, most notably in the Middle East and North Africa and in Eastern Europe and Central Asia.

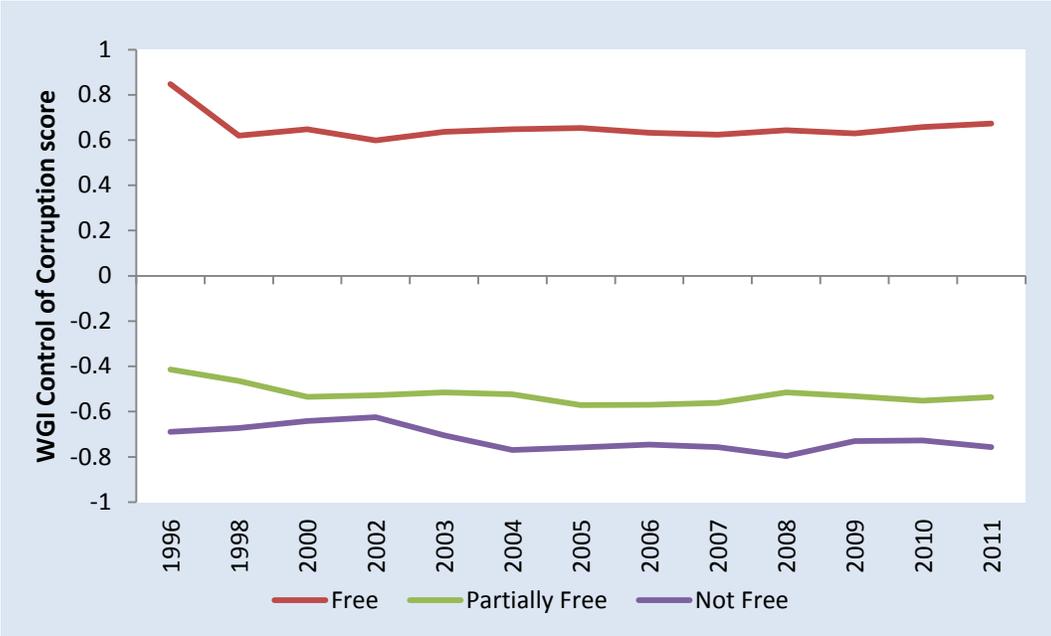
Figure 15. Evolution of Average Freedom House Score by Region (1996-2010)



Data source: Freedom House’s Freedom in the World report.

This positive development in democratization around the world has not been translated so far into a significant evolution in control of corruption. Although countries ranked as free by Freedom House still have the highest control of corruption average, all groups have lower scores in 2011 than 15 years before. The countries ranked as free had an average control of corruption score of 0.84 in 1996 that dropped to 0.67 in 2011. The partly free countries went from an average of -0.41 to -0.53 in the same period of time, and the not free countries lowered their average from -0.67 to -0.76 (see Figure 16).

Figure 16. Evolution of Average Control of Corruption Score by Freedom Status (1996-2010)



Data source: Freedom House’s Freedom in the World and Worldwide Governance Indicators.

A fundamental aspect of the discussion on democracy and control of corruption is related to how we define democracy in the first place, that is, whether we rely only on the prerequisites of an “electoral democracy”, which mainly implies the presence of relatively free and fair elections, or of a so-called “liberal democracy”, which also includes a substantial array of civil liberties. The Freedom in the World report includes both classifications, but its score and the categories free, partially free and not free considers both civil liberties and political rights, meaning that all countries ranked as free qualify as both electoral and liberal democracies. By contrast, some partly free countries qualify as electoral, but not liberal democracies, and the not free countries are basically autocratic regimes.

In order to analyze the relationship between democracy and corruption, Table 3 shows the cross tabulation between the control of corruption terciles and the categories of the Freedom

in the World Index. 61% of liberal democracies (50 out of 82) rank among the highest tercile, but this is only true for 10% of autocracies (5 out of 50). Moreover, autocracies are more likely to be in the bottom tercile: 68% of autocracies (32 out of 47) are in this category compared to only 6% of liberal democracies (5 out of 82). However, it is important to notice that two-thirds of the countries where control of corruption is a problem (i.e. countries in the lowest and in the middle terciles) are free or partly free and that most of them (i.e. 59 out of 89 countries within this group) qualify as electoral democracies.

Table 3. Distribution of Countries across Control of Corruption and Democracy Categories

2011	CC lowest tercile	CC mid tercile	CC top tercile	Total
Free	5	27	50	82
Partially free	31	26	3	60
Not free	32	10	5	47
Total	68	63	58	189

Data source: Freedom House’s Freedom in the World and Worldwide Governance Indicators.

This evidence seems to suggest that it is not simply the presence of elections that assist in controlling corruption, as many electoral democracies have not managed to do so. **It is also important to note that reaching high control of corruption under an autocratic regime is something that only five countries have managed to do.**

Table 4 summarizes the statistically significant changes in control of corruption according to the country’s freedom rank. Overall, 21 countries had significant positive development, yet scores for 27 countries deteriorated at the same time. Almost 60% of the countries that showed a positive development (i.e. 12 out of 21 countries) are considered free and just less than 20% (i.e. 4 out of 21 countries) as not free. This also seems to suggest that civil liberties and political rights play an important role in the fight against corruption. However, these two factors by themselves do not seem to prevent countries from regressing, as 10 free countries (representing 12% of the total number of free countries) showed a statistically significant regression in control of corruption. This proportion is comparable to those of the partly free and not free countries that also regressed (15% and 17% respectively).

Table 4. Number of Countries that Progressed and Regressed in Control of Corruption

1996-2011	Free	Partly Free	Not Free	Total
Progression	12	5	4	21
Regression	10	9	8	27
Total	22	14	12	48

V. Over and Under-Performers

As shown in the previous section, the empirical data shows evidence of strong association between control of corruption and determinants of political and economic modernity. A regression model explaining control of corruption by development levels, for instance, accounts for over half of the variation in the dependent variable, without any policy-related or governance-related variable. In other words, if we know the degree of modernity in a society, we can largely predict how 'corrupt' or free of corruption this particular society will be. This shows that important limitations may exist for human agency in low development contexts. We call this the modernity 'goodness of fit' for control of corruption (Mungiu-Pippidi et al. 2011). It is quite important to understand if a country performs better or worse than its modernization structural determinants would predict. The fundamental policy question thus becomes whether treating corruption will help to increase modernization and development—which makes sense according to the Weberian logic—or, to the contrary, whether social modernization and development are the only realistic cures for corruption (Krastev 2004). Does a country develop because poorly paid judges are made to stop taking bribes? Or is it rather the other way around: that an influx of money which raises the material status and dignity of judges brings about a cleaner judiciary?

While a substantive answer to this question will be attempted later in this research project, an estimation of the modernity goodness of fit and the resulting performance of agency per country is essential to understanding performance. We therefore use HDI as a proxy for development and use a linear regression to predict the control of corruption scores. This variable does indeed account for a large portion of the variation in the control of corruption scores. However, we notice that many countries in reality do worse than we would expect given their level of development, whereas others do much better than the model predicts.

Table 5 shows the five countries per region that over- or underperformed in control of corruption, given their levels of development. The first interesting finding is that with the exception of Chile, Uruguay and Costa Rica in Latin America and Estonia in Eastern Europe all other countries in these two regions should be doing better in terms of control of corruption. The average HDI score for the bottom five underperformers in Eastern Europe and the Former Soviet Union, namely Turkmenistan, Russia, Azerbaijan, Kazakhstan and Ukraine, is 0.72. Turkmenistan, the country with the lowest score of these five, 0.68, is closer to the levels of corruption registered in countries with significantly lower levels of development such as Myanmar (HDI = 0.48) and Afghanistan (HDI = 0.39), when the model predicts that its level of development should place it closer to South Africa, a country that ranks at the 60th percentile of control of corruption. Russia is another dramatic case: with an HDI of 0.75, the model predicts a control of corruption score similar to that of Lithuania. Instead, Russia is closer to countries

with an HDI of 0.5 like Pakistan and the Republic of the Congo. In the case of Latin America two of the five underperformers, Argentina and Mexico, have the second and third best HDI scores in the region, 0.79 and 0.77, respectively. In 2011, these two countries had a control of corruption score comparable to that of Burkina Faso, a country with an HDI of 0.33, although the model predicts a value closer to the control of corruption of South Korea.

The table also shows that the level of control of corruption achieved by the usual examples of good governance (e.g., Denmark, Finland, New Zealand or Sweden) is not due to development alone. Despite their high HDI scores that range from 0.88 in Finland to 0.91 in New Zealand, the linear regression predicts a control of corruption score that would be equivalent to that of Estonia or Cyprus. These countries, however, are way above that score.

Based on this analysis, the goal of this survey is to select the countries which shall be studied by individual reports as successful models of change in contemporary times. The criteria for being included in this group are:

- 1. To have evolved above the green threshold to the top tercile of control of corruption in contemporary times (using the WGI control of corruption as a reference); and**
- 2. To have a control of corruption score superior to the modernity goodness of fit, so that evolution can be attributed to human agency, which shall be studied in the next stage of this research project.**

The countries highlighted in green correspond to this definition and will be studied further. Some exceptional cases like small islands were eliminated. **In conclusion, governance change is scarce, but not unattainable. The next stages of this project will follow these evolutions at national level, triangulating through different types of indicators at country and sector level to assess if change is indeed real, or only perceived, and develop a model of successful governance change.**

Table 5. Predicted Control of Corruption Scores Based on the Modernization Model

Region	Bottom 5 Under-performers	WGI CoC score	Predicted score	Residual	Top 5 Over-performers	WGI CoC score	Predicted score	Residual
Asia & the Pacific	Fiji	-0.91	0.06	-0.97	Bhutan	0.83	-0.62	1.45
	Myanmar	-1.68	-0.78	-0.90	Singapore	2.18	0.78	1.40
	Philippines	-0.82	-0.12	-0.70	Japan	1.54	0.92	0.62
	China	-0.60	0.04	-0.65	Vanuatu	0.35	-0.23	0.58
	Mongolia	-0.71	-0.10	-0.61	Solomon Islands	-0.46	-0.67	0.21
Eastern Europe & former USSR	Turkmenistan	-1.44	0.04	-1.47	Estonia	0.91	0.65	0.26
	Russia	-1.07	0.32	-1.40				
	Azerbaijan	-1.17	0.11	-1.28				
	Kazakhstan	-1.00	0.28	-1.27				
	Ukraine	-0.97	0.22	-1.19				
Latin America	Venezuela	-1.24	0.25	-1.49	Chile	1.50	0.53	0.97
	Ecuador	-0.88	0.19	-1.07	Uruguay	1.29	0.44	0.85
	Argentina	-0.44	0.50	-0.93	Costa Rica	0.67	0.29	0.38
	Dom. Republic	-0.83	0.06	-0.89				
	Mexico	-0.37	0.39	-0.76				
Middle East & North Africa	Libya	-1.26	0.40	-1.66	Qatar	1.52	0.62	0.90
	Lebanon	-0.84	0.26	-1.10	Cyprus	1.07	0.68	0.40
	Iran	-0.88	0.14	-1.03	UAE	0.98	0.70	0.28
	Iraq	-1.32	-0.42	-0.90	Oman	0.37	0.13	0.24
	Syria	-1.05	-0.16	-0.89	Morocco	-0.16	-0.38	0.22
Sub-Saharan Africa	Eq. Guinea	-1.49	-0.56	-0.93	Rwanda	0.48	-1.00	1.48
	Gabon	-0.76	-0.01	-0.76	Cape Verde	0.77	-0.43	1.20
	Angola	-1.33	-0.77	-0.56	Botswana	0.97	-0.16	1.14
	Congo	-1.14	-0.58	-0.56	Lesotho	0.19	-0.91	1.10
	Sudan	-1.33	-1.08	-0.25	Mozambique	-0.40	-1.44	1.04
Western Europe and North America (with Australia & New Zealand)	Greece	-0.12	0.77	-0.89	Denmark	2.37	0.90	1.48
	Italy	-0.04	0.82	-0.86	New Zealand	2.36	0.96	1.41
					Sweden	2.25	0.93	1.32
					Finland	2.15	0.84	1.30
					Luxembourg	2.06	0.78	1.27

VI. Conclusion

Governance has not changed much in the last two decades, although the world has been more concerned with it than ever. Better instruments are probably needed to trace change across time, but the current ones should not be underestimated. If citizens in surveys and experts both perceive that little change has taken place, it is because the more activity than ever in this area has not resulted in radically different outcomes as, for instance, changes in the rules of the game. The shining exceptions can be counted on the fingers of one hand and include only small states, such as the democratic republics of Estonia, Botswana, Uruguay, Costa Rica, the monarchies of Bhutan and Qatar and a plethora of tiny islands. They add to older performers, such as Japan, Singapore, Chile, Northern European and North American states, plus Australia and New Zealand, which have managed to create a virtuous circle of governance and development that helped one another to achieve ever better performances.

This lack of change cannot be blamed on the strong modernity determinism of governance, although this exists. Some countries grew richer in this interval, and their control of corruption has not improved. Some countries grew more democratic, but again control of corruption lagged behind. **By and large, change in governance lags behind other types of social change.**

Development accounts for an important part of governance, but there is also a good governance dividend, as well as a poor governance penalty. For instance, the best governed countries in the world are rich, but their governance is even better than their development would predict. Is it then by mere chance that such countries, Scandinavian countries in particular, have also managed better through the current economic crisis? At the opposite extreme, we find countries of great economic potential, but far worse governed than their development would allow (e.g., Italy, Greece, Russia and China). In the former cases, we see economic management problems having already caught up. In the latter, one can but ask if development can be sustainable, despite their current performance, and whether it shall result in the cohesive societies that we see in Northern Europe. Our data leaves serious doubt. In the lower part of the scale, we find the real dramatic examples of Syria, Congo and Central Asian states, whose governance is far below their development levels and which have entered a vicious circle of poor governance and underdevelopment.

A final mention of countries whose governance is in line with their economic development is worth noting. The last decades of unprecedented good governance promotion seem to matter in these countries to the extent that far greater demand for good governance was created. Brazil, Turkey, Bulgaria and Egypt have the governance one would expect based on their HDI. But in their capitals and greater cities, the good governance discourse has generated increased demand for more impartial institutions, leading to veritable social explosions when economic strain occurred. Grassroots agency seems to call for more action from political elites to bring

about change faster in these contexts, and seeing the long list of such countries, we can only presume that we are at the beginning, not the end, of a global anti-corruption grassroots movement.

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