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Executive Summary

Why do some societies manage to establish control of corruption and others not? C*ontrol of corruption* is defined in this report as the capacity of a society to constrain individual corrupt behavior (defined as particular distribution of *public* goods leading to undue *private* profit) in order to enforce the norm of individual integrity in public service and politics as well as to uphold a state that is free from capture by particular interest.

This report sought to answer this main research question from an interdisciplinary perspective and by a large-N comparison method. For the dependent variables, the report uses: the aggregated Control of Corruption Index (CoC) from World Bank, the Corruption Risk Index from the International Country Risk Guide (ICRG), the experience with bribe and perception of official's corruption from the Global Corruption Barometer 2013, the experience with bribe and perception of favoritism from ANTICORRP's own QOG 2013 European survey, the expert perception of diversion of public funds from the World Economic Forum Global Competitiveness Survey and the tolerance towards corrupt practices from the World Values Survey 2008.

The report finds that individual behavior is predicted by context (most people simply follow the "rules of the game" in their own societies) and individual status (individuals who believe in competition more due to their individual skills tend to be less tolerant towards corruption). Societal control of corruption is reached as a state of equilibrium between opportunities or resources (power discretion and potential spoils such as natural resources) and legal and normative constraints (checks and balances, collective action capacity of enlightened citizens). A parsimonious model based on this concept proves robust to testing and opens the possibility to calculate country risk and areas of vulnerability on more objective grounds than was possible until now. Institutional 'silver bullets' prove, on the contrary, disappointing and only the interaction between civil society and various tools of transparency seems to work. By and large the report targeted these objectives:

1. To propose and bring solid evidence in favor of a holistic approach to control of corruption as a governance order. The report brings evidence that control of corruption is an equilibrium involving both state and society, widely perceived by respondents in highly salient opinions and attitudes which inform their behavior. The various forms and types of corruption should be seen only as symptoms of a systemic vicious equilibrium, which can vary from one context to another according to individual resistance but which do not change the definition and mechanism of the equilibrium as a whole. It is highly unlikely that a radical change can work other than by a systemic approach.
2. To show that determinants of control of corruption are similar across measurements from very different sources, businesspeople, ordinary citizens and experts therefore validating the measurements of corruption.

3. To propose a policy-relevant model able to explain most variance without resorting, like many models of 'institutional quality', to legacies such as age of democracy, colonial past, legal tradition and religion. All elements of the model can be influenced by human agency - if not by the agency of governments uninterested in changing the status quo then by the agency of civil society and international donors.

4. To test anti-corruption devices and prove which ones seem to work, and in what circumstances. The strategy which reduces resources and increases constraints still holds good if we understand to what extent constraints need to be societal, not just on the state side (see also Kaufmann 1997; Huther and Shah 2000). Institutional weapons such as FOIA work if institutional warriors exist and pick them up. Many interventions would gain in effectiveness if the stakeholders (taxpayers, consumers, businesses, NGOS) were to be involved, because what works to deliver change is the interaction between civil society and the tool itself (for instance, fiscal transparency).

A forecast based on this model would imply that change in governance order can occur only gradually and by a succession of radical actions and disequilibria until new equilibrium is achieved with better control of corruption. That explains why so few success stories exist, and why they seem to result more from domestic agency and broad reforms (Estonia, Georgia, Uruguay) than from typical anti-corruption strategies focused on repressive agencies.

Control of corruption in a society has to be understood as a complex balancing act rather than as a group of separate factors determining corruption. Therefore anti-corruption (AC) cannot be effective unless it manages to assemble these features:

- AC is adjusted to the real equilibrium level (particular transactions are either the exception or the norm) as two very different sets of policies apply (contextual);
- If particular transactions are widespread, AC needs to affect more than one element (comprehensive);
- If particular transactions are widespread, AC needs to be radical and strong enough to affect the balance and so trigger a disequilibrium (deep);
- If particular transactions are widespread, AC needs to involve both state (e.g. fiscal transparency) and society (watchdog NGOs) in order to influence both sides of the formula (balanced);
- If particular transactions are widespread, AC needs to result from action by those groups on all sides (state and society) who oppose the institutional status quo (genuine 'principals') and cannot be simply conceived as top-down 'reforms'.

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I. Individual choice versus governance context

How a human community can achieve the management of common (i.e. pooled) resources based on fairness and integrity is a major problem as old as the social organization of mankind. Any social group of people living together for any length of time, from a hiking expedition to a nation sharing territory and language faces the problem of having to share resources to produce collective goods. Believing integrity and fairness in the management and distribution of public resources to be a default 'state of nature' for social arrangement cannot be right and most of human history contradicts such an interpretation. Appropriation of joint resources by one group or individual for private use is extremely common and the development of a system to defend those resources from the spoiling of them by violence, theft or corruption is the product of a long historical evolution (Mungiu-Pippidi 2006; North et al. 2009; Fukuyama 2011). While the social representation of integrity in governance may vary across cultures and over time, there is no culture or political regime without some claim to integrity and fairness in government, however defined. Variation across cultures has been further reduced with the attempt of many countries to emulate some version of Western modernization, culminating in the adoption of the United Nations convention against corruption (UNCAC, over 150 signatory parties by end 2012) which spells out one universal norm of governance, namely ethical universalism, by which everyone is treated similarly and fairly by government.

Understanding why some states have managed to build and maintain control of corruption and others have not has been a concern of thinkers and researchers as well as of policymakers since Roman times. In contemporary social science more often than not the problem is conceptualized as explaining 'corruption' conceptualized as an exception, which opens the door to nearly insurmountable difficulties: lack of specificity of the concept of 'corruption', confusion between micro, meso and macro level of analysis, reverse causality problems leading to confusion of causes and consequences – to mention but a few. The attempt to explain 'corruption' is further complicated by the lack of communication across several of the disciplines that deal with the topic (see **Table 1**) which have all made significant contributions although without managing to provide a unitary theory explaining how corruption develops and is controlled. Explaining corruption or the lack of it in complex modern societies is necessarily an inter-disciplinary effort, and indeed at least two interconnected concepts stretch across otherwise highly disparate theoretical and evidential bodies. The first is that individual rational choices, whether by *leaders, bureaucrats or citizens* are *bound by cognitive and affective factors* (Simon 1947 [1997]), while the second is that self-regulation of morality is not entirely an intra-psychic matter because people are not fully autonomous moral agents impervious to the social realities surrounding them, but are bound by social contexts where social representations of moral concepts such as right and wrong are developed and sustained by social norms and everyday behavior (Moscovici 2001; Bandura 2002*)*. Social cognitive theory and bounded rationality theory thus concur that individual moral behavior *is the product of the reciprocal interaction of personal and social*

influences so that individual autonomous choice is actually grounded in some social context (Bandura 2002; Anand et al.2004*)*. This traditional sociological approach, which began with Durkheim, can be encountered in relation to governance in classic historical sociology (Weber 1922(1968); Eisenstadt and Roniger (1984) and more recently in social psychology (Bandura 2002). The fact that individual behavior depends crucially on the number of other individuals engaged in similar transactions seems at last to have gained a certain amount of traction with economists also (Andvig and Moene 1990; Murphy et al. 1991; Acemoglu 1995; Sah 2007). There is growing acknowledgment among institutional economists that societies develop 'reward structures' which determine the allocation of talent between productive and unproductive activities (such as rent-seeking). The existence of rent-seeking creates a negative externality on productive agents and shapes expectations that influence-peddling rather than merit or hand work will be the major reward factor, which may lead to the society being trapped in a 'steady state equilibrium of rent-seeking' (Acemoglu 1995). As Max Weber has remarked before, the market operates by universalism, so that an allocation system on the basis of particularism (favoritism and corruption) is therefore subversive of capitalism (Weber 1922(1968): 177-180).

Table 1. Level of observation and empirical analyses of corruption across disciplines

Area	Level	Preferred method
Criminology	Individual	Court cases analysis, social network analysis
Development/Institutional quality	National	Statistical Big N
Equilibrium theory	Individual	Game theory; experimental
Organization	Group and organization	Experimental
Economic policy	National or sector	Statistical Big N
Sociology	Mix individual/national	Public opinion survey analysis

But what is a governance context? If by feeding the new institutionalism approach into the old Harold Lasswell definition of politics (1950), we define governance as the set of formal and informal rules regulating who gets what in a given polity we shall get a grip on the complexity of governance contexts, which vary across societies. But regardless of how wide the variation might be, some sort of invisible threshold exists between a society where ethical universalism is the norm and one where the norm is particularism- and you can guess what treatment and what share of public resources to expect from the state if you know where you stand in the status ranks. An anthropologist might call such institutional arrangements *culture,* but seeing that individuals adjust their behavior rather readily when they are transplanted to different governance contexts- and bearing in mind that especially those with higher skills immigrate from corrupt to non-corrupt countries - the term is less

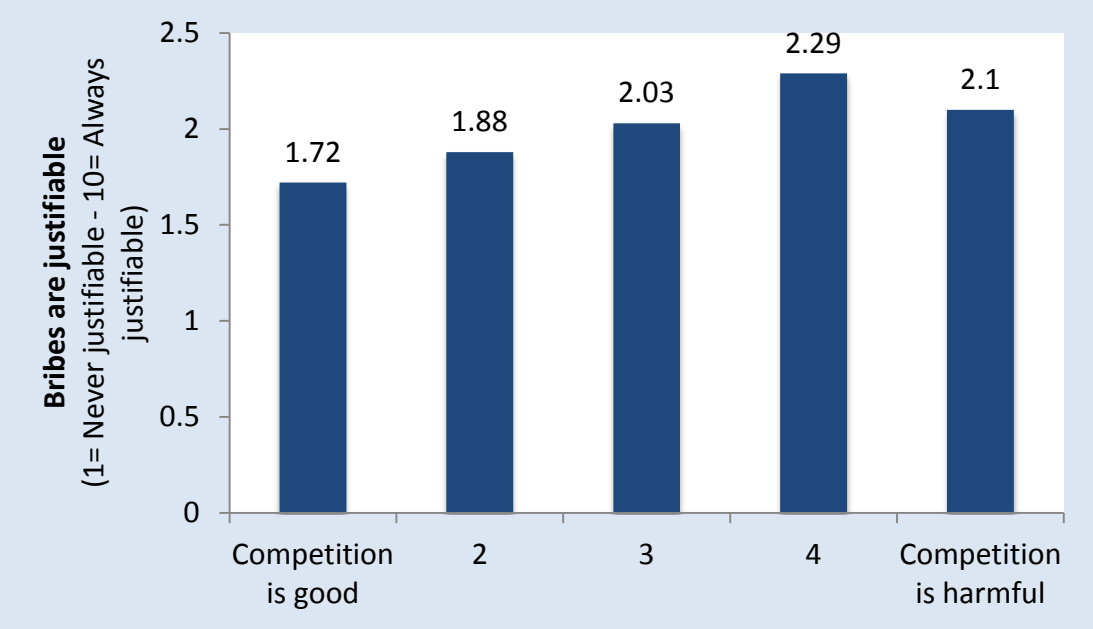
than ideal. Governance contexts, the stable configurations of such rules of the game, range on a continuum that has open access and universalistic exchanges at one end, and closed access and particularistic exchanges at the other (see Eisenstadt and Roniger 1984; Mungiu-Pippidi 1996). They reproduce fundamental patterns of social organization and power distribution in a society (Lipset and Lenz 2000; Hofstede 2011) so after reaching equilibrium they tend to remain stable and prove hard to undermine by elections or even changes of political regime. Such equilibria are described in different streams of academic literature as either "rule of law", "control of corruption" or "quality of government".

The choice of a definition of corruption has important implications, both for the generalizing conclusions of a study (see **Table 1**) and for real life. We can either operate with definitions originating from law at the individual (micro) level, as responsibility is individual (few Courts have ever accepted the argument that crime has to be understood in a certain context where, for instance, it is so widespread that people no longer realize its gravity) or, taking our cue from sociology we can operate with definitions at the societal (macro) level. Most of the anti-corruption industry of our times operates at country level but defines corruption at micro level, as deviation from a norm of integrity (ignoring whether it is the norm or the exception in the given context) and aims to change whole macro governance contexts (which it seldom has tools to diagnose). There is always a great show of surprise when that approach invariably fails (Mungiu-Pippidi 2011). This is the source of very serious problems, **because context A (particular transactions are the majority) differs essentially from context B (universal transactions make the majority) and so will the behavior and opinion of people living in such contexts. Social conformity, which to a great extent explains social behavior and always favors the status quo, will operate in favor of particularism in context A and in favor of universalism in context B. Evolving from A to B becomes a major development issue which can hardly be answered by repressing a deviation, as in the legal definition, simply because deviant behavior is not the same in the two governance contexts.** In other words, if we accept that appropriateness, identity, and rule-based decision processes are the organizing principles of individual decision making (March 1994) then we understand that an individual is bound by the institutional environment, in other words, by the behavior of most of the people surrounding him and the corresponding norms in the given society. Appropriate behavior is different in different institutional contexts and in conformity with different social identities; norms may be conflicting or split between a formal norm and informal one and few people will ostensibly behave differently from how others would behave in a similar situation.

To say that an individual choice is bounded institutionally is not to claim that the individual has no choice and his behavior is determined entirely externally, or that it is subject to norms and not to reason (Elster 1989). People reportedly prefer the distributive norms which favor them (Deutsch 1985, Ch. 11; Messick and Sentis 1983). Models of corruption at individual level do exist, but they explain little as the main dependent variable - tolerance of corruption from the World Values Survey - is skewed, with far too many

respondents reporting that bribery is unacceptable under any circumstance, even in very corrupt countries (Gatti et al. 2003; Dong et al. 2012). Dedicated surveys such as Global Corruption Barometer include better-phrased questions on corruption but on the other hand miss the kind of questions on individual values which would offer a model with good explanatory power at the level of the individual. However, combining the two we find evidence supporting a model of mixed choice, where individuals who have more dealings with authority are more often engaged in corrupt acts if they are in a corrupt environment (for instance the self-employed or the men) (see **Appendix 1**), but we find also that those who value competition more highly and have superior education are less tolerant of corruption and would perhaps be more willing to engage in changing the rules of the game (See **Figure 1** and **Figure 2**). Furthermore, the mere recognition of norms ('appropriateness') is itself filtered through personal and group behavior to reduce cognitive dissonance. In the 2013 ANTICORRP QOG survey, for instance, individuals who confess some experience of bribery also perceive the practice as largely shared among them, while those who have no such experience see things in the opposite way (See **Figure 3**). Moral justification of behavior is grounded in its context, and hardly anyone dares to justify an act other than by invoking conformity, the fact that 'everybody else' behaves similarly.

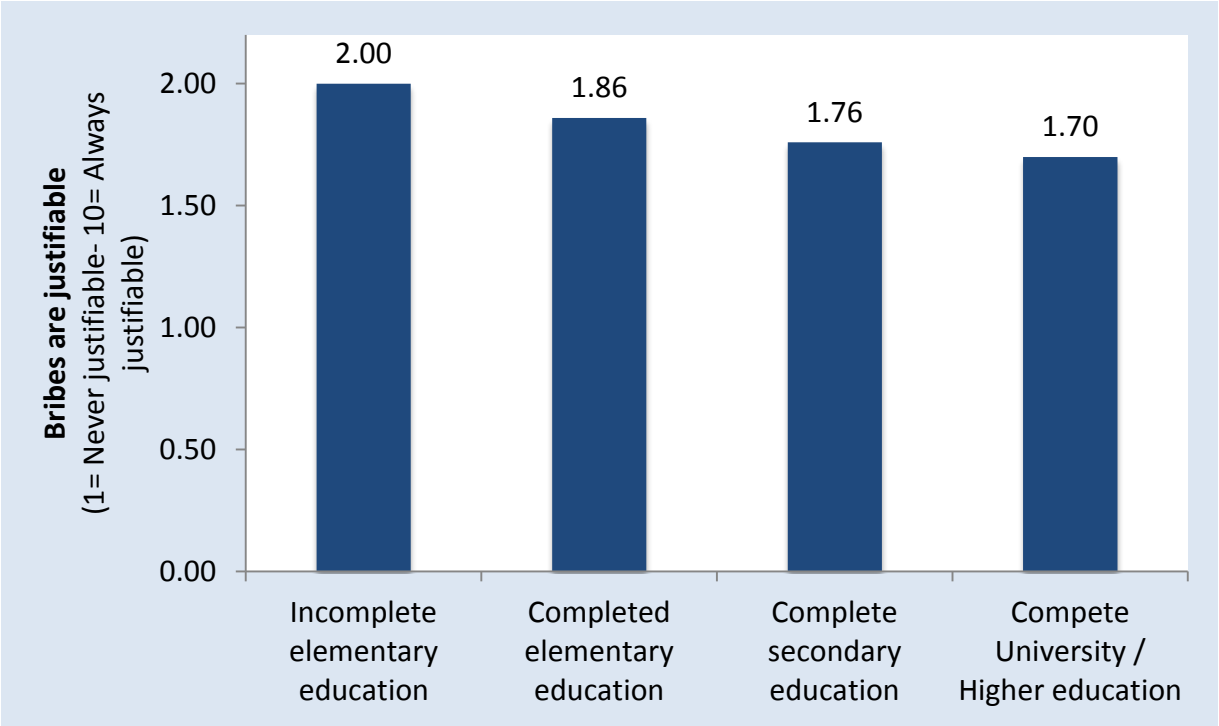
Figure 1.Individual tolerance of corruption by appreciation of competition.



Source of data: World Values Survey 2000-2008.

Legend: The bars represent the weighted averages of the answers to the question "Are bribes justifiable?" according to the respondents' appreciation of competition. The justification of bribery is measured in a scale from 1 (never justifiable to 10 (always justifiable) and the appreciation of competition is measured in a scale from 1 (competition is good) to 5 (competition is harmful). The weighted averages are relatively low (all below 2.5), which shows that bribery is not often seen as a justifiable practice. However, respondents who think that competition is harmful tend to think that bribery is more often justifiable than those respondents who see competition as good. The mean comparison test also reveals that the differences across groups are statistically significant.

Figure 2. Individual tolerance of corruption by education level



Source of data: World Values Survey 2000-2008.

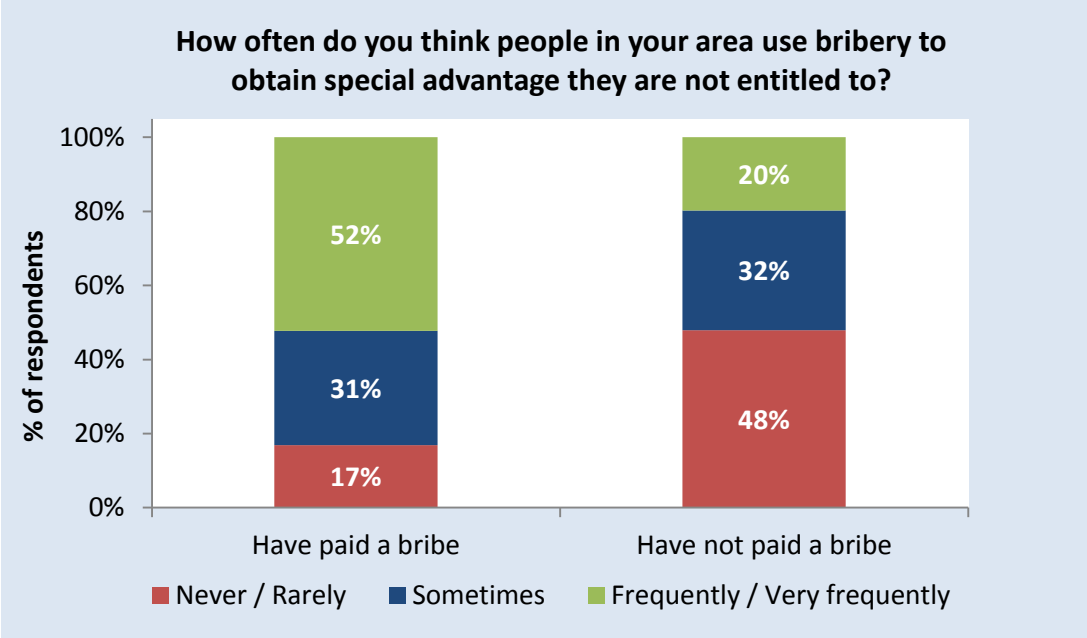
Legend: The bars represent the weighted averages of the answers to the question "Are bribes justifiable?" according to the respondents' level of education. The justification of bribery is measured in a scale from 1 (never justifiable) to 10 (always justifiable) and the level of education is a categorical variable with a total of 8possible answers. For visualization purposes, only the categories that represent the successful completion of an additional education level were included in the graph and are compared to the lowest educational achievement included in the survey, i.e. incomplete elementary education.

This World Values Survey finding corroborates older data based on Hofstede's cultural indicators, for instance the connection between corruption and performance orientation practice or power distance. High levels of performance orientation practices are associated with lower levels of corruption, indicating that achievement-oriented cultural practices and performance excellence cannot coexist with systemic corruption. Moreover, measuring the inequality and importance of power status shows that societies with higher power distance are also more corrupt (Husted 1999; Hofstede 2011).

Thus, c*ontrol of corruption* can be described as the capacity of a society to constrain corrupt behavior (defined as abuse of public influence for private gain) in order to enforce the norm of individual integrity in public service and politics, as well as to uphold a state that is free from capture by particular interests and therefore able to promote social welfare and the public interest on the basis of ethical universalism (everyone treated similarly). The opposite of a governance regime that has reached control of corruption is one with systemic or institutional corruption consisting in the non-universal allocation of public goods due to particular ties between the office holder and various groups or individuals in the society.

As a result of their long historical evolution, rule of law and control of corruption overlap within this complex equilibrium which includes a government subject to law, equality before the law and, in the relationship between government and citizens, respect for individual rights and the corresponding norms in society (i.e. respect for law and order). 'Thick' rule of law therefore implies control of corruption; and vice versa. A governance 'regime' is a state of equilibrium - a salient and stable set of governance institutions determining who gets what and where the society is placed on the continuum from particularism to ethical universalism, when allocation of public goods is considered.

Figure 3. Context attributions by bribe payers



Source of data: QOG ANTICORRP survey 2013

Legend: The bars show the respondents answers to the question "How often do you think other people in your area use bribery to obtain special advantages they are not entitled to?" according to whether the respondents paid a bribe in the past 12 months or not. The question on the extent of use of bribery in the area is measured in a scale from 0 (never) to 10 (very frequently), but was recoded into 3 categories— "never /rarely" (0 to 3), "sometimes" (4 to 6) and "frequently /very frequently" (7 to 10) — for visualization purposes.

Identifying a governance regime can therefore be achieved by establishing the main rule of the game: are the majority of state transactions based on ethical universalism (i.e. everyone treated similarly) or directed to generate undue advantage on the basis of a particular connection with the power holders, therefore on particularism? The major methodological problem here is that the universe of state transactions is not well estimated by the universe of respondents in a survey. **Respondents have uneven experiences with the state and a representative sample of citizens is not a representative sample of transactions by public administration or the judiciary, as many of them would never deal with customs, public procurement and so forth, while an importer or a company participating in public tenders would be ideally placed to make such estimations. Expert surveys have the advantage that**

they consider the experience of such companies and sectors so despite not being representative in a sociological sense, they are in fact closer to being representative transactions due to their superior relevant information.

Corruption in a society should therefore not be conceptualized as an aggregate of individual corruption. The non-corrupt countries at the top of Transparency International do not differ from countries on the bottom simply by the *number* of individuals engaged in corrupt acts, but by their institutions; in other words, the rules of the game shaping power and the distribution of common resources. The countries at the top of the Control of Corruption scale managed to institutionalize open and non-discriminative access at some point in their past and so their institutions differ substantially from the ones at the bottom (Asmerom and Reis 1996; North et al. 2009). Many countries in the middle struggle between two worlds, for in them both universalistic and particularistic practices coexist, more or less competitively. (Van de Walle 2001).

Conceptualizing public corruption holistically in a broader *governance context* has thus important policy consequences. Particularism is not a social 'malady', as corruption is usually described, but rather a default state, natural, and therefore frequent. Social psychology provides considerable evidence that the nature of man is sectarian and that social identity results from biased inter-group comparison and self-enhancing behavior (Sherif and Hovland 1961; Tajfel 2004). Humans naturally favor their own family, clan, race or ethnic group – what Edward C. Banfield (1958) called 'amoral familism.' Treating the rest of the world fairly seems to be a matter of extensive social learning and sufficient resources. Societies, which have travelled furthest from that natural state of affairs and have produced a state which treats everyone equally and fairly, are exceptions and products of a long historical evolution. Such evolution should not be taken for granted; indeed, as James Q. Wilson (1993) argues, universalism and individualism, which spread in the West after the Enlightenment to become generally agreed norms, are neither natural nor necessarily and invariably good principles. To understand individual behavioral choice, an understanding of governance context is therefore indispensable, and anti-corruption strategies created in disregard of them are pre-determined to fail (Huther and Shah 2000). Of course, if we conceive corruption holistically, so should we conceive anti-corruption, as a broad arsenal of reforms which can be adjusted to different contexts.

So why then have certain societies evolved to achieve ethical universalism and control of corruption and others have not? This has become the major research question replacing the mis-conceptualized one of 'what causes corruption' (Nield 2002), but retaining the chief question about causality. This report will address that from its interdisciplinary perspective by offering:

1. A theoretical general answer explaining national control of corruption or its opposite, generalized corruption (particularism); in other words, explaining individual behavior in a given governance context.

2. The statistical tests to support the theory, in other words by explaining what makes some societies more effective than others at controlling corruption.
3. A test of the major policies and institutional interventions used against corruption or with the potential to affect it - always controlling for structural factors.

The means to realize objectives is a large-N comparison method, wherein econometric methods will be used to test factors of interest across as many countries as possible (data allowing). For our dependent variables, we shall use the aggregated Control of Corruption Index (CoC) from the World Bank, the Corruption Risk Index from the International Country Risk Guide (ICRG), experience of bribery from the Global Corruption Barometer 2012, experience of bribery and the perception of favoritism from ANTICORRP's own QOG survey and tolerance towards corrupt practices from World Values Survey 2008. A methodological justification of those choices can be found in our previous 'Trends' report of August 2013 (Mungiu-Pippidi 2013).

II. Understanding corruption as a dependent variable

Most anti-corruption strategies are designed to deal with bribery. But if the governance theory sketched above is correct and corruption ought to be understood holistically, bribery is then only the tip of an iceberg. In fact evidence over recent years from multiple survey sources would be contradictory and incomprehensible, unless we were to accept that the general population considers particularism when answering questions about corruption and that respondents generally offer assessments of their own society's general capacity to enforce public integrity and ethical universalism, rather than of corruption as it is legally defined in criminal codes. The answers that respondents give to surveys on corruption are filtered by the respondents' general assessment of whether control of corruption works or not in their own country. There is remarkable consistency across attitudes: low trust in government goes with high perception of corruption among officials, a general perception that the law does not treat everyone equally and that favoritism not merit explains social advance. Two out of three from the 114,000 respondents in 107 countries interviewed for the 2013 Global Corruption Barometer - a typical survey - consider that favoritism is the rule not the exception in their public service (with only a quarter having resorted to bribes in the year previous to survey) and over 50 percent believe their governments is captured by vested interests and that corruption has increased, not decreased in the last year. Also, to nine people who consider national anti-corruption strategies ineffective we find one who thinks that it works. **I**n most countries in the world majorities do not believe they enjoy control of corruption: Hence the growing frustration we see on the streets, from Brazil to Turkey.

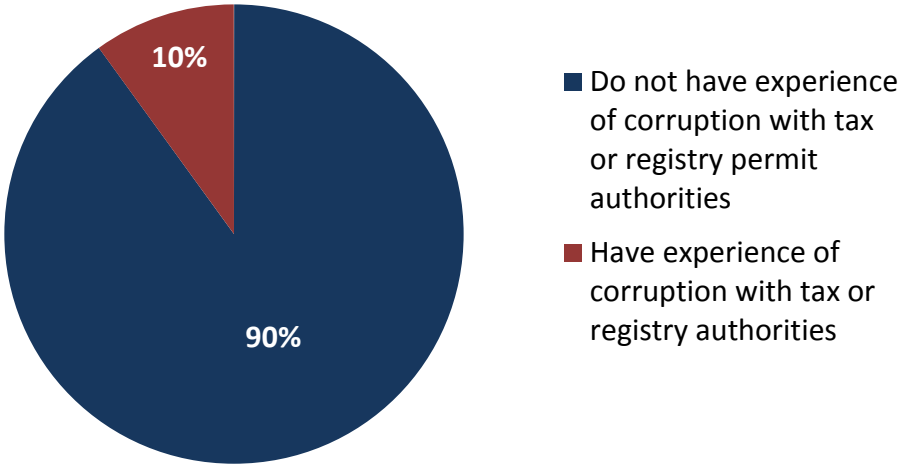
The evidence in favor of control of corruption as the societal capacity preventing institutional corruption (or of particularism as a governance order) can be grouped in three more systematic categories.

1. **Evidence that all corruption perceptions reflecting the overall capacity of a society to enforce merit and honesty versus connections or privilege are correlated and a holistic view exists on the country's performance in that respect.** They reflect popular experiences with all aspects of life, school, career and public life, exposing the mechanism of advancement in a society and the way the state operates (see **Table 2**). Countries ranked higher for perception of corruption in the Global Corruption Barometer also have higher scores for bribery, the importance of connections for getting things done and show a greater belief that big interests run the government.

2. **The evidence is that bribery is significantly associated with complex of perceptions (national corruption), but explains very little of it, because bribery is only the result of more complex arrangements that explain differential access to social allocation**. In nearly every survey we find a large gap between corruption victimization (having been asked for a bribe) and perception of corruption

(assessment of how many public officials are corrupt), with overblown samples assessing corruption compared to their own direct experience (see **Figure 4**). Nevertheless, when explaining corruption perception we do find -despite the above mentioned gap- the more there is experience of bribery the significantly greater the perception of corruption. We simply have to 'top up' exposure to bribery with other experiences and behavior, to fill the gap. Those factors are captured in **Table 2**.

Figure 4. Weight of bribery experience among respondents perceiving high corruption



Source of data: Global Corruption Barometer 2013.

Table 2. The faces of particularism

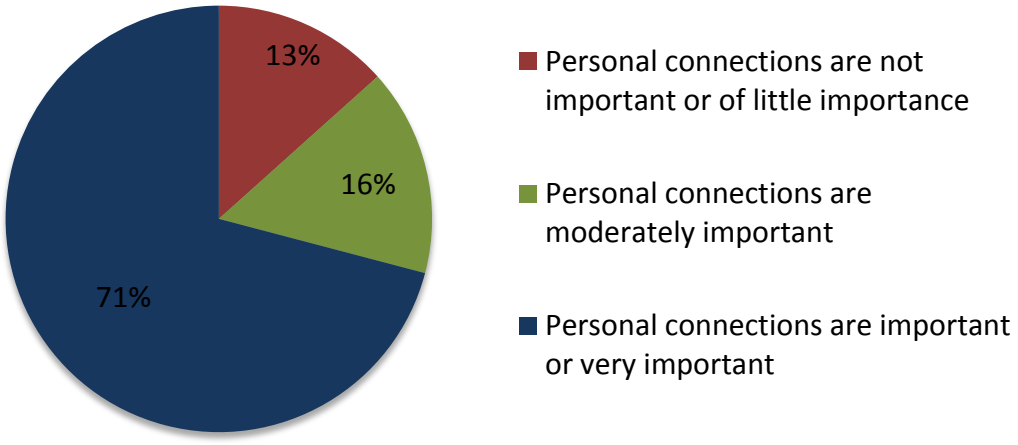
VARIABLES		% of respondents who think that personal contacts are important/very important to get things done in the public sector	% of respondents who think that the government is to "a large extent" or "entirely" run by a few big interests	% of respondents that have paid a bribe at least once	% of respondents who consider public officials/civil servants as "very corrupt" or "extremely corrupt"	Perception of corruption of public officials/civil servants (weighted average)
% of respondents who think that personal contacts are important/very important to get things done in the public sector	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	104				
% of respondents who think that the government is to "a large extent" or "entirely" run by a few big interests	Pearson Correlation	0.647**	1			
	Sig. (2-tailed)	0.000				
	N	98	98			
% of respondents that have paid a bribe at least once	Pearson Correlation	0.145	0.348**	1		
	Sig. (2-tailed)	0.141	0.000			
	N	104	98	105		
% of respondents who consider public officials/civil servants as "very corrupt" or "extremely corrupt"	Pearson Correlation	0.471**	0.547**	0.472**	1	
	Sig. (2-tailed)	0.000	,000	0.000		
	N	101	96	101	101	
Perception of corruption of public officials/civil servants (weighted average)	Pearson Correlation	0.505**	0.561**	0.372**	0.970**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	
	N	103	97	104	101	104

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

Source of data: Global Corruption Barometer 2013.

3. Evidence that different factors explain control of corruption (the aggregate) versus bribery, with structural factors being very important in the first case (Treisman 2000) and circumstantial factors very important in the second. Bribery is not easily determined by wealth or education, for example, although they do explain why more or less bribery is to be found in a given country. Any individual might offer a bribe in a context where control of corruption is weak and social determinism is far stronger than the individual. Evidence for the latter is to be found by examining who among the large group of GCB 2013 respondents reports directly experiencing bribery. There is no significant association of experience of bribery with either income group or education level across countries. Employees in the private sector are less associated with bribery, while the self-employed are significantly more associated with it, since they are the ones who must negotiate more bureaucratic hurdles – an example being the Tunisian street vendor who set himself on fire when asked by the police for his permit to trade, thus triggering the Arab Spring. More men offer bribes, probably because they are more likely than women to deal with administrative matters. Evidence for the logic of this governance order which shows that where particularism is the rule of the game, bribery develops as a way to counter other types of favoritism (for example, where the individual or company who is not part of some network of privilege has to buy its way in), with favoritism far more widespread than bribery and no correlation between them (see **Table 2**). Furthermore, of the majority of GCB 2013 respondents who thought the public service is very or entirely corrupt, more than two thirds actually were thinking of favoritism, meaning privilege arising out of patronage, nepotism, or connections, when making their assessment (see **Figure 5**). It is therefore favoritism which fills in the gap from point 2.

Figure 5. **Weight of connections by respondents perceiving high corruption**



Source: Global Corruption Barometer 2013

Additionally, and proving that the primary problem is a modus operandi of the state on the basis of particularism we find that satisfaction with public service is inferior for bribers who have to grease the wheels of service compared with the rest of its users across all services who do not need to furnish a supplementary fee to get things done (see **Table 3**).

Table 3. **Satisfaction with public service by bribe**

Sector/Service		% of respondents not satisfied with the service	% of respondents satisfied with the service	% of respondents with contact
Education	Paid bribes	32	49	38
	Did not pay bribes	12	66	
Health	Paid bribes	40	42	82
	Did not pay bribes	18	67	
Police	Paid bribes	52	30	22
	Did not pay bribes	16	65	

Source of data: QOG ANTICORRP survey 2013

In most cases the motivation for bribery is the need among those who are lower on power distance to access a service on an equal footing, because they do not have the necessary connections. When we look at the health sector in the EU and some neighboring countries, we see that only 36% of the people in the West European core group feel like there are inequalities in the way people are treated. This figure increases to 42% in the group of Mediterranean countries and 47% in accession and aspiring countries (with Turkey doing far better than the Ukraine). The proportion of citizens perceiving unequal treatment in the health care sector then turns into a majority (53% of respondents) in the new EU Member States (**Table 4**). Moreover, the overwhelming majority of people who report having some experience of bribery (between 87% and 98% across regions) come from the group who accuse the health care sector of not treating them equally, and who thus say they have to resort to bribery to ensure access (**Table 4**). Favoritism and bribery therefore fall into place within a larger governance regime placed somewhere on the continuum between particularism and ethical universalism. Finally, again proving the holistic character of corruption, we find that societies which perceive much favoritism and corruption also believe that merit has little to do with social advancement and success in life.

Table 4. Incidence of bribery and perception of equality in health care

	Equal treatment in the public health care system		Unequal treatment in the public health care system	
Region	% of citizens who agree that everyone is treated equally in the public health care system	% of bribe payers who perceive equal treatment	% of citizens who think they are treated unequally in the public health care system	% of bribe payers who perceive unequal treatment
Northern Europe	64	2	36	98
Mediterranean Europe	58	7	42	93
New EU Members	47	13	53	87
Non- EU Members	53	10	47	90

Source of data: QOG ANTICORRP survey 2013

The discussion of whether people are victims or perpetrators seems in many ways to miss the main point, which is that there is a comprehensive logic to governance where institutions flow from one another, and a vicious circle of rationalizing need and justification is born which is hard to break. It is difficult to decide in such a context whether the Tunisian street vendor was a tax evader and a smuggler and the police accosting him were doing their duty, or the situation was the other way around, with street vendor was the victim and the police the exploiters. What is certain in corrupt regimes, such as Mr. Ben Ali's, is that the social contract which justifies a government's demanding taxes in return for its provision of public services is not perceived as such. The population feels that by not paying taxes it is defending itself from elite corruption, since the taxes are perceived as extraction of rents by an exploitative government and any administrative regulation is seen as a mere signal to ask for bribes in exchange for allowing the freedom to conduct any private enterprise.

Many scholars and policymakers dismiss data like the above as being based on 'perceptions'. The GCB 2013 countries where perception of corruption is high are nevertheless significantly associated with low public expenditure on health (e.g. hospital queues in Brazil), but high on various government projects, (from Brazil's expensive World Cup to Mr. Ben Ali's grandiose and empty mega-mosque in Tunis), reduced absorption of assistance funds, low returns from public investment and low participation of women in the labor market and politics (cf. Holmberg et al. 2009), showing that respondents actually have numerous cues other than bribery to assess that they are poorly governed. Leaving aside the complex relationship between corruption and development with its reverse causality problems (corruption may hinder development, but in poor countries which do not pay their policemen or doctors at all or only insufficiently, corruption also funds such services directly) evidence exists of some indisputable consequences of corruption; again pleading for a holistic approach to control of corruption. For instance, high corruption is associated with massive brain drain, as the best

educated flee to more meritocratic countries, therefore further subverting their own country's investment in education and finally development itself (Mungiu-Pippidi 2013; Ariu and Squicciarini 2013). That highlights the mechanism by which corruption is so detrimental, through the subversion of fair competition, from admission exams into schools to public sector employment, from a biased allocation of public funds to an unequal treatment of taxpayers' corruption, generates a high opportunity cost. Perceptions are redeemed by what are extremely close associations with such negative phenomena. Corruption on a national scale thus creates disincentives for merit: in the ANTICORRP QOG 2013 survey of 88,000 Europeans only citizens in Northern European countries agreed that for the most part advancement in the public or private sector is based on hard work and competence, while for the rest favoritism through connections, the most insidious and widespread form of corruption, seems the ticket to success in their societies (Charron 2013).

Just as individual behavior has to be placed in a certain governance context, the state too must be understood in the context of a given society. Social allocation reflects the power distance in a society and the dominant exchange mode, based on either performance (market) or rent-seeking (violence, corruption). Particularism is the wider governance regime indicating the dominant norm and behavior. In a society ruled by particularism, favoritism would be the main social allocation mode, with widespread use of connections of any kind, exchange of favors and, in their absence, monetary inducements. Particularism in a society operates mostly to the advantage of those with more power resources, but no simple elite-theory type explains it. The weaker have their defenses, resorting to patronage, cheating, bribery, tax evasion and a variety of other practices to reduce inequality (Scott 1972) once they perceive that the social contract imposed to them is unfair. Elites in societies with a great deal of particularism enjoy a culture of impunity (famously extended to things like diplomats not being required to pay parking fines in New York, as reported in Fisman and Miguel 2007), a culture mirrored by the self-indulgence of the rest of the population who see the behavior of elites as their best excuse for their own behavior. By and large, vertical and horizontal exchange networks intersect to create the systemic nature of the problem (Johnston 2005), which remains the particular character of transactions (dellaPorta and Vanucci 1999).

The most powerful people in such societies would capture the state and channel the distribution of public resources to themselves, their peers and their clients, doing so either openly in neo-patrimonial regimes, or more insidiously in regimes where some competition for power exists, but particularism is the rule. If we cross-tabulate control of corruption measured by the World Bank with the existence of free elections measured by Freedom House, we come up with the distribution reflecting governance regimes seen in **Table 5**. There are 35 electoral democracies in the upper tercile of control of corruption, as against only three autocracies: Qatar, the United Arab Emirates and Singapore. The average score of all democracies, corrupt or non-corrupt, is far better than that of non-democracies (5.33 versus 3). Neo-patrimonial regimes (corrupt or very corrupt non democratic polities) are

otherwise almost even in numbers with democratic countries which are either very corrupt or corrupt - in other words the competitive particularism regimes (75 to 79). The worse corruption, however, is to be found in neo-patrimonial countries. Across the three groups we find as expected that the countries which are in the upper tercile of control of corruption (the 'universalism' countries) differ significantly from those where particularism is the norm, having almost no bribery, far less (although far from zero) perception of the importance of connections for success and significantly fewer people who believe that a few big interests run the government (again, that figure is still far from zero, though it Is lower than in the particularist countries). Ethical universalism seems then to be more of an ideal benchmark than a real governance regime, with only Scandinavian countries, Australia, New Zealand, Switzerland, the Netherlands and Luxembourg above 9 (scale recoded 1 to 10 with Denmark best, 10), and therefore close to Denmark, the top performer. For the rest, 35 countries range down to a score of 6.7; 22 countries follow them down to an average figure, ranging from the Czech Republic to Israel, creating the extra 'borderline' group, where the two norms, particularism and universalism, seem to be competing.

Table 5. Governance regimes at a glance

2012	CoC lowest tercile	CoC mid tercile	CoC top tercile	Total	Average CoC score
Non democratic	51	24	3	78	3.06
Electoral democracies	22	57	35	114	5.33
Total	73	81	38	192	

Source:Control of corruption (World Bank Institute, 2012) recoded 1 to 10 with 10 the best, by electoral democracy as classified by Freedom House.

The top group of democratic achievers looks remarkably compact, old European cultures and some of their colonies, those populated for the majority with people of European descent. Japan alone is different, and is universally acknowledged as the most successful Western-type modernization; and different too are the nondemocratic achievers of good governance. The fact remains that very few original streams remain to explain this group of top achievers, with the Scandinavians, Anglo-Saxons, Central Europeans (Dutch and German) at the top, and the French and the Spanish one step lower in accomplishment. Good governance origins seem therefore to have time and culture boundaries (Neild 2002).

III. Can it ever change? Structural and path-dependent determinism

Although an impressive amount of literature has already been produced to explain corruption by econometric means, discussing causality in governance is in general problematic due to the absence of time series data, reverse causality problems and insufficient theorization (Seldadyo and de Haan 2006; Rothstein and Teorell 2011; Fukuyama 2013). The associations discussed in this chapter seek to understand in what contexts control of corruption is more likely to develop, and thus, the reverse causality problem is addressed by reference to historical circumstances or policy context rather than statistical means. Where our theory and data sources are incomplete, application of advanced statistics alone is unlikely to produce more clarification. The most important problem remains the absence of a specific dependent variable to measure governance across countries, available for a longer interval of time and sensitive to change. In its absence, most causal models at national level are based on expert scores, either one-source and non-transparent (like the most quoted work by Paulo Mauro 1995, based on Business Index) or aggregated from various sources with different degrees of transparency (Corruption Perception Index, Control of Corruption). The strategy also exists of explaining corruption at national level by creating a country average from individual survey responses, rather as in the previous section of this report we explained experience of bribery by reference to GCB. But as CoC actually includes even some general survey responses for certain countries, using that variable as our starting point seems the best course.

While a variety of authors have tried to explain corruption, the vast literature of the subject can be divided into three strands which we shall test here. Other valid classifications exist (see, for instance, Lambsdorff 2008): the present one divides causality of good governance by its theory of change mechanism, be it assumed or non-assumed. A number of the community of governance scholars believe in a strong prevalence of structural factors, which explain why governance changes only incrementally and requires important external shocks (financial crises, lost wars) for change to occur. A second group, which includes most practitioners, believes in 'institutional weapons', generally legal instruments which have performed in a few well-known cases, for instance the Ombudsman in Sweden or the anti-corruption agency in Hong Kong. Finally, a third school exists which describes control of corruption as equilibrium and sees the solution in a broader package of reforms. We shall discuss each of them in turn.

What structural factors seem to be more associated with control of corruption? Cultural homogeneity or cohesiveness for instance is reported to matter. For instance, ethnic or any form of sectarian fragmentation of a society should be considered as a resource for corruption, since competition among particular groups and intra-group favoritism lead to systematic particularism and discrimination (Fearon and Laitin 1996). That finding was empirically confirmed (Mauro 1995) and still holds true with current data in bivariate regressions. In multivariate models with development controls, we find that metalinguistic and religious fragmentations are stronger determinants of corruption than is ethnic

fractionalization, but the mechanism remains the same. Fragmentation of a society into factions leads to competition to gain disproportionate benefits from the common states, so greatly favors particularism based on ethnic, religious or linguistic qualifications. The confusing use of the term 'social capital' in the literature frequently blurs this result, which is nevertheless perfectly consistent with sociological theory. Social capital can be based either on ethical universalism (i.e. we treat everyone the same and would entrust and associate ourselves with anyone with similar ideas) or we trust, associate and treat fairly only individuals with some particular tie to us, be it family, tribe, confession, network and so on. The principle remains the same: where ethical universalism is the guiding principle of human exchanges we find control of corruption and development. Where trust is 'high' only on particular grounds, we find systemic corruption and overall less benefit for the whole society and so less development, as is Banfield (1958) 'amoral familism' model. Both control of corruption and development seem to require the presence of ethical universalism and the objectivity it entails for a society to prosper.

Natural and mineral resources have also been reported as being positively associated with corruption.In 1970, Leite and Weidemann (1999) established a robust statistical relationship between countries' exports of oil and minerals, relative to GNP, and the level of corruption for a sample of 72 countries. The abundance of natural resources, earning substantial hard currency, evidently provides the opportunity for rent-seeking. That finding is confirmed at the level of 2008-2010 when regressing control on corruption on the indicator 'Fuel exports as % of merchandise exports' (data available for 172 countries) and controlling for development. The effect of a 'resource curse' over governance should be understood holistically, as democracy, control of corruption and political violence are all inter-connected and all affected (Karl 1999). Essentially, concentrated benefit is easier to grab than dissipated potential benefit (e.g., taxes), and thus, provides an irresistible incentive to competing spoilers. Botswana is notably the only case reported to have escaped it so far, though the degree of the 'curse' varies greatly across countries. Timing matters too; once a country - like for instance Norway - has reached historical control of corruption, the discovery of natural resources does not seem to affect governance negatively. Natural resources are, however, a major hindrance to development of corruption control if discovered in the early stages of development, because they become a source of spoils.

Finally, geography and living conditions have been favorite explanations for prosperity, although controversy exists regarding the evidence (Acemoglu and Robinson 2012). Where control of corruption is concerned, it would be easy to observe that, historically, Northern countries seem to have performed better and that it is they who spread their institutional standards throughout the rest of the world, for instance through the Commonwealth. The mechanism, however, is not altogether clear. We can presume either that the same geographical factors that favored prosperity and democracy in the North favored control of corruption also, or that the intermediation of one or the other of those two factors helped control corruption. That riddle is, however, something for historians, not econometrists! As

in different historical periods, control of corruption was reached in other parts of the world – medieval Italy or Confucian Asia – but vanished due to the lack of sustainability of those regimes from causes unrelated to their performance on this issue. For our discussion here, we should rule out North-South factors from the explanation of corruption.

Other 'geographical' factors are combined with historical ones and do point to a certain geographical and historical path dependency. For instance, it is far more likely for a post-communist East European country to be corrupt when compared with the rest of the world (Sandholtz and Taagepera 2005). Clearly, proximity to the USSR increased a country's chance of being occupied by it at the end of Second World War, and once occupied, it was more likely to see the importation of the USSR's Communist institutions with their specific particularism. The cause of that was of course not simple geography but Communist social organization, which was far less modern than intended, creating in fact great power asymmetry, status groups and the kind of economic shortages which make particularism thrive –political regime factors, then. The same applies to post-colonial determinism. It is indeed more likely when testing in our database to have lower control of corruption if a country is a former colony, and then there is a geographical determinism in having been a colony. But the precise mechanism associating colonialism and corruption is still controversial or insufficiently studied (McMullan 1961; de Sardan 1999). Some studies, for example, reveal that British colonialism is actually associated with more control of corruption, not less (Treisman 2000). The discussion is, however, far too simplistic if reduced to econometric data. We know from the history of the British in India, for example, how complex the situation can be. It was the encounter of the British with India that led to an explosion of corruption, involving the British parliament at home as well as commercial and later colonial structures on the ground, but it also determined an awakening to the need to build control of corruption. Comparing means of CoC across our large sample of countries, we find that the difference between British, Dutch and Spanish former colonies is minimal. By and large, both in post-communist Europe and in the former colonial world, there is enough variation in control of corruption to show that geographical-historical determinism, which is in fact a complex variety of factors linked to very intricate mechanisms, can be overcome.

The next group of structural determinants is the one usually discussed in modernization theory. The classic modernization conditions that brought about political development in Europe and the US were increased urbanization, the spread of literacy, diffusion of secular-rational norms, and an increase in individual autonomy and mobility (Lipset 1981; Lerner 1964). Modern societies are both urban and economically affluent, consisting of individuals who enjoy a significant degree of economic and political autonomy. Control of corruption is indeed significantly associated with most of these components of modernity. Low life expectancy, rural residence, and low average schooling (in descending order of explanatory power) all significantly increase the likelihood that a country will be corrupt (see **Table 6**). But since we already know that individual education does not discriminate between corrupt

and non-corrupt behavior, the significance of education as a predictor of corruption must be elsewhere, in something that educated individuals as a group can perform, which would explain why countries with more educated people perform better. And this action aggregated in time seems to be the essential factor, otherwise when testing the impact of schooling at 1900 on control of corruption we should not find a staggering 70% explanatory power (Uslaner and Rothstein 2012), which indicates a long complex determinism of the current governance regime. It also explains why governance evolution is so incremental and path dependent.

Table 6 shows that all components of modernity have an impact on control of corruption across all dependent variables: expert scores, public opinion surveys, and aggregate indexes. As proxies for material autonomy, we used Internet and mobile phone subscriptions per 100,000 inhabitants, which proved to have great impact. We can best predict control of corruption in a country if we know the number of its Internet connections; such a great proxy for modernization for it captures both development (infrastructure) and education (computer literacy). As all modernity components are strongly correlated among themselves, to capture them together one can use a composite index as Human Development (HDI), which includes life expectancy, income, and years of schooling. By itself, HDI explains nearly half the variation in control of corruption across the 185 cases for which data is available –less than either Internet connections or average years of schooling in 1900. In other words, if we know the degree of modernity of a society, we can predict to this extent how 'corrupt' or free of corruption it will be. That then reveals that limitations may exist for human agency in low development contexts, where a poor dependent population is an easy victim for predators. The degree to which initial 'structural' conditions are favorable to the development of good governance constitutes the 'closeness of fit' of modernity as predictor for control of corruption (Mungiu-Pippidi et al. 2011). Between half (HDI) and a quarter (average years of schooling in 1900 explains nearly three quarters) of the variation is not however explained by path dependent factors, leaving some room for human agency.

Table 6. **Impact of modernization components on different corruption measurements**

VARIABLES	WGI Control of corruption	ICRG Risk of corruption	WEF Diversion of public funds	GCB Perception of corruption of public officials
Adult literacy rate	0.03***	0.01***	0.01***	-0.00
	(0.006)	(0.003)	(0.004)	(0.004)
Constant	1.19***	1.70***	2.26***	3.66***
	(0.434)	(0.211)	(0.366)	(0.351)
Observations	142	109	106	79
R-squared	0.13	0.04	0.05	0.00
Rural population (% of total population)	-0.05***	-0.03***	-0.03***	0.00
	(0.007)	(0.004)	(0.005)	(0.003)
Constant	6.43***	3.65***	4.72***	3.25***
	(0.373)	(0.207)	(0.245)	(0.129)
Observations	188	137	132	102
R-squared	0.21	0.23	0.20	0.02
Life expectancy at birth	0.15***	0.06***	0.07***	-0.02***
	(0.014)	(0.009)	(0.010)	(0.005)
Constant	-5.66***	-1.78***	-1.27*	4.52***
	(0.933)	(0.589)	(0.669)	(0.375)
Observations	181	138	133	103
R-squared	0.41	0.30	0.28	0.07
HDI education component	7.12***	3.14***	3.32***	-0.72**
	(0.634)	(0.387)	(0.498)	(0.281)
Constant	-0.09	0.62***	1.44***	3.89***
	(0.377)	(0.222)	(0.324)	(0.203)
Observations	186	136	133	102
R-squared	0.40	0.32	0.24	0.06
Average years of schooling in 1900	0.95***	0.44***	0.45***	-0.12***
	(0.057)	(0.034)	(0.042)	(0.024)
Constant	2.82***	1.93***	2.70***	3.68***
	(0.228)	(0.133)	(0.167)	(0.089)
Observations	73	72	67	54
R-squared	0.70	0.61	0.56	0.30
Mobile cellular subscriptions (per 100 people)	0.02***	0.01***	0.01***	-0.00
	(0.003)	(0.002)	(0.003)	(0.001)
Constant	2.34***	1.74***	2.38***	3.59***
	(0.268)	(0.173)	(0.256)	(0.154)
Observations	189	138	133	102
R-squared	0.21	0.13	0.15	0.02

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.10

Legend: OLS regressions with varying dependent variables.

Table 6 (cont.) Impact of modernization components on different corruption measurements

VARIABLES	WGI Control of corruption	ICRG Risk of corruption	WEF Diversion of public funds	GCB Perception of corruption of public officials
Internet users (per 100 people)	0.07***	0.03***	0.03***	-0.01***
	(0.003)	(0.003)	(0.003)	(0.002)
Constant	2.27***	1.66***	2.42***	3.68***
	(0.145)	(0.106)	(0.131)	(0.101)
Observations	181	133	133	100
R-squared	0.64	0.49	0.47	0.13
Human Development Index	9.32***	3.90***	4.61***	-0.92***
	(0.685)	(0.449)	(0.552)	(0.305)
Constant	-1.67***	0.04	0.50	4.03***
	(0.432)	(0.281)	(0.373)	(0.220)
Observations	185	136	133	102
R-squared	0.51	0.38	0.35	0.08

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.10

Legend: OLS regressions with varying dependent variables.

The literature has made far less use of HDI (let alone the other modernization components) to test corruption, focusing mostly on income and its relation to control of corruption. Mostly equated with by GDP per capita, income is indeed a significant predictor of corruption, but Kaufmann et al. (1999) and Hall and Jones (1999) question on good grounds the causal relationship between corruption and income. Two studies with panel data (Braun and Di Tella 2004; Frechette 2001) actually found that higher income increased corruption, especially when they imposed fixed effects. Such controversy shows not only the deficiency of quantitative approaches to approaching complex problems, but also the need to find less controversial proxies for development when explaining corruption, for instance life expectancy or HDI. Similar controversy exists in relation to the impact of wage levels on corruption, with a number of scholars claiming that public sector wages matter (cf. Herzfeld and Weiss 2003; Van Rijckeghem and Weder 1997; Alt and Lassen 2003; Rauch and Evans 2000), while others doubt the significance of any relationship (Gurgur and Shah 2005; Treisman 2000). In fact it makes little theoretical sense to test wages. In a poor society with very low wages in the public sector corrupt behavior will always pay more. Underdeveloped countries cannot pay judges, customs officers and members of Parliament more than what they can make from corruption. Thus, the discussion of 'incentivizing' people to be less corrupt should not refer to wages alone, for it makes no sense when an average bribe for a

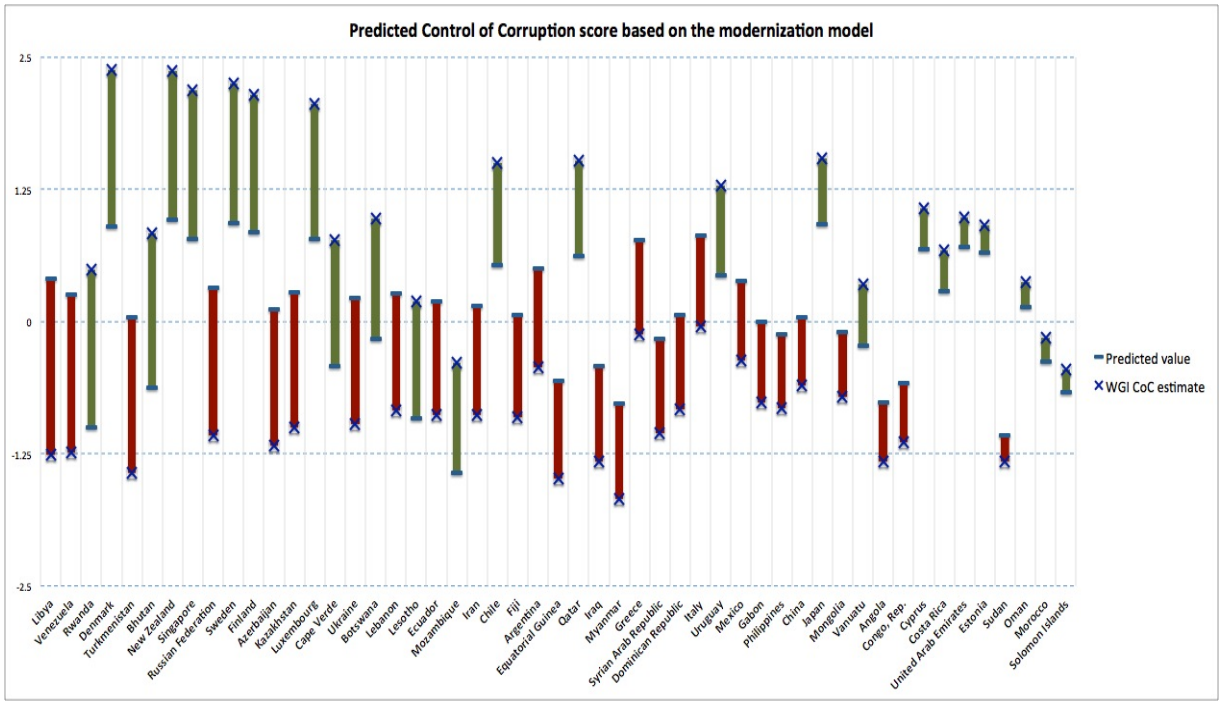
legislator or judge is far higher than the few dollars which might, exceptionally, be offered as a raise. Also, lack of income and its effect on corruption should be understood as a context, for it means that everybody – judges, clerks, lawyers, law enforcers and witnesses– would all be 'poor' with all the undesirable consequences and vulnerability to fraud and corruption which result from that. Poverty and great differences in income unbalance the so-called Schelling diagram, causing both corruption and assumptions about how corruptible people are given their material situation, to lean towards the area where most people are engaged in corrupt transactions, whether that is belonging to patronage networks, exchanging favors or taking bribes. This is exactly what the Human Development Index covers; the development context.

But the determinism of development is not absolute. **Figure 6** shows the five countries per continent that over- and under-perform most in their control of corruption given their levels of development. With the exception of Chile, Uruguay and Costa Rica in Latin America and Estonia in Eastern Europe, all other countries in those two regions should be doing better in terms of control of corruption considering their development level. Turkmenistan, the country with the lowest HDI score (0.68) among the bottom five underperformers in Eastern Europe, (Russia, Azerbaijan, Kazakhstan and the Ukraine being the rest), 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). The model predicts that its level of development should place it closer to South Africa, a country that ranks in the 60th percentile for control of corruption. Russia is another peculiar 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, those 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. **Figure 6** also shows that the model-types of good governance (e.g., Denmark, Finland, New Zealand or Sweden) are absolute over-performers. 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.

Such figures show that the modernity determinism of governance is far from absolute. Local history, notably human agency, matters greatly and can make a difference between an over- and under-performer. As Inglehart and Welzel (2009) argued, elites can perform better than the values of the population (which are very much determined by the level of social and economic development) would predict. **Development accounts for an important part of governance, but there is also a good governance dividend, as well as a poor governance penalty that elites can incur**. Over-performers, Scandinavian countries for instance, have managed better and responded more quickly throughout the global and EU economic crises

due to superior governance capacity. In the lower part of the scale, we find the really dramatic examples of Syria, Congo and Central Asian states, whose governance is far below their development, having entered a vicious circle of poor governance and under-development.

Figure 6.Predicted control of corruption scores based on the modernization model



Source of data: UNDP for HDI and WGI for CoC.

Legend: Differences between estimates of control of corruption as predicted by HDI and real scores. Over-performers are in green and under-performers in red. Length of bar indicates amount of deviation, and horizontal marks, 'x', indicate current real score on Control of Corruption.

Among the indications of a lack of modernity, informality deserves special attention. An informal economy is strongly associated with corruption and surfaces in models both on national or individual data (surveys) (Wallace and Haerpfer2000). The relation goes much deeper than the association made in developed economies between tax evasion and corruption.*Informality is an indication of the lack of modernity, and therefore precedes public corruption, which is associated with the growth of a modern state*. Pre-modern societies are highly informal, and successful modernization entails an important process of formalization as well. As Hernando de Soto (2002: 355) put it:

> [M]ost arrangements that govern the holding and transaction of assets in non-Western nations are established outside the formal legal system [...] To modernize any of these countries, all the separate, loose extra-legal property arrangements characteristic of most Third World and former communist nations must be woven into a single system from which general principles of law can be drawn. In short, the many social contracts "out there" must be integrated into one, all-encompassing social contract.

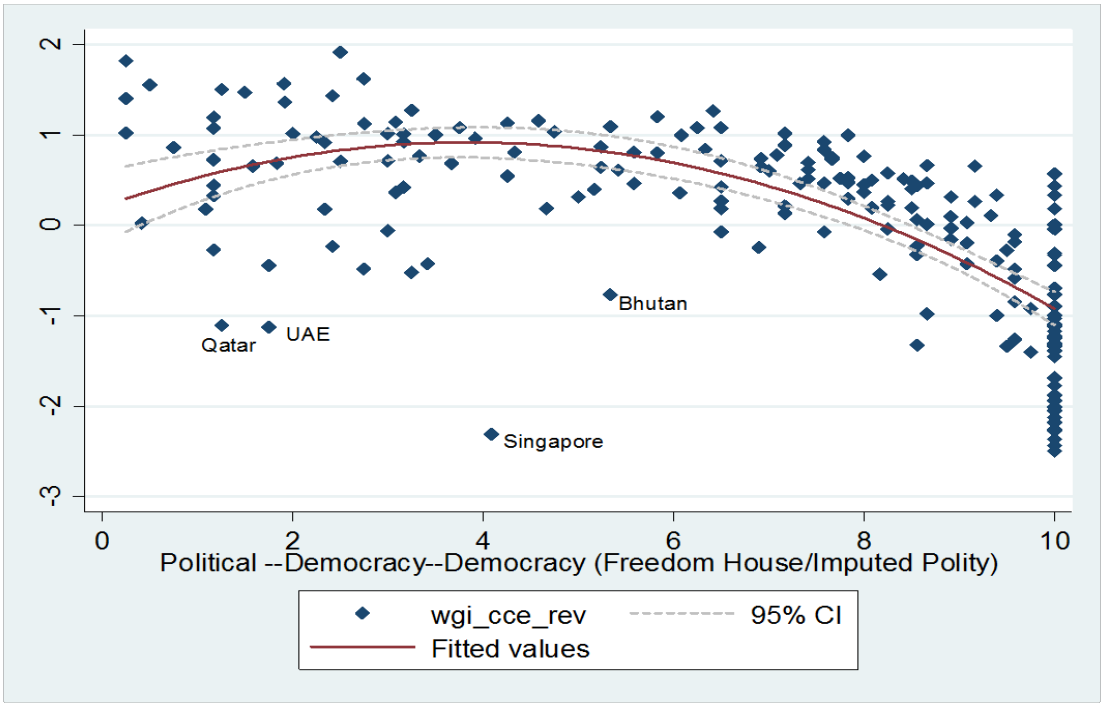
What does the social contract referred to by de Soto consist of? Societies become transparent, and thus modern, by following a process of bargaining where individuals agree to pay taxes in exchange for access to certain public resources. That agreement does not exist in particularistic societies, as everyone is aware that allocation of public resources is not equal, which hinders the development of such societies. **People hide from predatory elites to defend themselves, and that is why it is important that government and society trust one another to engage in a more formal relation**. Successful policies of formalization are likely to be based on bargaining, not repression, except in the criminal economy (e.g., smuggling, drugs, human trafficking, and money laundering). In a neo-patrimonial context, offering assistance to a regime to build tax-collecting agencies is often rather like helping predators extort more effectively from their victims (von Soest 2007).

Liberal economists interpret informality as not only mere underdevelopment, but also as a response to economic repression, and therefore, not as criminal behavior to avoid taxes (Loayza et al. 2005), with some arguing that corruption increases informality as firms go underground to 'dodge the grabbing hand' (Friedman et al. 1999). Others find that corruption and the shadow economy complement one another in countries with low income (Dreher and Schneider 2010), or that the entrepreneurs` option to flee underground constrains the ability of corrupt officials to introduce distortions into the economy for private gain (Choi and Thum 2005). Informality, however, perpetuates lawlessness along with poverty and the deprivation of rights, fostering corruption and bribery in the public sector as a necessary means of access for the disempowered. The problem of reverse causality seems greater than ever in the relationship between informality and corruption as indeed the influence in reciprocal. However, informality is a pre-modern legacy, associated with poverty and rural society, which does not disappear and can even grow due to poor economic policies and governance, such as excessive red tape, restricted economic freedom, and predatory behavior by rulers once top-down modernization starts. Control of corruption and the shadow economy are strongly associated in both cross-sectional and panelregression models. Informality feeds corruption and is reinforced by it. No sound anti-corruption strategy would be able to dispense with a 'formalization' strategy.

Finally, political modernization has an equally complex relationship with the control of corruption. Modernization theory would predict that government accountability and control of corruption need autonomous citizens and a developed society able to demand their rights, and that is largely confirmed by the data. Democracy and corruption are positively associated (Treisman 2000), but mostly on behalf of older democracies, so the relationship does not seem linear: *The older a democracy is and the older its main party (cf. Database on Political Institutions) the more likely are we to find that control of corruption will work.This indicates that experienced political elites are less predatory than new ones and have been socialized into more accountable behavior.* The associations with personal autonomy, a score computed by Freedom House, or with the physical rights integrity index (cf. Cingranelli and Richard 1999) are stronger. The personal autonomy index can by itself predict half of the

variance in control of corruption; the physical rights index about a third. By contrast, the Legislative Index of Political Competitiveness (rating competitiveness of elections for 177 countries as part of Database of Political Institutions) is a poor determinant. Property rights, either assessed by the Heritage Foundation or the Economic Freedom of the World are also strongly and positively associated with control of corruption. The association between Freedom House-Polity 2 integrated democracy measure (pluralism, scale from 1 to 10 with ten more plural) and WGI Control of Corruption is also significant, but not linear (see**Figure 7**). Moderate pluralism lowers control of corruption, although only by a small margin, and only countries with an advanced democracy (scores over 6) become increasingly associated with more control of corruption (Montinola and Jackman 2002; Sung 2004). In other words, what matters to a democracy in terms of control of corruption is not elections as once-at-a-time mechanisms to select options, but the permanent capacity to ensure that whoever is elected respects individual rights, autonomy and voice (Persson and Tabellini 2003: 173). In societies where particularism is the norm, political choice is actually reduced and political parties do not vary greatly where social allocation is concerned. The parties are perceived as spoiling machines, as in the nineteenth century model of James C. Scott, which explains why political parties lead in the perception top of all corruption Barometers. Political parties seem a more highly evolved vehicle for organizing group benefit after family, clan or tribe, but unlike those they are a by-product of modernity and have learned to coexist fairly well with apparently modern organizations by informally draining them of their impersonal and objective character. The most widespread example is the politicization of public administration and the entire public sector (including hospitals and schools, where jobs are seen as party spoils). That explains the apparent paradox of democracies doing better at controlling corruption, although their main expressions- parties and legislatures- are seen as the most corrupt - that is, the most important contributors to the order of particularism.

Figure 7. Evolution of corruption by pluralism



Source: Worldwide Governance Indicators

Legend: Evolution of corruption (Control of Corruption recoded, with 2.5 being the most corruption) on the vertical axis and pluralism (10 being the maximum score for pluralism) on horizontal axis. Curve estimation regression (quadratic) (Source: WGI for CoC and Freedom House-Polity 2).

A teleological problem is introduced of we present transitions from patrimonialism as 'unfinished modernizations', as not only Western scholars have done but also reform-minded elites in those countries. *Is every state 'transitioning' toward a regime based on ethical universalism, and is there certainty that they would all eventually reach it?* In principle, countries that ratify the United Nations Convention against Corruption effectively assume that as a goal due to pressure from the international community, if not directly from donors. However, that does not mean that their governments and societies are in some state of transition to modernity, as understood as the massive norm change signaled by Samuel Huntington (1968). Rather, most of them are in fairly stable equilibrium. They are not fair societies encompassing fully democratic political systems and mature markets, but neither are they undergoing a process of institutional change, nor have they significant groups pushing for change. Many developing countries have set up a superstructure of rational-legal administration, which nonetheless continues to rest on a deep foundation of patrimonial rule and particularistic behavior. *The practice of modernization that is top-down driven thus creates a steady gap between an official norm and nominal goal on one side and the actual practices and rules of the game in a society.* It is by no means certain that the gap can be filled by the simple passage of time if a certain type of agency does not occur.

IV. Institutional monocropping and the prescription mechanism

While always assisting in some general modernization policies at the state level (e.g., civil service merit-based recruitment, administrative reforms, and support for central audit agency), the international anti-corruption community has concentrated its efforts in the past years on promoting a specific international legislation against corruption and has promoted a few anti-corruption tools for domestic implementation. An international normative anti-corruption regime was gradually institutionalized with the adoption of the 1997 OECD Anti-Bribery Convention. Several factors contributed, including norm entrepreneurs who raised awareness of the problem; strong advocacy from the United States, which was the first to take action two decades earlier and found itself at a disadvantage in the global market once it had implemented the harshest regulations against bribery abroad; and the global explosion of democracy and information (McCoy and Heckel 2001). Over a span of less than fifteen years, policy and legal instruments were identified, agreed upon, and adopted en masse by countries. Donors, consultants, and NGOs set out to implement the control of corruption agenda by selling a limited number of anti-corruption instruments across the globe and by shaping the programs and budgets of development agencies accordingly. In the words of Peter Evans (2004: 30):

> Development theory has moved from a single-minded focus on capital accumulation toward a more complex understanding of the institutions that make development possible. Yet, instead of expanding the range of institutional strategies explored, the most prominent policy consequence of this institutional turn has been the rise of "institutional monocropping": the imposition of blueprints based on idealized versions of Anglo-American institutions, the applicability of which is presumed to transcend national circumstances and cultures.

The hope that the West's advanced institutions can be exported to the rest of the world in the same way that technologies can be transferred and put to use might seem patronizing today. However, it bears recalling that this approach broadly worked in countries like Japan, which embarked on its modernization path with a program similar to that of the West, determined in fact to beat the West at its own game. There was likewise a resurgence after 1990 of the belief – differently formulated than in earlier generations – that the 'right' institutions can deliver development and that in their absence external aid does not work. That approach to institutional export is differently motivated, labeled, and marketed than was the case under colonialism, but its central belief – that societies can be modernized by outside intervention through institutional transplants to resemble the West more closely – remains in the end basically unchanged.

The contemporary approach seems no longer driven by imperialism, but by convenience. Many donors are governments, so it is natural for them to advocate their own type of organization to the governments they assist or trade with in the hope that their assistance will generate better returns. Furthermore, good governance strategies based on knowledge transfers to other governments create a labor market for consultants from developed economies and can be easily packed into short-term programs. Anti-corruption strategies

anchored in domestic political dynamics are more politically sensitive, labor-intensive and long-term, and therefore far less profitable for external consultants. An anti-corruption industry quickly developed around the international anti-corruption package and began to attract considerable funds and lobbying for more training and capacity-building. But did the anti-corruption industry deliver a panacea?

In his now classic book, *Comparative Constitutional Engineering,* Giovanni Sartori (1994) warned about the dangers of believing that formal institutions shape countries, showing that long Latin American constitutions had not translated after many decades into anything comparable to democracy as known in the United States, which had been their primary source of inspiration. Douglass North too was aware of local specificities, warning that 'different institutional structures will yield different results' (North in Andrews 2008: 381). Furthermore, by copying the formal institutions of present-day Sweden or Denmark, 'one-best-way' transfer models presume that the actual path those countries took to get where they are does not matter. As one critic put it: 'The good governance picture of effective government is not only of limited use in development policy […] It imposes an inappropriate model of government that "kicks away the ladder" that today's effective governments climbed to reach their current states' (Andrews 2008: 402).

A few examples might help us understand this 'monocropping' better. The Council of Europe's Group of States against Corruption (GRECO), a rotating peer-review system, assesses individual European countries' anti-corruption legislation and recommends that components of a universal repertoire of anti-corruption measures are adopted everywhere, regardless of local circumstances. In 2004, it was the turn of Denmark, which as we have seen in Chapter 3 is generally considered to have one of the best-quality governments in the world. GRECO (2009: 12) found Denmark's legislation imperfect on the grounds that it was a century old and was not used often enough for prosecutions (because, in fact, it had an effective deterrent effect on corruption). Frequently the industry seems to be driven by its own need to expand rather than by the needs of problem solving. Likewise, in spring 2012 the Australian government made the news for its refusal to implement UNCAC and adopt a single anti-corruption agency as recommended by UN experts and a parliamentary committee, although the committee then stated that: ''there is very little evidence of serious or systemic corruption in the Australian public service'' (Baker and McKenzie 2012). Australia's state anti-corruption agencies (notably New South Wales) had been in the historical vanguard of successful control of corruption and the refusal of the Australian national government to change a system that worked well was perfectly justified - but it was badly received by the global trend of monocropping.

A reputable US-based NGO called Global Integrity – whose work is funded by the World Bank and is an authoritative source of data for the grant giving US aid Millennium Corporation – created an index which placed countries on a scale reflecting their institutional tools for fighting corruption. In 2011, they abandoned the index with little public explanation. The countries which featured in the top five of the index in the previous two years were in fact

extremely corrupt countries which had simply adopted more anti-corruption instruments than anyone else – notably Bulgaria, Romania, and Macedonia, because they were motivated by the need to show progress in their EU accession negotiations (Global Integrity 2011). Lambsdorff (2008) regressed the two measures of the Global Integrity Index, the legal framework and the actual practice, on TI Corruption Perceptions Index and the 2007 Global Competitiveness Survey of the World Economic Forum (WEF) and found that only practice associates with better control of corruption. Too many laws can even make businesspeople skeptical as very often they are used as cover for corrupt practices and are never really implemented. Global Integrity created a good indicator called 'implementation gap' from the difference between legal arrangements and practice, which in the cases of most institutionally 'advanced' countries (where international community's conditionality is stronger, like in the Balkans) can be higher than fifty per cent, showing a major divergence between the 'legal' country and the 'real' country.

Assessments of the impact of this anti-corruption repertoire on corruption levels around the world have not been very systematic. Some more work was done on the impact on economic prosperity of constitutions (Persson and Tabellini 2004), but the few existing assessments are all skeptical (NORAD 2009: 9):

> The literature can identify few success stories when it comes to the impact of donor-supported anti-corruption efforts. Specialized anti-corruption interventions have registered particularly little progress, although they represent the originally preferred approach because of the positive results attained by Hong Kong's Independent Commission Against Corruption (ICAC). That, however, hinged on strong political support, legal frameworks and a court system that worked – the *will* and *capacity* to pursue corruption through *enforcement*. But it is the absence of exactly those factors that is seen as the key challenge in many countries.

As a partner in everyone's anti-corruption efforts, one might have expected the World Bank to pursue a more systematic assessment effort, but a sobering evaluation by Huther and Shah in 2000 was not followed by much change in their operations. As an example, civil service interventions, such as training or public management toolkits, were found to be ineffective but were continued despite no measurable positive effect. A 2011 World Bank evaluation was more general, but again pessimistic, declaring that, since the World Bank supported only governments or other donors, its efforts could hardly be evaluated in isolation. Nevertheless, it did not identify any area of real impact, and the civil service was again singled out as an area with no potential for outside intervention (World Bank 2011).

In this section, we focus on five distinct institutional efforts: the ratification of UNCAC, the endorsement of freedom of information legislation/acts (FOIA), the establishment of an anti-corruption agency (ACA), the creation of an office of Ombudsman and 'constitutional' interventions. While UNCAC is a recent treaty (2005), the other interventions have been around much longer – as such, their effect, or lack of it, has had more time to materialize. All of those tools have been promoted intensely by the international community, resulting in their importation by a large number of countries (see **Table 7**). FOIA and ACA have been adopted on a massive scale since 2000; an Ombudsman was more popular as an

accountability tool between 1990 and 2000, following democratic revolutions. The final result, however, is a virtual explosion of institutional imports all around the world.

Table 7. The development of Institutional Interventions

Year	UNCAC ratifications	Countries with FOIA	Countries with ACA	Countries with Ombudsman
1990		**15**	**12**	**47**
2000		**42** (27 new)	**41** (29 new)	**100** (53 new)
2008	**145***	**86** (44 new)**	**98** (57 new)	**135** (35 new)

**2003 to 2011/ **2010 data*

Source: Hertie School of Governance Database[1]

To test the impact of this institutional equipment, two sets of measures were created: one a simple dichotomy indicating the existence of an anti-corruption tool (e.g., an anti-corruption agency), and another indicating the number of years the tool has been in operation. We documented the adoption of an intervention until 2008, and tested its impact on the 2008, 2010 and 2012 corruption ratings. Two different kinds of test were undertaken: (i) a simpler, descriptive procedure comparing the evolution of corruption over time, before a given intervention (marked as year 0), and submitting it to a significance test; and (ii) bivariate and multivariate regressions for each of the interventions, with controls for development. The ICRG corruption riskwas used as the dependent variable forboth trend and regression analysis due to its longer time series. It is also a good fit for this research question since, despite its commercial purpose, it attempts to measure particularism rather than just bribery (PRS 2013). However all regressions were also run on CoC (see **Table 8**).

[1]This database was compiled by the Hertie School of Governance for NORAD in 2011 and updated for ANTICORRP in 2013. In the case of UNCAC, the dataset from the website of the United Nations Office on Drugs and Crime, which records information about the ratification of the Convention (applied to 193 countries in our database), was used; in the case of FOIA, Roger Vleugels' (2008) records of the existence of FOIA in countries worldwide were used (applied to 193 countries in our database). In the case of anti-corruption agencies, according to the OECD categorization, 176 countries were checked for the existence, year of establishment and type of anti-corruption agency in 2008.Similarly, a set of 193 countries has been checked for the presence and year of establishment of a working office of the Ombudsman in 2008. The Hertie School datasets record the sole existence (year of establishmentand type of an agency in the case of ACA) and do not include any estimate on the efficiency or independence of the institutions.

Table 8. **Impact of interventions on control of corruption**

VARIABLES	ICRG Risk of Corruption (2010)			WGI Control of Corruption (2012)		
	Model I	Model II	Model III	Model IV	Model V	Model VI
Presence of FOIA	0.65***			1.17***		
	(0.186)			(0.321)		
Presence of ACA		-0.17			-0.39	
		(0.198)			(0.326)	
Presence of Ombudsman			0.15			0.30
			(0.218)			(0.362)
Constant	2.33***	2.77***	2.57***	3.89***	4.61***	4.22***
	(0.136)	(0.155)	(0.186)	(0.217)	(0.235)	(0.304)
Observations	137	138	137	186	191	186
R-squared	0.08	0.01	0.00	0.07	0.01	0.00

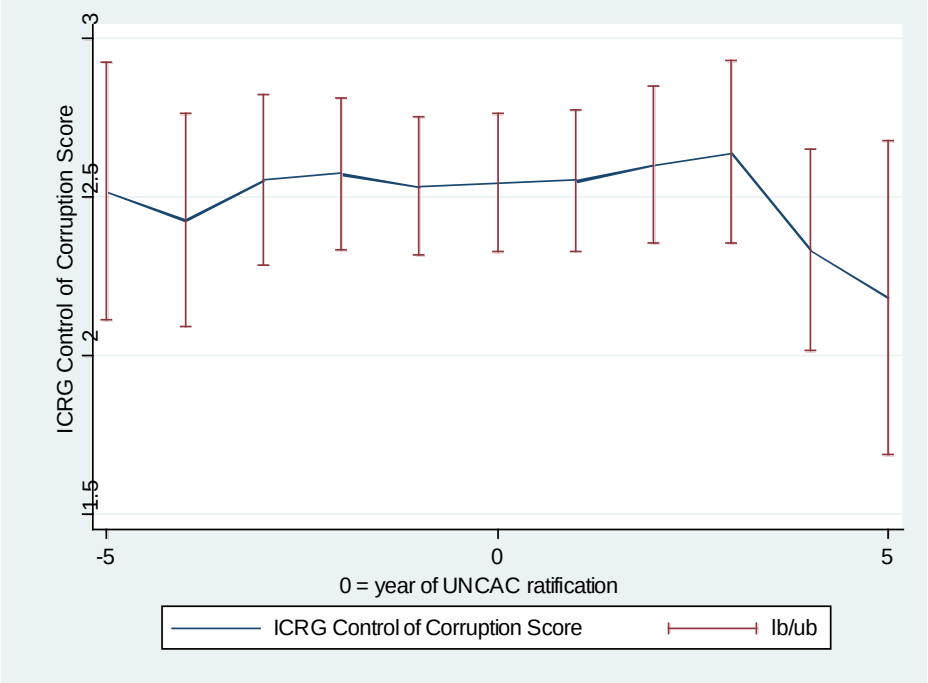
Robust standard errors in parentheses / *** p<0.01, ** p<0.05, * p<0.10

The bivariate regressions returned only FOIA as significant. For the rest, there seem to be no significant difference in performance between countries which installed an Ombudsman or an Anti-corruption Agency and those which did not.

For the before and after significance test two different samples were used, one with all the countries, the other without countries in the top tercile of control of corruption, to allow for more sensitivity to countries which need more change. But in neither circumstance did the control of corruption scores at the end vary significantly compared with the start of intervention, although again FOIA is the exception. Otherwise, however, the results of tests support each another showing no significant impact across countries when comparing countries which adopted the intervention with countries which did not. Two different explanations seem to be called for, here. One question is why favorite interventions seem to work so poorly? The second is about FOIA; when and in what circumstances does it work?

The United Nations Convention against Corruption (UNCAC) came into force in 2005 and includes provisions for preventive measures (Chapter II) as well as criminalization and law enforcement (Chapter III). The adoption of an effective follow-up monitoring mechanism for the implementation of the UNCAC is considered to be one of the biggest challenges ahead. Few developing countries have transposed the provisions of the UNCAC into national law, to say nothing of the challenges of implementing them in practice. Considering the reputational costs (international and domestic) for a country that does not adopt the UNCAC, it is to be expected that far more countries must have adopted the treaty than actually meant to implement it. Once every country has adopted the UNCAC - a moment fast approaching - variation will disappear and it would not be worth testing the impact of UNCAC through regression analysis, because too little diversification in the dummy variable will remain. However, the before and after test too shows no significant improvement.

Figure 8. ICRG risk of corruption before and after UNCAC ratification



Source: ICRG and Hertie School of Governance database

Legend: Evolution of corruption (horizontal line) after ratification of the UNCAC (year zero), when averaged (confidence interval indicated by vertical bar), is non-significant. ICRG corruption scale has the highest number of points indicating the lowest potential risk for that component and the lowest number (0) indicating the highest potential risk.Reference year 2009.

The establishment of a dedicatedanti-corruption body has been one of the main institutional recommendations in anti-corruption conventions to date. The international community became the major proponent of ACAs, persistently recommending their creation as an important piece of a country's institutional architecture and its large scale anti-corruption strategies. The forerunners of today's anti-corruption agencies date back to the 1980s and 1990s (e.g., Hong Kong, Singapore, and Australia), when internal corruption scandals and poor performance by conventional law enforcement bodies (e.g., police, courts, and offices of the attorney general) strengthened the position of ACAs as the 'ultimate institutional response to corruption' (de Sousa 2009: 2). ACAs were promoted by several conventions on the control of corruption – UNCAC, the African Union Convention, the Inter-American Convention, the Convention of the Council of Europe – as well as by the EU during its enlargement process. But in line with the theory of change presented in this report, we should presume that an anti-corruption agency works only if the rule of law already exists in a given country- otherwise the agency will be either inefficient or used against political opponents by whoever is ruling the country. The main difficulty however is to build rule of law, in other words to convince those in government that they should stand before the law on an equal footing with everyone else. Little wonder then that no significant improvement in the corruption risk estimate is found for countries which have adopted the agency

compared to the rest. All types of agencies were tested separately, as well as according to OECD categories, with no significant results – a finding in line with earlier reports by Kaufmann (1998) and Meagher (2005). An earlier report has already acknowledged that, in fact, context is the essential element for the success of an agency (Doig et al. 2005). The problem of ACAs is the eternal problem of addressing corruption from a principal-agent perspective: How realistic is it to insulate an agency from domestic politics in order to make it an objective and effective principal? Why would governments in either neopatrimonial or competitive particularistic countries want to change a system that is profitable for them in order to empower truly independent, well-trained, and equipped anti-corruption agencies whose very purpose is to fight against them? The few agencies reported as successful in Africa and Eastern Europe had seen their chiefs fired and budgets reduced. Reports have now started to warn that ACAs can be effective tools only when they respond to a national consensus and are supported by a broad domestic coalition (Heilbrunn 2004: 2) and they should not be created without a 'systematic assessment of the local (political) context', for there is a risk that they could use their special powers to engage in a witch-hunt against political opponents, rather than genuinely pursue anti-corruption goals (USAID 2006: 5).

But the 'failure' of many agencies is more systemic and stems from the fact that such agencies are simple forms of pleasing donors and as such were created without any intention of enforcement. This is the reported 'prescription mechanism', which operates frequently in relations between the international donor community and a country, e.g. the European Union and candidate countries, when good marks are given to candidates who adopt all suggestions of the donor for reform, without any check on their real implementation, impact or, indeed, the adequacy of the reforms (Mungiu-Pippidi 2007). Similarly, van Aaken et al. (2008) investigated the impact of prosecutorial independence on containing corruption and found that 'de facto' independence decreases corruption, but 'de jure' (formal) independence has little impact.

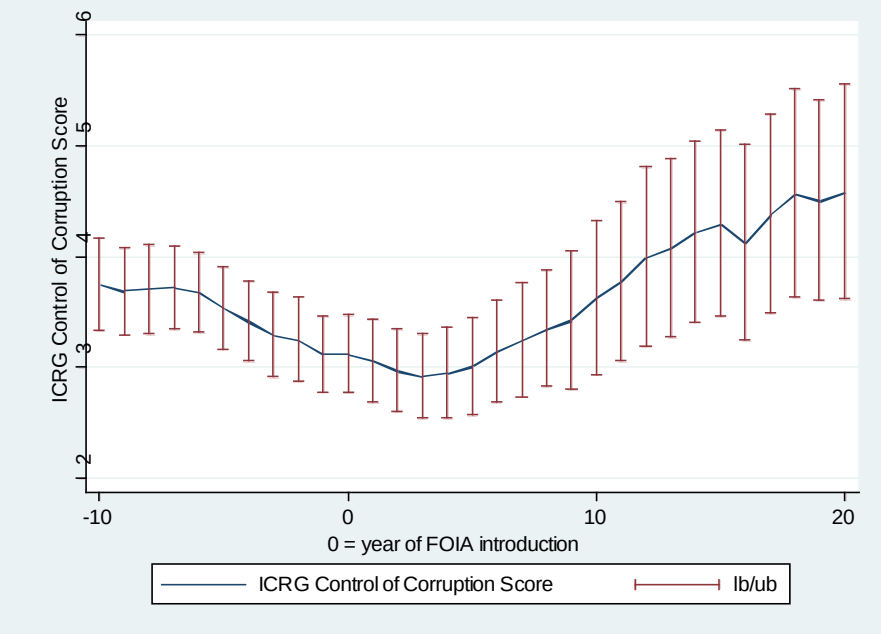
While the UNCAC does not mention the Ombudsman's office in the repertoire of anti-corruption measures, this accountability tool is promoted by donors and by Transparency International as a control of corruption measure. The role of the Ombudsman has mostly been related to making administrative law simpler for 'aggrieved persons' wishing to challenge government actions in courts (Brown and Head 2004: 5). However, the Ombudsman's mandate of protecting citizens from abuse directly addresses favoritism and lack of transparency. Even though nowadays 'the mandate of the Ombudsman generally goes beyond corruption cases and includes instances of maladministration attributable to incompetence, bias, error or indifference that are not necessarily corrupt' (UNDP 2005: 14), cases exist where the Ombudsman is given a mandate to investigate corruption complaints directly and takes on the role of an ACA (e.g., Philippines and Papua New Guinea). In any case, as guarantor of an accountable, impartial, and fair government, the Ombudsman as an institution should contribute to better governance through improvement of government accountability (Mungiu-Pippidi et al. 2011). The problem, however, is the same as with ACAs:

many such institutions are de facto subordinated to government or parliamentary majority. The Swedish historical Ombudsman, however, is strong because it is an instrument of the opposition.

Freedom of Information Acts have existed longer than UNCAC and ACAs, yet empirical results on their impact have been mixed. Bac (2001: 88) argues that greater transparency leads to improved information about whom to bribe, while at the opposite end of the spectrum Islam (2006: 153) finds that countries with greater transparency, measured through the existence of FOIA, do have lower corruption rates. By the end of 2003, 46 countries had implemented some form of FOIA (Escaleras et al. 2010: 436); by 2008 that number had increased to 82 (Vleugels 2008). The FOIAs differ in strength and measurements exist on how strong or weak a FOIA is; however, all information acts around the world include a few common elements to whit the right to file a claim for information, due process which must be followed (including time frames), legislation which should be enforced, whether a means for appeal exists, whether certain information can be withheld, and if so, by whom (Escaleras et al. 2010: 436).

These days, a growing body of treaties, agreements, action plans and other statements urge or require nations to adopt a FOIA. The FOIA clauses are included not only in anti-corruption treaties but also in agreements on environmental protection and natural resources management, as well as in a number of international human rights treaties and regional conventions (Banisar 2006: 8). The UNCAC also recommends a variety of measures aimed at improving transparency as a means to fight corruption (Article 10 on 'Public Reporting' and Article 13 on 'Participation of Society'). Additionally, the Universal Declaration on Human Rights and the International Covenant on Civil and Political Rights both require that every person shall have the right to free expression and to seek and impart information (Article 19, UDHR). Among recently written constitutions from countries in transition (Central and Eastern Europe as well as Latin America), most include a provision on access to information (Mungiu-Pippidi et al. 2011). Additionally, a number of countries with older constitutions (e.g., Finland, Norway) have recently begun amending their constitutions to include right of access to information (Banisar 2006: 17).

Figure 9. Improvement in control of corruption after introduction of FOIA



Source: ICRG and Hertie School of Governance database

Legend: Evolution of corruption (horizontal line) after introduction of FOIA (year zero), is significant when averaged (confidence interval indicated by vertical bar). ICRG corruption scale from 0 to 6 has the highest number of points indicating the lowest potential risk for that component and the lowest number (0) indicating the highest potential risk.

The before and after test results are shown in **Figure 9**, which traces the development of control of corruption from ten years before the implementation of a FOIA (t=-1 to t=-10) to twenty years after its implementation (t=1 to t=20).[2] The graph shows that there is a downward trend in control of corruption before the implementation of a FOIA, followed by an upward trend, which starts a few years after its implementation. To establish whether the corruption score changed significantly after the implementation of a FOIA, t-tests were run, comparing the mean corruption score at t=0 with the means from later years, up to twenty years following the introduction of a FOIA. Taking into consideration the actual t-test, the increase in corruption score becomes significant at the 5% level two years after the implementation of a FOIA and remains so for twenty years after its introduction. FOIA is also the only intervention significant in bivariate regressions on control of corruption. But how robust is this finding? Although it is a significant determinant of control of corruption in bivariate regressions, the impact is weakened when controlled for development as shown by the results in **Table 9.**Transparency remains positively associated with control of corruption, if we control for the rural-urban dimension and civil society development, but is less robust

[2] The graphs were produced using the xtgraph procedure in STATA, showing averages of a single outcome measured at several points over time. Standard errors and confidence intervals are calculated separately for every time point, using the t-distribution. See also Mungiu-Pippidi et al. 2011 for more details.

when life expectancy is introduced as a control (significant on CoC, but not on ICRG Corruption Risk). Its impact seems to be stronger at mid to high levels of development and to be due to non-state actors playing a large role in its implementation. Evidence collected by Transparency International, the Open Society Institute, and SAR shows that a successful FOIA goes hand in hand with civil society and citizen activism. Implementation was poor (Kocaoglu and Figari 2006) in countries where the law was adopted as part of a top-down government reform plan (e.g., Albania), as an international initiative (e.g., Bosnia) or as a result of lobbying from a civil society elite (e.g., Peru). By contrast, in counties where civil society coalitions pressed for access laws (e.g., Slovakia, Romania and Bulgaria), the resulting legislation, even if far from perfect, was used as a weapon for disclosure by civil society, journalists, and members of the general public alike. Monitoring in Bulgaria and Romania already showed that by 2006 more than 50% of requests filed elicited the information sought (Kocaoglu and Figari 2006) and that NGOs were winning spectacular litigation cases against government in courts, forcing disclosures that directly led to accusations of corruption (SAR 2011).

Table 9. **Impact of freedom of information on control of corruption**

VARIABLES	ICRG Risk of Corruption (2010)		WGI Control of Corruption (2012)	
	Model I	Model II	Model III	Model IV
Presence of FOIA	0.31*	0.59***	0.23	0.92***
	(0.167)	(0.165)	(0.304)	(0.300)
CSOs per capita	0.02***	0.02***	0.01**	0.02**
	(0.006)	(0.006)	(0.006)	(0.006)
Life expectancy	0.06***		0.14***	
	(0.009)		(0.015)	
Rural Population		-0.02***		-0.05***
		(0.004)		(0.007)
Constant	-2.10***	2.98***	-5.88***	5.82***
	(0.603)	(0.223)	(1.015)	(0.394)
Observations	131	130	163	162
R-squared	0.38	0.34	0.42	0.35
Adj. R-squared	0.37	0.32	0.41	0.34

Robust standard errors in parentheses / *** p<0.01, ** p<0.05, * p<0.10

The hypothesis that the interaction between fiscal transparency and activism from civil society together exert an effect was confirmed (**Table 10**); the introduction of an interaction between the number of civil society organizations and a fiscal transparency measurement,

Open Budget Index (OBI) makes CSO lose its significance which exists in the bivariate equation, while both FOIA and the interaction remain significant. Practically, that means that the disclosure of public budgets would have a positive effect on control of corruption, provided always that civil society is strong and able to participate successfully as an actor in budgetary oversight. The fact that FOIA remain highly significant with all these controls also confirms that among all interventions they have the greatest potential - provided some sort of civil society exists or is under development.

Table 10. **FOIA and interaction between fiscal transparency and civil society**

VARIABLES	ICRG Risk of Corruption	
	Model I	Model II
HDI	26.97***	25.80***
	(7.352)	(7.526)
ICT	0.112	0.117
	(0.103)	(0.105)
FOIA presence	0.0754***	0.0744***
	(0.0167)	(0.0161)
Political stability	3.976***	3.988***
	(1.076)	(1.076)
Open Budget Index (OBI)	0.00823	0.0314
	(0.0492)	(0.0602)
Number of CSOs	0.0177***	0.00588
	(0.00523)	(0.0142)
Interaction OBI*CSO		0.000180*
		(0.000204)
Constant	-13.82**	-11.68*
	(5.900)	(6.364)
Observations	78	78
R-squared	0.542	0.545

Robust standard errors in parentheses / *** p<0.01, ** p<0.05, * p<0.10

Finally, great hope among good governance consultants is invested in reform of political institutions. The rationale for it, however, is unclear. In Italy, for instance, domestic agency has pushed for reforms of the electoral system several times in reference to corruption, but that did not prevent backsliding on CoC from 1996 (first year of measurement) to the present. The mechanism of such persistence in reforming institutions which changes nothing seems rather to be related to the external perception of such reforms. Passing a law or even amending a Constitution is simple and can be reported instantly as a successful reform, even if no real control of corruption follows. Persson and Tabellini (2004) have tested a good number of constitutional tools in a sample of 90 countries, finding only one robust effect, the magnitude of electoral districts (i.e. small districts are associated with more corruption),

eventually combined with single seat constituencies, which they explain as a measure of open or closed entry into politics. Small districts are actually far easier to gain by patronage and clientelistic allocations, so they favor corruption, in comparison with larger ones which might require a more programmatic approach to electoral campaigning. In our larger dataset, we were unable to find any significant relationship between electoral systems and control of corruption, testing proportional versus majority systems, closed lists versus the rest, and electoral threshold. Reported results are mixed and controversial in the area of political reforms – particularly concerning federalism (e.g., Treisman 2000 found it associated with corruption), decentralization and electoral systems (Kunicova and Rose-Ackerman 2005; Brown et al. 2005; Chang and Golden 2004; Lederman et al. 2005; Park 2003). Generally, each of these papers covers only a limited number of countries and electoral situations, so the universality and robustness of their findings is uncertain. Another constitutional device without statistical evidence of impact on control of corruption is the establishment of Constitutional Courts.

One association that we did find in our dataset of 199 countries is that parliamentary systems are significantly associated with greater control of corruption (average CoC score of 6.6 for parliamentary to 5.9 for the other regimes). If the model is broken down per continents, Latin America in particular presents a robust relationship between presidentialism and corruption; however, the finding is not replicated in other regions. Persson and Tabellini too (2003) reported an association with presidentialism, although with some reservations. Keefer (2004) argues that what matters is a real effect of checks and balances, not how it is reached institutionally - just as long as one wielder of power managed to constrain the other.

In the conclusions of this review of the impact of favorite anti-corruption interventions, whether tested alone or with development controls, we suggest that a country does not progress simply because it imports one or other institutional tool – or, indeed, all of them – *when state and society actually operate largely by particularism*. Our results do not mean that outliers do not exist, nor that such tools are ineffective everywhere and in every context. But they do warn strongly against over-reliance on the institutional toolkit. It may be that an institution such as the Ombudsman might have more impact if reformed along the lines of FOIA – that is, entrusting it to the losers in corrupt arrangements, making them the key stakeholders in the institution rather than subordinating it to Parliaments or Governments, with the attendant risk of their being just as likely to be part of the problem. What is ultimately needed is not a silver bullet, because none exists, but a better alignment of tools with contexts, in particular with already existing human agency in favor of change. Few institutional weapons seem effective, and those are not like automatic pilots, for they need active agents to put them to use in order to achieve success.

V. Critical mass or critical mess? In search of the optimal equilibrium

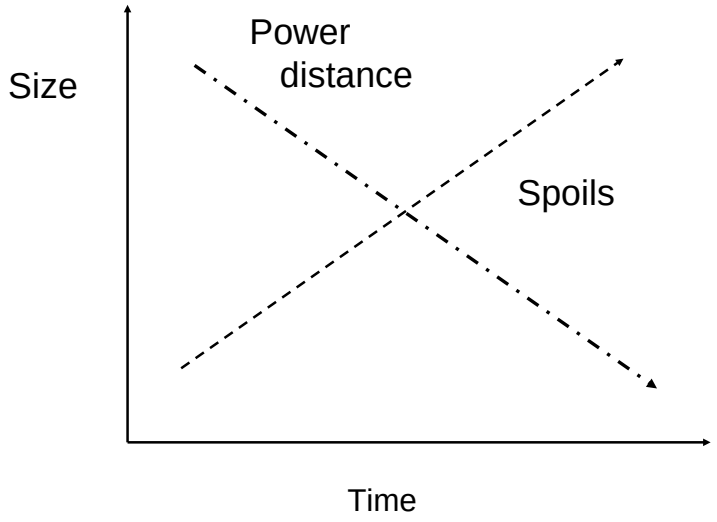
Despite an exponential increase in work on corruption over the last twenty years – only the last in a series of spells with the topic throughout the twentieth century followed by as many episodes fading from academic attention - the field remains divided between micro-theoretical models and macro-empirical models at the country level, with much confusion and no real communication between individual, organization and national level. This muddle is directly responsible for the poor performance of anti-corruption, showing that a simple increase in funds and human resources resulting in a whole new assistance industry is insufficient in the absence of a unitary theory linking these levels and explaining why a certain governance context first comes into being and then eventually changes. Not only is the disconnect between these levels of analysis a serious impediment, but so too is the absence of time series data which would allow a theory of governance change to develop. There has simply not been enough change since 1984 since PRS started measuring corruption risk to allow valid inference, and older expert scores are even less reliable (PRS also had a change of methodology which makes their time series corruption risk measure to some extent debatable). But change existed in the twentieth century. Some first generation achievers of good governance continued to evolve during this interval, with the Americans and the British cleansing urban politics of corruption, the French gradually de-politicizing administration, certain British colonies like Australia and New Zealand laying the foundations of an accountable independent government; and so forth. All those developments cannot be captured except by qualitative methods, as we have no quantifiable dependent variable. As to the sequence of modernization and good governance, grassroots demand and top-down reforms, of that we do have knowledge enough to inform a theory of change, if not to test it.

The insightful research question had already been asked by Samuel Huntington (1968) when he wondered why the modernization process increases, not decreases corruption? Indeed, if modernity is the quintessence of good governance with the build-up of a critical mass of enlightened citizens, accountable politicians and trustworthy magistrates, why does the process of 'getting there' itself look like such a critical mess? Huntington suggested that the answer lies in the transition process between new norms and the old social order, with disputed access to resources for new groups never fully consented to by old elites, leading to the development of informal strategies of social mobility, or; corruption as a shortcut against old privilege. Public c*orruption emerges indeed from many development studies as a catchword for the lack of the institutionalization of a market economy and democracy in transition societies* (Wallace and Haerpfer 2000). To paraphrase St Augustine, who famously considered evil to be the absence of good, *public corruption can be conceived as the absence of a rational legal order translated into collective behavior*, and evolution toward ethical universalism - and development, as the market also needs objectivity - is a continuous narrowing of that gap. Modern rational-legal bureaucracy has the advantage of being less discriminatory than systems founded on personalized exchange relationships. In Weber's

terms, it also creates a better investment climate and thus encourages economic development (1976: Ch. 22, 30) which makes for the mantra of 'modernization policy'. Many developing and transitional countries have set up a superstructure of rational-legal administration, but particularism continues to be the rule. Modern impersonality and objectivity, which lie at the basis of behavior in the public domain, including market transactions, do not necessarily emerge in every case, which is why control of corruption has come to be seen by economists like Acemoglu and Robinson (2012) as the major problem of development.

Modernization, as Huntington saw, does not bring about only increased constraints on the behavior of rulers with the *political* modernization process (reducing power distance in societies, excepting 20th century totalitarian systems) but with serous growth of public resources(i.e. potential spoils) brings about an increased role for the state to fulfill all the new functions. Historically the two processes seem to have developed in opposite directions (Mungiu-Pippidi 2014), an evolution summed up in **Figure 10**. As political discretion decreases and people become citizens in the modern sense, endowed with civil and political rights, potential spoils grow in time due to the state's scope growing, at least until the neo-liberal austerity policies of the late twentieth century, as people begin to pay more and more taxes than before to finance a state which takes more and more tasks upon itself. In the middle and below the intersecting point we find the only equilibrium area where corruption is controlled, as the two factors balance one another. The increase in potential spoils is brought about by modernization in all its forms, from communization (nationalization only brings more spoils to the private interests capturing the state) to de-communization (non-competitive privatization offers again great opportunity for spoiling). But the reduction of power discretion is anything but guaranteed. If many countries hold elections, more even than before, the accountability of rulers is still more of a desiderate than a reality even in such settings, let alone in autocracies.

Figure 10. Control of corruption main factors evolution over time



In other words, conditions for control of corruption at the advent of modernity were not uniformly good. Only a handful of Protestant and to a lesser extent Catholic societies enjoyed widespread literacy at the advent of modernization, so some foundations for accountability existed.

The development ultra-schematic macro model in **Figure 10** might not look entirely unfamiliar to scholars of corruption, although it is ordinarily encountered in cross-section micro models. Corruption at the individual level has been attributed, as have other criminal activities, to individuals' weighting of the expected costs and benefits of their actions in a given context and making their decisions on how to act "not because their basic motivation differs from other persons but because their benefits and costs differ" (Becker (1968: 176). Following Becker, other macro and micro level studies of corruption have advanced the idea of control of corruption as a balance between resources and costs (Becker and Stigler 1974; Nye 1967; Klitgaard 1998; Rose-Ackerman 1999; Huther and Shah 2000; Aidt 2003). When costs are low and opportunities are high, it is rational for individuals to be corrupt; especially if those around them behave similarly. Most individuals just follow the existing rules of the game rather than dissenting (Karklins, 2005; dellaPorta and Vannucci 1999). But that structure of opportunities and penalties can eventually change, as winners and losers cannot go on eternally in a sustainable way. Even if that seems an insurmountable obstacle to change, dividing public resources always to the advantage of spoilers and managing to buy off eventual dissenters is sustainable only when unlimited resources exist (for instance, spoils from natural resources can be spread widely in exchange for political support through what are known as 'clientelist' policies). It seems therefore that governance evolves only incrementally and can be described as a series of equilibria.

The understanding of corruption as an equilibrium was already pioneered by World Bank scholars, first by Robert Klitgaard(1988: 75) and later developed at the macro level by Huther and Shah (2000) as resources versus costs. Klitgaard, whose work is also associated with some successful anti-corruption at city level in Latin America, proposed this formula:

Corruption = Monopoly + Discretion – Accountability (C=M+D-A)

Corruption emerges when someone has monopoly power over a good or service, has the discretion to decide who receives it and how much; and is not accountable. The solution too seems to derive from there, by reducing or carefully regulating monopolies, curtailing official discretion and enhancing transparency (Klitgaard 2000). Also, the probability of being caught should increase. There is only one problem if this model is considered in a given social context, which is that the principal who should enforce all this against the unruly agent is seldom there. Klitgaard's hero, Judge Plana, is not easy to find about and many of the policies he should enact are above his level or he himself risks being removed if his actions will jeopardize the profits of the ruling party or dictator, or both. Corrupt contexts often look like pyramids of extraction, with those on top extracting the maximum rents. Huther and Shah (2000) tried to get round the problem by qualifying governance contexts as

institutionally strong, medium or weak. But creating thresholds between those categories is equally difficult.

The ideal model to explain control of corruption should be an equilibrium model without a principal agent perspective. What we need to explain is simply corruption as a result of the situation when constraints imposed by the society as a whole cannot prevent opportunity for undue profit from being taken advantage of– either by the spoiling national leader or the tax evading peddler. What such a model would measure is the collective capacity to enforce governance based on ethical universalism - any deviation from it creating social loss and discrimination. Empirical literature has, in fact, ample evidence to support such a model, although the idea of this holistic approach to a causal model was advanced only recently (Mungiu-Pippidi et al. 2011). Factors could be grouped thus:

Under opportunities or *resources*:

- Discretionary power resources due not only to monopoly, but also to privileged access under power arrangements other than monopoly or oligopoly – for example, status groups (Weber 1978), negative social capital networks (Olson 1965), and social orders, cartels, etc. (North et al. 2009).
- Material resources, such as state assets and discretionary budget spending, foreign aid, natural resources (resource curse), public sector employment, preferential legislation to influence markets (Johnston 2006) and any other resources which can be turned into spoils or generate rents.

Under deterrents or *constraints*:

- Legal constraints, supposing an autonomous, accountable, and effective judiciary able to enforce legislation, as well as a body of effective and comprehensive laws, with control agencies able to monitor their implementation.
- Normative constraints, which implies that existing societal norms endorse ethical universalism and permanently as well as effectively monitor deviations from that norm (through public opinion, media, civil society, critical citizens/voters etc.). For an effective sanction we need a population of autonomous and critical citizens capable of collective action, not a mass of citizens merely conforming to the corrupt rules of the game.

Control of corruption or its antithesis, particularism, could thus be summarized in the following formula:

Control of corruption = Opportunities (Power discretion + Material resources) – Constraints (Legal + Normative)

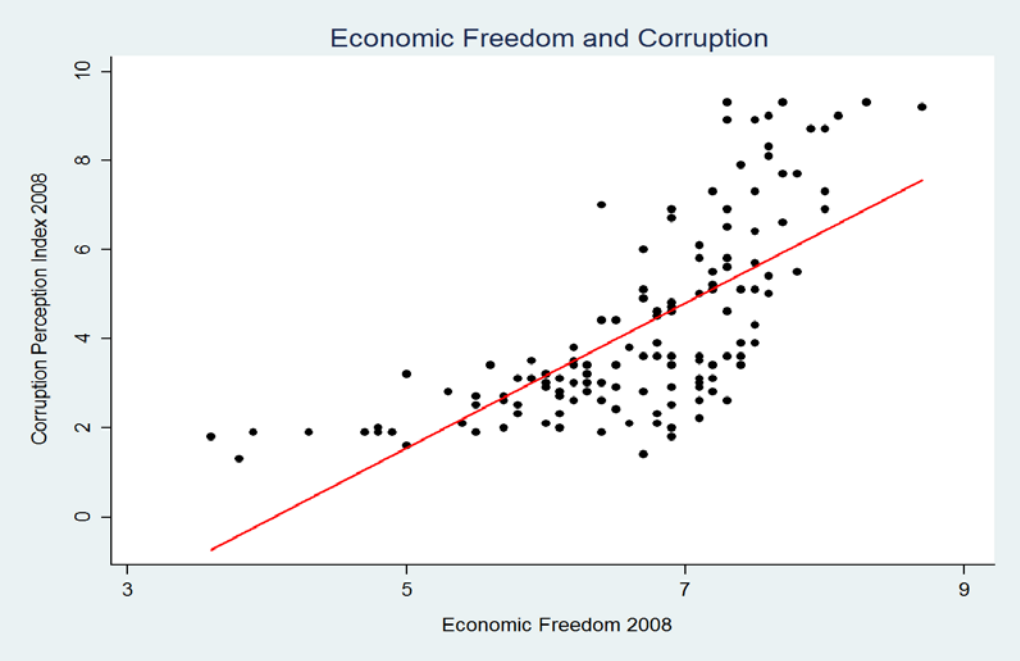
This equilibrium formula can be tested empirically and offers a more complex picture, not only of the individual causes of corruption (or even categories of factors), but also of their interaction, which allows for a better understanding of why certain policy combinations work and others do not. All elements of the formula can be affected by human agency. Resources, for example, are not an absolute given; they can be manipulated by policy. Power resources can be increased by discretionary regulation and red tape and decreased by transparency; many anti-corruption policies focus on that area.

Opportunities can include a variety of items, for example natural resources in state property, foreign aid (Easterly and Levine 1997) discretionary expenditures, public jobs, public contracts, preferential bailouts, subsidies, loans from state banks or any form of monetary rents, preferential concessions and privatizations of state property, and market advantages in the form of preferential regulation. Opportunities are a mixture of resources and the discretion to allow them to be used for rent creation. In bivariate models economies based on fuel or aid are indeed associated with greater corruption, but in more complex models direct material resources lose their significance- they seem to be a 'curse' only in very poor dependent societies, which in itself is problematic and increases the responsibility of Western donors or companies acting in such environments. Government investment in capital formation is a stable finding. Countries which spend more on 'projects', either in the EU or in developing countries, tend to exert less control over corruption.

Some economists have argued that government intervention in the economy only creates resources for corruption. Vito Tanzi (1994), for example, suggests that government intervention in free markets creates rents and leads to a sharp rise in corruption payments. Several papers on trade agreements and aid present evidence that control of corruption is associated with more economic freedom, less regulation and more competition (Ades and Di Tella 1999). Kaufmann (1997) tests the relationship between an indicator of regulatory discretion and corruption and finds a strong correlation in a small sample of developing countries. Power discretion is actually a robust determinant of corruption whatever the proxy used, but economic freedom (i.e. proxies used by either the Fraser Institute or Heritage Foundation) and red tape (cf. World Bank Ease of Doing Business) are especially robust predictors of it (**Figure 11** and **Figure 12**).

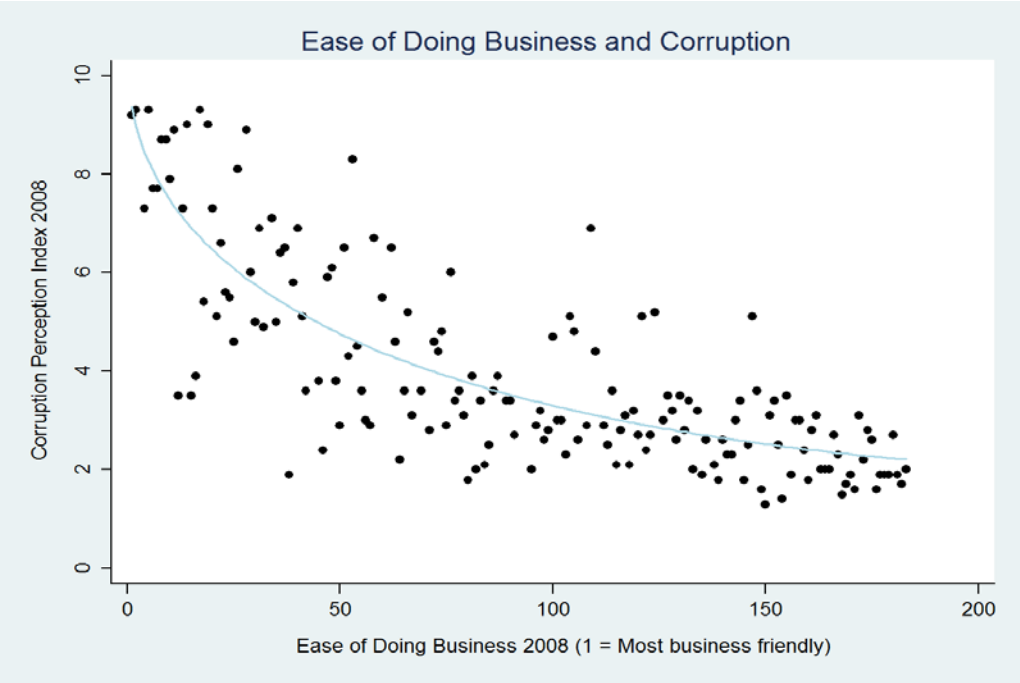
Power discretion was already tested in this report, when finding that individual autonomy and physical and property rights are positively associated with control of corruption. Husted (1999) tested a more specific 'power distance' – the extent to which less powerful members of society expect and accept unequal influence – and found it positively associated with corruption, as were the extent of dominance of materialism and the perceived threat of uncertainty. That finding greatly supports the idea that social conformity allows power discretion in societies dominated by particularism, but such surveys exist for only a limited number of countries.

Figure 11. Association between control of corruption and economic freedom



Source: Transparency Internationaland Fraser Institute (10 maximum)

Figure 12. Association between control of corruption and red tape



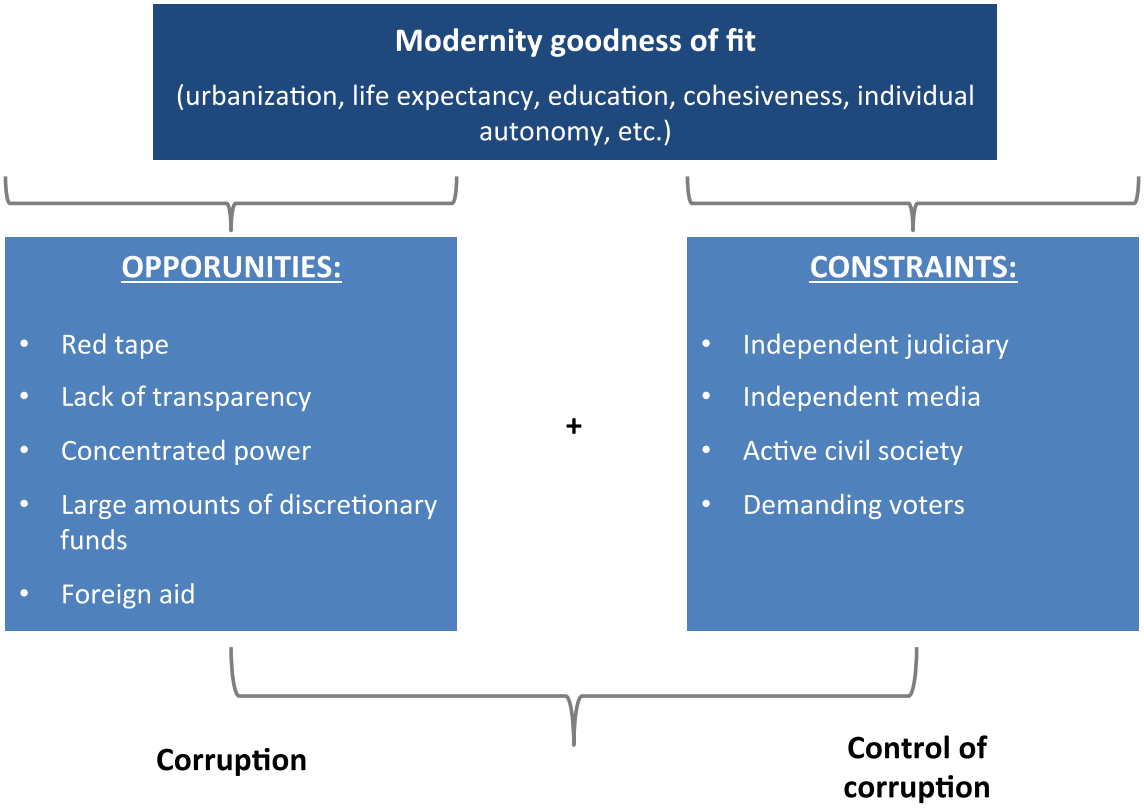
Source: Transparency international and Ease of Doing Business Index.

Economic freedom and red tape figures (**Figure 11** and **Figure 12)** illustrate how power and material resources interact, for instance rulers promoting regulations that only increase their discretionary power and create resources for their own further spoiling. Discretionary regulation offering opportunities for extortion can be promoted under any regime – by a

group of parties just as well as by a dictator. Thus, proxies for political determinants become insignificant when tested in the same time period in the model. Since all variables are interconnected and some basic modernization factors influence many of them, a path model is needed to illustrate their relationships. **Figure 13** illustrates such a model.

The equilibrium model should not, however, be understood in terms of separate variables or even groups of them, but as a complex mechanism. More discretionary resources in the hands of a corrupt government only increases corruption, but once the equilibrium is reached where corruption is controlled, it is possible that if more spending is dedicated to welfare social trust is increased and will play a very positive role (Tanzi and Davoodi 1998; Rothstein and Uslaner 2005). It is not the volume of government spending, but the discretion of spending which matters.

Figure 13. Theoretical path model of control of corruption



Constraints, on the other hand, have to be seen as societal constraints to be truly independent of the core cause of particularism, which is inequality between public influence resources which generates uneven access to public rents. In other words, the government should not be expected to constrain itself through an autonomous bureaucracy. The existence of an autonomous bureaucracy is so much part of the definition of control of corruption that it should be considered to be part of the dependent variable and not truly an independent factor, so as not to enter the vicious circle of 'when the solution is the problem' described by development scholars (Pritchett and Woolcock 2004). In corrupt countries bureaucracies are entirely part of the problem through politicization, nepotism or

patronage. Could the same argument be made for the judiciary? Only to a limited extent; there exists the principle of separation of powers for judiciaries, presently enshrined in most Constitutions, but which does not exist for bureaucracies and which matters both in constitutional and practical terms (recruitment, dismissal). A bureaucracy, regardless of how is organized, exists to implement a government's will, so in the end it is prevented from being truly 'autonomous'. The judiciary is there to control government and few governments still have direct appointment powers. Of course, the government has other tools to prevent the judiciary from censoring it; still the distance is greater than in the case of bureaucracy and other factors than government intervene in shaping an autonomous judiciary (Neild 2002).

Judiciary can be independent, but still corrupt: a good performance measure of the judiciary must look at its accountability, not just its independence (for instance, tenure), a measure already covered by power discretion. We find a strong association, as expected, between autonomy of the judiciary and control of corruption, an expert score compiled by World Economic Forum (conceiving independence from private interest also, not just politics). That score is a highly significant and robust determinant of control of corruption, and the significance of the judiciary performance has been previously reported (cf. Messick 1999; Damania et al. 2004; Ali and Isse 2003; Brunetti and Weder 2003; Herzfeld and Weiss 2003; Park 2003; Broadman and Recanatini 2000; Leite and Weidmann 1999; Ades and Di Tella 1997). However, due to the high discretion of the nature of its activity the judiciary remains in practice one of the most difficult areas for external donors to treat, so there is a great distance from its significance to some meaningful recommendations (Fukuyama 2004).

Any model explaining control of corruption – no matter how carefully built and tested – is bound to be reductionist. **Figure 13** suggests that the broader development and stability context influences nearly all factors in the equilibrium equation and can, in turn, be influenced by many of them in the long run. The 'equilibrium' model builds on the modernization model, but departs from it in that all its factors can be influenced by human agency. However, its empirical validation proves to be challenging. The complex associations of variables make it difficult to find clearly distinguishable indicators for each of them. As a result, serious co-linearity problems may arise. In addition, the absence of time series for appropriate indicators renders such an empirical path model hardly feasible. On the hand, a simplified cross-sectional model may also raise potential endogeneity problems. **Table 11** proposes however a parsimonious model, which seems robust across our three different measures of corruption (aggregate score, business survey, general population survey).

As proxies we used:

- For power discretion, the score of physical integrity rights;
- For administrative discretion, the ease of doing business (also, services offered as e-government and other transparency indicators, economic freedom, economic globalization index);

- For factionalism, ethnic fractionalization;
- For material resources, an indicator on abundance on natural resources. Other indicators can be amount of spending going into procurement (this data difficult to find for many countries; for EU-28, where data is available, the effect of the respective variable is significant) or amount of assistance funds as percentage of GDP;
- Under legal constraints, the expert score produced by the World Economic Forum on Judicial Independence;
- Under normative constraints, the determinants tested were press freedom, civil society (measured in simple numbers of CSOs per 100,000 inhabitants) and Internet access (signifying the presence of well-informed and therefore potentially critical citizens), social globalization index.

The parsimonious cross-sectional 'equilibrium' model (see **Table 11**) proved to be robust, highly significant and with high explanatory power in the dataset with little variation from one model to another and controlling for development as well as regional differences[3]. Additional to independent judiciary system and lack of power discretion, civil society, press freedom and the existence of enlightened citizens (newspaper readership, Internet connections) positively influence control of corruption. In particular, press freedom and civil society have previously been reported to be significant by Brunetti and Weider (2003); Grimes (2008); Mungiu-Pippidi (2012).

As mentioned above, testing the model predictions with time series data, we have to use different indicators compared to those that have been used with cross-country analysis due to lack of availability of certain variables. In particular, the estimation models presented in **Table 12** introduce two new indicators, which have not been used in the previous analysis and are part of the so-called KOF Index of Globalization: one is a measure on the degree of economic globalization that captures trade as well as financial openness, and the second measures the degree of social openness that is mostly based on the data on information flows and usage of telecommunication services. The data covers the years 1996-2011 and a sample of 148 countries. We use 3-years averages to take the persistence of institutional indicators into account, and apply two standard estimation methods for panel data analysis: random effects model and fixed effects model. The latter one is used to additionally account for potential effects of country-specific unobserved time invariant factors such as political culture, tradition, etc. We include indicators for rural population and education to control for the effect of development because the data on HDI is not available annually. Furthermore, since the results might be driven by the inclusion of developed countries, columns (5)-(8) repeat the estimations from the previous four models considering only

[3] When using the GCB measure on corruption as a dependent variable, regional dummies are not included because of the limited sample size. Furthermore, models IV-VIII additionally control for the effect of the squared term of the freedom of the press score due to its non-linear relationship with the respective corruption indicator

middle and low income countries. Overall the models explain more than 70% of the differences in the level of control of corruption in our total data sample, most of which, however, resulting from the cross-country rather than time variation (which endorses the hypothesis that causes leading to evolution or change in control of corruption are different than causes explaining why in a given moment in time certain countries enjoy it and others not). Our general findings are consistent with those obtained from the cross-sectional analysis. In particular, the results show that power discretion and dependency on natural resource revenues tend to determine poor control of corruption. By contrast, economic openness, resulting in a higher degree of competitiveness, and normative constraints, captured by the degree of social openness as well as press freedom, positively influence control of corruption.

Table 11. Equilibrium cross-sectional models

VARIABLES	WGI Control of Corruption			WEF Diversion of public funds (1-7 very uncommon)			GCB % of respondents who consider public officials as corrupt	
	Model I	Model II	Model III	Model IV	Model V	Model VI	Model VII	Model VIII
Physical integrity index (0-8 best)	0.095***	0.095***	0.099***	0.086***	0.086***	0.094***	0.259	0.263
	(4.60)	(4.59)	(4.46)	(3.10)	(3.04)	(2.95)	(0.22)	(0.22)
Judicial independence (1-7 best)	0.391***	0.389***	0.305***	0.718***	0.716***	0.668***	-4.130**	-4.114**
	(14.17)	(13.75)	(7.66)	(14.65)	(14.47)	(11.86)	(-2.05)	(-2.03)
Ease of doing business rank (1-183 worst)	-0.002***	-0.003***	-0.003***	-0.003**	-0.003**	-0.004**	0.095*	0.096*
	(-3.00)	(-2.87)	(-3.52)	(-2.02)	(-2.06)	(-2.25)	(1.68)	(1.68)
Ethnic fractionalization	-0.022	-0.048	-0.038	0.015	-0.030	0.046	12.82	13.15
	(-0.15)	(-0.28)	(-0.27)	(0.08)	(-0.15)	(0.22)	(1.65)	(1.45)
Freedom of the press (1-100 most free)	0.005**	0.005**	0.004*	-0.036***	-0.035***	-0.028**	1.135**	1.128**
	(2.07)	(2.14)	(1.69)	(-3.44)	(-3.44)	(-2.39)	(2.24)	(2.14)
Freedom of the press (squared)				0.0002**	0.0002**	0.0002	-0.011**	-0.010**
				(2.12)	(2.09)	(1.40)	(-2.14)	(-2.06)
CSOs per capita	0.005**	0.005**	0.003	0.008**	0.008**	0.009***	-0.322**	-0.322**
	(2.58)	(2.54)	(1.64)	(2.56)	(2.52)	(2.82)	(-2.26)	(-2.24)
Internet access (per 100 people)	0.007***	0.008***	0.010***	0.005**	0.007*	0.006	0.117	0.107
	(4.14)	(3.49)	(3.80)	(2.12)	(1.91)	(1.66)	(0.99)	(0.70)
Natural resources dummy	-0.109	-0.100	-0.121	-0.159*	-0.144	-0.132	6.217*	6.078
	(-1.32)	(-1.18)	(-1.60)	(-1.67)	(-1.47)	(-1.30)	(1.72)	(1.63)
HDI		-0.192	0.448		-0.317	-0.601		2.386
		(-0.48)	(0.77)		(-0.57)	(-0.85)		(0.11)

Table 12 (cont). Equilibrium cross-sectional models

VARIABLES	WGI Control of Corruption			WEF Diversion of public funds (1-7 very uncommon)			GCB % of respondents who consider public officials as corrupt	
Asia and the Pacific			-0.037			-0.232		
			(-0.19)			(-0.91)		
Eastern Europe and the Baltics			-0.486***			-0.516***		
			(-4.18)			(-2.73)		
Former Soviet Union			-0.294*			-0.148		
			(-1.74)			(-0.58)		
Latin America			0.0214			-0.343		
			(0.14)			(-1.50)		
The Caribbean			-0.684***			-0.728**		
			(-3.35)			(-2.51)		
Middle East and North Africa			-0.094			-0.110		
			(-0.64)			(-0.48)		
Sub-Saharan Africa			0.196			-0.373		
			(1.00)			(-1.30)		
Constant	-2.277***	-2.150***	-2.207***	1.516***	1.697***	2.119***	31.42*	30.10
	(-12.39)	(-6.12)	(-5.31)	(3.36)	(2.87)	(2.99)	(1.67)	(1.38)
Countries	123	123	123	123	123	123	85	85
Adj. R-squared	0.90	0.90	0.93	0.88	0.88	0.89	0.44	0.43

OLS regressions using data for 2010. GCB data is for 2012. Data on CSO numbers and ethnic fractionalization stems from 2008 and 2001, respectively. Robust standard errors are used; *t* statistics in parentheses / *** p<0.01, ** p<0.05, * p<0.10

Table 13. Panel regressions

VARIABLES	All countries				Middle and low income countries			
	RE	RE	FE	FE	RE	RE	FE	FE
Physical integrity index (0-8 best)	0.056***	0.056***	0.053***	0.049***	0.048***	0.046***	0.050***	0.046***
	(5.03)	(4.80)	(4.46)	(3.85)	(4.24)	(3.70)	(3.88)	(3.17)
Freedom of the press (1-100 most free)	0.006***	0.008***	0.002	0.004	0.005***	0.007***	0.002	0.005**
	(3.69)	(4.03)	(1.22)	(1.47)	(2.95)	(3.33)	(1.27)	(1.98)
Social openness (1-100 most open)	0.019***	0.015***	0.009**	0.006	0.012***	0.011***	0.013***	0.012**
	(8.17)	(5.11)	(2.18)	(1.56)	(5.81)	(3.56)	(3.14)	(2.50)
Economic openness (1-100 most open)	0.006***	0.007***	0.006**	0.007***	0.005**	0.006**	0.005**	0.007**
	(3.29)	(3.23)	(2.61)	(2.67)	(2.58)	(2.54)	(2.15)	(2.09)
Natural resource rents (% GDP)	-0.073**	-0.068*	-0.083**	-0.089	-0.073**	-0.064*	-0.068	-0.058
	(-2.37)	(-1.79)	(-2.03)	(-1.59)	(-2.41)	(-1.81)	(-1.62)	(-1.04)
Rural population (% total pop.)		-0.005*		-0.002		0.001		0.000
		(-1.84)		(-0.28)		(0.44)		(0.02)
Tertiary school enrollment (% total pop.)		-0.000		-0.001		0.000		0.002
		(-0.13)		(-0.51)		(0.09)		(0.65)
Constant	-1.667***	-1.373***	-0.964***	-0.779	-1.377***	-1.541***	-1.331***	-1.525**
	(-12.19)	(-4.73)	(-4.37)	(-1.43)	(-10.25)	(-5.68)	(-6.53)	(-2.36)
Observations	724	525	724	525	559	384	559	384
Countries	148	137	148	137	121	111	121	111
R-squared (overall)	0.72	0.71	0.69	0.69	0.49	0.47	0.47	0.45
R-squared(within)	0.12	0.12	0.13	0.13	0.15	0.17	0.15	0.17

The dependent var. is "control of corruption" from WGI. The data sample consists of 3-year averages covering 1996-2011. By country clustered standard errors are used; *t* statistics in parentheses: * p<0.1 ** p<0.05 *** p<0.01. All regressions include period dummies

Conclusions

The factors in our theoretical model can interact to create equilibria at various values, so only individual assessments can diagnose a specific country and find remedies and no universal silver bullet exists. Indeed, if the norm is not ethical universalism then the specific term 'anti-corruption' might even be inappropriate in itself. What is needed is complex state building and deep democratization, empowering the losers under current institutions, the upsetting of the current equilibrium and the achievement of another, superior, equilibrium, in the medium- to long-term investment. Cases such as Uruguay, Costa Rica, Estonia and Georgia prove that it is possible.

A forecast based on this model would imply that change in governance order can occur only gradually and by a succession of radical actions and disequilibria until new equilibrium is achieved with better control of corruption. That explains why so few success stories exist, and why they seem to result more from domestic agency and broad reforms (Estonia, Georgia, Uruguay) than from typical anti-corruption focused on repressive agencies.

Control of corruption in a society has to be understood as a complex balancing act rather than as a group of separate factors determining corruption. Therefore anti-corruption (AC) cannot be effective unless it manages to assemble these features:

1. AC is adjusted to the real equilibrium level (particular transactions are either the exception or the norm) as two different sets of policies apply (contextual);
2. if particular transactions are widespread AC needs to affect more than one element (comprehensive);
3. if particular transactions are widespread, AC needs to be radical and strong enough to affect the balance and so trigger a disequilibrium (deep);
4. if particular transactions are widespread AC needs to involve both state (e.g. fiscal transparency) and society (watchdog NGOs) in order to influence both sides of the formula (balanced);
5. if particular transactions are widespread AC needs to result from action by those groups on all sides (state and society) who oppose the institutional status quo (genuine 'principals') and cannot be simply conceived as top-down 'reforms'.

As this is not a policy report, these conclusions, grounded in the holistic approach and this empirical model, are as far as this paper goes. It remains for other research outputs of ANTICORRP to investigate and report on what enabled the success of anti-corruption by looking at the few real cases where it worked. This report has achieved its objectives, using recent data from different sources generated by the members of this consortium and a large number of observations, as follows:

1. **To propose and bring solid evidence in favor of a holistic approach to control of corruption as a governance order**. The report brings solid evidence that control of

corruption is an equilibrium involving both state and society, widely perceived by respondents in highly salient opinions and attitudes which inform their behavior. The various forms and types of corruption should be seen only as symptoms of a systemic malady, which can vary from one sick patient to another according to individual resistance but which do not change the definition and mechanism of the malady as a whole. It is highly unlikely that a cure can be effected except by a systemic approach.

2. To show that determinants of control of corruption are the same on measurements from very different sources, businesspeople, ordinary citizens and experts therefore validating the measurements of corruption.

3. To propose a policy-relevant model able to explain almost 90% of variance without resorting, like many models of 'institutional quality', to legacies such as age of democracy, colonial past, legal tradition and religion. All elements of the model can be influenced by human agency - if not by the agency of governments uninterested in changing the status quo then by the agency of civil society and international donors.

4. To test anti-corruption devices and prove which ones seem to work, and in whatcircumstances.The strategy which reduces resources and increases constraints still holds good if we understand to what extent constraints need to be societal, not just on the state side (see also Kaufmann 1997; Huther and Shah 2000). Institutional weapons such as FOIA work if institutional warriors exist and pick them up. Many interventions would gain in effectiveness if the stakeholders (taxpayers, consumers, businesses, NGOs) were to be involved, because **what works to deliver change is the interaction between civil society and the tool itself (for instance, fiscal transparency).** Anti-corruption policies should by default involve stakeholders and be reviewed by them, not formally and marginally, as in many pseudo social accountability designs, but substantively, in the whole policy cycle - the planning, implementation and evaluation of policies.

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Appendix 1: Micro level model

VARIABLES	(1) Model I
% of respondents who are self employed	0.44**
	(0.180)
% of respondents employed in the private sector	-0.54**
	(0.247)
% of male respondents	1.67***
	(0.507)
Perception of importance of personal contacts	0.10*
	(0.051)
% of respondents with low income	0.27
	(0.220)
% of respondents with secondary education	0.01
	(0.135)
Constant	-0.87**
	(0.371)
Observations	97
R-squared	0.31
Adj. R-squared	0.27

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.10

Appendix 2: List of variables and sources

Variable	Variable description / Measurement	Scale	Time period	Country coverage	Source
% of respondents who consider civil servants / public officials as corrupt	Percentage of respondents who answered the question: "To what extent do you see public officials/civil servants to be affected by corruption in this country?" with 4 (corrupt) or 5(extremely corrupt).	%	2012	110	Global Corruption Barometer 2012
% of respondents who have paid a bribe at least once	Percentage of respondents who answered "yes" to any of the following questions: "Have you or anyone in your household paid a bribe in any form in the past 12 months to: education system? / judiciary (courts)? / Medical and health services? / Police? / Registry and permit services? / Tax revenue or customs?	%	2012	110	Global Corruption Barometer 2012
% of respondents who think that personal connections are important to get things done in the public sector	Percentage of respondents who answered the question "In your dealings with the public sector, how important are personal contacts and/or relationships to get things done?" with "important" or "very important".	%	2012	110	Global Corruption Barometer 2012
Appreciation of competition	Answers to the question: How would you place your views on this scale? 1 means you agree completely with the statement on the left; 10 means you agree completely with the statement on the right; and if your views fall somewhere in between you can choose any number in between: (1) Competition is good. It stimulates people to work hard and develop new ideas vs (10) Competition is harmful. It brings out the worst in people.	1 (competition is good) - 10 (competition is harmful)	2005/2006	82,992 respondents (57 countries)	World Value Survey 2005
Average years of schooling in 1900	Average years of schooling among the population older than 15	Numerical (0 to ∞)	1900	74	Christian Morrisson and FabriceMurtin (forthcoming), "The Century of Education", *Journal of Human Capital.*
Civil Society Organizations	Data on the number of civil society organizations from CIVICUS, a global network of civil society organizations active in the area of social and economic development. The directory is compiled for the development community and does not purport to be an exhaustive register of all organizations. Marcia Grimes has tried to validate the data by comparing it to the results of a comprehensive analysis conducted at the Johns Hopkins University Center for Civil Society Studies of a much smaller subset of countries (Salamon, Sokolowski and List 2003).Though the latter employs a broader definition of civil society and measures civil society as the proportion of a country's workforce active in civil society, the Johns Hopkins and CIVCUS measures correlate respectably (Pearson's r=0.63, p<0.001, N=35)	Numerical (0 to ∞)	2000	191	Quality of Government Dataset

Variable	Variable description / Measurement	Scale	Time period	Country coverage	Source
Civil Society Organizations per million inhabitants	Number of civil society organizations per million inhabitants. For more information on the construction of the variable see "Civil Society Organizations" below.	Numerical (0 to ∞)	2000	191	Quality of Government Dataset
Corruption Perception Index (TI)	The CPI focuses on corruption in the public sector and defines corruption as the abuse of public office for private gain. The surveys used in compiling the CPI tend to ask questions in line with the misuse of public power for private benefit, with a focus, for example, on bribe-taking by public officials in public procurement. The sources do not distinguish between administrative and political corruption. The CPI Score relates to perceptions of the degree of corruption as seen by business people, risk analysts and the general public and ranges between 10 (highly clean) and 0 (highly corrupt).	0 (highly corrupt)- 10 very clean	2010	172	Transparency International
Democracy	Scale ranges from 0-10 where 0 is least democratic and 10 most democratic. Average of Freedom House (fh_pr and fh_cl) is transformed to a scale 0-10 and Polity (p_polity2) is transformed to a scale 0-10. These variables are averaged into fh_polity2.	0 (least democratic)- 10 (most democratic)	2010	158	Freedom in the World
Diversion of public funds	In your country, how common is diversion of public funds to companies, individuals, or groups due to corruption? [1 = very common; 7 = never occurs]	1 (very common) - 7 (never occurs)	2010	135	Global Competitiveness Report
Ease of doing business	Ease of doing business ranks economies from 1 to 183, with first place being the best. A high ranking (a low Numerical (0 to ∞) rank) means that the regulatory environment is conducive to business operation. The index averages the country's percentile rankings on 10 topics covered in the World Bank's Doing Business. The ranking on each topic is the simple average of the percentile rankings on its component indicators.	1 (best)- 183 (worst)	2010	183	World Bank Database
Economic openness index	Economic globalization is characterized as long distance flows of goods and services as well as information and perceptions that accompany market exchanges	0 (least globalized)- 100 (most globalized)	1970-2010	207	KOF Globalization Index (Dreher, Axel (2006), Does Globalization Affect Growth? Evidence From a New Index on Globalization", Applied Economics 38, 10: 1091-1100)
Electoral Democracy	The designation of electoral democracy is assigned by Freedom House to countries that have met certain minimum standards. The Numerical (0 to ∞) benchmark for a country to be listed as electoral democracy is a total of 7 points or more (out of possible 12) for the 3 political rights subcategory questions on electoral process, as well as a total of 20 points or more (out of possible 40) for all 10 political rights questions. (1= electoral democracy; 0= other)	1 (electoral democracy) and 0 (other)	2012	195	Freedom in the World

Variable	Variable description / Measurement	Scale	Time period	Country coverage	Source
Equal treatment by police forces	Please respond with 'Agree, rather agree, rather disagree or Disagree': all citizens are treated equally by the police force in my area.	1 (agree)-4(disagree)	2013	85,166 respondents (30 countries)	European Quality of Government Index 2013
Equal treatment in the public education system	Please respond with 'Agree, rather agree, rather disagree or Disagree': all citizens are treated equally in the public education system in my area.	1 (agree)-4(disagree)	2013	85,166 respondents (30 countries)	European Quality of Government Index 2013
Equal treatment in the public health care system	Please respond with 'Agree, rather agree, rather disagree or Disagree': all citizens are treated equally in the public health care system in my area.	1 (agree)-4(disagree)	2013	85,166 respondents (30 countries)	European Quality of Government Index 2013
Ethnic fractionalization	Reflects probability (0 to 1) that two randomly selected people from a given country will not belong to the same ETHNOLINGUISTIC group. The higher the number, the more fractionalized society. The definition of ethnicity involves a combination of racial and linguistic characteristics.	0 (no ethnolinguistic fractionalization) - 1 (total ethnolinguistic fractionalization)	2001	183	Quality of Government Dataset
Experience of Corruption	Percentage of respondents who answered "yes" to the question "have you ever been asked to pay a bribe"	%	2012	110	Global Corruption Barometer 2012
FOIA presence	Whether FOIA was in power this year (1=yes; 0=no)	1 (FOIA is present) and 0 (no FOIA present)	2010	189	Hertie School of Governance database
FOIA year	Year FOIA came into power	Numerical (0 to ∞)	2010	81	Hertie School of Governance database
Freedom of the Press	The press freedom index is computed by adding three component ratings: Laws and regulations, Political pressures and controls, Economic Influences and repressive actions. The scale ranges from 0 (most free) to 100 (least free).	0 (most free)-100 (least free)	2010	189	Freedom House
Fuel exports as % of merchandise exports (last available data)	Fuel exports as % of merchandise exports (last available data)	%	2008-2010	172	World Bank Database
GDP per capita (constant 2000 US$)	GDP per capita (constant 2000 US$)	Numerical (0 to ∞)	2010	176	World Bank Database
GDP per capita (current US$)	GDP per capita (current US$)	Numerical (0 to ∞)	2010	178	World Bank Database
GDP per capita PPP (constant international USD)	GDP per capita, PPP adjusted. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.	Numerical (0 to ∞)	2010	166	World Development Indicators
GNI per capita, PPP (current international $)	GNI per capita, PPP (current international $)	Numerical (0 to ∞)	2010	168	World Bank Database

Variable	Variable description / Measurement	Scale	Time period	Country coverage	Source
HDI	Summary composite index that measures a country's average achievements in three basic aspects of human development: longevity, knowledge, and a decent standard of living. Longevity is measured by life expectancy at birth; knowledge is measured by a combination of the adult literacy rate and the combined primary, secondary, and tertiary gross enrollment ratio; and standard of living is measured by GDP per capita. The Human Development Index (HDI), reported in the Human Development Report of the United Nations, is an indication of where a country is development wise. The index can take value between 0 and 1. Countries with an index over 0.800 are part of the High Human Development group. Between 0.500 and 0.800, countries are part of the Medium Human Development group and below 0.500 they are part of the Low Human Development group.	0 (lowest human development) to 1 (highest human development)	2010	185	UNDP database
HDI education index	The education component of the HDI is now measured by mean of years of schooling for adults aged 25 years and expected years of schooling for children of school entering age. The indicators are normalized using a minimum value of zero and maximum values are set to the actual observed maximum value of mean years of schooling from the countries in the time series, 1980–2010, that is 13.1 years estimated for Czech Republic in 2005. Expected years of schooling is maximized by its cap at 18 years. The education index is the geometric mean of two indices.	Numerical (0 to ∞)	2010	186	UNDP database
Internet users (per 100 people)	Internet users (per 100 people)	%	2010	192	World Bank Database
Judicial independence	To what extent is the judiciary in your country independent from influences of members of government, citizens, or firms? [1 = heavily influenced; 7 = entirely independent]	1 (heavily influenced- 7 (entirely independent)	2010	135	Global Competitiveness Report
Justification of bribery	Answers to the question: Please tell me for each of the following actions whether you think it can always be justified, never be justified, or somewhere in between: Someone accepting a bribe in the course of their duties.	1 (always justifiable)- 10 (never justifiable)	2005/2006	82,992 respondents (57 countries)	World Value Survey 2005
Life expectancy at birth, total (years)	Life expectancy at birth, total (years)	Numerical (0 to ∞)	2010	194	World Bank Database
Literacy rate	Total adult literacy rate (% of people ages 15 and above)	%	2000-2010	148	World Bank Database
Mobile cellular subscriptions (per 100 people)	Mobile cellular subscriptions (per 100 people)	%	2010	201	World Bank Database
Natural resources rents	Total natural resources rents are the sum of oil rents, natural gas rents, coal rents (hard and soft), mineral rents, and forest rents.	%	1996-2011	196	World Bank Database

Variable	Variable description / Measurement	Scale	Time period	Country coverage	Source
Natural resource dummy	Binary variable taking the value of 1 if a country is resource-rich according to the IMF (2010, 2012) classification: A country is classified as resource-rich if its natural resources contribute to at least 20% of its total fiscal revenues and/or at least 20% of its total exports.	1 (resource rich) and 0 (not resource rich)	196	International Monetary Fund (IMF 2010) Managing Natural Resource Wealth (MNRW-TTF). Program Document. Washington D.C.: International Monetary Fund. International Monetary Fund (IMF 2012) Macroeconomic Policy Framework for Resource-Rich Developing Countries. Washington D.C.: International Monetary Fund.	
OBI (Open Budget Index)	The Open Budget Index rates countries on how open their budget books are to their citizens. It is intended to provide citizens, legislators, and civil society advocates with the comprehensive and practical information needed to gauge a government's commitment to budget transparency and accountability.	0 (scant or no information available)- 100 (extensive information available)	2010	100	Open Budget Survey 2010
Ombudsman presence	Whether ombudsman was in operation the previous year	1 (Ombudsman is present) and 0 (no Ombudsman is present)	2010	194	Hertie School of Governance database
Ombudsman year of creation	Year ombudsman started operating	Numerical (0 to ∞)	2010	131	Hertie School of Governance database
Paid a bribe for health or medical services	In the past 12 months have you or anyone living in your household paid a bribe in any form to health or medical services? (0=no; 1= yes)	1 (yes) and 0 (no)	2013	85,166 respondents (30 countries)	European Quality of Government Index 2011
Paid a bribe in the last 12 months	Aggregates the questions "In the past 12 months have you or anyone living in your household paid a bribe in any form to health or medical services / the public education system / the police forces / any other government-run agency"? (0=no; 1= yes)	2 (yes) and 0 (no)	2013	85,166 respondents (30 countries)	European Quality of Government Index 2013

Variable	Variable description / Measurement	Scale	Time period	Country coverage	Source
Perception of corruption bureaucratic corruption	Weighted average of the answers to the question: In your opinion, To what extent do you perceive the following categories in this country to be affected by corruption?: civil servants/public officials.	1 (not at all corrupt)- 5 (extremely corrupt)	2012	110	Global Corruption Barometer 2010
Perception of the extent of the use of bribery	Weighted average of the answers to the question: In your opinion, how often do you think other people in your area use bribery to obtain other special advantages that they are not entitled to? (0 never - 10 Very frequently)	0 (never) - 10 (very frequently)	2013	85,166 respondents (30 countries)	European Quality of Government Index 2013
Personal autonomy and individual rights	The variable evaluates the extent of state control over travel, choice of residence, employment or institution of higher education; the right of citizens to own property and establish private businesses; the private business' freedom from unduly influence by government officials, security forces, political parties or organized crime; gender Equality, freedom of choice of marriage partners and size of family; equality of opportunity and absence of economic exploitation. Countries are graded between 0 (worst) and 16 (best).	0 (worst)- 16 (best)	2010	188	Freedom House
Physical integrity rights index	This is an additive index constructed from the Torture (ciri_tort), Extrajudicial Killing (ciri_kill), Political Imprisonment (ciri_polpris), and Disappearance indicators (ciri_disap). It ranges from 0 (no government respect for these four rights) to 8 (full government respect for these four rights). (Details on its construction and use can be found in Cingranelli and Richards 1999).	0 (no government respect for physical integrity) to 8 (full government respect to physical integrity)	2002-2010	187	Cingranelli, D. and Richards, D.L. (2010). *The Cingranelli-Richards (CIRI) Human Rights Dataset*.
Presence of Anti-Corruption Agency (ACA)	Whether Anti-corruption Agency (ACA) was in operation the previous year	1 (ACA is present) and 0 (ACA is not present)	2010	171	Hertie School of Governance database
Region	This is a politico-geographic classification of world regions adapted from the World Bank classification, which is based on a mixture of two considerations: geographical proximity (with the partial exception of category 5 below) and demarcation by area specialists. The categories are as follow: (1) Eastern Europe and the Baltics (2) Latin America (including Cuba, Haiti & the Dominican Republic) (3) North Africa & the Middle East (including Israel, Turkey & Cyprus) (4) Sub-Saharan Africa (5) Western Europe and North America (including Australia &New Zeeland) (6) Asia and the Pacific (7) Former Soviet Union (and Central Asia) (8) The Caribbean (including Belize, Guyana & Suriname)	Numerical (0 to ∞)	2010	189	Quality of Government Dataset

Variable	Variable description / Measurement	Scale	Time period	Country coverage	Source
Respondents who paid a bribe to at least one public service, percentage	Aggregates the total number of respondents who admitted paying a bribe to at least one public institution/service (education, medical, land and or registry services, customs, judiciary, police and tax authorities).	1 (paid a bribe) and 0 (did not pay a bribe)	2010	98	Global Corruption Barometer 2010
Risk of corruption	This is an assessment of corruption within the political system reported in a scale from 0 (lowest risk of corruption) to 6 (highest risk of corruption). The most common form of corruption met directly by business is financial corruption in the form of demands for special payments and bribes connected with import and export licenses, exchange controls, tax assessments, police protection, or loans. This measure takes such corruption into account, but it is more concerned with actual or potential corruption in the form of excessive patronage, nepotism, job reservations, 'favor-for-favors', secret party funding, and suspiciously close ties between politics and business. In our view these insidious sorts of corruption are potentially of much greater risk to foreign business in that they can lead to popular discontent, unrealistic and inefficient controls on the state economy, and encourage the development of the black market.	0 (lowest risk of corruption - 6 (highest risk of corruption)	1984-2012	139	PRS Group
Rural population	% of total population living in rural areas	%	2010	210	World Bank Database
Satisfaction with health care system	Please rate the following from (0-10, with '0' being very poor and '10' being excellent quality: How would you rate the quality of the public health care system in your area?	0 (very poor)-10 (excellent quality)	2013	85,166 respondents (30 countries)	European Quality of Government Index 2013
Satisfaction with police services	Please rate the following from (0-10, with '0' being very poor and '10' being excellent quality): How would you rate the quality of the police force in your area?	0 (very poor)-10 (excellent quality)	2013	85,166 respondents (30 countries)	European Quality of Government Index 2013
Satisfaction with public education	Please rate the following from (0-10, with '0' being very poor and '10' being excellent quality): How would you rate the quality of public education in your area?	0 (very poor)-10 (excellent quality)	2013	85,166 respondents (30 countries)	European Quality of Government Index 2013
Social openness index	Social globalization is expressed as the spread of ideas, information, images and people.	1 (least globalized)-100 (most globalized)	1970-2010	207	KOF Globalization Index (Dreher, Axel (2006), Does Globalization Affect Growth? Evidence From a New Index on Globalization", Applied Economics 38, 10: 1091-1100)
UNCAC year of ratification	Year of UNCAC ratification	Numerical (0 to ∞)	2010	147	Hertie School of Governance database

Variable	Variable description / Measurement	Scale	Time period	Country coverage	Source
WGI Control of Corruption estimate	"Control of Corruption" measures perceptions of corruption, conventionally defined as the exercise of public power for private gain. The particular aspect of corruption measured by the various sources differs somewhat, ranging from the frequency of "additional payments to get things done", 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". Estimate of governance (ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance). The recoded version of this variable to a scale of 1 (lowest Control of Corruption) to 10 (highest control of corruption) was also used throughout this report.	-2.5 (weak control of corruption) - 2.5 (strong control of corruption) (Alternatively recoded to a scale from 1 (lowest control of corruption) - 10(highest control of corruption)	1996-2011	200	Worldwide Governance Indicators
WGI Political Stability estimate	Reflects perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism. Estimate of governance (ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance)		2010	203	Worldwide Governance Indicators
Year of creation of the Anti-Corruption Agency (ACA)	Year when ACA was created	Numerical (0 to ∞)	2010	171	Hertie School of Governance database
Years since ACA was established	Years since ACA was established	Numerical (0 to ∞)	2010	171	Hertie School of Governance database
Years since FOIA came into power	Years since FOIA came into power	Numerical (0 to ∞)	2010	189	Hertie School of Governance database
Years since Ombudsman	Years since ombudsman started operating	Numerical (0 to ∞)	2010	203	Hertie School of Governance database

Appendix 3: Brief description of databases and surveys used

European Quality of Government Index 2013

Quality of Government Institute for ANTICORRP

This survey on corruption and governance at the regional level within the EU, was conducted first in 2010 and then again in 2013. The data focus on both perceptions and experiences with public sector corruption, along with the extent to which citizens believe various public sector services are impartially allocated and of good quality. It covers all 28 EU member states and two accession countries (Serbia and Turkey). The sub-national regions are at the NUTS 1 or NUTS 2 level, depending on the country and for 2013, the EQI was expanded to 206 regions and was answered by 85,000 citizen respondents.

Data provided by the Quality of Government Institute.

Freedom in the World and Freedom of the Press Index

Freedom House

Freedom in the World isan assessment of global political rights and civil liberties. It has been published annually since 1972 and covers 195 countries and 14 related and disputed territories. The Freedom of the PressIndex is an annual survey of media independence in 197 countries and territories. The annual index contains the most comprehensive data set available on global media freedom. The index assesses the degree of print, broadcast, and internet freedom in every country in the world.

Data available at: http://www.freedomhouse.org/reports#.UzRBQYVK-A0

Global Competitiveness Report

World Economic Forum

Since 2004, the Global Competitiveness Report ranks the nations according to the Global Competitiveness Index. The report is made up of over 110 variables, of which two thirds come from the Executive Opinion Survey, and one third comes from publicly available sources. The variables are organized into twelve pillars, with each pillar representing an area considered as an important determinant of competitiveness.

Data available at: http://www.weforum.org/issues/competitiveness-0/gci2012-data-platform/

Global Corruption Barometer

Transparency International

Since its debut in 2003, the Global Corruption Barometer (GCB) has surveyed the experiences of everyday people confronting corruption around the world. The GCB 2013 is the biggest ever survey tracking world-wide public opinion on corruption. The survey was answered by over 114,000 people in 107 countries.

Data provided by Transparency international.

Hertie School of Governance Database

Hertie School of Governance

This database was compiled by the Hertie School of Governance for NORAD in 2011 and updated for ANTICORRP in 2013. It contains data on several corruption measurements and anti-corruption tools such as the existence of Freedom of Information Acts, Ombudsman, Anti-Corruption Agencies, etc. in over 190 countries.

International Country Risk Guide

PRS Group

This database includes political, economic, and financial risk ratings for 140 countries since 1980. *ICRG* ratings form the basis of an early warning system for opportunities and pitfalls, country-by-country. It provides the longest history of country risk data for analysis.

Data available at: http://www.prsgroup.com/icrg.aspx

Indices of Social Development

International Institute of Social Studies

The Indices of Social Development (ISD) brings together 200 indicators, synthesizing them into a usable set of measures to track how different societies perform along six dimensions of social development:

- Civic Activism, measuring use of media and protest behavior
- Clubs and Associations, defined as membership in local voluntary associations
- Intergroup Cohesion, which measures ethnic and sectarian tensions, and discrimination
- Interpersonal Safety and Trust, focusing on perceptions and incidences of crime and personal transgressions
- Gender Equality, reflecting gender discrimination in home, work and public life.
- Inclusion of Minorities, measures levels of discrimination against vulnerable groups such as indigenous peoples, migrants, refugees, or lower caste groups.

The indices are composed from 25 reputable data sources for 193 countries, over the period from 1990 to 2010, and are updated as new data become available.

Data available at: http://www.indsocdev.org/

KOF Index of Globalization

Swiss Federal Institute of Technology Zurich

This database contains data on the KOF Index of Globalization, measuring the three main dimensions of globalization: economic, social and political. Data are available on a yearly basis for 207 countries over the 1970- 2010 period.

Data available at: http://globalization.kof.ethz.ch/

Open Budget Survey

International Budget Partnership

The Open Budget Survey measures the state of budget transparency, participation, and oversight in 100 countries around the world. It consists of 125 questions and is completed by independent researchers in the countries assessed. 95 of the questions deal directly with the public availability and comprehensiveness of the eight key budget documents that governments should publish at various points of the budget cycle. The remaining 30 questions relate to opportunities for public participation in the budget process, and to the roles played by legislatures and supreme audit institutions in budget formulation and oversight. The Survey does not reflect opinion. It measures observable facts related to budget transparency, accountability, and participation.

Data available at: http://internationalbudget.org/what-we-do/open-budget-survey/

Quality of Government Institute Database

Quality of Government Institute

The Quality of Government Institute (QoG) offers a range of datasets on indicators of Quality of Government and related issues in both cross-section and time-series formats.

Data available at: http://www.qog.pol.gu.se/data/

World Bank Database

World Bank

The World Bank database includes is one of the most reliable and comprehensive databases on developing economies. It provides a listing of 331 indicators for over 200 countries and territories.

Data available at: http://datacatalog.worldbank.org/

Worldwide Governance Indicators

World Bank

The Worldwide Governance Indicators (WGI) project reports aggregate and individual governance indicators for 215 economies over the period 1996–2012, for six dimensions of governance:

- Voice and Accountability
- Political Stability and Absence of Violence
- Government Effectiveness
- Regulatory Quality
- Rule of Law
- Control of Corruption

These aggregate indicators combine the views of a large number of enterprise, citizen and expert survey respondents in industrial and developing countries.

Data available at: http://info.worldbank.org/governance/wgi/index.aspx#home

World Value Survey

The World Value Survey Association

The World Values Survey (WVS) is a worldwide network of social scientists studying changing values and their impact on social and political life. The WVS in collaboration with EVS (European Values Study) carried out representative national surveys in more than 100 countries containing almost 90 percent of the world's population. These surveys show pervasive changes in what people want out of life and what they believe. In order to monitor these changes, the EVS/WVS has executed six waves of surveys, from 1981 to 2013.

Data available at: http://www.worldvaluessurvey.org/

This project is co-funded by the
Seventh Framework Programme for
Research and Technological
Development of the European Union

Project profile

ANTICORRP is a large-scale research project funded by the European Commission's Seventh Framework Programme. The full name of the project is "Anti-corruption Policies Revisited: Global Trends and European Responses to the Challenge of Corruption". The project started in March 2012 and will last for five years. The research is conducted by 21 research groups in sixteen countries.

The fundamental purpose of ANTICORRP is to investigate and explain the factors that promote or hinder the development of effective anti-corruption policies and impartial government institutions. A central issue is how policy responses can be tailored to deal effectively with various forms of corruption. Through this approach ANTICORRP seeks to advance the knowledge on how corruption can be curbed in Europe and elsewhere. Special emphasis is laid on the agency of different state and non-state actors to contribute to building good governance.

Project acronym: ANTICORRP
Project full title: Anti-corruption Policies Revisited: Global Trends and European Responses to the Challenge of Corruption
Project duration: March 2012 – February 2017
EU funding: Approx. 8 million Euros
Theme: FP7-SSH.2011.5.1-1
Grant agreement number: 290529
Project website: http://anticorrp.eu/