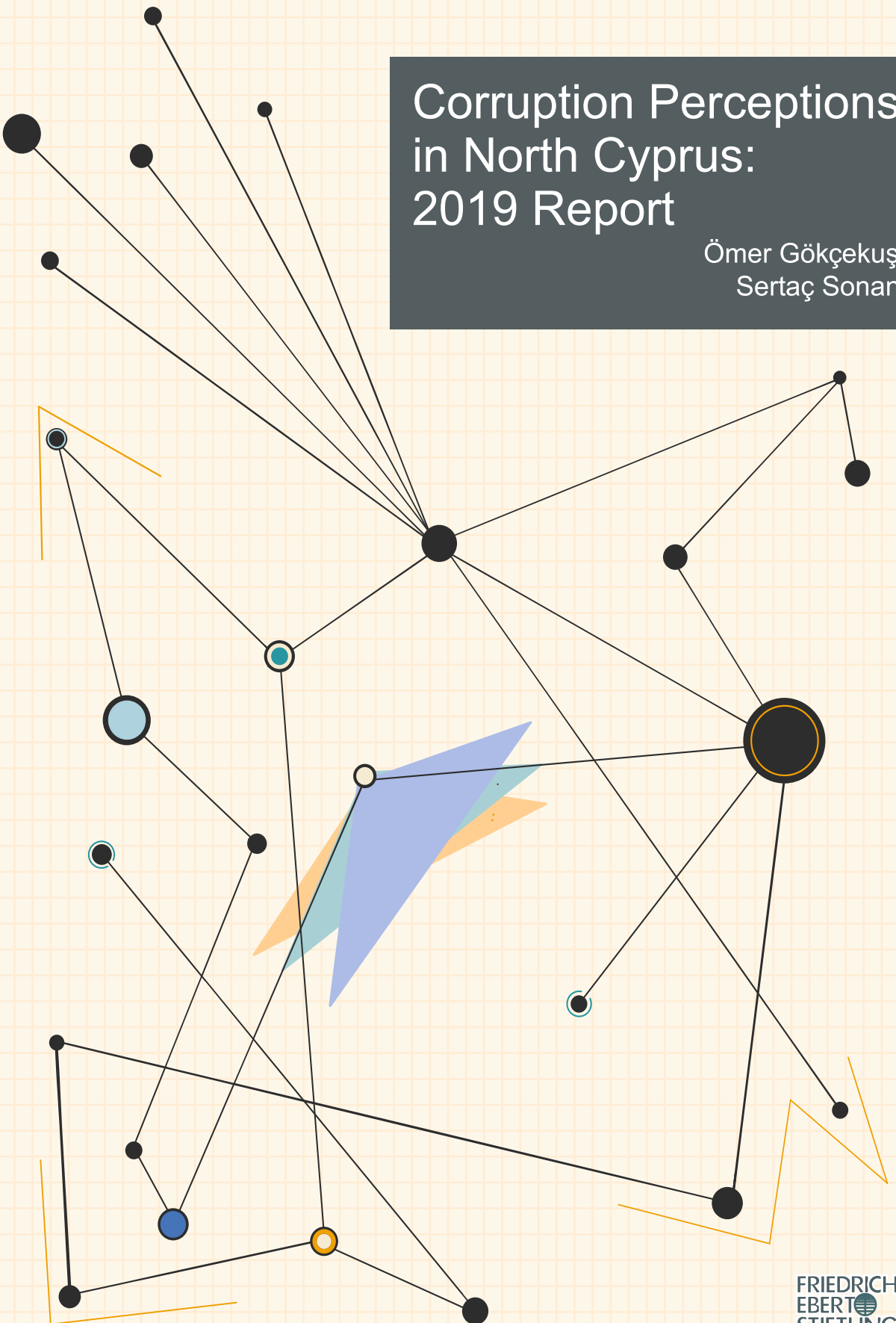


# Corruption Perceptions in North Cyprus: 2019 Report

Ömer Gökçekuş  
Sertaç Sonan



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**Ömer Gökçekuş & Sertaç Sonan**

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## **Preface**

Dear readers,

Across the world, an increase in corruption poses an enormous threat to the well-being of communities and good governance. Both minor and major incidents such as the distribution of public funds as rent and traditions of payment of bribes challenge anti-corruption forces in many countries worldwide. Corrupt governments with little opposition and a trend to tolerate or even engage in corruption within the public sector thereby cause growing frustration towards the government, decision makers and politics overall within the population. It not only causes massive damage to societies as a whole and the common good but also prevents civil society forces from reaching their full potential in supporting their communities.

Especially in Cyprus, where the Cyprus Problem is omnipresent to an extent that public debate on other issues is often underdeveloped or severely limited, the strengthening of democracy and good governance practices are vital to the well-being of both entities. In both parts of the island corruption poses serious problems for the respective societies though the situation is worse north of the divide as the last two years' reports clearly showed. Moreover, the fight against corruption is by no means an end in itself: A less corrupt and better governed north is not only beneficial to those living there but is also necessary to increase the political, social and economic viability of a hopefully reunified Cyprus.

In the fight against corruption in Cyprus, the publication of the 2017 Corruption Report by the Friedrich-Ebert-Stiftung was a milestone. Its successor proved to be even more successful receiving widespread media coverage and making an important contribution to the public debate in the

north. The most common reference for anyone analyzing corruption worldwide is the Corruption Perceptions Index, annually published by Berlin-based Transparency International. While the index offers relevant and significant data for countless countries across the globe including the Republic of Cyprus, it does not include the internationally not recognized entity in the northern part of the island, the Turkish Republic of Northern Cyprus (TRNC).<sup>(1)</sup> Our vision of filling the gap and encouraging decision makers to fight corruption by providing them with scientific findings and much necessary information brought about the study which then led to the publication of the 2017 report. Thanks to the excellent work of its two authors, Omer Gokcekus and Sertaç Sonan, it was able not only to draw attention to actors, mechanisms and characteristics of corruption in the northern part of Cyprus, but also to put the findings into the right context by calculating corruption perception scores that can be compared to those of countries such as the Republic of Cyprus, Greece, Turkey and Malta. Moreover, the two reports published so far contributed to a wider debate on the issue on both sides of the divide and the need for reforms and policies that will combat corruption for the benefit of the citizens of Cyprus.

Despite all efforts, the challenges remain: As the 2017 and 2018 reports showed and this one confirms, corruption is indeed a significant problem in the north which is overall confronted by a lack of good governance. The 2017 report understood itself as a pilot study and a starting point for a long-term endeavor of annual reporting about corruption in the north. Therefore, we, as the Friedrich-Ebert-Stiftung in Cyprus, are proud to be able to publish now the third report covering 2019 which again provides important insights into how the level of corruption was perceived by important stake holders during the past year. It is the third step on a rather long journey and in our view an important contribution towards better governance and a stronger civil society in the north for the sake of all of Cyprus. The Friedrich-Ebert-Stiftung in Cyprus remains committed to support the important work of Sertaç Sonan and Omer Gokcekus in the years to come.

Hubert Faustmann

Director of the Office of the Friedrich-Ebert-Stiftung in Cyprus

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(1): The Turkish Republic of Northern Cyprus (TRNC) is only recognised by the Republic of Turkey. As the government of the Republic of Cyprus remains internationally recognised as the government of the whole of the island, the entire island is now considered to be a member of the European Union. However, the *acquis communautaire* is suspended in northern Cyprus pending a political settlement to the Cyprus problem (see Protocol no. 10 of the Accession Treaty).

## **Executive Summary**

This report is prepared to measure the corruption perception in the northern part of Cyprus and raise awareness with regard to preventing corruption. The report uses the methodology of the Transparency International's (TI) annual Corruption Perceptions Index (CPI), and it is based on a survey conducted with business executives and a workshop conducted with a group of experts. Having said that, the report goes beyond just calculating a score and delivers an in-depth analysis on the corruption perceptions of business executives. Hence, in addition to the questions used by the Transparency International, the business executives were asked particular questions related to the case of northern part of Cyprus as well, and their answers are shared in detail in this report.

There are five main objectives of this report: (1) to understand the opinions of business executives regarding corruption; (2) to measure the corruption perception in north Cyprus by using an internationally recognized methodology; (3) to compare corruption perception in north Cyprus with the rest of the world; (4) to determine the change in the corruption perception in north Cyprus when compared with the previous year; and (5) to make policy recommendations based on the findings that would improve the country's performance in fighting corruption.

For the 2017 and 2018 Reports, the fieldwork for the questionnaire conducted on the business people was completed in November of the respective years. This year, we repeated the fieldwork by using a slightly revised questionnaire in December 2019. The questionnaire that we created based on the methodology of TI-CPI and expanded with the questions exclusive to the north Cyprus was conducted on 360 respondents, who at the time held

executive positions in firms on the member list of the Turkish Cypriot Chamber of Commerce. As it was in the last two years, the fieldwork of questionnaire was administered by Lipa Consultancy. The selection of sample, which was comprised of 360 respondents, was done in such a way that it represented the business community in terms of sectors, districts, firm size as well as the number of employees and age of company. The confidence level and margin of error of the results is 5%.

In addition to the telephone survey conducted with the business people, some specific questions from the questionnaire were asked to a small group of former high ranking public officials who have wide experience on financial audit, public procurement and the functioning of state mechanism in general during a workshop held in January 2020. Although the score deriving from the answers of this group that included a lawyer and financial auditors, at certain points, completely overlapped with the score of the business people; just like the 2018 report, the overall score of the experts reflected a more negative image in 2019 report.

In this study, corruption is defined as the abuse by a public servant of entrusted power for private gain. It is obvious that this is a relationship, a transaction, where at least two actors are involved. To put it more clearly, the public servant is on one side while the businessperson is on the other. However, due to the methodology of this study, it may look like our results expose only one side's responsibility. This obviously does not stem from a concern to whitewash one side while putting the whole blame on the other. Rather, it stems from the difficulties of analytically capturing corruption, which is a legally and morally sensitive issue.

As elaborated below, our findings show that there is a widespread perception of corruption in the northern part of Cyprus. As in 2017 and 2018, it is possible to say that corruption is most common in the 'allocation/leasing of public land and buildings' and 'government incentives' in 2019. The involvement of high level civil servants and politicians in corruption is another common perception.

The results show that the institutional infrastructure in the northern part of Cyprus fail to prevent corruption. Particularly, the respondents expressed their serious doubts about the independence and effectiveness of financial auditing institutions, and judiciary in deterring corruption. Similar to the

findings of previous two reports, it is concerning to see that social media are considered to be one of the most deterring mechanisms.

The aggregate TI-CPI 2019 score of the northern part of Cyprus, which combines the answers of business people and experts, has been calculated as 40 out of 100. In the scale between 0-100, zero means a high level of corruption while 100 means no corruption. This score is below the average score of 43 for 180 countries ranked in the TI-CPI 2019, which came out in the beginning of 2020, and places north Cyprus as 85th in the rankings.

When compared with the previous year, the score of north Cyprus increased 3 points and consequently, it went up by 8 places in the rankings. The main reason for such improvement is the increase in the scores of business executives although the scores of experts stayed the same. While the last year's score of north Cyprus was 4 points behind Turkey, it is 1 point above Turkey with a 2 point decline in Turkey's score. It is way below the score of the Republic of Cyprus, which reached to 58 with a 1-point decline.

In the overall ranking, Denmark and New Zealand ranked highest with a score of 87 and Finland comes as the third with a score of 86. The last three countries with the lowest scores are Somalia with a score of 9, South Sudan and Syria with a score of 12 and 13 respectively.

It is possible to summarise our findings under five headings.

### **1. Is there corruption in the country?**

85% of the business people, who took part in the survey, think that bribing and corruption exist in the Turkish Republic of Northern Cyprus (TRNC). Furthermore, 57% of them think that corruption is “a serious problem”. On the other hand, 11% of them stated that it is not a problem at all. While 51% of them expressed that corruption did not change in 2019 compared to the previous year, 35% of them stated that it got worse. 37% said that “diversion of public funds, private companies, individuals and groups due to corruption” was 'very common' while 17% said 'not at all'. When asked whether there is “a tradition of payment of bribes to secure contracts from public procurements and gain favours,” 37% said that this was “very common”.



## 2. Where does corruption take place?

When asked 'how common is it for firms to make undocumented extra payments or bribes connected with' particular business transactions, the respondents' who said 'very common' is listed as follows: 'Allocation/leasing of public buildings and land' (46%); 'Incentives' (37%); 'Borrowing from public banks' (34%); 'Awarding of public contracts and licenses' (33%); 'Customs clearance' (29%); 'Land registry' (27%); 'Town planning' (29%); 'Annual tax payments' (26%); 'Import and export procedures' (20%); 'Obtaining favourable judicial decisions' (23%); and 'Public utilities' (20%).

## 3. Who is abusing power for private gains?

48% of the respondents think that 'misappropriation of public funds by ministers/public officials for private or their party's political purposes' is very common. Furthermore, in their perception, the abuses for 'private purposes' (48%) are almost the same with the abuse for 'providing funds for political party' (46%).

Politicians (44%) and political parties (41%) were seen as the two groups, which were most deeply involved in corruption followed by high level civil servants (38%). Only 22% of the business people, who took part in the survey viewed corruption as 'very common' among low level civil servants.

## 4. What is the perception regarding the state of institutional framework for preventing corruption?

52% of the business people expressed the view that 'clear procedures that govern the allocation and use of public funds and ensure accountability' did not exist. Among the respondents that think there are clear procedures, only 19% said that such procedures are 'very effective' in preventing corruption.

61% of the respondents think that 'independent bodies auditing the management of public finances' do not exist. Similarly, only 16% of the respondents that expressed the view that there are independent financial audit bodies think that such bodies are 'very effective'. On the other hand, the business people have relatively higher faith in the independence of judiciary: When asked whether an independent judiciary with the power to try ministers/public officials for abuses existed, 45% of the respondents said 'yes'. When asked how effective the courts were in preventing public officials from abusing their offices for their private gains, 30% of those who had

perceived courts as independent enough to try abusers, said that the judiciary is 'very effective'.

The trust of respondents in 'mechanisms designed to deter public officials from abusing their offices for their private interests' also turned out to be quite low; depending on the particular mechanism, only 9-23% believed that they were 'very effective'. For example, only 9% of the respondents found 'regulation of party financing' as 'very effective' while this rate is 10% for 'institutions auditing state spending'. 19% expressed their belief that 'transparent public procurement systems' were 'very effective' and 16% of respondents found 'accountability of officeholders (asset declarations, conflict of interest rules, codes of conduct)' 'very effective'. In a similar vein, while 'citizen and media access to information' was considered as a 'very effective' deterrent by 14% of respondents. In this category of questions 'effective prosecution of corruption' fared slightly better than the rest with 23% believing in the strength of this mechanism.

## **5. How successful are those who are expected to deter corruption?**

Finally, we asked the respondents to rate the success of institutions, which are supposed to fight or expose corruption and irregularities. Here too, the survey results drew a bleak picture. Social media (32%) and Courts (31%) were perceived to be the most successful in fighting or exposing corruption and irregularities. The financial audit bodies and Parliament are at the bottom of the list: Parliament (11%), Financial Audit and Investigation Board (11%), Council of Inspection (under Prime Minister's Office) (12%) and Court of Auditors (17%). The rates that find the other public institutions as 'very effective' are significantly low: Ombudsman (26%), Attorney General's Office (26%) and Police (28%). Civil society also does not satisfy the respondents: Society (19%), Unions (19%), civil society organizations (24%) and traditional media (21%).

The respondents were also asked about the success of government about the corruption prevention. While only 8% of them found the government as 'very successful', 54% of them found it as 'not successful at all'.

Lastly, the respondents were asked two questions on recent developments. They were reminded that 'in the last 14 months, the parliamentary immunity

of two of the MPs was lifted by the parliament due to the corruption accusations' , and asked to express their views about the parliament's decision. 51% of the respondents found this decision 'a very positive step' while 34% of them said this was 'an insufficient step'. The remaining 15% described this as a 'partisan' act. As a follow-up question, the respondents were asked whether 'those two MPs whose immunities had been removed, get any deterring penalty upon their prosecution'. The majority of respondents (69%) stated that the MPs would not get any serious penalty, while only 20% of respondents showed strong expectation that they would get a deterring penalty at the end of litigation process.

## **Chapter 1: Introduction**

As in many other countries, where economic and democratic development processes have not yet been completed, corruption is an important problem in the northern part of Cyprus. One needs only to look at the run up to the most recent parliamentary elections held in January 2018 to see how corruption dominated the whole campaign process, and the coverage of corruption within the government program of the coalition government established afterwards.

One of the most prominent reference sources for corruption around the world is the Corruption Perceptions Index<sup>1</sup>, which is annually prepared by Berlin-based international non-governmental organization Transparency International since 1995. The northern part of Cyprus is not included in this index where 180 countries and regions around the world are ranked based on the corruption perceptions in the public sector; therefore, we do not have any comprehensive data with regard to the corruption perception in the northern part of Cyprus. With the vision of filling this gap and providing scientific findings for decision makers and the wider public on the level of corruption, we have started conducting research on the corruption perception in the northern part of Cyprus in 2017 on behalf of Friedrich Ebert Stiftung. This report is the third product of this effort.

This study is planned to be repeated on an annual basis. In the study published in 2018, we said “this study should be seen as the first step or even a pilot study of a long-term endeavor” and stated that our aim for the future studies is to eliminate the deficiencies from the first study. Therefore, we noted that the feedback and recommendations of readers are important in

reaching more accurate results, which will in turn, render it possible to make better policy recommendations.

Accordingly, we have made some slight changes in the survey form in consideration of our experience during the preparation of previous report as well as the feedback from the parties that we shared the report with. We aimed to keep these changes as limited as possible in order to maintain the year-by-year comparability of findings. Additionally, we revised the method of calculating the TI-CPI score to make it more in line with the methodology of Transparency International. The changes are elaborated together with their reasons under the related section.

### **Aim of the research**

The starting point was the question 'why don't we have a study on corruption in the northern part of Cyprus similar to the ones included in the Transparency International's annual Corruption Perceptions Index'. TI-CPI not only makes it possible to compare different countries' corruption scores but also provides the opportunity to observe the changes in corruption perception over time in the countries studied. Therefore, the absence of a study on corruption perception in the northern part of Cyprus deprived us of the chance to see how the country fared compared to the rest of the world, and how corruption perception has changed over time. This report aims to fill this gap and to provide scientific findings to the decision makers as well as the wider public on corruption and good governance. Hence, it has the objective to raise awareness about corruption and corruption prevention, and to make policy proposals.

Transparency International uses a composite index with 13 different data sources when it ranks countries based on their corruption perception scores. These sources do not cover all countries and therefore the score of a country can be calculated if data 3 from [at least] three sources are available.<sup>(2)</sup> None of these sources cover the northern part of Cyprus in their reports. Therefore, while preparing our first report for 2018, we had chosen three of these sources and used their methodology and survey questions to form our own questionnaire. While making the decision over which of these particular sources to choose, we tried to make sure that our neighbours, Turkey and

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(2): See 'Methodology' section from the following link to reach the methodology used by the Transparency International for 2019: <https://www.transparency.org/cpi2019>

Republic of Cyprus were covered by these institutions' studies so that we could compare the results. For the second study, we added a question from a fourth source (IMD - World Competitiveness Yearbook). Same with the last year, we used the following sources for the third report, that we developed for 2019:

- 1-IMD World Competitiveness Yearbook (IMD)
- 2-World Economic Forum (WEF) Executive Opinion Survey
- 3-Economist Intelligence Unit (EIU) Country Risk Ratings
- 4- Bertelsmann Foundation's Sustainable Governance Indicators (SGI)

There is only one question from IMD. This question, which was asked to the business community, is general but clear, and questions the existence of corruption and bribes. The questionnaire used by WEF consists of questions that are designed to identify and measure in which specific areas corruption takes place, and similar to the question from IMD, they are only asked to the business community. Bertelsmann SGI and EIU's questions, on the other hand, gauges the effectiveness of institutions and mechanisms designed to prevent corruption. The aggregate TI-CPI country score is the average of the scores coming from these four sources.

The report goes beyond calculating a score. Our questionnaire included some follow-up questions and questions formulated in accordance with the conditions in the northern part of Cyprus. Furthermore, we asked the questions coming from SGI and EIU not only to experts but also to the business executives. The responses to these questions are included in the report. However, it is important to note that together with the responses given to our follow-up questions, the business executives' responses to the SGI and EIU questions are not taken into consideration in the calculation of the scores.

Some of the questions in the questionnaire may seem to be repetitive. This is because the questions came from four different sources, and for the sake of not distorting the scores we decided to keep the exact wording of the questions.

## **Methodology**

The questionnaire was administered by Lipa Consultancy using the telephone survey method. The respondents were business people holding executive positions at the companies that are members of the Turkish Cypriot Chamber of Commerce. The selection of the sample, comprising of 360

respondents, was done in a way that it represented the business community in terms of sectors, districts, firm size as well as number of employees and the age of the firm. Confidence level and margin of error of the results is 5%.

As we did in the two previous studies, once we finished the administration of the questionnaire, we asked former public officials to answer the questions on effectiveness of the country's institutional framework in deterring corruption (EIU and SGI). Among these experts were retired bureaucrats from Audit Office, Council of Inspection and Investigation, Public Procurement Board/Authority and Parliament. The same as last year, we chose to administer the questionnaire on the experts by gathering them at a workshop setting. First, we asked them to answer the questions individually, and then as a group, we evaluated their answers one-by-one together with their reasons.

As we will explore in detail in the remainder of the report, the results both from the administration of questionnaire with business executives and the workshop with former bureaucrats showed that there is a clear perception that corruption is widespread and the institutional framework designed to prevent it is insufficient. The responses to the follow-up questions included to TI-CPI index supports this negative image.

The composite 2019 corruption perceptions score of the northern part of Cyprus has been calculated as 40 out of 100. This is below the average score of 43 for 180 countries ranked in the TI-CPI 2019, which was announced by the Transparency International in the early 2020. This score places north Cyprus at 85th position.

The score of the northern part of Cyprus increased by 3 points in comparison with the previous year, and as a result, it climbed up 8-places in the ranking. The main reason in this year's higher score is the increase in the score coming from the business executives; the experts' score did not change. While the northern part of Cyprus was 3-point below Turkey's score in the previous year, its score is 1 point higher than Turkey's this year because of a 2-point decline in Turkey's score. This score is still way below the score of our neighbor in the south (58) whose score declined by one point.

The report is comprised of five chapters. A brief general theoretical discussion on corruption is given in the second chapter. The third chapter presents the detailed evaluation of answers given by the business community. The

components of corruption perception score and the composite score in addition to the comparison of this score with the rest of world are provided in the fourth chapter. In the concluding chapter as the fifth chapter, based on the findings of the report, four specific policy recommendations, which may strengthen the institutional framework against corruption, are suggested. The questionnaire that we have used is provided in the annex.



## **Chapter 2: About Corruption**

In a wide spectrum, from the Pope at the Vatican – the highest authority for the Catholics – to the head of the ruling Communist Party of China in Beijing, authorities across the globe recognize corruption as perilous to the well-being of their communities.<sup>(3)</sup> Several international institutions, non-governmental organizations, and even government offices have made eradicating corruption their top priority. Yet, it appears that all their efforts may have been in vain. The indicators that track the level of corruption all draw the same dismal picture: The world is becoming a more corrupt place!

If corruption is increasing despite growing attention and condemnation, should we even care? Is corruption actually a problem worth combatting in a world filled with problems? Simply put, yes. Corruption has a widespread negative impact that reverberates throughout society. Scholars studying the social, economic and political impacts of corruption showed that, among other things, corruption leads to reduction of income of the poor, efficiency losses, misallocation of resources, and deters potential investors from making new investments in the country. Some of such studies are listed in the selected bibliography.

In terms of economic as well as social and political aspects of corruption, are concerned, two negative points stand out: Corruption affects the efficient allocation of resources and significantly deteriorates the social justice. Corruption distorts relative prices, which in turn leads to efficiency losses due

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(3): This chapter is mainly from 'Gokcekus, O. (with K. Bengyak). (2014). *Peculiar Dynamics of Corruption: Religion, Gender, EU Membership, and Others*. Singapore: World Scientific.

to the misallocation of resources. The relative prices are used as a benchmark by the producers and consumers in making production and consumption decisions. Hence, by distorting relative prices, corruption leads to resource allocation inefficiencies in both production and consumption. This indicates that corruption has a high cost even when we push aside its harmful social and income distribution effects, and just focus on only economic considerations.

Moreover, study after study has shown that corruption disproportionately hurts the poor and people otherwise economically disadvantaged and in doing so deepen inequality and social injustice. This is particularly true in education and health where corruption prevents these groups from getting the proper education and health services they need and deserve. In return, this denial of service restricts their ability to improve their human capital and their chances to advance in life by limiting an upward social mobility and poverty reduction. An environment where the rich becomes richer and the poor becomes much poorer is created where the social fabric is damaged.

In addition to the negative impacts of corruption, the experts also conducted detailed studies on the conditions and circumstances that increase corruption. In the countries with high corruption level, the public sector is relatively large; the governance is weak; the level and quality of transparency are low; the markets are unstable; the legal system is fragile and the political and individual rights are weak.

In the related literature, there are detailed information on the ways that can be used in the mitigation of corruption. However, there is no consensus on the definition of corruption. The definition of corruption is important as it will determine how to tackle it. For example, if corruption is only the money paid to the public officers to access public services and goods that cannot be obtained via legal means, in other words if it is bribe, then reducing the level of corruption would be equal to reducing the bribing. If corruption is defined from a broader perspective as “use of public service for private gain”, then the things required for the prevention of corruption would be more comprehensive. Some argue that corruption is changing rules by the people with economic and political power for their own personal interests. Similarly, such definition of corruption would require a different type of prevention against corruption.

In addition to the disagreements over the definition of corruption, another significant challenge for the students of corruption is measuring it. As it is by definition unrecorded it is not easy to quantify corruption through official statistics. Therefore, researches generally try to capture 'corruption perception' by using survey method; the method adopted in this study. The alternative to measuring corruption perception is looking into the number of corruption convictions and comparing it by pears or different regions in the same country. Both approaches have their strengths and weaknesses. However, there is no other generally accepted methodology in the literature.

Indeed, there are a number of surveys conducted by various organizations to determine the level of corruption perception. Some of these surveys measure the perceived level of corruption or the change in the perceived level of corruption over time. Other surveys determine in which sectors or transactions the perceived level of corruption is higher. There are also surveys examining the presence of rules and regulations that make corruption more difficult, or the effectiveness existing rules and regulations. As is explained earlier in the introduction section, we conducted a comprehensive survey to capture different aspects of corruption in the northern part of Cyprus. We present the findings of this survey in the next chapter.

## **Chapter 3: North Cyprus Corruption Perceptions Survey**

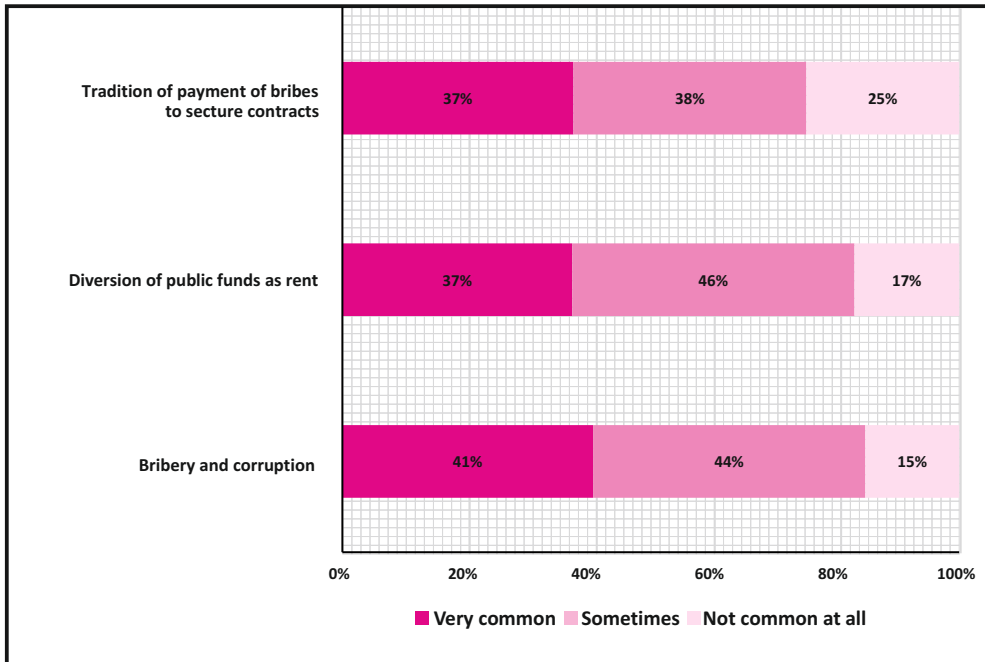
The survey that was conducted with the business community representatives is comprised of 19 questions. This chapter includes the details of answers given to these questions. For the majority of questions, the respondents were asked to give their answers in a scale between 1-7. In the evaluation of responses and preparation of graphs, the ranges of 1-2 and 6-7 were considered as clear responses, and the responses between 3-5 were given under a separate category. For example, if the question is about the effectiveness of a given institution in the prevention of corruption, '1-2' was considered as 'very effective,' '3,4,5' average, '6-7' 'not effective at all'. The numerical values were directly used for the responses used in the calculation of index.

### **A. What was the level of corruption perception and how did it change compared to the year earlier?**

The questionnaire starts with a question from IMD asking directly whether bribing and corruption exist in the northern part of Cyprus. 41% of surveyees think that corruption and bribing is 'very common' in the northern part of Cyprus while 15% believe that it does not exist. In other words, 85% of surveyees think that corruption, to different extents, exists in the country. The second and fourth questions, which are formulated in a slight different manner, give similar results. When asked 'How common is diversion of public funds to companies, individuals or groups due to corruption?' 37% of the participants said 'very common' while only 17% said 'not common at all'. In a similar vein, in response to the question, 'Is there a tradition of payment of

bribes to secure contracts and gain favours?' 37% said 'very common', while only 25% said not common at all.

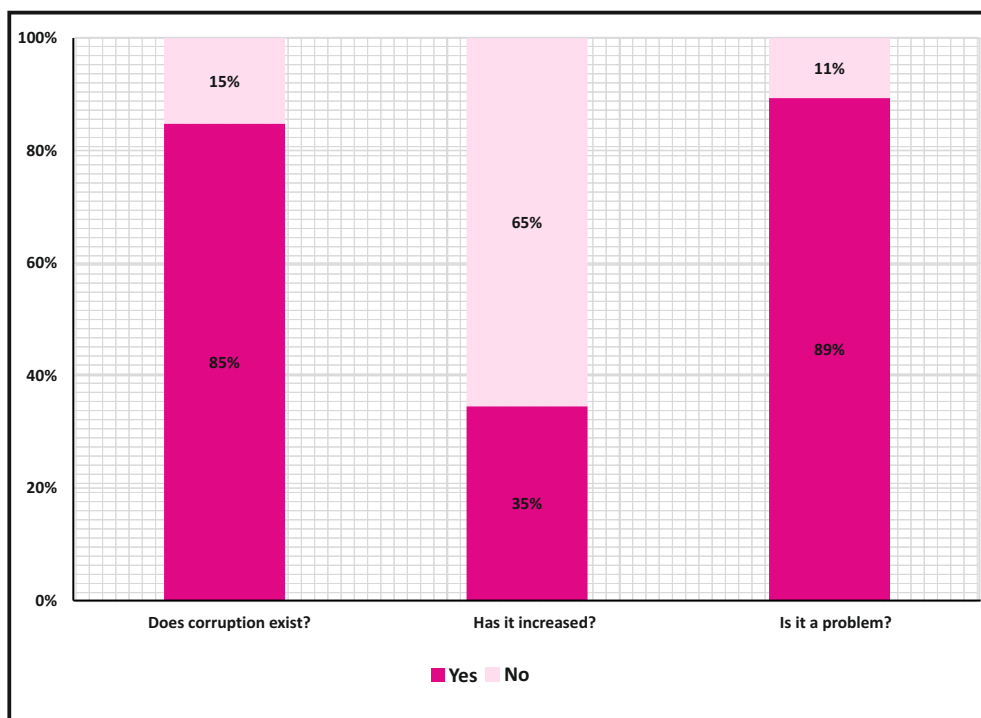
*Figure 1: Bribing and corruption in north Cyprus*



When the respondents asked to grade the problem of corruption in the country, 57% of them said that it is 'a serious problem' while 11% believed that it is not a problem at all.

In the fifth question, business executives were asked to compare the current year's level of corruption to the previous year. More than half of them (51%) reported no change in the level of corruption; 35% of the respondents thought that it had increased, while only 15% said that it had declined.

*Figure 2: Does corruption exist? Is it an important problem? Did it increase compared to the previous year?*



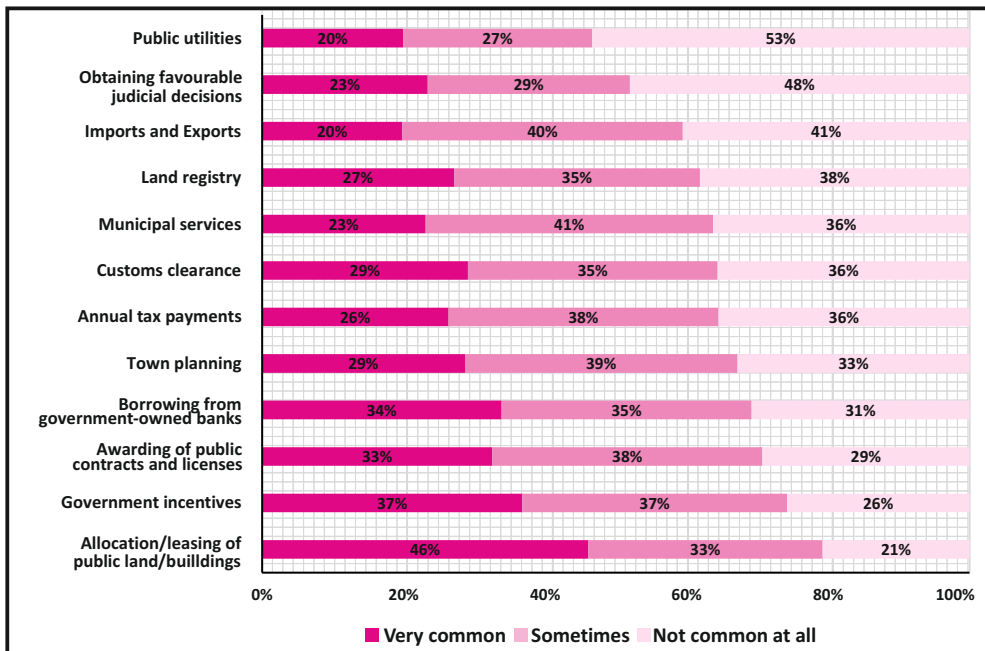
## **B. In which specific situations is corruption most common?**

In the sixth question, we asked how common it was for firms to make undocumented extra payments or bribes connected with various transactions where the business people interact with public sector officials. In the first study published in 2018, we had added two transactions specific to the northern part of Cyprus in addition to the original questions from WEF. These were 'allocation and leasing of land and buildings', and 'allocation of credit from government-owned banks'. In accordance with the feedback from the stakeholders, we added four new transactions to our questionnaire in our second survey i.e. 'government incentives', 'land registry (title deed procedures)', 'customs procedures' and 'town planning'. Finally, for this third study, 'local government (municipal services)' were also added. However, these questions were not used in the calculation of WEF score or aggregate index score as they did not feature in the questionnaires in other countries.

Nevertheless, we consider these as important findings, which reveal the areas where bribing is most common in the northern part of Cyprus.

Similar to the previous year, the allocation/leasing of public land and buildings turned out to be the area where the corruption perception was highest. Almost half of the respondents (46%) think that corruption is 'very common' in such transactions. Obtaining government incentives is the second on the list with 37%. On both circumstances, only 21% and 26% of the respondents respectively said bribing never took place. Awarding of public contracts (33%), borrowing from public banks (34%) are the other areas where bribing is considered as 'very common'.

*Figure 3: In which areas is bribing most common?*



'Public utilities' and 'obtaining favorable judicial decisions' were the areas where bribing were considered to be the least common. 53% of respondents said bribing was not common at all in the 'public utility transactions' while 48% of them said the same thing for 'obtaining favorable judicial decisions'.

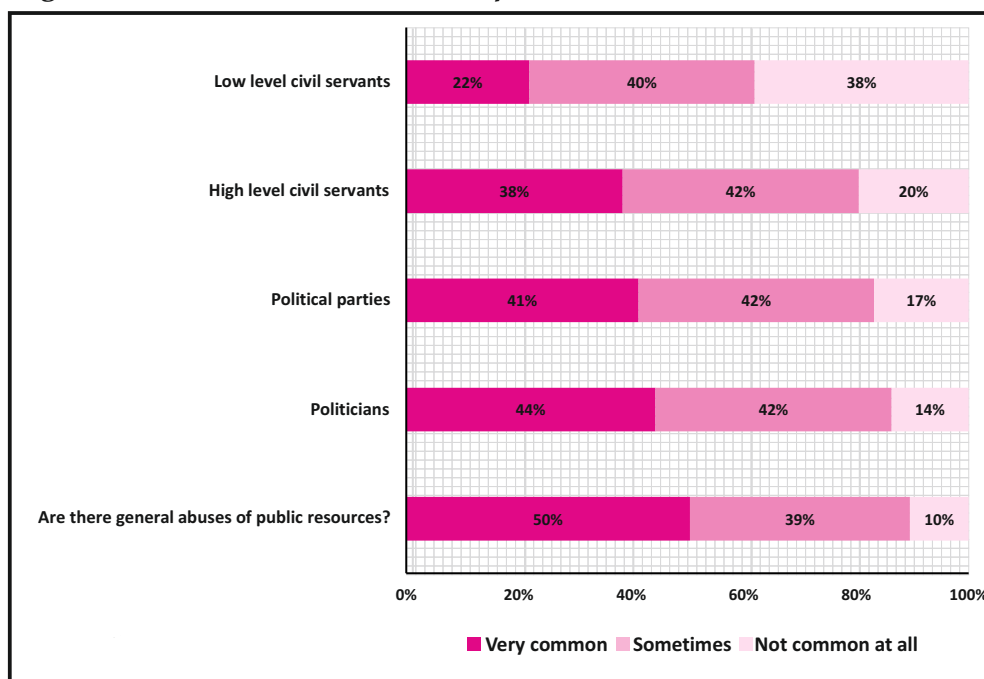
### C. Are public resources abused? Which actors are involved?

The responses given to the seventh question show that half of the respondents consider that 'the general abuse of public resources' was very common; only 10% think that the public resources are not abused at all.

The eighth question was formulated to identify among which groups corruption was most common. According to 44% of the respondents, corruption is 'very common' among politicians, while 41% shared the view that it is 'very common' among political parties. Therefore, it can be said that surveyees did not see much difference between political institutions and individuals.

We found out that a considerable difference appeared when respondents were given the chance to make a distinction between 'high level' and 'low level' civil servants: 38% of those surveyed said corruption was 'very common' among 'high level' civil servants while only 22% said it was 'very common' among 'low level' civil servants.

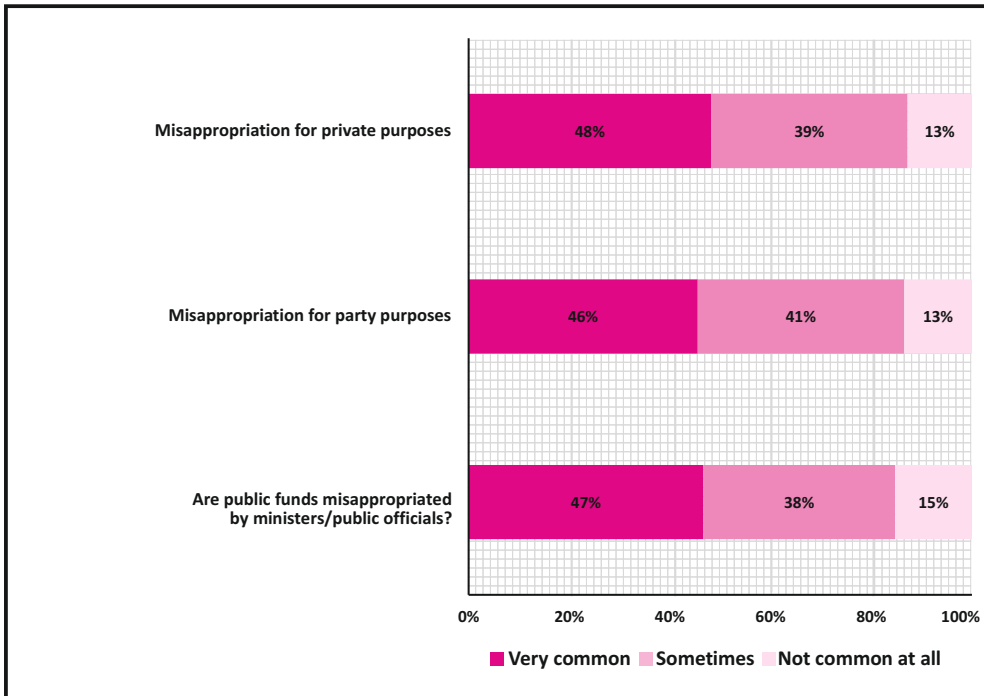
*Figure 4: Who is involved in corruption?*





When asked 'whether public funds were misappropriated by ministers/public officials for private or party political purposes', almost half of respondents (47%) said that this was 'very common' while only 15% of the respondents stated 'not common at all'. We followed up on this question, and asked the respondents to separately rate how common it was to misappropriate public funds for political and private purposes. 46% of the respondents said that the misappropriation of public funds for political party purpose were 'very common' while 48% said it was 'very common' for private purposes. Therefore the difference is not that significant.

*Figure 5: Are public funds misappropriated? For which purposes?*



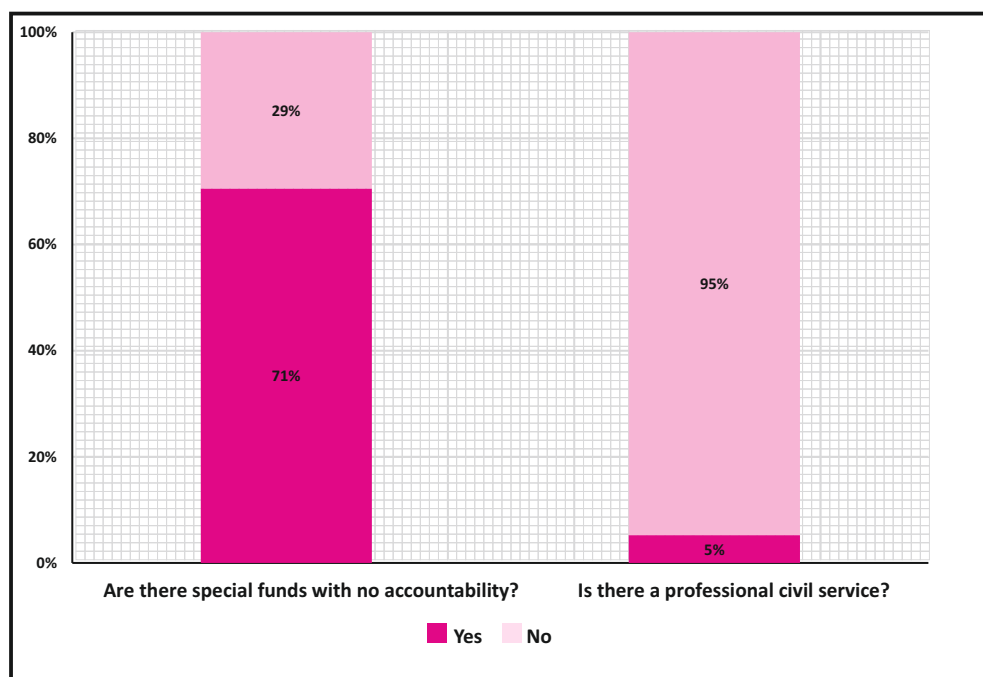
#### **D. Do institutional mechanisms which aim to prevent corruption exist?**

The questions from this point on deal with the quality of the institutional mechanisms and units that combat corruption. Questions are designed, first, to identify whether certain practices, organizations and legislations exist or not, and then measure the level of effectiveness of these in deterring corruption in the eyes of the participants.

Tenth question asks whether or not there are 'special funds' for which there is no accountability. 71% of the respondents expressed the view that there existed special funds for which there was no accountability.

The eleventh question is about the method of appointment of bureaucrats: 'Is there a professional civil service or are large numbers of officials directly appointed by the government?'. 81% of the respondents said all public officials were directly appointed by the government while only 5% thought that the civil service was entirely comprised of professionals.

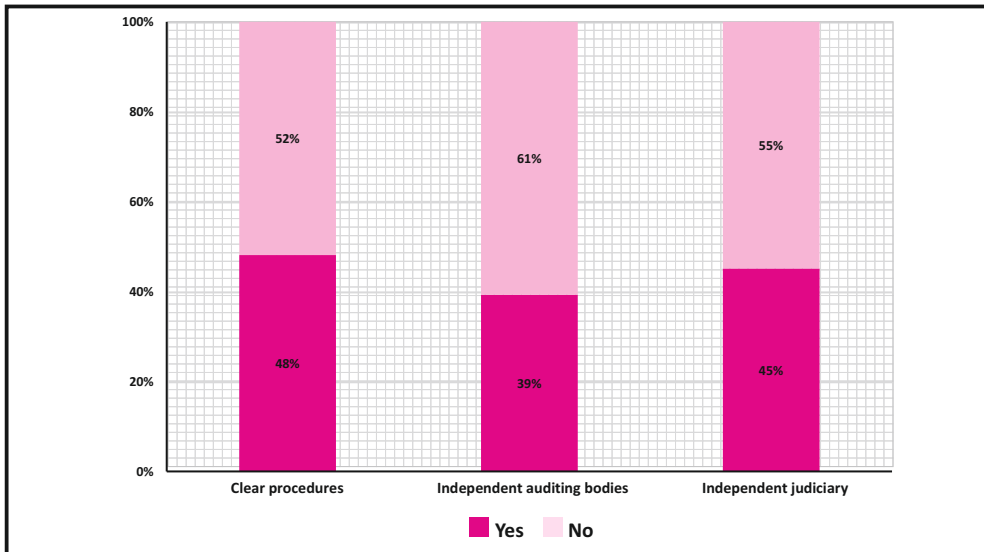
**Figure 6: Are there any special funds with no accountability?  
Is bureaucracy politicized?**



The twelfth question asks whether *clear procedures* exists governing the allocation and use of public funds. 48% of respondents answered this question as 'yes' while slightly more than half of them (52%) said 'no'. Only the respondents who said 'yes' were asked to answer a follow-up question about the effectiveness of such procedures in preventing public officials from abusing their positions for private gains. Only 19% of those who thought clear procedures existed said these procedures were 'very effective' while 42% of them said they were 'not effective at all'.

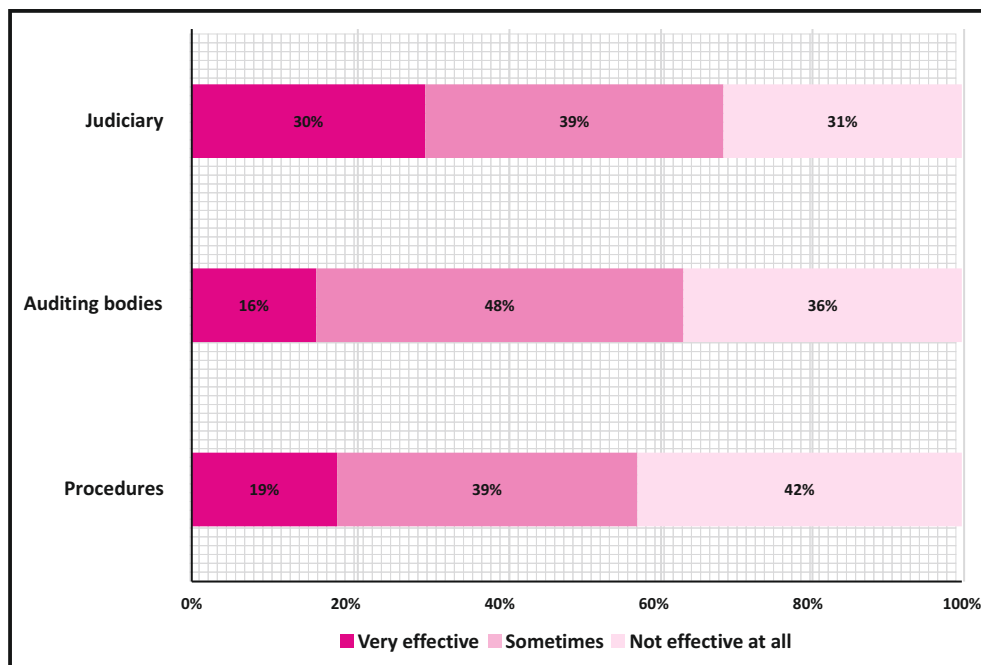
In question thirteen, the respondents were asked whether there were any 'independent bodies auditing the management of public finances'. Similarly, in question fourteen, the respondents were asked whether there was 'an independent judiciary with *the power to try ministers/public officials for abuses*'. The majority of respondents answered both questions negatively. While 61% of them think that the financial audit bodies are not independent, 55% of them think that the judiciary is not independent enough to try the ministers/ public officials for abuses.

**Figure 7: Do legal framework and institutions to prevent corruption exist?**



As in question twelve, we went beyond the original question and asked to those who responded 'yes' to the thirteenth and fourteenth questions to rate the effectiveness of these institutions in preventing corruption. The result was not encouraging. Only 16% of those who said 'an independent body auditing the management of public finances' existed reported that this body was 'very effective' in deterring corruption while 36% said they were 'not effective at all'. The perception regarding the success of the judiciary was better but still far from satisfactory. 30% said that the judiciary was 'very effective' in preventing public officials from abusing their offices for their personal/private interest whereas 31% said it was 'not effective at all'.

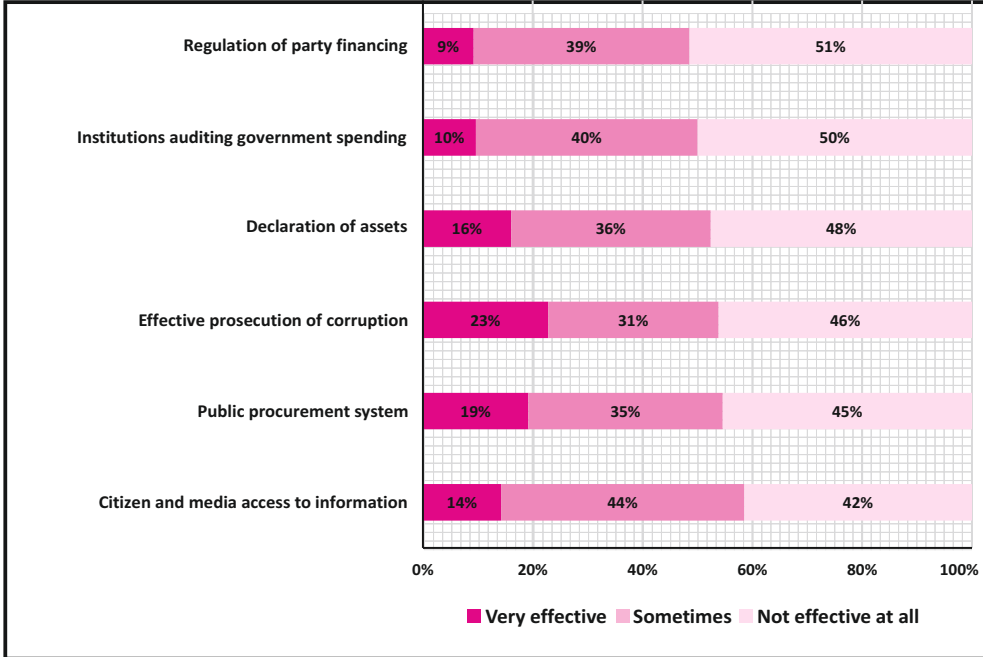
**Figure 8: Are legal procedures and independent institutions effective in preventing corruption?**



### **E. To what extent are institutional mechanisms and regulations effective in preventing corruption in practice?**

The fifteenth question was taken from Bertelsmann Foundation's Sustainable Governance Indicators. The question aims to evaluate the effectiveness of institutional mechanisms and regulations in fighting corruption. Overall results show that respondents did not consider them as effective.

*Figure 9: How effective are mechanisms that are expected to deter corruption?*



Half of respondents think that 'regulation of party financing' and 'institutions auditing state spending' do not deter corruption at all. Only 10% expressed the view that these mechanisms 'fully deterred' corruption. 48% of the respondents consider the regulation on 'asset declaration' 'not effective at all' while 16% was it as 'very effective' in deterring corruption.

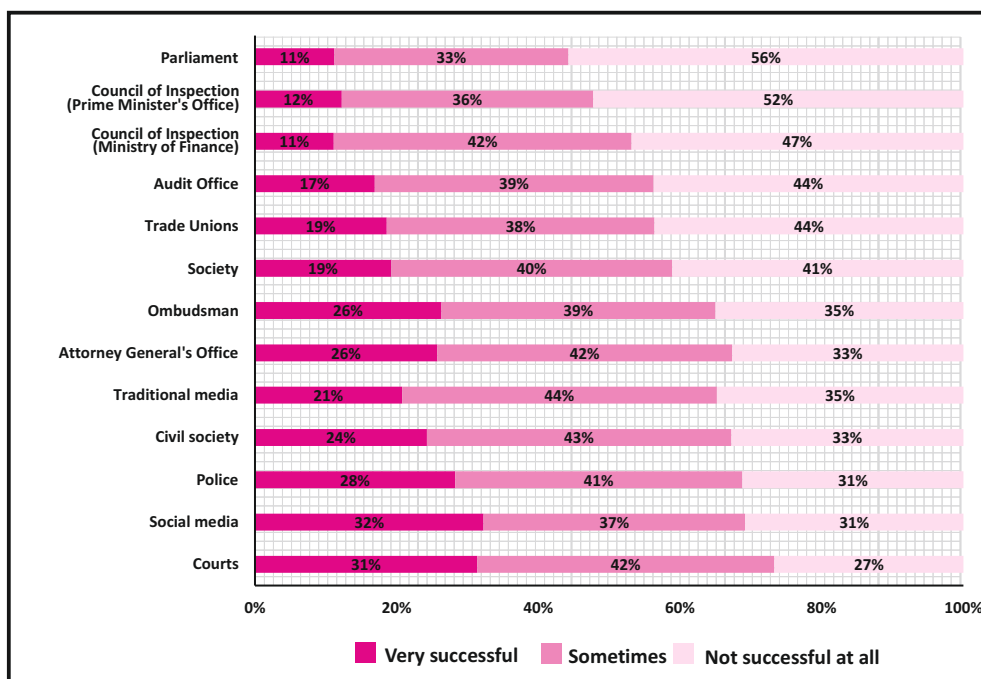
Moreover, 46% of the respondents consider 'effective prosecution of corruption' as not deterring corruption at all. It is very concerning to see that less than one quarter of the respondents (23%) said 'effective prosecution of corruption' 'fully deter' corruption. In a similar vein, around 45% of respondents think that public procurement system did not deter corruption at all while 42% of them did not consider the regulations on 'citizen and media access to information' as deterring at all.

#### **F. How successful are various institutions in preventing corruption?**

Last four questions of the survey were not taken from the international sources used by the Transparency International; they were added to measure the perceptions of business executives on local issues and institutions.

In question sixteen, we asked the business community representatives to evaluate the success of various institutions and bodies in preventing or disclosing corruption. Once again, the results are quite disappointing.

*Figure 10: How effective are various institutions in preventing corruption?*



Similar to the first two studies, according to the participants of our survey, social media was the most effective and successful institution in preventing corruption. However, only 32% of the respondents considered social media as 'very successful/effective'. The Courts came as second with a very close score (31%) followed by the Police (28%), Attorney General's Office (26%) and Ombudsman (26%).

The number of respondents finding civil society, traditional media, general public and trade unions as 'very successful/effective' varied between 24% and 19%.

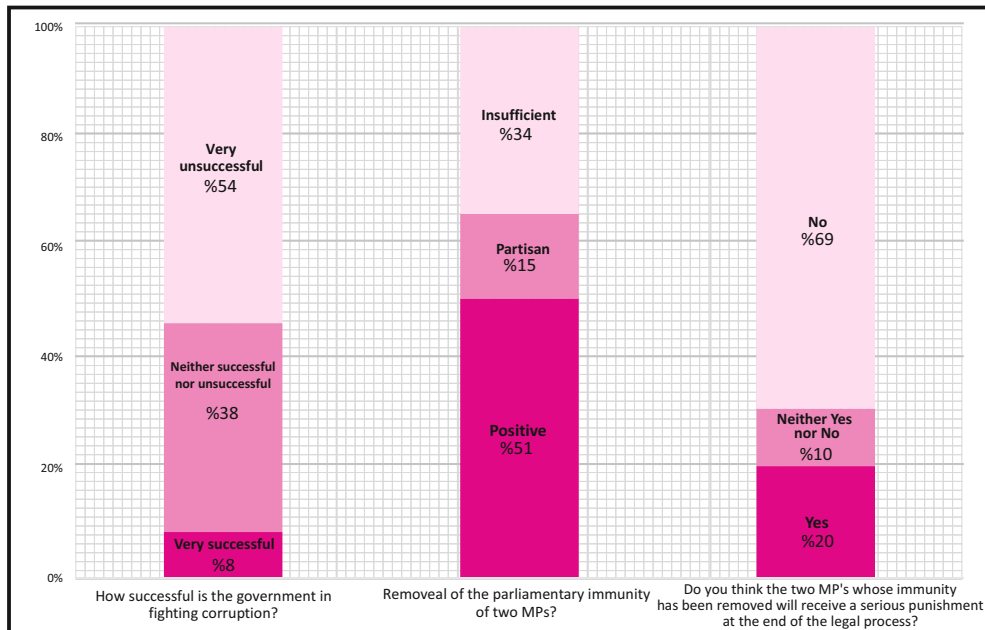
The three auditing bodies in TRNC, namely, Council of Inspection and Investigation (under Ministry of Finance), Court of Auditors, and Council of

Inspection (under Prime Minister's Office) were perceived to be the least successful institutions. The parliament has a similar performance. Strikingly, more than half of the participants found the Parliament and Council of Inspection (under Prime Minister's Office) 'not successful/effective at all', while only around one-tenth of the participants said these were 'very successful/effective'.

## G. How successful is the government in preventing corruption?

In the seventeenth question, the respondents were asked to rate the success of government in fighting corruption. While 54% of them did not find it 'successful at all', 8% of the respondents considered the government as 'very successful'.

*Figure 11: How successful is the government in fighting corruption?*



In the eighteenth question, the respondents were reminded that recently the immunities of two MPs were lifted by the parliament due to the corruption accusations against them, and asked to express their views about the parliament's decision. 51% of the respondents found this decision 'a very positive step' while 34% of them said this was 'an insufficient step'. The remaining 15% described this as a 'partisan' act.

In the last question, the respondents were asked whether or not they thought those two MPs whose immunity had been removed, would be seriously punished at the end of the legal process. More than two-thirds of respondents (69%) stated that they were certain that the two MPs would not be seriously punished, while only 20% said that they strongly believed that they would be punished in a deterring manner.

## **H. Do various characteristics of the respondents' firms have any effect on corruption perception?**

As mentioned earlier, in Section A where the level of corruption perception and its change in the last year was discussed, the following findings were reached:

- 41% of the respondents said that corruption and bribing were 'very common' in TRNC while 15% of them said that they did not exist at all;
- 37% of the participants said 'diversion of public funds to companies, individuals or groups due to corruption' was 'very common' while only 17% said this did not happen at all;
- 37% of the respondents thought that 'a tradition of payment of bribes to secure contracts and gain favours' existed while only 25% said this did not exist at all;
- 35% thought that compared to the previous year, corruption had increased, while only 15% said that it had declined; 51% of the respondents reported no change in the level of corruption.

In this section, we aim to demonstrate whether there was a relationship between the corruption perception of the respondent, and the respondent's firms' (1) years of operation in business, (2) number of employees, (3) registration place, and (4) sector. Finally, we also tested whether being a member of the Turkish Cypriot Chamber of Commerce's Assembly and the gender of the respondent played a role on corruption perception.



**Table 1: Characteristics of the respondents and their companies, and corruption perception**

	Do bribing and corruption exist?		Are public funds diverted as rent?		Is bribing to secure contracts a tradition?		Did corruption increase?	
	Very common	Not common at all	Very common	Not common at all	Very common	Not common at all	Yes	No
<b>Age of the firm:</b>								
1-5	0.36	0.16	0.25	0.20	0.34	0.29	0.33	0.12
6-10	0.45	0.18	0.30	0.15	0.50	0.18	0.44	0.13
10-15	0.45	0.16	0.40	0.16	0.32	0.29	0.34	0.15
15 +	0.39	0.15	0.43	0.18	0.37	0.23	0.33	0.16
<b>Number of employees</b>								
1-5	0.42	0.13	0.38	0.18	0.39	0.21	0.40	0.12
6-10	0.34	0.16	0.43	0.16	0.36	0.24	0.31	0.19
11-20	0.49	0.14	0.30	0.21	0.41	0.25	0.43	0.07
21-50	0.34	0.18	0.33	0.12	0.36	0.29	0.30	0.14
51-99	0.43	0.21	0.50	0.13	0.27	0.33	0.13	0.07
100 +	0.35	0.22	0.35	0.26	0.32	0.36	0.24	0.33
<b>Sector:</b>								
Manufacturing	0.49	0.09	0.43	0.17	0.43	0.23	0.36	0.06
Construction	0.21	0.21	0.36	0.21	0.14	0.57	0.15	0.23
Retail/Wholesale	0.34	0.18	0.32	0.18	0.33	0.26	0.32	0.18
Information/Communication	0.45	0.27	0.27	0.18	0.22	0.33	0.20	0.10
Services	0.44	0.22	0.44	0.22	0.75	0.13	0.56	0.22
<b>District:</b>								
Nicosia	0.40	0.15	0.40	0.16	0.36	0.24	0.34	0.14
Famagusta	0.31	0.25	0.34	0.15	0.34	0.22	0.39	0.19
Kyrenia	0.42	0.13	0.38	0.13	0.39	0.29	0.37	0.17
Morphou	0.47	0.05	0.50	0.11	0.50	0.28	0.26	0.11
Trikomo	0.64	0.07	0.36	0.21	0.36	0.29	0.25	0.08
<b>Gender:</b>								
Female	0.45	0.17	0.35	0.14	0.37	0.24	0.36	0.04
Male	0.39	0.15	0.37	0.18	0.37	0.25	0.34	0.17
<b>Member of the Chamber Assembly:</b>								
Yes	0.45	0.15	0.45	0.10	0.33	0.39	0.50	0.17
No	0.41	0.16	0.36	0.18	0.37	0.24	0.33	0.15
<b>North Cyprus</b>	0.41	0.15	0.37	0.17	0.37	0.25	0.35	0.15

Based on the answers given to the question whether public funds are diverted as rent, a systematic relationship can be observed between the respondents' corruption perception and her/his firms' age. Among the representatives of youngest companies, only 25% think that 'the diversion of public funds as rent' is 'very common', while this rate goes up to 43% among the representatives of the companies which are older than 15 years.

The respondents from the companies with more than 100 employees seem more optimistic than the others. Among the whole sample, the rate of respondents who think 'corruption and bribing' are 'very common' is 41%; this rate goes down to 35% among this group. As far as the rent question is concerned, overall 37% of the respondents consider it 'very common' while 35% think rent as 'very common' among this group. Similarly, 32% of the respondents in this group said 'bribing' was 'very common', which is below the general average of 37%. Finally, among this group, one third of the participants think that corruption decreased compared to a year earlier; only 15% thought so in the whole sample.

When we look into the relationship between the respondents' firms' sector and corruption perception, the most striking result is that the respondents from the construction sector have more positive perception than the respondents from other sectors. When the whole sample is taken into consideration, the rate of respondents, who think 'corruption and bribing' are 'very common', is 41%, the rate among this group is 21%; whereas it is 49% for manufacturing sector. The perception of this group is again relatively positive with regard to the question about the tradition of giving bribes. While the general average is 37%, it is 14% among this group; on the other hand, it increases up to 75% in the services sector. Finally, the percentage of respondents that consider an increase in corruption within the last year are relatively lower (15%) in this group. This rate is 56% among the representatives of services sector.

The results also show that the place of registration of the respondent's company plays a role on corruption perception. Trikomo and Morphou have the highest corruption perception. 64% of the respondents whose firms were registered in Trikomo thought bribing and corruption are 'very common', while among the respondents whose companies were registered in neighbouring Famagusta, the same ratio was 31%. One out of every two company executives in Morphou said that 'diversion of public funds to

companies, individuals or groups due to corruption' and 'tradition of giving bribes' were 'very common'. For both questions, this rate is 13 percentage points above the country average.

There are also some variations based on the gender of respondents. While 45% of women consider the tradition of bribing as 'very common', this rate goes down to 39% among men. The responses about the change in corruption compared with the previous year also show a significant difference. While 17% of men indicate a decline in corruption, this rate is 4% among women.

According to 45% of the respondents, who were currently or previously served as a member of the Chamber Assembly, 'corruption and bribing' and 'the diversion of public funds to private companies, individuals and groups due to corruption' are 'very common'. These rates go down to 41% and 36% respectively among the non-members. This group's evaluation of the annual change in the level of corruption is also more pessimistic: 50% of the respondent in this group think that corruption increased within a year; only one third said so among non-members.

## **Chapter 4: North Cyprus – Corruption Perceptions Index and its Components**

As mentioned earlier, Transparency International's – Corruption Perceptions Index is a composite index; it is constructed using data from various independent data sources, which quantify perceptions of corruption in the public sector in different regions of the world.<sup>(4)</sup> Unfortunately, none of these sources cover the northern part of Cyprus. In the absence of independent data sources, we decided to come up with a survey using questions from four of these data sources. We chose IMD; WEF; EIU; and Bertelsmann Foundation's Sustainable Governance Indicators (SGI). In this chapter, first, we will show the north Cyprus' scores for each set of questions based on our survey results. Then, we will show the ranking of the country for each score. Finally, we will demonstrate the composite score and where this score would put us in TI's Corruption Perceptions Index.

Based on the respondents' answers to the first question, the IMD score of the northern part of Cyprus has been calculated as 47 for 2019. As it is in the methodology of TI, our score is based on the survey conducted with business executives. The south Cyprus' score is 51, which is way below the European Union average of 64. This score is not available for Malta. The scores of Turkey and Greece are 45 and 44 respectively.

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(4): All scores used in this section, except for the ones calculated by authors for north Cyprus, are from Transparency International's CPI 2019 report. Full report can be reached at: <https://www.transparency.org/en/cpi/2019/index/nzl>

Based on the second and sixth questions in the survey, we calculated the 2019 WEF score of the northern part of Cyprus as 57. In line with the TI methodology, this score is only derived from the survey conducted with business executives.

**Table 2: North Cyprus-WEF 2019 Score and the Questions Used in the Calculation of the Score**

Question	Scale	Average Score	Average Score (Out of 100)
How common is diversion of public funds to companies, individuals or groups due to corruption?	1, 2, 3, 4, 5, 6, 7 1: Very common 7: Not common at all	3.46	49
How common is it for firms to make undocumented extra payments or bribes connected with the following?	1, 2, 3, 4, 5, 6, 7 1: Very common 7: Not common at all		64
● Imports and exports		4.51	
● Public utilities		4.95	
● Annual tax payments		4.27	
● Public contracts		3.87	
● Obtaining favourable judicial decisions		4.72	
<b>North Cyprus - WEF 2019 Score = 57</b>			

The 2019 WEF scores of countries with similar characteristics with our case such as our southern neighbor Republic of Cyprus was 58; Malta's score was 51. When we look at our other neighbors, we see that Greece's score was 44 and Turkey's score was 57. The average score for the European Union member states was 60. Therefore, our WEF score looks good.

**Table 3: 2019 North Cyprus Corruption Perceptions Scores in Comparison to the Scores of Selected Countries**

	North Cyprus	Republic of Cyprus	Turkey	Greece	Malta	EU
<b>WEF</b>	57	58	57	44	51	60
<b>EIU</b>	34	72	37	37	55	65
<b>Bertelsmann-SGI</b>	22	44	26	53	53	67
<b>IMD</b>	47	51	45	44	-	64
<b>TI – CPI</b>	40	58	39	48	54	66
<b>Ranking</b>	85	41	91	60	50	27

According to the document, where the Transparency International describes the sources and questions that it uses to form the composite index, EIU determines this score relying on teams of experts based in its headquarters who also collaborate with in-country specialists. Following a similar procedure, we took the answers of experts as our basis in the calculation of this score. The EIU score of the northern part of Cyprus is calculated as 34 based on the answers given by experts during the workshop. This score is the same as the last year's score, which indicates no change in our institutional infrastructure. This score is way below both our southern neighbor's score (72) and Malta's score (55). But, it is close to the scores of Greece and Turkey, which both had 37. Our score also falls far behind the EU average of 65.

**Table 4: 2019 North Cyprus - EIU Score and the Questions Used in the Calculation of the Score**

Questions	Scale	Average Score	Average Score (Out of 100)
Is there a tradition of payment of bribes to secure contracts and gain favours?	1, 2, 3, 4, 5, 6, 7 1: Very common 7: Not common at all	1.67	24
Are public funds misappropriated by ministers/public officials for private or party political purposes	1, 2, 3, 4, 5, 6, 7 1: Very common 7: Not common at all	2.00	29
Are there special funds for which there is no accountability?	0, 1 0: No, there is not 1: Yes, there is	67	33
Are there general abuses of public resources?	1, 2, 3, 4, 5, 6, 7 1: Very common 7: Not common at all	1.33	19
Are there clear procedures and accountability governing the allocation and use of public funds?	0, 1 0: No, there is not 1: Yes, there is	1.00	100
Is there a professional civil service or are large numbers of officials directly appointed by the government?	1, 2, 3, 4, 5, 6, 7 1: All of them are professionals 7: All of them are political appointees	7.00	0
Is there an independent body auditing the management of public finances?	0, 1 0: No, there is not 1: Yes, there is	0.33	33
Is there an independent judiciary with the power to try ministers/public officials for abuses?	0, 1 0: No, there is not 1: Yes, there is	0.33	33
<b>North Cyprus - EIU 2019 Corruption Score = 34</b>			

Finally, Bertelsmann SGI score, which was based on question fifteen in our survey, was calculated as 22. This means that the mechanisms, which are designed to ensure the integrity of officeholders and to prevent public

servants and politicians from accepting bribes, are in practice, far from being deterring. This score also stayed same with the last year's score. The score of our southern neighbor is 44 while this score is 53 for Malta and Greece. The average score for EU countries is 67; Turkey's score is 26.


**Table 5: 2019 North Cyprus - Bertelsmann SGI Score and the Questions Used in the Calculation of the Score**

Question	Scale	Average Score	Average Score (Out of 100)
<b>To what extent do the following mechanisms deter public officials from abusing their offices for their private interests?</b>	1, 2, 3, 4, 5, 6, 7  1: Does not deter at all 7: Fully deter		
• <b>Institutions auditing government spending</b>		1.00	14
• <b>Regulation of party financing</b>		1.67	24
• <b>Citizen and media access to information</b>		2.33	33
• <b>Accountability of officeholders (asset declarations, conflict of interest rules, codes of conduct)</b>		1.67	24
• <b>Public procurement systems</b>		1.33	19
• <b>Effective prosecution of corruption</b>		1.33	19
<b>North Cyprus – Bertelsmann-SGI 2019 Score = 22</b>			



The aggregate corruption perception score of north Cyprus, which was the average of all scores, was calculated as 40.

**Table 6: 2019 North Cyprus TI-CPI Score and its Components**

IMD Corruption Score = 47
EIU Corruption Score = 34
WEF Corruption Score = 57
Bertelsmann-SGI Corruption Score = 22

<b>North Cyprus TI-CPI 2019 Score = 40</b>

Transparency International's CPI uses a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean. In 2019's ranking, the cleanest two countries were Denmark and New Zealand, whose scores were 88 and 87 respectively, while the three most corrupt countries were civil-war-torn Somalia, South Sudan and Syria with scores of 10, 13 and 13.

The north Cyprus' score of 40 ranks it at the same spot on 85 as Burkina Faso, Trinidad and Tobago, Guyana, Indonesia, Kuwait and Lesotho. This score is lower than the scores of other countries selected for comparison, except Turkey. The Republic of Cyprus is 41<sup>st</sup>, Malta 50<sup>th</sup> and Greece 60<sup>th</sup> in the ranking. Turkey is 91<sup>th</sup> in the ranking, which is a rank below our position. Even more concerning is the fact that the score of 40 is below the average of 180 countries and territories, which was calculated as 43.

Table 7: North Cyprus' ranking in TI-CPI 2019

Country	Score	Ranking
Bulgaria	43	74
Jamaica	43	74
Tunisia	43	74
Armenia	42	77
Bahrain	42	77
Solomon Islands	42	77
Benin	41	80
China	41	80
Ghana	41	80
India	41	80
Morocco	41	80
<b>North Cyprus</b>	<b>40</b>	<b>85</b>
Burkina Faso	40	85
Guyana	40	85
Indonesia	40	85
Kuwait	40	85
Lesotho	40	85
Trinidad and Tobago	40	85
Serbia	39	91
Turkey	39	91
Ecuador	38	93
Sri Lanka	38	93
Timor-Leste	38	93

*Table 8: 2019 TI-CPI: The best 20 and the worst 20 countries*

	<b>Best 20</b>	<b>TI-CPI</b>	<b>Ranking</b>	<b>Worst 20</b>	<b>TI-CPI</b>	<b>Ranking</b>
<b>1</b>	Denmark	<b>87</b>	1	Nicaragua	<b>22</b>	161
<b>2</b>	New Zealand	<b>87</b>	1	Cambodia	<b>20</b>	162
<b>3</b>	Finland	<b>86</b>	3	Chad	<b>20</b>	162
<b>4</b>	Singapore	<b>85</b>	4	Iraq	<b>20</b>	162
<b>5</b>	Sweden	<b>85</b>	4	Burundi	<b>19</b>	165
<b>6</b>	Switzerland	<b>85</b>	4	Congo	<b>19</b>	165
<b>7</b>	Norway	<b>84</b>	7	Turkmenistan	<b>19</b>	165
<b>8</b>	Netherlands	<b>82</b>	8	Dem. Republic of Congo	<b>18</b>	168
<b>9</b>	Germany	<b>80</b>	9	Guinea Bissau	<b>18</b>	168
<b>10</b>	Luxembourg	<b>80</b>	9	Haiti	<b>18</b>	168
<b>11</b>	Iceland	<b>78</b>	11	Libya	<b>18</b>	168
<b>12</b>	Australia	<b>77</b>	12	Korea, North	<b>17</b>	172
<b>13</b>	Austria	<b>77</b>	12	Afghanistan	<b>16</b>	173
<b>14</b>	Canada	<b>77</b>	12	Equatorial Guinea	<b>16</b>	173
<b>15</b>	United Kingdom	<b>77</b>	12	Sudan	<b>16</b>	173
<b>16</b>	Hong Kong	<b>76</b>	16	Venezuela	<b>16</b>	173
<b>17</b>	Belgium	<b>75</b>	17	Yemen	<b>15</b>	177
<b>18</b>	Estonia	<b>74</b>	18	Syria	<b>13</b>	178
<b>19</b>	Ireland	<b>74</b>	18	South Sudan	<b>12</b>	179
<b>20</b>	Japan	<b>73</b>	20	Somalia	<b>9</b>	180
	<b>Average</b>	<b>80</b>			<b>17</b>	

## **Chapter 5: Concluding Remarks and Policy Recommendations**

The results of the survey with the business executives and the workshop with the experts show that corruption perception in the northern part of Cyprus is quite high.

Survey results show that the perceptions of business executives were more positive this year compared to the previous year. However, this should be seen only as a relative improvement since the majority of the participants (57%) still consider corruption as 'a serious problem'. Regardless of how the questions were formulated, the proportion of respondents who said that corruption was 'very common' was way higher than the ones who said it was 'not common at all'. For instance, when asked whether 'there is bribing and corruption in north Cyprus', 41% responded as 'very common' while 15% said 'not common at all'. With regard to the 'diversion of public funds to companies, individuals or groups due to corruption', 50% said that it was 'very common', while only 10% said this was 'not common at all'. Moreover, only 15% of the participants expressed the view that corruption decreased compared to the previous year while 35% of the participants stated that it increased.

Provision of public utility services, judiciary and import-export transactions were recorded as the cleanest in terms of bribing. Thanks to the positive perception in the given areas, the related score (WEF) came very close to the EU average. This is certainly a positive thing that must be appreciated; yet, there are major challenges in some other areas where WEF surveys do not touch upon. Namely, similar to the previous two reports, we found out that

'allocation/leasing of public land and buildings' and 'government incentives' stood out as two areas where corruption was very common in the northern part of Cyprus.

Respondents hold politicians and political parties responsible for corruption. Furthermore, participants' trust in the effectiveness of institutions and mechanisms designed to combat corruption is quite low; particularly, various bodies responsible for auditing the management of public finances are generally distrusted. Evidently, both business executives and experts surveyed seriously doubt the autonomy of these institutions in practice, (which are on paper independent) from political influence.

Judging by the answers of the business executives regarding the effectiveness of institutions responsible for deterring corruption, it is possible to say that things have slightly improved compared to the year earlier. However, the institutions responsible from the detection of corruption to the punishment of wrongdoers are far from satisfying the expectations of the business community. For example, based on the answers given to the question 16, the rate of the respondents that find any of the public auditing institutions responsible for detecting corruption (Court of Auditors, Council of Inspection (under Prime Minister's Office), Council of Inspection and Investigation) as 'very successful' is not more than 17%. The institutions that should refer the detected corruption cases to judiciary (Parliament, Police, Attorney General's Office) did not show a promising performance either. With regard to the responses given to the question 15 about the effectiveness of prosecution in deterring corruption, the rate of respondents that said 'very deterring' was 23% while the rate was doubled for those who said 'not deterring at all' (46%).

Compared to the previous year's findings, the rate of respondents that find courts 'very successful/effective' in fighting corruption increased to 31% from 22% (Question 16). Similarly, among the respondents who said that an independent judiciary with the power to try ministers/public officials for abuses exists, the rate of respondents that find the judiciary 'very effective' went up to 30% from 21% compared with the last year (Question 13). In this context, another good news is that the rate of respondents answering the question whether it is common to make undocumented extra payments or bribes connected to obtaining favorable judicial decisions as 'very common' steadily went down from 45% in 2017, to 32% in 2018, and 23% in 2019,

(Question 6). Having said that, only 20% of the respondents think that the MPs whose immunities had been lifted would certainly get a serious punishment upon their trial, while 69% think the exact opposite (Question 19).

While we observed a relative improvement in the perceptions of the business executives, such improvement could not be seen in the experts' responses. According to the experts, in the year concerned, there has not been any concrete improvement in the institutional framework or in enforcement. Therefore, the scores from EIU and SGI remained the same. Some of the results of the workshop with experts were particularly striking: (1) There are some shortcomings in the institutional infrastructure, which become manifest in one of the following ways: (a) there is no legislation in the area concerned; (b) lack of secondary legislation (regulations) that make the implementation of legislation possible; or (c) there are loopholes in legislations hindering the full implementation of law. (2) Where there is no shortcoming in the institutional arrangements, there are challenges in the implementation process. According to the experts, this is caused by three interrelated reasons: (a) Lack of personnel. Some of the institutions do not have sufficient number of personnel to perform their duties; (b) the ones that are obliged to perform inspections or implement laws are reluctant to do so due to highly politicized nature of appointments to higher levels in bureaucracy. Higher level bureaucrats do not duly perform their duties since they either feel gratitude to politicians appointing them or concerned about getting reappointed; (c) the partisan/clientelistic recruitment and promotion practices deteriorates the quality of bureaucracy. In other words, some of the public officials that have a key role in preventing corruption are not qualified. To summarize, public funds become open to abuse because of legal loopholes or problems in enforcement.

Overall, the results of this third report – as it was the case in the previous two – show that in terms of corruption, the situation in north Cyprus is not at the desired level.

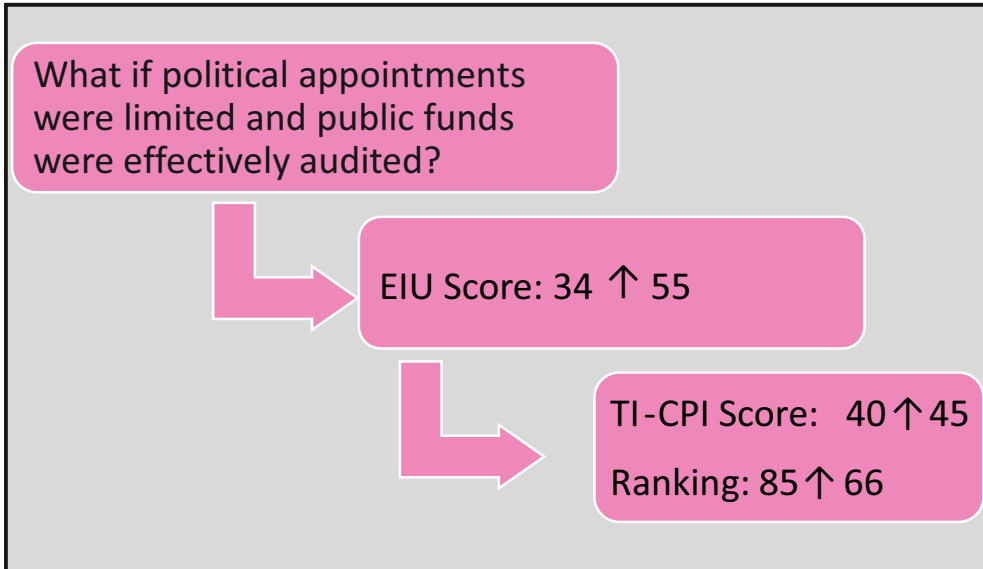
What can be done to change the situation? It is possible to decrease the corruption level in a country through introducing various institutional reforms. Similar to the previous two reports, we decided to make the same four specific proposals. In choosing these four policy recommendations, we had two specific considerations in mind. The first one was the sensitivities

and expectations of the wider public. The second was the practicality and relative easiness of introducing them. If all these reforms are implemented, not only our institutional framework to combat corruption will improve, but also as a result of this, the CPI score of the country and the ranking will go up considerably.

Our first proposal is limiting the number of political appointments to the high-level posts in the public service. Limiting the number of political appointments to only one in each ministry i.e. undersecretary position to serve as a bridge between the elected and career officials, would not only help professionalizing the public sector but also could improve the problem about suspended political appointees [*müşavir*]. Our second policy recommendation is about discretionary or 'special funds for which there is no accountability'. Our discussion with experts revealed that technically there are not any discretionary funds, which are not subject to auditing and control. Therefore, in this case rather than passing a new legislation or designing a new mechanism, what needs to be done is to enforce the existing rules and mechanisms effectively.

If these two proposals are implemented, the EIU score will go up from 34 to 55, which will translate into a rise in the TI-CPI score from 40 to 45. This would then mean an upward move in rankings to 66<sup>th</sup> place from 85<sup>th</sup>.

*Figure 12: What if political appointments were limited and management of public funds were effectively audited?*



Making the process of declaration of assets fully transparent and opening it to the access of public while complementing it by declaration of liabilities, would be another major step in combatting corruption. Similarly, the effective enforcement of existing regulations facilitating citizen and media access to information would make things better. The implementation of related reforms would increase our Bertelsmann-SGI score from 22 to 45 and make our TI-CPI score 46. Such change in the score would move us to 64<sup>th</sup> place in the ranking.



*Figure 13: What if asset declaration was made fully transparent and regulations facilitating access to information was effectively enforced?*

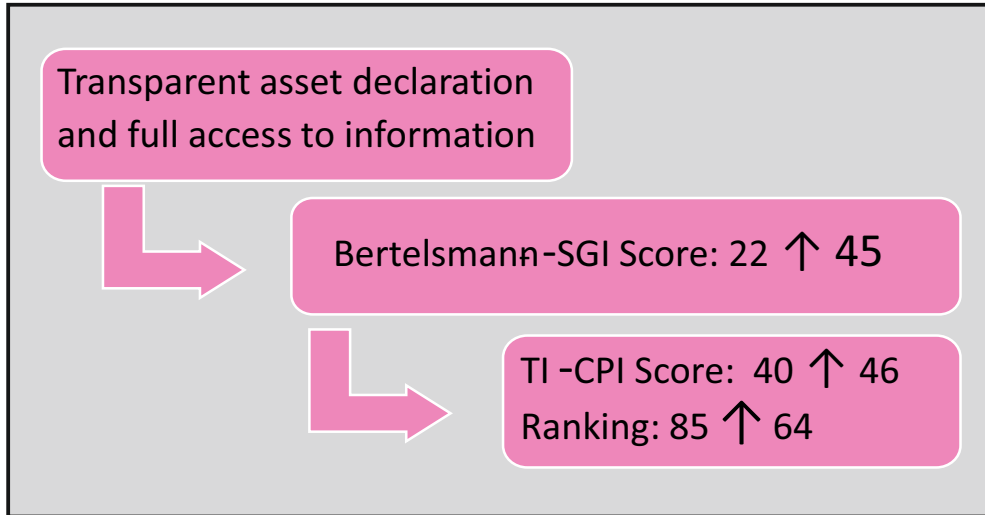


Table 9 summarizes the changes in scores and ranking if each of these four recommendations is implemented. If all four proposals were implemented, the score of northern part of Cyprus would go up to 51 and the ranking would be 59<sup>th</sup>; a significant improvement. While this score takes us 8 points above the average of 43, the place of northern part of Cyprus would be just below Italy and Malta and just above Slovakia and Greece.

*Table 9: How would scores and ranking change if these four recommendations were implemented?*

Reform	Improvement in score/ranking		
	Rise in the specific score	Rise in the composite score	Change in ranking
• Limited number of political appointments	+ 12	+ 3	+ 11
• No special funds without accountability	+ 8	+ 2	+ 8
• Full transparency in asset & liability declaration	+ 13	+ 3	+ 11
• Full access to information	+ 12	+ 2	+ 8
• If all four reforms are implemented	+ 45	+ 11	+ 26

Apart from these measures, strengthening the autonomy and capabilities of bodies crucial in detecting and punishing corruption such as audit office, attorney general's office, the police and judiciary are other medium-term measures to be taken. This requires, among other things, a complete depoliticization of these institutions.

We hope this report will contribute to the public debate about combatting corruption in the Turkish Cypriot community...

## **The North Cyprus Corruption Perceptions Questionnaire**

Good day! My name is ..... I call you from Lipa Consultancy. We would like to get the views of business executives, like you, for our 'corruption perception' study that we are conducting for the third time in the northern part of Cyprus.

The most prominent reference source about corruption worldwide is the Corruption Perceptions Index, which is annually published by Berlin-based Transparency International. Our country is not covered in this index; therefore, there is no data available regarding corruption perception in our country. For the sake of starting a debate informed by scientific findings, two Turkish Cypriot academics have started a similar research on this with the support of Friedrich Ebert Stiftung, a German political foundation.

Your answers will be kept strictly confidential. Your or your company's name will not be used for any document regarding this survey. We thank you for accepting to take part in this survey.

*Note: The survey will be conducted with business executives!*

1. Do bribing and corruption exist in TRNC?

1-Very Common	2	3	4	5	6	7- Not at all
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2. How common is diversion of public funds to companies, individuals or groups due to corruption?

1-Very common	2	3	4	5	6	7- Not at all
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3. How do you grade the problem of corruption in TRNC?

1-Not a problem	2	3	4	5	6	7-A serious problem
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4. Is there a tradition of payment of bribes to secure contracts and gain favours?

1-Very common	2	3	4	5	6	7- Not at all
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5. Has corruption decreased, stayed the same or increased compared with one year ago?

Decreased	1	Same	2	Increased	3
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6. In TRNC, how common is it for firms to make undocumented extra payments or bribes connected with the following?

	1-Very common	2	3	4	5	6	7-Not at all
a. Imports and exports	1	2	3	4	5	6	7
b. Public utilities	1	2	3	4	5	6	7
c. Annual tax payments	1	2	3	4	5	6	7
d. Awarding of public contracts and licences	1	2	3	4	5	6	7
e. Obtaining favourable judicial decisions	1	2	3	4	5	6	7
f. Borrowing from government-owned banks	1	2	3	4	5	6	7
g. Allocation or leasing of public land and buildings	1	2	3	4	5	6	7
h. Government incentives	1	2	3	4	5	6	7
i. Land registry	1	2	3	4	5	6	7
j. Customs clearance	1	2	3	4	5	6	7
k. Town planning	1	2	3	4	5	6	7
l. Local government / Municipal services	1	2	3	4	5	6	7

7. Are there general abuses of public resources?

1-Very common	2	3	4	5	6	7-Not at all
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8. How common is corruption among the following groups?

	1-Very common	2	3	4	5	6	7-Not at all
a. Politicians	1	2	3	4	5	6	7
b. Political parties	1	2	3	4	5	6	7
c. High level civil servants	1	2	3	4	5	6	7
d. Low level civil servants	1	2	3	4	5	6	7

9. Are public funds misappropriated by ministers/public officials for private or party political purposes?

1-Very common	2	3	4	5	6	7-Not at all
					1-Very common	2 3 4 5 6 7-Not at all
a. How common is misappropriation for party/political purposes?						
b. How common is misappropriation for private financial gains purposes?						

10. Are there special funds for which there is no accountability?

No, there is not	0	Yes, there is	1
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11. Is there a professional civil service or are large numbers of officials directly appointed by the government?

1-All of them are professionals	2	3	4	5	6	7-All of them are political appointees
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12. Are there clear procedures and accountability governing the allocation and use of public funds?

No, there is not	0	Yes, there is	1				
If yes: To what extent are these procedures effective in preventing public officials from abusing their offices for their personal/private interest?	1 (very effective)	2	3	4	5	6	7 (not effective at all)

13. Is there an independent body auditing the management of public finances?

No, there is not	0	Yes, there is	1				
If yes: To what extent is this body (or bodies) effective in preventing public officials from abusing their offices for their personal/private interest?	1 (very effective)	2	3	4	5	6	7 (not effective at all)

14. Is there an independent judiciary with the power to try ministers/public officials for abuses?

No, there is not	0	Yes, there is	1				
If yes: To what extent is independent judiciary effective in preventing public officials from abusing their offices for their personal/private interest?	1 (very effective)	2	3	4	5	6	7 (not effective at all)

15. There are mechanisms, which are designed to ensure the integrity of officeholders and to prevent public servants and politicians from accepting bribes. I'm going to mention some of them. In practice, to what extent are these mechanisms successful in preventing corruption. In other words, to what extent do these mechanisms deter public officials from abusing their offices for their private interests?

	1-Does not deter at all	2	3	4	5	6	7	8	9	10- Fully deter
a. Institutions auditing state spending	1	2	3	4	5	6	7	8	9	10
b. Regulation of party financing	1	2	3	4	5	6	7	8	9	10
c. Citizen and media access to information	1	2	3	4	5	6	7	8	9	10
d. Accountability of officeholders (asset declarations, conflict of interest rules, codes of conduct)	1	2	3	4	5	6	7	8	9	10
e. Transparent public procurement systems	1	2	3	4	5	6	7	8	9	10
f. Effective prosecution of corruption	1	2	3	4	5	6	7	8	9	10

16. How effective/successful are the following institutions in fighting corruption and irregularities or in exposing them?

	1-Not successful/effective at all	2	3	4	5	6	7-Very successful/effective
a. Audit office	1	2	3	4	5	6	7
b. Council of Inspection (under Prime Minister's Office)	1	2	3	4	5	6	7
c. Council of inspection and investigation (under Ministry of Finance)	1	2	3	4	5	6	7
d. Ombudsman	1	2	3	4	5	6	7
e. Courts	1	2	3	4	5	6	7
f. Parliament	1	2	3	4	5	6	7
g. Traditional media	1	2	3	4	5	6	7
h. Social media	1	2	3	4	5	6	7
i. Civil society	1	2	3	4	5	6	7
j. Trade unions	1	2	3	4	5	6	7
k. Attorney general's office	1	2	3	4	5	6	7
l. Police	1	2	3	4	5	6	7
m. Society	1	2	3	4	5	6	7

17. How successful is the government in fighting corruption?

1-Not successful at all	2	3	4	5	6	7-Very successful
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18. In the last 14 months, the parliament removed the immunity of two MPs because of corruption allegations. How do you evaluate this move?

1- Very positive	2- Partisan	3- Insufficient
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19. Do you think that the two MPs whose immunity was removed, will receive a serious punishment at the end of the legal process?

1- I'm certain that they will be punished seriously	2	3	4	5- I'm certain that they won't be punished seriously
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Information about the company:

D1-District where the company is active? Can be more than one.

1. Nicosia 2. Famagusta 3. Kyrenia 4. Morphou 5. Trikomo 6. Lefka

D2- Head office?.....

1. Nicosia 2. Famagusta 3. Kyrenia 4. Morphou 5. Trikomo 6. Lefka

D3- How long has this company been in business?

1. less than 1 year 2. 1-5 years 3. 6-10 years 4. 11-15 years 5. 16 and above

D4-Number of employees?

1. 1-5 2. 6-10 3. 11-20 4. 21-50 5. 51-99 6. 100 and above

D5-Gender of the respondent

1. Female 2. Male

D6-Member of the chamber assembly or board of directors (at the moment or in the past)

Thank you for taking the time to take part in the survey.

Name of the surveyor .....

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**This report is prepared to measure corruption perceptions and to raise awareness about preventing corruption in the northern part of Cyprus. The report uses the methodology of Transparency International's (TI) annual Corruption Perceptions Index (CPI), which does not cover the northern part of Cyprus, and is based on a survey conducted with business executives and a workshop conducted with a group of experts. The aggregate corruption perceptions score for 2019 has been calculated as 40 out of 100. Compared to the previous year, this year's score went up by 3 points. This score is below 43, which is the average of 180 countries ranked in the TI-CPI 2019, and places north Cyprus as 85th in the rankings. While the last year's score was 4 points behind Turkey, this year it is 1 point above Turkey's score. As in the previous two reports, however, it is way below the score of the Republic of Cyprus, which scored 58. Furthermore, the report goes beyond just calculating a score and delivers an in-depth analysis on the corruption perceptions of business executives; in addition to the questions used by the Transparency International, the business executives were asked questions related particularly to the case of northern part of Cyprus as well, and their answers are shared in detail in this report.**

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