

Corruption Perceptions in North Cyprus: 2017 Report

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Executive Summary

This is the first comprehensive report on corruption perception in the northern part of Cyprus, which is essentially based on the methodology of the Transparency International's annual Corruption Perceptions Index (TI-CPI). The report is based on a survey conducted with business community representatives. The report's expected contribution is twofold. Firstly, it measures the corruption perception in the northern part of Cyprus for the first time using an internationally accepted methodology; secondly, it makes comparison with other countries possible by showing where the country is on a global scale in terms of corruption.

The questionnaire was administered by Lipa Consultancy using the telephone survey method. The respondents were business people who currently held an executive position at one of the members of the Turkish Cypriot Chamber of Commerce. The selection of the sample, which was comprised of 366 respondents was done in such a way that it represented the business community in terms of sectors, districts, firm size as well as number of employees and age of the company. Confidence level and margin of error of the results is 5%.

In this study, corruption is defined as the abuse of entrusted power for private gain. It is obvious that this is a binary relationship where at least two actors are involved. However, being based on the perceptions of

the business community, and hence reflecting the opinions of only one side in this relationship, 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. It is possible to say that corruption is most common in the allocation of credit and land. The involvement of high level civil servants and politicians in corruption is another common perception. Furthermore, institutional infrastructure seems to fail to prevent corruption. Particularly, respondents expressed their serious doubts about the independence and effectiveness of financial auditing institutions, and judiciary/attorney general's office in deterring corruption. It is concerning to see that social media are found to be more deterring than the courts.

The aggregate corruption perception score of the northern part of Cyprus has been calculated as 40 out of 100. This score is below the average score of 43 for 180 countries ranked in the TI-CPI 2017, which came out in February 2018, and places north Cyprus as 81st in the rankings. It is the same as Turkey's score but way below the score of the Republic of Cyprus which was 57. In the overall ranking, New Zealand ranked highest with a score of 89 while Somalia ranked lowest with a score of 9.

It is possible to summarise our findings under five headings.

1. Is there corruption in the country?

89% of the business people who took part in the survey think that bribing and corruption exist in the northern part of Cyprus. Furthermore, 56% of them expressed the view that it got worse in 2017 compared to a year earlier. 48% said that “diversion of public funds to companies, individuals or groups due to corruption” was very common or common. When asked if there is “a tradition of payment of bribes to secure contracts and gain favours,” 43% said that this was very common or common, while only 14% said that it was very rare or rare.

2. Where does corruption take place?

When asked how common it is for firms to make undocumented extra payments or bribes connected with different areas of business, with 63% “allocation of land and similar incentives” was identified as the most corrupt and “imports and exports” as the least corrupt area with 29%. The rest of the ranking was as follows: taking a loan (56%); obtaining favourable judicial decisions (45%); awarding of public contracts and licences (44%); annual tax payments (41%); public utilities (31%).

3. Who is abusing power for private gains?

Some 62% of the respondents think “public funds are misappropriated by ministers/public officials for private or their party's political purposes.” In a follow-up question, we gave them the chance to make a distinction between the party's political purposes and private purposes. The result showed that there was not much difference.

Politicians (67%) and political parties (62%) were seen as the two groups which were most deeply involved in corruption closely followed by high level civil servants (60%). Only around one third of the business people who took part in the survey viewed corruption as

very common among low level civil servants.

4. What is the institutional framework for preventing corruption?

53% of the respondents expressed the view that clear procedures and accountability governing the allocation and use of public funds were in place. When asked a more specific question in the form of "Is there an independent body auditing the management of public finances," the rate went down to 40%. When asked "to what extent is this body (or bodies) effective in preventing public officials from abusing their offices for their personal/private interest?" only 28% said very effective.

The courts are not rated any better: When asked whether an independent judiciary with the power to try ministers/public officials for abuses existed or not, only 38% of those who were surveyed said 'yes'. When asked how effective the courts were in preventing public officials from abusing their offices for their personal/private interest, only 28% of those who had perceived the courts to be independent, said they were 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 10-23% believed they were effective. For example, only 10% of the surveyees found 'institutions auditing state spending' effective, while those believed that 'regulation of party financing' was effective stood at 11%. In a similar vein, 12% expressed their belief that 'transparent public procurement systems' and 'accountability of officeholders (asset declarations, conflict of interest rules, codes of conduct)' were effective; 'citizen and media access to information' was considered as a strong deterrent by only 13%. 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 surveyees 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 and courts were perceived to be the most successful ones with 33% and 29% rating them as effective, followed by civil society organizations, trade unions, Ombudsman and media with 25%, 23%, 22% and 20% respectively. At the bottom of the list were Council of Inspection (under Prime Minister's Office), Audit Office, Parliament, and Council of Inspection and Investigation (under Ministry of Finance) with 17%, 15%, 13% and 13% respectively.

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 in the context of good governance or lack thereof. One needs only to look at the run up to the most recent parliamentary elections to see how corruption and bribery allegations dominated the whole campaign process and to what extent abuse of political power could reach.

One of the most prominent reference sources for corruption around the world is the Corruption Perceptions Index, which is annually prepared by Berlin-based international non-governmental organization Transparency International¹. The northern part of Cyprus is not included in this index. It is not included in any other comparative study conducted by other international organizations such as the World Bank. Furthermore, there is no comprehensive study on this specific case done at the local level either. With the vision of providing scientific findings to decision makers as well as the wider public on the issue of corruption we conducted this study in 2017 with the support and on behalf of Friedrich Ebert Stiftung. This report is the product of this research.

(1) https://www.transparency.org/news/feature/corruption_perceptions_index_2017

This study should be seen as the first step or even a pilot study of a long-term endeavour, which we hope, will be repeated on an annual basis. In the future, we hope to overcome the methodological shortcomings identified in this first study and encourage the readers to provide us with feedback to reach more accurate findings, which will in turn, render it possible to make better policy recommendations.

What was the motive behind this study?

As mentioned above, there is not much research on corruption or corruption perception in the northern part of Cyprus. The most detailed research done at the time of writing of this report was the survey conducted by CMIRS (the Center for Migration, Identity and Rights Studies), which was revealed in early 2017. The section on corruption, which was a part of a broader survey, concluded that corruption was perceived as an institutional problem rather than individual incidents of bribery. The survey also identified the most corrupt institutions²

This is the first comprehensive report specifically focusing on corruption perception in the northern part of Cyprus, based on a survey conducted with business community representatives. 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

(2) Ergül Ernur: KKTC'de Yolsuzluk Yaygın [Corruption is widespread in TRNC], *Kıbrıs*, 20 February 2017 <http://www.kibrisgazetesi.com/ekonomi/kktcde-yolsuzluk-yaygin/12987> (accessed on 2 February 2018).

to provide scientific findings to the decision makers as well as the wider public on corruption and good governance. In doing so, it seeks to diagnose the roots of the problem and offer remedies.

Transparency International uses a composite index when it ranks countries based on their corruption perception scores. Thirteen different sources from twelve different institutions provide perceptions by business executives and experts of the level of corruption in the public sector. These sources do not cover all countries and therefore the score of a country can be calculated if data from at least three sources are available. None of these sources cover the northern part of Cyprus in their reports. Therefore, we chose three of these sources and used their methodology and survey questions to form our own questionnaire, and then administered this single survey. We used the following sources:

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

While making the decision over which of these particular sources to choose, we tried to make sure that our neighbours such as Turkey and the Republic of Cyprus were covered by these institutions' studies so that we could compare the results. Once the field study was completed, based on the answers of the respondents, first, we calculated the individual scores for the northern part of Cyprus and then using these three scores, we calculated the aggregate corruption perception score.

The questionnaire used by WEF consists of questions that are designed to identify and measure in which specific areas, where business community and public sector officials interact, corruption takes place. Bertelsmann SGI and EIU's questions, on the other hand, gauges the effectiveness of institutions and mechanisms designed to prevent corruption. The aggregate country score is the average of the scores coming from these three sources. Additionally, our questionnaire included some follow-up questions and questions formulated to

measure the corruption perception in specific areas of economic activity. The responses to these questions are included in the report. However, it is important to note that, these questions were not used 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 three different sources, and for the sake of not distorting the scores we decided to keep the exact wording of the questions.

What was the 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 366 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%.

Once we finished the administration of the questionnaire, we interviewed experts and former public officials, and asked them the same questions on effectiveness of the country's institutional framework in deterring corruption. Among these experts were retired bureaucrats from Auditor's Office, Parliament, Attorney General's Office, Council of Inspection and Investigation (under Ministry of Finance) and Public Procurement Board/ Authority.

The results are not promising. They show that, as we will explore in detail in the remainder of the report, both business community and former bureaucrats share the view that corruption is widespread and the institutional framework designed to prevent it is insufficient.

The combined corruption perception 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 2017, which came out

in February 2018. This score places north Cyprus at 81st rank. This score is the same as Turkey's score but way below the score of the Republic of Cyprus which scored 57. The country with the best score was New Zealand with 89, while the worst one was Somalia with 9.

The findings of the study are presented in more detail in the third and fourth chapters. Before that, a brief general theoretical discussion on corruption, which is an excerpt from Omer Gokcekus' recently published book, is given in the second chapter. In the concluding 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 Corruption³

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. 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. Corruption is not an economic good; it is an economic bad for two fundamental reasons—it diminishes efficiency and creates equity problems. Therefore, when it comes to corruption, less is definitely more.

Corruption distorts relative prices, which in turn leads to efficiency losses due to the misallocation of resources. Moreover, study after

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

study has shown that corruption disproportionately hurts the poor and people otherwise economically disadvantaged in a country. Corruption adds insult to injury, coupling inefficiency losses with increasing inequality and equity problems.

This is immediately apparent when looking at the education system of corrupt countries. These countries make formal education available not according to merit and need, but according to political patronage or other dishonest criteria. This severely limits the potential social returns of educational investment. These corrupt educational systems not only produce incompetent professionals—such as doctors, engineers, scientists, and politicians who are unable to perform effectively at their jobs—but, perhaps more importantly, also future generations that, from a very young age, believe corruption is a socially acceptable behavior.

A country's health sector is also denigrated by corruption. Several types of corrupt activities flourish in the health sector: Embezzlement and theft, corruption in procurement, corruption in payment systems, corruption in the pharmaceutical supply chain, and corruption at the point of health and service delivery. There are striking examples of the harm caused by the waste of resources in providing health services from all over the world. For instance, in the US, the two biggest healthcare providers, Medicare and Medicaid lost 5-10 percent of their budget to 'overpayment.' In fact, in the US, Medicare alone has overpaid private insurers by 282.6 billion dollars between 1985 and 2012, or around 10 billion dollars per year. To put that in perspective, Nicaragua's GDP was 10.5 billion dollars in 2012.

But it is not just the US that is losing money in its health sector. For instance, in Cambodia, more than five percent of the health budget is lost to corruption even before it leaves the central government. It is not just money that is lost to corruption. In Africa, counterfeit medication has been linked to 100,000 deaths a year. In the Philippines, poor and middle income families who are unable to afford small bribes have to wait longer for health services and are frequently denied vaccines.

Corruption in education and health disproportionately affects the poor and other disadvantaged groups by preventing them 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. These groups cannot afford to make that “extra payment” to receive the “free service.” Furthermore, because they are not in a position to reciprocate a “favor” with a favor of influence to the bribe seeker, they are often asked to pay bigger bribes (both relative to their income and in nominal terms) than other groups.

If the costs of corruption are so high, then what is the magnitude of the relationship and benefits between good governance and sustainable development indicators? According to recent studies, the negative relationship between the level of corruption and development is so strong that it often distorts the usual relationship of increased wealth leading to improved development. For example, bribery offsets more than half of the positive effect that increased wealth has on a country's ability to educate its children. This distortion is so great that even if two countries enjoy the same economic growth, the one with the higher level of bribery and corruption will end up improving the level of education among young people at a lower rate.

In the case of maternal health, the correlation between bribery and maternal mortality suggests that lowering bribery correlates with nearly a two-thirds reduction in maternal mortality. This is a greater reduction than the one that occurs between increased national wealth and lower maternal mortality rates. As is reported in Transparency International's *Global Corruption Barometer 2013*, in the countries where the percentage of the population who paid a bribe in the past year was 60 percent or more, the average maternal mortality rate per 100,000 live births was 482. This is 8-9 times higher than in countries where less than 30 percent of the population paid a bribe. Similarly, in the countries where 60 percent of the population had paid a bribe, the illiteracy rate among 15-24 years old was 11 percent, 3-4 times higher than the illiteracy rate of 3 percent in countries where less than 30 percent of the

population paid a bribe. Clearly, corruption hurts the young and vulnerable much more than other groups.

For all that we have learned about corruption, researchers still have substantial knowledge gaps and have overlooked some crucial dynamics. Namely, researchers have not been able to quantify corruption and although numerous, corrupt activities are typically unrecorded. There are, however, certain ways to discern the cost of reducing corruption that have been mostly overlooked by researchers. In particular, two ways seem promising.

First, even though corrupt activities cannot be directly observed or properly recorded by officials or researchers, we can make the assumption that people who receive bribes eventually spend that money. After all, *keeping that money locked away in the bank or under the mattress would not improve someone's utility or happiness*. If we know that corrupt officials are spending their bribe money, we might be able to track their buying habits to see how widespread corruption is in a country. Corrupt officials might have a tendency to buy luxury goods and services, such as luxury cars, that they would not be able to afford if they were honest. Owning a luxury car could then also be a signal to other corrupt officials or potential clients. Tracking the sale of luxury cars would then be an indirect way to quantify the amount of corruption that occurs in a country.

Second, there may be direct ways to quantify corruption. Previous researchers who have attempted a direct quantification have used audits of various projects and officials in a country. Unfortunately, these are expensive, time-consuming, and infeasible to implement on a country-wide level. Nevertheless, there is an alternative statistical method for directly measuring the amount of corruption in a country. This method uses a well-established theory (the human capital theory) and information on public officials' salaries and demographics to determine how much income these officials receive through bribes. This bribe income can be extrapolated to see the cost to the overall economy in a country.

When it comes to condemning corruption though, most individuals have no problem being direct with their thoughts. In a speech broadcasted on the Vatican Radio station on November 11, 2013, the newly elected Pope Francis demonstrated his disgust with corruption when he said: "A Christian who is a benefactor, who gives to the Church with one hand, but steals with the other hand from the country, from the poor, is unjust. And Jesus says: 'It would be better for him if a millstone were put around his neck and he be thrown into the sea.'" This is a rather strong statement coming from a loving and caring newly elected Pope. Clearly, he is showing no mercy toward the corrupt. Statements like these could lead one to believe that religious leaders and religions in general chastise corrupt individuals and promote the reduction of corruption.

In empirical corruption literature, the level of perceived corruption in a country and its citizens' religious affiliation are significantly related to each other, but not in a way one would typically expect. Despite Pope Francis' statement, countries with a large current Protestant population are less corrupt; countries with a large Catholic or Muslim population are more corrupt.

This relationship has led researchers to explore exactly what about Protestantism encourages less corruption. This research is part of a larger debate over the effects of Protestantism in society. However, these scholars have overlooked a potentially vital piece of the puzzle; the role of institutions in a society. Institutions range from cultural to governmental institutions and have far reaching and long lasting effects on a society. This is especially so when it comes to cultural institutions, as their effects are felt even after the demographics of a society change.

Yet, most researchers approach Protestantism by looking at the current percentage of Protestants in a country. This misses the fact that religion is part of a country's culture and has a long lasting impact on a society and its institutions. This long lasting impact may matter more than current percentages; especially since a country's religious composition

can change dramatically in a short period of time. If the impact stemmed from current percentages, then Protestantism's influence would flux with the changes in religious composition in a country.

In an instance of strange bedfellows, just four days after Pope Francis' speech, Reuters reported that Beijing had stepped up its anti-corruption efforts. These new efforts were driven by the country's leadership; it was reported that "the Chinese President Xi Jinping has said that endemic corruption threatens the party's very survival and has vowed to go after high-flying 'tigers' as well as lowly 'flies' – though so far most anti-corruption targets have been low-ranking."

The calls against corruption by Pope Francis and President Xi were not isolated events. Breaking with tradition, the World Bank President Jim Yong Kim also took a tough stance on fighting corruption. In a December 19th, 2013 speech, he called corruption "public enemy number 1." Throughout its history, the World Bank has traditionally shied away from directly combatting corruption due to political sensitivities. In his speech, however, President Kim not only named corruption public enemy No. 1, but also announced the World Bank's plan to hire more experts in the rule of law and other governance issues.

These new hires and other practitioners of good governance would be wise to follow some common anti-corruption practices identified by researchers. These practices aim to reduce, if not eradicate, corruption by providing incentives to public officials to renege on corrupt activities by either increasing punishment—or the potential losses incurred if they get caught—or by increasing the probability of getting caught. The logic of these practices is straightforward: Making it more likely for someone to get caught and increasing the punishment for corruption will cause individuals to decide that corruption is not worth the risk.

Even if these reforms are not implemented, there is a belief among researchers and practitioners that women are less corrupt than men. In fact, there are a number of studies indicating that the higher the number

of women parliamentarians, the lower the level of perceived corruption in a country. However, this research is preliminary and how gender is linked to corruption is still not well-understood. While increasing the number of women employed in public agencies lowers corruption initially, there might be a limit. Once this limit is passed, if the common incentives described above are not implemented, the perceived level of corruption will begin to rise again. This may occur once the changing gender composition no longer severely affects the group dynamics in an organization, as group dynamics would then revert back to the corrupt nature fostered by the overall environment.

Similar to the idea that having more women in public offices automatically reduces the level of corruption, there is some research that shows that higher trade intensity will also automatically reduce corruption. Specifically, researchers have demonstrated that the higher the level of economic openness in a country, the lower its level of corruption. Essentially, countries that trade more relative to their Gross Domestic Product (GDP) experience lower levels of corruption. Be that as it may, this understanding has ignored both the *quality of openness* – the possibility of a country being influenced by their trading partners' corrupt behavior – and whether the trade relationship is symmetric or asymmetric, as an asymmetric trade relationship allows one country to impose conditionality on the other.

Related to the idea of conditionality in a trade relationship is the idea of the socialization process countries must undergo when joining international organizations. When a country joins an international organization, such as the European Union (EU), there is an expectation that once a candidate country goes through the accession talks, harmonizes its laws and regulations, improves its standards to EU levels and then becomes a member of the EU, its level of corruption will automatically be reduced to the level of the incumbent EU members. Nonetheless, this assumption ignores the possibility that influence can extend two ways; corrupt countries could also influence the less corrupt incumbent states. Additionally, this thinking puts too much faith in the socialization process without adequate evaluation. It may

be that joining the EU does not reduce corruption and by adding more members the EU may have inadvertently made itself more corrupt.

Going forward, all these different factors may appear to be separate from each other, but there is a common theme: They are all *peculiar dynamics of corruption* that have been overlooked. Understanding these dynamics will allow policymakers, researchers, and advocates of good governance to more comprehensibly reduce corruption and implement good governance practices. They also serve as a reminder that the assumptions that underlie empirical research need to be questioned. These assumptions can turn out to be misrepresentations of reality, which in turn makes research less useful for policy makers. When it comes to corruption, testing the assumptions made by researchers is of tremendous importance.

Since the beginning of the Millennium Development Goals, reducing poverty has been one of the top goals of and a source of great effort by the international community. As we approach a post-2015 world having made great strides in this endeavor, it will only become harder to completely eliminate poverty. As demonstrated above, one of the obstacles to reaching the Millennium Development Goals is corruption. Combatting and eliminating corruption is a necessary step in reducing poverty and promoting more sustainable and equitable growth worldwide.

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. 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 how effectively existing rules and regulations are enforced. As is explained earlier in the introduction section, we conducted a comprehensive survey to capture different aspects of corruption. We present the findings of this survey in the next section.

Chapter 3

North Cyprus Corruption Perceptions Survey

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

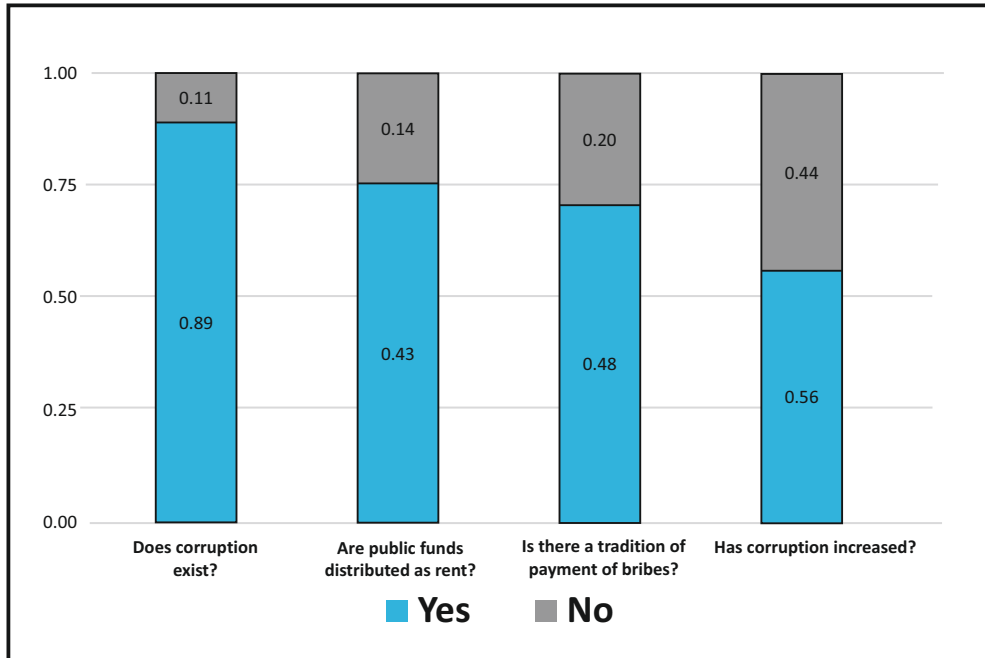
The questionnaire starts with a very direct and straightforward question, asking whether bribing and corruption exist or not in the northern part of Cyprus. The verdict of the respondents is crystal clear: 89% of the surveyees thought that corruption and bribing existed in the country.

The second and third questions are more specific and go beyond the first one by asking the respondents to rate how common different forms of corruption are on a scale of seven. When asked 'How common is diversion of public funds to companies, individuals or groups due to corruption?' 43% of the participants said common or very common while only 14% said rarely or never.

In a similar vein, in response to the question, 'Is there a tradition of payment of bribes to secure contracts and gain favours?' 48% said yes, while only 20% said not at all or very little.

In the fourth question, business people were expected to compare the current year's level of corruption to the previous year. The majority (56%) thought that it had increased, while only 9% said that it had declined. 35% of the respondents reported no change in the level of corruption.

Figure 1: Does corruption exist and did it increase compared to the previous year?



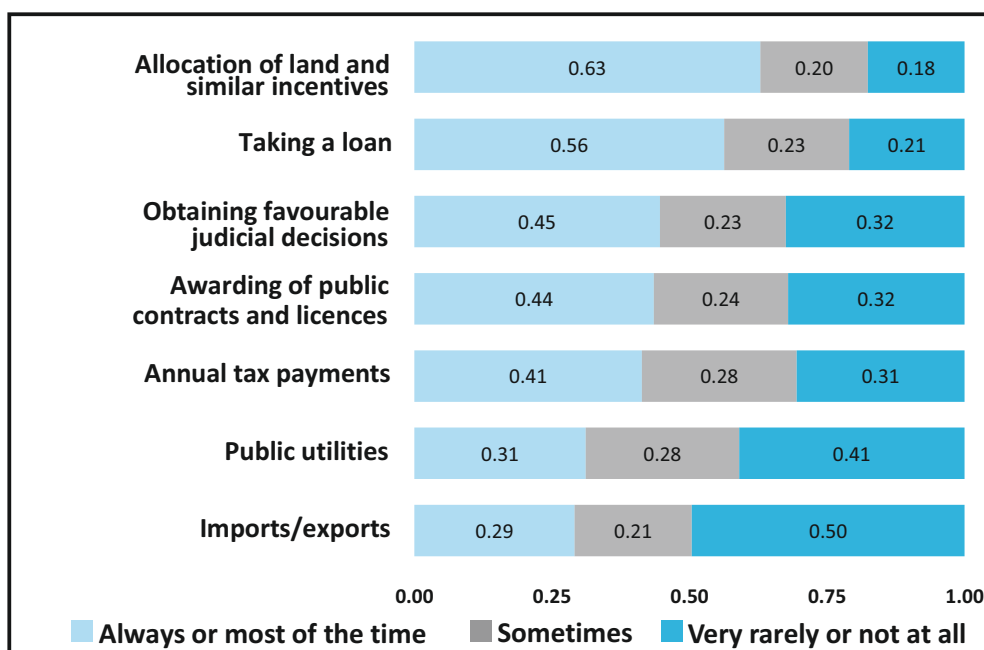
B. In which specific situations is corruption most common?

In the fifth question, we asked 'how common is it for firms to make undocumented extra payments or bribes connected with' various transactions where the business people interact with public sector officials. We added, two specific TRNC*-related transactions to the list of questions that we took from the World Economic Forum's Executive

*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).

Opinion Survey. These were allocation of credit and land. As we expected, these two particular transactions turned out to be the areas where bribing or undocumented extra payments were most common in TRNC. 63% of the business leaders surveyed said, in the allocation of land, bribing was very common or common. According to 56% of the respondents the same applied to allocation of credit. These two questions were not used in calculation of the WEF score or aggregate corruption perception score of north Cyprus as they did not feature in the questionnaires used in other countries. Nevertheless, these are important findings revealing in which transactions bribing is most common in the Turkish Cypriot case. Only 18% and 21% of the respondents respectively, said bribing never took place or only rarely took place in these transactions.

Figure 2: In which areas is bribing most common?



In this context, transactions connected with imports and exports, and public utilities were areas where bribing and undocumented extra payments were least common. 50% and 41% of the respondents

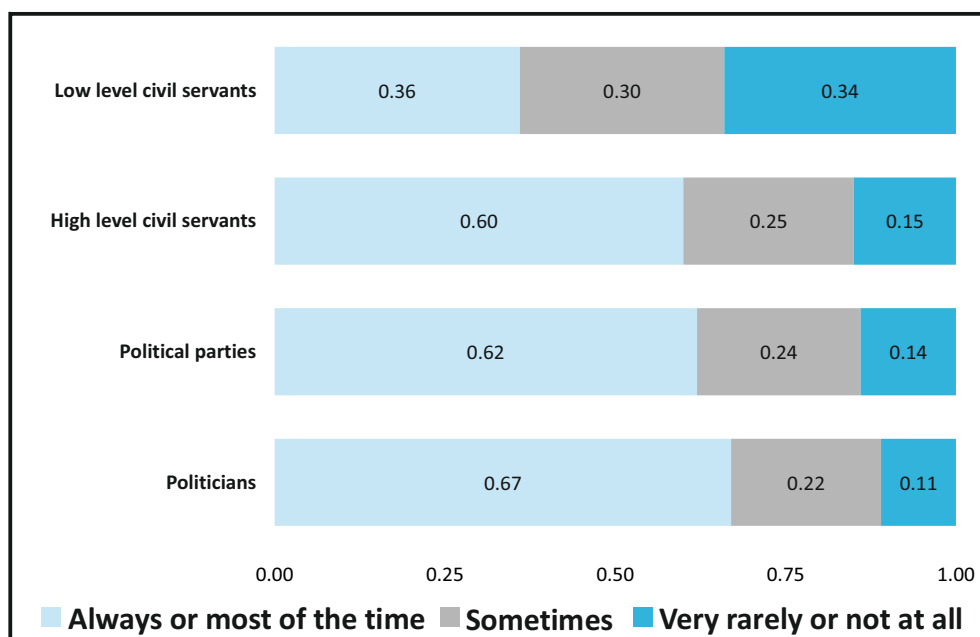
respectively said bribing never took place or rarely took place in these transactions, whereas 29% and 31% respectively believed that it was common or very common.

Overall, these results show that the WEF score of northern part of Cyprus is relatively better when compared with selected neighboring countries and countries with similar traits.

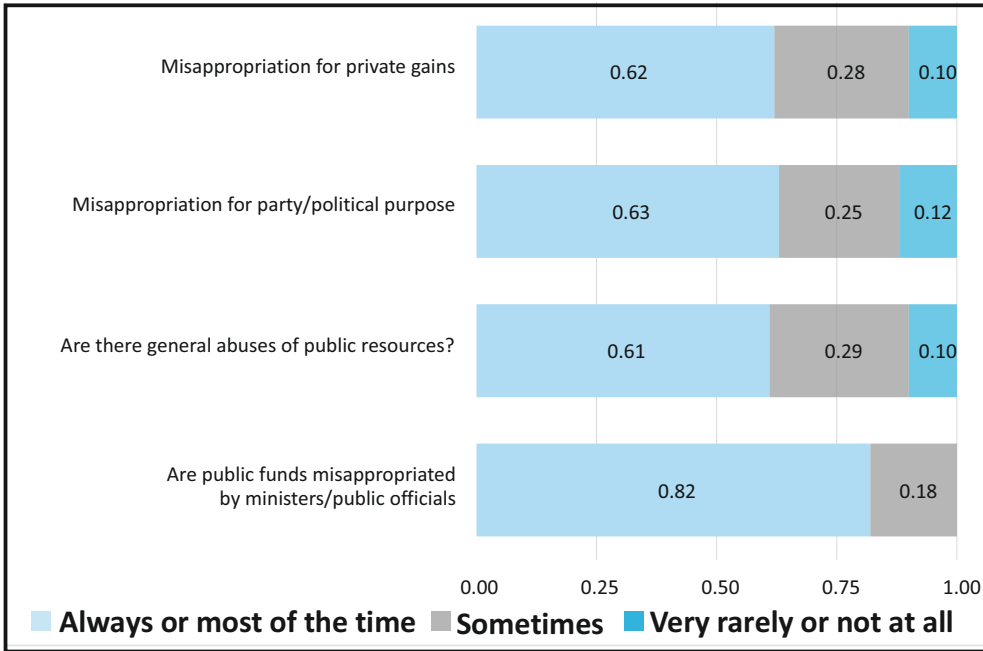
C. Which actors are involved in corruption in the public sector?

The sixth question is a question that we formulated to identify among which groups corruption is most common. According to 67% of the respondents, corruption is common among politicians, while 62% shared the view that it was 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: 60% of those surveyed said corruption was common among high level civil servants while only around one third said it was common among low level civil servants.

Figure 3: Who is involved in corruption?

The answers given to our seventh question, asking whether public funds were misappropriated by ministers/public officials for private or party political purposes or not, undoubtedly showed that business leaders thought public funds were misappropriated. A clear majority of 82% said 'yes' to this question. We followed up on this question, which originally came from the Economist Intelligence Unit's Country Risk Ratings, and asked the respondents to separately rate how common it was to misappropriate public funds for political and private purposes. It turned out that there was no difference. Roughly six in ten of the respondents thought misappropriation of funds was common for both purposes.

Figure 4: Are public funds misappropriated? For which purpose?

The answers given to the eighth question, which is similar to the seventh one reaffirms the finding of the seventh question. When asked to rate the extent of 'general abuse of public resources' at a scale of one to seven, only 10% answered that abuse was rare while 61% thought it was common.

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.

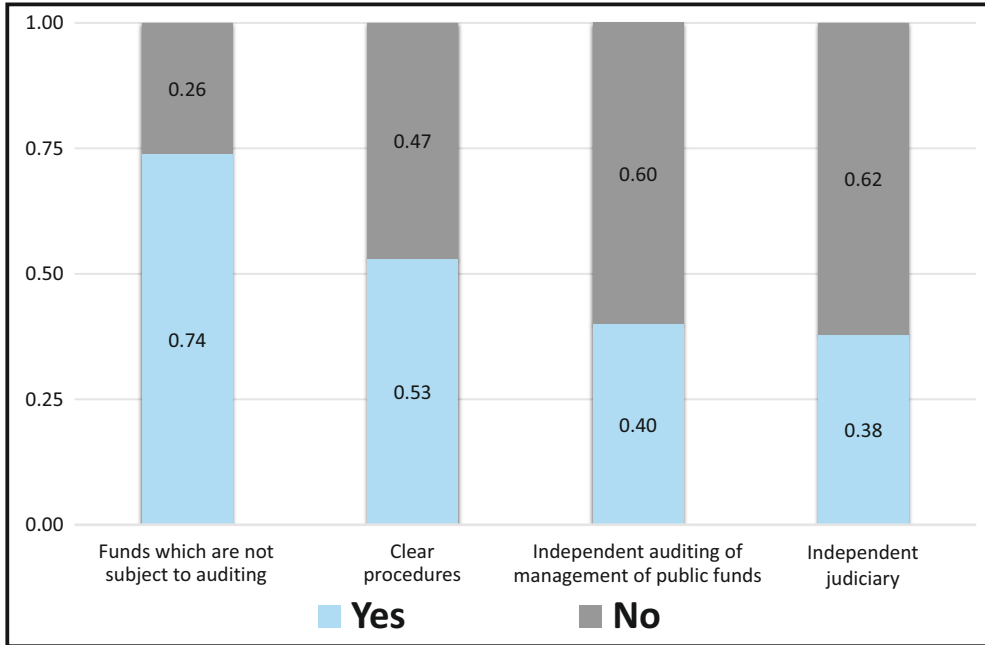
The ninth question is about the method of appointment of bureaucrats: 'Is there a professional civil service or are large numbers of

officials directly appointed by the government?' 80% of the respondents said the most of public officials were directly appointed by the government while only 7% thought there existed a fully professional civil service.

Tenth question asks whether or not there are special funds for which there is no accountability. 74% of the respondents expressed the view that there existed special funds for which there was no accountability. The next question asks whether clear procedures and accountability governing the allocation and use of public funds existed or not. Somewhat contradicting the answer given to the previous question, 53% believed that the answer to this question was 'yes'.

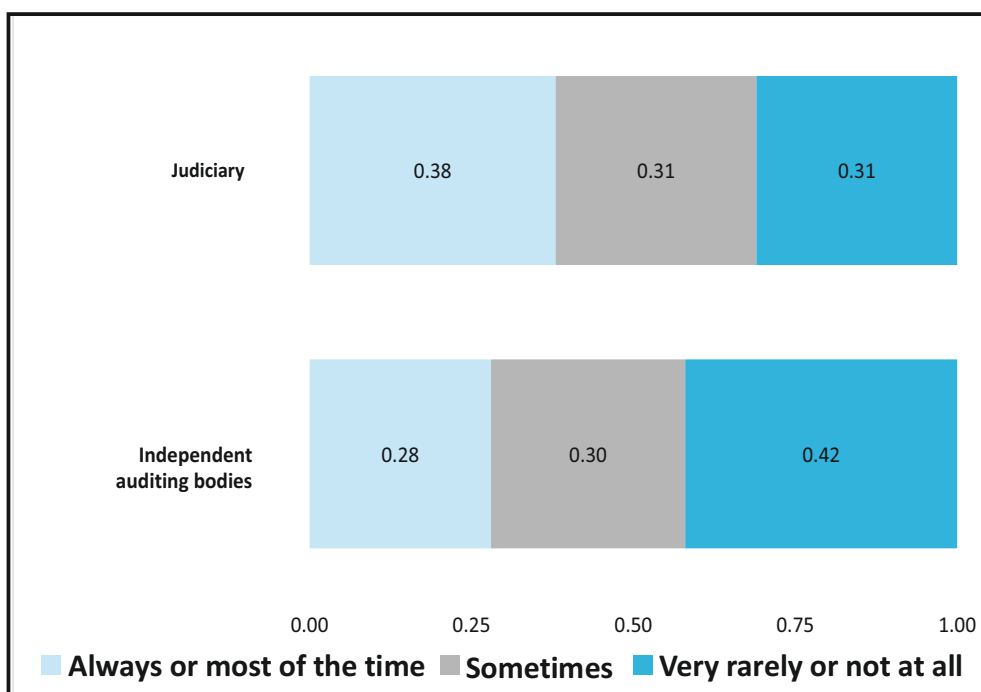
The next two questions are about the immunity of institutions from political influence. While question twelve asks whether 'an independent body auditing the management of public finances' existed or not, the thirteenth asks whether 'an independent judiciary with the power to try ministers/public officials for abuses' is present or not. Six in ten respondents' answers to both questions were negative.

Figure 5: Do legal framework and institutions to prevent corruption exist?



We went beyond the original question and asked to those who responded 'yes' to the twelfth and thirteenth questions to rate the effectiveness of these institutions. The result was not encouraging. Only 28% of those who said 'an independent body auditing the management of public finances' existed reported that this body was effectively deterring corruption. The perception regarding the success of the judiciary was better but still far from satisfactory. 38% said that the judiciary was effective in preventing public officials from abusing their offices for their personal/private interest.

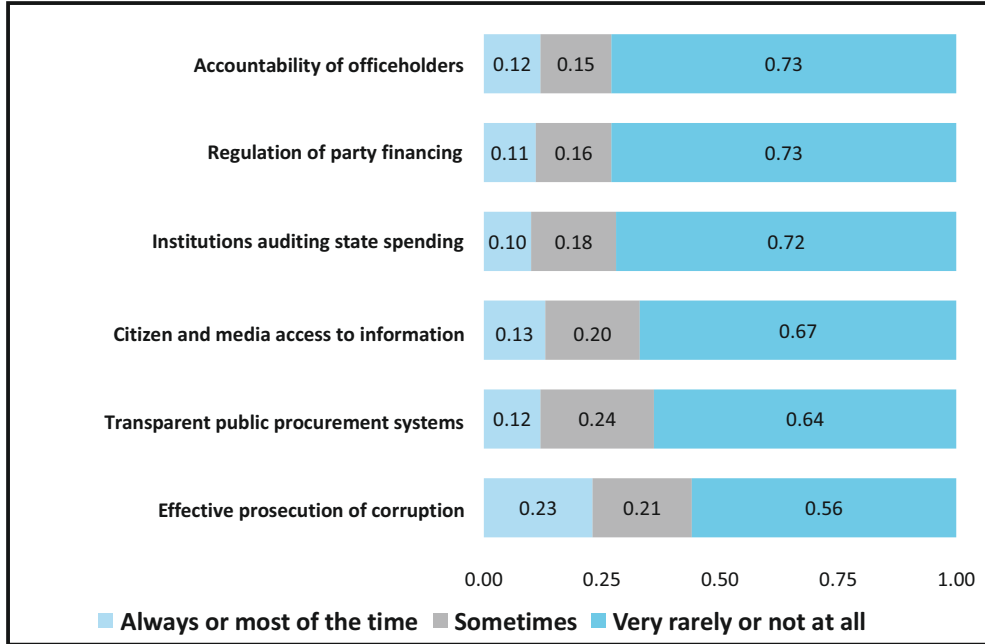
Figure 6: Are independent institutions effective in preventing corruption?



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

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

Figure 7: How effective are mechanisms that are expected to deter corruption?



Almost three fourths of the respondents think regulations to hold officeholders accountable such as 'asset declaration', 'regulation of party financing' and 'institutions auditing state spending' were either little or not effective at all in deterring corruption. Only 10% expressed the view that these were effective or very effective.

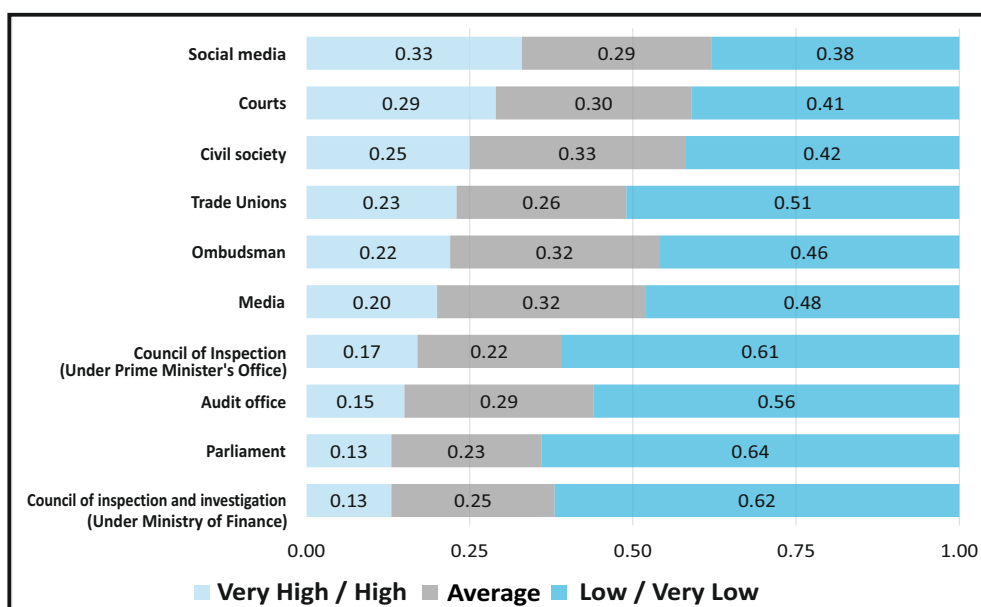
In a similar vein, around two thirds of the participants did not find public procurement system and regulations facilitating 'citizen and media access to information' effective in deterring corruption.

Although among the mechanisms evaluated in this question, prosecutors or attorney general's office stood out as the most effective one, more than half of the respondents said it was not that effective or not effective at all. Only 23% said 'effective prosecution of corruption' was an important deterrent.

F. How successful are various institutions in preventing corruption?

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

Figure 8: Effectiveness of various institutions in preventing corruption



According to the participants of our survey, social media and courts were the most effective and successful institutions in preventing corruption. Nevertheless, the number of respondents finding these two institutions successful did not exceed one third of all participants. Strikingly, social media were considered more successful than the courts. The number of people finding civil society organizations, trade unions, ombudsman and media successful or very successful varied between 20 and 25%.

Council of Inspection and Investigation (under Ministry of Finance), Parliament, Audit Office, and Council of Inspection (under Prime Minister's Office) were perceived to be the least successful institutions.

For all of these institutions, less than a fifth of the participants expressed a positive success rate.

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

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

- * 89% of the surveyees thought that corruption and bribing existed in the country.
- * 43% of the participants said 'diversion of public funds to companies, individuals or groups due to corruption' was common or very common while only 14% said this happened only rarely or never.
- * 48% of the respondents thought that 'a tradition of payment of bribes to secure contracts and gain favours' existed while only 20% said not at all or very little.
- * The majority (56%) thought that compared to the previous year, corruption had increased at the time of the survey, while only 9% said that it had declined. 35% 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 of operation. Finally, we also tested whether being an elected member of the Turkish Cypriot Chamber of Commerce assembly played a role on corruption perception or not.

The results showed that there was a systematic relationship between the age of the company and the answer given to the question that asked whether 'diversion of public funds to companies, individuals or groups due to corruption' took place or not. The respondents whose companies were in business for more than 15 years, tended to think that this was common or very common (46%). In a similar vein, a bigger proportion

of this group thought that 'a tradition of payment of bribes to secure contracts and gain favours' existed: While only 33% of the respondents from firms younger than 6 years thought a tradition of payment of bribes existed, 52% of the participants from companies older than 15 years thought so. A difference can be observed in answers given to the question comparing the level of corruption with a year earlier. While 33% of the first group said the situation had worsened, 53% of the second group said so.

A systematic relationship can be observed between the respondents' corruption perception and her/his firms' size in terms of number of employees. Only 39% of those from the companies with less than 6 employees, responded that 'diversion of public funds to companies, individuals or groups due to corruption,' was common or very common while 57% of the respondents from the companies with more than 100 employees said so. When it comes to the perception about the 'payment of bribes to secure contracts and gain favours,' the reverse is the case; while 50% of the respondents from the first group thought that it was possible to talk about a tradition of bribing, the ratio fell to 42% among the second group. Finally, while 7% of the first group stated that there was a decline in corruption compared to the previous year, the same ratio among the second group was 15%.

Table1: Do various characteristics of the respondents' firms have any effect on corruption perception?

	Do bribing and corruption exist?	Are public funds diverted as rent?		Is bribing to secure contracts common?		Corruption compared to last year?	
	Yes	Always / Most of the time	Rarely / Not at all	Always / Most of the time	Rarely / Not at all	Decreased	Increased
Age of the firm							
1-5	0.86	0.43	0.08	0.33	0.24	0.07	0.33
6-10	0.91	0.38	0.13	0.43	0.18	0.10	0.58
11-15	0.89	0.43	0.12	0.47	0.17	0.06	0.59
16+	0.90	0.46	0.28	0.52	0.22	0.11	0.53
Number of employees							
1-5	0.88	0.39	0.13	0.50	0.17	0.07	0.56
6-10	0.89	0.55	0.21	0.47	0.15	0.08	0.57
11-20	0.93	0.35	0.18	0.45	0.22	0.09	0.57
21-50	0.85	0.41	0.19	0.61	0.24	0.09	0.50
51-99	0.88	0.43	0.17	0.42	0.37	0.17	0.58
100 +	0.90	0.57	0.10	0.42	0.16	0.15	0.60
Sector:							
Agriculture	0.89	0.20	0.00	0.30	0.30	0.00	0.80
Manufacturing	0.94	0.42	0.18	0.45	0.25	0.07	0.57
Construction	0.87	0.61	0.22	0.45	0.32	0.18	0.50
Retail/Wholesale	0.88	0.46	0.13	0.50	0.18	0.09	0.55
Hotels/Restaurants	0.82	0.39	0.21	0.58	0.18	0.11	0.65
District:							
Nicosia	0.91	0.43	0.15	0.44	0.23	0.10	0.53
Famagusta	0.86	0.51	0.10	0.58	0.14	0.04	0.50
Kyrenia	0.87	0.35	0.17	0.52	0.22	0.06	0.65
Morphou	0.84	0.43	0.11	0.43	0.17	0.17	0.53
Member of the Chamber Assembly:							
No	0.89	0.42	0.14	0.49	0.19	0.09	0.55
Yes	0.92	0.33	0.08	0.25	0.33	0.00	0.73
North Cyprus	0.89	0.43	0.14	0.48	0.20	0.09	0.56

The results also show that the place of registration of the respondent's company plays a role on corruption perception. 84% of the respondents whose firms were registered in Morphou (Guzelyurt) thought bribing and corruption existed, while among the respondents whose companies were registered in Nicosia, the same ratio was 91%. According to 35% of Famagusta-registered companies' executives 'diversion of public funds to companies, individuals or groups due to corruption,' was common or very common, while 51% of respondents from Kyrenia-registered companies thought so. When it comes to the question on whether a tradition of payment of bribes to secure contracts and gain favours existed or not, again, it is seen that a majority of participants (58%) from Kyrenia-registered firms thought it existed while this ratio went down to 43% among respondents whose companies were registered in Morphou. A similar divergence of opinion could be observed between the respondents from Kyrenia-registered and Famagusta-registered companies regarding the question where participants were expected to compare the situation with the previous year: While 50% of the first group reported a rise in corruption, this ratio went up to 65% in the second group.

We also observed that there was a systematic relationship between the respondents' firms' sector of operation and corruption perception. While 94% of those from the industrial sector thought corruption and bribing existed, 82% of those working in accommodation and restaurant business thought so. Only 20% of those operating in the agricultural sector said 'diversion of public funds to companies, individuals or groups due to corruption' was common or very common, while among those in the construction sector this ratio went up to 61%. When asked whether 'a tradition of payment of bribes to secure contracts and gain favours' existed or not, again, only 30% of those operating in the agricultural sector said it was common or very common; 58% of those in the accommodation and restaurant business did so. Having said that none of the participants from the agricultural sector thought that corruption declined compared to a year earlier and 80% of them said that it had increased. On the other hand, only half of the respondents from the construction sector expressed the view that

corruption had increased while 18% said it had gone down.

Lastly, we evaluated the possible effects of being an active member of the Chamber of Commerce on corruption perception. We found that in some respects the members of the Chamber Assembly who took part in our survey had a higher perception of corruption compared to the rest. For instance, while 92% of them thought there existed corruption and bribing, 89% of the non-members thought so. In a similar vein, while 73% of the members of the Chamber Assembly stated that a rise took place in corruption compared to the previous year, 55% of the non-members did so. In other two questions, however, we observed that the corruption perception of members of the Chamber Assembly was remarkably lower compared to non-members. When asked 'how common diversion of public funds to private groups due to corruption?' was, 33% of the respondents who were members of the Chamber Assembly said common or very common, and when asked whether 'a tradition of payment of bribes to secure contracts and gain favours' existed or not, 25% of them said 'yes'. These ratios were considerably higher among non-members: 42% and 49% respectively.

Chapter 4

Transparency International – Corruption Perception Index (TI-CPI) 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. Unfortunately, none of these sources cover the northern part of Cyprus. In the absence of independent data sources for our case, we decided to come up with a survey using questions from three of these data sources. We chose World Economic Forum (WEF) Executive Opinion Survey; Economist Intelligence Unit (EIU) Country Risk Ratings; 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 for 2017.

Based on the second and fifth questions in the survey, we calculated the 2017 WEF score of the northern part of Cyprus as 51.

Table 2: NC-WEF 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 at all	3.35	48
How common is it for firms to make undocumented extra payments or bribes connected with the following?	1, 2, 3, 4, 5, 6, 7		55
• Imports and exports	1: Very Common	3.64	
• Public utilities	7: Not at all	4.45	
• Annual tax payments		3.77	
• Awarding of public contracts and licences		3.08	
• Obtaining favourable judicial decisions		4.29	
North Cyprus - WEF 2017 Score = 51			

The 2017 WEF scores of countries with similar characteristics with our case such as our southern neighbour Republic of Cyprus was 58; Malta's score was 56. Both scores did not fall far from the average score of the European Union countries, which was 58. When we look at our other neighbors, we see that Greece's score was 41. Though there was no WEF score for Turkey in 2017, to give an idea it is worth adding that its 2016 score was 49.

Table 3: 2017 North Cyprus Corruption Perception Scores in Comparison to the Scores of Selected Countries

	North Cyprus	Republic of Cyprus	Turkey	Greece	Malta	European Union
WEF	51	58	-	41	56	58
EIU	37	72	37	37	55	61
Bertelsmann-SGI	32	44	35	53	53	65
TI - CPI	40	57	40	48	54	64
Ranking	81	42	81	59	46	29

The EIU score of the northern part of Cyprus was calculated as 37, based on the answers given to question three, and questions seven through thirteen.

This score is almost half of the score of our southern neighbour, whose score was 72, and far behind the score of the small island nation of Malta, whose score was 55. Our score also falls far behind the EU average of 61. It is exactly same as the scores of Turkey and Greece.

Finally, Bertelsmann SGI score, which was based on question fourteen in our survey was calculated as 32. This score is quite disappointing given the fact that it was below the scores of all countries that we have selected for comparison; it is less than half of the average EU score.

Table 4: 2017 NC-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 at all	3.30	47
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 at all	2.58	37
Are there special funds for which there is no accountability?	0, 1 0: No, there is not 1: Yes, there is	0.72	28
Are there general abuses of public resources?	1, 2, 3, 4, 5, 6, 7 1: Very common 7: Not at all	2.59	37
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	0.54	54
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	6.06	13
Is there an independent body auditing the management of public finances?	0, 1 0: No, there is not 1: Yes, there is	0.39	39
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	0.38	38
North Cyprus - EIU 2017 Corruption Score = 37			

Table 5: NC-Bertelsmann SGI Score and the Questions Used in the Calculation of the Score

Questions	Scale	Experts		Business Community	
		Average Score	Average Score (Out of 100)	Average Score	Average Score (Out of 100)
1. 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, 2, 3, 4, 5, 6, 7, 8, 9, 10 1: Does not deter at all 10: Fully deter				
• Institutions auditing state spending		3.00	30	2.90	29
• Regulation of party financing		2.75	28	2.83	28
• Citizen and media access to information		3.18	32	3.19	32
• Accountability of officeholders (asset declarations, conflict of interest rules, codes of conduct)		3.00	30	3.02	30
• Transparent public procurement systems		4.33	43	3.40	34
• Effective prosecution of corruption		3.00	30	3.88	39
North Cyprus – Bertelsmann-SGI 2017 Score = 32					

The aggregate corruption perception score of north Cyprus, which was the average of these three scores, was calculated as 40. We use this score to compare it with the Transparency International's Corruption Perceptions Index 2017, which ranks 180 countries and territories by their perceived levels of public sector corruption according to experts and businesspeople.

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

EIU Corruption Score = 37
WEF Corruption Score = 51
Bertelsmann-SGI Corruption Score = 32

North Cyprus TI-CPI 2017 Score = 40

Transparency International's CPI 'uses a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean'. In 2017's ranking, the cleanest two countries were New Zealand and Denmark, whose scores were 89 and 88 respectively, while the three most corrupt countries were war torn Syria, South Sudan and Somalia with scores of 14, 12 and 9 respectively.

The north Cyprus' score of 40 ranks it at the same spot as Turkey. Accordingly, north Cyprus shares the 81st place with Turkey, Morocco, Ghana and India. This score is lower than the scores of other three countries selected for comparison: Republic of Cyprus ranked 41st, Malta 46th, and Greece 59th. Even more concerning is the fact that the score of 40 is below the average of 180 countries, which was calculated as 43.

Table 7: North Cyprus' ranking in TI-CPI 2017

Country	Score	Ranking
Burkina Faso	42	74
Lesotho	42	74
Tunisia	42	74
China	41	77
Serbia	41	77
Suriname	41	77
Trinidad and Tobago	41	77
Ghana	40	81
India	40	81
Marocco	40	81
Turkey	40	81
North Cyprus	40	81
Argentina	39	85
Benin	39	85
Kosovo	39	85
Kuwait	39	85
Solomon Islands	39	85
Swaziland	39	85
Albania	38	91
Bosnia Herzegovina	38	91
Guyana	38	91
Sri Lanka	38	91
Timor-Leste	38	91

Chapter 5

Policy recommendations and concluding remarks

Survey results showed that corruption perception among businesspeople was quite high. Regardless of how the questions were formulated, the proportion of respondents who said corruption was very common or common was at least twice as large as the ones who said it was rare or very rare. For instance, when asked how common 'diversion of public funds to companies, individuals or groups due to corruption' was, 43% said that it was very common, while only 14% said very rare. When asked whether 'general abuses of public resources' existed or not, the difference becomes even more striking: The proportion of those who said very common went up to 61%, while those who said very rare, went down to 10%. More than half of the participants expressed the view that corruption increased compared to the previous year.

The land and credit allocation processes stood out as two instances where corruption was most common, whereas import-export processes and provision of public utility services were recorded as the cleanest ones. Respondents particularly held the politicians and high level civil servants responsible for corruption. Furthermore, participants' trust in the effectiveness of institutions and mechanisms designed to combat corruption is low; particularly, various bodies

responsible for auditing the management of public finances are largely distrusted. Evidently, both business people and experts surveyed seriously doubt the independent institutions' autonomy/freedom from political influence in practice.

The results of the study are alarming but not surprising, given the fact that corruption has lately been dominating the agenda of the public.

What can be done to change the situation? It is possible to alleviate corruption by introducing certain institutional reforms or effectively enforcing existing institutional framework. Based on the findings of our survey, we decided to make 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.

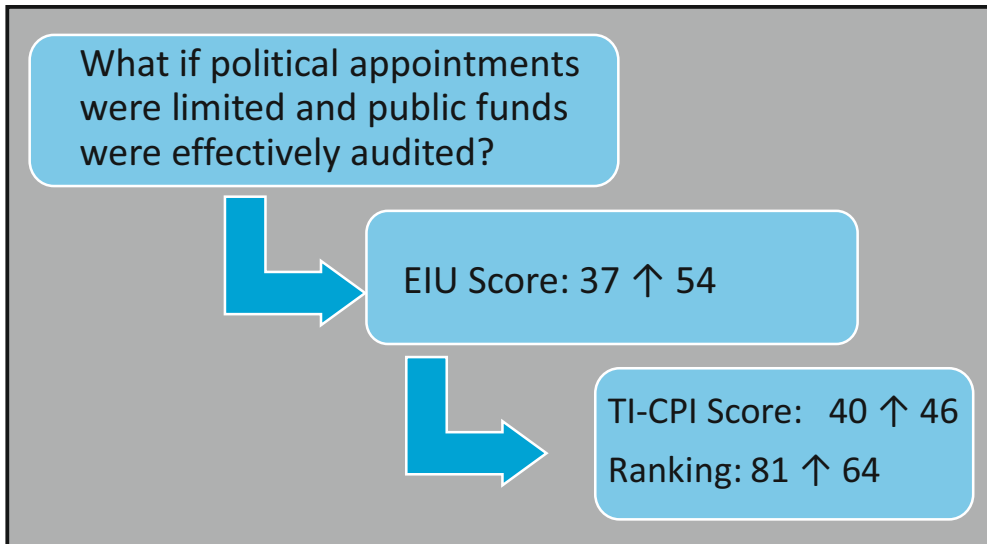
Our first proposal is limiting the number of political appointments to the high-level posts in the public service only to the undersecretary level. Currently, everytime the governing party (or parties) changes almost all undersecretaries and directors at the ministries as well as semi-public and public institutions under them are replaced. Those who are dismissed are not returned to their previous posts; they are effectively suspended. Yet, they continue to receive their full salaries. This is not only a huge waste of financial and human resources but also an important factor undermining meritocracy and institutional memory. Limiting the number of political appointments to only one undersecretary position in each ministry to serve as a bridge between the elected officials and career public officials could improve the public's perception regarding the suspended officials who continue to receive their full salaries as well as professionalize the public sector.

Our second policy recommendation is about discretionary or 'special

funds for which there is no accountability'. Our interviews with experts revealed that although there were certain discretionary funds under the disposal of ministers and the president, by law, these were also subject to auditing and control by the finance ministry. 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 as well as effectively implement the existing mechanisms.

If these two proposals are implemented, the EIU score will go up from 37 to 54, which will translate into a rise in the TI-CPI score from 40 to 46. This would mean an upward move in rankings from 81st to 64th place.

Figure 9: What if political appointments were limited and management of public funds was 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. Although currently, by law, public officials are required to regularly declare their assets, the process is opaque. For instance, only the speaker of the parliament has access to the declarations of members of parliament. Lastly, existing regulations facilitating citizen and media access to information should be enforced effectively.

Figure 10: What if asset declaration was made fully transparent and regulations facilitating access to information was effectively enforced?

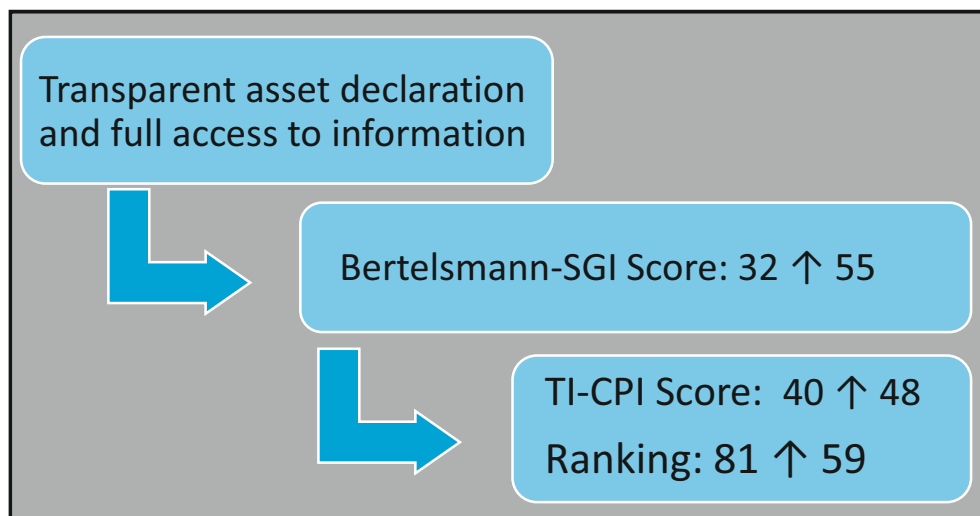


Table 8 summarizes the changes in scores and ranking if each of these four recommendations are implemented. If all four proposals were implemented, the northern part of Cyprus would share the same place with South Korea, and its ranking would be above EU countries like Slovakia, Croatia and Italy, and right below Spain and Malta.

Table 8: How would scores and ranking change if these four recommendations were implemented?

Reform	Improvement in score/ranking		
	Rise in the score	Rise in the composite score	Change in ranking
• Limited number of political appointments	+ 10	+ 3	+ 10
• No special funds without accountability	+ 8	+ 3	+10
• Full transparency in asset&liability declaration	+ 12	+4	+ 13
• Full access to information	+ 11	+ 4	+13
• If all four reforms are implemented	+ 41	+ 14	+30

Apart from these relatively easy to implelement 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 to long-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.

Annex

Survey form

The North Cyprus Corruption Perceptions Questionnaire

Good day! My name is I call you from Lipa Consultancy. I would like to ask you questions about the quality of governance in the northern part of Cyprus. The best-known 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, a group of Turkish Cypriot academics has started a similar research on this with the support of the German foundation; Friedrich Ebert Stiftung. On their behalf, we would like to ask the opinion of business executives like yourself on corruption in the northern part of Cyprus. 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?

No, they don't	0	Yes, they do	1
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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-never
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3. Is there a tradition of payment of bribes to secure contracts and gain favours?

1-very low	2	3	4	5	6	7-very high
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4. Has corruption decreased, stayed the same or increased compared with one year ago?

Decreased	1	Same	2	Increased	3
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5. 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-never
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. Taking a loan	1	2	3	4	5	6	7
g. Allocation of land and similar incentives	1	2	3	4	5	6	7

6. How common is corruption among the following groups?

	1-very common	2	3	4	5	6	7-never
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

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

No	0	Yes	1
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	1-very common	2	3	4	5	6	7-never
a. How common is misappropriation for party/political purposes?							
b. How common is misappropriation for private financial gains purposes?							

8. Are there general abuses of public resources?

1-very common	2	3	4	5	6	7-never
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9. 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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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. Are there clear procedures and accountability governing the allocation and use of public funds?

No, there is not	0	Yes, there is	1
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1-All of them are professionals	2	3	4	5	6	7-All of them are political appointees
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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. Are there clear procedures and accountability governing the allocation and use of public funds?

No, there is not	0	Yes, there is	1
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12. 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)

13. 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)

14. 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

15. 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. 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

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

D4- 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

D5-Number of employees?

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

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

Name of the surveyor:

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This is the first comprehensive report on corruption perception in the northern part of Cyprus, which is essentially based on the methodology of the Transparency International's annual Corruption Perceptions Index (TI-CPI). The report is based on a survey conducted with business community representatives. The report's expected contribution is twofold. Firstly, it measures the corruption perception in the northern part of Cyprus for the first time using an internationally accepted methodology; secondly, it makes comparison with other countries possible by showing where the country is on a global scale in terms of corruption.

The combined corruption perception 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 2017, which came out in February 2018. This score places north Cyprus at 81st rank. This score is the same as Turkey's score but way below the score of the Republic of Cyprus which scored 57.

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