

Corruption Perceptions in North Cyprus

— 2022 Report —



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Ömer Gökçekuş & Sertaç Sonan

**Corruption Perceptions
in North Cyprus:
2022 Report**

Ömer Gökçekuş & Sertaç Sonan

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Friedrich-Ebert-Stiftung (Foundation)
20, Stasandrou, Apt. 401
CY 1060 Nicosia
Tel. +357 22377336
Email: office@fescyprus.org
Website: www.fescyprus.org

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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 it also prevents civil society forces from reaching their full potential in supporting their communities.

Especially in Cyprus, where the Cyprus Problem is omnipresent to the extent that public debate on other issues is often underdeveloped or severely limited, the strengthening of democracy is 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 last year's report 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 it 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 'Corruption Perceptions in North Cyprus: 2017 Report', by the Friedrich-Ebert-Stiftung, was a milestone. Its successors 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 unrecognized entity in the

northern part of the island, the Turkish Republic of Northern Cyprus (TRNC).¹ 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 Sertac 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 report 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 previous reports showed, 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 endeavour 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 sixth report covering 2022, which again provides important insights into how the level of corruption was perceived by important stakeholders during the past year. It is the sixth step on a rather long journey, and in our view it is 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 Sertac Sonan and Omer Gokcekus in the years to come.

Hubert Faustmann

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

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

Our Corruption Perceptions in North Cyprus studies have five main purposes, which can be listed as follows: (1) to measure the perception of corruption in TRNC using an internationally accepted method; (2) to determine where our country stands compared to the rest of the world in the fight against corruption; (3) to gauge the changes in perception of corruption compared to the previous year; (4) to keep the pulse of businesspeople on corruption in general; and (5) to create public awareness about corruption based on the findings of the study.

To achieve the first three objectives particularly, this study is based on the Corruption Perceptions Index (CPI) methodology of Transparency International (TI), which is published annually but does not cover the northern part of Cyprus. As with the TI-CPI, our study is also based on the opinions of businesspeople and experts.

As in previous years, the survey, which we designed based on the TI-CPI methodology and expanded with questions from different studies, was applied to 350 participants who hold managerial positions in companies registered in the TRNC. The survey with businesspeople was completed in the last month of 2022 and in the first month of 2023 using Computer-Assisted Telephone Interviewing (CATI) and Computer-Assisted Self-Interviewing (CASI) survey methods. The survey was conducted by Metron Analytics Services. The selection of the sample was made to represent the business community in terms of regional, sectoral, number of employees, period of operation of the company and similar issues. The confidence level and margin of error of the survey results is 5%.

The opinions of the experts were also collected by using the CASI method at the beginning of 2023, with a survey we designed using the methodology developed by Transparency International. As in previous years, a small group of senior retired civil servants with extensive experience in the functioning of the state mechanism in our country answered the expert survey.

Based on the answers of the two groups, we calculated the TRNC's corruption perception score as 27 out of 100. On a scale of 0–100, zero indicates very high corruption and 100 indicates no corruption. Our score is below the average score of 180 countries (43) in the 2022 list published by Transparency International at the beginning of 2023, placing us in the 140th position.

Compared to the previous year, there is a one point decrease in the score of our country. However, there was no change in the ranking. Our country's score last year was 10 points behind that of Turkey; this year the gap is 9 points. The TRNC's score is also well behind our southern neighbor's score of 52, which fell by one point last year.

As stated above, the report goes beyond calculating a score and delves into businesspeople's perceptions and experiences of corruption in 2022. In this context, besides the questions used by Transparency International in different studies, businesspeople were also asked questions specific to our country, and the answers to these questions were shared in detail in the report. It is possible to summarize the survey results under eleven headings.

1. Corruption is very common and a very serious problem

99% of the businesspeople who participated in the survey think that bribery and corruption exist in the TRNC. Moreover, 72% think that corruption is a “very serious problem”.

2. Corruption is most common in the awarding of public contracts and licenses

According to respondents, the three most common areas where “bribery or undocumented extra payment” take place are listed as follows: 66% of respondents consider bribery to be very common in the awarding of public contracts and licenses; 63% consider government incentives; and 61% claim it is common in allocation and leasing of public land and buildings. The areas where bribery is the least common are as follows: The rate of those who say that there is no bribery connected

with public utilities is 27%; obtaining favorable judicial decisions 28%; and town planning procedures 39%.

3. Four in ten businesspeople have paid a bribe in the last year

As a follow-up to the previous question, we asked the participants the following question: “Did you or someone in your circle have to give a bribe, gift or do a favor to the official concerned in the last year to receive any of the above services?” 40% of the participants answered “Yes”. The three most common reasons given for this were: to speed up the procedure (40%); to make it possible to finalize the procedure (26%); and to receive better treatment (18%).

4. Public resources are abused by politicians and senior public officials

62% of the respondents think that misuse of public resources by ministers/officials for personal or party purposes is “very common”; only 2% think that this does not happen at all. According to 84% of the respondents, corruption is most common at the cabinet level, i.e., Prime Minister and Ministers, which is considered the most corrupt group. Following that group are members of parliament (76%) and senior civil servants (69%). 33% of businesspeople surveyed think that corruption is “very common” among lower-level civil servants, 22% among judges and 20% among prosecutors.

5. Those who are expected to deter corruption are not successful

When asked “How successful/effective do you think the following institutions which are supposed to fight or expose corruption?”, the rate of those who answered the question “very successful/effective” is very low. The most effective are Courts, which were rated as “very successful” by 16% of respondents. Social media is in second place (12%), and non-governmental organizations (8%) are in third place. At the bottom of the list is the Board of Inspection under the Prime Minister’s Office: 58% of the participants said it is “not successful at all”.

6. The Government is very unsuccessful in fighting corruption

Participants were also asked how successful they find the Government

in fighting corruption. Only 4% of the respondents stated that they find the Government “very successful” in this regard, while 80% stated that they find it “not successful at all”.

7. Offering voters money or a special favor in elections is common

The participants were asked a question about political corruption too. 75% of the participants stated that vote-buying and offering special favors in election periods is common. In addition, 34% think that threatening to punish the voters in case they do not vote in a certain way is common.

8. The relationship between business and politics is concerning

The rate of those who said that large companies avoid paying their taxes is a common situation is 63%. Similarly, the rate of those who said that the TRNC Government is mostly run by a few big interests looking out for themselves is 56%.

9. Those who are involved in corruption are not held accountable

72% of respondents said that officials involved in corruption are not prosecuted. The rate is only 1% for those who said that those who are involved in corruption are often prosecuted.

10. Tolerance for corruption is very low

The rate is 5% for those who agreed with the statement “It is acceptable to use relationships and contacts in public institutions in order to speed up business-related procedures”. Only 3% agreed with the statement “It is acceptable for the government to engage in corruption as long as it delivers good results”.

11. Bribery is a major obstacle to doing business

The rate of those who think that corruption is a major obstacle to doing business reaches 58%, while the rate is only 3% for those who say that it is not an obstacle at all.

Chapter 1:

Introduction

Corruption has always been an important problem in the northern part of Cyprus. Successive scandals in recent years indicate that this situation has worsened.

One of the most prominent reference sources for corruption around the world is the Corruption Perceptions Index, which has been annually prepared by Berlin-based international non-governmental organization Transparency International since 1995.² The northern part of Cyprus is not included in this index that ranks 180 countries and regions around the world based on the corruption perceptions in the public sector; therefore, until recently we did not have any comprehensive data with regard to the corruption perception in the northern part of Cyprus. To fill this gap and facilitate a public debate on corruption based on scientific findings, we started conducting research on the corruption

² Transparency International Corruption Perceptions Index <https://www.transparency.org/en/cpi/2022>

perceptions in the northern part of Cyprus in 2017 with the support of the Friedrich Ebert Stiftung. This report is the sixth product of this collaboration.

The study is planned to be conducted on an annual basis in the future too. In the first study published in 2018, we said, ‘This study should be seen as the first step or even a pilot study of a long-term endeavour’. We stated that our aim for the future studies was to improve our methodology and analysis. Therefore, we acknowledged that the feedback and recommendations of readers and stakeholders is important to reach more accurate results, which will in turn, render it possible to make better policy recommendations. Accordingly, as in the past studies, this year too, we have made some slight changes in the survey form based on our experience during the preparation of previous reports, as well as based on 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 our findings. Furthermore, this year we extended the sample to cover not only the members of the Chamber of Commerce but also the Chamber of Industry, the Chamber of Shopkeepers and Artisans, and the Building Contractors Association.

Aim of the research

The main aim of this research is measuring the level of corruption in the northern part of Cyprus, which is not covered by Transparency International. TI-CPI not only makes it possible to compare different countries’ corruption scores but also provides the opportunity to observe changes in corruption perceptions over time in the countries studied. Therefore, the absence of a study on corruption perceptions 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 perceptions have changed over time. This report aims to fill this gap and to provide scientific findings to the decision makers as well as to the wider public on corruption and good governance. It also has the objective to raise awareness about corruption and combatting corruption, 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 from [at least] three sources are available.³ None of these data sources cover the northern part of Cyprus. Therefore, while preparing our first report for 2017, we had chosen three of these sources and used their methodology and survey questions to form our own questionnaire. We added a fourth source (IMD World Competitiveness Yearbook) to calculate the score in the second study. In this sixth report too, we use questions from the following four sources:

- 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 Sustainable Governance Indicators (SGI)**

There is only one question from IMD. This question, which is asked to business executives is straight forward: “Bribery and corruption: Exist or do not exist”. 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 business executives. Bertelsmann SGI and EIU’s questions, on the other hand, gauge the effectiveness of institutions and the mechanisms designed to prevent corruption. The aggregate TI-CPI country score is the average of the scores coming from these four sources.

Our report goes beyond calculating a score and provides insights about the business community’s perceptions and experiences of corruption. The questionnaire (for the business executives) includes some follow-up questions and questions formulated to reflect the specific conditions

³ See Transparency International Corruption Perceptions Index 2022, available at <https://www.transparency.org/en/cpi/2022>, for the methodology that was followed.

in the northern part of Cyprus. Furthermore, we asked some of the questions coming from SGI and EIU not only to experts but also to the business executives. In addition, this year for the second time, we asked businesspeople some of the questions Transparency International used in the Global Corruption Barometer survey. The responses to these questions are included in the report. However, it is important to note that while calculating the corruption scores, the answers given by the business executives to the SGI, EIU, and Global Corruption Barometer questions were not taken into account.

Methodology

Using CATI and (online) CASI methods, Metron Analytics Services administered the questionnaire we created to 350 people who hold managerial positions in companies that are members of the Chamber of Commerce, the Chamber of Industry, the Chamber of Shopkeepers and Artisans, and the Building Contractors Association. The selection of the 350 people in the sample was made to ensure that they are representative of regional, sectoral, number of employees, company age, and similar issues. The fieldwork was held in December 2022 and January 2023. The survey results' confidence level and margin of error are 5%.

As we did in the previous studies, once we finished the administration of the questionnaire with the business executives, we asked experts to answer the questions on the effectiveness of the country's institutional framework in deterring corruption (EIU and SGI). This group included retired senior public officials who had previously served in various ministries, the parliament, the judiciary, and various independent bodies. We also used the online survey (CASI) method to administer this survey.

As we will explore in detail in the remainder of the report, the results from the questionnaire with both business executives and experts 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 support this negative image

too.

When the answers of business executives and experts to our questions were brought together, the TI-CPI 2022 score of the northern part of Cyprus was calculated as 27 out of 100. On a scale of 0–100, zero indicates very high corruption and 100 indicates no corruption. This score is below the average of 180 countries in the 2022 list published by Transparency International at the beginning of 2023, placing the northern part of Cyprus at 140th.

The report comprises five chapters. Following the introduction, a brief general theoretical discussion on corruption is given in the second chapter. In the third chapter, the components of the corruption perception score and the composite score are presented, and this score is compared with the rest of the world. In the fourth chapter, the responses to the survey conducted with business executives are reported in detail. In the last chapter, a brief general evaluation of the results covering 2017-2022 reports is provided, and four specific policy proposals are made based on the findings of the study. The questionnaire administered to the business executives 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.⁴

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

⁴ This chapter is mainly from O. Gokcekus (with K. Bengyak). *Peculiar Dynamics of Corruption: Religion, Gender, EU Membership, and Others* (Singapore: World Scientific, 2014).

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 the reduction of income for poor people, efficiency losses, misallocation of resources, and it deters potential investors from making new investments in the country. Some of such studies are listed in the selected bibliography.

As concerns the economic, social and political aspects of corruption, 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 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 have shown that corruption disproportionately hurts people who are economically disadvantaged and, in doing so, deepens 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 upward social mobility and poverty reduction. An environment where rich people become richer and poor people become 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 a high corruption level, the public sector is relatively large, 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 is detailed information on the ways that can be used to mitigate corruption. However, there is no consensus on the definition of corruption. The definition of corruption is important as it will help 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 bribery, then reducing the level of corruption would be equal to reducing bribery. If corruption is defined from a broader perspective as the “use of public service for private gain”, then the things required for its prevention 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 it.

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 the survey method, which was the method adopted in this study. The alternative to measuring corruption perception is looking into the number of corruption convictions and comparing it with 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, various organizations have conducted a number of surveys conducted 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 deter-

mine 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 of 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 Score

As mentioned earlier, Transparency International's Corruption Perceptions Index (TI-CPI) is a composite index that collects corruption-related data from studies prepared by different institutions.

Unfortunately, none of these studies cover the northern part of Cyprus. In the absence of independent data sources, we decided to come up with two separate surveys with questions from IMD, WEF, EIU and Bertelsmann SGI, which are among the sources used by Transparency International. In this section, the scores calculated based on questions from these four sources will be given separately. Then, we will show where each score places our country in the ranking, and, finally, we will evaluate where our composite index score puts us.⁵

⁵ Except for the results for northern Cyprus, all scores shared in this section come from Transparency International's report published in 2023. For the full report, see <https://www.transparency.org/en/cpi/2022>

Based on the respondents’ answers to the first question in the survey, the TRNC’s 2022 IMD score was calculated as 27. As with Transparency International’s methodology, our score is based on the survey conducted with business executives. The RoC’s score is 44, which is well below the European Union average of 62. The scores of Turkey and Greece are 46 and 53, respectively. This score is not available for Malta.

Based on questions 2 and 6 in the questionnaire conducted with the business executives, the 2022 WEF score of northern part of Cyprus was calculated as 36. In line with Transparency International’s methodology, this score also comes from a survey of businesspeople only.

Table 1: North Cyprus-WEF score and the components 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	2.15	31
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		42
• Imports and exports		2.66	
• Public utilities		3.74	
• Annual tax payments		2.64	
• Public contracts		2.01	
• Obtaining favourable judicial decisions		3.69	
North Cyprus - WEF Score = 36			

Among countries with similar characteristics to us, our southern neighbor has a WEF score of 57, while Malta’s score is 38. When we look at our close neighbors, Greece’s score was 50, and Turkey’s score was 43.

The average score of European Union countries was 58. Compared to these scores, the score of northern Cyprus is dismal.

According to the document in which Transparency International identifies the resources and questions used in creating the composite index, the EIU determines this score based on country experts and experts in its centres. Therefore, we used only the answers from the experts to calculate this score. Using the responses from the experts, the EIU score of north Cyprus was calculated as 24. This score is well behind RoC and Malta, which have EIU scores of 55. The TRNC's score was also far behind the EU average of 62. It also lags behind the scores of Greece (50) and Turkey (43).

Table 2: North Cyprus-EIU score and components used in calculating the score

Questions	Average Score (Out of 100)
Is there a tradition of payment of bribes to secure contracts and gain favours?	20
Are public funds misappropriated by ministers/public officials for private or party political purposes?	15
Do authorities have unregulated private funds that they can use without fear of accountability?	45
Are there general abuses of public resources?	15
Are there clear procedures and accountability governing the allocation and use of public funds?	40
In addition to the appointments made at the top level (undersecretary and director) in the public sector, to what extent are the appointments made to the boards of directors of public institutions and organizations based on merit?	10
North Cyprus - EIU Score = 24	

Finally, when we look at the Bertelsmann SGI score calculated from the answers given by the experts, it is seen that we are faced with a dire picture again: Our Bertelsmann SGI score is 21. That is, the mechanisms established to ensure that public officials do their job honestly are far

from being effective in practice. There has been a one-point decrease in this score compared to the previous year. The RoC's score is 35, while Malta's score is 53 and Greece's score is 62. While the average score of EU countries is 63, Turkey's score is 26. The overall CPI score of the TRNC for 2022 is 27.

Table 3: North Cyprus-Bertelsmann SGI score and components used in calculating the score

Questions	Average Score (Out of 10)
To what extent do the media and citizens have access to official information?	40
Is there an effective and independent financial audit unit?	10
Is there an effective and independent Attorney General's Office in the context of bringing a detected corruption to the judiciary?	20
In the context of bringing a detected corruption to the judiciary, is there an effective and independent Police Service?	10
To what extent do independent courts check whether government and public administration are acting in accordance with the law?	40
Is there an effective and independent central procurement system/unit?	10
To what extent is party and campaign finance transparent; effectively supervised and subject to proportionate and dissuasive sanctions for violations of the rules?	20
Are there measures to increase the accountability of public authorities (e.g., declaration of assets; professional ethics rules, measures to prevent the conflict of public and private interests)?	20
North Cyprus – Bertelsmann–SGI Score = 21	

Table 4: North Cyprus-Corruption Perceptions Score and its components


IMD Corruption Score = 27
EIU Corruption Score = 24
WEF Corruption Score = 36
Bertelsmann-SGI Corruption Score = 21

2022 North Cyprus Corruption Perceptions Score = 27

Table 5: Comparison of the 2022 corruption perceptions scores of north Cyprus with the scores of selected countries

	North Cyprus	Republic of Cyprus	Malta	Greece	Turkey	European Union
Bertelsmann SGI	21	35	53	62	26	63
EIU	24	55	55	37	37	62
IMD	27	44	-	53	46	62
WEF	36	57	38	50	43	58
TI-CPI	27	52	51	52	36	63
Ranking	140	51	54	51	101	31

On a scale of 0–100, 0 indicates very high corruption, while 100 indicates no corruption. This year, the three cleanest countries were Denmark, Finland, and New Zealand. The scores of these countries are 90, 87 and 87, respectively. The countries with the highest level of corruption were South Sudan, Syria, and Somalia – all three ravaged by civil war – with scores of 13, 13, and 12.

Of the 180 countries and territories for which a TI-CPI score was calculated, a score of 27 places us in 140th place, just behind Russia, along with Kyrgyzstan, Pakistan and Cameroon. This score puts us behind all the countries we used for comparison and way behind the EU average. The RoC ranks 51st, Malta 54th and Greece 51st. Turkey is ranked

101st, 39 places ahead of us. Another extremely worrying point is that our score is also drastically below the average of 43, which is the average of 180 countries in the world.

Table 6: The best and worst performers in 2022

Country	Score	Ranking
The best 10 countries		
Denmark	90	1
Finland	87	2
New Zealand	87	2
Norway	84	4
Singapore	83	5
Sweden	83	5
Switzerland	82	7
Netherlands	80	8
Germany	79	9
Ireland	77	10
Luxembourg	77	10
The worst 10 countries		
Burundi	17	171
Equatorial Guinea	17	171
Haiti	17	171
North Korea	17	171
Libya	17	171
Yemen	16	176
Venezuela	14	177
Southern Sudan	13	178
Syria	13	178
Somalia	12	180

Table 7: North Cyprus' ranking in TI-CPI 2022

Country	Score	Ranking
Gabon	29	136
Mali	28	137
Paraguay	28	137
Russia	28	137
North Cyprus	27	140
Kyrgyzstan	27	140
Pakistan	27	140
Cameroon	26	142
Liberia	26	142
Madagascar	26	142
Mozambique	26	142
Uganda	26	142
Bangladesh	25	147
Guinea	25	147
Iran	25	147

Chapter 4:

Detailed Results of the Survey Conducted with Business Executives

The survey that was conducted with the business community representatives comprised 13 questions. Some of these questions are the same as those used by Transparency International in its Corruption Perceptions Index.

Some of them are questions that are asked only to experts in the sources used by Transparency International and some of them are from Transparency International's Global Corruption Barometer. The rest

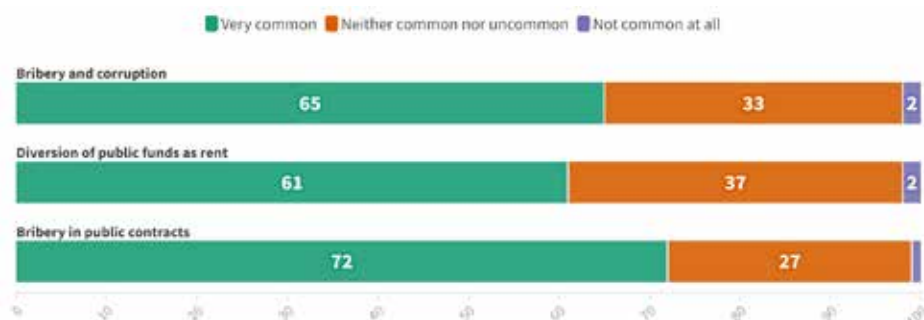
are questions that we have specifically formulated to address problems in the northern part of Cyprus. In this chapter, the business executives' answers are reported in detail.

For most questions, the respondents were asked to give their answers on a scale between 1 and 7. When evaluating the responses and preparing the graphs, we considered the ranges of 1-2 and 6-7 as clear responses, and we placed the responses between 3-5 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 "very effective", "3,4,5" was "average" and "6-7" was considered "not effective at all". The numerical values were directly used for the responses used in the calculation of the scores.

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

The questionnaire begins with a question from IMD asking whether corruption and bribery exist in the northern part of Cyprus. While 72% of the respondents think that corruption and bribery are "very common" in the TRNC, 1% think that corruption does not exist at all. In other words, 99% of the respondents think that corruption exists, albeit to varying degrees. When asked, "How common is diversion of public funds to companies, individuals or groups due to corruption?"; 62% of the participants said, "Very common", while only 2% answered, "Not common at all".

Figure 1: Bribery, corruption and rent-seeking

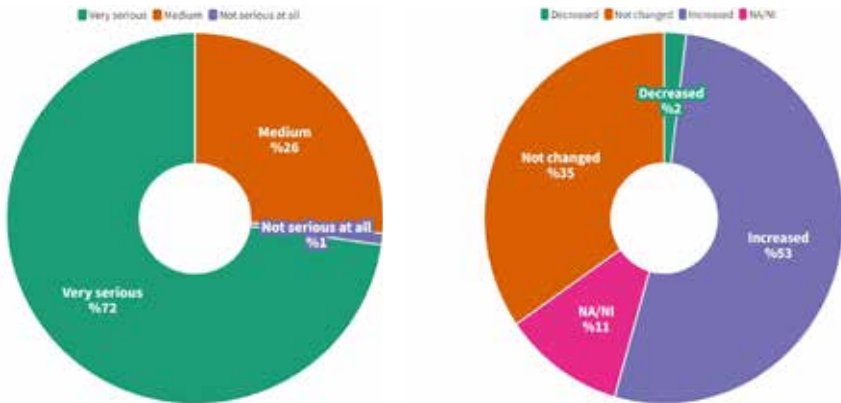


In response to the question “How do you grade the problem of corruption?”, 72% of the respondents answered that it is a very serious problem, while 1% stated that it is not a problem at all.

The answers given to the question “To what extent does corruption represent an obstacle for doing good business?”, which we asked for the first time this year, also support the findings of the previous question. While 58% of the respondents stated that corruption is a “very serious problem” to doing business, only 3% stated that it is “not an obstacle at all”.

In the fifth question, respondents were asked to evaluate whether corruption had increased, decreased or remained the same compared to the previous year. Around one-third of the respondents think that corruption has remained the same over the past year. The majority of respondents (53%), on the other hand, believe that corruption has increased; less than 2% believe that corruption has decreased.

Figure 2: Is corruption a serious problem? Has its level changed compared to the year before?

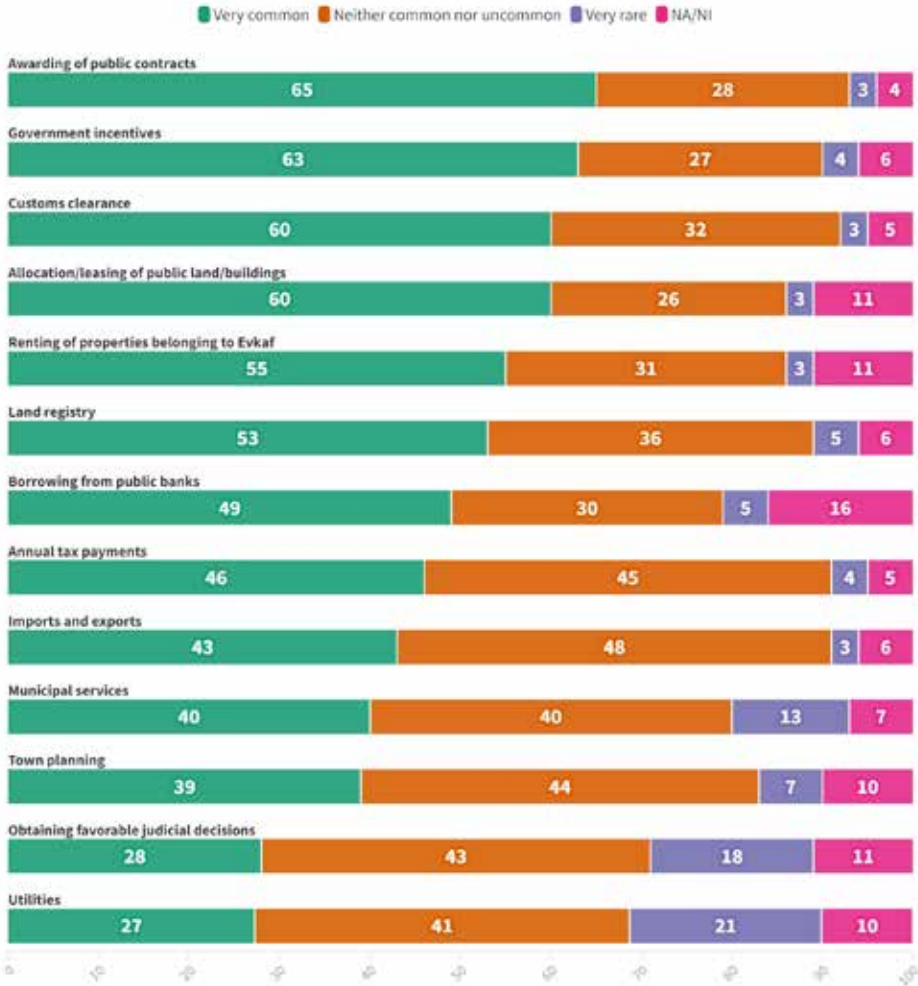


B. In which specific situations is corruption most common?

Question 6 asks, “How common is it for firms to make undocumented extra payments or bribes connected to the following situations?” In our first report in 2018, we had added two additional situations to this question from WEF, in line with the conditions of our country. These were “allocation and leasing of public land and buildings” and “when taking loans from public banks”. After receiving feedback from those with whom we shared the findings of the study, in the second study we added “government incentives”, “title deed procedures/land registry”, “customs clearance” and “town planning permits” to the survey. In the third study in 2020, in addition to all these, we added “municipal services” to the list of questions. This year, again according to the feedback received, “leasing of property belonging to Evkaf (pious foundations)” was added. However, these questions were not used in the calculation of the index score, as they were not asked in other countries and therefore could not be compared. Nevertheless, the findings obtained from the responses to these questions are indicative in terms of shedding light on the perception of corruption in northern part of Cyprus.

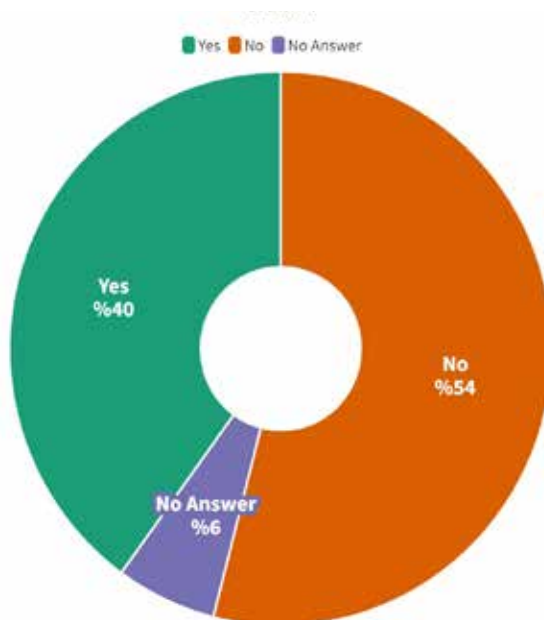
According to the respondents, the three transactions where bribery is the most common are listed as follows: in “awarding of public contracts” (66%), followed by “incentives” (63%) and “allocation or leasing of public land and buildings” (61%). In contrast only 28% of respondents said that bribery is common in obtaining “favorable judicial decisions”, and only 27% of respondents said that bribery was common in obtaining services such as electricity, water and telephone from the state.

Figure 3: In which situations is bribery most common?



As a follow-up to Question 6, we asked, “Did you or someone in your circle have to give a bribe or a gift to, or do a favour for, an official to receive any of the above services in the last 12 months?” 40% of the participants answered “Yes”, and 54% answered “No”. The most frequently cited reasons for giving a bribe or a gift, or for doing a favour were “to speed up procedure” (40%); “to finalize a procedure” (26%); and “to receive preferential treatment (e.g., to gain advantage over competitors)” (18%).

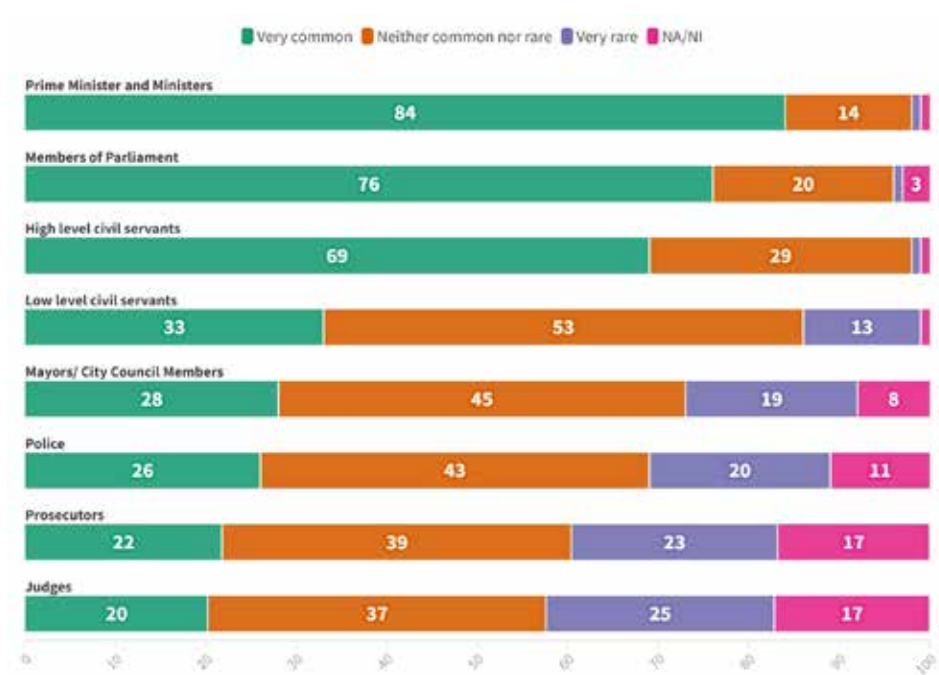
Figure 4: Did you have to give a bribe to an official in the last 12 months?



C. Are public resources being abused? Who is involved?

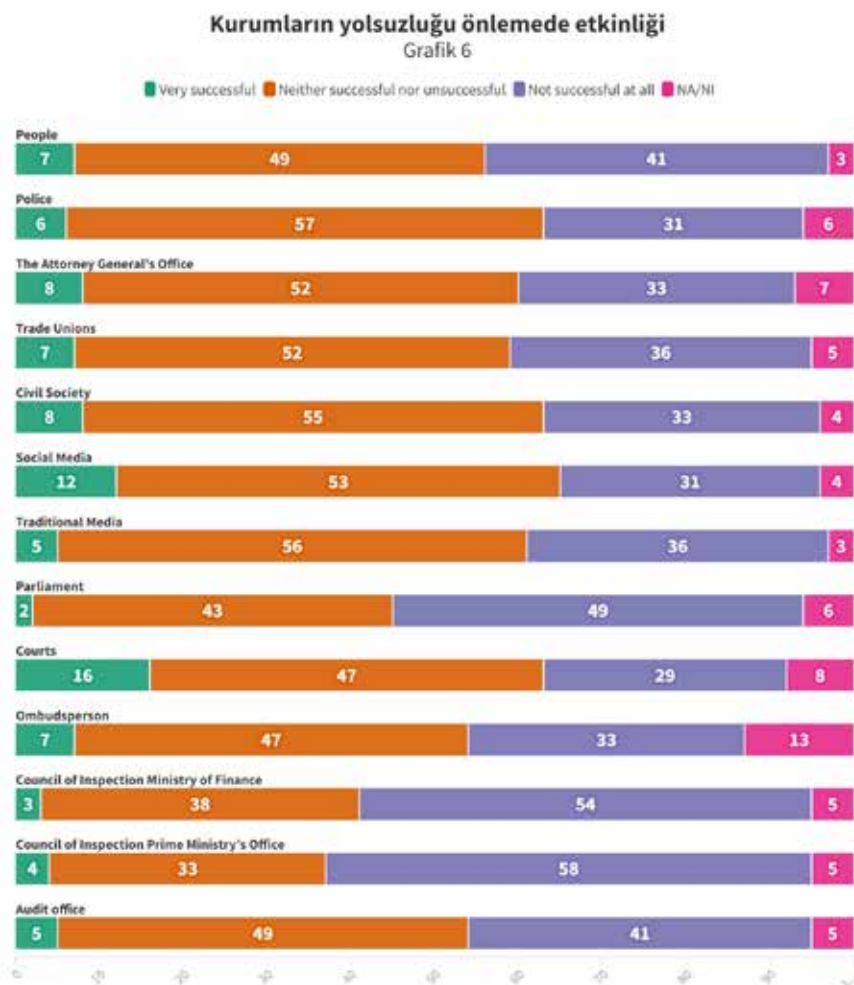
According to the answers given to Question 9, 84% of the respondents say that corruption is “very common” at the level of Prime Minister and Ministers. As for MPs, 76% said that corruption was “very common”. When asked to make a comparison between high level civil servants and lower level civil servants, the answers of the respondents reveal that there is a serious distinction between these two groups. While 69% of the respondents think that corruption is “very common” among senior civil servants, this rate drops to 33% for lower level civil servants. For “mayors/municipal councilors” and police, the rates are 28% and 26% respectively, while the lowest rates are for prosecutors (22%) and judges (20%).

Figure 5: Who is involved in corruption?



D. How successful are different institutions in preventing corruption?

Question 10 asked “How successful/effective do you think the institutions that are supposed to fight against or expose corruption and irregularities?” The answers are of the kind that will create pessimism.

Figure 6: Effectiveness of institutions in fighting corruption

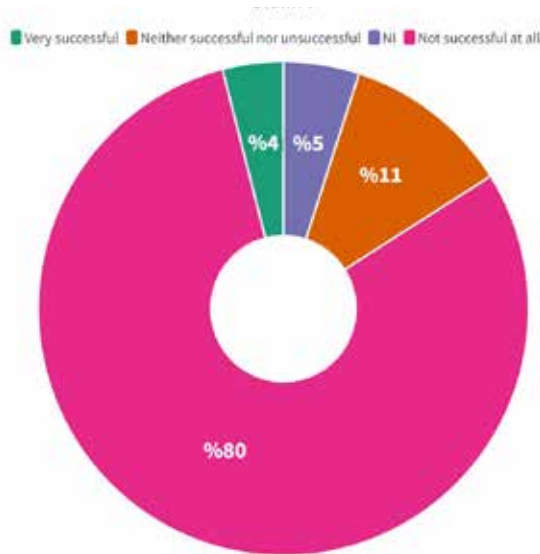
Among the businesspeople surveyed, the proportion of respondents who consider any institution “highly successful/effective” is very low. The most effective institution is the Courts, which is considered very successful by 16% of the respondents. Social media (12%) and non-governmental organizations (8%) were ranked second and third, respectively. The Ombudsman, which was seen as the most successful institution last year with 20% of respondents, dropped to 7% this year. The Council of Inspection (under the Prime Minister’s Office) (58%),

the Council of Inspection and Investigation (under the Ministry of Finance) (55%) and, the Parliament (49%) stand out as the “least successful/ineffective” institutions in the fight against corruption.

E. Effectiveness of the government in fighting corruption

In Question 11, the respondents were asked how successful they found the Government in the fight against corruption. While 80% of the participants did not find the Government successful at all, 4% stated that they found it “very successful”.

Figure 7: How successful is the Government in fighting corruption?



F. Corruption in politics and business – tolerance towards corruption

Question 12 asked the participants, “How often are voters paid to vote in a certain way or are promised a special benefit” during elections held in the TRNC? 75% of the participants said that this happens “often”. In the second part of the question, we asked businesspeople, “How often are voters threatened with punishment if they do not vote in a certain way?” While 18% of the participants answered this question as “very rarely” or “never”, 34% stated it takes place “often” or “very often”.

Table 8: Corruption in politics, tax evasion, prosecution of corruption

	Never (%)	Very rare (%)	Sometimes (%)	Often (%)	Very often (%)	NA (%)
Vote-buying in elections	2	2	14	37	38	8
Intimidation in elections	10	8	31	24	10	16
Punishment of the corrupt	41	31	19	1	0	8
Tax evasion	3	6	24	27	37	3

The rate of those who said that it is “common for big companies to avoid paying their taxes,” reached 63%. Similarly, 56% said that the TRNC Government is “pretty much run by a few big interest groups looking out for themselves. Finally, 72% of respondents say that corrupt officials are prosecuted very rarely or not prosecuted at all.

Table 9: Tolerance for corruption

	Agree (%)
The gov't is pretty much run by a few big interests looking out for themselves	56
It is acceptable to use personal relations and connections with government employees to speed things up.	5
It is acceptable for the government to engage in corruption as long as it delivers good resultss	3

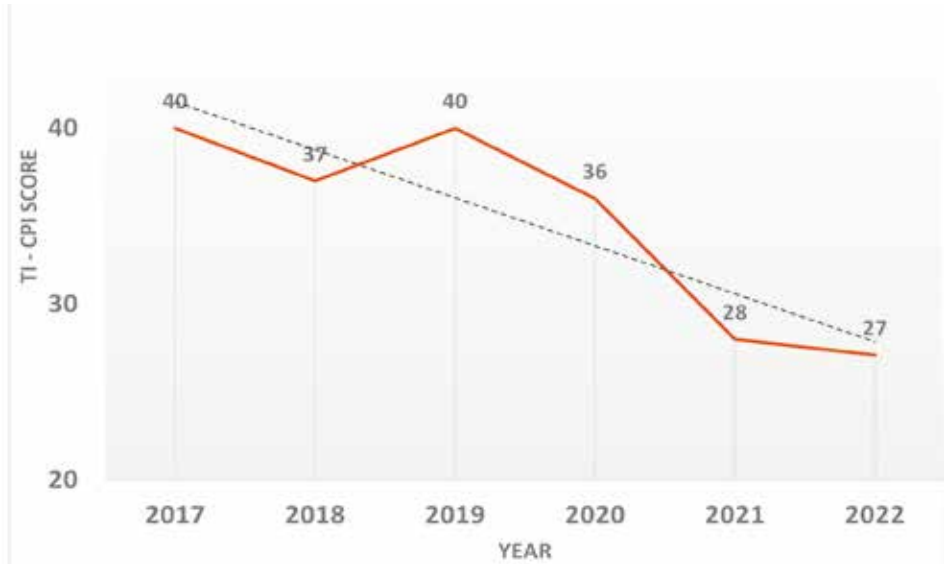
On a positive note, tolerance for corruption is very low. Only 5% agree with the statement “It is acceptable to use relationships and contacts in public institutions in order to speed up business-related procedures”. And only 3% agree with the statement “It is acceptable for the government to engage in corruption as long as it delivers good results”.

Chapter 5:

Concluding Remarks and Policy Recommendations

Since 2017, our surveys of businesspeople and experts have shown that corruption in the TRNC has been on an upward trend. This is clearly reflected in the country score: the TI-CPI score dropped from 40 in 2017 to 28 in 2021 and to 27 in 2022, which corresponds to a decrease of 2-3 points on average every year: From 81st place in 2017, the country dropped to 104th place in 2020 and 140th place in 2021 and 2022.

Graph 8: 2017 - 2022 TRNC TI-CPI scores



As in 2021, almost three quarters (72%) of businesspeople surveyed consider corruption to be a very serious problem in 2022. In addition, less than 1% believe that corruption has decreased over the past year, compared to 54% who believe it has increased. Perhaps even more importantly, 94% of the businesspeople surveyed think that corruption is an “obstacle” to doing business in the TRNC.

However the questions are formulated, the proportion of those who say that corruption is “very common” is much higher than the proportion of who say that it is not common at all. For example, in response to the question “Do bribing and corruption exist in TRNC?”, 63% of respondents said that they are very common, while only 1% said they do not exist. In 2018, these rates were 51% and 11% respectively. This explains the decline in the IMD score from 41 in 2018 to 30 in 2021 and to 27 in 2022.

There is also a remarkable decline in the areas that determine the WEF score. For example, in 2019, 41% said that bribery in import and export transactions was not at all common, compared to 30% in 2020

and 15% in 2021. A similar deterioration can be observed in public procurement. In 2019, 29% of respondents said there was no bribery in this area, while in 2020 this rate dropped to 19%, in 2021 to 6%, and in 2022 to 3%. As a result, there is a 21-point decline in the 2022 WEF score compared to 2019 and a 2-point decline compared to last year.

It is worth adding that there are serious problems in areas that we did not include when calculating the score because they were not asked about by the WEF. For example, as in the previous five studies, the leasing of immovable public properties and the allocation of government incentives stood out as the areas where bribery is most prevalent in 2022. What is also concerning is that there has been a significant deterioration in the last two years. In 2019, 46% and 37%, respectively, said that bribery was very common in these two areas, whereas in 2020, these figures increased to 53% and 46%. The situation in 2022 is even worse: 61% said bribery was very common in the leasing of immovable public property, and 63% said bribery was very common in the allocation of government incentives.

As in the 2020 and 2021 reports, we used a follow-up question in this year's study, asking businesspeople whether they or someone in their circle had to pay a bribe to receive any of these services in the past year. 12% of respondents in 2020 and 41% last year answered "yes" to this question. This year, similar to last year, 41 per cent said "yes". Businesspeople hold politicians responsible for corruption. The respondents' trust in the institutional mechanisms that are supposed to prevent corruption, particularly the Parliament and the institutions responsible for auditing public expenditures, is quite low. This implies that the independence of institutions, that are independent on paper, is being questioned in practice.

Based on the responses of businesspeople to questions about their trust in institutions tasked to fight corruption, it is possible to say that the situation has worsened compared to the previous year. Institutions involved in the process from detection to punishment of corruption are far from receiving a passing grade from businesspeople. In fact,

no more than one in ten respondents consider the financial audit institutions responsible for detecting corruption (Court of Accounts, Council of Inspection (under the Prime Minister's Office), Council of Inspection and Investigation (under the Ministry of Finance)) to be very successful; the majority of respondents consider them to be very unsuccessful. Similarly, the percentage of respondents who consider the Police, the Attorney General's Office and the Parliament to be very successful does not even reach 10%.

Our results also show that the business community's perceptions of the relationship between business and politics are also quite negative. For example, 56% of the respondents think that the government is largely run by a few large interest groups who are only focused on their own issues.

The pessimism reflected in the responses of businesspeople can also be seen in the responses of experts. According to the experts, there has been no tangible improvement either in the institutional framework or in its implementation over the last year. On the contrary, when asked whether the overall situation has changed compared to the previous year, experts pointed to a deterioration.

The following striking findings, which have emerged from workshops and surveys with experts since 2018 and have been reflected in previous reports, remain valid: (1) There are a number of deficiencies in the institutional infrastructure. This is manifested in the following ways: (a) There is no law on the relevant subject; (b) There is a lack of by-laws to implement the law; or (c) There are loopholes in the legislation that prevent the full implementation of the law. (2) Where there are no deficiencies in institutional arrangements, there are difficulties in implementation. According to experts, there are three, interrelated root causes: (a) Staff shortages. Some institutions do not have enough staff to carry out the tasks entrusted to them; (b) Appointments to senior positions are highly politicised, so that those responsible for carrying out inspections or enforcing the law are reluctant to do so. Those who occupy these positions are either not doing their job properly out of

gratitude to the political authorities or out of fear of not being reappointed; (c) Patronage and clientelism in recruitment and promotion worsens the quality of the bureaucracy. In other words, some of the civil servants who are key to preventing corruption are not competent. To summarise, public resources are vulnerable to abuse because of legal loopholes or because of the absence or inability to carry out the controls prescribed by law.

In short, the results of this sixth study, like the previous five studies, show that we are moving further and further away from the desired point in the fight against corruption.

What can be done to change the situation? It is possible to reduce the level of corruption through various institutional arrangements. This year, as in the previous five reports, we focus on the same four concrete recommendations. There are two main reasons why we insist on these four recommendations. The first is that there is a certain sensitivity and expectation in the public on these issues, and the second is that the changes to be made can be implemented relatively easily and quickly. If all of the suggestions made are implemented, not only will our institutional framework in terms of combatting corruption become stronger but also our country's score and ranking will improve significantly.

Our first policy recommendation is to limit political appointments to senior positions. For example, only one appointment (at the undersecretary level) in each ministry to act as a bridge between the elected and the career officials would avoid the mass reshuffle of directors every time there is a change of government conscience. This would not only help to professionalize the public administration, but also contribute to the preservation of institutional memory.

Our second policy recommendation is about “discretionary or special funds” for which there is no accountability. Taking steps to eliminate the public perception that there are funds that are not subject to public financial control would also be an important step in the fight against corruption. Interviews with experts revealed that technically there are

no funds in the public sector that are not subject to financial audit. Therefore, what needs to be done here is not to pass a new law or to create a new mechanism, but to implement the existing laws effectively and to ensure the effective functioning of the financial audit institutions.

Thirdly, making the asset declaration process fully transparent and publicly accessible and complementing it with a declaration of liabilities would be another major step in combatting corruption. Finally, the effective enforcement of existing regulations facilitating citizen and media access to information would improve transparency and accountability. Table 10 summarizes how the scores and ranking would change if these four proposals were implemented.

Table 10: Change in scores and rankings if the four proposals are implemented

Reform	Improvement in score/ranking		
	Rise in the specific score	Rise in the composite score	Change in ranking
• Limited number of political appointments (EIU)	+ 15	+ 4	+ 14
• No special funds without accountability (EIU)	+ 9	+ 2	+ 4
• Full transparency in asset & liability declaration (SGI)	+ 10	+ 3	+ 10
• Full access to information (SGI)	+ 8	+ 2	+ 4
• If all four reforms are implemented	+ 42	+ 11	+ 32

Moreover, in the medium term, the bodies auditing public finances, the attorney general’s office, and the police, which play an important role in detecting and prosecuting corruption, should be strengthened and made completely independent from the government. For this to happen, these institutions should be depoliticized. We hope that this study, which aims to hold a mirror to our society, will raise awareness and contribute to the fight against corruption.

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Annex

