

GLOBAL INTEGRITY INDICATORS IN THE CZECH REPUBLIC

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Abstract

The aim of this conference paper is to introduce the first-ever assessment of the Czech Republic in the Global Integrity Indicators. This paper summarizes findings, compares the anti-corruption safeguards in the Visegrad Group and other EU countries available in the Global Integrity Report since 2006 until 2010. The Czech Republic's score of 74 suggests the continued prevalence of anti-corruption and transparency challenges across much of Central and Eastern Europe. In the ranking of selected EU countries is the Czech Republic down at the bottom, with only Lithuania, Hungary, and Slovakia ranked worse. The most flagrant integrity deficiencies of the Czech Republic are political financing and conflicts of interest regulations. The second part of the paper analyses a relationship between Integrity Indicators and a widely recognized measure of corruption produced by Transparency International – Corruption Perceptions Index. A correlation matrix of Global Integrity and Corruption Perceptions Index scores for available EU countries shows that “more integrity” is not the same as “less corruption” even though both are certainly intertwined. In addition, Global Integrity's ranking of the Visegrad Group countries proves to be more sufficient than the Transparency International's Corruption Perceptions Index when analysing 90% confidence intervals.

Key words: anti-corruption mechanisms, law enforcement, measuring corruption, public administration, Visegrad Group countries

JEL Code: D73, K42, O52

Introduction

The emergence of global economy and a growing international movement of production factors have resulted in the need for assessment of not only economic, but also wider social conditions to win long-term contracts and foreign investment. The country's score indicating the corruption levels, political environment, etc. has become an important signal for government action since growth and competitiveness increases with social conditions stability. A problem of corruption is currently widely discussed all over the world. Over the past 15-20 years, a number of approaches were developed to deal with this phenomenon. For

the first time in 2010, the Czech Republic is covered also by the Global Integrity Report. The Global Integrity's award winning methodology is a useful complementary tool for measuring corruption-related issues.

1 Global Integrity Indicators

In contrast to other popular indices measuring corruption, Global Integrity (GI) indicators are not based on pre-existing 3rd-party data or assessments, opinion polls and surveys or information not publicly available. GI neither measures corruption nor perceptions of corruption. Through the empirical on-the-ground research carried out by a qualified local research team in every country covered, GI indicators assess the existence, effectiveness, and citizen access to key governance and anti-corruption mechanisms in around 70 countries at the national level.

The GI indicators were for the first time published in 2004, and after substantial methodology changes in 2007 are produced annually as a part of the Global Integrity Report until today. The report consists of two core elements – a qualitative *Reporter's Notebook* prepared by a leading local journalist, which provides an on-the-ground look at corruption and integrity in the country, and a quantitative *Integrity Indicators* scorecard. In addition, GI produces the *Corruption Timeline*, capturing 10 years of political context to today's corruption and integrity issues.

1.1 Research Team and Country Selection

In order to rank each country, GI hires a qualified network of in-country researchers and journalists consisting of the leading journalists, expert social scientists and researchers - in total, five to ten independently working experts. They are responsible for raw reporting and collecting the data that ultimately generates the GI country assessments. The most important criterion for inclusion of each country is whether GI is able to recruit a sufficiently qualified research team in the country. The final set of countries is then chosen according to country population, national income, and geographic balance.

Since 2009, the Centre for Economic Studies has sought for the position of the lead researcher in the Global Integrity assessment for the Czech Republic. On May 4, 2011 was released a new Global Integrity Report: 2010 which also covers the Czech Republic. The Centre for Economic Studies has drawn up all 325 integrity indicators through both their own surveys of media, academic, professional, governmental and international studies, and interviewing

experts in the field (such as the head staff of Transparency International-Czech Republic and other NGOs, media representatives, academics, and representatives of the private sector). The raw Integrity Indicators were passed to the GI specialist and his comments were incorporated. The double-blind peer review of the raw Integrity Indicators by the Czech peer reviewers selected for their independence and expertise has followed in the final step.

1.2 Methodology

Global Integrity Indicators examine issues such as transparency of the public procurement process, media freedom, asset disclosure requirements, and conflicts of interest regulations. GI index is generated from 325 indicators and there are two types of indicators: “*In law*” indicators provide an objective assessment of whether certain legal codes, fundamental rights, government institutions, and regulations exist, while “*In practice*” indicators address issues such as implementation, effectiveness of enforcement, and citizen access. All indicators, regardless of type, are scored on the same ordinal scale of 0 to 100 (with 0 being the worst score and 100 perfect). The “*de jure*” indicators are scored with a simple “yes” or “no” with “yes” receiving a 100 score and “no” receiving a zero score. The “*in practice*” indicators are scored along an ordinal scale of zero to 100 with possible scores of 0, 25, 50, 75 and 100, as these usually require a more nuanced assessment.

Indicators from different categories are not necessarily equally weighted. Because some aspects of governance and anti-corruption mechanisms are harder to measure definitively, some categories require a more complex matrix of sub-indicators questions than others. The categories, and similarly subcategories, are equally valued even if some categories are derived from a more lengthy series of sub-indicators/questions than others. GI groups countries into five performance “tiers” according to a country's overall aggregated score: Very strong (90+), strong (80+), moderate (70+), weak (60+), very weak (<60).

Fig. 1: Categories and sub-categories of Global Integrity Indicators

| | |
|---|--|
| Non-Governmental Organizations, Public Information and Media | |
| I-1 | Anti-Corruption Non-Governmental Organizations (NGOs) |
| I-2 | Media's Ability to Report on Corruption |
| I-3 | Public Requests for Government Information |
| II. Elections | |
| II-1 | Voting & Party Formation |
| II-2 | Election Integrity |
| II-3 | Political Financing Transparency |
| III. Government Conflicts of Interest Safeguards & Checks and Balances | |
| III-1 | Conflicts of Interest Safeguards & Checks and Balances: Executive Branch |
| III-2 | Conflicts of Interest Safeguards & Checks and Balances: Legislative Branch |
| III-3 | Conflicts of Interest Safeguards & Checks and Balances: Judicial Branch |
| III-4 | Budget Process Oversight & Transparency |

| |
|---|
| IV. Public Administration and Professionalism |
| IV-1 Civil Service: Conflicts of Interest Safeguards and Political Independence |
| IV-2 Whistle-blowing Protections |
| IV-3 Government Procurement: Transp., Fairness, and Conflicts of Interest Safeguards |
| IV-4 Privatization of Public Administrative Functions: Transparency, Fairness, and Conflicts of Interest Safeguards |
| V. Government Oversight and Controls |
| V-1 National Ombudsman |
| V-2 Supreme Audit Institution |
| V-3 Taxes and Customs: Fairness and Capacity |
| V-4 Oversight of State-Owned Enterprises |
| V-5 Business Licensing and Regulation |
| VI. Anti-Corruption Legal Framework, Judicial Impartiality, and Law Enforcement Professionalism |
| VI-1 Anti-Corruption Law |
| VI-2 Anti-Corruption Agency or Equivalent Mechanisms |
| VI-3 Judicial Independence, Fairness, and Citizen Access to Justice |
| VI-4 Law Enforcement: Conflicts of Interest Safeguards and Professionalism |

Source: Global Integrity (2011)

2 Empirical findings

2.1 Czech Republic

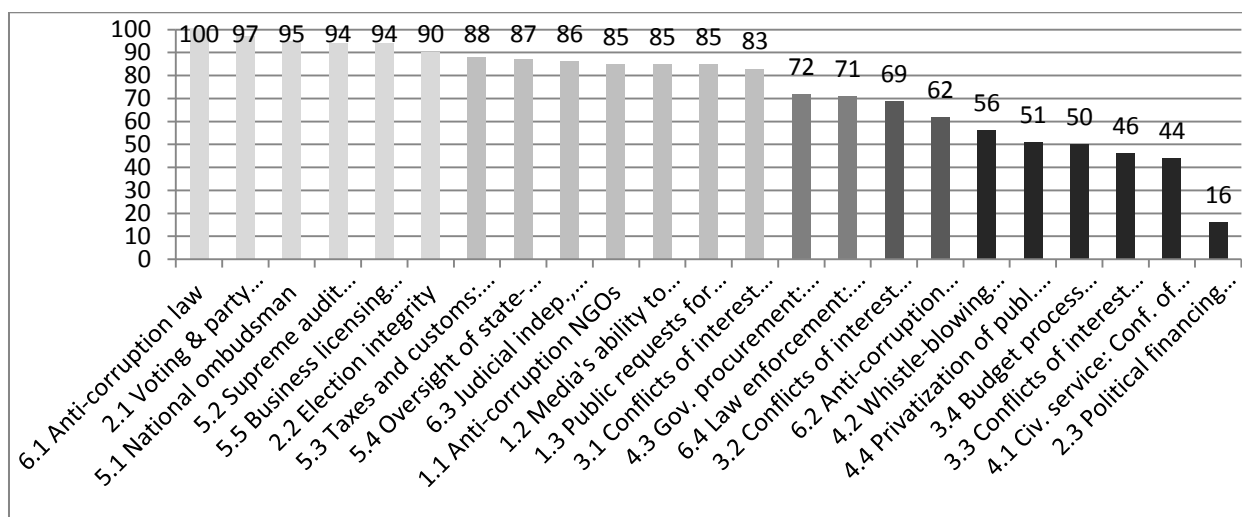
Even though Czech Republic's anti-corruption legal framework is considered by Global Integrity's methodology as strong, its actual implementation is rather weak. The maximum of all possible points has the Czech Republic obtained only for its anti-corruption law, as well as many other countries assessed. The Global Integrity Report: 2010 upbraids the Czech Republic mainly for its political financing (2.3) and conflict of interest regulations in civil service (4.1).

Czech Republic's most flagrant deficiency lies at the political financing, where the CR was one of the worst performers in this area among all the countries covered in the Global Integrity Report: 2010. *"While there is a legal mandate for parties to disclose donations as well as a monitoring system of their finances, other disclosure requirements, monitoring practices, and donation limits remain extremely weak at both the legal and practical levels"*, Global Integrity Report: 2010, Czech Republic Press Release. The second most alarming is the regulation of conflict of interests in civil service. The Civil Service Act, which would encompass conflicts of interest and political independence rules, is not in force, even though it was adopted as a condition of EU membership. Its implementation has been repetitively delayed because of government parties' attempts to retain influence over the civil service. An example of such practices is the heavily politicized anti-corruption agency, with the director appointed by the head of the police.

Other deficiencies include missing whistle-blowing protections; ineffective investigatory and prosecutorial powers of well-established oversight agencies such as the ombudsman and audit

office; exclusion of the members of the national legislature from the criminal proceedings; close links with business sphere (e.g. missing restrictions for national legislators entering the private sector after leaving government); no restrictions on sole public offerings; no requirements for the asset disclosure forms and no restrictions governing gifts and hospitality offered to the members of the national-level judiciary; and missing separate legislative committee which would provide an oversight of public funds. The Global Integrity Report: 2010 for the Czech Republic summarizes: “Despite being firmly ensconced in the EU, the Czech Republic suffers from weaknesses in several key dimensions of good governance and anti-corruption. Its fairly robust overall legal framework for anti-corruption notwithstanding, the country is struggling to improve the implementation and enforcement of those laws in order to bolster its overall anti-corruption efforts.”

Fig. 2: The CR's results in 23 subcategories of Integrity Indicators, 2010



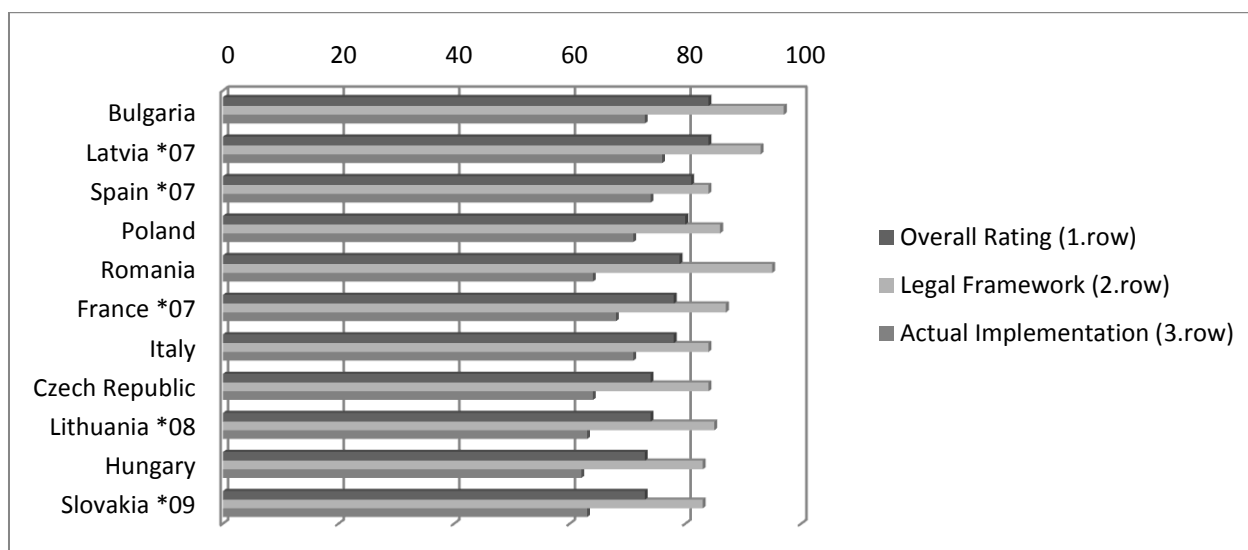
Source: Global Integrity (2011), own modification.

2.2 European Union countries

Global Integrity provides assessment of anti-corruption mechanisms of 11 EU countries, see Figure 3.¹ While the anti-corruption legal framework in all member states is “strong” and in the case of Bulgaria, Latvia and Romania even “very strong”, the actual implementation of these laws is only “weak” or “moderate” in the case of Italy, Spain, Poland, Latvia and Bulgaria. In overall, only Bulgaria, Latvia and Spain have the “strong” anti-corruption mechanisms.

¹ For countries ranked in GI Report: 2010, data for 2010 are taken into account. Otherwise, the last data available are taken into account. Since the institutional change takes place gradually over long periods of time, such comparison still owns a high interpretative value.

Fig. 3: Rankings of selected EU countries in the Integrity Indicators, 2010



Source: Global Integrity (2011), own modification.

Global Integrity has been predicting a continued slide in anti-corruption and transparency performance in Eastern Europe for several years. Once countries had acceded to clubs such as NATO and the EU, institutional reform processes would stagnate with the pressure of accession having been eased. Data for the Global Integrity Report: 2010 seem to confirm that prediction, unfortunately. Poland's and Hungary's overall score on the 2010 Report is down significantly. Romania's data have continued a slow and steady decline, beginning at 86 in 2006 and ending up at 79 in 2010. Bulgaria's data have declined slightly from 87 in 2007 and 2008 to 84 in 2010.

Tab. 1: Rankings of selected EU countries in the Integrity Indicators, 2006 - 2010

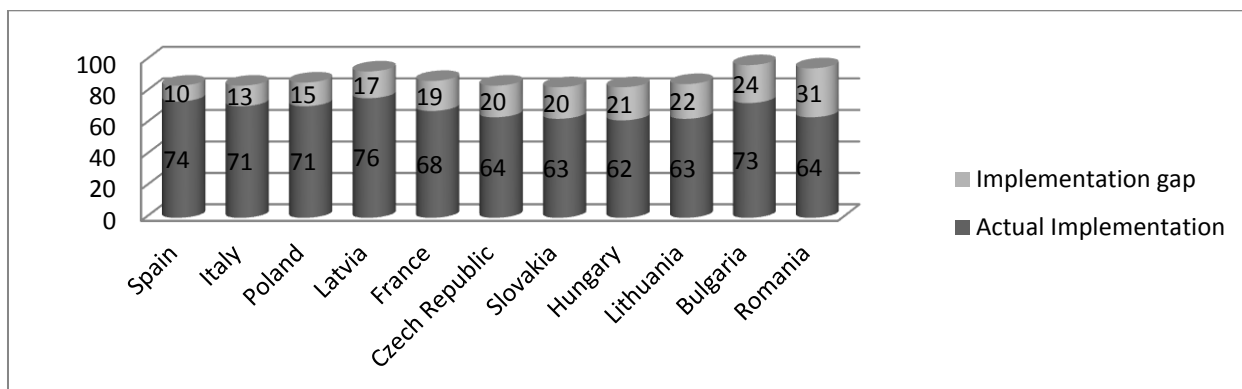
| | 2010 | 2009 | 2008 | 2007 | 2006 |
|----------------|------|------|------|------|------|
| Bulgaria | 84 | .. | 87 | 87 | 80 |
| Czech Republic | 74 | .. | .. | .. | .. |
| Hungary | 73 | .. | 77 | .. | .. |
| Latvia | .. | .. | .. | 84 | .. |
| Lithuania | .. | .. | 74 | .. | .. |
| Poland | 80 | .. | 88 | .. | .. |
| Romania | 79 | .. | 80 | 81 | 86 |
| Slovakia | .. | 73 | .. | .. | .. |

Source: Global Integrity (2011), own modification.

One of the main advantages of the Global Integrity assessment is its ability to identify and quantify the implementation gap. *“The implementation gap refers to the difference between the country's legal framework for good governance and anti-corruption and the actual implementation and enforcement of that same legal framework,”* the Global Integrity Report:

2010, Methodology White Paper. The implementation gap in the EU countries is the smallest in Spain and the largest in Romania.

Fig. 4: Implementation gap for the selected EU countries, 2010

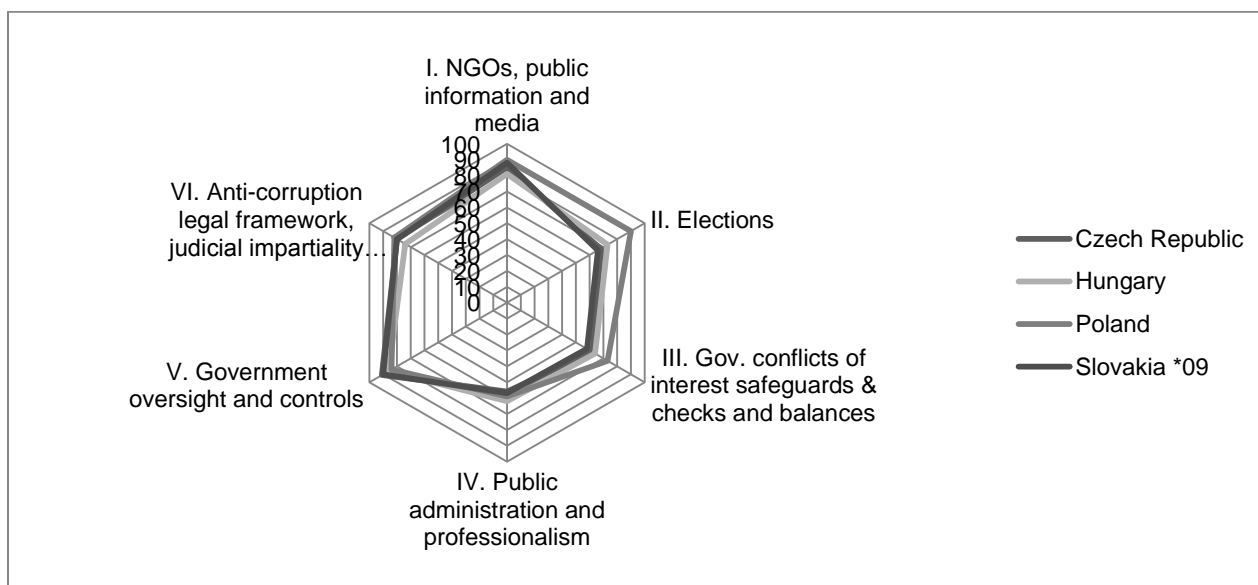


Source: Global Integrity (2011), own modification.

2.3 The Visegrad Group countries

Global Integrity indicators allow a deep analysis of the Visegrad Group (V4) countries since Czech Republic, Hungary and Poland were assessed on the 2010 Report and Slovakia just a year before in 2009. The results in the main categories are for the Czech Republic and Slovakia almost identical. Even after 18 years of independence both countries show identical institutional frameworks and implement laws with the same (in)efficiency. Poland's position is undoubtedly the best, mainly due to its performance in categories II. Elections and III. Governmental Conflicts of Interest Safeguards & Checks and Balances, see Figure 5.

Fig. 5: Comparison of the V4 countries in the main categories, 2010



Source: Global Integrity (2011), own modification.

Comparison of the V4 in the 23 subcategories brings the similar results. Poland over-performs other V4 countries almost in all analyzed areas. Only significant exception is the category 4.2 Whistle-blowing protections, where Poland together with Slovakia obtains score 0, meaning nonexistent protection of any kind. The Czech Republic's situation is out of the V4 countries the worst in transparency of political financing (2.3), conflict of interest safeguards in the judicial branch (3.3), transparency and fairness of government procurement (4.3), and privatization of public administration functions (4.4).

3 Confrontation with other indices measuring corruption

3.1 General overview of indices

A widespread index measuring corruption has firstly appeared in 1995 in the Corruption Perceptions Index (CPI). Corruption is measured and quantified by wide range of other surveys, opinion polls, expert assessment of in and out-country specialists or business people. Many economic subjects include corruption phenomena into their calculations. Some banks and multinational companies even set up their own analytical teams to quantify political and economic development and identify possible risks. Analysis based on strictly-defined methodological principles allows international comparisons in the index form and through this produces also the ranking of the countries worldwide.

Generally, the corruption indices can be divided into three different groups. The first and perhaps the most plentiful group, covers corruption assessments based on opinion polls and surveys. The most representative and well-known examples within this group are *Transparency International's CPI* and *World Bank's Worldwide Governance Indicators*. The second group consists of political risk assessments, such as those produced by *Political Risk Services*. The third group emphasizes some sector specific problem of corruption. The areas of concern are the state budgeting (e.g. *Open Budget Index*), transparency in resource-rich industries (e.g. *Revenue Watch Index*), etc. Apart from these three groups, there are a great number of local initiatives measuring corruption at national, state, and sector levels. Integrity Indicators do not fall into any of the above mentioned groups and the Global Integrity views their data as complementary to other work.

3.2 CPI

The Corruption Perceptions Index (CPI) was the first aggregated indicator measuring perception of corruption in more than 170 countries worldwide. Since it was launched in 1995, it has become the most popular measure of corruption and contributed towards

formation of widespread consensus against corruption (Galtung, 2006). While advantageous, CPI encounters many failings. One of them is the high level of variance between sources of this composite corruption rating. This causes that CPI is unable to provide a clear order in homogenous groups of countries since their confidence intervals overlap. Assuming a normal distribution, we calculate 90% confidence interval specified as 1.64 multiple of the standard deviations around the mean value of the CPI. As the Table 2 shows, the CPI methodology doesn't produce a clear order of the Visegrad Group countries.

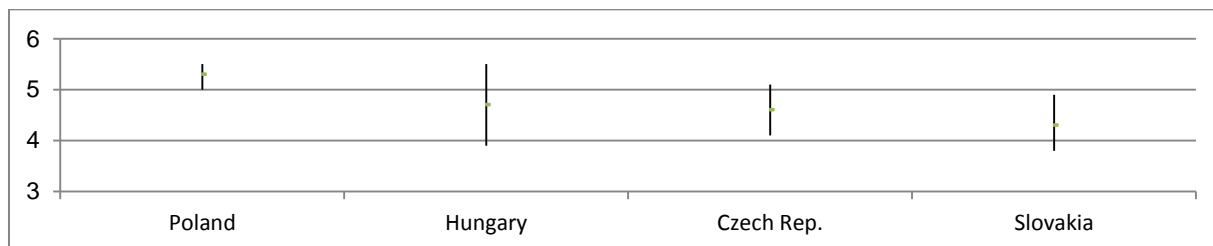
Tab. 2: CPI results for the V4 countries, 2010

| Country rank | Country | CPI 2010 Score | Surveys used | MIN-MAX range | St. Dev. | 90% confidence interval |
|--------------|------------|----------------|--------------|---------------|----------|-------------------------|
| 41.-43. | Poland | 5.3 | 8 | 4.7-5.8 | 0.4 | 5.0-5.5 |
| 50.-52. | Hungary | 4.7 | 8 | 2.3-6.8 | 1.4 | 3.9-5.5 |
| 53. | Czech Rep. | 4.6 | 8 | 3.3-5.8 | 0.9 | 4.1-5.1 |
| 57.-59. | Slovakia | 4.3 | 8 | 3.1-5.8 | 1 | 3.8-4.9 |

Source: Transparency International (2010)

The similar results were found for the Visegrad Group countries already earlier by Körner, Kudrna, and Vychodil (2002, pp. 676-678). For the ratings of V4 countries, when taking into account 90% confidence interval, we can with certainty only say that corruption levels in Poland are perceived to be lower than in Slovakia.

Fig. 6: 90% confidence interval for the V4 countries rankings, 2010



Source: Transparency International (2010), own modification.

The following paragraph describes the results of correlation analysis. Essentially zero correlation (correlation 0.04, see Table 3) between GI and CPI scores for 11 available EU countries is indicating that “more integrity” is not the same as “less corruption”. One of the GI’s common misconceptions is that “more integrity” implies “less corruption”. However, it is not always the case even though both are certainly related.

This analysis further reveals a negative relationship between implementation gap measured by GI indicators and CPI rankings. When the implementation gap between the legal framework and actual practice grows, the value of the CPI falls (correlation -0.52, see Table 3). A

negative relationship between CPI and the legal framework indicates that the dysfunctional laws are useless. On the other hand, we observe a positive relationship between CPI and actual implementation - when the anti-corruption mechanisms "in practice" are improving, the CPI value increases as well. Correlation less than 0.4 between two components of GI indicators, i.e. anti-corruption legal framework and actual implementation, draws our attention to the vast differences between laws on the books and their actual implementation in the representative sample of EU member states.

Tab. 3: The correlation matrix for EU-11 countries

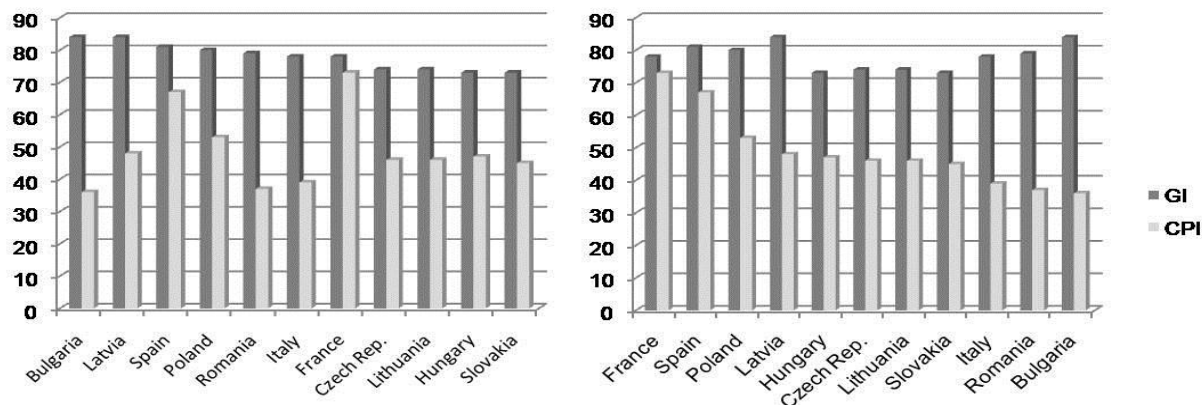
| | GI | Legal framework | Actual implementation | Implementation gap | CPI |
|-----------------------|-------|-----------------|-----------------------|--------------------|-----|
| GI | 1 | .. | .. | .. | .. |
| Legal framework | 0.73 | 1 | .. | .. | .. |
| Actual implementation | 0.90 | 0.39 | 1 | .. | .. |
| Implementation gap | -0.16 | 0.55 | -0.55 | 1 | .. |
| CPI | 0.04 | -0.37 | 0.21 | -0.52 | 1 |

Note: Analyzed EU-11 countries are Bulgaria, Czech Republic, France, Italy, Lithuania, Latvia, Hungary, Poland, Romania, Slovakia, and Spain. Source: Transparency International - CPI (2007-2010), Global Integrity - Global Integrity Scorecard (2007-2010), own calculations in EViews.

A correlation analysis of a set of 22 available European countries² shows that CPI and GI scores are positively correlated (correlation 0.54). As expected, the actual implementation of anti-corruption measures and the corruption perceptions scores in CPI are highly positively correlated (correlation 0.62). An implementation gap between the legal framework and actual practice is highly negatively correlated with both CPI (correlation -0.69) and GI rankings (correlation -0.75) A similar correlation matrix occurs when analyzing the full set of over 100 countries assessed by GI. To conclude, Figure 7 shows rankings of 11 EU member states according to the GI indicators and the CPI. As we can see, only the Spain's ranking of anti-corruption mechanisms and the perceived levels of corruption is consistent in the order of selected EU countries.

² Analyzed 22 European countries are Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Montenegro, Czech Republic, France, Italy, Kosovo, Lithuania, Latvia, Hungary, Macedonia, Moldova, Poland, Romania, Russia, Slovakia, Serbia, Spain, Turkey, and Ukraine.

Fig. 7: Rankings of selected EU countries according to the GI and CPI



Source: Transparency International - CPI (2010), Global Integrity (2011), own calculations.

Conclusion

Clearly, corruption and integrity can be measured by variety of different approaches. Global Integrity indicators represent one of these alternative measurements. An inclusion of the Czech Republic brings valuable evidence-based information on state of anti-corruption laws, their implementation and enforcement; civil society, media and others. The challenge ahead is to bring such ratings into attention of government, NGO and media and improve the current position of the Czech Republic. Institutional improvement, together with an increase of actual implementation, will indisputably result in the better economic performance and higher competitiveness of the Czech Republic.

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