



Munich Personal RePEc Archive

**Corruption in the public organizations.  
Towards a model of cost-benefit analysis  
for the anticorruption strategies**

Matei, Lucica and Matei, Ani

National School of Political Studies and Public  
Administration, National School of Political Studies and  
Public Administration

11. May 2009

Online at <http://mpra.ub.uni-muenchen.de/17639/>  
MPRA Paper No. 17639, posted 05. October 2009 / 15:17

**Corruption in the public organizations.  
Towards a model of cost-benefit analysis  
for the anticorruption strategies.**

## Chapter I Anticorruption strategies in public organizations

Corruption, through extended and diversified forms of expression has become an object of study and analysis, both for experts, analysts and public authorities and institutions. The latter, concerned by the effects of corruption on the social and economic development have aimed and achieved a series of anticorruption strategies, focused on combating and eliminating the causes of corruption, thus also their consequences. For the public organizations, found frequently in public administrations and generally in the public sector, theories have been formulated aimed at minimization of the corruption phenomena.

### *1.1 Fundamental issues of anticorruption strategies*

The governance processes and corruption phenomena are in a direct connection and benefit of profound analyses. Dealing corruption from the economic, cultural or political perspective, Rose-Ackerman (2005) reveals four dimensions<sup>1</sup>:

- The first one is carried out on the background of public organisations, state and society, where corruption could create inefficiency and inequity. The purpose of reforms is not to eliminate corruption but to improve state efficiency, fairness and legitimacy. In this context, it is worth to mention a fundamental idea for the anti corruption strategies: “the total elimination of corruption will never be worthwhile, but steps can be taken to limit its reach and reduce the harms it causes”
- Corruption has different meanings in different societies. It is difficult to establish a clear border between legal and illegal, between merit and bribe.
- How the basic structures of the public and private sector can produce or repress corruption. The prospect of a reform will change both the constitutional structures and the fundamental relation between market and state.
- Difficulty of reform for public or governmental organisations and the role of the international community in reform. The internal reform policy is essential, and between various organisations valuable lessons can be transferred even if the conditions are not always similar.

Although the author asserts: “this book does not present a blueprint for reform”, she suggests “a range of alternatives that reforms must tailor to the conditions in individual countries”. However “reform should not be limited to the creation of integrity systems” and “the primary goal should be to reduce the underlying incentives to pay and receive bribes, not to tighten systems of ex post control”.

Previously to Rose-Ackerman’s assertions, Banfield (1975) analyses the key features that a public organization should meet in order to minimize corruption<sup>2</sup>. Briefly, they are:

- the executive agents are selected on the basis of probity and institutional loyalty;
- there is a complete set of positive motivations for the loyal public service (including a high salary);
- there is a complete set of negative motivations, applied compulsory when corrupt acts were already identified;

---

<sup>1</sup> Rose-Ackerman, S., (2005) “Corruption and Government Causes, Consequences and Reform”, Cambridge University Press, pp. 4-5

<sup>2</sup> Banfield, E., C., (1975), “Corruption as a feature of governmental organization”, The Journal of Law and Economics, vol XVIII (3), December, p. 593. Undertaken from Prohntichi, V., (2003), “Contextul economic si institutional al coruptiei”, Editura TISH, Chisinau, pp 45-65

- the goals and missions for a job are formulated clearly and univoque by director;
- the agents hold the necessary discretion for executing the job tasks;
- no ambiguities in rules;
- the director monitors the agent's performance;
- if there is the smallest doubt about the agent's probity, he/she is dismissed.
- the director, on his/her turn is also monitored.

The preoccupations of international organisations may be added to the above contributions, substantiating anticorruption strategies at the level of government or sectoral public organisations. In this respect, the World Bank has asserted as an important and competent actor in the analysis concerning the causes and consequences of corruption. The control of corruption has become a core indicator of governance and the strategies grounded on this indicator represent pillars for national authorities.

The World Bank promotes good governance and anticorruption actions as important pillars for reducing the poverty. The World Bank sustains the national or regional efforts for public integrity, minimization of corruption, as well as awarding assistance to countries in view of governance improvement and control of corruption, by means of the World Bank Institute (WBI).

The preoccupations about designing and promoting anticorruption policies as well as evaluating the causes/consequences of the corruption phenomenon are also present in the European Union, OECD or other transnational bodies such as International Monetary Fund, USAID, Transparency International, Heritage Foundation etc.

### *1.1.1 "State capture" vs. "administrative corruption"*

The relation between "state capture" and "administrative corruption", in better words, its intensity, represents the basis of the conception for many anticorruption strategies.

Defined by Joel and Kaufmann (2001)<sup>3</sup>, with reverberations especially in transition economies, state capture refers to the actions of individuals, groups, or firms both in the public and private sectors to influence making of laws, regulations, decrees, and other government policies to their own advantage as a result of the illicit and non-transparent provision of private benefits to public officials.

Types of institutions subject to capture:

- the legislature,
- the executive,
- the judiciary, or
- regulatory agencies.

Types of actors engaged in the capturing:

- private firms,
- political leaders, or
- narrow interest groups.

Yet all forms of state capture are directed toward extracting rents from the state for a narrow range of individuals, firms, or sectors through distorting the basic legal and regulatory framework with potentially enormous losses for the society at large. They thrive where economic power is highly concentrated, countervailing social interests are weak,

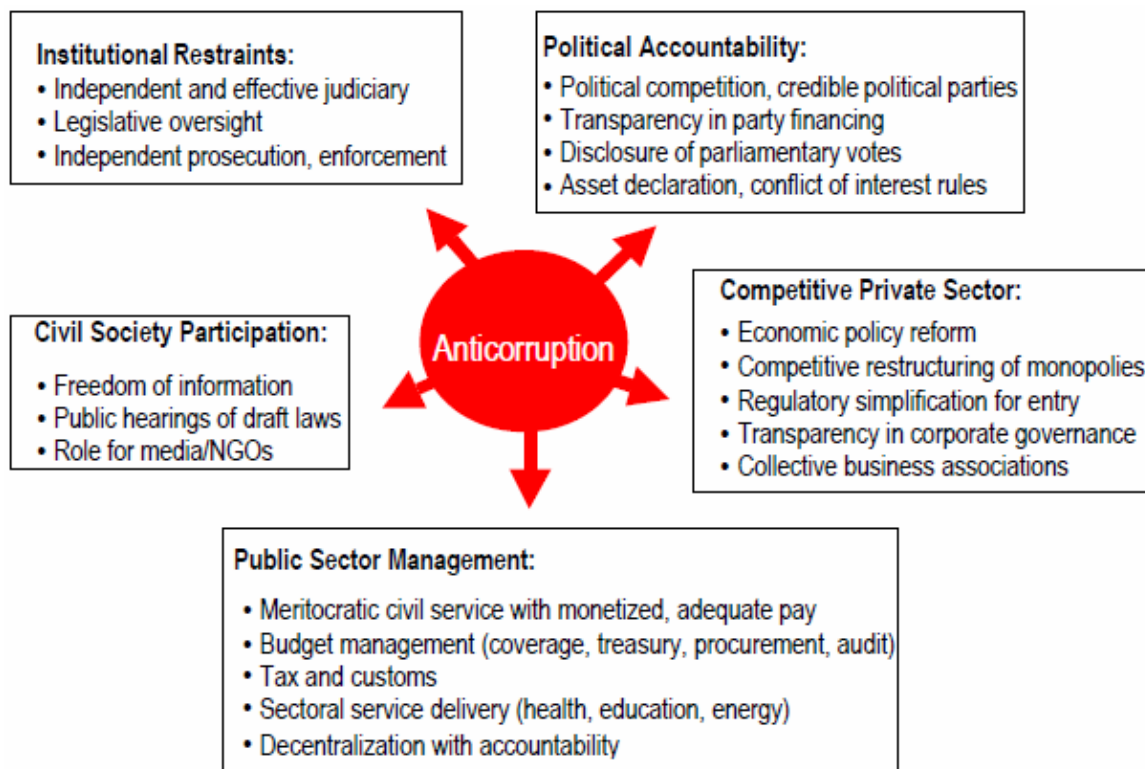
---

<sup>3</sup> Joel, H., Kaufmann, D., (2001), "Confronting the challenge of state capture in transition economies", Finance and Development, Vol. 38, No. 3, Sept., IMF

and the formal channels of political influence and interest intermediation are underdeveloped.

On the other hand, administrative corruption refers to the intentional imposition of distortions in the prescribed implementation of existing laws, rules, and regulations to provide advantages to either state or non-state actors as a result of the illicit and non-transparent provision of private gains to public officials. Examples of administrative corruption: bribes to a seemingly endless stream of official inspectors to overlook minor (or possibly major) infractions of existing regulations; “grease payments” as bribes to gain licenses, to smooth customs procedures, to win public procurement contracts, or to be given priority in the provision of a variety of other government services; state officials can simply misdirect public funds under their control for their own or their family’s direct financial benefit. At the root of this form of corruption is discretion on the part of public officials to grant selective exemptions, to prioritize the delivery of public services, or to discriminate in the application of rules and regulations. (Figure I.1)

**Figure I.1 Multi -pronged Strategy: Addressing State Capture and Administrative Corruption<sup>4</sup>**



To be effective, a multi-pronged approach requires some guidelines for the selection and sequencing of reform priorities tailored to the particular contours of the corruption problem in each country.

The typology can be divided into four spheres determined by the relative levels of state capture and administrative corruption:

<sup>4</sup> The World Bank, (2000), “Anticorruption in Transition. A Contribution to the Policy Debate”, chapter 4, p. 39, Washington D.C.

- Countries within the **medium-medium** category have been able to contain both types of corruption to more manageable levels, though serious challenges remain.
- In the **medium-high** category are countries where the problem of administrative corruption remains the central problem, while the state has been less subject to capture by the private sector than other transition countries.
- The **high-medium** category includes countries that have been able to contain the level of administrative corruption relative to other transition countries, but nevertheless have done so in a context of high state capture.
- In the **high-high** category, a serious problem of administrative corruption—and hence, weak state capacity—is nested in a state highly subject to capture.

### *I.2 World Bank: Designing Effective Anticorruption Strategies<sup>5</sup>*

The strategies are based on the studies and field analyses carried out even by the World Bank or prestigious authors for the topic on combating corruption. The actual strategy offers “a framework for self-assessment of corruption within each country rather than a device for providing a fixed reform blueprint for each country in the region”. At the same time, “a key argument embedded in the typology is that an anticorruption strategy should be designed not only in response to the level of either state capture or administrative corruption alone in a given country, but to the interaction of these forms of corruption as well”<sup>6</sup>.

In the context of the above documentary sources, Figure I.2 presents a synthesis of the key focus, challenges and priorities for each typology of the relation state capture-administrative corruption.

---

<sup>5</sup> The World Bank, (2000), “Anticorruption in Transition. A Contribution to the Policy Debate”, chapter 5, pp. 58-78, Washington D.C.

<sup>6</sup> Idem, p.59

Figure I.2 Intensity of the relation state capture-administrative corruption and structure of anticorruption strategies

State Capture Administrative Corruption	Medium			High		
	<i>Key Focus:</i>  Capitalizing on favourable conditions for strengthening political accountability and transparency through further institutional reforms	<i>Challenges</i>  • Risk of compliance and Back stepping  • Close ties between economic interests and political institutions  • Cronyism and conflict of interest in public sector appointments	<i>Priorities</i>  • Promote further reforms in civil service, public finance, procurement, and judiciary  • Introduce greater transparency into political financing  • Develop strong partnerships with civil society	<i>Key Focus:</i>  Enhancing political accountability and promoting new entry to take maximum advantage of a stronger legacy of state capacity	<i>Challenges</i>  • High concentration of power by vested interests  • Weak structures for monitoring and accountability  • Powerful groups block further reforms to preserve their advantages	<i>Priorities</i>  • Broaden formal channels of access to the state  • Deconcentrate economic power through competition and entry  • Enhance oversight through participatory structures
<b>Medium</b>						

<b>High</b>	<p><b>Key Focus :</b></p> <p>Enhancing state capacity to improve the provision of basic public goods.</p>	<p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>• Highly underdeveloped public administration</li> <li>• Lack of control and accountability within the state</li> <li>• Nascent civil society</li> </ul>	<p><b>Priorities</b></p> <ul style="list-style-type: none"> <li>• Build the capacity of public administration</li> <li>• Develop instruments for financial management</li> <li>• Encourage civil society development</li> </ul>	<p><b>Key Focus:</b></p> <p>Breaking the hold of vested interests on the process of policy and institutional reform</p>	<p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>• Highly concentrated economic interests that can block reforms</li> <li>• Limited implementation capacity of Government</li> <li>• Poorly organized anticorruption constituencies</li> <li>• Restricted channels of access for countervailing interests</li> </ul>	<p><b>Priorities</b></p> <ul style="list-style-type: none"> <li>• Deconcentrate economic interests through restructuring, competition and enhanced entry</li> <li>• Build accountability and oversight mechanisms</li> <li>• Promote collective action among countervailing interests</li> <li>• Stand-alone technocratic reforms will have limited impact</li> </ul>
-------------	---	--	---	---	---	---



### *1.3 On fighting corruption in the European Union*

As a safeguard instrument for ensuring a common area of freedom, security and justice, fighting corruption was seen among the priorities of the European Union, as early as the Treaty on European Union:

“[...] the Union's objective shall be to provide citizens with a high level of safety within an area of freedom, security and justice by [...] preventing and combating crime, organized or otherwise, in particular terrorism, trafficking in persons and offences against children, illicit drug trafficking and illicit arms trafficking, corruption and fraud, through:

- closer cooperation between police forces, customs authorities and other competent authorities in the Member States, both directly and through the European Police Office (Europol), in accordance with the provisions of Articles 30 and 32;
- closer cooperation between judicial and other competent authorities of the Member States including cooperation through the European Judicial Cooperation Unit ("Eurojust"), in accordance with the provisions of Articles 31 and 32;
- approximation, where necessary, of rules on criminal matters in the Member States, in accordance with the provisions of Article 31(e)”<sup>7</sup>.

Since, the European institutions regularly underlined the necessity for developing and enhancing prevention measures against corruption phenomenon. The Action plan to combat organized crime (1997)<sup>8</sup> offers in this regard an overall picture of the European Union's concrete plans and measures for fighting corruption. According to it for instance, the Member States, the Council and the Commission, should develop:

“[...]a comprehensive policy to tackle corruption, including appropriate and efficient sanctions, but also tackling all aspects linked with the proper functioning of the internal market and other internal policies, as well as external assistance and cooperation (political guideline 13). [...]This policy should primarily focus on elements of prevention, addressing such issues as the impact of defective legislation, public-private relationships, transparency of financial management, rules on participation in public procurement, and criteria for appointments to positions of public responsibility, etc. It should also cover the area of sanctions, be they of a penal, administrative or civil character, as well as the impact of the Union's policy on relations with third States.”

In 2000 in fact, “The prevention and control of organized crime: A European Union Strategy for the beginning of the new millennium”<sup>9</sup> became a reality. It was there that the European Communities reiterated the need for instruments aimed at the approximation of national legislation and developing a more general (multi-disciplinary) EU policy towards corruption, taking into account as appropriate work being carried out in international organizations. Furthermore, the same document urged those Member States, which had not yet ratified the relevant EU and Council of Europe anti-corruption legal instruments to ensure speedy ratification within a clear timeframe.

Finally, in 2003, the Communication from the Commission to the Council, the European Parliament and the European and Social Committee on a Comprehensive EU policy against corruption (2003)<sup>10</sup> reaffirmed that tackling corruption and fraud within the EU

---

<sup>7</sup> Article 29, Consolidated version, Official Journal C 325, 24 December 2002.

<sup>8</sup> Official Journal C 251, 15 August 1997.

<sup>9</sup> Official Journal C124, 3 May 2000.

<sup>10</sup> COM (2003) 317 final, 28 May 2003.

institutions and bodies had become an absolute priority for the EU in the last years. In addition, it stated that:

“The crisis triggered by the Commission’s resignation in March 1999 revealed the necessity to set up more effective measures for the protection of the integrity of the European Public Administration. In order to improve the legal framework in that field, the Commission had defined various initiatives in its overall strategy for the protection of the Community financial interests of 2000, its action plan 2001-2003, and more recently, its evaluation report on the OLAF activities” (chapter 5, p.13).

Among the actions to develop in order to better fight against corruption, the above Communication enumerated, *inter alia*: raising integrity in the public and private sectors, amending national legislation in order to exclude any tax deductibility of bribes, ensuring transparency and non-discriminatory access to procurement opportunities, organizing bodies of special nature in-between the public and the private sector for fighting corruption, encouraging anti-corruption policies in the acceding, candidate and other third countries on the basis of ten general principles.

1.To ensure credibility, a clear stance against corruption is essential from leaders and decision-makers. Bearing in mind that no universally applicable recipes exist, national anti-corruption strategies or programmes, covering both preventive and repressive measures, should be drawn up and implemented. These strategies should be subject to broad consultation at all levels.

2.Current and future EU Members shall fully align with the EU *acquis* and ratify and implement all main international anti-corruption instruments they are party to (UN, Council of Europe and OECD Conventions). Third countries should sign and ratify as well as implement relevant international anti-corruption instruments.

3 Anti-corruption laws are important, but more important is their implementation by competent and visible anti-corruption bodies (i.e. well trained and specialised services such as anti-corruption prosecutors). Targeted investigative techniques, statistics and indicators should be developed. The role of law enforcement bodies should be strengthened concerning not only corruption but also fraud, tax offences and money laundering.

4 Access to public office must be open to every citizen. Recruitment and promotion should be regulated by objective and merit-based criteria. Salaries and social rights must be adequate. Civil servants should be required to disclose their assets. Sensitive posts should be subject to rotation.

5 Integrity, accountability and transparency in public administration (judiciary, police, customs, tax administration, health sector, public procurement) should be raised through employing quality management tools and auditing and monitoring standards, such as the Common Assessment Framework of EU Heads of Public Administrations and the Strasbourg Resolution. Increased transparency is important in view of developing confidence between the citizens and public administration.

6 Codes of conduct in the public sector should be established and monitored.

7 Clear rules should be established in both the public and private sector on whistle blowing (given that corruption is an offence without direct victims who could witness and report it) and reporting.

8 Public intolerance of corruption should be increased, through awareness-raising campaigns in the media and training. The central message must be that corruption is not a tolerable phenomenon, but a criminal offence. Civil society has an important role to play in preventing and fighting the problem.

9 Clear and transparent rules on party financing, and external financial control of political parties, should be introduced to avoid covert links between politicians and (illicit) business interests. Political parties evidently have strong influence on decision-makers, but are often immune to anti-bribery laws.

10 Incentives should be developed for the private sector to refrain from corrupt practices such as codes of conduct or “white lists” for integer companies.

#### *I. 4 OECD - Policy Paper and Principles on Anticorruption*

In 2007, continuing and enhancing its efforts in the fight against corruption, OECD designed and formulated a “programme of collective action”, comprising the directions and principles in the fight against corruption<sup>11</sup>.

This publication, which is based on proposals and broad guiding principles approved by the Development Assistance Committee (DAC), comprises a DAC Policy Paper on Anti-Corruption: “Setting an Agenda for Collective Action“ and the DAC Principles for Donor Action in Anti-Corruption. It argues that political leadership and enhanced accountability can accelerate collective efforts in fighting corruption through better governance. It highlights a number of frontiers for collective action where coordinated political leadership is needed if the multiple risks associated with corruption are to be successfully managed.

##### *I.4.1 Actions proposed by the DAC<sup>12</sup>*

###### ***To promote a concerted approach to anti-corruption work at country level ...***

- Facilitate joint assessments of corruption and the wider governance context in high-risk countries in close cooperation with other organisations, beginning with pilot exercises in selected countries which build on any existing work.
- Signal its support for anticorruption benchmarks and targets that can be agreed jointly by donors and partners at country level and used to monitor progress.
- Endorse as good practice the close coordination of donor governance and anti-corruption work at country level.
- Develop a set of good-practice principles (a “voluntary code of conduct”), to be endorsed by ministers and rolled out at country level, on coordinated donor responses to deteriorating corruption contexts.

###### ***To tackle the global incentive environment for corruption ...***

- Encourage its members to advocate more concerted and systematic action within their own governments to implement and enforce international conventions to tackle the supply side of corruption (*e.g.* the offering of bribes by the private sector).
- Support UN-led processes and efforts to encourage members to ratify and implement UNCAC while also encouraging DAC members to combine and integrate their joint anti-corruption initiatives with other ongoing efforts to implement and monitor UNCAC on the ground.

---

<sup>11</sup> OECD, (2007), “Policy Paper and Principles on Anticorruption. Setting an Agenda for Collective Action”, OECD Publishing, Paris

<sup>12</sup> Idem, pp. 12-15

- Emphasise the interest to the donor community of proposals at the UNCAC Conference of the States Parties in December 2006 for information-gathering with respect to compliance and related needs for technical assistance.
- Support international initiatives such as the proposed Global Integrity Alliance as a positive way forward in transforming the international incentive environment for integrity and good governance.

#### *1.4.2 The Principles for Donor Actions in Anticorruption*<sup>13</sup>

The Principles reflected best practice and that their widespread application would enhance donor effectiveness in combating corruption. The Principles were given final endorsement by the DAC at their 22 September 2006 meeting.

The Principles embrace the key areas and activities where donors should work together on anticorruption. They emphasize the need to support and strengthen the capacity of civil society, and underline the need for OECD donors to undertake work in their own countries on areas such as repatriation of assets, money laundering, and the ratification and implementation of the United Nations Convention against Corruption (2003).

The Principles are:

##### **1. Collectively foster, follow and fit into the local vision**

At the country level, donors should:

*Collectively:*

- Promote with government the development of a shared government-donor vision/strategy and collaborative mechanism(s) for anticorruption dialogue and action, ideally based on government commitment to implement the UNCAC (or other relevant instrument).
- Share diagnostics, knowledge and analysis through such mechanism(s), identifying gaps and reviewing progress.
- Engage with other key actors through such mechanism(s) (*e.g.* civil society, media and the private sector).
- Support and strengthen the capacity of civil society for strengthening the demand for reform, and promoting and monitoring transparency and accountability in the fight against corruption.
- Work, where government commitment is weak, with local and international civil society and private sector actors as the primary alternative, but recognizing that strengthening government commitment is the essential objective in the long term.
- Take time to understand local political, economic, social and historical contexts and challenges, and develop responses that are appropriate to them.
- Favour long-term responses over short-term, reaction-driven inputs, but without losing the capacity for responding quickly to support new initiatives and emerging reformers where these opportunities arise.

*As individual donors:*

Agree to present anticorruption assistance explicitly as being contributions to the shared vision/strategy and the collective donor approach.

---

<sup>13</sup> *Idem*, pp. 41-47

## **2. Acknowledge and respond to the supply side of corruption**

*Development agencies should:*

- Foster stronger action by relevant domestic departments in their own countries against the supply-side of corruption in areas such as bribery by donor country companies, money laundering, repatriation of assets or the ratification and implementation of major international conventions such as the OECD Anti-Bribery Convention.
- Inform counterparts in other development agencies of this engagement.
- Engage proactively with the private sector in partner countries.
- Ensure that accountability and transparency measures are included in all areas of donor assistance.
- Contribute to strengthening inter-country cooperation (mutual legal assistance, mechanisms for asset recovery) both by strengthening capacity in developing countries for making requests for international legal cooperation and by collaborating with domestic departments where appropriate.

## **3. Marshal knowledge and lessons systematically and measure progress**

*At country level, donors should:*

- Collectively foster knowledge gathering to inform policy and operational action, drawing, wherever possible, on local capacity.
- Encourage government to develop systems that better connect evidence with policy development.
- Foster the systemization and publication by government of the measurement and the reporting of progress on anti-corruption efforts.

*At the global level, donors should:*

- Develop a systematic approach to dividing up efforts for undertaking strategic research/knowledge gathering and synthesis and in sharing results.

### *1.5 Anticorruption strategies in Romania*

Romania's preoccupations to become a European, democratic state, with an efficient administration are reflected especially in the last decade in "the impressive arsenal of legal instruments for transparency, responsibility and anticorruption"<sup>14</sup>, aiming to develop standards and best practices at the level of administration and other key sectors, such as the sanitary system, bodies to maintain public order, justice and strengthening internal and international cooperation in the field of preventing and fight against corruption, representing the three priority areas of the National Anticorruption Strategy 2005-2007 (Table I.1).

---

<sup>14</sup> Freedom House Washington Inc. (2005), Independent audit of National Anticorruption Strategy 2001-2004.

Table I.1. *Priority areas and objectives of the National Anticorruption Strategy 2005- 2007*<sup>15</sup>

Priority area	Objectives
Priority area I  PREVENTION, TRANSPARENCY, EDUCATION	<i>Objective 1</i> Increasing the transparency and integrity in public administration
	<i>Objective 2</i> Preventing corruption in the business environment
	<i>Objective 3</i> Information campaigns and educational measures
Priority area II  COMBATING CORRUPTION	<i>Objective 4</i> Increasing the integrity and resistance to corruption of the judiciary system
	<i>Objective 5</i> Reducing the number of structures that have tasks in the fight against corruption
	<i>Objective 6</i> Strengthening the institutional capacity of the National Anticorruption Prosecutors Office (NAPO)
	<i>Objective 7</i> Increasing the celerity of criminal prosecution and criminal trials
	<i>Objective 8</i> Combating corruption through administrative means
Priority area III  INTERNAL COOPERATION AND COORDINATION	<i>Objective 9</i> Coordinating and monitoring the implementation of Strategy and Action Plan
	<i>Objective 10</i> Fully implementing all the anticorruption instruments of UE, UN, CoE and OECD

The mission of the Strategy 2005-2007 is to prevent and counter corruption by refining and rigorously implementing the legal framework, through legislative coherence and stability, and by institutional strengthening of the entities with important tasks in the field.

The National Anticorruption Strategy 2005-2007 of the Government of Romania has a complex structure, with an integrated approach and the public policies on anticorruption<sup>16</sup> have been elaborated taking into consideration GRECO recommendations (in view to improve the compliance level according to the provisions subjected to examinations) and Anticorruption Manual, drawn up by United Nations in 2003.

The actions sustaining the achievement of the 10 objectives of the strategy (Table I.1) are respecting the principles: *rule of law, good governance, responsibility, prevention of corruption acts, efficiency in countering corruption, cooperation and coherence, transparency, consultation of the civil society and social dialogue, public-private partnerships.*

<sup>15</sup> **Decision of the Government of Romania no. 231 on 30 March 2005** concerning the approval of the National Anticorruption Strategy 2005-2007 and the Action Plan for implementing the National Anticorruption Strategy 2005-2007, Official Journal no. 272 on 1 April 2005.

<sup>16</sup> Governing Programme 2005-2008, Chapter 10- Anticorruption Policies, <http://www.gov.ro>.

The analyses and monitoring actions of the European Commission<sup>17</sup>, Transparency International, the reports of GRECO-Council of Europe comprise recommendations concerning the elaboration of a coherent anticorruption strategy at national level, which should aim the most vulnerable sectors and local government as well as monitoring its implementation.

Thus, a new strategy is adopted in the *National Strategy on preventing and combating corruption in vulnerable sectors and local government (2008-2010)*. This strategy aims to design and implement new measures for combating or reducing corruption in vulnerable sectors and local government, based on the internal and external assessments of the previous strategy during the period of its application, as well as to continue the efforts in fighting against corruption. In order to sustain the areas and objectives of the new strategy (Table I.2) *four conditional elements (benchmarks - BM)* were identified by the European Commission and they were comprised in the Commission Decision no. 2006/928/EC on 13 December 2006<sup>18</sup>; we remark the conditional element number 4, referring to „Adoption of additional measures for preventing and fighting against corruption, especially in local government”.

Taking into account the schedule, the strategy will cover the period 2008-2010.

The representatives of central government, the representatives of association structures of local governments have been the actors who elaborated the strategy.

In view of implementing the strategy, the measures adopted at administration level aimed mainly legislative harmonisation and coordination of the legal framework in the field- most measures in the Action Plan were legislative ones. For example, in the **sanitary system**, the most important normative acts regulating the specific medical activities are as follows:

Law no. 95/2006 on the reform in the field of health (collection of laws for reform in health);

Government Decision no. 862 / 2006, on organisation of the Ministry of Public Health;

Government Decision no 1842/2006 (for approving the Framework Contract on the conditions for medical assistance inside the social security system for health for 2007);

Order No. 840/2003, on the Methodological Rules for internal public audit in the Ministry of Health;

---

<sup>17</sup> European Commission, (2006), *Monitoring Report of the European Commission* on 26 September 2006, creating the framework for establishing, after Romania accession into the European Union, a mechanism for cooperation and controlling the developments recorded in the area of the reform of judiciary and fight against corruption.

European Commission, (2007), *Report concerning the evolution of the accompanying measures in Romania after accession*, 27 June 2007

<sup>18</sup> Commission Decision no. 2006/928/EC on 13 December 2006, published in Official Journal of the European Union no. 354 on 14 December 2006.

Table I.2. *Priority areas and objectives of the National Strategy on preventing and combating corruption in vulnerable sectors and local government (2008-2010)*

<b>Priority area</b>	<b>Objectives</b>
Priority area I  ANALYSES, STUDIES, RESEARCHES ON THE CORRUPTION PHENOMENON	<i>Objective:</i> Supporting public administration in view to evaluate the size of the corruption phenomenon
Priority area II  COOPERATION, TRANSPARENCY, INTEGRITY, SIMPLIFICATION OF THE ADMINISTRATIVE PROCEDURES	<i>Objective 1:</i> Increasing the information degree and awareness on the risks associated to corruption
	<i>Objective 2:</i> Increasing the transparency in the public services
	<i>Objective 3:</i> Developing the human resource management system in view to diminish the risks associated to the corruption phenomenon
	<i>Objective 4:</i> Simplifying the administrative procedures in view to improve the public services

Order no. 1136/2005, on the Programme for development of the management control system of the Ministry of Public Health and creation of the working group for monitoring, coordinating and methodological guidance concerning the management control systems in the Ministry of Public Health, transposing the Order no. 946/2005 (Code on the internal control) of the Ministry of Public Finance (MFP);

Order of the National Chamber of Health Insurance no. 328/2006, on monitoring and control in the health social insurance systems;

Order of the Minister of Public Health no. 880/2006, on the Regulation for organisation and functioning of the Public Health Authority (inquiries and complaints);

Order of the Minister of Public Health no. 922 on 27 July 2006, on approving the model for the management contract of the public hospital;

Order of the Minister of Public Health no. 921 / 2006, on the attributions of the steering committee of the hospitals;

Order no. 1781/558 on 27 December 2006 (for approving the Methodological rules to apply Framework Contract concerning the conditions for providing medical assistance in the health social insurance systems for 2007);

Order of the Minister of Public Health no. 320/2007 on the Contract of administrating the department/laboratory or medical service in the public hospital.

The Governing Programme of Romania 2009-2012<sup>19</sup> in Chapter 22: Reform of public administration and Chapter 23: Justice and anticorruption policies, states the fight against corruption, simplification of administrative procedures, increasing the transparency of public services as governance objectives.

<sup>19</sup> Source: <http://www.gov.ro>



## Chapter II Corruption in Romania. Empirical researches

### *II. 1 Social perception on corruption in public administration*

For the time being, public administration (PA) in Romania is subject to an intense reform process, defined as “ensemble of measures for reform at the level of civil service, local government, through continuing the decentralization process, improving the public policy-making”.<sup>20</sup> In the vision of the above strategy, the decentralization process becomes an important lever in the fight against corruption.

However, we should take in consideration that “deficient implementation of the decentralization process could generate an increase of corruption at local level, with negative consequences on economic and social level, both on short and long term”<sup>21</sup>.

Based on several outstanding empirical researches aimed at assessing how the reform process in public administration contributes to reducing corruption, Andrei, Matei and Rosca (2008) determine factors generating corruption, grouping them on the following categories:

i) political factors, including maturity of the democratic system, quality of the judicial and electoral system, level of administrative decentralization, tradition of the public administration system etc.; ii) economic factors, such as openness level of the economy, size of the public sector, economic competitiveness, volume of foreign investments in economy etc.; iii) social and cultural factors, as well as iv) historical factors.

#### *II.1.1 Organisation of the empirical research*

In May 2008, in order to determine the characteristics of the reform process in public administration, a research based on statistic survey was organised at the level of public administration. Within the research, a representative sample was defined at the level of civil servants from public administration. In order to create the sample, a technique for sampling in 2 phases was turned into account, comprising 971 civil servants from the central and local government. The error of estimating the parameters represents 1.2% and the probability of guaranteeing the results represents 97%.

A statistic questionnaire was applied, comprising questions grouped on the following major topics: internal organisation of the institutions in public administration, pressure of the political system on the institutions from central and local government, the decentralization process in administration, civil service, gender discrimination in institutions from this sector of activity, corruption and its implications on the economic-social development at national and local level. The questionnaire also comprised a series of questions concerning personal issues, such as gender of the person, age, education level, category of the institution where he/she works etc. The sample included employees from central government, county councils, prefectures and decentralised public services.

---

<sup>20</sup> Government of Romania, (2004), Strategy for the public administration reform”, <http://www.gov.ro>

<sup>21</sup> Andrei, T., Matei, A., Rosca, I., (2008), *Coruptia. O analiza economica si sociala*, Editura Economica, Bucharest, p. 24.

### *II.1.2 Empirical results*

The economic literature pays special attention to the studies on evaluating corruption and its impact on the economy, in general and on sectors of activity, in particular. In this respect, we mention a series of papers estimating the impact of corruption on the economic growth (Schleifer and Vishny, 1993; Mauro, 1995) on the military expenditure (Gupta, Mello and Sharan, 2001), on the public health and education system (Gupta, Davoodi and Tiongson, 2000), on direct foreign investments (Wei, 1997), on life quality and poverty.

In order to analyse the corruption phenomenon, the questionnaire comprised a series of questions for evaluating the PA employees' opinion about the level of corruption, factors generating corruption and the economic and social consequences of this phenomenon.

#### *II.1.2.1 Level of corruption on sectors of activity*

In order to evaluate the civil servants' opinion concerning the level of corruption, we consider the variable  $C_1$ , measured on a scale with values ranking from 1 – corresponding to the cases when corruption is at a low level and 5 – corresponding to the situation when corruption is at a generalised level. In view to define this variable, we took into consideration the PA employees' opinion concerning the level of corruption in education, health, politics, local government, central government and corruption in their own institution.

The average level of this characteristic, evaluated on the basis of the data provided by the sample represents 3.20, and the standard deviation equals 0.80. If we transform the above value according to Transparency International index (TCI), we obtain 3.6, revealing relative similar results for the two measurements. Generally, the values of this corruption index for Romania are between 3.0 and 3.4, situating Romania among the countries with the highest corruption level at European level. The following relation was applied in order to pass from the measurement scale used in this study to TCI scale:

$$(5 - 3.2) \frac{10}{5} = 3.6$$

Table II.1 presents concrete results.

Table II.1 Level of corruption on sectors of activity

	Education	Health	Politics	Local government	Central government	In your institution
No corruption	5.8	4.2	3.9	7.4	6.6	30.8
Corruption on an insignificant extent	22.0	11.5	8.2	20.6	16.0	35.8
Corruption at moderate level	41.6	30.7	16.3	37.0	31.1	22.5
Corruption on a large extent	24.4	38.1	41.0	26.4	33.7	7.2
Generalised corruption	6.3	15.6	30.6	8.6	12.6	3.8
Total	100.0	100.0	100.0	100.0	100.0	100.0
Average	3.03	3.49	3.86	3.08	3.29	2.17
Median	3.00	4.00	4.00	3.00	3.00	2.00
Standard deviation	0.972	1.021	1.064	1.050	1.085	1.064
Pearson coefficient						
	1	0.634(*)	0.500 (*)	0.594 (*)	0.504 (*)	0.474 (*)
		1	0.601 (*)	0.494 (*)	0.451 (*)	0.350 (*)
			1	0.543 (*)	0.622 (*)	0.280 (*)
				1	0.745 (*)	0.571 (*)
					1	0.452 (*)
						1

\* Correlation is significant for 1%

### II.1.2.2 Elements favouring corruption

In view to analyse the causes of corruption in public administration, the following elements were taken into consideration: legal framework, payment system, morality of the civil servants, pressure on behalf of the economic environment, pressure of the political system and citizens' behaviour. The influence of each element was measured on a scale from 1 (the element has influence on a large extent) to 5 (the element is not at all influencing corruption). (Table II.2)

Table II.2 Elements favouring corruption in public administration

	Legal framework	Payment system	Civil servants' morality	Pressure on behalf of the economic environment	Pressure of the political system	Citizens' behaviour
To a large extent	17.4	37.7	21.6	13.5	27.0	11.5
Quite large	27.1	35.9	29.7	34.4	27.7	24.4
Moderate	28.8	15.9	30.9	30.1	26.5	34.8
Insignificant extent	16.8	6.3	12.7	15.3	11.2	18.7
Not at all	9.9	4.2	5.0	6.6	7.6	10.7
Total	100.0	100.0	100.0	100.0	100.0	100.0
Average	2.74	2.03	2.49	2.67	2.44	2.92
Median	3.00	2.00	2.00	3.00	2.00	3.00
Standard deviation	1.21	1.08	1.11	1.09	1.21	1.14

*II. 1.2.3 The effect of corruption on the economic and social environment*

In order to evaluate PA employees' opinion concerning the negative effect of corruption on the economic and social environment, the questionnaire comprised a series of questions, defining the primary variables for quantifying the negative effect of corruption on the local development, national development, quality of education, public health system, quality of the political environment, quality and image of local and central government. C<sub>2</sub> represents the variable measuring the negative effects of corruption on the economic and social environment. It is evaluated on a scale ranking from -2, corresponding to a pronounced negative effect of corruption to 2, case when the respondents consider that the corruption phenomenon has positive effects on the economic and social environment.

The average level of the aggregated variable equals -1.06, revealing a negative effect of corruption on the economic and social environment in Romania. The standard deviation of this variable equals 0.91. (Table II.3)

Table II.3 How the results in various fields influence the level of corruption

	Development of your town	National development	Education	Health	Political field	Local government	Central government
Negative	33.7	38.5	36.8	44.0	52.2	37.0	41.7
Moderate negative	40.5	43.0	39.0	36	30.1	42.1	38.3
No influence	15.4	7.3	14.1	9.6	6.4	11.1	9.4
Moderate positive	9.3	9.1	7.0	7.4	6.7	7.6	7.6
Positive	1.1	2.2	3.0	2.8	4.6	2.2	3.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Average	-0.96	-1.06	-0.99	-1.11	-1.19	-1.04	-1.08
Standard deviation	0.981	1.009	1.031	1.035	1.110	0.993	1.040

#### II.1.2.4 Contribution of some factors to reducing corruption

In order to reduce the level of corruption in a country, various strategies are developed in view to create new institutional structures and improve the legal framework for combating corruption, enhancing the efficiency of the state structures through creation of efficient institutions at central and local level, modernisation of the civil service, reforming the political environment, setting up and developing nongovernmental institutions, aiming to support the fight against corruption.

Media plays an important role in countering corruption, supporting the increase of transparency for the decisions at political level. The cultural factors and mentalities of the population in a country or certain geographical region contribute directly to maintaining the level of corruption. In view to evaluate the influence of some factors to reducing corruption, variables were defined on the basis of the questions inside the questionnaire. These variables quantify the civil servants' opinion concerning the influence of media, school, church, political environment, representatives of state/civil servants in central and local government. In order to measure the above primary variables, a scale ranking from -2 (corresponding to the case when the effect of the factor encourages the corruption phenomenon) to 2 (value assigned when the factor contributes to reducing corruption). C<sub>3</sub> represents the aggregated variable measuring the efficiency of the factors for reducing corruption.

The average level of this characteristic equals 0.22, the standard deviation is 0.82. The average value of this characteristic reveals insignificant influence of the factors for the fight against corruption at the Romanian society level. Average values and average square deviations were calculated for the eight factors. (see Table II.4).

Table II.4 Characteristics of the factors which contribute to reducing corruption

	Media	School	Church	Behaviour of politicians at central level	Behaviour of politicians at local level	Behaviour of the state representatives/civil servants in central government	Behaviour of the civil servants at local level	Citizens' behaviour
Negative (-2)	5.2	1.8	1.8	28.9	19.4	11.8	7.1	6.9
Moderate negative (-1)	7.4	5.5	4.9	26.0	32.7	30.7	30.0	27.2
No influence (0)	10.0	33.6	35.0	15.1	16.0	17.1	19.2	22.5
Moderate positive (1)	48.5	41.9	34.5	20.3	22.4	29.6	31.0	28.7

Positive (2)	28.8	17.3	23.8	9.7	9.5	10.8	12.6	13.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average	0.87	0.67	0.73	-0.44	-0.30	-0.03	0.11	0.15
Standard deviation	1.138	0.884	0.936	1.347	1.272	1.229	1.178	1.169

## *II.2 Social perception on corruption in the public health system*

The national authorities and the international organisations are concerned to evaluate social perception on corruption in the public health systems. Without insisting on the extension and results of the above studies, we remark some important assertions in this field.

Thus, Transparency International (2006)<sup>22</sup> reviews the main causes of corruption in the health care systems. The conclusions reveal both “the propensity to corruption in health systems”<sup>23</sup>, providing examples about the specific modalities for this field concerning the “agent principal” theory and “state capture”.

Emphasising five main actors in the health systems, the core causes of corruption are: uncertainty, asymmetry of information and high number of actors.<sup>24</sup>

---

<sup>22</sup> Transparency International (2006), “The Causes of Corruption in the Health Sector: a focus on health care systems”, [www.transparency.org/.../20corruption.pdf](http://www.transparency.org/.../20corruption.pdf)

<sup>23</sup> Savedoff, D., W, Hussmann, K., (2005), “Why are health systems prone to corruption”, included in Transparency International (2006), p.6

<sup>24</sup> Transparency International (2006), op.cit., p.5

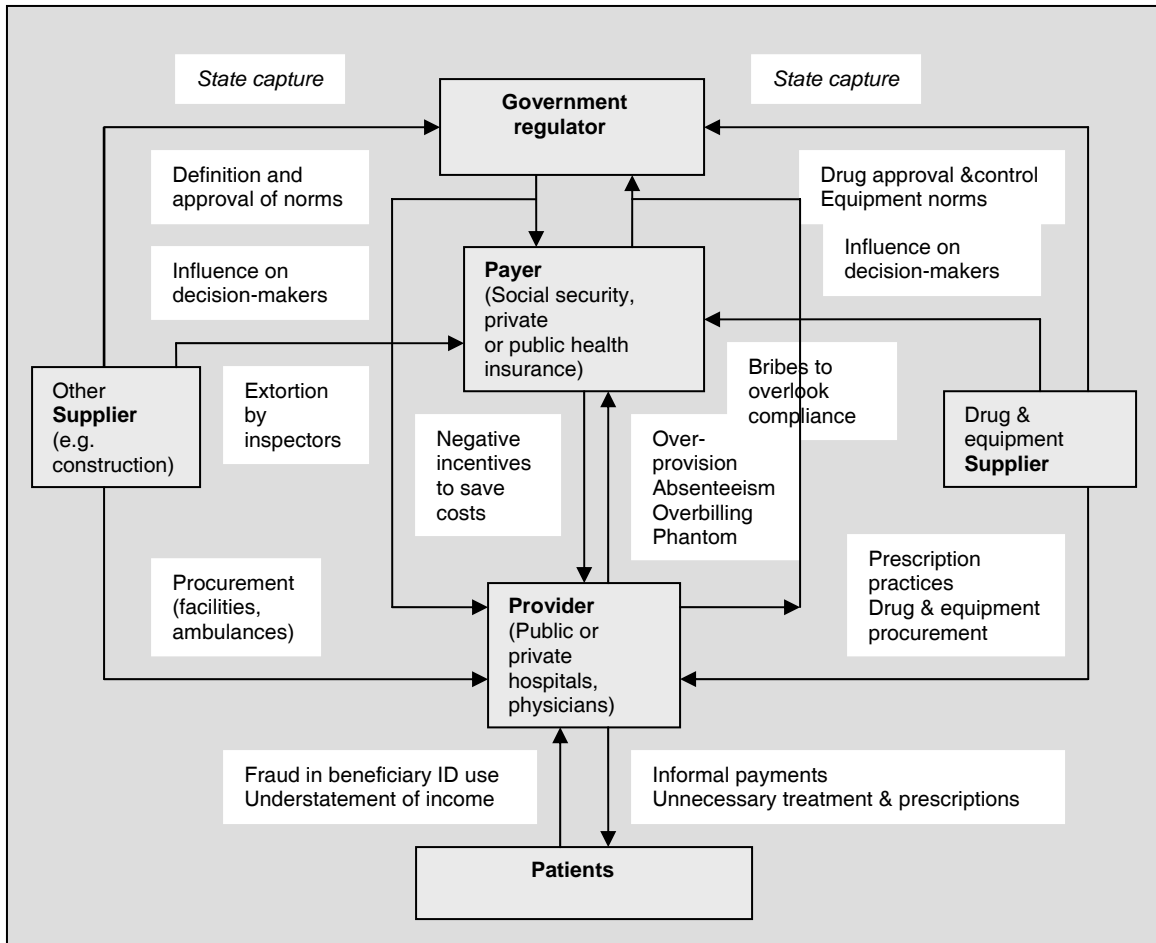


Figure II. 1 Five key actors in the health system<sup>25</sup>

The modalities of corruption aim mainly issues of regulation, social security organisations, health insurance organisations, providers of health care, patients, equipment suppliers.

The study emphasises, concretely, for each actor, the possibilities of fraud or corruption. Corruption in health systems has an endemic character, being expressed in relation to the national and universal specificity, as many causes and modalities are similar in several states.

It is worth to mention other papers, relevant for the topic approached by us, namely, Arrow (1963), Lewis (2006), Andrei, Matei, Stancu and Andrei (2009). At the same time, Andrei, Matei and Oancea (2009) achieve a statistical processing and analysis on the relations between corruption and performance in the health public system in Romania.

<sup>25</sup> Undertaken after Savedoff and Husmann (2005), p. 7

### *II.2.1 Generalities*

We present several aspects concerning the measurement of the opinion of medical staff with higher education studies on issues about the level of corruption, role of factors and institutions in favouring corruption inside the public health system. There are also important aspects concerning the methodology and the results further the application of descriptive methods. A series of channels for propagating corruption inside the system are identified. It is worth to mention the following:

- the system of changing the managing staff from the medical institutions on political criteria;
- the existence and application of a defective legal framework, encouraging the occurrence of corruption acts in the public health system;
- deficiencies of the payment system for medical staff, which is not motivating the medical staff in achieving a quality medical act;
- pressure of the economic and business environment on the administrators of the medical units;
- patients' behaviour, encouraging the non-academic behaviour for the medical staff.

### *II.2.2 Empirical results*

#### *II.2.2.1 Evaluating the corruption level*

In view to evaluate the doctors' perception concerning the level of corruption, a measurement scale with five values was used. Value 1 – there is no corruption for this field. Value 2 – there is corruption on insignificant extent. Value 3 – there is corruption at moderate level. Value 4 – there is corruption on a large extent. Value 5 – there is generalised corruption in this field.

The questionnaire comprised five questions for measuring the opinion concerning the level of corruption on fields of activity. (Table II.5.a)

The fields are education, health, politics, public administration, the institution of employment of the respondent.

For a global evaluation of the level of corruption, an aggregated variable of level one is defined, taking into consideration the level of corruption in education, health, administration and institution of the doctor completing the questionnaire. In order to evaluate the level of corruption, the data concerning the politics are not taken in consideration, as the inadequate behaviour of the politicians generate corruption at the level of the other fields.

The opinion of the medical staff with higher education studies, on levels of corruption is presented in Table 5. Only valid questionnaires (with answers on all five items) have been taken into consideration. Their total number was, in this regard, 375.



Table II.5.a. Level of corruption on areas

Education	Health	Politics	Public administration	Institution of employment for the doctor
3.16 (0.975)	3.28 (0.992)	4.29 (0.840)	4.02 (0.866)	2.47 (1.081)

Note: below every average there is the square average.

For ensuring the compatibility of the data collected within the framework of this analysis, with those employed by the Corruption Perception Index as calculated by Transparency International, we have used the following transformation:

$$\text{Corruption Index (TI)} = 2 (5 - \text{Corruption index}) \quad [1]$$

In TI case, a low value may underline a high level of corruption within the system. The domain of values for the indicator is 1 to 10. Interpreting the results must take into consideration that in 2007, corruption in Romania as estimated by Transparency International is 3.7. This puts Romania on the 30th place in Europe. The trust interval estimated for that is (3.4 – 4.1). In a world ranking, Romania is situated on 69<sup>th</sup> place. Applying the transformation made above, we obtain the following results in the table provided below:

Table II.5.b Level of corruption on areas (compatible to TI)

Education	Health	Politics	Public administration	Institution of employment for the doctor
3.78	3.44	1.42	1.96	5.06

The corruption index, calculated at the level of the sample, based on the results provided by five institutions, presents the following characteristics:

- The value of corruption index is equal to 3.23, and the standard deviation is 0.759. Calculating the average on the collected questionnaires (375 in number), with valid answers to all items representative for defining primary variables.
- Corruption Index evaluated on the basis of the transformation [1] is equal to 3.52, a value to be found in the trust interval of the Corruption Perception Index as calculated by Transparency International.
- The distribution of corruption, as defined on the basis of data series is symmetrical.
- Relatively similar profiles are recorded in the case of data series for education and health, respectively administration and politics. Actually, for education and health and administration and politics there are almost equal values present.

### II 2.2.2. Factors for reducing / favouring corruption

In order to estimate the influence of factors for maintaining corruption inside the system, the questionnaire comprised five questions. The study took into consideration

five factors: legal framework, payment system, pressure on behalf of the economic environment, pressure of the political system, patients' behaviour.

It is important to identify the factors maintaining corruption inside the public health system and to measure its influence.

In order to measure the doctors' opinion concerning the influence of the five factors in propagating corruption in the public health system, a scale with five values is used: 1 – the factor has a large influence in propagating corruption inside the system; 2- the factor has quite a large influence; 3- the influence is moderate; 4 – the factor influences to insignificant extent the level of corruption in the public health system; 5 – the factor has no influence on the level of corruption at the system level.

Table II.6 Distribution of responses concerning the contribution of factors to favouring corruption (%)

	Non-response	To a large extent	Quite large	Moderate	To insignificant extent	Not at all
1. Legal framework	5.7	22.9	18.2	25.3	20.4	7.5
2. Payment system	2.9	64.9	21.6	6.6	2.2	1.7
3. Pressure on behalf of the economic environment	5.4	33.7	29.2	19.9	9.3	2.5
4. Pressure of the political system	6.4	24.6	22.1	20.6	19.4	6.9
5. Patients' behaviour	4.9	16.7	19.4	26.8	20.9	11.3

Also, Table II.7 presents the distribution of responses concerning the contribution of other institutions to reducing corruption.

Table II.7 Distribution of responses concerning the contribution of other institutions to reducing corruption (%)

	Non response	Negative	Moderate negative	No influence	Moderate positive	Positive
1. Media	3.2	12.3	9.8	17.9	44.5	12.3
2. School	3.4	5.4	5.7	38.3	35.4	11.8
3. Church	3.9	4.2	3.7	50.1	26.3	11.8
4. Politics	3.2	42.8	25.6	10.6	9.8	8.1
5. State representatives/ civil servants	3.2	34.6	29.0	12.8	11.8	8.6

## Chapter III. Towards a model of cost-benefit analysis for the anticorruption strategies

### III.1 Documentary fundamental issues

Several papers approached the application of the economic mechanisms in evaluating the costs and benefits of corruption and combating corruption; even if they did not refer explicitly to the cost-benefit analysis, they revealed how fundamental notions and concepts could adapt to this topic. In this respect, we mention Arrow (1963), Savedoff (2004), Getzen (1997), Mueller (1997), Persson and Tabellini (2002), Ades and Di Tella (1999) etc.

Fundamental notions and concepts concerning the uncertainty of decisions, informational asymmetry, moral hazard or public choice gain in the above papers the appropriate significance in evaluating the measures and anticorruption strategies. If we add “agent principal” theory or “state capture”, we shape a fully framework for analysing the anticorruption strategies. Rose-Ackerman (2005) concludes: “the empirical research in various states confirms the negative influence of corruption on the economic growth and productivity, but is not helpful in shaping the anticorruption strategies. She states that corruption is harmful but she does not identify the mechanisms for influencing the economic performance<sup>26</sup>. The World Bank<sup>27</sup> also identifies the main costs of corruption, namely poverty and inequality with consequences on fiscal stability, economic growth, investment growth, development assistance or environment. The direct effects consist in “administrative corruption” and the indirect effects on “state capture”. In fact, Rose-Ackerman (2005), in the introductory part, approaches the costs of corruption and in Chapter 2, she isolates the most important situations where widespread corruption can determine who obtains the benefits and bears the costs of government action.

- The government may be charged with allocating scarce benefit to individuals and firms using legal criteria other than willingness to pay. *Bribes clear the market.*
- Officials in the public sector may have little incentive to do their jobs well, given official pay scales and the level of internal monitoring. They may impose delays and other roadblocks. *Bribes act as incentive bonuses.*
- Those engaged in legal pursuits seek to reduce the costs imposed on them by government in the form of taxes, customs duties, regulations. *Bribes lower costs.*
- Illegal businesses frequently purchase corrupt benefits from the state. In extreme cases illegal businesses and organized crime bosses dominate the police and other parts of the state through corruption and intimidation. *Bribes permit criminal activity.*

These categories are not mutually exclusive. A bribe that acts as an incentive payment, for example, might also allocate a scarce benefit or provide a tax exemption. Nevertheless, each raises enough distinctive issues so that it is worth considering each one separately<sup>28</sup>.

---

<sup>26</sup> Rose-Ackerman (2005), op.cit. p.3

<sup>27</sup> World Bank, (2008), Costs, Consequences of Corruption, [www.worldbank.org](http://www.worldbank.org)

<sup>28</sup> Rose-Ackerman, S., (2005), op.cit. pp. 9-10

### III.2 Effects and mechanisms

Structuring the economic effects on several categories, Prohntchi (2003) identifies the economic mechanisms that are used.

Table III. 1 Economic implications of corruption<sup>29</sup>

Category	Effect	Mechanism
Macroeconomic effects	Aggravating the gap between effective and potential economic growth	Reducing the currents assets, corruption pushes down the curve of production and influences labour market
	Reducing the direct internal investments and the foreign investments	The increase of the risk bonus leads to eliminating investment projects with low return on investment, which would be acceptable in normal conditions.
	Increasing the risk of financial crisis or even financial chaos	The banks could be obliged by corrupt civil servants and officials to award non-qualitative preferential credits.
	Higher risk of inflation	The mechanism of influence is not clear but the connection is powerful and significant.
Structural effects	Aggravating the budgetary deficit	Reducing the possibilities to accumulate fiscal revenues by bribing the tax inspectors or custom officers.
	High weight of unofficial economy	High bribes, associated to the necessity to avoid coercitive or prohibitive regulations determine the enterprises to transfer resources in the unofficial sector of economy.
	Reducing the social expenses	The fiscal multiplier decreases.
	Negative effects on public investments, like:	
	Launching great investment projects, but inefficient and insufficient social expenses	Corrupt civil servants promote large, complex projects, providing higher opportunities for further withdrawal the funds
	Insufficient allocation for operation and maintenance	Operation and maintenance do not provide so many possibilities for fraud of funds. (embezzlement)
	The effect of the above two consists in reducing the quality of current infrastructure	
	Exaggerated allocation for purchasing new equipment, technically sophisticated, above the country needs.	Further the agreement between the corrupt civil servant notifying the import and the importing enterprise, a margin from the exaggerated price is further transferred back to civil servant. (kickback)

<sup>29</sup> Undertaken after Prohntchi, V., (2003), op.cit. pp. 37-38

<b>Category</b>	<b>Effect</b>	<b>Mechanism</b>
Economic efficiency of the production factors	Increasing the relative cost of capital. Increasing the transaction costs.	To the bank's interest rate, the rate of the bribes paid should be added in the total of the lent capital. The corrupt transaction involve high transaction costs under the form of bribes, moral costs, monetary value of the risks, lost time etc.
	Increasing the costs to enter the market	The enterprises already in the market afford to pay higher bribes that the enterprises intending to enter the market.
	Inefficient allocation of the public procurement contracts	Contracts are signed with the firms paying the highest bribe, not compulsory with those which are the most economically efficient.
	Inefficient allocation of the property rights	Privatisation in the transition countries was accompanied not only by owners who got rich, but also by civil servants who distributed the patrimony in a corrupt manner.
	Distortions of competition	The competitor with personal connections has competitive advantage and not the efficient competitor.
Inequalities and efficiency	Favouring the inequality of revenues	The corrupt networks are resistant to starting up new businesses. Along with directly reducing the rates of economic growth, it reduces the economic opportunities for large social categories.
	Favouring the tax inequality	The honest firms pay legal taxes and they are disadvantaged against those paying smaller bribes than the legal taxes.
	Redistribution of wealth	For corruption with theft, the public patrimony is tenebrous evaded and misappropriated by corrupt civil servants.
	Decreasing the consumer's utility	Example: how do customers feel in the maxi taxi running under the indifferent watch of the traffic agents on the municipal routes, without proper equipment, exceeding the speed, breaking the traffic rules.
	Insufficient delivery of public services and goods (fresh air, pure drinking water)	Example: some firms in industry and agriculture, the owners of the transport means pay bribes for the right to break the ecological regulations concerning waste, smog etc.

### *III. 3 Conclusions*

Cost-benefit analysis should begin with identification of the costs and the anticorruption strategies will propose to diminish them. In the syntagm "cost-benefit analysis", the "benefits" will occur after implementing the anticorruption strategies.