

Governance or Governing – the Missing Link?

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Abstract: Governance and governing are two distinct concepts, but they intertwine. “Good governing” exercises good influence on development. “Good governance” supposes first a relationship of power focused on a series of reforms structured at three levels: the political – administrative level, the economic level, and the level of civil society. As this dimension is difficult to measure, the qualitative evaluation of the governing act raised the interest of the World Bank researchers, who elaborated and monitored the dynamics of a set of indicators, which includes six major dimensions of the governing. A retrospective concerning the image of governing in Romania during the period from 1996 to 2005 suggests a modest increase of the score: from -0.138 (1996) to 0.008 (2002); that was partially achieved based on the voice and responsibility index and on the political stability index, not on those that measure more directly the administrative performance or the integrity of the governing act. For a comparative study, we chose seven countries for the purposes of analysis (two new European Union member states: Romania and Bulgaria; two older member countries of the European Union: Slovenia and Latvia; three non-member states: Moldova, Ukraine, and Georgia), which reveal the quality of the governing from a comparative perspective. Corruption control completes the image created by the analyzed indicators. The mere formal accomplishment of commitments made in the pre-accession activity, doubled by recent internal evolutions, bring doubts about the credibility of the anticorruption reforms, as Romania continues to be considered the country with the highest CPI in the European Union. The pessimism of public opinion and the fact that only 34% of the Romanian people consider that the level of corruption will decrease in the following three years constitutes an alarm signal addressed to the governance, in view of the real reformation of the administration system, of giving a sense of responsibility to the public and private sectors, of imposing, observing and materializing a real commitment for preventing and fighting corruption, the risk of which may be a threat to national security. Human governance creates a favorable environment for human development and elimination of poverty. If the preoccupations of the governance institutions are centered on the interests, needs, and fundamental rights of the population, progress may be achieved in the fight against poverty. If a country tries to apply economic policies in order to promote a beneficial increase to the poor ones, along with programs meant to help reach the targeted goals, the effects may be attenuated or annulled, when the governance institutions are ineffective or passive. The conclusion is that the governance is the missing link between the efforts of struggle against poverty and reaching the objective of poverty reduction.

Keywords: governing; governance; corruption; economic freedom; poverty

JEL Classification: H11; G18; G28

Governing has been defined in many ways: as people managing an entire nation, or as an exercise of authority to administrate the country's resources and businesses. (United Nations, 2004, p. 9) "Governing is the sum of various ways in which individuals and institutions, both public and private, manage their own businesses." (Commission on Global Governance, 1995, pp. 2-3) "Governing is the manner in which power is exercised within the administration of a country's economic and social resources." (World Bank, 1994, p. xiv) Inside international organizations promoting economic strategies and politics, the notion of governing is not limited to descriptive acknowledgments, but is also qualified, thus upholding the idea of efficient governing.

The notion of *governance* can be understood as a more active and horizontal form of governing when compared to the traditional forms which have a rather pronounced hierarchic and vertical feature. "Governance is about an apparatus implying institutions, relations, rules and behaviors, all at the same time, meaning much more than the present concept of governing." (Pérez, 2003) (Feleagă & Vasile, p. 24)

The notion of *governance* has been introduced in the European Commission's "White Charta" (2001) and defined as being a set of rules and methods for ruling, based upon five basic principles: transparency, participation, responsibility, efficiency and coherence of the European communitarian system. The finality of this process' intercession is given by the increase in the average citizen's involvement, ensuring a democratic, flexible framework in order to facilitate elaborating coherent, transparent and responsible decisions.

Governance is multidimensional. The system of governance is made up of a variety of processes, systems, organizations and rules regarding demand and offer of public bureaucracy, starting with non-executive surveillance institutions and citizens responsible for the performances of bureaucracy. Everything could be summed up to this: *Governance encompasses those methods used by societies in order to distribute power and manage public resources and issues.*

Human governance creates a favorable environment for human development and elimination of poverty. Human governance has *three essential qualities: dominance* (it is active and it serves the public interest); *equity* (it contributes to creating a society ensuring equality of chances to all individuals); *responsibility* (it is grouped in transparent structures, which answer to the people). (PNUD, 2000) If the

preoccupations of the governance institutions are centered on the interests, needs, and fundamental rights of the population, progress may be achieved in the fight against poverty. If a country tries to apply economic policies in order to promote an increase beneficial to the poor ones, along with programs meant to help reach the targeted goals, the effects may be attenuated or annulled, when the governance institutions are ineffective or passive. The conclusion is that *governance is the missing link between the efforts of struggle against poverty and reaching the objective of poverty reduction.*

Governance can be measured using *two types of indexes*¹:

- 1) *Global indexes* – monitoring the system’s global performance and helping in obtaining the best set of global results;
- 2) *Specific indexes* – focusing on the quality of the globally distributed elements of national governance, being more adapt at frequent changes taking place in the field of governance, which enforces their feature of being “usable” in view of improving the results of governance.

The purpose of using these types of indexes: increasing the state’s awareness regarding the importance of governance; improving governance reforms on a national level; monitoring the advancement of these reforms and comparing them nationally and internationally; assigning help granted by international institutions; carrying out research on the economic impact and determinant factors for governance; assessing the country risk (e.g. investment risks).

The following table presents a typology of the indexes regarding the measurement of quality in institutions and processes, as well as the results of these institutions:

Table 1. Types of governance indexes

	Measuring the quality of processes / models	Measuring the results
<i>Specific measurements</i>	CPRF index (public spending and financial responsibility) CFPAP sub-index (the quality of the management systems of public finance and the quality of	Assessing the climate for investments Inquiries/ Polls regarding the analysis of the business

¹ „Plan d’exécution pour le renforcement de l’engagement du Groupe de la Banque Mondiale en matière de gouvernance et de lutte anti-corruption”, 17 aug. 2007.

	public administration) Sub-index for the index of global professional ethics (IDM) Sub-index for the Open Budget index (IOB) The acquisitions index of OCDE (IAOCDE) The Doing Business index (IDB)	environment and the performance of companies (BEEPS) Global governing index (IMG)
<i>Global measurements</i>	Global CFPAP Global IDM Global IOB DB global index	Transparency International IMG Freedom House Polity IV

Source: „Plan d'exécution pour le renforcement de l'engagement du Groupe de la Banque Mondiale en matière de gouvernance et de lutte anti-corruption”, 17 aug. 2007, p. 25

Out of the multitude of the index measuring the results of governance, we will be referring only to the following:

Global Governance Indexes

As this dimension is difficult to measure, *the qualitative evaluation of the governing act* raised the interest of the World Bank researchers, who elaborated and monitored the dynamics of a set of indicators, which includes six major dimensions of the governing: respect for political, civil and human rights; ensuring political stability and avoiding violent conflicts; efficient governing through an active and functional democracy and through high quality public services; ensuring a favourable business environment; edification of a working state of law; fight against corruption. (Kaufmann, 2005, pp. 82-83)

A retrospective concerning the *image of governing in Romania* during the period from 1996 to 2005 suggests a modest increase of the score: from -0.138 (1996) to 0.008 (2002); that was partially achieved based on the voice and responsibility

index and on the political stability index, not on those that measure more directly the administrative performance or the integrity of the governing act. In Romania, the quality of the administrative level has fallen behind, with the quality of regulations following a sinuous ascending – descending curve, reaching a negative value in 2004. As for corruption control, it has also followed a descending trajectory, “which justifies the negative assessments Romania received in that time, including the Annual Reports of the EU Commission, which do not seem to be purely subjective and politically motivated, as it has sometimes been said” (SAR, 2003).

Table 2. The quality of Romania’s governing, 1996-2005

	<i>1996</i>	<i>1998</i>	<i>2000</i>	<i>2002</i>	<i>2005</i>
<i>Voice and responsibility</i>	0,03	0,24	0,43	0,38	0,57
<i>Political stability</i>	0,54	0,20	0,01	0,42	0,46
<i>Governing efficiency</i>	-0,53	-0,63	-0,58	-0,33	-0,57
<i>Quality of regulations</i>	-0,43	0,30	-0,27	0,04	0,58
<i>State of law</i>	-0,27	-0,25	-0,21	-0,12	-0,45
<i>Fight against corruption</i>	-0,17	-0,38	-0,48	-0,34	-0,52

Source: Kaufmann D., Kraay A., Mastruzzi M. – “Governance Matters III: Governance Indicators for 1996-2002”, World Bank Research Department Working Paper, 2003; „A decade of Measuring the Quality of Governance”, sept. 2006; PNUD -România– „RNDU România, 2007 – Aderarea la UE în beneficiul tuturor”

In 2002, Bulgaria¹ managed a score higher than Romania’s, 0.26, registering higher values for its indexes, except the quality of governing and the control of corruption which registered small negative values. But in just a few years, remarkable results have emerged on the scene of the anti-corruption campaign, due to cooperation between the nation and the government (Bryane, 2003).

¹ Furthermore, in a Report of the World Bank, in July 2007, referring to the quality of governing in 212 world countries, Bulgaria scores better than Romania for the following indexes – freedom of speech, quality of public services, political stability, the rule of the law, corruption control, as well as the government’s capacity to formulate politics which allow the development of the private sector.

For a comparative study, we chose seven countries for the purposes of analysis (two new European Union member states: Romania and Bulgaria; two older member countries of the European Union: Slovenia and Latvia; three non-member states: Moldova, Ukraine, and Georgia), which reveal the quality of the governing from a comparative perspective.

Table 3. The quality of Romania's governing in 2004 – comparative analysis

	<i>Slovenia</i>	<i>Latvia</i>	<i>Romania</i>	<i>Moldova</i>	<i>Ukraine</i>	<i>Georgia</i>	<i>Bulgaria*</i>
<i>Voice and responsibility</i>	1,12	0,96	0,36	-0,47	-0,62	-0,34	0,56
<i>Political stability</i>	0,99	0,95	0,22	-0,62	-0,27	-1,26	0,56
<i>Governing efficiency</i>	1,02	0,6	-0,15	-0,73	-0,67	-0,8	-0,06
<i>Quality of regulations</i>	0,89	1,02	-0,06	-0,49	-0,48	-0,64	0,62
<i>State of law</i>	0,93	0,48	-0,18	-0,65	-0,83	-0,87	0,05
<i>Fight against corruption</i>	0,97	0,23	-0,25	-0,86	-0,89	-0,91	-0,17

Source: Kaufmann et al, 2005 – www.worldbank.org/wbi/governance

*statistics date from 2002 ; Scores are between -2.5 and 2.5, where the higher values mean better governing performances, with 2.5 representing the highest score possible.

The *Voice and responsibility* index registered positive values for EU member states, the highest ones being registered in Slovenia and Latvia who had clearly taken the lead, followed by Bulgaria and Romania, with values a little above 0. Georgia, Moldova and Ukraine formed an almost compact group on the negative scale of values for the respective index.

The *Political stability* index registered the same trend of values for the analysed countries as the previous index, mentioning that Georgia had registered a very low value, -1.26, proving the granted possibility of a dramatic change in government compromising the quality of governing. The fact that the index shows positive values for Romania and Bulgaria proved that, despite the changes in leadership, the

perspective of the EU integration has determined these countries to take measures in stabilizing the political situation in the region.

Bureaucratic competence, the quality of public services, the consistence and the orientation towards the future of government politics, were all measured in and through *governing efficiency*. Among the group of the analyzed countries, only Slovenia and Latvia registered positive values, all the other countries presenting very low values for this index, yet mentioning that the values for Romania and Bulgaria were close to the middle of the interval. This polarity in two groups of countries meant an obvious situation: not all the analyzed countries had issues elaborating and implementing government politics.

The quality of regulations measured the incidence of commercial politics, the efficiency of norms and regulations applied to various fields of activity. Latvia, Slovenia and Bulgaria were far ahead, registering positive values, with Romania close to the middle of the interval, and all the other three countries registering negative values, reflecting the low performance of regulation politics.¹

In Romania, consolidating a *state of law* is being prevented by the judicial system dependant on political power. During the rush of the EU member states ratifying Romania's Treaty of Accession, at the highly publicized moment of uncovering several grand cases of corruption to the nation, some Romanians from Germany questioned the "Romanian state of law".² "As for the good functioning of the state of law, fighting corruption and applying laws, the pressure to reform the

¹ Report regarding the implementation process of the Regulatory Reform in Moldova – The reform of the regulations framework for the enterprise activity (2004), constituting one of the fundamental measures foreseen by SCERS, is meant to substantially reduce the level of the enterprises depending on the administrative regulations, as well as reducing financial and temporal expense supported by economic agents willing to obtain various authorizations, certificates and permits. Law no. 424- XV, also called the Law of the "guillotine", has entered into force on February 7, 2005, and sets principles and actions necessary to revisiting the existing normative framework, in view of eliminating regulations which do not match the current legislation and present barriers for the development of the business environment.

² „Romania is not a state of law”, said the academic counselor from Bremen University, Viorel Roman, within the “What are Romanians doing in Germany?” circle of discussions, organized by the German-Romanian Association in Stuttgart, in March 2006. The above-mentioned statement was also upheld by the writer Liviu Valenas from Nürnberg, as well as other participants to the circle, who have amply treated the corruption issue in Romania. Political, economic and administrative corruption still jeopardize a fundamental right, that of the rule of the law. Our opinion would be that: Romania is not yet a real state of law. And all this, despite the principles of the Constitution, in art.1 al.3 where it says that: “Romania is a democratic and social state, governed by the rule of law, in which human dignity, the citizens' rights and freedoms, the free development of human personality, justice and political pluralism represent supreme values and shall be guaranteed.”

institutions has to come from inside Romania, to build slowly through the use of coherent action of the political forces of the society. The pressure of the UE has definitely been a positive, even if late, influence, which has helped in the long run”, said *John Nellis*, an expert of the World Bank, about the help granted to post-communist countries for the process of privatization. So why wonder that in 2004, under these circumstances, Romania registered a score similar to that of 2000.¹ Bulgaria (even if it has a low score), together with Latvia and Slovenia, have registered positive scores. In Moldova, Ukraine and Georgia, the situation of very low scores is easily explained, as these countries are faced with severe problems concerning organized crime.

Corruption control completes the image created by the analyzed indicators.

Index of Corruption Perception at Transparency International

Corruption undermines economic growth, eats away at democracy and causes numerous disorders at a social level. “Despite certain progress, corruption still determines a waste of imperatively necessary resources for education, health and infrastructure”, declared *Huguette Labelle*, chair of Transparency International (TI), 2007. Poor countries suffer the most because of corruption, the tight correlation between corruption and poverty becoming obvious due to the fact that almost half of the countries in which corruption is perceived as endemic² - 82 countries out of 180 in 2007 (45.5%) have registered scores lower than three – are considered by the World Bank as being countries with low income. Meanwhile, the countries in a state of crisis, like Afghanistan, Iraq, Sudan and Somalia occupy the last positions of the index, with and IPC score between 1.4 and 1.8³. “Countries torn apart by conflict register immense costs for their ability to govern. With poor or no public institutions at all, mercenary-like individuals steal public resources, and corruption blossoms”, said *Labelle*. The corruption of a limited number of powerful individuals, as well as failure from leaders and institutions in controlling and preventing corruption does not imply that a country or its citizens are the most

¹ According to Freedom House, Romania’s score for “state of law” shows a stagnant evolution between 1997-2004 (4.25 for the entire analyzed period), registering the same level as EU non-candidate countries: Albania, Serbia and Montenegro.

² IPC uses a scale from zero to ten, where zero indicates a high level of perceived corruption, and ten indicates the purest country concerning corruption. A value of the index higher than 3 indicates an endemic corruption.

³ Transparency International the global coalition against corruption 2007, www.transparency.org sau www.ICGG.ORG

corrupt, but only that the great majority of people in these countries are merely victims of corruption.

Three priorities on the current agenda of countries with a low IPC should be: improving the transparency of financial management, from collecting taxes and levies to public expense being carried out; improving monitoring and control mechanisms; an independent and professional judicial system, which can guarantee stopping the impunity of corrupt officials, and which can earn and stimulate the trust of both the public and of the donors and investors.¹

However, some relatively poor countries show that there is a possible exit from the vicious circle of poverty – corruption, good IPC scores – in Botswana, Cape Verde, Chile, Dominica, Estonia, Ghana, Samoa, Senegal, Saint Lucia, Saint Vincent and Grenadine and Uruguay – by proving that these countries manage to control corruption to some extent. The progress registered in the fight against corruption in Africa show that political strong will and constant reforming can improve perception on corruption. Namibia, Seychelles, South Africa and Swaziland are among the countries with an IPC score between 3.3 and 5.1 in 2007. Many of the countries which have registered score improvements in 2007 are located in Eastern and South-Eastern Europe (Croatia, The Czech Republic, Italy, Macedonia and Romania); this trend represents the past and present effect of joining the EU in the fight against corruption.

For 10 years, Romania, one of the countries with a strong and negative tradition of corruption, has been marked by an endemic and systemic corruption at nearly all levels of all institutions. Endemic corruption leads to decrease in public income, undermines general trust and weakens the credibility of the state. The cultural explanation regarding the Balkan tradition and the explanation of communist economic and institutional structures, as well as the reflex of adapting an ever-changing environment, generated by the effects of the post-communist transition, have both contributed in marking the corruption phenomenon as a fatality, impossible to remove. The beginning of negotiations for joining the EU and NATO have brought forth new elements: elaborating anti-corruption strategies and plans, initiating anti-corruption studies and campaigns², which led to an improvement

¹ Press release, “Persistența corupției în țările sărace necesită măsuri la nivel mondial”, Londra/Berlin, 26 septembrie 2007.

² The first strategy, the first anti-corruption plan and the law of free access to information of public interest were all adopted in 2001; the National Anti-corruption Directorate was formed in 2002; in 2003, the Parliament adopted law 52 concerning the transparency of decisions in public

regarding the perception of corruption, so that the year 2006 was the first one after 1999 in which the level of corruption reached a score of 3.1, only to follow a new ascending trend in 2007, reaching 3.7.

Table 4. Romania's evolution in TI's corruption standings, 1997-2007

Country/ Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Romania	3,44	3,0	3,3	2,9	2,8	2,6	2,8	2,9	3,0	3,1	3,7
Bulgaria	-	2,90	3,30	3,50	3,90	4,0	3,90	4,10	4,0	4,0	4,1
<i>EU Average</i>	7,19	6,67	6,53	6,5	6,49	6,51	6,57	6,58	6,6	6,74	6,51
<i>Romania's standing*</i>	37	61	63	68	69	77	83	87	-	84	69

Source: www.transparency.org

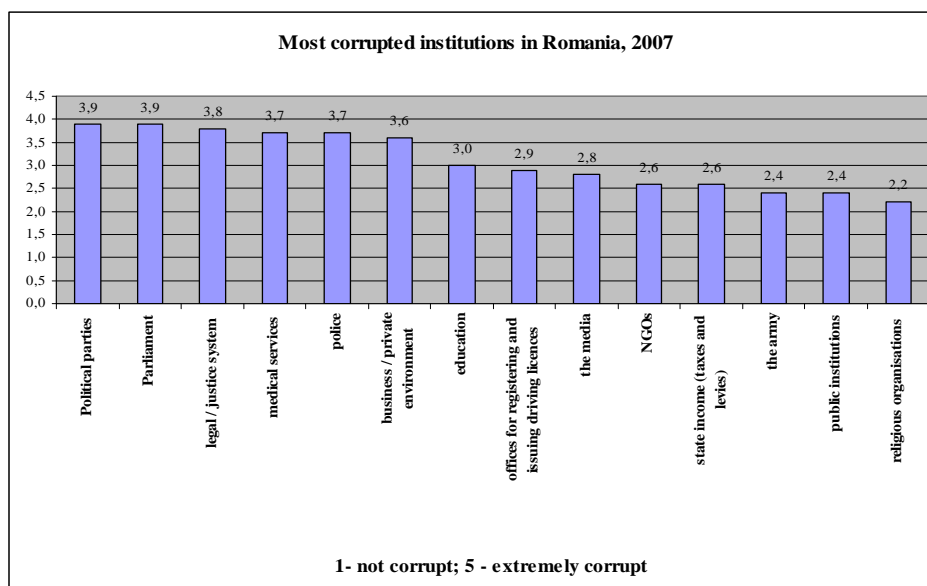
* the score registered by a country is a much more important index for the level of corruption perceived for that country, given the fact that a country's standing can be modified because the fact that new states are being included in the index, while others are being excluded.

The mere formal accomplishment of commitments made in the pre-accession activity, doubled by recent internal evolutions, bring doubts about the credibility of the anticorruption reforms, as Romania continues to be considered the country with the highest CPI in the European Union. *Romania ranked 69, together with Ghana, while Bulgaria, with a much more obvious evolution in the last decade, ranked 64, together with Croatia and Turkey. Almost a year after joining the EU, the general audience's perception of the so-called "small corruption"¹, especially referring to individual perspective, could be represented under the form of the following graph:*

administration; a set of anti-corruption laws was adopted, regulating for the first time the conflict of interest of persons occupying leading positions within the state; a National Control Authority was formed to monitor and control wealth and interests; 2004 saw a new reform seeking to secure the independence of the judicial system; in 2005 a new anti-corruption plan; in 2007 the Senate ratified the law concerning the founding of The National Agency for Integrity (Transparency International considers this method to have been belatedly adopted and under the pressure of the safeguard clause). Romania is involved in the Stability Pact against Anti-corruption Initiative (S.P.A.I.), is a founding member of GRECO "Group of states fighting corruption", founded in 1999.

¹ Global Barometer for Corruption (BGC) is a poll measuring the general audience's perception of corruption and people's experiences about this phenomenon. The poll is made by Gallup International for Transparency International.

Having their trust altered and considering the government's efforts in fighting corruption inefficient (55% of the participants considered them completely inefficient, 19% considered them somewhat efficient), in 2007 the public opinion considered that the most corrupted were still the political parties and the Parliament, with 3.9 points, the justice system with 3.8 points, as well as both the police and the health system with equal points, 3.7 (even if the points were lower than the previous year for the health system; the police registered an increase of 0.1). The same increase when compared to 2006 can be applied to public services and institutions and to offices issuing official documents, with 2.4 and 2.9 points respectively. The general perception of the business environment, mass-media and civil society was also worrying, all the three continuing to register increasing values.



Graphic 1.

Source: Transparency International The global Barometer of Corruption, 2007

Considering the category of declared bribes, there were five groups of countries, and Romania fell in the first one (more than 30% of the participants, namely 59%, admitted of bribery), together with Albania, Cambodia, Cameroon, Macedonia, Kosovo, Nigeria, Pakistan, the Philippines and Senegal. Our Bulgarian neighbors

ranked much better (16%), falling in the third bribery “platoon” with a percentage of 8%-16%, together with Croatia, Turkey, the Czech Republic and Luxembourg. The Global Barometer of Corruption highlights an amazing aspect: most of the times, bribes are demanded of those coming from poor families, whether from countries under development or already developed – “All over the world, those with a smaller income have to pay more often.” With no access to a fundamental human right – free access to public services, poor people feel the worst effects of corruption, reflected on income, while the decrease in the possibility of a bribe features a strong connection to age (under 30 years – 18%, over 65 years – 4%).¹

The pessimism of public opinion and the fact that only 34% of the Romanian people consider that the level of corruption will decrease in the following three years constitutes an alarm signal addressed to the governance, in view of the real reformation of the administration system, of giving a sense of responsibility to the public and private sectors, of imposing, observing, and materializing a real commitment for preventing and fighting corruption, the risk of which may be a threat to national security.

Rich countries and lands from Europe, Eastern Asia and North America scored high IPC, reflecting the existence of relatively clean public sectors, upheld by political stability, solid regulations concerning conflicts of interests and free access to information, as well as a strong civic society, free to exert monitoring activities. If in 2006 Finland, Iceland and New Zealand occupied the first place in Transparency International’s standings, with an equal score of 9.6, meaning the smallest level of corruption, in 2007 the least corrupt states were Denmark, Finland and New Zealand (9.4 points).

High-level corruption in poor countries has gained an international dimension, involving countries ranked among the first in the IPC. IPC is complementary to TI’s *Index of the Bribers* (IPM)² – a study carried out from the perspective of the “offer” part of corruption, taking into consideration the opinions of those inside the system. Most of the times, bribe money come from multinational companies in

¹ Transparency International in the global coalition against corruption - “Raport asupra Barometrului Global al Corupției 2007 al Transparency International”, Departamentul de Politici și Cercetare TI, Berlin, dec. 2007.

² The Index of the Bribers is a ranking of the main exporting countries, in view of the willingness of their companies to bribe outside the national borders. The index uses the Executive Opinion Survey (EOS) research, carried out by partner institutes of World Economic Forum. Only three editions of this index have taken place, in 1999, 2002 and 2006; Romania is yet to join, as it does not fulfill the request of being a world / regional leader of exports.

developed world countries, which consider bribing on export markets as a legitimate business strategy, and the world's financial centers create the possibility that corrupt officials may transfer, hide or invest ill-gained fortunes.¹ Although the OCDE anti-bribe Convention entered into force in February 1999, forbidding the corruption of foreign clerks, "bribes and steps taken in inclining clerks and politicians towards corruption undermine the country's wishes, poorly managed and not prepared for the long run" (Eigen, 2003). What is interesting is that, despite international regulations (OCDE Convention and UNCAC) and modifying national legislations, further incriminating this practice, there are still grave issues with implementing and respecting such measures; thus in 2006, Labelle stated: "Companies which bribe compromise the countries' best efforts to improve governing, thus forcefully enlisting them in poverty's vicious circle."

In the IPM standings, India, China and Russia occupy the last places, with the weakest indexes. If these countries, among the great exporters (China ranks fourth), would ratify the anti-bribe Convention, things would probably get better. The fact that they are placed outside the system they are taking advantage of, strongly discourages companies in OCDE countries and the OCDE countries themselves to play fair concerning correct norms of behavioral conduit, economically and commercially speaking. In full process of joining the EU, Turkey questions the commitments taken by signing the Convention in 2003. France and Italy have also scored low, as the companies from these countries are considered by African participants as being the most corrupt of all the EU countries, from a total of six countries. Despite numerous scandals related to the British Aerospace company, Asians believe that Great Britain has proven a minimal respect for the Convention, as it ranks 6th out of the first 30. With all their internal anti-corruption measures in Hong Kong, Singapore, Taiwan and the Arab Emirates have been negatively assessed by participants outside the OCDE, who have indicated a double standard in business practices. In the Americas, while Brazil scores 5.65, Mexico fares a lot better, probably due to the fact that most of the exports head towards the US.

However, one has to note the fact that, even if there are no absolute champions (between Switzerland's top score of 7.81 and the possible maximum of 10, there are still a lot of things to regulate), along with adopting the OCDE anti-bribe Convention, progress has started to appear. Yet for the future there has to be further rigorousness in monitoring and applying it; restricting the access to development

¹ Offshore financing have played a central role in stealing enormous sums from poor countries, like Nigeria or the Philippines, facilitating breaking the law by corrupt leaders.

banks for companies condemned of bribing; adopting, strict observation and monitoring of internal anti-bribe politics by subsidiary firms and branch offices as well; criminal investigations of bribing companies, supported by international financial and judicial cooperation. ¹

Freedom House Index

A country's index is calculated considering the practical effect of the actions of the state and of the non-governmental elements, on civil rights and freedoms, thus allowing the analysis of the long term evolution of the respective country, as well as a comparison on a regional level.

Table 5. A comparison regarding corruption* in South-Eastern European countries, during 1999-2004

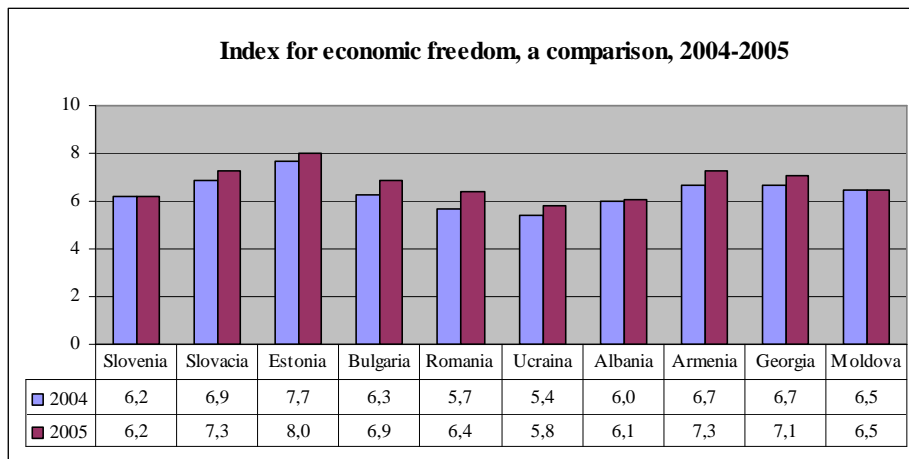
Corruption	1999	2001	2002	2003	2004
Albania	6,00	5,50	5,25	5,00	5,25
Bosnia	6,00	5,75	5,50	5,00	4,75
Bulgaria	4,75	4,75	4,50	4,25	4,25
Croatia	5,25	4,50	4,50	4,75	4,75
Kosovo	-	-	-	-	6
Macedonia	5,00	5,00	5,50	5,50	5,00
Romania	4,25	4,50	4,75	4,50	4,50
Serbia	6,25	6,25	5,25	5,00	5,00
Slovenia	2,00	2,00	2,00	2,00	2,00

Source: Freedom House, Poll „Nations in Transit”-2004, www.freedomhouse.org/nit. in Windsor J., Walker C. et al. – „Politicile anticoruptiale ale Guvernului României – Raport de evaluare”, Freedom House, Inc., Washington D.C., 2004, p. 14

¹ Transparency International the global coalition against corruption - “Les grands exportateurs compromettent le développement par des pratiques douteuses à l'étranger - Les versements occultes à l'étranger par les puissances exportatrices émergentes, étonnamment élevés”, Communiqué de presse, Berlin/ Bruxelles, le 4 octobre 2006.

Note:* Scores have been established based upon the methodology elaborated by Freedom House, taking into consideration 10 elements. *Scale is from 1 to 7 (1 = no corruption, 7 = maximum corruption)*

According to Freedom House estimates, in 1997 (the first year when this index has been taken into account), the level of corruption in Romania scored similar points to those estimated by TI. During 1997-2003, this index's evolution gradually deteriorated, and briefly registered a positive evolution (in 2003), through adopting the anticorruption law and its afferent strategy).



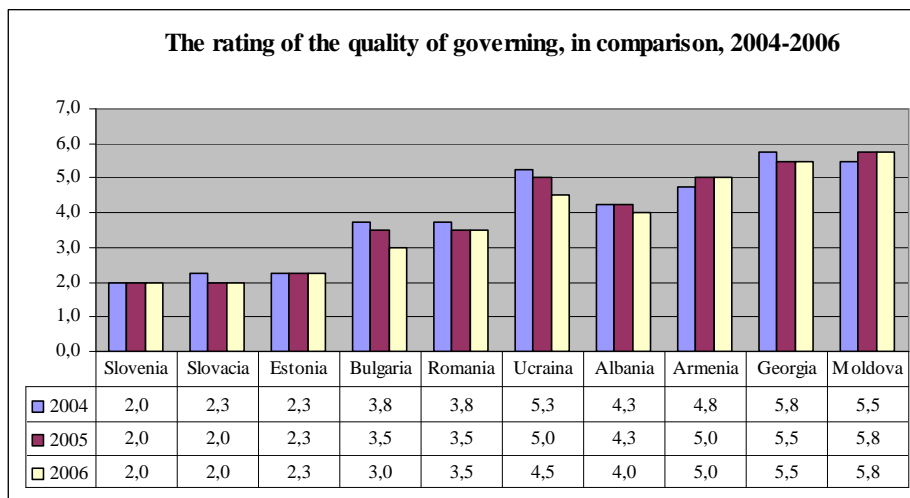
Graphic 2. Index for economic freedom, a comparison, 2004-2005

Source: Alexandru Gamanjii – “*Moldova în ratingurile economice internaționale*”; <http://www.eco.md/article/4545/> ECO magazin economic

The level of freedom is summed up through a mark (1 to 10), calculated as a weighted average of marks granted for certain domains/criteria¹, economic performance being as better as the level of intervention is lower, and the set of politics is applied on longer time periods.

¹ The dimension of governing; the structure of the economy and the level of market usage (state enterprise and investments, controlled prices, compulsory military service, taxes); financial politics and the stability of prices; the possibility of utilizing alternative means; respecting the right to property (risk of confiscating, independent justice); international commerce; capital and financial markets.

Economic freedom means more income per capita and, what is at least as important, it also means economic growth. Romania’s situation is getting better, after a long period in which its economic freedom has been much lower than other European countries, including its “sisters” from under the communist regime. According to the 2006 report *Economic Freedom of the World (EFW)*, Romania ranked 95 of 130, scoring 5.7 out of 10. The 2007 report *Index of Economic Freedom (IEF)* places Romania the 67th out of 157 assessed countries, its economic freedom index being 61.26%. In the **EFW-2006** report, the fields of activity where Romania gets penalized (or better yet, penalizes itself) are the justice system (which is not independent and impartial), government intervention (privatizations are still in effect) and prices (some still being controlled and subsidized). In **IEF-2007**, the justice system and the high level of corruption are the main causes for the relatively low index of economic freedom. The freedom of investments is attenuated by bureaucracy, by administrative baffles and by legal instability. Romania’s success will depend on a type of competitive spirit, meaning the capacity of satisfying the others’ needs as efficiently as possible.



Graphic 3.

Sursa: Alexandru Gamanjii – “Moldova în ratingurile economice internaționale”; <http://www.eco.md/article/4545/> ECO magazin economic

Scale is from 1 to 7, where 1 is the superior level of governing quality, and 7 the inferior level.

The rating of countries in transition is based upon six domains: governing quality, the electoral process, the civil society, independent mass-media and justice, as well as the level of corruption.

The governing quality – the ability of those in charge to make the best decisions after consulting available information – can be noticed in the graph, and it can be compared to an imperfect model, due to the rigorous and difficulties of keeping track of each country's specific features and of the effects of development politics.

Macroeconomic stability guarantees a healthy climate for investments and a selective commercial openness, positively influencing growth. An efficient governing favorably influences development. Even if it is a difficult process, those in charge have to try and understand causality connections and assess what is efficient and what is not, at the level of the individual, household, community, enterprise, region, country.

This explains why international financial institutions like BM, IMF or governments, in view of allocating financial facilities at their disposal, grant special importance to analyzing government criteria, adopted politics and undergoing programs in the respective country.

However, answering to political and historical conditions, there have been benefactors not interested by the efficiency of help granted to countries in need, or by the influence of local elements on applied politics. Limiting the efficiency of the help for beneficiaries is influenced by: the number of benefactors, the volatility of help, lack of predictability and administrative costs.

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