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Persistent corruption in low-income countries requires global action

Concerted efforts needed in rich and poor countries to stem flow of corrupt monies and make justice work for the poorest

London/Berlin, 26 September 2007 -- The divide in perceived levels of corruption in rich and poor countries remains as sharp as ever, according to the *2007 Corruption Perceptions Index* (CPI), released today by Transparency International, the global coalition against corruption. Developed and developing countries must share responsibility for reducing corruption, in tackling both the supply and demand sides.

"Despite some gains, corruption remains an enormous drain on resources sorely needed for education, health and infrastructure," said Huguette Labelle, Chair of Transparency International. *"Low scoring countries need to take these results seriously and act now to strengthen accountability in public institutions. But action from top scoring countries is just as important, particularly in cracking down on corrupt activity in the private sector."*

The 2007 results

The *2007 Corruption Perceptions Index* looks at perceptions of public sector corruption in 180 countries and territories - the greatest country coverage of any CPI to date - and is a composite index that draws on 14 expert opinion surveys. It scores countries on a scale from zero to ten, with zero indicating high levels of perceived corruption and ten indicating low levels of perceived corruption.

A strong correlation between corruption and poverty continues to be evident. Forty percent of those scoring below three, indicating that corruption is perceived as rampant, are classified by the World Bank as low income countries. Somalia and Myanmar share the lowest score of 1.4, while Denmark has edged up to share the top score of 9.4 with perennial high-flyers Finland and New Zealand.

Scores are significantly higher in several African countries in the 2007 CPI. These include Namibia, Seychelles, South Africa and Swaziland. These results reflect the positive progress of anti-corruption efforts in Africa and show that genuine political will and reform can lower perceived levels of corruption.

Other countries with a significant improvement include Costa Rica, Croatia, Cuba, Czech Republic, Dominica, Italy, Macedonia, Romania and Suriname. Countries with a significant worsening in perceived levels of corruption in 2007 include Austria, Bahrain, Belize, Bhutan, Jordan, Laos, Macao, Malta, Mauritius, Oman, Papua New Guinea and Thailand.

The concentration of gainers in South East and Eastern Europe testifies to the galvanising effect of the European Union accession process on the fight against corruption.

A number of relatively poor countries manage to contain corruption to a degree, scoring well on the CPI, including Botswana, Cape Verde, Chile, Dominica, Estonia, Ghana, Samoa, Senegal, St. Lucia, St. Vincent and the Grenadines and Uruguay. They prove that it is possible to break out of the vicious cycle of poverty and corruption.

At the same time, deeply troubled states such as Afghanistan, Iraq, Myanmar, Somalia, and Sudan remain at the very bottom of the index. *“Countries torn apart by conflict pay a huge toll in their capacity to govern. With public institutions crippled or non-existent, mercenary individuals help themselves to public resources and corruption thrives,”* said Labelle.

Good governance begins at home

The poorest countries suffer most under the yoke of corruption. And it is ultimately their responsibility to tackle the problem. Low scores in the CPI indicate that public institutions are heavily compromised. The first order of business is to improve transparency in financial management, from revenue collection to expenditure, as well as strengthening oversight and putting an end to the impunity of corrupt officials.

An independent and professional judicial system is critical to ending impunity and enforcing the impartial rule of law, to promoting public, donor and investor confidence. If courts cannot be relied upon to pursue corrupt officials or to assist in tracing and returning illicit wealth, progress against corruption is unlikely.

“Partnering with civil society and citizens is another essential strategy for developing countries seeking to strengthen the accountability of government. Civil society organisations play a vital watchdog role, can help stimulate demand for reform and also bring in expertise on technical issues,” said Cobus de Swardt, Managing Director of Transparency International. *“But, increasingly, many governments are moving to restrict the operating space of civil society.”*

In addition, many countries are unable to shoulder the burden of reform alone. In countries where public sector institutions were historically based on patronage and nepotism rather than merit, reform takes time and can require a substantial investment of resources, as well as technical assistance. As significant development assistance donors, top scoring countries play a special role in supporting greater accountability and institutional integrity in countries plagued by the highest levels of public sector corruption. Technical assistance is a key requirement of the landmark United Nations Convention against Corruption (UNCAC).

Corruption is a problem with global roots

The top scores of wealthy countries and territories, largely in Europe, East Asia and North America, reflect their relatively clean public sectors, enabled by political stability, well-established conflict of interest and freedom of information regulations and a civil society free to exercise oversight.

But corruption by high-level public officials in poor countries has an international dimension that implicates the CPI’s top scorers. Bribe money often stems from multinationals based in the world’s richest countries. It can no longer be acceptable for these companies to regard bribery in export markets as a legitimate business strategy.

In addition, global financial centres play a pivotal role in allowing corrupt officials to move, hide and invest their illicitly gained wealth. Offshore financing, for example, played a crucial role in the looting of millions from developing countries such as Nigeria and the Philippines, facilitating the misdeeds of corrupt leaders and impoverishing those they governed.

Akere Muna, Vice Chair of Transparency International, pointed to the recovery of stolen assets as another area ripe for enhanced action by developed nations, noting, *“Criticism by rich countries of corruption in poor ones has little credibility while their financial institutions sit on wealth stolen from the world’s poorest people.”*

In many cases, asset tracing and recovery are hindered by the laundering of funds through offshore banks in jurisdictions where banking secrecy remains the norm. Through the UNCAC, priority should be given to improving international cooperation and mutual legal assistance, expediting action to recover assets, and developing legal and technical expertise in nations requesting the return of looted assets.

For many countries, repatriation of funds will mean long and extensive litigation. *“In addition to ensuring adequate legal funding, simplifying recovery procedures and provisions for third party institutions to act as escrows during litigation must be a high priority,”* Muna added.

Act now: urgent steps

As a problem of global scale, with global roots, fighting corruption demands action on a broad front.

- Developing countries should use aid money to strengthen their governance institutions, guided by national assessments and development strategies, and to incorporate strengthened integrity and corruption prevention as an integral part of poverty reduction programmes.
- Judicial independence, integrity and accountability must be enhanced to improve the credibility of justice systems in poorer countries. Not only must be judicial proceedings be freed of political influence, judges themselves must subject to disciplinary rules, limited immunity and a code of judicial conduct to help ensure that justice is served. A clean and capable judiciary is essential if developing countries are to manage requests for assistance in the recovery of stolen assets from abroad.
- Governments must introduce anti-money laundering measures to eradicate safe havens for stolen assets, as prescribed by the UNCAC. Leading banking centres should explore the development of uniform expedited procedures for the identification, freezing and repatriation of the proceeds of corruption. Clear escrow provisions for disputed funds are essential.
- Wealthy countries must regulate their financial centres more strictly. Focusing on the roles of trusts, demanding knowledge of beneficial ownership and strengthening anti-money laundering provisions are just a few of the ways that rich governments can tackle the facilitators of corruption.
- The world’s wealthiest governments must strictly enforce the OECD Anti-Bribery Convention, which criminalises the bribery of foreign public officials. Lack of compliance with the convention’s provisions continues to hinder corruption investigations and prosecutions.
- The boards of multinational companies must not only introduce but implement effective anti-bribery codes, and ensure that they are adhered to by subsidiaries and foreign offices.

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Transparency International is the global civil society organisation leading the fight against corruption.

Note to editors:

The CPI is carried out for Transparency International by Prof. Johann Graf Lambsdorff of the University of Passau in Germany.

Transparency International’s *Global Corruption Report 2007*, with a special focus on corruption in judicial systems, was published in May 2007 and is available at <http://www.transparency.org/publications/gcr>.

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