

FOCUS: Corruption Perceptions

Issue in a Snapshot

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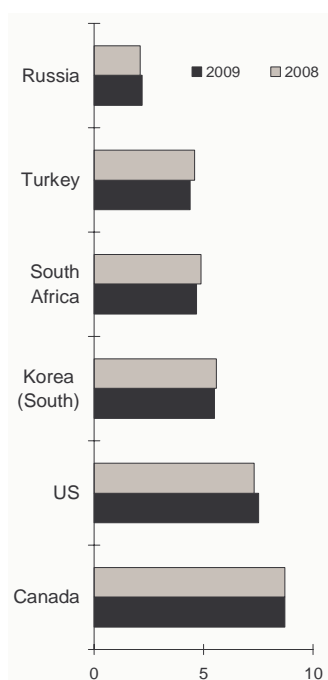
...as corruption and poor governance often go hand in hand.

Corruption perceptions rose around the world over the course of 2009.

Perceptions of corruption remained particularly acute in the Middle East, sub-Saharan Africa and the former member states of the Soviet Union.

However, the agreement of a UN Convention against Corruption in late 2009 offers limited grounds for optimism.

Corruption Perceptions Index rankings for selected countries (0 = highest level of perceived corruption, 10 = lowest)



Source: Transparency International

Corruption is a significant challenge in the global business environment. Country Risk Services closely monitors the impact of corruption on the risk environments of individual countries; indeed, corruption is one of the criteria factored into our proprietary country risk model. This is not only because corruption distorts domestic markets and absorbs a significant proportion of the aid directed towards developing countries (serious as those issues are), but also because corruption and poor governance often go hand in hand. As the IMF has noted, an environment characterised by poor governance offers greater incentives and more scope for corruption. Although the fact that the UN agreed a Convention against Corruption in 2009 offers grounds for cautious optimism, the fact that the acceptance of external monitoring is optional has weakened the agreement.

Western Europe: Several EU members and other Western European states are among the 2009 Corruption Perceptions Index (CPI) top scorers. However, the region is far from corruption-free and many achievements are still precarious. Greece, Bulgaria and Romania (all scored 3.8 on the scale where 0.0 represented the highest level of perceived corruption and 10.0 the lowest) remain areas of particular concern, amid limited official appetite for anti-corruption work. Elsewhere in Europe, the Czech Republic, Lithuania (both 4.9) and Slovakia (4.5) are poor performers.

Asia Pacific: With the exception of an improvement recorded in Bangladesh (to 2.4, from 2.1 in the 2008 index), most of the larger states recorded unchanged rankings in 2009. China's score was unchanged at 3.6; however, it was criticised by anti-corruption campaigners for having ensured that external monitoring of adherence to commitments in the UN Convention against Corruption signed in 2009 would be voluntary. Malaysia's score declined to 4.5 (from 5.1 in 2008) amid the perception that the investigations of its national anti-corruption commission were politically motivated.

Americas: Although the region boasts some of the least corrupt country environments in the world, with Canada, Costa Rica and Uruguay benefiting from effective social and legal sanctions against sharp practice, the region as a whole made no progress in 2009. The leading economies in the Central American and South American region (Brazil, Colombia, Peru, all 3.7, and Mexico, 3.3) were all rocked by scandals involving impunity, kickbacks and political corruption. Elsewhere, the corruption perceptions of many of the leftist regimes in the region deteriorated as public sector bureaucracy proliferated and interference with private enterprise increased.

Sub-Saharan Africa: The region continues to face serious corruption challenges: only Botswana scored above 5.0 in the 2009 index. Corruption has a devastating effect on countries suffering from political instability and high levels of poverty. Other low-scoring countries include resource-rich countries such as Angola, the Democratic Republic of Congo and Sudan. Despite their potential, high levels of corruption in the extractive industries fuel economic stagnation, inequality and conflict. Elsewhere, although legal frameworks have been strengthened across the sub-region, enforcement is inconsistent.

Eastern Europe: The environment among the former CIS member states in Eastern Europe and Central Asia is characterised by rampant corruption: no country received a score above 3.0, with the exception of Georgia (4.1). In Russia, President Dmitri Medvedev has admitted publicly that corruption is endemic in his country, which scored 2.2 in the index. Corruption is perceived to be even more widespread among the Central Asian republics: dissatisfaction with official graft played a role in provoking the overthrow of the Kyrgyz Republic's President Kurmanbek Bakiyev in April 2010.

Middle East: The poor performance of the region reflects how conflict and political turmoil in the region seriously hamper the effectiveness of anti-corruption efforts. The threat to political and institutional infrastructures partly explains the governance gap in the region, while other factors such as a lack of transparency, insecurity and oil wealth continue to fuel corruption. Countries where the political and security environment is particularly volatile, such as Yemen, Iran and Iraq, continue to rank poorly.