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# [Global Corruption Report 2006] Introduction

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# 9 Introduction

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This year's *Global Corruption Report* once again presents a selection of important studies on transparency and corruption covering a range of themes, from corruption's relation to socio-economic phenomena, to the links between policy implementation and change. Given the ever-growing number of studies and the breadth of approaches used, there is little doubt that the empirical analysis of corruption has now gained a foothold in a number of research disciplines. The challenge for policy-makers is to gain access to this information, and then to interpret and incorporate these results in their subsequent anti-corruption efforts. The research overview presented here provides a shorthand guide to the findings and how they fit into our broader understanding of the field of corruption.

## Corruption trends

Although corruption's prominence on the international agenda is a relatively new development, there has been increasing interest in understanding improvements and setbacks in terms of corruption levels, since the fight against corruption began in earnest a decade ago.

The first two research pieces presented in this volume provide some initial answers to the question: is corruption getting better or worse, and if so, where? Johann Graf Lambsdorff's trend analysis of TI's Corruption Perceptions Index (CPI) – now in its 11th year – is the first rigorous effort to establish trends in the perceptions of corruption that are based on 'real' perceptions of change, and not on methodological adjustments to the CPI itself. It finds that robust trends do emerge in nearly 30 countries, of which about half made real improvement, while the other half deteriorated over time.

These findings overlap with the work of the World Bank Institute, which released the latest of its 'Governance Matters' results in the past year, presenting findings on governance indicators including 'control of corruption' covering 209 countries over the period 1996–2004. While there is little evidence that governance has improved in global terms, there is proof that it has improved (or declined) dramatically in certain countries. More important, though, is that the six governance indicators evaluated by the World Bank point to a 'development dividend' of good governance: improving governance results in higher incomes. In light of recent debates about increasing donor assistance, particularly to help achieve the Millennium Development Goals, this is a



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crucial finding for all those who argue that better economic outcomes are possible without improvements in governance.

Corruption trends can also be discerned at sub-national level. Using data on corruption convictions by a single federal agency in the United States, Edward Glaeser and Raven Saks show that certain characteristics within states (such as lower income and especially education levels) predict corruption. Taking their analysis one step further, they find that corruption has deterred economic growth in the worst affected states over the past 20 years at least.

## The importance of transparency

In this volume, the benefits of transparency are demonstrated in empirical terms. Research undertaken by Saadia Zahidi of the World Economic Forum sheds new light on the significant impact that lack of transparency has on the likelihood and severity of banking crises, along with related phenomena, such as favouritism and lack of judicial independence. The findings support not only stronger financial sector transparency, but also tighter regulation and adherence to principles for ensuring adequate banking supervision.

Other research on transparency focuses on its prevalence in the budget process and in the revenue payments that characterise the oil and gas sector. The Washington, DC-based International Budget Project conducted a survey to evaluate public access to budget information in a range of developing and transition countries. The main finding was that while executive budgets tended to be publicly available in most countries, monitoring and evaluation was weak and there was little facilitation of public understanding of the budget. This relatively poor performance in the realm of budget transparency precludes public comprehension of policy priorities and reduces the overall accountability of government.

Building on the successes of the 'Publish What You Pay Campaign', an international campaign for increased transparency in the payment, receipt and management of oil, gas and mining revenues in developing countries, Save the Children Fund UK undertook an assessment of revenue transparency. The practices of major international oil and gas companies in both their home countries, and within the companies themselves were examined. In most cases, neither the countries involved nor the companies themselves met commitments to disclose revenue payments. Canada, where there is strong securities regulation, led the group in terms of commitment to disclosure, and was the home country of some of the best corporate performers. As in the banking sector, the core message was that regulation must be considered a policy option if transparency is to be promoted effectively.

There are also clear links to transparency in TI Mexico's study on corporate reputation. Through their research, TI Mexico sought to provide a positive incentive for companies to improve performance, by publishing the names of top performers, in a ranking of expert opinions on eight facets of good corporate practice.



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## Anti-corruption policies: are they effective?

Another key question currently being asked by the policy community is the kind of impact various 'standard' anti-corruption policy remedies have on corruption levels. Ranjana Mukherjee and Omer Gokcekus evaluate the extent to which asset declaration by public officials affects levels of corruption in countries around the world. They find that the longer such laws have been in place, particularly where there is a credible threat of prosecution for violating the law, and the more the information can be accessed publicly, the greater the link between asset declaration and less corruption.

In the Inhambane province of Mozambique, where tax officials suspect massive tax evasion by business and have implemented a programme of strict fines for minor transgressions, Ralf Lanwehr explores the implications of this climate of distrust. Lanwehr finds that local and foreign investors are influenced by different factors in their investment choices.

Other research has assessed the strength of public institutions based on their commitment, capacities and performance in the fight against corruption. TI Czech Republic created the V4 Index to assess the quality of public administration, as it related to curbing corruption in four Visegrád capitals – Bratislava, Budapest, Prague and Warsaw, with Budapest emerging as the clear leader.

A study of the administration of transfers of elementary school teaching funds from the federal to municipal level in Brazil reveals significant leakage. TI Brazil analysed the irregularities uncovered by federal auditors and concluded that local authorities lack the capacity to manage funds honestly and effectively, requiring stronger supervision at state level.

## Corruption and health – making the empirical link

Many of the assumptions and recommendations on health presented in the thematic section of this *Global Corruption Report* are underpinned by research findings showing how much corruption in this sector costs health systems and individual patients.

TI Bangladesh uses a rich array of research tools, including household surveys, to provide evidence of corruption in the health sector. Health is considered the fourth most corrupt sector in Bangladesh, according to the national chapter's most recent poll. Of those Bangladeshis requiring hospital care, as many as 1 in 4 had to pay bribes for these services; and 9 in 10 of those who needed medicines had to pay, despite supposedly free provision.

TI's national chapter in Colombia also has a wealth of research experience to draw on and has been at the forefront in developing assessment tools of public sector entities. The results of its Integrity Index for Public Institutions reflect the findings relevant to the health sector. Nearly two-thirds of the approximately 20 health-related institutions included in the Integrity Index have high corruption risks.

In Bulgaria, Patrick Meagher led a research project that evaluated the process of drug selection for the health system, and pharmaceutical procurement by hospitals across the country. By ranking performance in these two areas, he shows that a focus



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on institutional integrity can be useful for identifying weaknesses, but emphasises that policy prescriptions need to be made in conjunction with a broader analysis that takes the level of capacity and resources available for change into account.

## Corruption the world over: a diversity of citizen views and experiences

Several researchers, including those from TI national chapters, explored the extent to which average citizens pay bribes, particularly to public sector officials, whether to avoid problems or to receive a service they should be entitled to at no charge. While 'corruption experience' survey work is not new, some survey tools are beginning to show trends over time, complementing the global trend analysis in international survey work discussed above.

The United States Agency for International Development (USAID) recently carried out almost a dozen surveys in Latin America on perceptions of, and behaviour regarding, corruption, the latter from a corruption victimisation approach, with Bolivians ranking as by far the most victimised. The study also located bribe demands by government institutions, which showed considerable variation across the countries polled. The results pointed to a relationship between experience of corruption and declining support for democracy, a finding that has significant implications for policies of democratic consolidation in the region.

In the Palestinian territories, TI Palestine commissioned a public opinion survey focusing on types, levels and location of corruption. The survey found that Palestinians associate corruption most with *wasta*, a form of nepotism. Corruption was found to be rife in employment bodies, such as job centres, and among the police. Significant differences emerged for the West Bank and Gaza Strip; for instance, educational institutions were seen as far more corrupt in the West Bank, making these findings relevant to the policy reform process.

## Looking ahead

The studies selected for this volume demonstrate a number of advances in the scope and methods used in corruption research. First, international survey analysis regarding perceptions of corruption can now be extended to evaluate change over time, a much welcome addition to this most valuable and comprehensive source of corruption data. The research community will need to continue to innovate to supply evidence of 'wins' and 'losses' in the battle against corruption, but this insight is crucial if momentum against corruption is to be sustained, or indeed increased.

Recent research also demonstrates how important and how difficult it is to achieve transparency in both public and private sector institutional practice. Further work will need to examine not only transparency commitments, but also performance. A number of research efforts also assess the effectiveness of anti-corruption policies and provisions within public institutions. This is essential as policy instruments are refined and applied in the future. More research is still needed on the sequencing of reform, and on which reform 'packages' are most effective.



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Finally, empirical research on corruption continues to provide first-hand feedback from people about their views and experiences of corruption and bribery. Not only have such surveys started to document changes in public opinion over time, but they have also begun to locate corruption more accurately within particular institutions, providing ample evidence on which in-country diagnoses and remedies can be developed. The research challenge here is to better understand the gulfs that can emerge between perceptions and experiences of corruption, and their consequences for disaffection with democracy as a whole.

TI will continue to track and support this great variety of corruption research, synthesising results and bringing them into our own advocacy efforts, but also publicising findings for use by all those engaged in anti-corruption work around the world.

## Note

1. Robin Hodess is director of policy and research, Transparency International.



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