

Opening Statement by
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On the launch of the
2006 Corruption Perceptions Index
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Check against delivery

Good morning, and welcome to the launch of the 2006 Corruption Perceptions Index.

Corruption is a cold, hard fact of life in the 21st century. The reality is that it compromises the lives of millions of people, with some one trillion US dollars paid in bribes around the world every year, according to the World Bank Institute. That works out to about 2.8 billion dollars each day – almost half the annual flow of foreign direct investment to sub-Saharan Africa in 2000.

The reality is that corruption affects the lives of people at all economic and social levels, in all countries. But it hits the poor the hardest.

Perception mirrors that reality. Transparency International's *Corruption Perceptions Index* is based on surveys of expert opinion, surveys that measure not corruption itself but *how prevalent people perceive it* to be.

Geographically, the 2006 Corruption Perceptions Index is the most comprehensive in TI's history, capturing perceptions of public sector corruption in 163 countries around the world. It scores

countries on a scale from zero to ten, with zero indicating high levels of perceived corruption and ten indicating low levels.

No country in this year's CPI is perceived as free of corruption. Almost three-quarters – 119 countries - score below five, meaning that the public sector in a majority of the countries surveyed is seen as grappling with a serious corruption problem.

Seventy-one countries - nearly half - score below three, indicating that corruption is perceived as rampant. Haiti has the lowest score at 1.8; Guinea, Iraq and Myanmar share the penultimate slot, each with a score of 1.9.

Finland, Iceland and New Zealand share the top score of 9.6. Despite relatively high scores in industrialised countries, major corruption scandals continue to emerge. These countries cannot afford to hide behind a high CPI score and take no action because they are, relatively speaking, corruption-free. There is no room for complacency.

Today's results point to a strong correlation between corruption and poverty, with a concentration of states wracked by conflict and instability at the bottom of the ranking.

Corruption eats away at the economies of poor countries. The perception of endemic corruption scares off foreign investors and has a knock-on effect on economic growth. A corrupt government siphoning off a country's great mineral wealth, for instance, is

unlikely to implement or uphold environmental regulations and probably can't be counted on to ensure a stable business climate.

Many low-scoring countries in the CPI are saddled with immense internal conflicts that seem to have a symbiotic relationship with corruption and hamper efforts to fight it. Local entrepreneurialism, except for the kind that accommodates and feeds corruption, cannot flourish, and many local and foreign investors end up jumping ship.

Yet corruption does not make a country poorer only by undermining its economy. Corruption makes the poor poorer because part of their meagre earnings, their non-existent disposable income, must pay for basic services that should be free, or to shorten an otherwise long wait for these services.

Essential goods – food and medicines – are often diverted by corruption. India's Planning Commission, for instance, says that in 2003 and 2004, less than half of the food grains intended for desperately poor people actually reached them. That meant that most of a 915 million dollar subsidy had been stolen somewhere along the way.

Resources that have gone missing through corruption are also diverted from another cause: establishing the systems that ensure transparency and accountability in government. This feeds a vicious circle, where those with access to funds or bribes take what they can, because they can, locking the poor in poverty.

Despite a decade of progress in establishing anti-corruption laws and regulations, despite the United Nations Convention against Corruption, the OECD Anti-bribery Convention and the many and frequent commitments by the Group of Eight to act against corruption, today's results indicate that much remains to be done before we see meaningful improvements in the lives of the world's poorest citizens.

Major countries have yet to ratify the UN Convention. Many more have ratified but not yet passed the implementing national legislation to bring them fully into compliance.

With Germany holding the presidency of the Group of Eight, 2007 is a moment of opportunity for the G8 to make visible progress in fulfilling their prior commitments.

All countries, rich and poor, want to live in a world where ethical behaviour and accountability extend to all public servants, where commitment to doing the right thing stretches from the clerk to the minister to the president. Demand for and contribution to that accountability must come from all sectors of society if the burden of poverty is to be lifted.

Corruption has many players: it has perpetrators and victims, as we have seen. It has bribe takers and bribe payers, as Transparency International illustrated in the recent *Bribe Payers Index 2006*. It has accomplices – professionals from a range of fields who smooth the path between bribe payers and bribe takers.

But it also has heroes, people who stand up and say no to the theft of public resources and the perversion of the public good. Transparency International will honour those heroes as we announce the winners of the 2006 Integrity Awards next week in Guatemala.

I will now ask David Nussbaum to comment on the important issue of facilitation of corruption.

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