

'Corruption' Data-Based Question

Document A – Transparency International - Exporting Corruption – Progress report 2020: Assessing enforcement of the OECD Anti-Bribery Convention

Transparency International is a global movement with one vision: a world in which government, business, civil society and the daily lives of people are free of corruption. With more than 100 chapters worldwide and an international secretariat in Berlin, we are leading the fight against corruption to turn this vision into reality.

Bribery of foreign public officials has huge costs and consequences for countries across the globe and those costs have become more severe during the COVID-19 pandemic. With so many cases of foreign bribery occurring in health care, we cannot afford for corruption to cost any additional lives.

Transparency International's 2020 report, *Exporting Corruption*, rates the performance of 47 leading global exporters, including 43 countries that are signatories to the Organisation for Economic Cooperation and

Development (OECD) Anti-Bribery Convention, in cracking down on bribery of foreign public officials by companies operating abroad. The report shows how well – or poorly – countries are following the rules. More than 20 years after the Convention was adopted, most countries still have a long way to go in meeting their obligations. In fact, active enforcement has significantly decreased since our last report in 2018.

ENFORCEMENT LEVEL



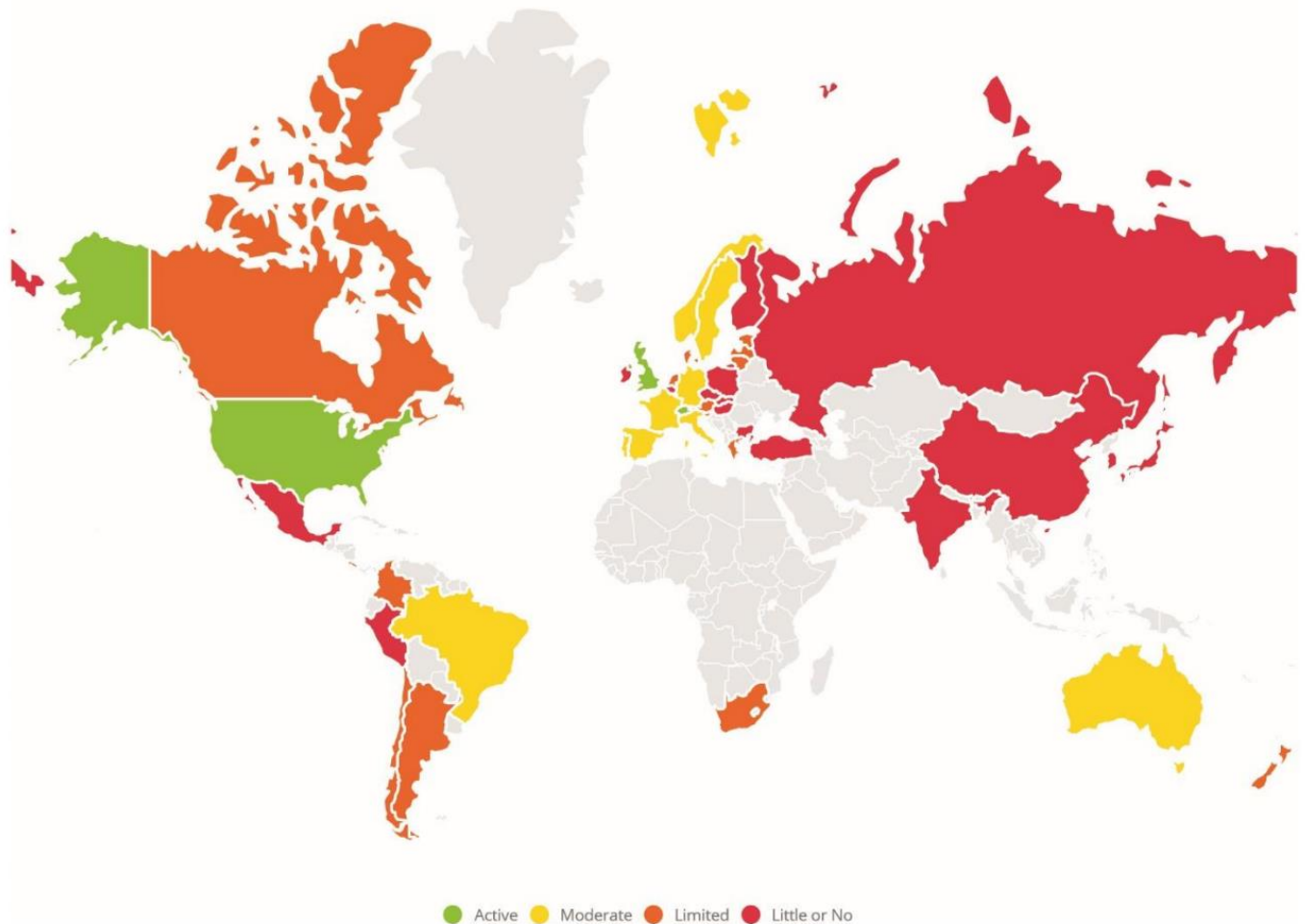
“ Bribery is a widespread phenomenon in international business transactions...which raises serious moral and political concerns, undermines good governance and economic development, and distorts international competitive conditions.

OECD Convention preamble

Foreign bribery during COVID-19 Those costs have increased during the COVID-19 pandemic. The pervasive cross-border corruption in health care will cost additional lives unless robustly countered. But the dangers of corruption during COVID-19 go beyond the health sector. Triggered by the pandemic, a global economic crisis is also depleting public treasuries. Wasting precious public resources on corruption fuelled deals with unscrupulous companies and intermediaries is even more deadly and damaging than before. As companies' profits shrink, the temptation will grow for them to win business in foreign markets at any cost and by any means. The states where multinationals are headquartered may hold back foreign bribery enforcement on short-sighted economic grounds. The need for robust foreign bribery enforcement is as urgent today as when the OECD

Anti-Bribery Convention was first adopted in 1997. Now more than ever, we need stronger foreign bribery enforcement and international cooperation and coordination.

GLOBAL MAP OF ENFORCEMENT LEVELS



Key findings

- 1. Active enforcement is down significantly.** Only four countries actively enforce against foreign bribery, which represents 16.5 per cent of global exports, a decrease of more than one third (39 per cent) since 2018.
- 2. Moderate enforcement has more than doubled.** Nine countries moderately enforce against foreign bribery, more than double the four countries in 2018. This represents an increase in share of world exports from 3.8 per cent to 20.2 per cent since 2018.
- 3. No country is immune to exporting foreign bribery.** Nearly every country has companies, employees, agents, intermediaries and facilitators involved in foreign bribery or related money laundering.

Source: <https://images.transparencycdn.org/images/A-short-version-of-Exporting-Corruption-2020.pdf>

Extracts adapted for Exam Purposes

Document B – The Cost of Corruption – quarterly journal of the IMF.

Finance & Development, Sept 2019, Vol. 56, No. 3

“Graft results in lost tax revenue, but it also takes a social toll.”

Public Trust Diminished

How does corruption limit revenue? For one thing, it can harm the ability of governments to collect taxes in a fair and efficient way. Corrupt legislators may introduce tax loopholes in exchange for bribes, reducing revenue potential. And the more complex the tax system, the easier it is for officials to exercise discretion in its administration and demand bribes or kickbacks in return for a favourable outcome. An example: in a 1996 case reported by the *New York Times*, municipal workers allegedly accepted bribes to make it appear that unpaid taxes had actually been paid. More broadly, the distortion of tax laws and corruption of tax officials reduce public trust in the state, weakening the willingness of citizens to pay taxes.

Curbing corruption can yield significant fiscal benefits. Our research suggests that revenues are higher in countries perceived to be less corrupt; the least corrupt governments collect 4 percent of GDP more in taxes than those at the same level of economic development with the highest levels of corruption. Some countries have made progress over the past two decades, and if all countries were to reduce corruption in a similar way, they could gain \$1 trillion in lost tax revenues, or 1.25 percent of global GDP.

Hot Spots

While corruption can occur almost anywhere, it is most prevalent in a few hot spots. One involves natural resources, especially oil and mining. The outsized profits associated with extraction of natural resources are strong incentives for payment of bribes, or even state capture, where public policies and laws are influenced by corrupt practices to secure control over a country’s natural wealth. Indeed, resource-rich countries tend to be more corrupt because they struggle with weaker institutions and poor accountability in the use of their natural wealth.

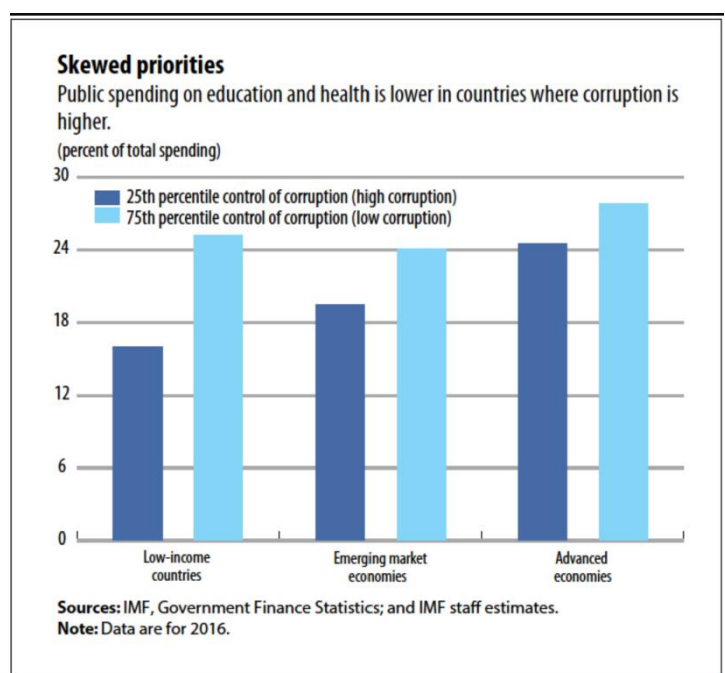
Corruption is also prevalent among state-owned enterprises, where management may be susceptible to undue influence by civil servants and elected officials. As a result, state-owned enterprises in vital sectors like energy, utilities, and transportation are less profitable and efficient in countries with more corruption. Research suggests, moreover, that corruption is one of the main reasons private companies tend to be more productive than state-owned firms. Strikingly, in countries where corruption is less widespread, the type of ownership is much less relevant to the explanation of the difference in performance between firms.

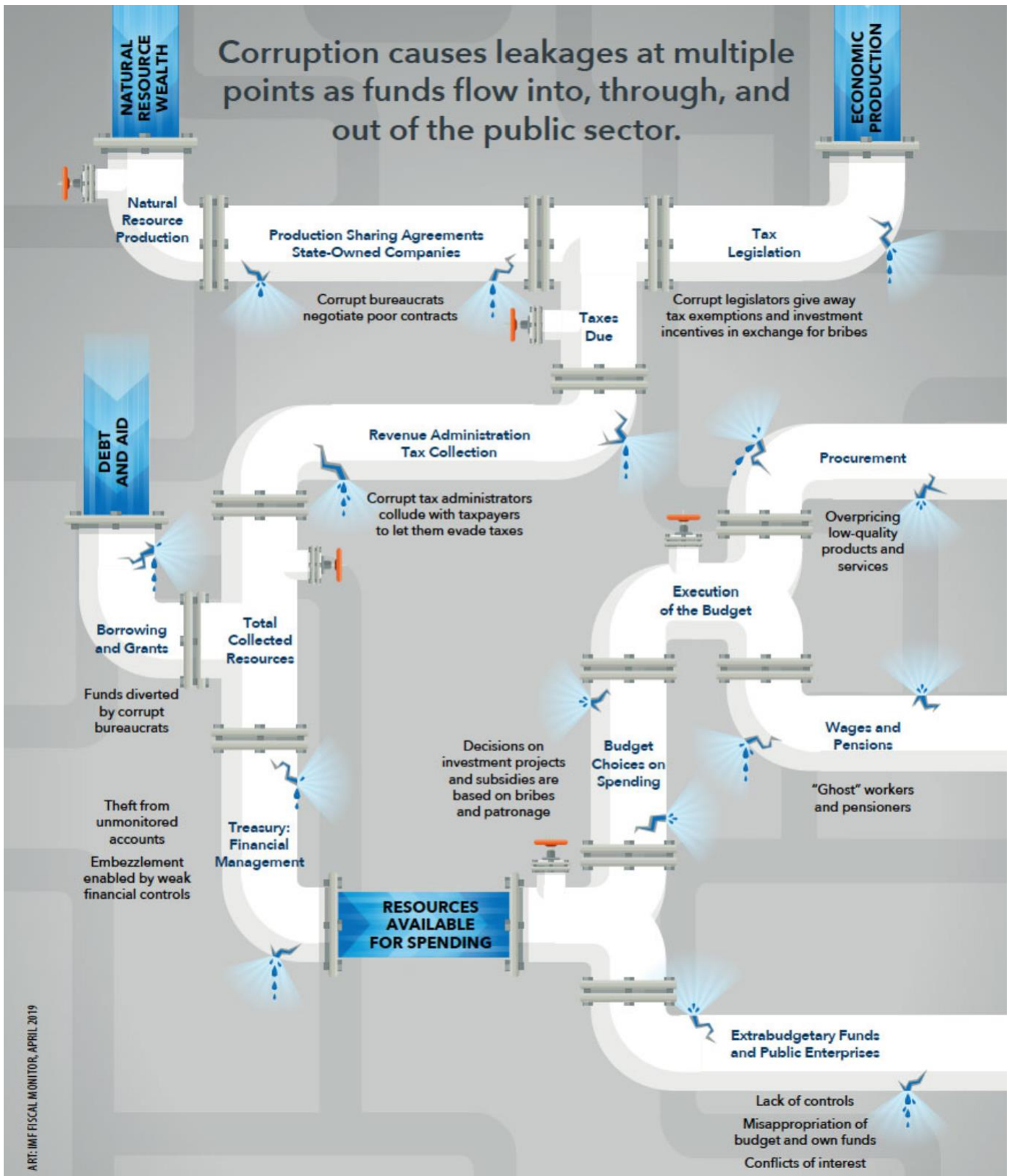
Skewed Priorities

This is why grand corruption is usually associated with complex and costly projects such as construction and defence equipment. By comparison, it is harder to collect bribes on teachers’ and health care workers’ wages. As a result, spending on education and health is likely to be lower where corruption is high, making it less likely that worker productivity and living standards will improve. Among low-income countries, the share of the budget dedicated to education and health is one-third lower in more corrupt countries (see chart).

It should come as no surprise, then, that test scores tend to be lower in countries where corruption is more prevalent. While students in more corrupt countries may spend as much time in the classroom as those in other countries, the quality of instruction

is worse. This is not just about spending less on education. In some countries, access to teaching jobs in public schools is influenced by bribes or connections. Teacher absenteeism is a widespread form of petty corruption in several developing economies, and a study in Brazil found evidence that where federal transfers to local governments for education spending are partially lost to corruption, dropout rates are higher and test scores worse.





Source: <https://www.imf.org/external/pubs/ft/fandd/2019/09/the-true-cost-of-global-corruption-mauro.htm>

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Original Source Adapted for Assessment Purposes

