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Persistently high corruption in low-income countries amounts to an “ongoing humanitarian disaster”

Against a backdrop of continued corporate scandal, wealthy countries backsliding too

Berlin, 23 September 2008 - With countries such as Somalia and Iraq among those showing the highest levels of perceived corruption, Transparency International's (TI) 2008 Corruption Perceptions Index (CPI), launched today, highlights the fatal link between poverty, failed institutions and graft. But other notable backsliders in the 2008 CPI indicate that the strength of oversight mechanisms is also at risk among the wealthiest.

“In the poorest countries, corruption levels can mean the difference between life and death, when money for hospitals or clean water is in play,” said Huguette Labelle, Chair of Transparency International. “The continuing high levels of corruption and poverty plaguing many of the world's societies amount to an ongoing humanitarian disaster and cannot be tolerated. But even in more privileged countries, with enforcement disturbingly uneven, a tougher approach to tackling corruption is needed.”

The 2008 Results

The Transparency International CPI measures the perceived levels of public-sector corruption in a given country and is a composite index, drawing on different expert and business surveys. The 2008 CPI scores 180 countries (the same number as the 2007 CPI) on a scale from zero (highly corrupt) to ten (highly clean).

Denmark, New Zealand and Sweden share the highest score at 9.3, followed immediately by *Singapore* at 9.2. Bringing up the rear is *Somalia* at 1.0, slightly trailing *Iraq* and *Myanmar* at 1.3 and *Haiti* at 1.4.

While score changes in the Index are not rapid, statistically significant changes are evident in certain countries from the high to the low end of the CPI. Looking at source surveys included in both the 2007 and 2008 Index, significant declines can be seen in the scores of *Bulgaria, Burundi, Maldives, Norway and the United Kingdom*.

Similarly, statistically significant improvements over the last year can be identified in *Albania, Cyprus, Georgia, Mauritius, Nigeria, Oman, Qatar, South Korea, Tonga and Turkey*.

Strengthening oversight and accountability

Whether in high or low-income countries, the challenge of reigning in corruption requires functioning societal and governmental institutions. Poorer countries are often plagued by corrupt judiciaries and ineffective parliamentary oversight. Wealthy countries, on the other hand, show evidence of insufficient regulation of the private sector, in terms of addressing overseas bribery by their countries, and weak oversight of financial institutions and transactions.

“Stemming corruption requires strong oversight through parliaments, law enforcement, independent media and a vibrant civil society,” said Labelle. “When these institutions are weak, corruption spirals out of control with horrendous consequences for ordinary people, and for justice and equality in societies more broadly.”

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Global fight against poverty in the balance

In low-income countries, rampant corruption jeopardises the global fight against poverty, threatening to derail the UN Millennium Development Goals (MDGs). According to TI's 2008 Global Corruption Report, unchecked levels of corruption would add US \$50 billion (€35 billion) - or nearly half of annual global aid outlays – to the cost of achieving the MDG on water and sanitation.

Not only does this call for a redoubling of efforts in low-income countries, where the welfare of significant portions of the population hangs in the balance, it also calls for a more focussed and coordinated approach by the global donor community to ensure development assistance is designed to strengthen institutions of governance and oversight in recipient countries, and that aid flows themselves are fortified against abuse and graft.

This is the message that TI will be sending to the member states of the UN General Assembly as they prepare to take stock on progress in reaching the MDGs on 25 September, and ahead of the UN conference on Financing for Development, in Doha, Qatar, where commitments on funding aid will be taken

Prof. Johann Graf Lambsdorff of the University of Passau, who carries out the Index for TI, underscored the disastrous effects of corruption and gains from fighting it, saying, "Evidence suggests that an improvement in the CPI by one point [on a 10-point scale] increases capital inflows by 0.5 per cent of a country's gross domestic product and average incomes by as much as 4 per cent."

Corporate bribery and double standards

The weakening performance of some wealthy exporting countries, with notable European decliners in the 2008 CPI, casts a further critical light on government commitment to reign in the questionable methods of their companies in acquiring and managing overseas business, in addition to domestic concerns about issues such as the role of money in politics. The continuing emergence of foreign bribery scandals indicates a broader failure by the world's wealthiest countries to live up to the promise of mutual accountability in the fight against corruption.

"This sort of double standard is unacceptable and disregards international legal standards," said Labelle. "Beyond its corrosive effects on the rule of law and public confidence, this lack of resolution undermines the credibility of the wealthiest nations in calling for greater action to fight corruption by low-income countries." The OECD Anti-Bribery Convention, which criminalises overseas bribery by OECD-based companies, has been in effect since 1999, but application remains uneven.

Regulation, though, is just half the battle. Real change can only come from an internalised commitment by businesses of all sizes, and in developing as well as developed countries, to real improvement in anti-corruption practices.

Fighting corruption: a social compact

Across the globe, stronger institutions of oversight, firm legal frameworks and more vigilant regulation will ensure lower levels of corruption, allowing more meaningful participation for all people in their societies, stronger development outcomes and a better quality of life for marginalised communities.

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

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