

SYDNEY SPEECH TO ACCSR CONFERENCE
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I have been asked to talk briefly about a number of matters concerned with Transparency International, corruption, international initiatives including the OECD Anti-Bribery legislation and the United Nations Convention Against Corruption (UNCAC) and the problems involved for companies in complying with the anti-bribery legislation. All this I have to do in not more than 15 minutes.

Corruption

It is a truism to say that everybody claims to be against corruption, even the corrupt. On the international level, however, that has not always been the case.

Those whose memories extend back twenty years will know that it is only in the past two decades that a general international acceptance of the need to fight corruption has evolved. It is only since 1995 that the World Bank, under the leadership of Australian James Wolfensohn, discarded its previous policy on corruption. That was a policy which regarded consideration of corruption in its lending policies as an irrelevant matter. Monies could be provided to the most corrupt countries under this policy.

What is Transparency International

(Based on material to be found on transparency.org)

Prior to 1995 there had been increasing unrest amongst a number of senior officials in the World Bank. This unrest led to the formation of Transparency International in 1993. It was formed by a small group of influential and prominent personalities inside and outside the World Bank who felt they could no longer tolerate the acceptance of corruption as a fact of life.

The thrust for this action came from a distinguished German lawyer, Peter Eigen, who was a senior World Bank official with experience in Africa and Latin America. The refusal of the World Bank at that time to allow the question of corruption to be considered in its multiple aid programmes (which I have already referred to) ultimately led to the resignation of Peter Eigen and the formation of this small NGO called Transparency International. It was thought at the time that it would be no more than a small ginger group. As it turned out, over a period of 15 years, it

now has chapters in more than 100 countries and is internationally regarded as the leading NGO on anti-corruption matters.

It has been remarkably active.

In 1995, TI developed a **Corruption Perceptions Index** which indexes the degrees of corruption perceived by international and domestic business communities. The CPI is now widely regarded as the most important and most reliable comparative corruption indicator available and is used by academics and researchers world wide.

In 1999, the **Bribe Payers Index** was launched. The BPI measures the propensity of leading exporting countries to bribe abroad. This index compliments the CPI in that it addresses the question of the industrialised world's corrupt intervention in developing countries.

In 2001, the **Global Corruption Report** was launched. It has become an annual publication. The World Bank had been positively hostile to the development of TI on the rather peculiar basis that to require companies not to bribe in order to get work, was anti-competitive. That is no longer the case and TI enjoys good relations with it.

The big change took place in 1995 with the appointment of an Australian, James Wolfensohn as Chairman. His emphasis on the need to attack corruption as an economic matter transformed the attitude of the World Bank over a short period. His cause was taken up by his successor, Paul Wolfowitz.

NOTE: Following TI Extract not used in Speech

What is corruption?

Corruption is the abuse of entrusted power for private gain. It hurts everyone whose life, livelihood or happiness depends on the integrity of people in a position of authority.

Why does fighting corruption matter?

Corruption hurts everyone, and it harms the poor the most. Sometimes its devastating impact is obvious:

- *A father who must do without shoes because his meagre wages are used to pay a bribe to get his child into a supposedly free school.*
- *The unsuspecting sick person who buys useless counterfeit drugs, putting their health in grave danger.*
- *A small shop owner whose weekly bribe to the local inspector cuts severely into his modest earnings.*
- *The family trapped for generations in poverty because a corrupt and autocratic leadership has systematically siphoned off a nation's riches.*

Other times corruption's impact is less visible:

- *The prosperous multinational corporation that secured a contract by buying an unfair advantage in a competitive market through illegal kickbacks to corrupt government officials, at the expense of the honest companies who didn't.*
- *Post-disaster donations provided by compassionate people, directly or through their governments, that never reach the victims, callously diverted instead into the bank accounts of criminals.*
- *The faulty buildings, built to lower safety standards because a bribe passed under the table in the construction process that collapse in an earthquake or hurricane.*

Corruption has dire global consequences, trapping millions in poverty and misery and breeding social, economic and political unrest.

Corruption is both a cause of poverty, and a barrier to overcoming it. It is one of the most serious obstacles to reducing poverty.

Corruption denies poor people the basic means of survival, forcing them to spend more of their income on bribes. Human rights are denied where corruption is rife, because a fair trial comes with a hefty price tag where courts are corrupted.

Corruption undermines democracy and the rule of law.

Corruption distorts national and international trade.

Corruption jeopardises sound governance and ethics in the private sector.

Corruption threatens domestic and international security and the sustainability of natural resources.

Those with less power are particularly disadvantaged in corrupt systems, which typically reinforce gender discrimination.

Corruption compounds political exclusion: if votes can be bought, there is little incentive to change the system that sustains poverty.

The conclusion - Corruption hurts everyone.

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Over the last 15 years a number of major events have occurred to consolidate the fight against corruption. Let me list them and then speak to them briefly:

1. An acceptance by Governments, Aid Agencies and the United Nations that the war against poverty, particularly in those developing nations who are the major recipients of Aid, will fail unless the war on corruption succeeds.
2. The commencement of the OECD Anti Bribery Convention
3. The United Nations Convention against Corruption (UNCAC)

Poverty and Corruption

In a 26 page paper issued in June 2007 TI reflected on the connection between corruption and poverty and corruption and the abuse of Aid money. The paper can be found on the TI website. In the introduction to the paper the following statements appear:

Corruption aggravates poverty. Surveys of the very poor in developing countries point to corruption as having a significant and detrimental impact on their lives. For a poor household, the bribe randomly extorted by a police officer may mean that the family cannot afford school fees for their children, or that the family cannot afford to buy goods to maintain its small business and source of income. Corruption not only reduces the net income of the poor but also wrecks programmes related to their basic needs, from sanitation to education to healthcare. It results in the misallocation of resources to the detriment of poverty reduction programmes.

There is today an increased awareness of the development community, in both donor and recipient countries, that without countering corruption, aid is in danger of not reaching the poor, or reaching them only partially. The discussion is moving towards

a more open, serious and constructive quest for solutions. The credibility of future aid will depend on the ability of the aid system to demonstrate that it can address corruption pro-actively and comprehensively.

The attainment of the Millennium Development Goals is put at risk unless corruption is tackled as an integral part of poverty reduction strategies. Many political leaders of the developing world view corruption as a very serious impediment to the overall development of their countries and increasingly take account of corruption threats and risks in the design of national development programmes. The increasing global consensus on the importance of corruption as an impediment to development is reflected in the ratification of the UN Convention against Corruption (UNCAC).

There is no longer any doubt in the international community as to this connection.

UNCAC

UNCAC is the most powerful tool yet created to deal with international corruption and organised crime. It provides for the first time the necessary tools and procedures to enable the

international pursuit of the proceeds of crime. Even more important is that countries such as Nigeria, and many others, will be able to put in place steps to recover billions of dollars stolen from them by corrupt leaders.

Although the Convention is a remarkable document, it is no more than words on paper unless appropriate procedures are put in place to monitor its implementation and to ensure that the more than 140 countries who have signed it, and the 107 countries which have ratified it, honour their obligations and co-operate in making it work.

OECD Anti-Bribery Convention

Convention on Combating Bribery of Foreign Public Officials in International Business Transactions

Organisation for **E**conomic **C**o-operation and **D**evelopment

In many ways this is the Convention which at this time most impacts on business. UNCAC may take over this role in the future, but not just yet. This Convention celebrated its 10th anniversary in Rome on 21 November 2007.

I suppose the Convention received its most public coverage as a result of the Volcker Report into the Oil for Food scandal, and in Australia the involvement of AWB. Although AWB most attracted the attention of Australians I think it is worth recalling that Volcker found that more than 2,200 companies paid more than \$1.5 billion in kickbacks.

These findings caused an uproar, although there is still a live question ,which has not been properly answered, as to how it could have happened if there was proper oversight.

What they do show is how widespread was the practice of paying bribes.

It should be noted that in the 2007 Corruption Perceptions Index (CPI) 130 out of 180 nations surveyed scored less than 5 out of a clear score of 10, indicating serious levels of corruption in a majority of the countries surveyed.

What are we to do about it?

It is clear that there has been a strong movement in the business community to eliminate these practices. The Global Compact is strong evidence of that fact. The chair of Transparency International, Dr Huguette Labelle, is a Board member of the Global Compact.

TI in conjunction with Social Accountability International and with the assistance of a powerful Steering Committee produced in 2003 a set of "Business Principles for Countering Bribery". In January 2008 it produced a second set of Principles for Small and Medium Enterprise (SME) edition. Both documents can be found on the TI website.

These are valuable aids to business in the fight against corruption. They set out practical guidelines which companies can use as comprehensive reference for good practice in countering

bribery. They urge enterprises to commit to implementation of a Programme to counter bribery.
This Programme is a whole of enterprise activity.

Let me conclude on this note.

The international community has recognised that the fight against corruption is of central importance to the health of our world. Without such a fight the elimination of poverty will not succeed and the support for developing nations will produce few benefits. It is a fight which requires the involvement of governments, business, civil society and individuals. The attack on bribery of foreign officials is but one aspect of this fight. It is a very important aspect. No-one should pretend that business will find this easy. However the rewards to business and to the community are very great.