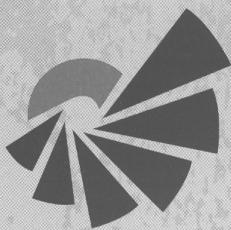


## NEWSLETTER

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# ICME

### HIGHLIGHTS

TRANSPARENCY  
INTERNATIONAL ON  
CORRUPTION

PARTNERSHIPS FOR THE  
SOUND MANAGEMENT  
OF METALS

POLLUTANT RELEASE  
AND TRANSFER  
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AQUATIC HAZARD  
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ICME'S NEW MANDATE  
FOCUSES ON SD

## INTERNATIONAL COUNCIL ON METALS AND THE ENVIRONMENT

### Combating Corruption — A Condition for Sustainable Development

by Miguel Schloss, Executive Director, Transparency International

#### Introduction

The end of the cold war and the growing mutual interdependence that has come with rapid "globalization" have largely removed the ideological lens through which the roles of governments, the private sector and civil society have been seen in the development of countries.

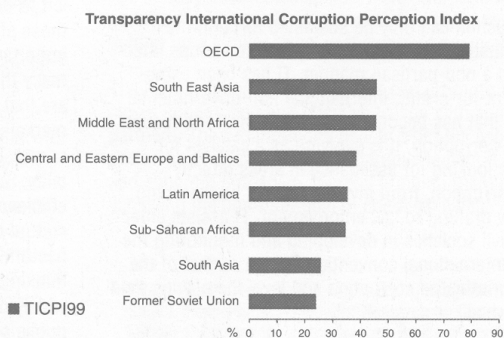
Consensus is emerging that each party plays an important role in creating wealth and that, to achieve full potential and sustainable development, there are areas where their roles converge. One area with significant potential for partnership is concern about corruption.

#### The Issue

Corruption is a complex phenomenon and, in many cases, the consequence of deep-seated problems of policy distortion, institutional incentives and governance. Therefore, it cannot be addressed by simple legal acts proscribing it. In fact, in virtually all countries local laws forbid corrupt behaviour. And yet, effective efforts to combat corruption have been limited. The reason is that, in many developing and transition economies, the judiciary, legal enforcement institutions, police and such other legal bodies are unreliable because the rule of law is often fragile, and therefore can be captured by corrupt interests.

To assist governments, the business community and other interested parties to debate the issue of corruption, Transparency International (TI) has been publishing an increasingly comprehensive Corruption Perceptions Index. This index is a "poll of polls" drawing upon numerous distinct surveys of expert and general public views on the extent of corruption in countries around the world. As can be seen in the graph below, recent data show that the bulk of regions have poor scores (i.e., ratings of less than 50%), thereby strongly suggesting that corruption is a serious issue, deserving much higher attention in the policy agenda of all concerned.

Not only is corruption widespread, but it has serious economic impact since it distorts decision-making on investment projects and commercial transactions, thus affecting the very social fabric of societies. Fairly robust statistical evidence shows that higher corruption is associated with: (i) higher (and more costly)



The CPI measures the degree of corruption perceived by business people, risk analysts and the general public. Scores range from 100% (highly clean) to 0% (highly corrupt).

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**Combatting Corruption**, *continued from page 1*

public investment; (ii) lower government revenues; (iii) lower expenditures on operations and maintenance; and (iv) ensuing lower quality of public infrastructure. The evidence also shows that corruption increases public investment by making it more expensive while reducing its productivity — not to mention the loss of resources to the countries resulting from uneconomic investments.

For the private sector, strengthening anti-corruption practices is intimately linked with sustainable development, hence with overcoming the legacy of past practices that have been widely seen as exploitative.

**Corrective Actions**

Corruption occurs when economic opportunities for it prevail and the political will to combat is lacking. Addressing the issue effectively therefore requires dealing with the underlying economic, political and institutional causes. Reducing opportunities for discretion is often an important element for **prevention**. These efforts typically include liberalization policies such as reductions of trade restrictions, subsidies, price controls, directed credit, etc., such as have been undertaken in a growing number of countries.

Similarly, on the **enforcement** side, weak institutions often require the help of independent oversight commissions with powers to investigate, and at times prosecute and/or adjudicate, as have been instituted in Chile, Hong Kong, Singapore and Botswana.

Finally, proper **interface** needs to be formed between civil society, the private sector and governments to help assess the issues and develop support for combatting corruption, as well as to develop more effective ways of doing business. Corruption is not an issue that lends itself to technocratic solutions developed by a few and executed by many; long-term sustainable development requires a real stake from all concerned, and often needs homegrown, tailor-made solutions.

As effective action can only be sustained through the presence of institutions that can catalyse the various interest groups in a non-partisan manner, TI has been established as a not-for-profit, international non-governmental organization that has become a focus for efforts to reduce international corruption. It is evolving as a catalyst for governments looking for assistance in areas directly relating to corruption, from investigation to bookkeeping, and from law drafting to law enforcement. TI assists enterprises and civil societies in developing and monitoring the adoption of international conventions (such as that of the OECD) that criminalize corruption and level the playing field for all concerned.

**Conclusions**

Three pervasive factors are becoming an inescapable part of anti-corruption efforts:

*Globalization.* In an age of vanishing political borders, rapidly coalescing transnational global culture, and growing economic integration, an isolated existence is no longer a viable option — at least not without a prohibitive cost in economic development. International standards such as those being adopted by major enterprises, international conventions like the ones adopted by the OECD, and guidelines adopted by international lending institutions are becoming an integral part of the global scene of increased transparency and growing concern for corruption. No place is immune to these global threats, and world economic development will bypass those who prefer to remain on the old course. Bribes may “sell” obsolete and high-priced goods — but at the cost of losing competitive edge. In the end, success will only come to those able to thrive through their ability to both develop knowledge in every field of their business and innovate for superior performance.

*Corporate Response.* Private companies need to focus on the impact of corruption on their performance, since it corrodes their reputation, adds to shareholder risks and, worst of all, can ultimately lead to social unrest. The legitimacy and long-term viability of enterprises rest on how they deal with this issue. No business that wants to be truly successful can ever be passive in the face of change. Passivity is the route to competitive failure. Increasingly, it is becoming unlikely that any business that wants to be successful can ignore the views of its customers, its shareholders and society at large. Progressive and successful enterprises go beyond compliance with legislation, encourage openness and learning in the company, and welcome public scrutiny. The key for them is transparency and accountability — and their success is rooted in being better, not just good.

*Governance.* The same applies to governments, which have found to their dismay that secretive decision-making can no longer be sustained. Contrary to the oft-made claims that decision-making on technical or complex subjects is best left to experts, without the informed participation of all those affected, policy decisions will fail to take into account important information and interest, and will lack the legitimacy that only the public voice can bring. All indications are that transparency increases the efficiency with which markets operate and may reduce the likelihood of financial crises. Transparency is logically necessary for accountability. Such accountability is the political equivalent of the efficiency that competition generates between firms. But a culture of transparency will not come solely as the result of hectoring by international financial institutions. It requires thinking beyond disclosure standards, which are being so widely discussed, to questioning the incentives facing public sector activities. ●

*More information about Transparency International may be found on its web site: [www.transparency.de](http://www.transparency.de)*