Corruption: Myths and Facts

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Myth: Corruption is predominantly an African problem.

Fact: Corruption is prevalent in all countries, including Ireland, but corruption on a scale that threatens human rights and economic development is most likely where state structures are very weak, have broken down or are changing rapidly.

Corruption (the abuse of entrusted power for private gain) occurs everywhere where the risk of getting caught is low, and the rewards are high.

In practice, much of the debate in Ireland focuses on corruption in Africa, and the risks it poses for Irish development aid. This is based on genuine concern about the effectiveness of Irish aid efforts, but also on the erroneous belief that most corruption occurs in the context of development aid.

Myth: Corruption is a problem associated with development aid.

Fact: There are two sides to corruption: demand and supply sides. The OECD conservatively estimates that multinational corporations pay bribes totalling \$80bn each year. The US State Department estimated in 1999 that 294 companies paid \$148bn in bribes to win contracts[1].

Financial institutions in rich countries also play a role in facilitating corrupt payments. The World Bank estimates that the amount of money laundered by Northern financial institutions totals up to \$1 trillion annually[2].

The World Bank established the Sanctions Committee in 1998 to investigate allegations of corruption by companies contracted by the World Bank. The Bank's blacklist contains 195 companies that have been 'debarred' due to corrupt activities. The countries with the most debarments are Indonesia and the UK, which each has 40 firms blacklisted. This list includes one Irish firm, which has since been dissolved. Last year the Irish media reported five separate cases of Irish companies paying bribes overseas, yet none of these cases appear to have been even investigated by the Irish authorities.

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[1] Cornerhouse Briefing No. 19, '*Exporting Corruption: Privatisation, Multinationals & Bribery*', June 2000.
[2] '*The Costs of Corruption*', the World Bank, 8 April 2004.

Myth: Most African countries are run by corrupt dictators.

Fact: Democracy has taken massive strides in the past two decades, replacing a post-colonial era of dictatorship. In the 1980s, only three African countries held multi-party elections: Gambia, Botswana and Mauritius[3]. By the mid-'90s, 40 countries had held multi-party elections considered free and fair.

Democratisation and space for people to hold governments to account have reduced opportunities for corruption. Africans themselves say that they perceive less corruption today than they did in 2000[4].

Myth: Donors, such as Irish Aid, pour money into developing countries without monitoring how it is spent.

Fact: All donors, including Irish Aid, have financial management and audit systems to monitor the use of aid. The Irish government works with partner governments to ensure that financial oversight systems are sufficient, for the sake of the Irish taxpayer and, just as importantly, the intended beneficiaries of aid resources.

As the Irish aid budget grows, the government will need to strengthen independent audit and evaluation mechanisms, and put in place sufficient staff, resources and systems to ensure that aid is spent effectively.

Myth: It is better to channel aid through NGOs rather than governments, who might waste it.

Fact: By-passing government systems effectively means undermining those governments' own efforts to improve planning, budgeting and delivering services that reach all citizens. (Imagine if all the structural funds Ireland received from the EU had been channelled through charities: Would Ireland have had the regulatory framework and long-term strategies in place, and sufficient government capacity, to bring about Ireland's economic boom?)

A study conducted by the OECD in 2006[5] found no evidence that aid channelled through developing countries' governments is any more or less vulnerable to corruption than aid delivered through other channels.

Monitoring and tracking expenditure, providing technical support to government accountability bodies, strengthening parliament's role in providing oversight, and supporting civil society watchdog groups are all effective ways to ensure that aid reaches those for whom it is intended.

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[3] Vincent Durac, '*Democracy and Democratization*', 2001, http://www.ucd.ie/cds/html/publish/brief012.htm.
[4] Afrobarometer Media Briefing, 24 May 2006. Available online: http://www.afrobarometer.org/press-release_corruption.pdf.
[5] OECD Budget Support Evaluation, 2006, p. S14.

Myth: Corruption is a matter of culture.

Fact: Corruption happens anywhere there is the right mix of opportunity and inclination; where those with power and influence can take advantage of others for their own private gain.

Few would argue that Switzerland's secretive banking system is 'in their culture', in light of demands by Swiss NGOs to return money stolen by corrupt leaders to nations whom it was stolen from.

Neither is it the case that Africans have a different understanding of corruption than ours. Afrobarometer, an independent group that measures political attitudes in Africa, found that a significant majority of citizens condemn public officials who locate development projects where friends and supporters live, who demand favours for state services and who give jobs to unqualified family members and friends.

Myth*:* Corruption is not an important development issue.

Fact: The link between development and corruption has been well established over the past 20 years. Corruption has been shown to destabilise democratic government, harm trade and investment, threaten the environment and encourage the abuse of human rights. To the extent that it diverts money from public finances or aid allocations, it also impinges on basic social services, threatens achievement of the Millennium Development Goals, and has a particularly noxious impact on the poor and powerless in society.

The correlation between poverty and corruption can be seen in the Corruption Perceptions Index, where most low-income countries feature among the 50% of countries seen to be affected least by public-sector corruption.

Myth: People in developing countries can do little to curtail corruption.

Fact: Civil society watchdog groups and investigative journalists are active across the developing world in tracking the activities of governments, public sector bodies and private companies. Transparency is the greatest enemy of corruption: Given the right information and support, political parties and local organisations can do great job of monitoring public spending and demanding accountable administration.

Fighting corruption, in both its 'demand' and 'supply' sides, is not simply a matter of cutting aid: The best way to fight corruption is to strengthen formal and informal systems and mechanisms for checks and balances: free and independent media, an effective judiciary system and active citizenship in fighting corruption.

To fight corruption, investment is needed: Investment in education, in democracy, in legislation and in free media. And rich countries can help further, by introducing legislation ratifying the UN Convention Against Corruption; by pressing for better transparency and accountability in the World Bank, the UN and the EU; and by helping to make sure that no Irish companies give or take bribes to secure business.

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