



TRANSPARENCY INTERNATIONAL

The coalition against corruption

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Corruption is unsustainable

Statement by Peter Eigen, Chairman of Transparency International, on the launch of the Corruption Perceptions Index 2002

Berlin, 28 August 2002 -- At the UN Monterrey Conference on Financing for Development in March 2002, US President Bush announced the tying of billions of dollars of additional development assistance over the next three years to a commitment to good governance, including anti-corruption measures.

But the initiative cannot come from donor countries alone. That is why I applaud the New Partnership for Africa's Development, which has bold aims launched by African leaders, aims that will be in the spotlight this week at the UN Summit for Sustainable Development in Johannesburg. Good governance and transparency are essential to sustainable development.

Just as international institutions and donor bodies must now insist on transparency and good governance, so must politicians grasp the challenge at the national level. TI's new Corruption Perceptions Index, which includes 102 countries – the highest number in the history of the index - makes it clear that an enormous task lies ahead of them. They must set the framework for investment such that the rule of law is applied and enforced fairly, not arbitrarily, so that for instance extractive industries, such as oil-drilling, are sustainable both for the natural environment and the development of the local economy.

The Johannesburg Summit must lead to action. Corruption impedes sustainable development and robs the children of today of the resources they will need to survive tomorrow. When the leaders sign the Johannesburg Declaration, they must make pledges they can keep, not raise false hopes.

Take the case of water. The world's freshwater supplies are shrinking, and it is more evident than ever that clean drinking water is one of the earth's most valuable resources. As water becomes more scarce, particularly in Asia, efficient planning and fair distribution are vital to sustainability and to the livelihood of

Peter Eigen, Chairman, Transparency International, Berlin 28. August 2002

millions, especially children, who are vulnerable to water-borne disease. Today, 1.2 billion people do not have reliable access to safe water. Transparent, efficient and honest management of water supplies and sustainable planning are urgently needed to save lives. At the current rate of decline of fresh water supplies, as many as 5 billion people will be in danger of water shortages within two decades.

This year's catastrophic floods and droughts have been exacerbated by the effects of illegal logging and deforestation. Major water-diversion projects may be necessary, but the Three Gorges Dam in China is just one of many plagued by corruption: decisions on solving the water crisis are prevented by bribery; it is now an emergency situation: decisions must be made to meet the needs of future generations, not the short-term profit of corrupt public officials or businesses.

Politicians increasingly pay lip-service to the fight against corruption but they fail to act on the clear message of TI's Corruption Perceptions Index: that they must clamp down on corruption to break the vicious circle of poverty and graft. Seven out of ten countries score less than 5 out of 10 in the CPI 2002, which reflects perceived levels of corruption among politicians and public officials – and many of these are the poorest countries.

Political elites and their cronies continue to take kickbacks at every opportunity. Hand in glove with corrupt business people, they are trapping whole nations in poverty and hampering sustainable development. Corruption is perceived to be dangerously high in poor parts of the world, but also in many countries whose firms invest in developing nations.

In the past year, we have seen setbacks to the credibility of democratic rule. In parts of South America, the graft and misrule of political elites have drained confidence in the democratic structures that emerged after the end of military rule. Above all, it is the political parties that have undermined economic prosperity. Argentina, where corruption is perceived to have soared, joins Panama, Honduras, Guatemala, Nicaragua, Venezuela, Bolivia, Ecuador, Haiti and Paraguay with a score of 3 or less in the CPI 2002.

In Argentina, first under President Menem, then President de la Rúa, the state seems to have been captured by a network of leaders who misuses it in the service of their business and political interests. That is why an economic and social crisis has spiralled out of control. If businessmen only lobby to secure contracts illegally or to obtain sector benefits, their companies will have no lasting value for any stakeholders.

But there are some parts of the world showing progress. The EU candidate

countries, most notably Slovenia, are perceived to be increasingly less corrupt. The recent steps by President Vladimir Putin to introduce tax reforms and new laws fighting money-laundering are beginning to show the prospect of a lessening in perceived corruption in Russia, but the CPI 2002 indicates that Russia has a long way to go and remains seriously corrupt, together with Uzbekistan, Georgia, Ukraine, Kazakhstan, Moldova and Azerbaijan, all of which score less than 3 against a clean score of 10.

The many high-profile scandals and bankruptcies in the United States in recent months, from Enron through Global Crossing to WorldCom, underscore the need for there to be far-reaching reforms to strengthen ethics and social responsibility in business. The recent revelations about money laundering and fraud, to which former Enron executive Michael Kopper has already pleaded guilty, could well be just the tip of the iceberg.

Corrupt political elites in the developing world, working hand-in-hand with greedy business people and unscrupulous investors, are putting private gain before the welfare of citizens and the economic development of their countries. From illegal logging to blood diamonds, we are seeing the plundering of the earth and its people in an unsustainable way.

That is why TI argues for civil society monitoring of both governments and businesses. They are both part of the problem, and only by engaging with them both together, can we begin to find solutions, and a level playing field for all stakeholders in society, including company employees, the community at large and all those who care about ending poverty and securing a sustainable ecosystem for the future.