

Transparency International's Bribe Payers Survey 1999

"The scale of bribe-paying by international corporations in the developing countries of the world is massive. Actions by the majority of governments of the leading industrial countries to curb international corruption are modest. The results include growing poverty in poor countries, persistent undermining of the institutions of democracy, and mounting distortions in fair international commerce."

Peter Eigen

Chairman, Transparency International

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About the Bribe-Payers Survey

Transparency International commissioned Gallup International Association (GIA) to conduct in-depth interviews with private sector leaders in 14 emerging market economies, which combine to account for over 60% of imports of all emerging market economies, namely India, Indonesia, Philippines, South Korea, Thailand, Argentina, Brazil, Colombia, Hungary, Poland, Russia, Morocco, Nigeria, South Africa. The 14 countries included India, Indonesia, the Philippines, South Korea, Thailand, Argentina, Brazil, Colombia, Hungary, Poland, Russia, Morocco, Nigeria and South Africa. The survey was conducted from April to July 1999.

Many of the questions asked related to perceptions of bribe-paying in these emerging market economies by companies from the 19 leading exporting countries of the world.

The respondents were interviewed by professional, trained interviewers on the basis of strict confidentiality and anonymity. A total of 779 interviews were conducted which included approximately 55 interviews in each country. About one third (230) of the respondents were senior executives, resident in emerging market countries, who are employed by major foreign companies and about one third (236) represent major national companies. Then, 84 of those questioned were top executives at chartered accountancies, 76 were at binational chambers of commerce, 78 were at national and foreign commercial banks, and 75 were at commercial law firms.

TI's Bribe Payers Index is a pioneering effort to measure the supply side of bribery: the relative propensity to pay bribes by companies from leading exporting states in emerging economies. TI expresses its appreciation to the John D. and Catherine T. MacArthur Foundation for its support of this important initiative.

Bribe Payers Index (BPI)

**1999 Transparency International
Bribe Payers Index (BPI)
Ranking 19 Leading Exporters**

Gallup International asked: "In the business sectors with which you are familiar, please indicate whether companies from the following countries are very likely, quite likely or unlikely to pay bribes to win or retain business in this country."

Rank	Country	Score	OECD Convention	Rank	Country	Score	OECD Convention
1	Sweden	8.3	Ratified	11	Singapore	5.7	not signed
2	Australia	8.1	Ratified	12	Spain	5.3	Signed but not ratified
2	Canada	8.1	Ratified	13	France	5.2	Signed but not ratified
4	Austria	7.8	Ratified	14	Japan	5.1	Ratified
5	Switzerland	7.7	Signed but not ratified	15	Malaysia	3.9	not signed
6	Netherlands	7.4	Signed but not ratified	16	Italy	3.7	Signed but not ratified
7	United Kingdom	7.2	Ratified	17	Taiwan	3.5	not signed
8	Belgium	6.8	Ratified	18	South Korea	3.4	Ratified
9	Germany	6.2	Ratified	19	China	3.1	not signed
9	United States	6.2	Ratified				

Notes: the questions related to leading exporters paying bribes to senior public officials. The standard error in the results was 0.2 or less. In the scoring: 10 represents a perceived level of negligible bribery, while 0 represents responses indicating very high levels of bribery. Questioning found that many respondents said it was difficult to distinguish between mainland and Hong Kong companies since a growing number of mainland companies now operate from Hong Kong. Accordingly, the survey used the term 'China including Hong Kong.'

The **Bribe Payers Index (BPI)** ranks the leading exporting countries in terms of the degree to which their companies are perceived to be paying bribes abroad. The BPI was published by TI on October 26, 1999.

The BPI and the other information in this booklet indicate that corruption is widely seen as playing a significant role in international commerce.

TI believes the data provides a disturbing picture of the degree to which leading exporting countries are perceived to be using corrupt practices.

Yet, we are in a new era where 34 countries have agreed to an OECD Anti-Bribery Convention making the bribery of foreign officials a criminal offence. TI's new survey data, and subsequent surveys, will be used by TI as a monitoring tool to measure progress in coming years.

At the time this publication went to press only 18 of the 34 OECD Convention signing countries had deposited all necessary ratification instruments. Among the largest industrial countries to have not yet done so are France and Italy.

For further information on the OECD Convention and its implementation please see: www.oecd.org/daf/nocorruption/annex2.htm

Bribery in Business Sectors

Business executives and business professionals in leading emerging market countries see international bribe-paying to be greatest in the public works and construction sectors, followed by the arms industry.

Bribery in Business Sectors	
Gallup International asked:	
<i>Which are the sectors in your country of residence where senior public officials would be very likely, quite likely, unlikely to accept or extort bribes?</i>	
The scores below are mean averages from all the responses on a 0 to 10 basis where 0 represents perceptions of very high levels of corruption, while 10 represents perceptions of extremely low levels of corruption.	
The standard error in the responses was small at 0.2 or less.	
Public works contracts and construction	1.5
Arms and defense industry	2.0
Power (including petroleum and energy)	3.5
Industry (including mining)	4.2
Healthcare/social work	4.6
Telecommunications, post (equipment and services)	4.6
Civilian aerospace	5.0
Banking and finance	5.3
Agriculture	6.0

A current status report is available at:
www.transparency.org/building_coalitions/integrity_pact.html

Grand corruption

The questions in this survey, including those on business sectors, focused on large-scale business transactions. It is probable, therefore, that few of the respondents related their answers to issues of petty corruption.

The questions in the survey related to both contracts involving government and the granting by government officials of licences, participation in public tenders and matters related to the enforcement of regulations.

This is the first time that TI has published data on perceptions of bribery in business sectors. TI would like to see more research being and would like to encourage industry associations at national and international levels to demonstrate leadership on this front.undertaken in this area The TI Integrity Pact seeks to prevent corruption in large-scale government contracts.

Key Factors Influencing Bribe-Taking

The respondents to the Gallup International survey shared similar views when it came to the issue of why senior public officials and politicians in many countries take bribes. In many instances, the factors that were said to account for corruption are related to each other. Evidently, many officials in the public sector believe that they not only can secure immunity for themselves against prosecution, but that the chances of their criminal activities being discovered are low. These considerations encourage bribe-taking. The fact that many of even the most senior government officials receive low salaries is widely seen as the prime cause of bribe-taking. 33 % of the respondents thought that corruption had actually increased over the past 5 years. They were asked which factors contributed to this increase. A number of political observers have blamed campaign financing as a major cause of high level corruption. While this has been a recurring problem in established democracies, in the emerging countries surveyed, this dimension was ranked last among 9 major factors contributing to an increase in corruption in recent years.

Gallup International asked: *What are the main factors that have contributed to an increase in corruption (as expressed by the 33% who have stated that corruption has increased)?*

Low public sector salaries	65%
Immunity of public officials	63%
Secrecy in government	57%
Worsening public procurement practices	51%
The privatisation process	37%
Increase in foreign investment & trade	30%
Restrictions on the media	24%
Financial liberalisation	19%
Multiparty elections	18%
Other	15%
Not stated	6%

Bribe-taking

Over the last five years, TI has published an annual Corruption Perceptions Index (see Annex). The most recent CPI, released in late October 1999, provided data on 99 countries.

In many instances the perceptions of greatest bribe-taking, according to the CPI, relate to officials in very poor countries. The data has contributed to an understanding of relationships between high levels of corruption and low levels of economic development.

This nexus is underscored by the fact that low public sector salaries are mentioned as the major cause of bribery. However, low salaries also tend to indicate low effectiveness of public services e.g. in collecting revenue. Improving the public service will therefore have the dual benefit of contributing to economic development and reducing corruption.

The OECD Convention on Combating Bribery of Foreign Public Officials

Enforcement of the 1999 OECD Anti-Bribery Convention depends, in part, on an understanding of its provisions by executives of international companies based around the world and effective compliance programmes by international companies with headquarters in the countries that have ratified the Convention. The new survey results provide insights into current levels of understanding and compliance (see: www.oecd.org/daf/nocorruption/instruments.htm, also: www.iccwbo.org/)

The business executives questioned in the 14 leading emerging market countries were asked: *As you may have heard, there is a new OECD Anti-Bribery Convention: which of the following best describes how much you know about the convention?*

	Responses from all 779 people questioned	Responses from 230 executives from major foreign companies resident in the emerging market countries
I am familiar with the Convention.	6%	5%
I know something about it.	13%	8%
I have only heard about it.	43%	42%
I have not heard about it.	38%	45%

Of the relatively small number of respondents who said they were

TI and the OECD Convention

The new Convention is an impetus for TI to develop and commission the survey on the supply-side of bribery.

The OECD Convention will massively change business conditions in emerging markets and companies will have to adopt swift internal compliance mechanisms. Yet, the survey showed that executives from foreign companies located in the emerging market countries had even less familiarity with the Convention than the overall sample of respondents.

TI will be asking similar questions

familiar or knew something of the Convention (a total of 146 respondents) the question was asked: Do you know how your organisation is responding to this OECD Convention?

A review of practices is planned/being undertaken/has been undertaken.	19%
No action is required.	43%
No decision has been taken yet.	18%
Don't know how the organisation is responding.	12%
Not stated	8%

in coming years to monitor improvements in knowledge and compliance of the Convention, which makes the payment of bribes to foreign officials a criminal offence.

Unfair Business Practices - In Addition, or Instead of, Bribery

The Gallup survey also included questions about business practices other than bribery because information regarding such practices may be relevant to the consideration of the competitive situation in which bribery takes place.

Gallup International asked: *In the business sectors with which you are familiar, are there other means by which some governments gain unfair business advantages for their companies?*

Yes	69%
No	31%

Gallup International asked: What governments do you principally associate with these practices?

Country		Country	
United States	61%	Taiwan	16%
France	34%	Singapore	13%
Japan	34%	Belgium	9%
China/Hong Kong	32%	Australia	8%
Germany	27%	Canada	8%
Italy	24%	Netherlands	8%
South Korea	23%	Sweden	8%
United Kingdom	23%	Austria	7%
Spain	17%	Switzerland	6%
Malaysia	16%	Other	18%
Country of residence of respondent			28%

Business Competition

TI's focus is on bribery, which is illegal in all countries. Bribery takes place in environments of intense competition where other practices may exist to provide some companies with special advantages - some of these practices may be seen by competitors as unfair, even if they are not illegal. TI used this new survey to learn more about the overall competitive context in which illegal and unfair business practices take place.

TI disagrees with the argument sometimes made that bribery by companies from some countries can be justified to overcome the use of diplomatic or political pressure by companies from other countries, notably large countries with greater political influence than small countries. Perceived unfair practices can not excuse bribery, whatever the circumstances .

Most Frequently-Occurring Unfair Business Practices

Diplomatic or political pressures were seen by the survey respondents as the leading unfair business practice apart from bribery. In fact, today almost all countries use their foreign embassies, notably their commercial departments, to build and secure business opportunities. Some diplomatic services do this more effectively than others and some, notably from large industrial countries, have greater political access and influence, which may well strengthen the competitive positioning of their companies.

Gallup International asked: <i>What means do you see governments using to secure unfair business advantages for companies from their own countries?</i>	
Diplomatic or political pressure	53%
Commercial pressure/dumping/pricing issues	49%
Financial pressure: differential taxes, tariffs, custom barriers, subsidies	45%
Tied aid	36%
Favours/gifts	36%
Tied defence/arms deals	28%
Absence of laws/regulations/pressures on legal issues	23%
Tied scholarships/educational or healthcare programmes	16%
Other means	11%
Not stated	2%

Fair Competition

It is interesting to note that the countries that have the best score on the Bribe Payers Index are also the countries which make the least use of "other means to gain unfair business advantages for their companies".

The use of other business practices deserves further study to develop a better understanding of which practices may have serious adverse effects and what might be done to restrict the use of such practices.

TI is supporting anti-corruption initiatives in various international fora (including the World Trade Organisation), which are also looking at other global business practices and how they apply to such key issues as public procurement, exports, international investment and export financing.

Is Bribery Getting Worse?

The Gallup International survey did not conclusively indicate that corruption is seen to be getting worse. This brings no cheer. The findings of the annual TI Corruption Perceptions Index suggest that in many countries the current level of corruption is seen to be very high indeed. The poll results tabulated below also clearly demonstrate that only a minority of people see corruption levels falling.

Gallup International asked:	
<i>Overall, has corruption by foreign companies of senior public officials in your country of residence increased or decreased in the past 5 years?</i>	
Increased	33%
Stayed the same	22%
Decreased	25%
Don't know	20%

Domestic Corruption

The respondents to the Gallup International survey were asked about the willingness of domestic companies in their countries of residence to pay bribes. By a considerable margin, most of the respondents indicated that they see the levels of bribes paid by domestic companies to be higher than those paid by foreign companies. It is not possible to estimate the extent to which such perceptions of high bribe-paying by local firms encourages foreign firms to also use bribes to secure contracts in these foreign countries.

It is often the case that foreign business people do blame the domestic environment of high bribery in emerging market countries as the stimulus for their own bribe-paying. But, all too often it is the great willingness of foreign firms to pay large bribes, and to use bribery routinely, that has been a prime cause of poisoning the domestic emerging market economy. What these findings emphasise, however, is that international efforts to combat bribery heavily depend on the effective implementation of national legislation.