



Transparency International India

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India Improves its BPI Score

Bribery by emerging exporters, including India, still on the high side

New Delhi, October 9, 2008 - According to the Transparency International (TI) 2008 Bribe Payers Index (BPI), the most comprehensive survey of its kind, companies based in emerging economic giants, such as China, India and Russia, are perceived to routinely engage in bribery when doing business abroad.

Key findings

Belgium and Canada shared first place in the 2008 BPI with a score of 8.8 out of a very clean 10, indicating that Belgian and Canadian firms are seen as least likely to bribe abroad. The Netherlands and Switzerland shared third place on the index, each with a score of 8.7. At the other end of the spectrum, Russia ranked last with a score of 5.9, just below China (6.5), Mexico (6.6) and India (6.8).

The BPI also shows that public works and construction companies to be the most corruption-prone when dealing with the public sector, and most likely to exert undue influence on the policies, decisions and practices of governments.

For too many, bribery remains routine business practice

“The BPI provides evidence that a number of companies from major exporting countries still use bribery to win business abroad, despite awareness of its damaging impact on corporate reputations and ordinary communities,” said Transparency International Chair, Huguette Labelle. “The inequity and injustice that corruption causes makes it vital for governments to redouble their efforts to enforce existing laws and regulations on foreign bribery and for companies to adopt effective anti-bribery programmes. In this spirit, all major exporting countries should commit to the provisions of the OECD Anti-Bribery Convention.”

Bribery in different industries

The Bribe Payers Survey also looks at the likelihood of bribing in 19 specific sectors. In the first of two new sectoral rankings, companies in public works contracts & construction; real estate & property development; oil & gas; heavy manufacturing; and mining were seen to bribe most frequently. The cleanest sectors were identified as information technology, fisheries, and banking & finance.

A second sectoral ranking evaluates the likelihood of companies from the 19 sectors to engage in state capture, whereby parties attempt to wield undue influence on government rules, regulations and decision-making through private payments to public officials. Public works contracts and construction; oil and gas; mining; and real estate and property development were seen as the sectors whose companies were most likely to use legal or illegal payments to influence the state. The banking and finance sector is seen to perform considerably worse in terms of state capture than in willingness to bribe public officials, meaning that its companies may exert considerable undue influence on regulators, a significant finding in light of the ongoing global financial crisis. The sectors where companies are seen as least likely to exert undue pressure on the public policy process are agriculture, fisheries and light manufacturing.

Conclusion: Better global standards are possible and imperative

While most of the world's wealthiest countries already subscribe to a ban on foreign bribery, under the OECD Anti-Bribery Convention, there is little awareness of the convention among the senior business executives interviewed in the Bribe Payers Survey. Governments have a key role to play in ensuring that foreign bribery is stopped at the source – and by making good on commitments to prevent and prosecute such practices. The World Bank and the regional development institutions can help by enforcing debarment



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programmes that block crooked companies from profiting from development funds, while the poor are left out of the picture.

In fact, this is the right time for all to commit to the OECD Convention against Bribery to become part of the effort to make corruption history. Multilateral development banks must debar companies found guilty of foreign bribery. Companies must conduct due diligence when engaging in partnerships or acquisitions, and adopt and enforce strict internal 'no-bribes' policies that include their agents, subsidiaries and branches. Developing countries should vigorously prosecute foreign companies found to have bribed on their soil, and must be supported in these prosecutions by the legal and financial cooperation of the host countries.

"The unfolding financial crisis has shown us just how integrated the world's markets have become. Accountability must be guaranteed across borders, include improved risk management and reach all the way down a company's supply chain," said Cobus de Swardt, TI Managing Director. "Businesses face a complex challenge, but efforts to improve labour practices, for instance, by working with intermediaries, suppliers and affiliates, show that there is no excuse to not extend anti-bribery standards globally in a similar fashion."

Action Required in India

India being judged as one of the most corrupt and bribe payer exporting nations is a sad reflection on an ancient country with a rich spiritual heritage. The Government should, therefore, take early action to (i) sign the international anti-corruption conventions, (ii) ratify the United Nations' Convention Against Corruption and (iii) pass laws like the US Foreign Corrupt Practices Act of 1977. India must also conduct education campaigns to ensure that the corporate sector is aware that bribery is illegal, at home and abroad.

Corruption is eating away the vitals of India, which has earned the dubious and unsavory reputation of being one of the most corrupt societies at the cost of its poor and marginalized people who are deprived of good governance and public resources that should otherwise utilised for their development and welfare.

BPI 2008's Methodology

TI's 2008 BPI ranks 22 leading exporting countries by the tendency of their firms to bribe abroad. Their combined global exports of goods & services, and outflows of foreign direct investment (FDI) represented 75 per cent in 2006. The 2008 BPI is based on the responses of 2,742 senior business executives from companies in 26 developed and developing countries, chosen by the volume of their imports and FDI inflows. A score of 10 indicates a perception of no corruption, while zero means corruption is seen as rampant. Leading the ranking is Belgium and Canada, but even their score of 8.8 is also far from perfect.

Admiral (Retd.) R H Tahiliani
Chairman



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Bribe Payers Index 2008

Rank	Country/Territory	BPI Score		Respondents	Standard Deviation	Confidence Interval 95%	
		2008	2006			Lower Bound	Upper Bound
1	Belgium	8.8	7.22	252	2.00	8.5	9.0
1	Canada	8.8	7.46	264	1.80	8.5	9.0
3	Netherlands	8.7	7.28	255	1.98	8.4	8.9
3	Switzerland	8.7	7.81	256	1.98	8.4	8.9
5	Germany	8.6	7.34	513	2.14	8.4	8.8
5	United Kingdom	8.6	7.39	506	2.10	8.4	8.7
5	Japan	8.6	7.10	316	2.11	8.3	8.8
8	Australia	8.5	7.59	240	2.23	8.2	8.7
9	France	8.1	6.50	462	2.48	7.9	8.3
9	Singapore	8.1	6.78	243	2.60	7.8	8.4
9	United States	8.1	7.22	718	2.43	7.9	8.3
12	Spain	7.9	6.63	355	2.49	7.6	8.1
13	Hong Kong	7.6	6.01	288	2.67	7.3	7.9
14	South Africa	7.5	5.61	177	2.78	7.1	8.0
14	South Korea	7.5	5.83	231	2.79	7.1	7.8
14	Taiwan	7.5	5.41	287	2.76	7.1	7.8
17	Italy	7.4	5.94	421	2.89	7.1	7.7
17	Brazil	7.4	5.65	225	2.78	7.0	7.7
19	India	6.8	4.62	257	3.31	6.4	7.3
20	Mexico	6.6	6.45	123	2.97	6.1	7.2
21	China	6.5	4.94	634	3.35	6.2	6.8
22	Russia	5.9	5.16	114	3.66	5.2	6.6