

Transparency International Bribe Payers Index 2002

The Transparency International Bribe Payers Index (BPI) 2002, published on 14 May 2002, is based on surveys conducted in 15 emerging market countries by Gallup International Association. The BPI 2002 was conducted in: Argentina, Brazil, Colombia, Hungary, India, Indonesia, Mexico, Morocco, Nigeria, the Philippines, Poland, Russia, South Africa, South Korea and Thailand, which are among the very largest such countries involved in trade and investment with multinational firms. The questions relate to the propensity of companies from 21 leading exporting countries to pay bribes to senior public officials in the surveyed emerging market countries.

A total of 835 interviews were carried out between December 2001 and March 2002, principally with senior executives of domestic and foreign companies, but also with executives at chartered accountancies, binational chambers of commerce, national and foreign commercial banks, and commercial law firms. The survey questions related to perceptions about multinational firms from 21 countries.

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In the business sectors with which you are most familiar, please indicate how likely companies from the following countries are to pay or offer bribes to win or retain business in this country [respondent's country of residence]?

Rank	Total sample	2002	1999	OECD Convention (as of 14 May 2002)
		835	779	
1	Australia	8.5	8.1	Ratified
2	Sweden	8.4	8.3	Ratified
3	Switzerland	8.4	7.7	Ratified
4	Austria	8.2	7.8	Ratified
5	Canada	8.1	8.1	Ratified
6	Netherlands	7.8	7.4	Ratified
7	Belgium	7.8	6.8	Ratified
8	United Kingdom	6.9	7.2	Ratified
9	Singapore	6.3	5.7	not signed
10	Germany	6.3	6.2	Ratified
11	Spain	5.8	5.3	Ratified
12	France	5.5	5.2	Ratified
13	USA	5.3	6.2	Ratified
14	Japan	5.3	5.1	Ratified
15	Malaysia	4.3	3.9	not signed
16	Hong Kong	4.3	n.a.	not signed
17	Italy	4.1	3.7	Ratified
18	South Korea	3.9	3.4	Ratified
19	Taiwan	3.8	3.5	not signed
20	China (People's Rep.)	3.5	3.1	not signed
21	Russia	3.2	n.a.	not signed
	Domestic companies	1.9	n.a.	

The question related to the propensity of companies from leading exporting countries to pay bribes to senior public officials in the surveyed emerging market countries.

A perfect score, indicating zero perceived propensity to pay bribes, is 10.0, and thus the ranking starts with companies from countries that are seen to have a low propensity for foreign bribe paying. In the 2002 survey, all the data indicated that domestically owned companies in the 15 countries surveyed have a very high propensity to pay bribes – higher than that of foreign firms.

Bribery in business sectors

How likely is it that senior public officials in this country [respondent’s country of residence] would demand or accept bribes, e.g. for public tenders, regulations, licensing in the following business sectors?

Total sample	2002 835
Public works/construction	1.3
Arms and defence	1.9
Oil and gas	2.7
Real estate/property	3.5
Telecoms	3.7
Power generation/transmission	3.7
Mining	4.0
Transportation/storage	4.3
Pharmaceuticals/medical care	4.3
Heavy manufacturing	4.5
Banking and finance	4.7
Civilian aerospace	4.9
Forestry	5.1
IT	5.1
Fishery	5.9
Light manufacturing	5.9
Agriculture	5.9

The scores are mean averages from all the responses on a 0 to 10 basis where 0 represents very high perceived levels of corruption, and 10 represents zero perceived levels of corruption.

Precise comparisons between the 1999 and 2002 figures are not possible as the categories have been modified significantly.

Bribery in business sectors - by size of bribe

Among the business sectors mentioned previously, which are the two sectors where the biggest bribes are likely to be paid?

Total sample	2002 835
Public works/construction	46%
Arms and defence	38%
Oil and gas	21%
Banking and finance	15%
Real estate/property	11%
Pharmaceuticals/medical care	10%
Power generation/transmission	10%
Telecoms	9%
IT	6%
Forestry	5%
Mining	5%
Transportation/storage	5%
Heavy manufacturing	4%
Agriculture	3%
Fishery	3%
Civilian aerospace	2%
Light manufacturing	1%

The results reflect the percentage of respondents who mentioned the particular sector.

This question was not posed in the BPI 1999.

OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (Anti-Bribery Convention)

Which of the following best describes how much you know about the convention?

Total	2002	1999	Foreign Companies	National Companies	Accountants	Chambers of Commerce	Banks	Legal
	835	779	261 31%	261 31%	84 10%	71 9%	80 10%	78 9%
I am familiar with the Convention	7%	6%	7%	4%	8%	13%	8%	12%
I know something about it	12%	13%	12%	10%	18%	18%	9%	14%
I have only heard about it	32%	43%	30%	33%	26%	28%	36%	38%
I have not heard about it	42%	38%	44%	45%	40%	38%	41%	29%
Not stated	7%	-	7%	7%	7%	3%	6%	6%

Do you know how your organisation is responding to this OECD Convention?

	2002	1999
Total sample	164	146
	%	%
Review of practices being undertaken	13	19
Compliance programme already exists	35	
No action required, doesn't apply	30	43
No decision has been taken yet	13	18
Don't know how organisation is responding	9	12
Not stated	-	8

If you had a magic wand and you could eliminate corruption from one of the following institutions, what would your first choice be?

	2002
Total sample	835
Courts	21%
Political parties	19%
Police	13%
Customs	9%
Education (schools, university)	7%
Tax revenue	6%
Private sector	4%
Building and zoning permits	4%
Medical services	3%
Employment & workplace regulation	2%
Utilities (telephone, electricity, water etc.)	2%
Immigration & passports	1%
Other	3%

Sources of respondents' information

Please describe where your knowledge about this subject comes from?

	2002
Total sample	835
Information from colleagues, friends, clients	58%
Press, media reports	55%
Personal experience	52%
Sources in other companies	38%
Direct experience of people in your company	34%
Government and diplomatic sources	13%
The Internet	12%

Level of corruption

Overall, has there been a change in the level of corruption by foreign companies of senior public officials in this country [respondent’s country of residence] in the past 5 years?

	2002	1999
Total sample	835	779
	%	%
Increased significantly	10	
Increased somewhat	13	
Total increased	23	33
Stayed the same	37	22
Decreased somewhat	21	
Decreased significantly	6	
Total decreased	27	25
Don't know	13	20

Have changes and developments in any of the following factors contributed significantly to [an increase in the level of corruption by foreign companies of senior public officials in the past 5 years]?

	2002
Public tolerance of corruption	67%
Deterioration of the rule of law	59%
Immunity of high public officials	53%
Inadequate controls of money laundering	49%
Low public sector salaries	44%
Worsening public procurement practices	35%
Increased secrecy in government	34%
Privatisation of state assets	32%
Increase in globalisation and competition	28%
Changes in political party funding	23%
Increased financial liberalisation	19%
Restrictions on the media	6%
Other	2%

This question was posed to all those saying that the level of corruption by foreign companies of senior public officials had **increased somewhat or increased significantly** in the past five years

Have changes and developments in any of the following factors contributed significantly to [a decrease in the level of corruption by foreign companies of senior public officials in the past 5 years]?

	2002
Greater freedom of the press	52%
Government anti-corruption investigations	48%
Greater transparency in government	47%
Improvements in corporate governance	42%
Stronger controls of money laundering	39%
Increase in globalisation and competition	38%
Improvements in public procurement practices	33%
Privatisation of state assets	33%
Greater accountability of public officials	33%
Increased financial liberalisation	29%
Changes in political part funding	10%
Other	1%

This question was posed to all those saying that the level of corruption by foreign companies of senior public officials had **decreased somewhat or decreased significantly** in the past five years

Other means of gaining unfair advantage

In the business sectors with which you are familiar, are there other means how some Governments gain unfair business advantage for their companies?

	2002	1999
Total sample	835	779
	%	%
Yes	68	69
No	26	31
Not stated	7	-

“Other means” are means besides corruption used to unfairly influence international trade and investment.

Other means governments use to gain unfair advantage

What means do these governments use?

	2002	1999
Total sample	567	537
	%	%
Diplomatic or political pressure	66	53
Financial pressure	66	45
Commercial, pricing issues etc.	66	49
Tied foreign aid	54	35
Threat of reduced foreign aid	46	<i>n.a.*</i>
Tied defence/arms deals	41	28
Favours/gifts to officials	39	36
Tied scholarships/education/healthcare	22	16
Other means	8	11
Not stated	5	2

* included under tied foreign aid in 1999

Countries using other unfair means to gain or retain business

Which three governments do you principally associate with practices such as those mentioned above [other means – besides bribery - used to gain unfair advantage in international trade and investment]?

	2002	1999
Total sample	567	537
	%	%
USA	58	61
France	26	34
United Kingdom	19	23
Japan	18	34
China (People’s Rep.)	16	32
Russia	13	<i>n.a.*</i>
This country	12	28
Germany	11	27
Spain	9	17
Italy	5	24
Taiwan	5	16
South Korea	4	23
Switzerland	4	6
Malaysia	3	16
Canada	3	8
Netherlands	3	8
Singapore	1	13
Belgium	1	9
Australia	1	8
Austria	1	7
Hong Kong	1	<i>n.a.**</i>
Sweden	*	8

The score reflects the percentage of responses where the country featured among the three countries cited as principally associated with other unfair practices

* not included in 1999

** included as part of China in 1999

Questions & Answers on the TI Bribe Payers Index (BPI) 2002

What is the Bribe Payers Index?

The Transparency International Bribe Payers Index ranks leading exporting countries in terms of the degree to which international companies with their headquarters in those countries are likely to pay bribes to senior public officials in key emerging markets. In that sense, it measures the supply side of bribery in the countries where the bribery is paid. Countries are ranked on a mean score from the answers given by respondents to the question “in the business sectors with which you are most familiar, please indicate how likely companies from the following countries are to pay or offer bribes to win or retain business in this country?”

The 21 exporting territories listed in the BPI 2002 are: Australia, Austria, Belgium, Canada, China, France, Germany, Hong Kong, Italy, Japan, Malaysia, Netherlands, Russia, Singapore, South Korea, Spain, Sweden, Switzerland, Taiwan, United Kingdom, USA, in addition to “this country” (the emerging market where the respondent is resident). The survey also included a range of questions on the prevalence of bribery by foreign companies in different sectors, on levels of awareness of the OECD Anti-Bribery Convention, and company policies to implement the legislation resulting from the Convention. In drawing up the survey, TI was advised and guided by a Steering Committee of leading international experts in the fields of corruption, econometrics, and statistics. The selection of Gallup International Association ensures the highest professional standards in the survey work.

When and where was the survey carried out?

The BPI 2002 was conducted by Gallup International Association in 15 emerging market countries, via a total of 835 interviews. The interviews were conducted with 261 senior executives from foreign companies, 261 senior executives from domestic companies, 84 top executives at chartered accountancies, 71 representatives of binational chambers of commerce, 80 executives from national and foreign commercial banks, and 78 at commercial law firms.

The BPI 2002 survey was carried out between December 2001 and March 2002 in Argentina, Brazil, Colombia, Hungary, India, Indonesia, Mexico, Morocco, Nigeria, the Philippines, Poland, Russia, South Africa, South Korea, and Thailand. These countries account for more than 60% of all foreign direct investment into the developing world. It was not, unfortunately, possible to conduct a survey in China, the largest emerging market economy, due to the difficulties involved in commissioning a survey on this subject in China.

How is the “bribery in business sectors” ranking reached?

In the BPI 2002, two questions were asked: (a) how likely is it that senior public officials in this country would demand or accept bribes, e.g. for public tenders, regulations, licensing in the following business sectors? (b) among the business sectors mentioned, which are the two sectors where the biggest bribes are likely to be paid?

This second question was introduced in the BPI 2002 to see if there was any difference between frequency and size of bribe-paying. It turned out that public works contracts & construction emerged as the most prevalent sector for bribe payment in terms of both frequency and size of payment. The arms and defence sector emerged as the second most prone to bribery in respondents’ answers to both questions.

Why did TI focus on the bribe-payers in emerging market economies?

The BPI survey was conducted exclusively in key emerging market countries because TI’s work is focused to a large degree on international corruption affecting developing countries and transition countries. In addition, given the high levels of bribery in these countries, the BPI is conducted using interviews with senior decision-makers resident in countries where the awareness about corruption is the highest, not at the international headquarters.

What is the significance of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (Anti-Bribery Convention)?

The OECD Anti-Bribery Convention came into force in February 1999, and by May 2002 it had been ratified by 34 of the 35 signatory countries. These countries account for more than three-quarters of global trade. The Convention outlaws bribery of foreign public officials. The BPI looks directly at bribery by international companies abroad, most of whom have their headquarters in countries whose governments are signatories of the OECD Convention. For the convention to be effective, anti-bribery compliance codes need to be implemented not only in a company's headquarters, but also in its foreign subsidiaries, branches and at local partners of the company. This requires training "in the field" as well as in the country where the company has its headquarters. In 2002, three years after the Convention came into force, only 7% of respondents were familiar with the Convention while 12% stated that they knew something about it. This is the same combined figure as in the first BPI, conducted in 1999. For more information about the OECD Convention, please see: <http://www1.oecd.org/daf/nocorruption/ref.htm>

Who funds the TI Bribe Payers Index?

Transparency International is funded by a range of sources – governmental, private foundations, but also individuals and corporations (see TI's Annual Report, available at http://www.transparency.org/about_ti/annual_rep/index.html)

What can a country do to improve its ranking in the BPI?

As well as passing laws outlawing bribery, the leading exporting countries need to properly enforce those laws. That means providing resources to ensure that investigations and court proceedings will take place. It also means strong educational campaigns to ensure that the corporate sector is aware that bribery is illegal, at home and abroad, and that they introduce anti-corruption compliance codes in all their offices around the world, and provide appropriate training.

Why does the BPI not rank companies instead of countries?

There are more than 60,000 multinational corporations operating around the world. It would be almost impossible to measure and rank all these corporations. By asking senior executives to answer questions about companies from particular countries, rather than asking them to name companies, the survey was able to focus on clearly identifiable patterns rather than specific cases.