Corruption Perceptions Index 2018

Trouble at the top: why high-scoring countries aren't corruption-free

For the third year running, the top seven countries in the Corruption Perceptions Index 2018 consist of the four Nordic nations – Denmark, Finland, Sweden and Norway – plus New Zealand, Singapore and Switzerland. All score between 84 and 88 points out of a possible 100 on the index.
While no country gets full marks on the CPI, the top performing countries have several democratic attributes in common that contribute to their high scores. This includes strong institutions, rule of law and high levels of economic development.

As a measure of **public sector corruption**, the CPI rewards countries where rates of bribery, diversion of public funds, conflicts of interest and other forms of corruption are perceived to be lowest within government. Yet that doesn't mean that these countries are corruption-free.

What the CPI doesn't measure: money laundering

Denmark, which tops the list this year, has recently been rocked by the money-laundering scandal surrounding Danske Bank, its biggest lender, among other corruption cases. About US$230 billion of suspicious transactions are thought to have passed through Danske Bank's Estonian branch, which has been linked to the Russian Laundromat and Azerbaijani Laundromat schemes uncovered by the Organised Crime and Corruption Reporting Project (OCCRP). In November, Danske Bank was preliminarily charged for breaking Denmark's anti-money laundering laws.
Swiss banks, and other financial intermediaries and enablers, regularly play a significant role in large-scale money-laundering and corruption schemes around the world, such as those related to 1MBD in Malaysia , Odebrecht and Petrobas in Brazil, or Mozambique's "tuna bond" scandal.
The Financial Action Task Force, which scores countries across 11 categories on their anti-money laundering effectiveness, gave only one top-seven country, Sweden, a high effectiveness score, and that in only one of the 11 categories.

Exporting corruption & foreign bribery

As relatively rich nations, the top seven are often home to international companies that export large volumes of goods and services. Our 2018 Exporting Corruption report showed that most of these countries are failing to investigate and punish companies when they are implicated in paying bribes overseas. Of the top seven countries in this year's CPI, only Norway and Switzerland rank in the highest category of enforcement against foreign bribery. Finland, Denmark and Singapore are in the lowest category, with Sweden and New Zealand conducting moderate and limited enforcement of foreign bribery, respectively.
Plenty of examples illustrate why this is a problem.

Cases in Singapore, Sweden, Switzerland and Finland

When OCCRP dug into the companies that appear to have given bribes to politicians in the Maldives in return for undervalued leases to build luxury hotels on pristine reefs and islands, a billionaire Singapore businessman's name came up.

In 2017, Sweden's Telia agreed to pay a billion-dollar penalty for bribery in Uzbekistan, where the company paid the President's daughter over US$300 million for lucrative telecommunications contracts.

In Finland, the partly state-owned defence company, Patria, has been embroiled in corruption scandals in Slovenia and Croatia.

In Switzerland, Geneva-based oil and gas extractor Addax Petroleum agreed to pay a similar amount to settle a criminal investigation into allegations of corrupt payments in Nigeria. In the "tuna bond scandal", former bankers from Credit Suisse were indicted for being involved in a multi-million bribery scheme in Mozambique.

Foreign bribery hinders development and skews the lev playing field of international trade. It can also contribute to a culture of bribery, especially when companies from countries regarded as clean legitimise it as a means of gaining a commercial advantage. Ironically, such practices can also reinforce perceptions that less developed countries are more corrupt.

Financial secrecy across the globe

Then there is the issue of secrecy. In 2018, Switzerland topped the Financial Secrecy Index, produced by the Tax Justice Network. Singapore comes fifth.

These so-called secrecy jurisdictions play a key role in allowing the murky company structures which not only help people avoid paying tax, as the Paradise Papers so clearly showed, but enable the corrupt to move and launder their dirty money.

Up to a trillion dollars of illicit financial flows are estimated to leave developing economies each year. Sub-Saharan Africa - the region with consistently the lowest average score in the CPI - loses the largest proportion of its wealth in this way compared to other parts of the world.

What we're doing to help

At Transparency International, part of our strategy for stopping corruption means making it harder for the facilitators and enablers of corruption to operate. That's why we continue to put pressure on the governments in countries at the top the index to do their part to close loopholes, sanction wrong-doing and open their financial systems to scrutiny.

It isn't enough for top performing countries to lead by example with a clean public sector: they have to become leaders across the board. In our interconnected globalised world, no country should take a good CPI score alone as a sign that they are doing enough to combat corruption. It is difficult for a single number to reflect as large and complex an issue as corruption. The CPI shows only part of the picture. Private sector corruption and cases of money laundering are another large piece.

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