

THE UBIQUITY OF CORRUPTION AND THE PARADOX OF INTERNATIONAL AID

The Scope of Corruption

Global economic development is significantly undermined by corruption. At least 5% of global GDP (more than \$3 trillion) is estimated to be lost to corruption annually. Although grand corruption attracts the biggest headlines, petty corruption is equally as important. Systemic corruption insidiously undermines the livelihood and aspirations of the poorest people. Corruption deprives countries of intellectual capital and resources for development. In conflict countries relying upon international aid for reconstruction, 40% of spending in the construction sector evaporates through corruption

President Dilma Rousseff and the Petrobras Corruption Scandal

The mounting chaos in Brazil in the opening months of 2016 has centred upon the proposed impeachment trial of Brazilian President Dilma Rousseff, focusing upon the money laundering and bribery scandal that has enveloped the state-owned oil company Petrobras. The Brazilian protests have highlighted global instability from corruption at the highest level and in one of the most dynamic emerging economies.

During the Anti-Corruption Summit in London held on the 12 May, Dilma Rousseff 's predicament provided a timely reminder that corruption is globally ubiquitous in all areas of government, society and business. It highlights the immense challenge of promoting effective and accountable transparency.

The London Anti-Corruption Summit: Uncomfortable Truths

Although the United Kingdom was ranked the 10th least corrupt country in the Transparency International 2015 Corruptions Perception Index, the release of the Panama Papers in April 2016 has offered a disturbing demonstration that the UK is seriously at risk from, and vulnerable to, the laundering of corrupted money and assets by wealthy overseas individuals, criminal syndicates and terrorist organisations. These distortions affect house prices and other asset markets as well as increasing insecurity through the funding of terrorist cells.

Despite David Cameron's strong condemnation of public corruption, Britain has donated since 2010 more than £2.7 billion to the ten most corrupt countries in the world. This poses a fundamental and disquieting paradox: why does the Department for International Development, the principal official UK aid agency, continue to channel these funds through aid agencies or in direct spending on anti-poverty projects to countries and regimes that are so corrupt? What are the perceived political and strategic benefits from maintaining aid to Afghanistan, the 3rd most corrupt country measured in the Transparency International 2015 Corruption Perceptions Index?

The Corruption Perceptions Index: the Best and the Worst

Corruption is economically and socially corrosive, but transparency itself is a necessary but not sufficient condition. Unsurprisingly, 4 Scandinavian countries were identified among the five least corrupt nations. However, low levels of domestic corruption do not necessarily prevent corrupt behaviour and practice being conducted in overseas business operations.

In conflict zones (such as eastern Ukraine, Iraq, Syria and across the Middle East), the willingness of western governments and corporations to offer weapons systems and financial aid have increased and not reduced corruption. Where international sanctions have been applied (for example, Russia and Iran), the targeted sectors become insulated, benefiting from political protection and influence, and nurturing corruption.

Corruption, Insecurity and Instability: The Dangerous Spiral

In their seminal work “Why Nations Fail” (2012), Darren Acemoglu and James Robinson have argued that in states where institutions are extractive and exclusive (for example, Ukraine under President Yanukovich), autocracies and narrow elites encourage and facilitate corruption and breed resentment and inequality. In an equally devastating critique, “Thieves of State: Why Corruption Threatens Global Security” (2015), Sarah Chayes has explained powerfully and passionately why corruption is a global phenomenon, destabilising the state and undermining the quality of its institutions. In these interpretations, corruption is a fundamental cause and not consequence of global instability and state fragility.

Where poverty thrives so does corruption. The Islamic State and its supporters (Al Shabaab, Al Qaeda affiliates and Boko Haram) have exploited the poverty and prevalence of corruption in the Middle East and North Africa as key elements in the growth of extremism, criminal activity and attacks upon infrastructure.

At the Munich Security Conference in February 2015, United States Vice President, Joe Biden, delivered the ongoing challenge confronting effective and honest leadership in all countries confronting corruption and its consequences:

“Corruption is a cancer... It siphons away resources. It destroys trust in government”

The Churchill 21st Century Leadership Programme offers a vital platform for building robust and resilient anti-corruption strategies and, in the words of Winston Churchill, “to make this muddled world a better place”

1. Somalia, North Korea, Afghanistan, South Sudan, Sudan and Angola are the five countries with the most extreme and endemic corruption but Libya, Iraq Venezuela and Guinea-Bissau also produce extraordinary levels of corruption.

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2016

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