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Combating Corruption

Fighting poverty is a popular cause these days, from Bono's bracelets to fancy "poverty reduction strategies" at development banks. But if do-gooders are serious about reducing global poverty, fighting corruption is one of the best places to start.

For supporting evidence, look no further than Transparency International's annual Corruption Perceptions Index. Released Thursday, the survey aggregates 14 polls and ranks 180 countries on "perceived corruption," defined as abuse of public office for private gain. The world's poorest countries -- think Burma or Bangladesh -- languish at the bottom of the list, while the world's richest countries get top marks.

Corruption keeps poor countries poor by squirreling away resources in the hands of elites, who are typically unelected and who spend the gains on, at best, inefficient public works and at worst, private ends. Examples of such wastage aren't hard to find; the Burmese junta's jungle capital at Pyinmana or Turkmenistan's revolving gold leaf statue of its president, Saparmurat Niyazov, spring to mind.

Corruption also drives away foreign investment and disincentivizes local entrepreneurs from starting new businesses. That doesn't mean that corrupt countries don't attract investment; China, which tied with India at a middling rank of 72, pulled down \$63 billion of foreign direct investment, despite widespread corruption in the Communist Party ranks. But imagine how much money the mainland would receive if it made a more serious effort to bolster its legal system and enforce clean business practices -- like Hong Kong does, which ranks number 14.

This year, 40% of the countries that have "rampant" corruption (i.e. a score below 3, out of a range of 1 to 10) are also desperately poor -- a trend that's endured since the poll's inception in 1995. But as William Easterly explains on a nearby page in a piece on the Asian Development Bank, it's still devilishly difficult to persuade many actors that corruption is worth prioritizing. In a recent report on the World Bank's anticorruption unit, former Federal Reserve Chairman Paul Volcker found "ambivalence" in the Bank toward fighting corruption.

Reducing corruption means, among other things, better oversight of foreign aid, the encouragement of strong, independent judiciaries and support of civil society institutions to expose graft. Come to think of it, that's a good mission for development banks to adopt.

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