

PRESS CONFERENCE TO LAUNCH TI'S GLOBAL CORRUPTION REPORT 2009

DATE: WEDNESDAY, 23RD SEPTEMBER 2009

VENUE: BRITISH COUNCIL HALL, ACCRA

THEME: Business must counter corruption to foster economic sustainability

1. INTRODUCTION

Distinguished members of the Media, Invited guests, Ladies and Gentlemen, it is a great pleasure to have you here at the launch of Transparency International's Global Corruption Report (GCR) for 2009. We appreciate the contribution that the media is making towards the anti-corruption campaign and look forward to more of such contributions in the future and sustained collaboration in the fight against corruption.

Today Transparency International is launching the Global Corruption Report (GCR) for 2009 in several countries around the world, including Ghana. Since 2001, the *Global Corruption Report* (GCR) has offered an annual assessment of the state of corruption around the world, usually focusing on a specific sector. The flagship yearly publication, which is produced by Transparency International (TI), brings together leading experts and practitioners to analyse current issues, identify new challenges and explore solutions with a thematic focus related to corruption.

This year's GCR features more than 75 experts examining the scale, scope and devastating consequences of corporate corruption. This is complemented by 45 in-depth country reports along with best practices and practical recommendations. This year's Report titled, *Corruption and the Private Sector (GCR)*, shows how corrupt practices constitute a destructive force that undermines fair competition, stifles economic growth and ultimately undercuts a business's own existence.

According to the GCR 2009, in the last two years alone, companies have had to pay billions in fines due to corrupt practices. The cost extends to low staff morale and a loss of trust among customers as well as prospective business partners.

Fostering a culture of corporate integrity is essential to protect investment, increase commercial success and ensure the stability sought by poor and rich countries alike, particularly as we climb out of an historical crisis, "said TI Chairperson Huguette Labelle, who launched this year's report.

The *Global Corruption Report 2009* documents many cases of managers, majority shareholders and other actors inside corporations who abuse their entrusted power for personal gain, to the detriment of owners, investors, employees and society at large. In developing and transition countries alone, companies colluding with corrupt politicians and government officials, have supplied bribes estimated at up to US \$40 billion annually, according to the GCR.

The Report also presents evidence of persistently close linkages between business and governments in developing and industrialised countries alike, multiple conflicts of interest and the growing risks of disproportionate influence on the part of corporate lobbying.

General trends and emerging risks in Africa

The Report reveals that in Africa, the informal sector amounts to more than 40 per cent of the economy in many countries and the lack of legal protection coupled with the desire to dodge regulations makes the sector easy prey for extortion and the solicitation of bribes by corrupt officials.

In Burundi, for example, 90 per cent of entrepreneurs think paying bribes is standard practice. In Morocco, integrity studies have found that only seven per cent of Moroccan companies have attempted to act when faced with corruption. In Angola and Uganda, the costs of starting a business surpass the average per capita income, putting formal status well beyond the means of many informal entrepreneurs. In Zimbabwe high inflation and the introduction of price controls have contributed to a massive, parallel, informal economy that provides opportunities for middlemen and exploitation.

The Situation in Ghana

Here in Ghana, there have often been questions as to whether it is only the politicians and public officials that are corrupt. GII's response has always been "No!" The point, however, is that politicians and public officials collude with private sector practitioners to enrich themselves. The private sector pays bribes because they are either asked for it or they believe that that is the only way to get what they want – the contracts, licenses, payments for work done, etc., especially when there are unexplained delays in processing. Red tapeism, complex regulations and procurement procedures foster corruption.

It is sometimes difficult to distinguish between private sector corruption and public sector corruption. When a Minister or a DCE (as reported in the GCR) establishes companies, awards contracts to them and takes kickbacks for himself or the party, is it private sector or public sector corruption? When engineers in public institutions, set up companies, using names of friends and family members through which they channel contracts, which they then supervise, is it public or private sector corruption? Whatever the answer is, it blemishes the image of the private and public sector as well as the government, especially when nothing is done to address the problem.

The findings from the GCR 2009 suggest a change in strategy and action to ensure that corruption in the business sector is tackled effectively. The Report recommends the following:

- Corruption risks in business start with bribery and go beyond. It thus requires an integrated approach to corporate integrity and corporate citizenship.
- Governments need to use new generation innovative tools that put much more emphasis on regulatory capabilities, actual enforcement and international cooperation.

- Civil society needs to forge much broader and more effective partnerships to support corporate integrity because corruption in business is at the core of many other social, developmental and environmental challenges.
- Corporate integrity is a multi-stakeholder effort that requires collective action across sectors, borders and institutional boundaries. All stakeholders have a role to play.

How far has Ghana gone in adopting these approaches? Fighting corruption at the nexus of private and public entities requires a radical change in the government's commitment to addressing these problems. Prompt investigations and prosecution of alleged corrupt acts as well as strong sanctions for violators constitute one solution. But this approach can be successful only when the political leadership adopts a strong anti-corruption stance. Political will to fight corruption has been the problem with our governments, especially when it comes to cases affecting party faithfuls and funders.

Ghana has put in place the enabling legal environment for key stakeholders to operate smoothly, including legislation to enable citizens report cases of corruption and enable accountability institutions to investigate credible reports of alleged corruption cases and prosecute violators. However, the Freedom of Information Bill has still not been enacted to enable citizens fully utilize the existing laws in fighting corruption. Moreover, the Assets Declaration Law (Act 550) needs to be amended, and the proposed regulations approved by Parliament, to make the law an effective anti-corruption tool.

With the revelations during the public hearings of the Public Accounts Committee of Parliament in 2007 that MDAs were not complying with procurement procedures, the Attorney-General announced that the government would develop an anti-corruption policy for the private sector to address gaps in laws and regulatory institutions while promoting cooperation between law enforcement agencies and private entities. We are still awaiting the development of this policy.

The Attorney-General also announced the establishment of the Financial Intelligence Centre (FIC) to ensure the implementation of the Anti-Money Laundering Law, which was enacted in 2008. The new institution, we are told, will process, analyse, disseminate and interpret information it discloses or obtains, and inform, advise and cooperate with relevant agencies. We await the establishment of the Financial Intelligence Centre (FIC).

The recent revelations by the Audit Service that several audit reports have not been acted upon are of grave concern. They demonstrate a waste of both human and financial resources and the inability of Parliament to play its oversight role effectively.

Delays in designing new anti-corruption policies, enacting additional anti-corruption laws to meet new demands, and failure to act on reports of accountability institutions appear to indicate a lack of commitment on the part of the Executive to the anti-corruption course. This is in spite of the promises of "zero tolerance" for corruption and "transparent and accountable governance".

We must admit, however, that current anti-corruption mechanisms are helping to reduce corruption. For example, our interaction with entrepreneurs since Ghana began facilitating and

promoting business registration by shortening the process, show that they have since been exposed to less corruption.

Finally, Ghanaians must recognise their duty to ensure that anti-corruption laws are enforced, that cases of corruption are reported and that the government is pressured to prosecute such cases. The Media has a key role to play in this. Transparency must be injected into Ghana's public system. Adequate information about systems and procedures must be widely disseminated and displayed to give citizens access to goods and services as a right, rather than favours from corrupt officials who demand payment in return.

GII's most recent effort in the anti-corruption struggle is the establishment of the Advocacy and Legal Advice Centre (ALAC) with a toll free number (080010025) to assist victims and witnesses of corruption to seek redress.

Thank you for your attention.

Contacts for further information:

Vitus Azeem, Executive Secretary, Ghana Integrity Initiative (GII) – 021-782365/760884; 0244-233512.

Linda Ofori-Kwafo, Programmes Manager, Ghana Integrity Initiative (GII) – 021-782364/760884; 0244-643886.