CORRUPTION: HOW SEVERE IS THE PROBLEM IN THE ECOWAS REGION?

INTRODUCTION

Corruption is widely regarded as a serious problem in developing countries, negatively impacting on the civil society and on economic activity. This short thematic profile builds upon the indicators included in **ECOWAS Investment Climate Monitoring System** and provides a first assessment of the extent and severity of corruption in ECOWAS countries. In doing so, the note considers both the international and domestic perceptions of the problem.

THE INTERNATIONAL VIEW …

The **Corruption Perception Index** (CPI) is widely used as an indicator of the prevailing level of corruption in a given country. The index is based on a variety of elements (see **Definition of Indicators**) and is calculated annually by Transparency International, an international NGO very active in combating corruption in social and economic affairs worldwide (see http://www.transparency.org/). The rankings based on the CPI can be regarded as a good approximation of how international observers judge the situation about corruption in a certain country or region.

In 2008, **ECOWAS countries covered a wide spectrum of positions, with some faring fairly well and others figuring at the bottom of the overall ranking**. Cape Verde is the country displaying the best performance (ranking 47th out of a total of 180 countries), while Guinea is regarded as the most problematic (ranking 173rd).

Figure 1 - Corruption Perception Index – Overall Ranking of ECOWAS Countries – 2008 (out of 180 countries surveyed)
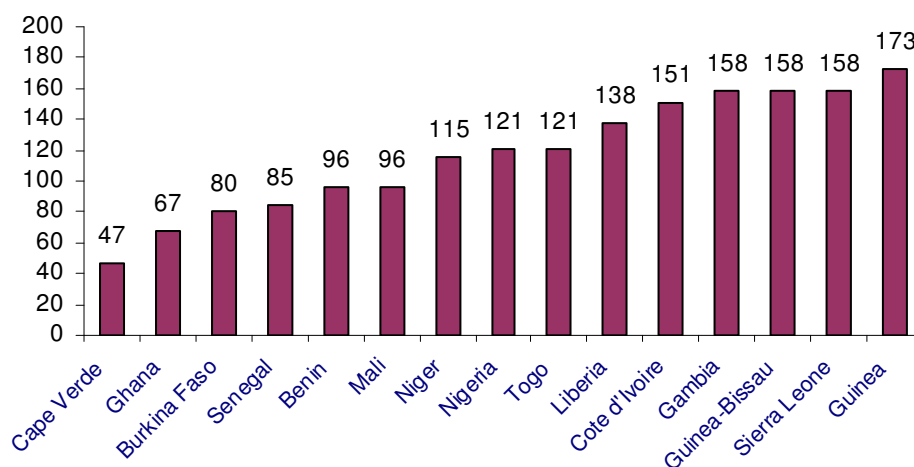
It is important to note that, in recent times, **the situation appears to have improved**. In fact, in 2008 nine ECOWAS countries improved their rankings

compared with 2007, often by more than 10 positions (e.g. Burkina Faso moved from the 105th position to the 80th place). Six countries recorded a worsening in 2008, although this was usually a marginal one.

Figure 2 - Corruption Perception Index – Overall Ranking of ECOWAS Countries – 2007 and 2008 (out of 180 countries surveyed)
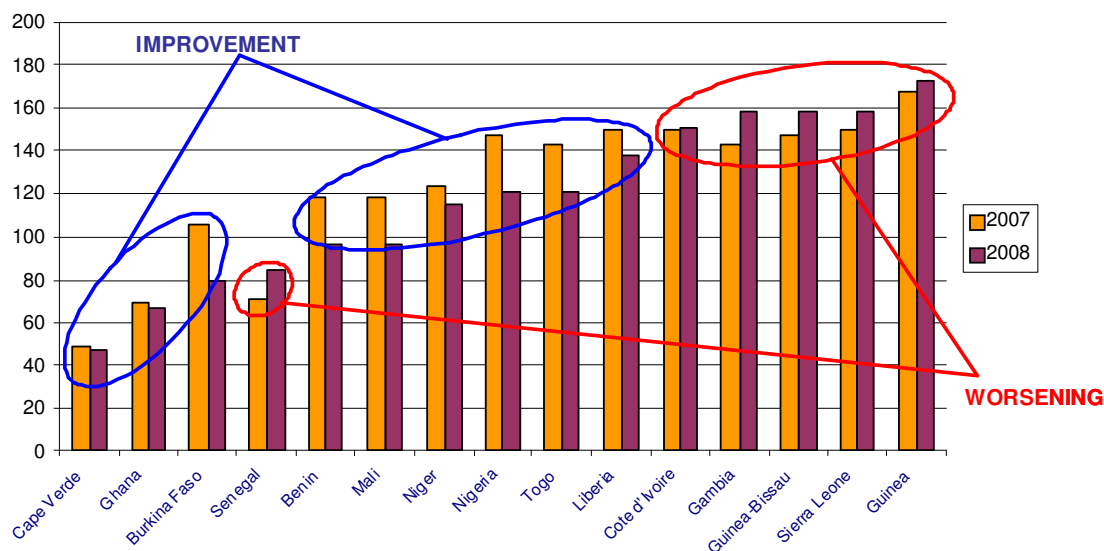
… AND THE DOMESTIC VIEW

But what is the perception of corruption in ECOWAS countries? What do local enterprises think about the problem? This can be assessed with the help of two indicators, namely:

• **% of Firms Expected to Pay Informal Payment to Public Officers to Get Things Done**

• **% of Firms Identifying Corruption as the Main Obstacle**

Information about these indicators is collected through interviews with a sample of enterprises within the framework of the Enterprise Surveys carried out by the World Bank in a variety of countries (see **Definition of Indicators**). The database includes data for all ECOWAS countries, with the exception of Benin and Togo, where the World Bank Enterprise Surveys were carried out in 2008 and have not been published yet. Data are not perfectly homogeneous, as the surveys were performed in several years. Despite these (minor) limitations, the indicators can be regarded as a good approximation of how corruption is perceived within ECOWAS countries.

On average, **no less than 45% of enterprises operating in ECOWAS countries expect to make informal payments to public officers to "get things done"**, but there is a huge variation across the countries. Cape Verde is by far the best performer, with only 6% of enterprises declaring to be exposed to requests of informal payments, but Senegal and Sierra Leone also display a good performance, with respectively, 18% and 19% of enterprises requested to make informal payments. On the other hand, Guinea and Burkina Faso appear to be the most problematic
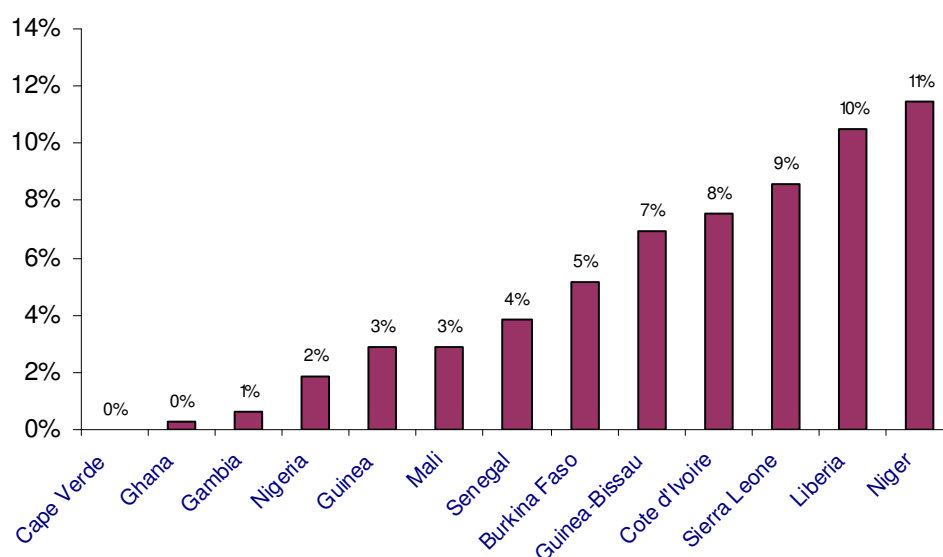
countries, with over 80% of enterprises interviewed declaring to be expected to make payments to public officers.

Figure 3 - % of Firms Expected to Pay Informal Payment to Public Officers to Get Things Done – Various years (data for Benin and Togo not available)
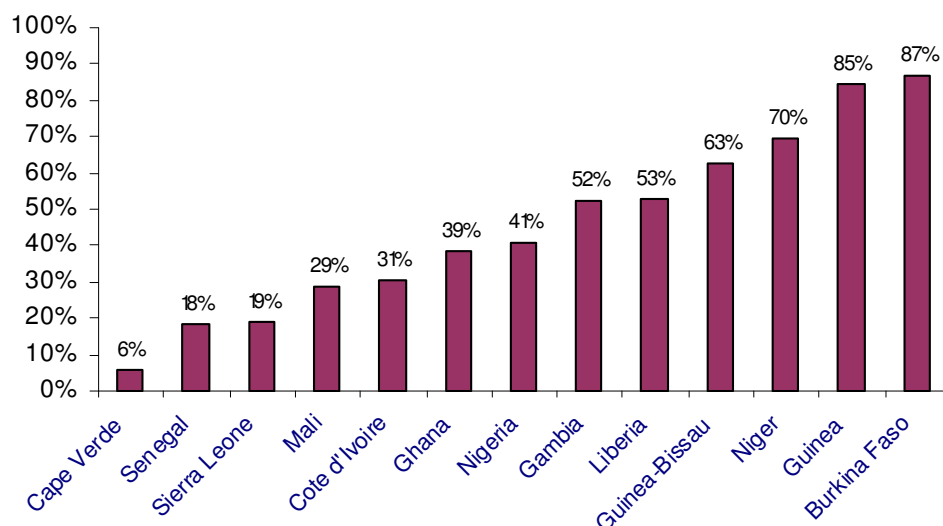

While corruption is certainly widespread, its severity compared with other obstacles to business activity appears moderate. In fact, on average, **only 5% of ECOWAS enterprises consider corruption to be the main obstacle to their activity**. Again, there are significant differences across the countries: in Cape Verde and Ghana corruption is never regarded as the most serious problem, whereas in Liberia and Niger 10% or more enterprises consider corruption as the most severe obstacle.

Figure 4 - % of Firms Identifying Corruption as the Main Obstacle – Various Years (data for Benin and Togo not available)

The implication from the above, is that spread of corruption and the intensity of the problem are different phenomena, not necessarily linked. In fact, there are countries, such as Burkina Faso and Guinea, where the widespread requests for informal payments to public officers do not translate into a severe problem. In other cases, such as Cote d'Ivoire and Sierra Leone, the problem of informal payments is less common, but whenever enterprises are affected, it becomes fairly serious. The weak correlation between the two phenomena is illustrated in the diagram below.

Figure 5 - Correlation between % of Firms Expected to Pay Informal Payment to Public Officers to Get Things Done and % of Firms Identifying Corruption as the Main Obstacle – Various years (data for Benin and Togo not available)
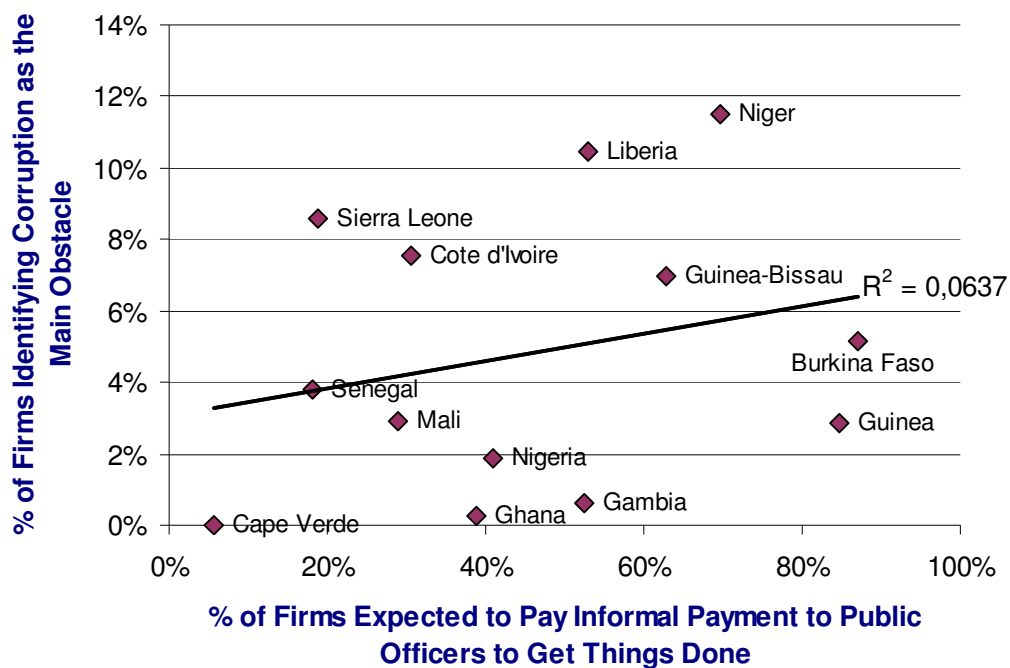

ARE THE INTERNATIONAL AND DOMESTIC VIEWS CONSISTENT?

As a corollary of the above, it is possible to assess the degree of consistency between the "international" and the "domestic" views. As it is shown in the two diagrams presented in the following page, there is only a **weak correlation** between the rankings of ECOWAS countries according to the Corruption Perception Index, and extent and severity of corruption, as measured by the World Bank Enterprise Surveys. For instance, when looking at Figure 6, Sierra Leone's and Burkina Faso' assessments in terms of CPI widely diverge from the opinions expressed by local firms. Similar considerations apply to Figure 7, where the rankings of Guinea and Gambia on the one hand, and of Niger and Liberia appear at odds with domestic firms' views.

Figure 6 - Correlation between the Corruption Perception Index and the % of Firms Expected to Pay Informal Payment to Public Officers to Get Things Done – Various years (data for Benin and Togo not available)
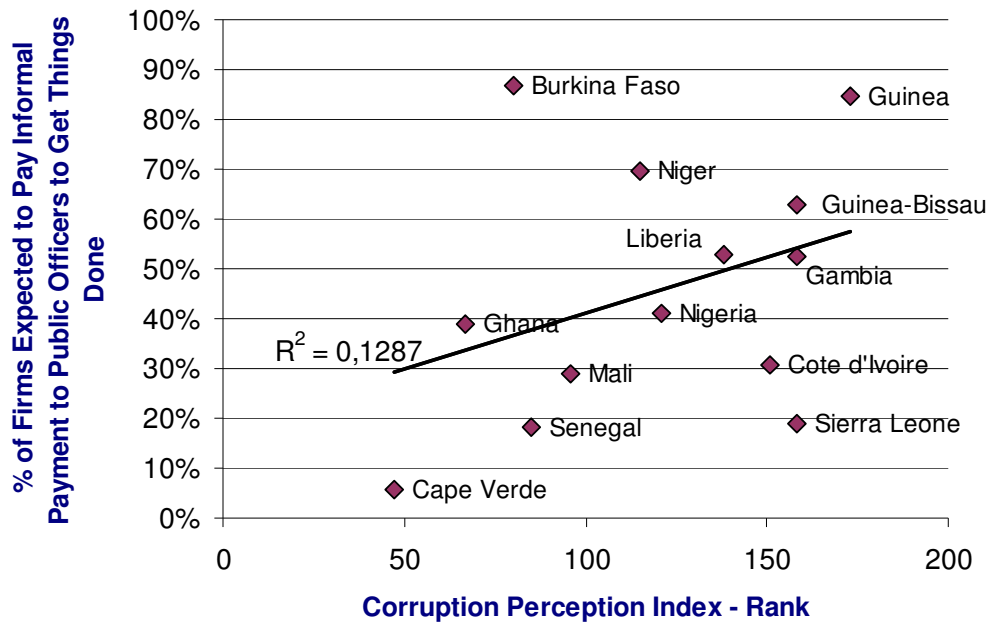
Figure 7 - Correlation between the Corruption Perception Index and the % of Firms Identifying Corruption as the Main Obstacle – Various years (data for Benin and Togo not available)
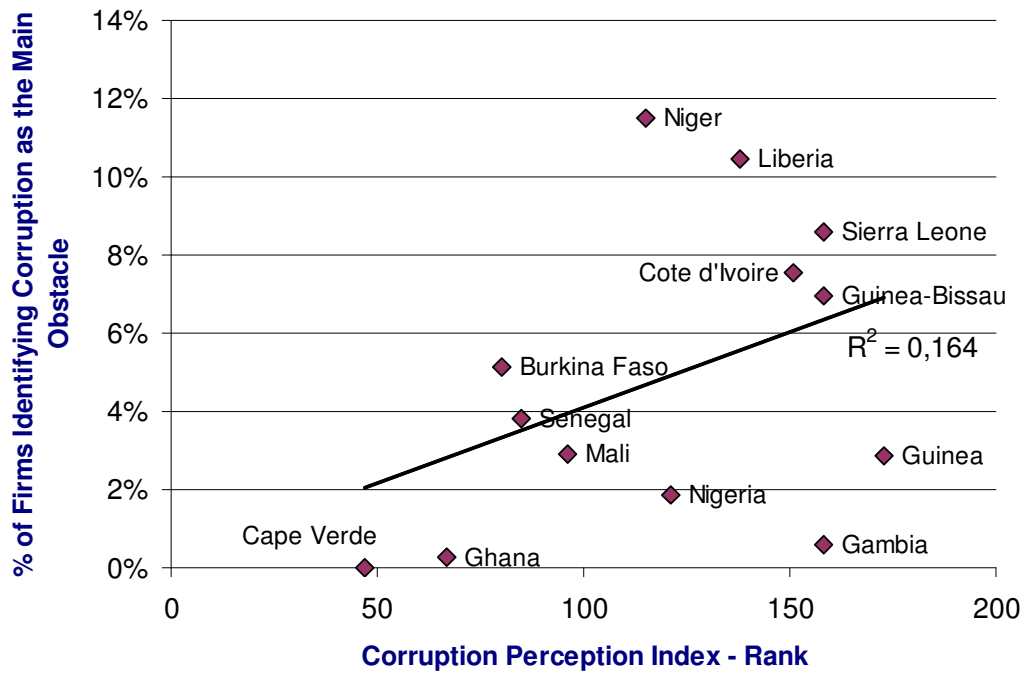
CONCLUDING REMARKS

There is no doubt that corruption does constitute a serious problem and that the issue has to be tackled effectively by ECOWAS countries. However, the above analysis helps in putting things into perspective. The **first conclusion** is that, especially in certain countries, corruption may well be widespread and may affect a large number of enterprises, but its negative impact is comparatively modest. The **second conclusion** is that international views of the problem are not always consistent with the opinions voiced by ECOWAS firms. This divergence can be explained by various factors (e.g. data refer to different years, there could a bias in sample selection or in the sources used), and one should not place excessive emphasis on it. Still, this aspect can have practical implications. In particular, when IPA are dealing with prospective foreign investors, reference to data from the World Bank Enterprise Survey could be used to "soften" the possibly excessively negative view that emerges from the Corruption Perception Index.