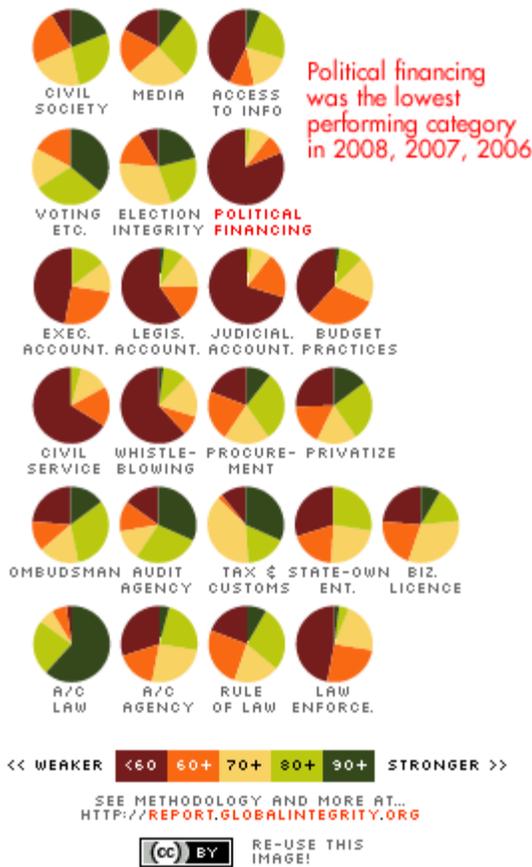


**Global Integrity Report: 2008  
KEY FINDINGS**

**For the third year running, poor regulation over political financing remains the #1 governance challenge around the world.**

No other governance reform seems to create greater problems for the vast majority of countries assessed in the annual *Global Integrity Report* than promoting transparency around the flow of private money into election campaigns and political party coffers. The problem has little to do with income levels; both the poorest and the richest countries in the world struggle to reign in the influence of money in politics. In many countries, the greater danger is not one of wealthy domestic elites corrupting politicians, but of foreign governments funneling cash to ruling political parties in exchange for economic and commercial concessions – all with zero public disclosure and all perfectly legal under poor or non-existent regulatory environments.

**Global Scores on 23 Measures of Anti-Corruption Performance**  
Global Integrity Report: 2008



In **Bulgaria**, “legal vagueness” around the enforcement of party financing regulations led to a June 2008 scandal where European Union funds were misappropriated to the Bulgarian Socialist Party and the incumbent president’s reelection campaign. In **Hungary**, we learned how, “[Political donations] regulations are circumvented in practice by receiving donations from foundations to which no strict disclosure rules apply regarding their donors,” smacking eerily of the off-the-books practices now routinely abused in **the United States** during election campaigns (so-called “527” groups that are able to skirt many existing U.S. fundraising and disclosure restrictions). Other wealthy Western countries fare little better. In **Canada**, we report how, “Secret, unlimited donations of money, property or services are still legal to nomination race candidates, and to political party leadership race candidates, and to ‘trust funds’ maintained by constituency associations of political parties.” Despite widening political financing and corruption scandals in **South Africa**, private donations to political parties there remain completely unregulated.

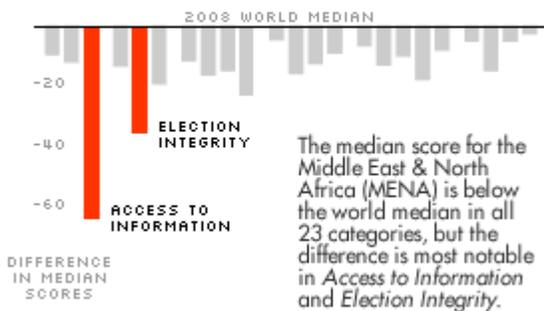
In aid dependent developing countries, the prospects for reform are sadly dim. Most of the

world's official development agencies are prohibited from engaging on issues of electoral reform and politics, and the vast majority of governments around the world predictably show little enthusiasm for taking on these reforms absent outside pressure. Internal pressure for reform is also typically absent given most citizens' focus on basic service delivery and day-to-day survival. That collusion of silence between aid donors, governments, and citizens will continue to retard and distort other assistance programs including procurement reform, public financial management reform, and the reform of state-owned enterprises. Increased transparency around donations to political parties and candidates, and better enforcement of existing regulations and sanctions, should be put at the top of the governance reform agenda in many countries.

**The most significant anti-corruption performance lag in much of the Arab world is poor access to government information.**

While there are a small number of success stories in the Middle East and North Africa (such as Jordan), Arab countries assessed in the *Global Integrity Report: 2008* are overwhelmingly behind the rest of the world in providing basic transparency mechanisms for citizens to access government information. When compared to all other regions in the world, the access to information deficit in the Middle East and North Africa is roughly *double* those countries' deficit on any other issue assessed by Global Integrity.

Access to Information & Election Integrity are weakest areas of MENA anti-corruption  
Global Integrity Report: 2008



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That staggering transparency gap generates negative spillover effects across government, politics, and public policy in the Middle Eastern and Northern African countries assessed. Without basic transparency mechanisms in place, citizens and businesses have no way to monitor government budgets or public procurement; have no way of knowing which companies or countries are funding the campaigns of their elected leaders; and lack the basic tools to monitor the performance of other key anti-corruption bodies such as audit agencies and anti-corruption commissions. While the average citizen may tend to use access to information mechanisms for daily services such as obtaining land records or birth

certificates, anti-corruption watchdogs in the media and civil society can be significantly hampered without effective and regular access to government documents and records.

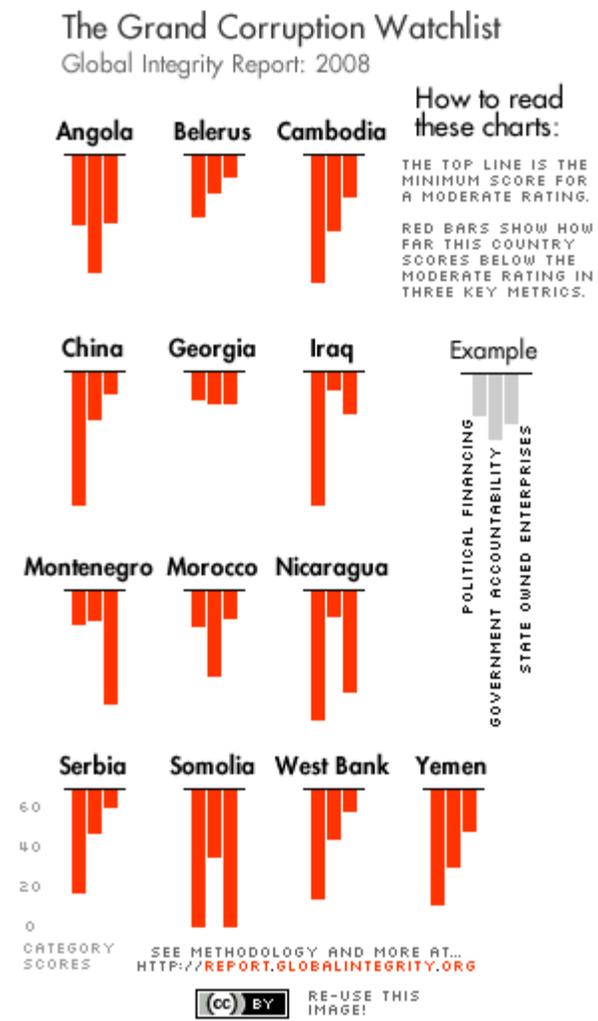
Similarly discouraging can be the negative effect of poor access to information on the business climate, especially for foreign investors unfamiliar with the local market. Access to information helps to level the playing field for businesses involved with government procurement and privatization by making the “rules of the game” transparent to all competitors; it can also help to streamline licensing and permitting processes by limiting discretion on the part of public officials. All other factors being equal, these Middle Eastern and North African countries' poor

performance on information transparency could be a red flag for foreign investors and multinationals assessing opportunities in the region.

2008 marked the first year that Global Integrity gathered Integrity Indicators data in **the West Bank**, and the access to information situation there was little better than the rest of the region; in fact, systemic governance challenges seem to be the norm in the troubled territory. Despite relatively effective electoral mechanisms in **the West Bank**, we report how, “Political considerations, personal loyalties, family connections, and the like serve as common factors in hiring, firing, and promotion of civil servants,” while, “The government rarely acts on the findings of the [human rights] ombudsman.” In the context of the ongoing conflict in the Palestinian territories, poor government transparency can certainly be of little help in closing the gap in trust between Palestinian political leaders and their citizens, a dynamic that only hampers the peace process.

**NEW FOR 2008: “Grand Corruption” Watch List**

Beginning in 2008, Global Integrity began looking for possible triggers of “grand corruption” in the countries assessed in the *Global Integrity Report* – countries where certain key anti-corruption safeguards were so weak that the risks of large-scale theft of public resources was greater than in most countries.



We looked in our data for three red flags: extremely poor conflicts of interest safeguards in government, weak oversight over large state-owned enterprises, and poor or non-existent controls over the flow of money into the political process. Our rationale was simple: “follow the money” from commercial and special interests to politicians (through political contributions), and then assess whether those officials were sufficiently constrained by conflicts of interest regulations to effectively regulate the large state-owned enterprises whose revenue everyone is after. If those data (our Government Accountability, State-Owned Enterprises, and Political Financing categories) were all “Very Weak” (below 60), those countries were placed on the Watch List.

Being placed on the Watch List does not necessarily mean that grand corruption and looting of public resources will *always* take place in the country, but rather that the risks may be significantly higher than in most countries.

The 2008 Grand Corruption Watch List includes: **Angola, Belarus, Cambodia, China, Georgia, Iraq, Montenegro, Morocco, Nicaragua, Serbia, Somalia, the West Bank, and Yemen.**

Promoting governance and anti-corruption reforms in Watch List countries will be extremely challenging until fundamental changes take place. In countries such as **the West Bank and Iraq**, the lack of basic security will need to be addressed before accountability measures can be successfully implemented. In other countries, including **Angola, Cambodia, and China**, effective one-party rule stands in the way of moving forward with setting up the basic checks and balances that are crucial to decreasing discretion and increasing transparency in the way government functions.

### **2008 Gainers and Backsliders**

Although the details of our country scorecards and indicators contain some of the richest information we generate, it is also worth highlighting countries where significant overall improvement or backsliding has occurred since the last time they were assessed. Below are countries whose overall country scores have changed significantly, falling outside of our margins of error and suggesting that real change (whether positive or negative) has occurred at a macro level.

**2008 Gainers** include **Bangladesh** (+4 from 2007), **China** (+5 from 2007), **Moldova** (+8 from 2007), **Nepal** (+4 from 2007), **Nigeria** (+10 from 2007), **the Philippines** (+4 from 2007), and **Russia** (+5 from 2007). China's newly adopted Regulation on Disclosing Information led to higher scores not just in our Public Access to Information category but also in the transparency of procurement and privatization processes, which have benefited from the implementation of the new regulation.

**2008 Backsliders** include **Argentina** (-5 from 2007), **Azerbaijan** (-4 from 2007), **Bosnia and Herzegovina** (-6 from 2007), **Ecuador** (-10 from 2007), **Ethiopia** (-22 from 2006), **Georgia** (-4 from 2007), **Ghana** (-11 from 2006), and **Kenya** (-4 from 2007). The continued slide in Georgia is of concern, marking the second year in a row that the country has struggled to consolidate democratic gains made after the 2003 Rose Revolution. Ghana's significant drop from 2006 is noticeable given its reputation as one of Africa's economic and governance success stories; despite recent peaceful elections, corruption may be getting worse in Ghana.

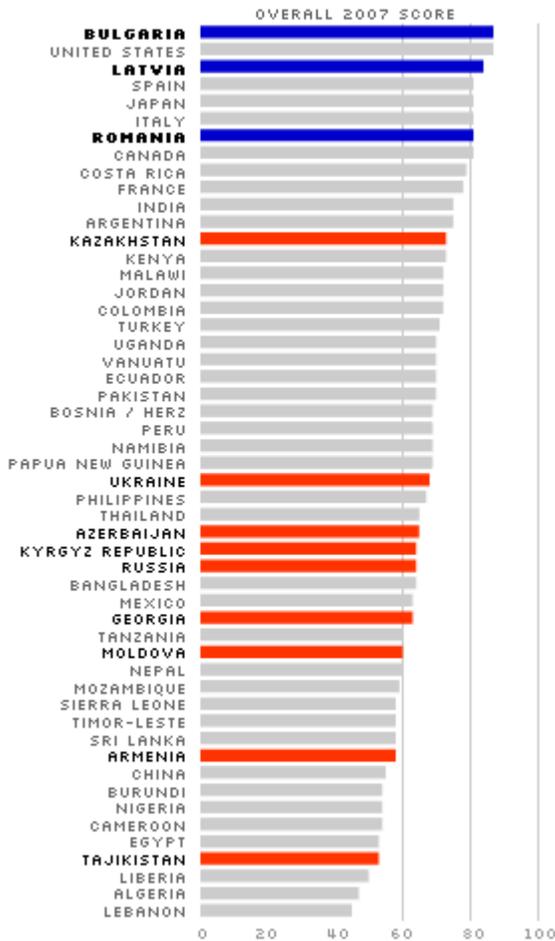
**Eastern and Central Europe continues to perform relatively well on the *Global Integrity Index* despite widespread perceptions of weak anti-corruption and good governance mechanisms in the region.**

In Eastern and Central Europe (ECE), popular and academic/policy opinion tend to view corruption as a significant problem that continues to pervade everyday life in the region. Despite the proliferation of corruption scandals in the region, data from the *Global Integrity Report* covering the past several years, including 2008, reveal that countries in the former Eastern bloc have relatively strong anti-corruption systems compared to other regions of the world. This

year's results are no different, with **Poland** topping the overall *Global Integrity Index: 2008*. Why this disjuncture, and is there an explanation for the relatively strong ratings ECE countries have earned in holding governments transparent and accountable?

We believe there is. First, the gap between negative public perceptions of government accountability and Global Integrity's positive assessments of national anti-corruption mechanisms may signal the presence of a dynamic civil society and media which are capable of bringing issues of good governance into the public spotlight. In other words, the prevalence of corruption scandals suggests that watchdogs in the media, civil society, the justice sector, and independent ombudsmen or anti-corruption agencies have the authority and political space to effectively do their jobs. A lack of scandals, on the other hand, would not necessarily be a positive sign and could reflect a more repressive environment in which watchdogs are pressured into avoiding sensitive investigations.

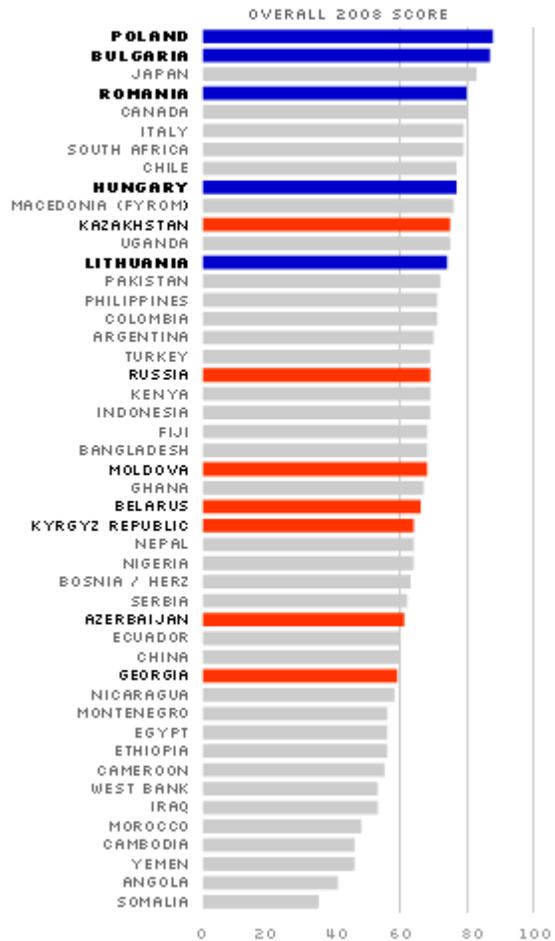
New European Union states outscore other former Eastern Bloc countries  
Global Integrity Report: 2007



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New European Union states outscore other former Eastern Bloc countries  
Global Integrity Report: 2008



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The ECE countries assessed in 2008 are indeed characterized by very strong civil society organizations and media that have worked diligently to push for governance reforms and have exposed abuses. As our reporter in **Poland** observes, “[because of] the tenacious work of civil society for accountability and transparency nearly two decades after the fall of the Berlin Wall, a real social debate around corruption may truly be under way.”

Two other explanations for the gap between perceptions of corruption in ECE countries and Global Integrity data merit consideration. First, it is likely that recent reforms in the ECE region are linked to demands made by Western countries as part of the recent EU and NATO accession processes. Whether these reforms “stick” in the long-run is the real question, but for now the structural reforms undertaken are real and impressive. Second, Global Integrity data are not designed to capture every possible governance or anti-corruption issue at play in a given country. For example, organized crime issues play a major (if not dominant) role in shaping perceptions of corruption in **Bulgaria** but are not reflected in the battery of indicators fielded by Global Integrity. In layman’s terms, we only measure what we measure.

Lastly, there are simply some things done better in ECE countries. In **Hungary**, for instance, we note that “80% of [the national audit agency’s] recommendations are acted upon” by the government. This is a remarkably strong indicator globally.

**Corruption and transparency challenges appear to be worsening across the board on the Horn of Africa, threatening to exacerbate tensions in an already-fragile security situation.**

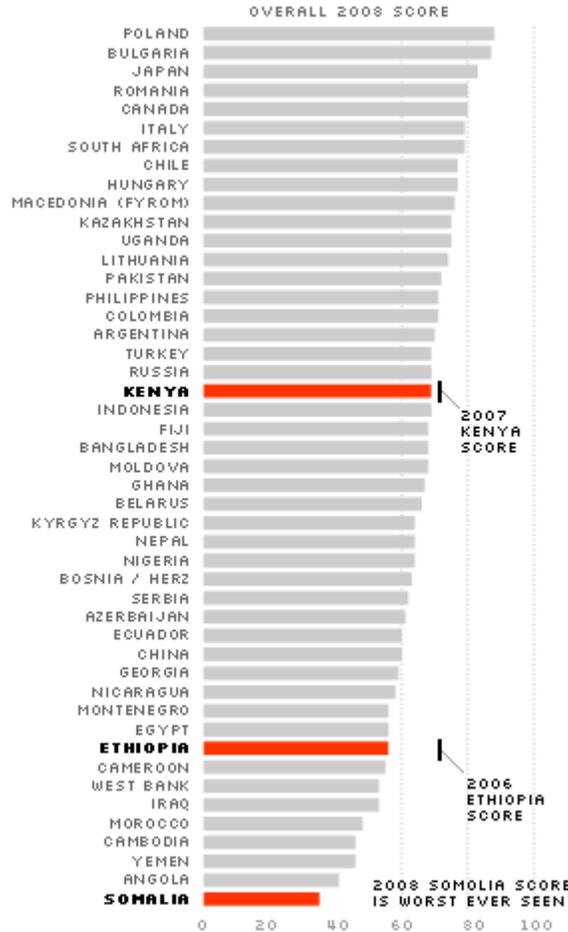
For the first time in 2008, Global Integrity was able to work with local Somali experts to carry out our first-ever assessment of the violence-wracked country. **Somalia** has the ignominious honor of boasting the worst-ever overall Global Integrity country score, unsurprising given the country’s lack of a functioning government during a period when competing warlords, Islamist militias, and a United Nations-backed transitional government (supported by the Ethiopian military) competed for territorial control.

What may be more surprising in the region are the negative transparency and accountability trends in neighboring **Ethiopia** and **Kenya**. In **Ethiopia**, significant backsliding has occurred since 2006, a year that followed disputed elections marred by violence. The ruling party seems to have consolidated its control over much of government, and the Ethiopian legislature today serves as little more than a rubber stamp for the government. Despite increased technical capacity in the Federal Ethics and Anti-Corruption Commission, critics doubt its willingness to take on senior government officials. In **Kenya**, Global Integrity data on governance and accountability have continued to dip since the electoral violence in late-2007. Doubts surround the independence and effectiveness of the newly created Public Complaints Standing Committee (PCSC), which replaced the relatively effective Kenya National Commission of Human Rights in August 2008 as the country’s ombudsman mechanism.

With the Ethiopian military's pullout of **Somalia** in early 2009, fears of a security vacuum in **Somalia** are well-founded. The lack of effective checks and balances in all three countries increases the potential for rash decision-making and increased violence.

### Horn of Africa countries in decline

Global Integrity Report: 2008



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