

TI Rates World Corruption

Dodgy privatizations in the Balkans and officials extorting money from companies in Russia were just some of the findings of a recent report on private-sector corruption from a prominent anti-corruption watchdog and advocacy group.

Nearly two out of five businesses surveyed worldwide said they have been asked to bribe government officials, reported the Berlin-based Transparency International (TI) in its [2009 Global Corruption Report](#). The consequences of corruption can be “devastating,” the report stated. “From water shortages, exploitative work conditions or illegal logging to unsafe medicines and poorly or illegally constructed buildings that collapse with deadly consequences, corruption can bring about unprecedented harm,” TI said in a statement.

In the Balkans the report outlined several questionable privatizations. In Russia, it detailed examples of officials who have gone to jail for demanding money from companies. A former senator was sentenced to nine years in prison in 2008 for extorting \$1.5 million from the company Transaero, for example. Another official, the deputy head of Russia’s Audit Chamber, extorted a \$120,000 bribe from an oil refinery.

Instances from the Region

Some of the report’s findings:

- In Bosnia-Herzegovina, the privatization of the oil industry in the Bosnian Serb half of the country – the Republika Srpska (RS) – was a “secret operation,” with the RS government deeming the contract with the Russian buyer a classified document. Privatizing the country’s largest exporter, Aluminium Mostar, was also done outside the privatization laws in effect in Bosnia.
- Romania faced a European Commission investigation after the privatization of three key companies, including the sale of Automobile Craiova to the Ford Motor Company. The European Union later ordered Romania to recoup €27 million in debts it had written off during the sale.
- Russia’s Prosecutor General’s office estimates that businesses in Russia pay \$33.5 billion every year in bribes and kickbacks. Though Russian President Dmitry Medvedev has vowed to crack down on corruption, the report notes that a famous Russian writer once wrote, “The severity of Russian laws is balanced by the fact that their enforcement is optional.” Medvedev’s new initiatives provide a framework, TI stated, but the framework has yet to be tested in Russia’s business world.

It’s not just bribery and its envelopes full of money that are unfair and turn transparency to murkiness, reported TI. Nepotism, conflicts of interest, revolving doors between public office and the private sector, price-fixing through cartels and corporate influence on government all add to corruption price tag, which is in the billions of dollars every year.

Corruption and lack of integrity were also underlying causes of the global financial crisis, according to the report. “The ratings agencies in particular had a conflict of interest and turned a blind eye towards high levels of risk,” TI global programs director Christiaan Poortman told the Times of London.

--Beth Kampschorr