

The Transparency International Corruption Perceptions Index 2020 – is there a correlation between effective corruption prevention and successful COVID-19 containment?

RECOMMENDATIONS FOR INTERNATIONAL COMPANIES ON THE IMPLEMENTATION OF THE NEW EDITION OF THE WORLD'S LEADING CORRUPTION BAROMETER IN THEIR COMPLIANCE MANAGEMENT SYSTEMS

Executive Summary

- On 28 January 2021 Transparency International ("TI") published the latest Corruption Perceptions Index ("CPI") for the year 2020, once again covering 180 countries in the meanwhile 26th edition.¹
- As in the previous year, New Zealand and Denmark lead the Top Ten (each with 88 of 100 points) closely followed by Finland, Singapore, Sweden, Switzerland, Norway and the Netherlands.
- Germany scores 80 points as last year and moves up to rank 9 sharing it with evenly scored Luxemburg.
- With this the Top Ten remains in identical sequence compared to 2019.
- The UK keeps a score of 77 like 2019 but drop to rank 17 in their last year as member of the EU.
- The USA lose two points to a remaining score of 67 points and reaching rank 25. It is their worst TI CPI result since 2012. TI claims allegations on conflicts of interest, abuse of office at the highest administration levels and insufficient oversight of the 1 trillion USD COVID-19 recovery package as concrete examples for an ongoing deterioration of democratic foundations and responsible government as the underlying drivers for such development.
- The EU scored well with an average of 64 points but obtained two points less than last year. In any case transnational or "exported" corruption of European companies must not be lost sight of.
- The sequence of the BRICS countries' ranking did not change. Germany's most important foreign trade partner in 2017, 2018 and 2019 – the People's Republic of China - improved slightly from 41 to 42 points and climbed two ranks to 78th place. South Africa keeps leading this grouping and ranks one place higher as 69th keeping the same score as last year (44). India drops one point in score (40) and six in rank (86). Brazil wins three scores (38) and is up 12 ranks (94). Russia remains last among the BRICS, dropping five points (30), but due to other losses rising 8 ranks (129) compared to last year.
- The Bottom Ten form Haiti (18 points), North Korea (18), Libya (17), Equatorial Guinea (16), Sudan (16), Venezuela (15), Yemen (15), Syria (14), South Sudan (12) and Somalia (9). Four out of the ten weakest countries are from the MENA region (Middle East and North Africa).
- This year's world average amounts as in the last three TI CPI editions again to only 43 points. More than two thirds of the countries in the TI CPI scored less than 50 points or half of the theoretically achievable top result -another indication for globally stagnating efforts in the fight against corruption.
- Once again, the CPI data analysis displays a clear chain of causation between perceived corruption, the instability of democratic institutions² and the influence of money on political power.

¹ TI CPI 2020, available at: <https://www.transparency.org/en/cpi/2020>.

² See GSK Update of 28.01.2020, available at: <https://www.gsk.de/wp-content/uploads/2020/01/GSK-Update-TICPI-2019.pdf>



- TI points out that corruption has a direct influence on public investments into healthcare. Countries with a higher propensity for corruption are statistically proven to invest less into public health. The result is a structural weakness in containing the COVID-19 pandemic.³
- These current findings must be implemented into compliance management systems ("CMS") of internationally operating companies.

TI CPI Background

The NGO TI (founded in Germany in 1994 and headquartered in Berlin) published the CPI in its 26th edition on 28 January 2021.

The TI CPI measures the **subjectively perceived** tendency towards corruption in politics and public administration in a particular country as observed in many expert interviews.

The index is based on point values whereby the maximum value of 100 points indicates no propensity to corruption and 0 points, on the contrary, reveals a tendency to corruption that is perceived as very high. Countries with particularly low scores are displayed on the TI CPI world map in a corresponding deep red color so that the TI CPI at first glance obtains the character of a global **"heat map"**. What becomes obvious at first sight is that the world is rather glowing in red than in yellow.

The TI CPI 2020 is based on 13 data sources from 12 different institutions on the perception of the level of corruption in the public sector over the last two years.⁴

³ See: TI CPI 2020 Full Report, p.9

⁴ The 13 data sources are:

1. African Development Bank Country Policy and Institutional Assessment 2018
2. Bertelsmann Foundation Sustainable Governance Indicators 2020
3. Bertelsmann Foundation Transformation Index 2020
4. Economist Intelligence Unit Country Risk Service 2020
5. Freedom House Nations in Transit 2020
6. Global Insight Country Risk Ratings 2019

Despite initial criticism, the TI CPI has now developed into the undisputed international **de facto compliance standard** for the identification and ongoing assessment of geographical compliance risks in business operations in a wide range of regions and countries over the past two decades.

Key findings of the TI CPI 2020

The TI CPI global average is regrettably low again at 43 points, i.e. stagnating at the same level as in the last three years. It is remarkable that 132 out of the 180 examined countries do not show any visible progress or only very little in fighting corruption. Only 26 countries have increased their TI CPI scoring, 22 on the other hand decreased.

A significant improvement in terms of TI CPI ranking can be reported for Greece and Afghanistan. Greece managed to gain 14 points compared to 2012 reaching a solid score of 50 this year. One reason TI claims for this are the governmental reforms implemented to balance the strict saving efforts after the financial crash. Afghanistan capitalizes from fundamental institutional changes and jurisdictional reforms adding 11 points since 2012 to a still remarkable low score of 19 points.

Backlashes in Europe reported by TI concern Hungary, Malta and Poland. This is due to the weakening of independent institutions and growing governmental influence on media and corruption scandals. Furthermore, the Polish government was said to use the COVID-19 crisis to change multiple policies or abrogate them in order to limit access to information for the people as well as journalists.

7. IMD World Competitiveness Center World Competitiveness Yearbook Executive Opinion Survey 2020

8. Political and Economic Risk Consultancy Asian Intelligence 2020

9. The PRS Group International Country Risk Guide 2020

10. World Bank Country Policy and Institutional Assessment 2019

11. World Economic Forum Executive Opinion Survey 2019

12. World Justice Project Rule of Law Index Expert Survey 2020

13. Varieties of Democracy (V-Dem v. 10) 2020



In this year's version of the TI CPI, TI points out that countries with a low tendency for corruption are not only, as frequently reported, investing into democratic institutions and sticking to responsible governmental action, but are also investing quantifiably more into public health – resulting in the according consequences for containing the COVID-19 pandemic. The Argentinian chair of TI, Mrs. Delia Ferreira states: "COVID-19 is not just a health and economic crisis. It is a corruption crisis. And one that we are currently failing to manage."⁵ It remains to be seen in future whether effective detection and response to COVID-19 fraud – e.g. relating to potentially intransparent approval or procurement of COVID-19 vaccine – does actually occur and this would then become apparent as a trailing effect in future versions of the TI CPI.



The German chapter of TI once emphasizes the stagnating German results in the TI CPI 2020 and criticizes at the beginning of the German "super election year" 2021 structural deficits concerning party financing as well as the remaining lack of a lobby register. Further, the unchanged high necessity for effective improvement of anti money laundering especially in real estate transactions in Germany is highlighted.

Recommendations for companies

The findings from the current TI CPI must be implemented by companies in compliance risk analyses and compliance health checks – i.e. effectiveness- or maturity reviews of the internal CMS – as well as in Business Partner- or M&A Compliance Due Diligences – i.e. checks of external intermediaries or corporate takeover targets.

However, a broad-brush utilization of the TI CPI alone is not a panacea for insufficient compliance measures. The recent Ericsson international bribery case – after Telia the second FCPA Top Ten case from Sweden, a country which according to the TI CPI has always been exemplary (this year placed 4th with 85 points) – illustrates clearly: the TI CPI does not fully reflect the "**exported corruption**" of companies from supposedly safe home states. Only companies that additionally reflect the countries in which services are actually to be rendered in their CMS – i.e. a TI CPI value of those countries in which business relationships actually become operational and bribery might take place – protect themselves from developing a false sense of security.

A robust CMS should also be calibrated with additional indices. These include the TI Bribe Payers Index (BPI) and the TRACE Matrix as well as the Fund for Peace Fragile States Index (FFP FSI), the Global Slavery Index or the Basel Anti Money Laundering Index (AML Index).

⁵ See: TI press release 28 January 2020 „2020 Corruption Perceptions Index reveals widespread corruption is weakening COVID-19 response, threatening global recovery“



Today, one year into a global pandemic it is more rewarding than ever to consequently invest into compliance and therefore effectively and efficiently apply Compliance with a sense of proportion. The global efforts to contain the COVID-19 pandemic can lead to various scenarios in which, in parallel to a hopefully timely economic recovery, e.g. the public allocation practices for subsidies and state aid or the emergency approval of vaccines, medication or medical products could have to be scrutinized carefully. And latest then many corporations will hear the bell tolling for real transparency and effective compliance.

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