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## We need to punish bribe-takers, not just bribe-payers

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Corruption is too often ignored as a major factor diluting poverty-reduction and development efforts.

The UN's May, 2013, [New Global Partnership](#) sets a goal of eliminating extreme poverty. The World Bank sets a target of a 50 per cent reduction by 2030. But the report includes the words "corruption" and/or "bribery" only six times. Its goal ten of Twelve is, "Ensure Good Governance and Effective Institutions." But only last among five sub-goals is "Reduce bribery and corruption and ensure officials can be held accountable" (emphasis added). The Economist's June 1, "The End of Poverty?" special section was insightful. However, it and most other media failed even to mention the corruption factor in poverty reduction.

It is estimated that between 10 and 20 per cent of poverty-reduction and development financing is

skimmed off by corruption. (Since it is always hidden, estimates are problematic). Hard and “soft” laws on the supply side of corruption – that is, the bribe-paying side – have been moderately effective since begun in the 1990s. The Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions, produced by the Organization for Economic Cooperation and Development, led on hard law, patterned on the trailblazing U.S. Foreign Corrupt Practices Act of 1976. The World Bank did its part with soft law by introducing a sanctions and debarment regime: a current Canadian example is the 10-year debarment of engineering firm SNC-Lavalin from projects financed by the World Bank.

But these hard and soft laws are all on the supply side, against bribe payers.

What about the demand side? What controls or sanctions have been imposed, even recommended, against countries, mainly developing, which fail to enforce their national laws against corruption? Economics 101 teaches that supply and demand are always linked.

This writer believes that sanctions regimes can and should be established against countries which fail either to have or to enforce their anti-corruption laws. These could be modelled on existing sanctions against suppliers who pay the bribes. The institutions creating the sanctions should include the Big Five international development Banks, the International Monetary Fund, the many export credit agencies of developed countries, the UN Development Program, the World Trade Organization, non-governmental institutions and institutional aid providers. The OECD and the UN could assist on both hard and soft law and be “cheerleaders” for both. It is important to appreciate that development banks, the IMF, ECAs and many other lenders do not enforce any law. So they are not bound by slow and complex legal processes, burdens of proof “beyond a reasonable doubt,” trial and appeal courts and so on. They give and lend money against commitments on how it will be spent. They are fully entitled to create standards, including against bribery and corruption and impose conditions. To their credit, they have. But that’s all on the supply side so far.

Canada is moving ahead well on international hard law on the supply side of bribery. Legislation strengthening our Corruption of Foreign Public Officials Act passed in June, 2013. But much remains to be done on the demand side and Canada, particularly its export credit agency Export Development Canada, has a part to play on the demand side and strengthening its supply side sanctions. A small start on the demand side has been made by two important institutions. The World Bank recently cancelled its loan for the large Bangladesh Padma Bridge project (from which SNC-Lavalin’s debarment arose) for corruption plus refusal to prosecute high officials. The IMF recently cut off the Democratic Republic of Congo’s loan program when it refused to reveal details of suspicious transfers of mining licences to a tainted foreign investor. But these reactions, albeit needed, are one-offs. Comprehensive, published sanctions are required. Countries must know in advance the consequences of continuing to ignore their roles on the demand side.

Transparency International’s [Corruption Perception Barometer](#) includes encouragement for action on the demand side. It shows high percentages of citizens in many corrupt countries are fed up with their endemic domestic corruption. One hopes for more public outcry against corruption as part of the many and growing protests against governments in India, Egypt, Brazil, Pakistan, Bangladesh, Turkey and elsewhere. Domestic demand for action against corruption is rising, and critical. But that will be a slow process. More specific actions are required. A caution: There is a risk of unintended consequences in demand-side sanctions. There are lenders lacking high standards against corruption willing to play by the rules of countries that turn a blind eye to it. The prime minister of Bangladesh said she didn’t need the World Bank’s Padma Bridge loan, as others were willing to put up its financing. Observers quickly pointed to China. It already has significant investments in several African countries rated poorly on Transparency International’s Corruption Perception Index. And can Russia, not known for controlling corruption, be far behind with excess earnings from its oil and gas exports?

Those committed to fight corruption must not close the front door of the supply side while leaving

the demand-side back door wide open. “Tough Love” is needed, and now.

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