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Corruption

Who's Winning the Battle Against Corruption?

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- **Investors tell us that corruption remains a major concern when investing in emerging – and especially frontier – markets. This is well-founded: surveys consistently show higher levels of corruption in these economies compared with their developed counterparts.**
- **The most straightforward explanation is economic. The strongest predictor of corruption levels is GDP per capita – poorer countries tend to experience higher levels of corruption. As countries become wealthier, the rise of a property- and business-owning middle class tends to push anti-corruption efforts up the agenda.**
- **Economic growth is the obvious way to get corruption down. We find that some countries have a head start tackling corruption, with corruption scores outperforming their wealth levels, while several wealthy nations are underperforming – and in some cases, slipping backwards.**

Corruption still troubles investors

They say you're only truly qualified as an emerging markets investor once you've been stopped by local police, told your papers aren't in order, and detained — despite everything being perfectly fine.

Investors tell us that corruption remains a major concern when investing in emerging – and especially frontier – markets. This is well-founded: surveys consistently show higher levels of corruption in these economies compared with their developed counterparts.

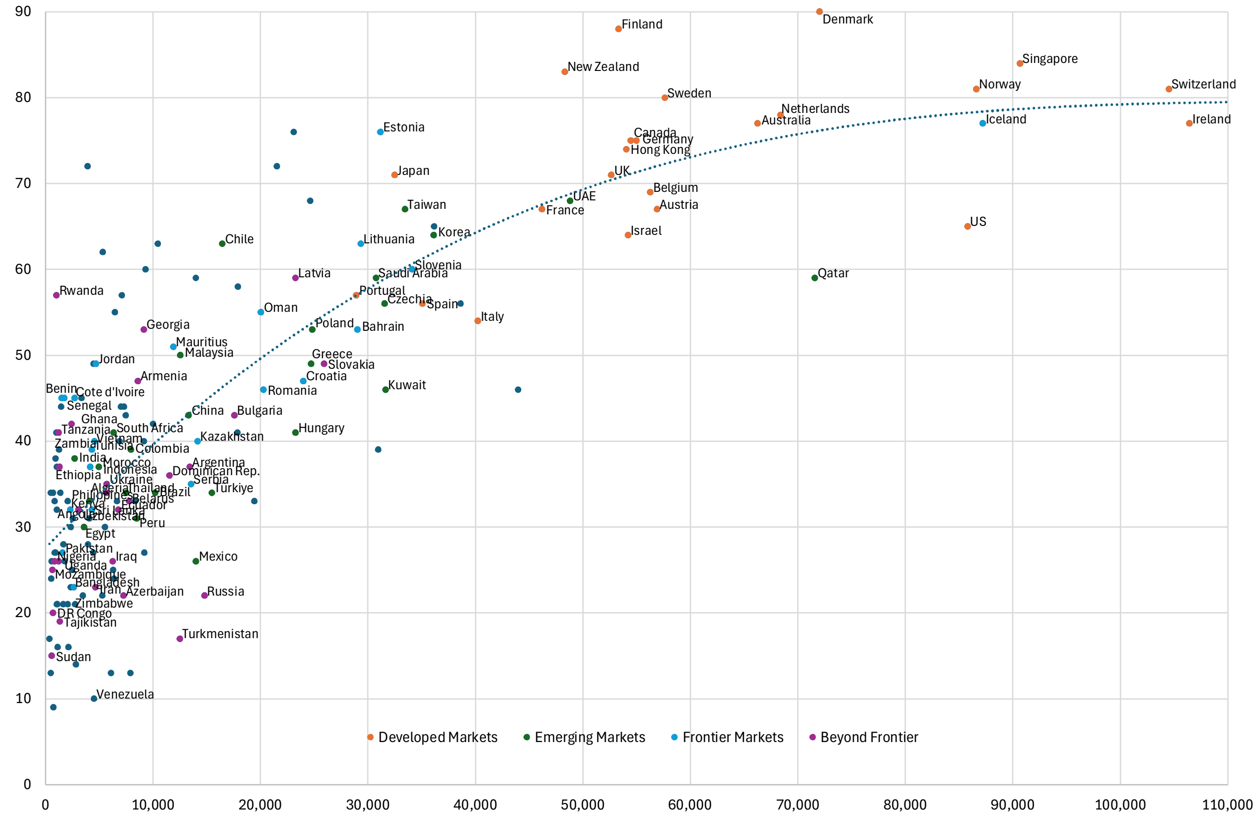
Growth as the solution

The most straightforward explanation is economic. The strongest predictor of corruption levels is GDP per capita. Put simply, poorer countries tend to experience higher levels of corruption. According to Maslow's hierarchy of needs, basic needs – like food, shelter, education, and employment – take precedence at lower income levels.

You can zoom in on the charts in this report to view details more clearly.

Wealth is the best predictor of corruption

2024 Corruption Perceptions Score (y-axis) vs GDP per capita ($, x-axis)



Source: Transparency International, IMF, Weighhouse

As countries become wealthier, the rise of a property- and business-owning middle class tends to push anti-corruption efforts up the agenda.

Digitalisation also plays a crucial role: petty corruption declines as economies go cashless and services like passport renewal, tax payment, and business registration move online.

Economic growth is the obvious cure – get richer, and corruption will decline.

But that might be easier said than done, particularly if corruption itself is holding back growth. That's why it's worth examining which countries appear to be getting ahead in tackling corruption at their current income level, and which are falling behind.

Who's beating expectations?

Taking the latest Transparency International Corruption Perception Index (CPI), it's no surprise that Senegal ranks well below the US. But what is noteworthy is that Senegal performs significantly better than expected for its income level – while the US, almost 50 times wealthier, is perceived as more corrupt than it should be, given its wealth.

We focused here on 100 key countries (out of 180 in the full CPI survey) to keep the analysis manageable.

Outperformers – countries perceived as significantly less corrupt than expected for their income levels:

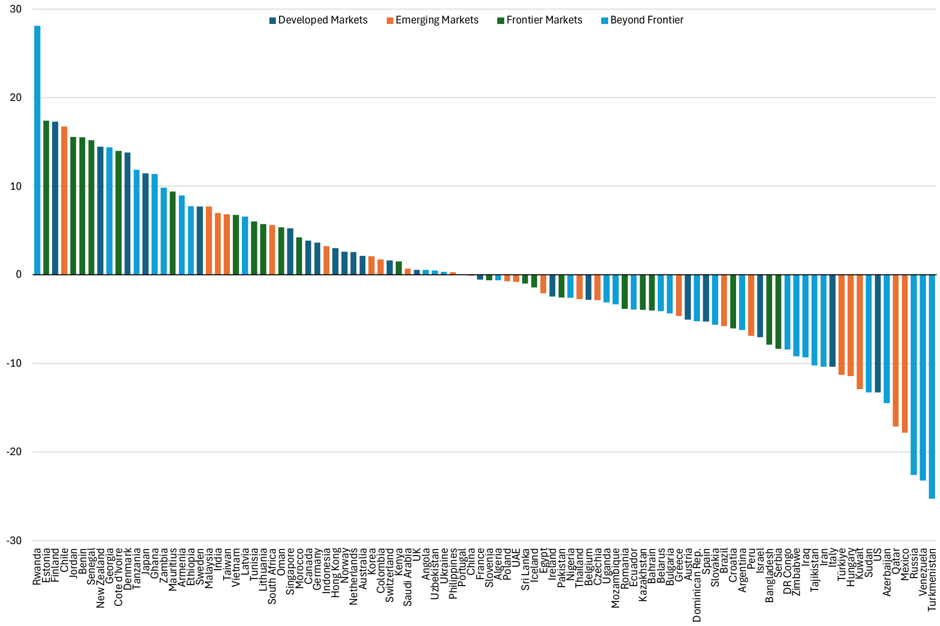
> Rwanda, Estonia, Finland, Chile, Jordan, Benin, Senegal, New Zealand, Georgia, Côte d'Ivoire, Denmark, Tanzania, Japan, Ghana, Zambia, Mauritius, Armenia, Ethiopia, Sweden and Malaysia.

Underperformers – countries perceived as significantly more corrupt than expected for their income levels:

> Turkmenistan, Venezuela, Russia, Mexico, Qatar, Azerbaijan, the US, Sudan, Kuwait, Hungary, Türkiye, Italy, Iran, Tajikistan, Iraq, Zimbabwe, Democratic Republic of Congo, Serbia, Bangladesh and Israel.

Some countries perform better or worse than expected given their wealth level

2024 Corruption Perceptions Score - actual vs expected (points)



Source: Transparency International, IMF, Weighhouse

There are distinct clusters of high-performing countries across various regions, including Scandinavia (Estonia, Finland, Denmark, Sweden, Latvia, Lithuania, Norway), Northern Europe (Germany, the Netherlands, the UK), and East Asia (Japan, Taiwan, Vietnam, Singapore). Additionally, New Zealand, Canada (standing in contrast to the US), and Australia show strong results. India performs well, while South Africa exceeds expectations relative to its income level.

Meanwhile, several commodity-producing nations rank among the underperformers, such as Turkmenistan, Venezuela, Russia, Mexico, Qatar, Azerbaijan, Kuwait, Iran, Iraq, Democratic Republic of Congo, and Brazil. In this context, the UAE and Saudi Arabia are clear standouts (alongside Norway and Canada).

Winners and losers since 2012

CPI scores have changed considerably over the past decade. Some countries have made substantial gains; others have slipped.

Most improved:

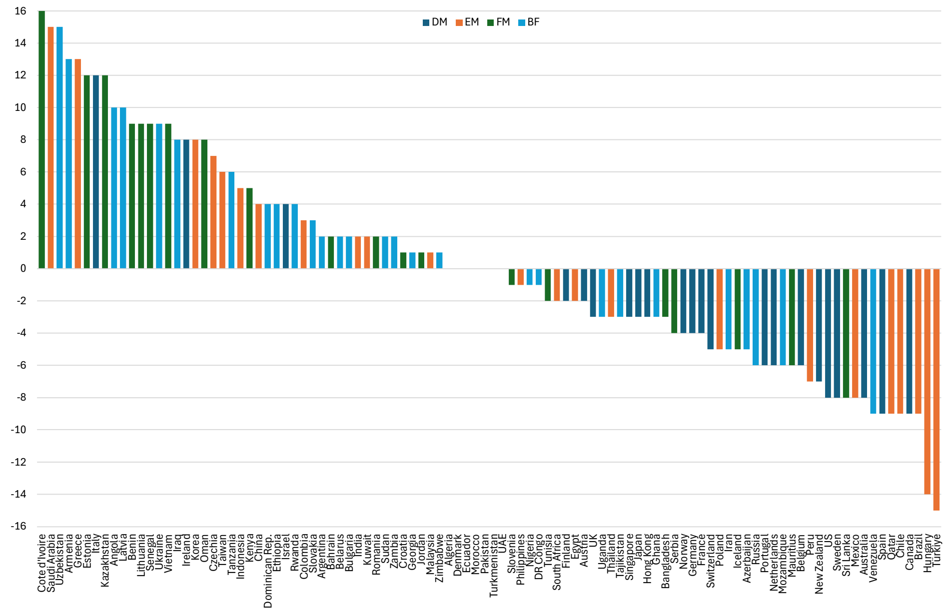
> Côte d'Ivoire, Saudi Arabia, Uzbekistan, Armenia, Greece, Estonia, Italy, Kazakhstan, Angola, Latvia, Benin, Lithuania, Senegal, Ukraine, Vietnam, Iraq, Ireland, Korea, Oman and Czechia.

Biggest declines:

> Türkiye, Hungary, Brazil, Canada, Chile, Qatar, Spain, Venezuela, Australia, Mexico, Sri Lanka, Sweden, the US, New Zealand, Peru, Belgium, Mauritius, Mozambique, Netherlands, Portugal and Russia.

Winners and losers since 2012

2012-2024 Change in Corruption Perceptions Score (points)



Source: Transparency International, IMF, Weighhouse

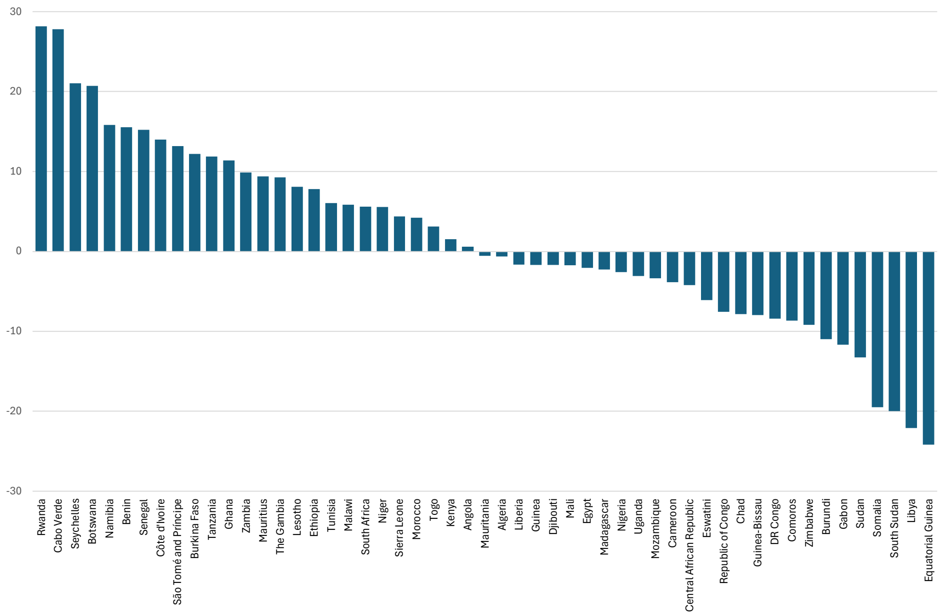
Notable improvements have occurred in parts of the former Soviet Union, including Uzbekistan, Armenia, Kazakhstan, Ukraine and the Baltic countries, as well as in Saudi Arabia and eurozone crisis-hit countries like Greece, Italy and Ireland.

At the same time, there has been a marked deterioration in a surprisingly diverse group – including Türkiye, Hungary, Brazil, Sri Lanka, Mexico and the US, raising questions about democratic backsliding, political polarisation, and institutional erosion.

Focus on Africa

Several countries on the continent outperform expectations based on income levels

2024 Corruption Perceptions Score - actual vs expected (points) - Africa



Source: Transparency International, IMF, Weighhouse

Expanding the list to cover all African countries with CPI scores, we find that several countries outperform expectations based on income levels – including some strong performers in Francophone West Africa. Strong leadership and reform-minded governance can drive substantial progress, even in lower-income contexts.

Better than expected:

> Rwanda, Botswana, Namibia, Benin, Senegal, Côte d'Ivoire, Tanzania, Ghana and Ethiopia.

Worse than expected:

> Equatorial Guinea, Libya, South Sudan, Somalia, Sudan, Zimbabwe, and Democratic Republic of Congo.

Perception vs. Reality

It's important to remember that the CPI – which draws on 13 independent surveys to produce a composite score – measures perceptions of corruption rather than actual corruption, which tends to be both highly secretive and difficult to quantify.

There is also a risk of gaming the system, as was previously seen in the World Bank's Doing Business survey. And, as countries become wealthier, corruption often shifts in nature, from petty bribery, such as paying for building permits or university places, to more sophisticated forms of influence, including regulatory capture, political donations, lobbying, media ownership, research funding, and the revolving door between politics, business and regulators.

Qatar may be hoping that its gift of a Boeing 747-8i – intended for the US Air Force One fleet, and a sister aircraft to the one Türkiye accepted in 2018 – will help build forge a more enduring relationship with Donald J. Trump than Elon Musk has managed so far with $275 million in political donations. We observe that CPI scores for the US, Qatar, and Türkiye are all below what their income levels would suggest, and each has seen a decline over the past decade.

Conclusion

Poorer countries tend to experience higher levels of perceived corruption than richer ones, making economic growth the obvious way to get corruption down. But we find that some countries have a head start and are outperforming their wealth levels, while several wealthy nations are underperforming – and in some cases, slipping backwards.

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