

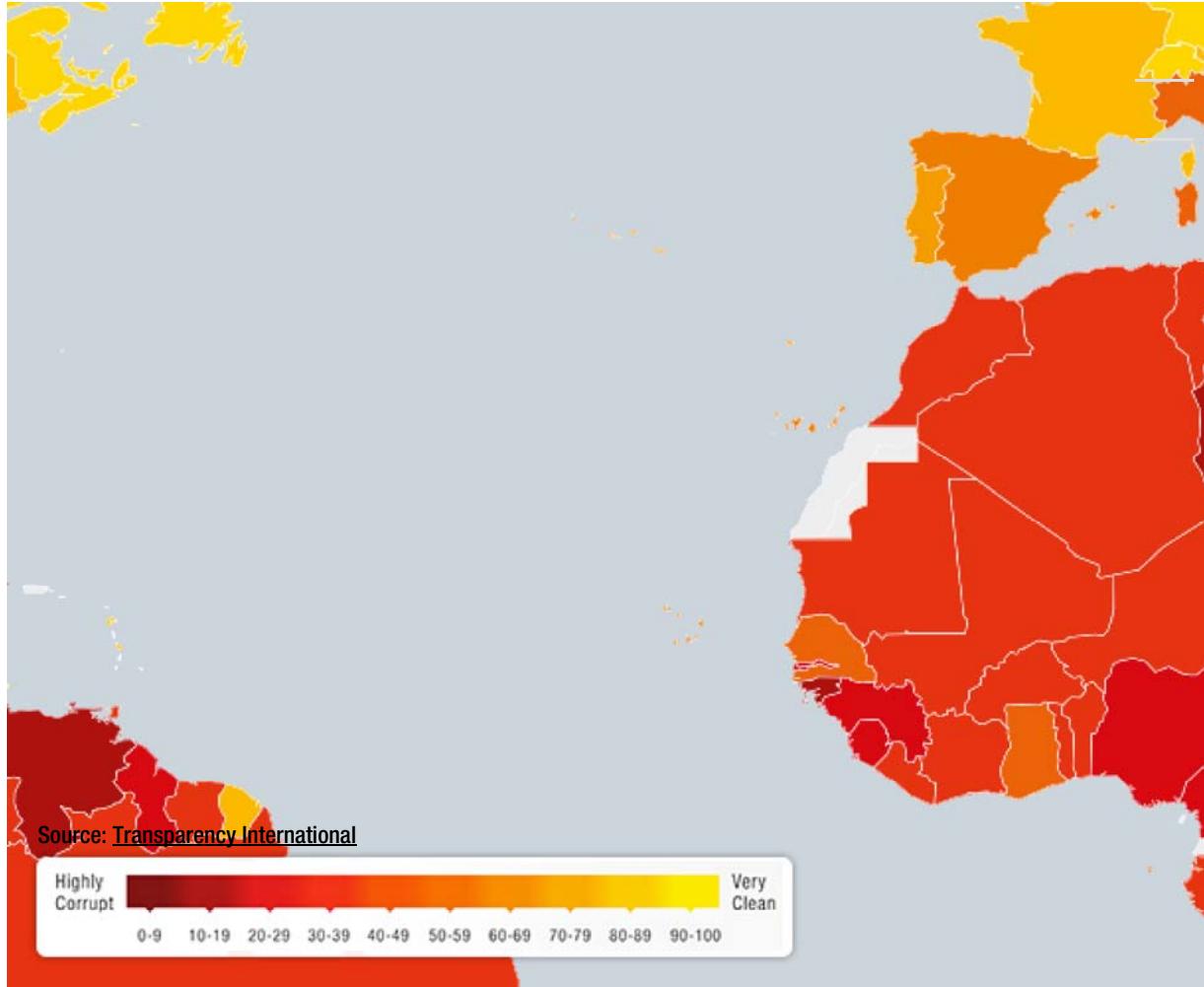
Latin America Slides Against Corruption: Good News?

Jan 28 2016

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Yesterday, Transparency International released its Corruption Perceptions Index (CPI) for 2015. The most widely used corruption indicator worldwide, the CPI is often cited as a reliable barometer of corruption, placing countries on a scale from 0-100. This year's figures were (again) less-than-favorable for Latin America & the Caribbean.



Compared to 2014, average scores for the region fell by over a third of a point. (Although some of the variation is likely statistical noise, the scores are designed to be comparable over time.) While the worldwide average ticked slightly up—by .13 points—scores for 15 out of 24 countries in the Latin America and the Caribbean either fell or stayed flat (see chart). And although there were some successes—Jamaica and Paraguay improved by 3 points, Honduras and Panama by 2—those cases were generally outweighed by the worst performers. Peru, Argentina, Haiti, and Venezuela fell by 2 points, Chile by 3, and Guatemala by 4. Above all, Brazil collapsed by 5 points, tying Lesotho for the steepest decline worldwide.

Corruption Perceptions Index			
Country	2015	2014	Change '14-'15
Uruguay	74	73	1
Chile	70	73	-3
Costa Rica	55	54	1
Cuba	47	46	1
Jamaica	41	38	3
El Salvador	39	39	0
Panama	39	37	2
Trinidad and Tobago	39	38	1
Brazil	38	43	-5
Colombia	37	37	0
Peru	36	38	-2
Suriname	36	36	0
Mexico	35	35	0
Bolivia	34	35	-1
Dominican Republic	33	32	1
Argentina	32	34	-2
Ecuador	32	33	-1
Honduras	31	29	2
Guyana	29	30	-1
Guatemala	28	32	-4
Nicaragua	27	28	-1
Paraguay	27	24	3
Haiti	17	19	-2
Venezuela	17	19	-2
	Average		-0.375

Source: Transparency International 2015

This dismal

performance should not come as a surprise. As Alejandro Salas, Regional Director for the Americas at Transparency International wrote, Latin America in 2015 saw “the uncovering of grand corruption networks and the mass

mobilization of citizens against corruption.” In fact, in many countries, some of the largest corruption scandals ever came to light this past year. The *Línea* customs avoidance scheme in Guatemala inspired thousands of protesters, eventually bringing down President Otto Pérez Molina, who currently awaits trial. In Chile, the *Davalos*, *Penta*, and *Soquimich* influence trafficking and campaign finance cases shook the country’s longstanding perception of relatively clean government. And most consequentially, a pernicious bribery scandal at the Brazilian state oil company, Petrobras, revealed up to \$3.5 billion USD in stolen funds. The fallout has badly undermined Brazil’s economy and the credibility of its political institutions, contributing to a crisis for which the end is not in sight.

And these are not isolated cases. While Latin America’s history of corruption is among the longest and most consistent worldwide, the past year was especially dispiriting. From Mexico to Argentina, 2015 stood out as a year of new corruption scandals—and rising anti-corruption movements—for almost all countries in the hemisphere.

Yet there’s more to the story. Like ***The Economist* noted** in March last year, the wave of pessimistic headlines risks concealing a rather optimistic reality. As corruption has become more visible, it has been matched by a new wave of political, judicial, and civil society corruption-busters. Latin Americans have taken to the streets and the ballot boxes to demand better governance and an end to impunity.

In this sense, Latin America’s declining CPI scores may not be so disappointing—they could well be a positive development. After all, the vast majority of these ‘new’ scandals are, in truth, longstanding ones. Although measuring unseen corruption in the past is (by definition) impossible, anecdotal evidence suggests that the real change has been in transparency, and *not* an increase in corrupt practices. For example, the

Petrobras ring extends back at least a decade, *Penta* at least 8 years, and *La Línea* at least 5. It is likely that similar schemes have existed for decades without ever coming to light.

More importantly, CPI scores are based on individual observations, and not on hard empirical data. While Transparency International's methodology is sound and comprehensive—drawing from 12 different data sources from 11 different institutions—the scores measure public opinion and *not* objective realities. Moreover, because it is based on the perceptions of experts and non-experts alike, the index is (at least in part) driven by headlines as much as realities.

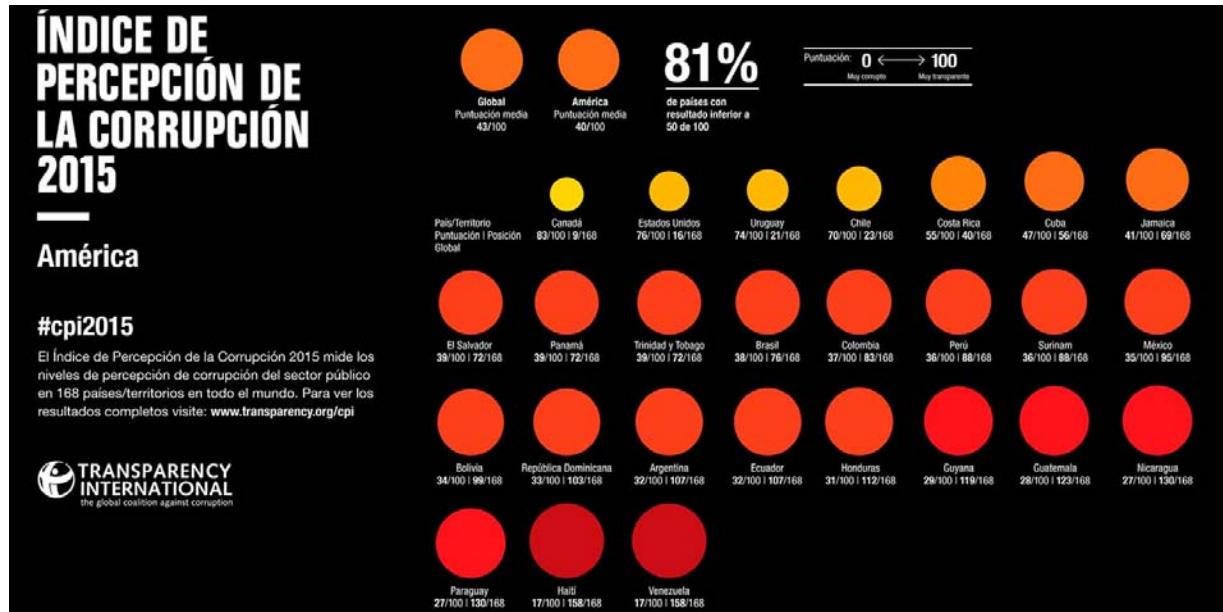
Finally, and most importantly, the link between perceptions of corruption and actual evidence of corruption is, as far as we know, somewhat tenuous. For example, the **Americas Barometer opinion survey** asks respondents if they have personally seen or been victim of corruption—largely in the form of bribes. Countries scores on that measure only loosely correlate to the CPI scores, and almost exclusively at the low end of the spectrum (countries with relatively little reported corruption). In other words, citizen perceptions of corruption aren't necessarily tied to experiences.

As a result, souring CPI numbers don't necessarily indicate that corruption has grown worse. Instead, they may show that corruption was previously underestimated. The vast array of transparency measures that most Latin American countries enacted in the last two decades may finally be paying off. Cynicism and revulsion at what they reveal is only further credit to how important they are.

If the events of the past year are any indication, this conclusion seems true for most countries in Latin America. With certain exceptions—namely Venezuela, where there indications suggest that kleptocracy has only grown

stronger, and potentially **Mexico**, where anti-corruption investigations have largely failed to bear fruit—victories in the fight against impunity almost certainly outweigh any steps backwards.

If nothing else, transparency is a crucial component of clean governance—and more realistic perceptions of corruption are an important first step.



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