
Corruption in Sub-Saharan Africa - The Missing 5%

Extract From the Sub-Saharan Threat Assessment by Financial Crime News - 2020.

According to Transparency International's 2019 Corruption Perceptions Index¹, Africa is the most corrupt region of the world. Corruption, according to the African Union,² is the "abuse of entrusted power for private gain - is pervasive and one of the biggest barriers to Africa's development."

In a 2019 report by the African Union³, "Combating corruption is a key element in improving governance in Africa and achieving structural transformation goals, since corruption leaves the door wide open for illicit financial flows. Corruption has to do mainly with the proceeds of financial malpractices and payment of bribes. Corruption is not only limited to the public sector; it can also originate from the private sector and affects all segments of society. It is, inter alia, attributable to weak institutions, ineffective enforcement mechanisms, and vulnerability of public officials."

Corruption remains a highly visible aspect of African politics, with a number of high-profile scandals standing out. For example, Mobutu Sese Seko, long-time kleptocrat and leader of Zaire (now Democratic Republic of the Congo), amassed a fortune of US\$5 billion, equal to the country's entire external debt, before he was ousted in 1997. Nigeria's Sani Abacha, Zambia's Frederick Chiluba, and Gabon's Omar Bongo are yet further historical examples of graft on a grand scale. More recently, the ousting of Jacob Zuma in South Africa, and the Dos Santos clan from Angola, as well as the continued presence of Teodoro Obiang in Equatorial Guinea, show the problems of entrenched corruption at the highest levels remain a concern in Africa.

Corruption is universal across the planet, but varies widely in severity, type and consequences. Although corruption is not unique to Africa, African corruption remains pervasive and among the world's most severe. For example, data from Transparency International indicates that six African countries are rated as "extremely corrupt" (scores under 20) and another 35 are considered "very corrupt" (scores 20-39). Only Botswana emerges as a member of the "slightly corrupt" group, and no African country is among the "least corrupt" group, which includes most of the economically advanced world. 90% of Africa's population - roughly one billion of 1.2 billion people - live under "very corrupt" or "extremely corrupt" governments, (as described by TI), a rate that exceeds most of the rest of the world.

980 million (89%)

Africans live in "very corrupt" or "extremely corrupt" states

¹ See: https://files.transparency.org/content/download/2428/14734/file/2019_CPI_Report_EN.pdf

² See: https://au.int/sites/default/files/documents/36766-doc-the_impact_of_corruption_on_children_-_final_report.pdf

³ See: https://au.int/sites/default/files/documents/37326-doc-k-15353_au_illicit_financial_flows_devv10_electronic.pdf

The results are disturbing when translated into population sizes. Moderately corrupt countries applies to 120 million (11%) of Africa’s population, whilst approximately 900 million (82%) people live in “very corrupt” countries, and 80 million people (7%) live in “extremely corrupt” states.

Corruption appears to be worst in Central Africa, followed by East and West Africa, and least worst in Southern Africa across the Sub-Saharan Africa (SSA) regions.

However, corruption is not the same across the region. In Nigeria and Angola for example, the so called “resource curse” is largely to blame, where in others, for example in Kenya and Sudan, the colonial legacy of borders and tribal conflicts have a significant effect. Elsewhere, foreign policies, including support for former dictators, for example in the Democratic Republic of the Congo and the Gabon are issues. The most severe cases of corruption in Africa occur in “failed or failing states” wracked by civil wars and tribal conflicts, such as South Sudan and the DRC. At the other end of the spectrum, Botswana stands as a model of minimal corruption, with an active watchdog agency that monitors and takes action where necessary, and a country like Rwanda, that has reinvented itself.

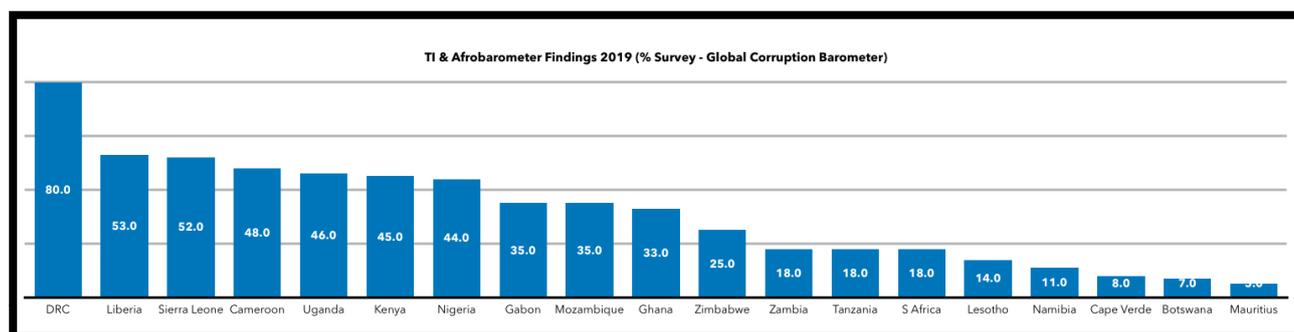
Where corruption thrives, so does criminality and an inability to respond effectively, particularly as the police, law enforcement agencies, prosecutors and the judiciary are, in many cases in countries with higher levels of corruption, the institutions that are often perceived as the most corrupt.

According to The Global Corruption Barometer (GCB) - Africa, 2019 published by Transparency International in partnership with Afrobarometer⁴, more than half of all citizens think corruption is getting worse in their country and that their government is doing a bad job at tackling corruption.

130 million citizens in 35 Countries (25%)

Numbers of African accessing public services paid bribes

The GCB found more than one in four people who accessed public services, such as health care and education, paid a bribe in the preceding year. This equates to approximately 130 million citizens in the 35 countries surveyed. The DRC has the highest overall bribery rate (80%), with Mauritius the lowest (5%).



The GCB also reveals how corruption is hitting the most vulnerable people the hardest. *“For example, the poorest people are twice as likely to pay a bribe as the richest people in Africa. Paying bribes for essential public services means poorer families have less money for basic necessities like food, water and medicine”.*

Poorest people are twice as likely to pay a bribe as the richest people in Africa

Leaving poorer Africans with less money for basic necessities like food, water and medicine

The GCB reveals that the police are the most corrupt public institution, with nearly half (47%) believing that most or all police officers are corrupt. 81% of DRC citizens think the police are corrupt, followed by Gabon (75%) and Uganda (70%).

Many Africans also think that most or all government officials and parliamentarians are corrupt (39% & 36% respectively).

Government officials and parliamentarians considered corrupt

According to 39% and 36% of African citizens respectively

Citizens tend to perceive religious leaders, traditional leaders and NGOs as less corrupt, yet some citizens still think corruption exists in these groups (16%, 22% & 20% respectively).

According to a McKinsey Report in 2017⁵, Chinese businesses in 5 out of 8 sampled SSA countries surveyed ranked corruption as their top concern, and in each of these countries, between 60 & 87% of Chinese firms said they paid “tips” or bribes to obtain a business license.

Global Corruption levels have been widely estimated, with the most often cited and attributed to the World Economic Forum and/or the World Bank, that the global cost of corruption is at least \$2.6 trillion, or 5% of global Gross Domestic Product (GDP), and that businesses and individuals pay more than \$1 trillion in bribes every year, despite no available original source or no reasonable explanation being available.⁶

As far as Africa is concerned, it is often cited that the African Union in 2002, claimed the cost of corruption in the 1990’s in Africa was about **US\$148 billion** per year, or about 25% of Africa’s total output⁷. These estimates are considered unreliable, as rather than estimates for corruption, they relate to estimates of so-called, “illicit financial flows”, which may involve some proceeds

⁵ See: <https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/Middle%20East%20and%20Africa/The%20closest%20look%20yet%20at%20Chinese%20economic%20engagement%20in%20Africa/Dance-of-the-lions-and-dragons.ashx>

⁶ See: <https://globalanticorruptionblog.com/2016/01/05/its-time-to-abandon-the-2-6-trillion5-of-global-gdp-corruption-cost-estimate/>

⁷ See: <http://news.bbc.co.uk/2/hi/africa/2265387.stm>

from corruption, and can be facilitated by corruption, but are largely considered to be illicit capital flows.

A High-Level Panel on Illicit Financial Flows from Africa (The Mbeki Report), estimated in 2015⁸ Illicit Financial Flows (“FF’s) from Africa of more than **US\$50 billion**. The panel, “*determined that the convention of breaking IFFs into the three components of commercial activities, criminal activities and corruption was substantially correct in the case of Africa*”.... and.. “*took note of existing estimates, which assess commercial activities as accounting for 65 per cent of IFFs, criminal activities for 30 per cent and corruption for around 5%.*” though the panel thought these levels for corruption we’re likely too low in an African context.

A subsequent 2019 Report on IFFs by the African Union⁹, estimated IFFs from Africa estimated at **US\$67 billion** (average from 2003 -2014) and for SSA at **US\$52 billion**. It also stated that whilst “*it is estimated that 5% of the world’s IFFs stem from acts of active corruption and abuse of power...this figure may not specifically reflect the situation on the African continent where the phenomenon is becoming increasingly worrisome*”, but that, “*In the case of African countries, the convention of breaking IFFs into the three components of commercial activities, criminal activities and corruption is substantially correct with commercial activities accounting for 65% of IFFs, criminal activities for 30% and corruption for around 5%.*”

The report also stated that, “*while some authors argue that the poor governance and ‘grand corruption’ are the most principal factors, other researchers show that the existence of information technologies and their vulnerable and trans-border nature are the primary drivers of IFFs.*”

Whether estimates for corruption levels, are around 5% of IFFs or much greater, largely depends on whether the figure represents actual proceeds of corruption leaving as outflows, or whether the size of IFFs are reflective of the harms of corruption, which enables significant outflows of IFFs.

In 2020, Global Financial Integrity updated their work on illicit financial flows suggesting that Illicit funds leaving SSA are estimated at approximately **US\$22.6 billion**¹⁰ (based on the years 2008-2017), or 1.6% of SSA GDP. Estimating outflows from corruption, of at least 5%, represents a minimum of **US\$1.1 billion** a year, and criminal activity of 30% at **US\$7 billion**.

Whilst US\$22.6 billion is significant in illicit financial flows, this should not be equated to losses to SSA, as IFFs are not direct financial losses, but are more likely to be lost taxes. At an average African tax rate of approx 19%, estimated tax revenues lost through IFFs could be as much as **US\$4.3 billion** a year.

⁸ See: https://www.uneca.org/sites/default/files/PublicationFiles/iff_main_report_26feb_en.pdf

⁹ See: https://au.int/sites/default/files/documents/37326-doc-k-15353_au_illicit_financial_flows_dev10_electronic.pdf

¹⁰ See: <https://gfin integrity.org/report/trade-related-illicit-financial-flows-in-135-developing-countries-2008-2017/>

Although considering outgoing IFFs is important, what is more important are the levels, and costs, of corruption in a country or region. The European Union (EU) has estimated that around 1% of EU GDP is lost to corruption each year, through public procurement losses, and up to 20 to 25% due to corruption¹¹.

According to the OCED¹², the total volume of public procurement accounted for 12% of GDP, and 29% of general government expenditure in OECD countries in 2013. This is likely to be greater in SSA countries. In Eritrea, for example, public procurement is estimated at 33% of GDP, due to both significant inflows of development assistance that go through public procurement and the small size of its tax base. This makes government expenditures more dependent on development aid. In Angola, the share is 26% of GDP, for much the same reasons.

Overall, in Sub Saharan Africa, the **average figure is 14.91% of GDP** in 2015¹³, which provides an **estimate of US\$241 billion** for the total value of public procurement. If only 20 - 25% of this amount is lost, as is the case in the EU, then losses to corruption would amount to at least **US\$48-60 billion** a year, or **2.9% - 3.7% of SSA GDP**, which is a loss to each person in the region of US\$48 - 60 or around 2.5 - 3.5% of their average annual earnings (estimated at US\$1,750 a year).

Estimates of losses due to corruption of up to 30% of state revenues¹⁴ have been reported in Kenya by President Kenyatta himself, which amounts to 12% of GDP, amounting to **US\$9 billion**, with an estimated US\$6.3 billion through procurement, and US\$2.7 billion in bribes. Another estimate from Mozambique, where between 2012 - 2014 the costs of corruption was estimated at **US\$2.5 billion**,¹⁵ representing 15.6% of Mozambique's then GDP, or 11.6% of tax revenues, or US\$98 per person. Zimbabwe estimated that from 2009 to 2013, under Mugabe, that **US\$15 billion**¹⁶ was estimated as lost, amounting to approximately 22% of Zimbabwe's GDP.

Average bribe at US\$53 per bribe across East Africa

To access important public services

As far as bribes are concerned, according to the GCB, 1 in 4 Africans have reported paying bribes on average (for example to access public services). Whilst the size of the bribe will vary, the East Africa Bribery Index 2014¹⁷ suggests it's possible to estimate bribe levels. The index reports dealings with the judiciary, land, police, licensing and tax authorities in Burundi, Tanzania, Kenya, Rwanda and Uganda with an East African average at around US\$53 per bribe. A US\$53 payment made by 1 in 4 adult Sub Saharan Africans a year (with the adult population at

¹¹ See: <https://euobserver.com/justice/119300>

¹² See: <http://www.oecd.org/gov/ethics/Corruption-Public-Procurement-Brochure.pdf>

¹³ See: <https://www.piie.com/blogs/realtime-economic-issues-watch/how-large-public-procurement-developing-countries>

¹⁴ See: <https://africa.cgtn.com/2015/11/24/kenya-to-blacklist-banks-used-in-money-laundering/>

¹⁵ See: <https://www.cmi.no/publications/file/6027-the-costs-of-corruption-to-the-mozambican-economy.pdf>

¹⁶ See: <https://www.dw.com/en/zimbabwe-ex-president-robert-mugabes-stolen-fortune/a-41504122>

¹⁷ See: <https://tikenya.org/wp-content/uploads/2017/06/eabi-trends-analysis-report-2010-2014-final.pdf>

around 54% of the total¹⁸, and based on a bribe per adult per year) would amount to **US\$28.6 billion** a year, or 1.7% of SSA GDP.

In aggregate US\$79-US\$92 billion or 4.9%-5.7% of SSA GDP

Estimated potential costs of corruption across Sub-Saharan Africa

Based on these estimates and using the above rationale, the amounts for the costs of corruption for Sub-Saharan Africa is in aggregate **US\$79 - US\$92 billion**, or 4.9% - 5.7% of SSA GDP. This represents approximately 5% of GDP after all, with higher levels expected in countries with higher levels of corruption.

¹⁸ See: <https://data.worldbank.org/indicator/SP.POP.1564.TO.ZS?locations=ZG>