

Building on Evidence: Corruption a Major Bottleneck to MDG Achievements

Over the past decade, notable progress has been made on each individual MDG including some poor countries. Such success shows that the MDGs can be achieved. Yet progress is uneven between and within regions and countries and often too slow to meet the 2015 deadline. Some countries may not reach all of the MDGs, without renewed commitment and concerted action to address the major bottlenecks such as leakages of resources. Evidence shows that it is crucial to address the issues of resource leakages to accelerate the progress on MDGs.

- An estimated 65 percent of illicit financial flows are due to commercial tax evasion, mainly through trade mispricing. Approximately 30 to 35 percent of illicit financial flows are generated through drug trafficking, racketeering, counterfeiting and other criminal activities. 3 percent of illicit outflows are due to corruption (e.g. bribery and theft) by government officials (Global Financial Integrity Report 2010),
- Estimates of the funds held offshore by individuals stand at about US\$11.5 trillion. This results in an annual loss of tax revenue on income from these assets of about US\$250 billion (Tax Justice Network). These resources are more than enough to fund the resources estimated for meeting the MDGs: based on official UN estimates, US\$ 30 billion is required annually to meet Education for All targets; annually US\$ 25 billion is needed to fight HIV/AIDS; US\$ 30 billion is needed per year to eradicate hunger; an estimated US\$ 18 billion is required annually to improve water and sanitation, and; an estimated US\$ 55 billion per year is needed in infrastructure investment.
- An estimated US\$100 billion is lost every year to commercial trade mispricing. Over 5 years, this amounts to US\$500 billion. This would be enough to fund the education, HIV/AIDS, hunger, water and sanitation MDGs combined between 2010 and 2015 – UN official estimates.

“When public money is stolen for private gain, it means fewer resources to build schools, hospitals, roads and water treatment facilities. When foreign aid is diverted into private bank accounts, major infrastructure projects come to a halt. Corruption enables fake or substandard medicines to be dumped on the market, and hazardous waste to be dumped in landfill sites and in oceans. The vulnerable suffer first and worst”.

**– Ban Ki-Moon, United Nations Secretary-General,
in his message on the occasion of the
International Anti-Corruption Day 2009.**



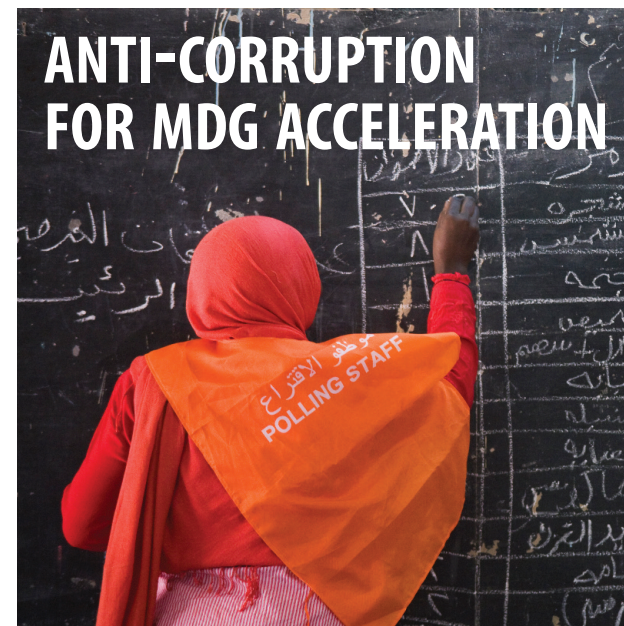
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ANTI-CORRUPTION FOR MDG ACCELERATION



With five years remaining for MDGs, the year 2010 is the defining moment for MDG acceleration based on the knowledge and evidence gathered over the past ten years.

The UN Secretary General Report “Keeping the promise” stresses that for MDG achievement, integrity, accountability and transparency are crucial, since corruption is adversely affecting the poor particularly vulnerable groups, such as women.

Corruption and poor governance help explain why increased funding allocations, such as those aimed at meeting the MDGs, have not necessarily translated into tangible MDG achievements. For example, the African Union estimates that corruption costs African economies more than US\$ 148 billion dollars each year. This figure represents 25 percent of Africa’s GDP and increases the cost of goods by as much as 20 percent thereby deterring investment and inhibiting development. If 10 percent of the money lost through corruption is recovered by anti-corruption interventions, about US\$14.8 billion could be available for poverty reduction and development initiatives in Africa.



MDGs are achievable, but it is important to increase not only the quantity and quality of financial inflows into developing countries, but also to significantly curtail the illicit outflow of financial resources from developing countries. It makes little sense to increase aid inflows if we fail to pay attention to curb illicit capital outflows. Both are needed simultaneously if development and poverty reduction efforts are to succeed.



Success in meeting the MDGs by 2015 will therefore largely depend on the level of effectiveness, efficiency and equity in resource generation, allocation and management on the one hand and the strength and effectiveness of anti-corruption capacities and institutions to prevent corruption and hemorrhages of resources on the other hand.

The discourse to date regarding the MDG achievements tends to focus on up-scaling the quantity and quality of financial resources into developing countries (e.g. through increase in ODA; development of innovative finance schemes, etc.). There is unfortunately less attention paid to the factors that impedes the achievement of the MDGs such as corruption.



Corruption a Major Bottleneck to the MDGs Achievement

- US \$1.8 trillion in illicit outflows (for every US\$1 poor nations receive in ODA, an estimated US\$10 flows illicitly abroad – Global Financial Integrity Report 2010)
- Corruption is estimated to raise household price of water by as much as 30% and general price of goods by 20% (TI 2008)
- Malpractice of frontline providers such as absenteeism and low quality fertilizers estimated to have even greater consequences on poverty reduction (WDI 2010)
- Petty corruption (e.g., in health or education services) imposes disproportionate costs on the poor. 50% loss in health funds – this is the estimated percentage of allocated funds that do not reach clinics and hospitals in Ghana. (TI, 2006 Global Corruption Report)

