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# Guatemala: On the Road to Financial Transparency

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**Abstract**

**Corruption and poverty have long been linked with each other, but recent studies, such as the Corruption Perceptions Index and Standard & Poor's Corporate Governance Scores, have since strengthened this correlation. Even though progress has been made in establishing anti-corruption laws and regulations, the results of these studies reveal that much more needs to be accomplished before we see meaningful improvements in the world's poorest countries. In this research, we will focus on one country in particular, Guatemala. By examining the effect that culture, history, and politics have on Guatemala's corporate governance and financial environment, we will see the steps that need to be taken to lead Guatemala on the road to financial transparency.**

Guatemala has endured a long, violent path in its political history, from its beginnings in military authoritarian rule to its current status of electoral democracy. No doubt this turbulent political environment has influenced the wave of corruption and poverty that has been and still is occurring in Guatemala today. According to the Corruption Perceptions Index (2006), most countries in the world face serious perceived levels of domestic corruption[1], with Guatemala perceiving its corruption level as being "rampant." This level of corruption certainly impairs its corporate governance structure, which in turn impairs the ability for Guatemala to achieve financial transparency.

What does this mean for the Guatemalan economy? As stated in Standard & Poor's Corporate Governance Report (2003), evidence is growing to support the fact that corporate governance and financial performance are inextricably linked. Investors cite governance practices being as important as financial performance in evaluating investment opportunities and are willing to pay a premium for shares of a well-governed company. Consequently, the rampant corruption and weak corporate governance within Guatemala have discouraged investors from engaging in business either with or within the country. This vicious circle of corruption and poverty has made it extremely difficult for Guatemala to make any headway in improving its economic position.

This research will attempt to link Guatemala's political history and culture with its corporate governance structure and financial environment. The subject of the first part will be an introduction and historical analysis of Guatemala's politics and culture. We will then examine transparency and corruption, and how these two qualities, or lack thereof, can affect a country's ability to achieve success in domestic and world economies. We will evaluate Guatemala's corporate governance according to Standard & Poor's Corporate Governance Scores. These scores should highlight improvements Guatemala needs to make, as well as the steps Guatemala is taking in the right direction. Finally we conclude by looking at the relationship between Guatemala's corporate Governance environment and investment by US based companies.

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[1] Even though progress has been made in establishing anti-corruption laws and regulations, the 2006 CPI results show that much more needs to be done in order to truly improve the world's poorest countries.

## I: Understanding Guatemala

Guatemala is the largest and most populous of the Central American countries[2], but is quite unlike the rest of Central America because of its large, unintegrated indigenous population. During the first millennium A.D., the Mayan civilization flourished in Guatemala and in the surrounding regions for almost three centuries, when in 1821 it won its independence from Spain. A variety of military and civilian governments took control over Guatemala during the second half of the 20th century, including Liberals, Dictators, and Communists. During the period of liberal-democratic control, several major reforms were implemented, which ultimately shaped and led to Guatemala's current social and political problems (Booth, et al, 2006).

The rapid economic change and repression that ensued drove turmoil and regime change, resulting in a 36-year guerrilla war that ended in 1996. The government signed a peace agreement formally ending the conflict, which had left more than 200,000 people dead and created some 1 million refugees (The World Factbook, 2006). This prolonged civil war saw the emergence of three separate regimes, ultimately resulting in a democracy that not only reduced the power and influence of the military, but also allowed former rebels to attain significant political positions.

According to Booth (2006), the fledgling regime faced many obstacles, including the potential that those rebel groups and other violent protestors opposed to democracy and the necessary socioeconomic reforms would undermine any progress. This proved true when a series of assassinations and murders of highly ranked officials took place, eventually leading to the conviction of several military officers. In addition, the Historical Clarification Commission (CEH) released a report in 1999 which blamed the army and state security forces for 93 percent of the acts of violence which were committed during the war. The report also found that the atrocities were on par with genocide, with those of Mayan ethnicity making up eighty-three percent of the victims (Sanford, 2003).

Despite the evidence presented by the CEH, then president, Álvaro Enrique Arzú Yrigoyen downplayed many of the military's actions and their impacts, as well as rejected the commission's recommendation to form a separate authority to further investigate these incidents and remove the military personnel responsible. Later that year, constituents voted against a referendum outlining constitutional reforms to include military and judicial improvements, further diminishing any chance at a peace agreement (Sanford, 2003).

The elections in 1999 focused on growing social violence and socioeconomic woes. According to Booth (2006), changes which called for improving the status of those in poverty, i.e. a minimum wage increase, caused a continuous rift between the Guatemalan government and the business community. The ruling government did manage to take small steps toward improvement, only to be set back by its failure to control increasing crime or to make any advancement in peace accords. In addition, the United States Congress (2002) stated that appointed corrupt officials not only undermined the government's credibility, but also prevented any socioeconomic progression. Although military influence had been significantly reduced, these corrupt

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[2] Guatemala has a GDP per capita of $4,900, roughly one-half that of Brazil, Argentina, and Chile. Guatemala's population is approximately 12,728,111, ranking 69th in the world, according to the U.S. Census Bureau (July, 2007).

politicians increased the military budget and duties and placed in positions of command former army officers linked to organized crime and human rights abuses.

During the most recent elections in 2004, voters elected Oscar Berger, a candidate who had campaigned promising the creation of jobs and support for the peace accords. He vowed to fix rampant military problems through reducing the size of the military as well as the budget.[3] He also replaced corrupt senior military officials and pledged to compensate the victims of the war. He went so far as to issue an apology for the atrocities. To address the problem of increasing gang and criminal activity, Berger joined forces with the governments of El Salvador, Honduras, and Nicaragua in signing an agreement that would allow warrants issued in one country to be served in all of the four signatory countries (Daniel, 2004). Although human rights abuses have declined, Berger has had much more trouble addressing the problem. To date, political activists and workers continue to be viable targets of violent repression. In addition, Berger has done little to combat the marginalization and systemic racism of Guatemala's indigenous population (Booth, et al, 2006). Although Guatemala's new leader has done much to improve the country's societal and economic woes, there is still a long road ahead to peace.

With the peace accords came the end of Guatemala's long and brutal civil war. However, economically, Guatemala still faces an uphill battle. There continues to be widespread political violence and corruption of business and government, which has continually discouraged investors. Distribution of income remains grossly unequal, resulting in a poverty-stricken lower class and a small but increasing wealthy upper class (The World Factbook, 2006). Other issues that need to be addressed include decreasing the country's trade deficit, receiving monetary assistance from international sources, increasing government revenues and upgrading financial operations for both government and financial operations.

Project Globe (2004) illustrates an interesting perspective, which assesses a society's level of future orientation (House, et. al. 2004). In this scenario, cultural future orientation refers to "the degree to which a collectivity encourages and rewards future-orientated behaviors such as planning and delaying gratification." The present and future success of a country is effectively described by this measure. A society's level of future orientation is portrayed using two constructs. Orientation practices, the first construct, depicts the extent to which a society actually engages in future orientation practices. The extent to which a society *should* engage in future orientation practices is assessed by the second construct, orientation values[4]. Guatemala earned a score of 3.24 on orientation practices, and a score of 5.91 on orientation values on a scale from 1 to 7. These data suggest that a negative correlation exists between practices and values, thereby concluding that Future Orientation societies reporting weaker practices have stronger aspirations for Future Orientation. It may be that societies lacking Future Orientation practices suffer most from the uncertainty and unpredictability of not addressing the longer-term fundamental issues (House, 2004). Therefore, societies are most conscious of the need for moving toward a more strategic and spiritually fulfilling

[3] Berger pledged to reduce the size of the military by thirty-five percent and the budget, fixed at 0.33 percent of GDP based on the CEH report (Latin America Database, 1999).
[4] Higher scores represent greater future orientation.

perspective. These relationships and how they effect inidivadual countries are depicted in Table 1.

INSERT TABLE 1 HERE

House (2004) offers a perspective on the characteristics of societies with low scores on future orientation.

> Societies that score lower on future orientation tend to have lower levels of economic success; a propensity to spend now, rather than save for the future; have individuals who are less intrinsically motivated; have organizations with shorter strategic orientation; value instant gratification and place higher priorities on immediate rewards, and emphasize leadership that focuses on repetition of reproducible and routine sequences (p. 217).

Although Guatemala currently has a low practices score and displays many of the characteristics listed above, it is also aware that it needs to engage in more future orientation practices. This research illustrates the effects of a long history of corruption and weak corporate governance. The fact that Guatemala has had such a tempestuous and unstable government makes the country a perfect example of a society that needs to, and desires to, improve leadership and ultimately the economy as a whole.

A country's history, value system, and cultural norms can affect how business is perceived and conducted. These factors are less likely to be subject to precise measurements, but can still be significant forces when it comes to business transactions. A particular cultural issue, according to Dallas (2004a), that is important in corporate governance, is the prioritization of stakeholder interests. The ongoing development of environmental and social reporting, and the related agenda for greater attention to issues of corporate sustainable development, may lead to further differentiation from country to country based on the relative priorities given to non-financial stakeholder interests.

Additionally, no company is completely shielded from its economic or political environment, particularly in the case of countries with troubled or developing economies, such as Guatemala. These factors can distract directors and managers from a governance focus on developing sustainable stakeholder values. In the setting of regulatory and disclosure standards, political or state influences can be very significant (S&P, 2002). Therefore, if a country has a highly corrupt political environment, the standards from which it conducts business will likely be corrupt as well.

## II: Transparency and Corruption

It is clear from examining the political and cultural environment that poverty and corruption continue to be problematic within the Guatemalan society. This statement is reinforced by the Corruption Perception Index (CPI), which states that there is a strong correlation between poverty and corruption, with a concentration of impoverished states at the bottom of the ranking. The CPI focuses on corruption in the public sector and defines corruption as the abuse of public office for private gain. In an effort to determine public opinion on both administrative and political corruption, questions used in the surveys address the misuse of public power for private benefit, as well as the strength of anti-corruption policies (CPI, 2006).

Researchers have found difficulties in comparing levels of corruption from country to country by using hard empirical data. By comparing data such as amount of bribes or prosecutions against corruption, one does not see the full impact or depth of corruption, only how much that corruption has been exposed either through media or court cases. A stronger method is therefore to obtain the opinions and experiences of those citizens who deal directly or are confronted with corruption (Transparency International, 2006).

There are two aspects to the index, the CPI score and the confidence range. The CPI score, which ranges between 0 (highly corrupt) and 10 (highly clean), is calculated using the perceptions of business people and country analysts as it relates to corruption in their countries. The conditions in Guatemala warrant a CPI score of 2.6, which as mentioned earlier, means corruption in that country is considered rampant. The confidence range describes how a particular score might vary based on various factors and precision, and provides a range of possible values of the score[5]. These relationships are depicted in Table 2.

INSERT TABLE 2 HERE

Transparency International's 2005 Corruption Perceptions Index upgraded Guatemala to position 117 from 122 out of 158 countries (1 being the most transparent). Within Latin American countries, Venezuela, Paraguay, and Haiti are ranked lower. Still, significantly more improvements must be made if the country wants to take advantage of investment opportunities available to it through the Dominican Republic-Central America Free Trade Agreement (DRCAFTA). A ranking of corruption across the globe has been developed annually by Transparency International (Corruption Perceptions Index, 2006) and is included for 2006 as table 3. Within Central America, Guatemala will compete for these investments with Costa Rica and El Salvador, two nations with similar economies to Guatemala[6], among others.

INSERT TABLE 3 HERE

Cazurra (2006) provides insight as to the impact of corruption on foreign direct investment. His position on how corruption affects investments is that it causes confusion on a country's actual operation costs, acting as an irregular tax on businesses, increasing costs and discouraging investors. Further, his study also shows that corruption within a country results in relatively higher investment from countries with high levels of corruption. In this sense investors who have been exposed to bribery at home may not be deterred by corruption abroad, but instead seek countries where corruption is prevalent (Cazurra, 2006). Hence, one would assume the corruption in Guatemala attracts corrupt investors, further escalating the ongoing problem.

Guatemala is currently taking steps in the right direction. One of the pillars in which Guatemala's Ministry of Finances has taken a fundamental interest is transparency. Fiscal Transparency, an area within the Ministry, was created in order to strengthen transparency in governmental management (Ministry of Finance, 2006).

Transparency involves the timely disclosure of adequate information concerning a company's operating and financial performance and its corporate governance practices. For a well-governed company, standards of timely disclosure and transparency are high. This enables shareholders, creditors and directors to effectively monitor the actions of management and the operating and financial performance of the

[5] Nominally, with 5 percent probability the score is above this range and with another 5 percent it is below. However, particularly when only few sources are available, an unbiased estimate of the mean coverage probability is lower than the nominal value of 90%.

[6] It is important to note that Costa Rica has a CPI of 55 and El Salvador has a CPI of 57.

company. Strong transparency means that the financial reporting facilitates a clear understanding of a company's true underlying financial condition. In part, this means that contingent liabilities and non-arm's length relationships with other related companies are disclosed (S&P, 2002).

Vankin (2003) states that the functions of the Chief Financial Officer are:

> to regulate, supervise and implement a timely, full and accurate set of accounting books of the firm reflecting all its activities in a manner commensurate with the relevant legislation and regulation in the territories of operation of the firm and subject to internal guidelines set from time to time by the Board of Directors of the firm (p. 2).

Well governed corporations willing to invest are often deterred even by the hint of government corruption. This can be somewhat difficult in developing countries such as Guatemala. Because the company’s accounting process in this environment is generally structured to only disclose limited resources to a corrupt government, they do not reflect reality. Therefore, two sets of books are maintained. One is the accurate set, which incorporates all the income, and another set that is presented to the tax authorities. The CFO is thereby given excessive power. He is in a position to blackmail the management and the shareholders of the firm, he becomes the information junction of the firm, and if he is dishonest, he can easily enrich himself (Vankin, 2003). Further, American corporations wishing to invest or partner with Guatemalan businesses are now at risk of investigation by both the Department of Justice and the Securities and Exchange Commission for violations of both the Foreign Corrupt Practices Act of 1977 and the Sarbanes-Oxley Act of 2002 (Stoltz & Michelman, 2006; 2007).

Standard & Poor's Corporate Governance Score document states that in countries such as this, a commitment to transparency may mean that the company adopts internationally recognized accounting principles in addition to local accounting standards. Furthermore, transparency imposes an open policy regarding non-financial performance, particularly relating to a company's business operations and competitive position (Transparency International, 2006). Promoting high standards of transparency involves publicly disclosing the corporate charter, by-laws, and clearly articulating the corporate mission. From a board perspective, it is important to have a clear disclosure policy of who the company directors are, the basis of their compensation and the extent to which they are independent or insiders (S&P, 2002).

## III: Corporate Governance in Guatemala

Transparency is so critical to the status of a country's economic and political environment, that it is one of the four core principles of corporate governance practices included in Standard & Poor's corporate governance model, along with fairness, accountability, and responsibility. Although there is no one model of corporate governance that works in all countries and all companies, these are standards that can apply across a broad range of legal, political, and economic environments (S&P, 2002).

This methodology is the approach taken by Standard & Poor's in order to analyze corporate governance at both a country and company level. Corporate governance standards are receiving greater attention in both developed and developing countries as a result of the increasing recognition that a firm's corporate governance affects both its economic performance and its ability to access long-term, low-cost investment capital (Dallas, 2004b).

According to Standard & Poor's, governance standards practiced by individual companies may reflect compliance with externally imposed governance standards. In countries where the external environment is weak, as in Guatemala, these individual company practices may also reflect the extent to which internal company governance discipline may or may not offset the weaker external infrastructure (S&P, 2002).

Mesquita (2004) explores the country governance environments in three broad groupings: Anglo-American, Continental European/Japan, and Emerging/Transition Economies, using a framework that describes the macro forces that shape the corporate governance environment in individual countries. These forces are placed in the categories of market infrastructure, legal infrastructure, regulatory infrastructure, and informational infrastructure.

In this research, we focus on the emerging or transition economies, as they are most representative of Guatemala. These countries are still relatively poor on a GDP per capital basis and, in many cases, are still developing strong market infrastructures. Due to either the quality of law or its enforcement, the effectiveness of the legal and regulatory environment in these economies can be quite limited. It is customary to have concentrated ownership, and the state still can play a significant role in individual company governance, particularly in transitional or socialist economies (Mesquita, 2004).

Country factors can play important, and in some cases determining, roles in setting the environment for corporate governance practice at the individual company level. Attitudes toward corporate governance can vary notably from country to country. Diverse country forces, such as legal, political, historical, and cultural, come together to shape ownership structures, stakeholder priorities, and fundamental attitudes toward the role of the firm in the economy. These, in turn, influence the structures and rules that guide both the culture and practice of corporate governance in individual firms (S&P, 2002).

The country environment, in particular, can manipulate the expression and practical protection of ownership rights, the norms of transparency and disclosure, as well as the tradition of strong, independent board oversight (Bradley, 2004). However, a positive country governance environment does not ensure that all companies in a given country will demonstrate strong corporate governance standards. At the same time, it is generally possible for companies in weak country environments to adopt governance standards that rise above local practice.

In Guatemala's state of an emerging economy, the primary corporate governance problems consist of a lack of effective definition and enforcement of ownership rights, strong block holder influences, influences of the state that detract from shareholder value, limited capital market liquidity, and weak internal controls. In addition, they tend to have poorly enforced accounting standards, weak board effectiveness, and a lack of independent directors (S&P, 2002).

While Standard & Poor's does not currently score individual countries, a country's legal, regulatory and market environment is reflected upon, and is an important element in the overall analysis of the risks associated with the governance practices of an individual company. In the future, Standard & Poor's plans to develop a more formal country governance analysis, which will enable Standard & Poor's to assign a "country governance classification," that represents how effective the legal, regulatory informational and market infrastructure is. This will tell how external forces at a macro level can influence the quality of a company's corporate governance (S&P, 2002; Dallas, 2004a).

In the meantime, a partition of Standard & Poor's, called the Sovereign Ratings Group, offers the "Sovereign Ratings in Latin America," which presents a summary of Standard & Poor's credit analysis of sovereign nations in the Western Hemisphere. The articles in this book provide details on trends in individual countries and indicate the main strengths and vulnerabilities for each rating.

The ratings on the Republic of Guatemala are supported by a variety of facts and statistics gathered by the Sovereign Ratings Group, such as Guatemala's long track record of conservative fiscal policies and improvement of transparency on governance and public institutions. Additionally, the ratings have been influenced by on-going progress toward political pluralism that has increased the role for the Guatemalan congress in making policy, as well as diminished gross external financing requirements that have been supported by a large flow of family payments and a strong international reserves position. Finally, economic prospects have improved as a result of the DR-CAFTA.

On the other hand, the ratings are constrained by very limited fiscal flexibility due to the inability to increase tax revenue; poverty and a highly skewed income distribution, which continue to constrain economic and social development; and the persistence of external imbalances (Sovereign, 2006).

Since taking office in 2004, the Administration of President Oscar Berger has implemented a series of difficult policies and drastic actions to improve fiscal administration, reduce tax evasion, and eradicate corruption. The “Anti Evasion” Law, passed by Congress in late May 2006, aspires to narrow or close loopholes in the current tax legislation and gives the tax administration office (Superintendencia de Administracion Tributartia [SAT]) the tools to reduce and prosecute tax evasion. Simultaneously, the Guatemalan congress finally passed the legislation needed to implement DR-CAFTA, and the agreement has been operating since July 1, 2006. These two pieces of legislation were the result of an intense and time-consuming debate in Congress. The progress in both is an unmistakable sign of the growing ability of the political class, across all parties, to negotiate and achieve an agreement on key economic policies. In addition, the Berger government continued its tight fiscal policy even after Hurricane Stan hit Guatemala in the second half of 2005[7] (Booth, 2006).

The outlook on Guatemala reflects Standard & Poor’s expectation that economic policy will continue on a stable path after the 2007 presidential election. At the same time, recent steps to strengthen the tax administration and improved economic growth should lead to rising fiscal revenue and help sustain modest fiscal deficits in the coming years. Further steps to improve transparency and political cohesion, along with increases in the tax base, should increase creditworthiness. On the other hand, fiscal mistakes and a return to political divergence that limits the government’s capability to

[7] The general government deficit (including losses from Banco de Guatemala) was about 2% of GDP in 2005, slightly above expectations but still in line with the government’s public investment program and its policy of keeping the fiscal deficit at a maximum of 2% of GDP (S&P, 2002).

apply effective economic policies might pressure the ratings to decrease (Sovereign, 2006).

**IV: Conclusions**

In Guatemala, the institutional framework is improving, as shown by a comparative analysis within Sovereign, but there is still a long way to go. Additionally, a low ratio of GDP to tax revenues as compared to peers will keep inhibiting the government's ability to significantly improve social standards. Debt levels are positive compared with those of its peers, both as apercent of GDP and as a percent of government revenue. In contrast, Guatemala's social indicators are among the weakest of all sovereign nations rated by Standard & Poor's. The Berger Administration has given emphasis to compliance with the 1996 peace agreements since taking office in 2004, which set a bold agenda for social and economic development, and focused on eliminating corruption in Guatemala.

Evaluating Guatemala through means of the Transparency International Corruption Perceptions Index, Standard & Poor's Corporate Governance ratings, and Standard & Poor's Sovereign Ratings in Latin American, we can develop a greater understanding of where the country stands in terms of corruption, transparency, and corporate governance. These three criteria have a tremendous impact on foreign investors' willingness to invest in and operate in Guatemala. If the United States were to consider business transactions with a country in such an economic position as Guatemala, it must face the realization that in doing so, it would be very difficult to comply with the regulations set forth in Sarbanes-Oxley. The fact that businesses in Guatemala routinely engage in bribery with local officials and are known to keep two sets of accounting records, it certainly discourages investment from countries that must operate within strict regulations, such as those in Sarbanes-Oxley and the Foreign Corrupt Practices Act.

Therefore, before Guatemala can expect its economy to grow and succeed, the level of corporate governance must improve whereby other prosperous countries are encouraged to invest and operate within the country. If the country continues to do business with corrupt nations, it will never escape from the vicious cycle of corruption and poverty that has long characterized Guatemala's history.

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Table 1: Future Orientation: Society Practices

| Band | | | | | | | |
|---|---|---|---|---|---|---|---|
| A | | B | | C | | D | |
| Country | Score | Country | Score | Country | Score | Country | Score |
| Singapore | 5.07 | Sweden | 4.39 | El Salvador | 3.80 | Poland | 3.11 |
| Switzerland | 4.73 | Japan | 4.29 | Qatar | 3.78 | Argentina | 3.08 |
| South Africa[a] | 4.64 | England | 4.28 | Zimbabwe | 3.77 | Russia | 2.88 |
| Netherlands | 4.61 | French-speaking | | China | 3.75 | | |
| Malaysia | 4.58 | Switzerland | 4.27 | Turkey | 3.74 | | |
| Austria | 4.46 | Germany[c] | 4.27 | Ecuador | 3.74 | | |
| Denmark | 4.44 | Finland | 4.24 | Portugal | 3.71 | | |
| Canada[b] | 4.44 | India | 4.19 | Iran | 3.70 | | |
| | | Philippines | 4.15 | Zambia | 3.62 | | |
| | | U.S. | 4.15 | Bolivia | 3.61 | | |
| | | South Africa[d] | 4.13 | Costa Rica | 3.60 | | |
| | | Nigeria | 4.09 | Slovenia | 3.59 | | |
| | | Australia | 4.09 | Kazakhstan | 3.57 | | |
| | | Hong Kong | 4.03 | Spain | 3.51 | | |
| | | Ireland | 3.98 | Namibia | 3.49 | | |
| | | South Korea | 3.97 | France | 3.48 | | |
| | | Taiwan | 3.96 | New Zealand | 3.47 | | |
| | | Germany[e] | 3.95 | Thailand | 3.43 | | |
| | | Mexico | 3.87 | Georgia | 3.41 | | |
| | | Egypt | 3.86 | Greece | 3.40 | | |
| | | Indonesia | 3.86 | Venezuela | 3.35 | | |
| | | Albania | 3.86 | Colombia | 3.27 | | |
| | | Israel | 3.85 | Kuwait | 3.26 | | |
| | | Brazil | 3.81 | Morocco | 3.26 | | |
| | | | | Italy | 3.25 | | |
| | | | | **Guatemala** | **3.24** | | |
| | | | | Hungary | 3.21 | | |

(House, 2004, 304-306)

a South Africa (Black Sample)
b Canada (English-speaking)
c Germany (West): Former FRG
d South Africa (White Sample)
e Germany (East): Former GDR

Table 2: Future Orientation: Society Values

| Band | | | | | | | |
|---|---|---|---|---|---|---|---|
| A | | B | | C | | D | |
| Country | Score | Country | Score | Country | Score | Country | Score |
| Thailand | 6.20 | Colombia | 5.68 | Australia | 5.15 | Denmark | 4.33 |
| Namibia | 6.12 | South Africa[a] | 5.66 | Austria | 5.11 | | |
| Zimbabwe | 6.07 | Bolivia | 5.63 | Finland | 5.07 | | |
| Nigeria | 6.04 | Spain | 5.63 | Netherlands | 5.07 | | |
| El Salvador | 5.98 | India | 5.60 | England | 5.06 | | |
| Ecuador | 5.94 | Georgia | 5.55 | Kazakhstan | 5.05 | | |
| Philippines | 5.93 | New Zealand | 5.54 | France | 4.96 | | |
| Qatar | 5.92 | Singapore | 5.51 | Sweden | 4.89 | | |
| Italy | 5.91 | Hong Kong | 5.50 | Germany[e] | 4.85 | | |
| **Guatemala** | **5.91** | Russia | 5.48 | French-speaking | | | |
| Zambia | 5.90 | Portugal | 5.43 | Switzerland | 4.80 | | |
| Malaysia | 5.89 | Slovenia | 5.42 | Switzerland | 4.79 | | |
| Mexico | 5.86 | Albania | 5.42 | China | 4.73 | | |
| Morocco | 5.85 | Canada[b] | 5.35 | | | | |
| Iran | 5.84 | U.S. | 5.31 | | | | |
| Turkey | 5.83 | Japan | 5.25 | | | | |
| Egypt | 5.80 | Israel | 5.25 | | | | |
| Venezuela | 5.79 | Germany[c] | 5.23 | | | | |
| Argentina | 5.78 | Ireland | 5.22 | | | | |
| Kuwait | 5.74 | Poland | 5.20 | | | | |
| Indonesia | 5.70 | Costa Rica | 5.20 | | | | |
| Hungary | 5.70 | Taiwan | 5.20 | | | | |
| South Korea | 5.69 | South Africa[d] | 5.20 | | | | |
| Brazil | 5.69 | Greece | 5.19 | | | | |

(House, 2004, 304-306)

a South Africa (Black Sample)
b Canada (English-speaking)
c Germany (West): Former FRG
d South Africa (White Sample)
e Germany (East): Former GDR

Table 3: Transparency International Corruption Perceptions Index 2006

| Country Rank | Country/Territory | 2006 CPI Score | Confidence Range | Surveys Used |
|---|---|---|---|---|
| 1 | Finland | 9.6 | 9.4 - 9.7 | 7 |

| | | | | |
|---|---|---|---|---|
| | Iceland | 9.6 | 9.5 - 9.7 | 6 |
| | New Zealand | 9.6 | 9.4 - 9.6 | 7 |
| 4 | Denmark | 9.5 | 9.4 - 9.6 | 7 |
| 5 | Singapore | 9.4 | 9.2 - 9.5 | 9 |
| 6 | Sweden | 9.2 | 9.0 - 9.3 | 7 |
| 7 | Switzerland | 9.1 | 8.9 - 9.2 | 7 |
| 8 | Norway | 8.8 | 8.4 - 9.1 | 7 |
| 9 | Australia | 8.7 | 8.3 - 9.0 | 8 |
| | Netherlands | 8.7 | 8.3 - 9.0 | 7 |
| 11 | Austria | 8.6 | 8.2 - 8.9 | 7 |
| | Luxembourg | 8.6 | 8.1 - 9.0 | 6 |
| | United Kingdom | 8.6 | 8.2 - 8.9 | 7 |
| 14 | Canada | 8.5 | 8.0 - 8.9 | 7 |
| 15 | Hong Kong | 8.3 | 7.7 - 8.8 | 9 |
| 16 | Germany | 8.0 | 7.8 - 8.4 | 7 |
| 17 | Japan | 7.6 | 7.0 - 8.1 | 9 |
| 18 | France | 7.4 | 6.7 - 7.8 | 7 |
| | Ireland | 7.4 | 6.7 - 7.9 | 7 |
| 20 | Belgium | 7.3 | 6.6 - 7.9 | 7 |
| | Chile | 7.3 | 6.6 - 7.6 | 7 |
| | USA | 7.3 | 6.6 - 7.8 | 8 |
| 23 | Spain | 6.8 | 6.3 - 7.2 | 7 |
| 24 | Barbados | 6.7 | 6.0 - 7.2 | 4 |
| | Estonia | 6.7 | 6.1 - 7.4 | 8 |
| 26 | Macao | 6.6 | 5.4 - 7.1 | 3 |
| | Portugal | 6.6 | 5.9 - 7.3 | 7 |
| 28 | Malta | 6.4 | 5.4 - 7.3 | 4 |
| | Slovenia | 6.4 | 5.7 - 7.0 | 8 |
| | Uruguay | 6.4 | 5.9 - 7.0 | 5 |
| 31 | United Arab Emirates | 6.2 | 5.6 - 6.9 | 5 |
| 32 | Bhutan | 6.0 | 4.1 - 7.3 | 3 |
| | Qatar | 6.0 | 5.6 - 6.5 | 5 |
| 34 | Israel | 5.9 | 5.2 - 6.5 | 7 |
| | Taiwan | 5.9 | 5.6 - 6.2 | 9 |
| 36 | Bahrain | 5.7 | 5.3 - 6.2 | 5 |
| 37 | Botswana | 5.6 | 4.8 - 6.6 | 6 |
| | Cyprus | 5.6 | 5.2 - 5.9 | 4 |
| 39 | Oman | 5.4 | 4.1 - 6.2 | 3 |
| 40 | Jordan | 5.3 | 4.5 - 5.7 | 7 |
| 41 | Hungary | 5.2 | 5.0 - 5.4 | 8 |
| 42 | Mauritius | 5.1 | 4.1 - 6.3 | 5 |
| | South Korea | 5.1 | 4.7 - 5.5 | 9 |

| Country Rank | Country/Territory | 2006 CPI Score | Confidence Range | Surveys Used |
|---|---|---|---|---|
| 45 | Italy | 4.9 | 4.4. - 5.4 | 7 |
| 46 | Czech Republic | 4.8 | 4.4 - 5.2 | 8 |
| | Kuwait | 4.8 | 4.0 - 5.4 | 5 |
| | Lithuania | 4.8 | 4.2 - 5.6 | 6 |
| 49 | Latvia | 4.7 | 4.0 - 5.5 | 6 |
| | Slovakia | 4.7 | 4.3 - 5.2 | 8 |
| 51 | South Africa | 4.6 | 4.1 - 5.1 | 8 |
| | Tunisia | 4.6 | 3.9 - 5.6 | 5 |
| 53 | Dominica | 4.5 | 3.5 - 5.3 | 3 |
| 54 | Greece | 4.4 | 3.9 - 5.0 | 7 |
| 55 | Costa Rica | 4.1 | 3.3 - 4.8 | 5 |
| | Namibia | 4.1 | 3.6 - 4.9 | 6 |
| 57 | Bulgaria | 4.0 | 3.4 - 4.8 | 7 |
| | El Salvador | 4.0 | 3.2 - 4.8 | 5 |
| 59 | Colombia | 3.9 | 3.5 - 4.7 | 7 |
| 60 | Turkey | 3.8 | 3.3. - 4.2 | 7 |
| 61 | Jamaica | 3.7 | 3.4 - 4.0 | 5 |
| | Poland | 3.7 | 3.2 - 4.4 | 8 |
| 63 | Lebanon | 3.6 | 3.2 - 3.8 | 3 |
| | Seychelles | 3.6 | 3.2 - 3.8 | 3 |
| | Thailand | 3.6 | 3.2 - 3.9 | 9 |
| 66 | Belize | 3.5 | 2.3 - 4.0 | 3 |
| | Cuba | 3.5 | 1.8 - 4.7 | 3 |
| | Grenada | 3.5 | 2.3 - 4.1 | 3 |
| 69 | Croatia | 3.4 | 3.1 - 3.7 | 7 |
| 70 | Brazil | 3.3 | 3.1 - 3.6 | 7 |
| | China | 3.3 | 3.0 - 3.6 | 9 |
| | Egypt | 3.3 | 3.0 - 3.7 | 6 |
| | Ghana | 3.3 | 3.0 - 3.6 | 6 |
| | India | 3.3 | 3.1 - 3.6 | 10 |
| | Mexico | 3.3 | 3.1 - 3.4 | 7 |
| | Peru | 3.3 | 2.8 - 3.8 | 5 |
| | Saudi Arabia | 3.3 | 2.2 - 3.7 | 3 |
| | Senegal | 3.3 | 2.8 - 3.7 | 5 |
| 79 | Burkina Faso | 3.2 | 2.8 - 3.6 | 5 |
| | Lesotho | 3.2 | 2.9 - 3.6 | 5 |
| | Moldova | 3.2 | 2.7 - 3.8 | 7 |
| | Morocco | 3.2 | 2.8 - 3.5 | 6 |
| | Trinidad and Tobago | 3.2 | 2.8 - 3.6 | 5 |
| 84 | Algeria | 3.1 | 2.7 - 3.6 | 5 |
| | Madagascar | 3.1 | 2.3 - 3.7 | 5 |

| | | | | |
|---|---|---|---|---|
| | Mauritania | 3.1 | 2.1 - 3.7 | 4 |
| | Panama | 3.1 | 2.8 - 3.3 | 5 |
| | Romania | 3.1 | 3.0 - 3.2 | 8 |
| | Sri Lanka | 3.1 | 2.7 - 3.5 | 6 |
| **Country Rank** | **Country/Territory** | **2006 CPI Score** | **Confidence Range** | **Surveys Used** |
| 90 | Gabon | 3.0 | 2.4 - 3.3 | 4 |
| | Serbia | 3.0 | 2.7 - 3.3 | 7 |
| | Suriname | 3.0 | 2.7 - 3.3 | 4 |
| 93 | Argentina | 2.9 | 2.7 - 3.2 | 7 |
| | Armenia | 2.9 | 2.7 - 3.0 | 6 |
| | Bosnia and Herzegovina | 2.9 | 2.7 - 3.1 | 6 |
| | Eritrea | 2.9 | 2.2 - 3.5 | 3 |
| | Syria | 2.9 | 2.3 - 3.2 | 3 |
| | Tanzania | 2.9 | 2.7 - 3.1 | 7 |
| 99 | Dominican Republic | 2.8 | 2.4 - 3.2 | 5 |
| | Georgia | 2.8 | 2.5 - 3.0 | 6 |
| | Mali | 2.8 | 2.5 - 3.3 | 7 |
| | Mongolia | 2.8 | 2.3 - 3.4 | 5 |
| | Mozambique | 2.8 | 2.5 - 3.0 | 7 |
| | Ukraine | 2.8 | 2.5 - 3.0 | 6 |
| 105 | Bolivia | 2.7 | 2.4 - 3.0 | 6 |
| | Iran | 2.7 | 2.3 - 3.1 | 3 |
| | Libya | 2.7 | 2.4 - 3.2 | 3 |
| | Macedonia | 2.7 | 2.6 - 2.9 | 6 |
| | Malawi | 2.7 | 2.5 - 3.0 | 7 |
| | Uganda | 2.7 | 2.4 - 3.0 | 7 |
| **111** | Albania | 2.6 | 2.4 - 2.7 | 5 |
| | **Guatemala** | **2.6** | **2.3 - 3.0** | **5** |
| | Kazakhstan | 2.6 | 2.3 - 2.8 | 6 |
| | Laos | 2.6 | 2.0 - 3.1 | 4 |
| | Nicaragua | 2.6 | 2.4 - 2.9 | 6 |
| | Paraguay | 2.6 | 2.2 - 3.3 | 5 |
| | Timor-Leste | 2.6 | 2.3 - 3.0 | 3 |
| | Vietnam | 2.6 | 2.4 - 2.9 | 8 |
| | Yemen | 2.6 | 2.4 - 2.7 | 4 |
| | Zambia | 2.6 | 2.1 - 3.0 | 6 |
| 121 | Benin | 2.5 | 2.1 - 2.9 | 6 |
| | Gambia | 2.5 | 2.3 - 2.8 | 6 |
| | Guyana | 2.5 | 2.2 - 2.6 | 5 |
| | Honduras | 2.5 | 2.4 - 2.7 | 6 |
| | Nepal | 2.5 | 2.3 - 2.9 | 5 |
| | Philippines | 2.5 | 2.3 - 2.8 | 9 |

| | | | | |
|---|---|---|---|---|
| | Russia | 2.5 | 2.3 - 2.7 | 8 |
| | Rwanda | 2.5 | 2.3 - 2.6 | 3 |
| | Swaziland | 2.5 | 2.2 - 2.7 | 3 |
| 130 | Azerbaijan | 2.4 | 2.2 - 2.6 | 7 |
| | Burundi | 2.4 | 2.2 - 2.6 | 5 |
| | Central African Republic | 2.4 | 2.2 - 2.5 | 3 |

| Country Rank | Country/Territory | 2006 CPI Score | Confidence Range | Surveys Used |
|---|---|---|---|---|
| | Ethiopia | 2.4 | 2.2 - 2.6 | 7 |
| | Indonesia | 2.4 | 2.2 - 2.6 | 10 |
| | Papua New Guinea | 2.4 | 2.3 - 2.6 | 4 |
| | Togo | 2.4 | 1.9 - 2.6 | 3 |
| | Zimbabwe | 2.4 | 2.0 - 2.8 | 7 |
| 138 | Cameroon | 2.3 | 2.1 - 2.5 | 7 |
| | Ecuador | 2.3 | 2.2 - 2.5 | 5 |
| | Niger | 2.3 | 2.1 - 2.6 | 5 |
| | Venezuela | 2.3 | 2.2 - 2.4 | 7 |
| 142 | Angola | 2.2 | 1.9 - 2.4 | 5 |
| | Congo Republic | 2.2 | 2.2 - 2.3 | 4 |
| | Kenya | 2.2 | 2.0 - 2.4 | 7 |
| | Kyrgyzstan | 2.2 | 2.0 - 2.6 | 6 |
| | Nigeria | 2.2 | 2.0 - 2.3 | 7 |
| | Pakistan | 2.2 | 2.0 - 2.4 | 6 |
| | Sierra Leone | 2.2 | 2.2 - 2.3 | 3 |
| | Tajikistan | 2.2 | 2.0 - 2.4 | 6 |
| | Turkmenistan | 2.2 | 1.9 - 2.5 | 4 |
| 151 | Belarus | 2.1 | 1.9 - 2.2 | 4 |
| | Cambodia | 2.1 | 1.9 - 2.4 | 6 |
| | Côte d'Ivoire | 2.1 | 2.0 - 2.2 | 4 |
| | Equatorial Guinea | 2.1 | 1.7 - 2.2 | 3 |
| | Uzbekistan | 2.1 | 1.8 - 2.2 | 5 |
| 156 | Bangladesh | 2.0 | 1.7 - 2.2 | 6 |
| | Chad | 2.0 | 1.8 - 2.3 | 6 |
| | Congo, Democratic Republic | 2.0 | 1.8 - 2.2 | 4 |
| | Sudan | 2.0 | 1.8 - 2.2 | 4 |
| 160 | Guinea | 1.9 | 1.7 - 2.1 | 3 |
| | Iraq | 1.9 | 1.6 - 2.1 | 3 |
| | Myanmar | 1.9 | 1.8 - 2.3 | 3 |
| 163 | Haiti | 1.8 | 1.7 - 1.8 | 3 |

(Corruption Perceptions Index 2006, 5-7)