

2013 L&D Survey: Corruption at its Lowest Level

Corruption decreases at historically minimum levels in practically all categories of perception and acts, with a statistically significant downward trend. The progress made in recent years is positive, but we have to pay attention to the pessimism shown in relation to the future; therefore, it is necessary to further strengthen the institutions.

Corruption is a phenomenon which is present in all countries around the world and has adverse consequences on political matters – such as lack of confidence in the governments, delay of poverty uprooting and decline of democratic legitimacy -, and also generates economic losses which affect growth and foreign investment.

In order to fight corruption it is essential to know both the nature and forms of operating, and the country's corruption rates; therefore, measurements that are capable of investigating and analyzing the involved public institutions are required. This is the only way to rely on

adequate knowledge which allows developing a long-run public policy that can effectively reduce corruption levels.

Libertad & Desarrollo conducts a Corruption Survey since 2002, whose aim is directly measuring this phenomenon over time, and complementing and reinforcing the collected data. The survey is applied to businessmen and managers of the country, a segment of the population that, for this survey, has been considered as more exposed to this phenomenon, and can therefore give information that is closer to reality.

Thus, the survey seeks to measure corruption from two different angles. First, the aim is to establish what the perception level in the country is, and which institutions are perceived as most involved. The second objective is to prove if the interviewees know cases of corruption directly, and to make an analysis aimed at investigating the efficiency of the reporting and penalty system for the mentioned corruption cases.

In the context of the present survey, Libertad & Desarrollo defines corruption as “the use of public goods and services, as well as regulations and legal bodies, to grant private privileges”.

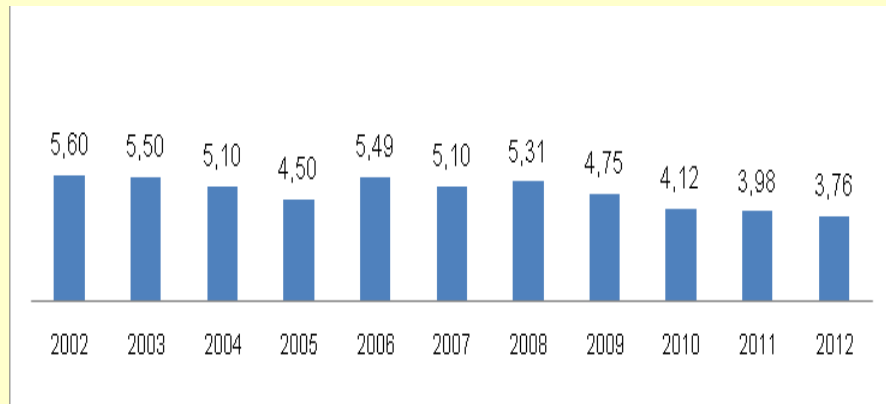
Corruption Perception

The 2013 Corruption Survey, which evaluates the perception and acts of corruption during 2012, gave a perception result of 3.76 (in a scale where 0 is the minimum level and 10 is the maximum level of corruption). This figure reflects a decrease of 0.22 points in relation to the previous year, which is statistically significant given the margin of error.

Concerning the perception of corruption in the country in relation to a year before, results tend to stabilize, since 30% of the interviewees believes that corruption is less or much less. This figure shows a slight drop in relation to last year. On the other hand, 57% thinks that corruption has remained stable with regard to last year. Finally, those who believe that corruption is higher or much higher in relation to last year increased marginally one percentage point, from 11% to 12%.

Chart 1

CORRUPTION PERCEPTION LEVEL (0 MINIMUM, 10 MAXIMUM)

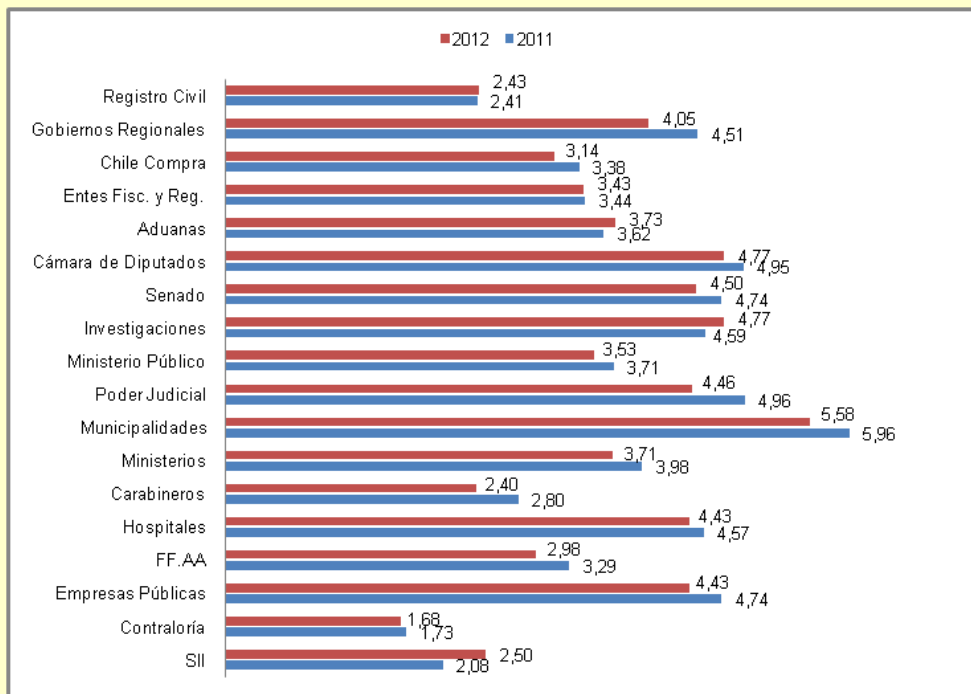


Source: 2013 Corruption Survey, L&D.

Likewise, 22% thinks that corruption will be less or much less in the future, showing a reduction of 7 percentage points in relation to the previous year. However, the percentage of people who believe that corruption will be higher or much higher increased from 30% to 35%. Furthermore, 42% thinks that corruption will remain stable in the future.

Chart 2

CORRUPTION PERCEPTION LEVEL BY INSTITUTION



Source: 2013 Corruption Survey, L&D.

With regard to the analysis of perception by institutions, we observe that the corruption perception remains relatively stable and at low levels, with the exception of the SII (Internal Revenue Service), which increases by 0.42 points, obtaining 2.5 in a scale from 0 to 10, although, on the other side, it is the institution which presents the best improvement in acts of corruption.

A substantial improvement in the perception of corruption is evidenced in the case of Regional Governments (-0.42), the Judiciary (-0.5) and Carabineros (-0.4).

The perception ranking is led by Municipalities (5.58) followed by Investigaciones (4.77) and the Chamber of Deputies (4.77).

Since last year, new questions have been incorporated to the survey, with the purpose of knowing the evaluation of the Transparency Law (2009); therefore, interviewees were asked about its contribution to the fight against corruption in the country. Results indicate that the mean is 5.09, slightly over last year's 4.98, in a scale from 0 (has not contributed at all) to 10 (has much contributed).

The same question was made in relation to the *ChileCompra* portal, where the result is more encouraging with a mean of 5.45, slightly better than the 5.39 of 2011.

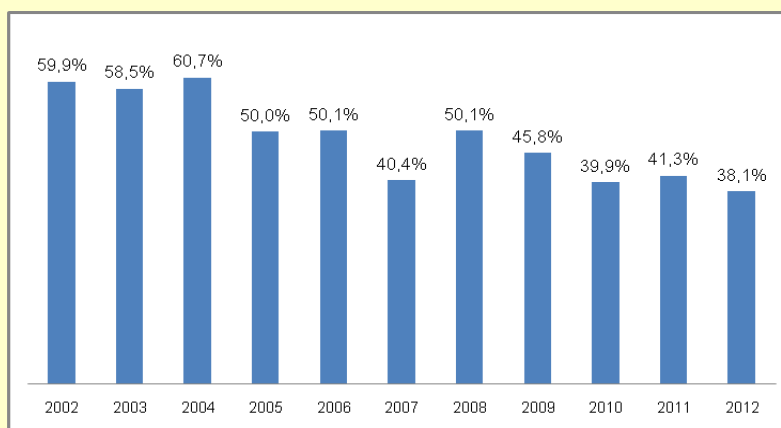
Finally, in the same analysis, but applied to the government of Sebastián Piñera, a question about the government's interest in fighting corruption was included. Here, we observe that there is a clear reference to the State's efforts to eradicate this bad practice, reaching a mean of 6.72, better than the previous questions, but slightly below last year's 7.06, thereby establishing a thesis of a certain degree of stability in the perceived corruption levels.

Acts of Corruption

When analyzing the data, we observe that, at global level, the interviewees who knew cases of corruption directly dropped from 41.3% to 38.1%, reaching an historical minimum in the survey's eleven years.

Chart 3

DIRECT KNOWLEDGE % OF ACTS OF CORRUPTION



Source: 2013 Corruption Survey, L&D.

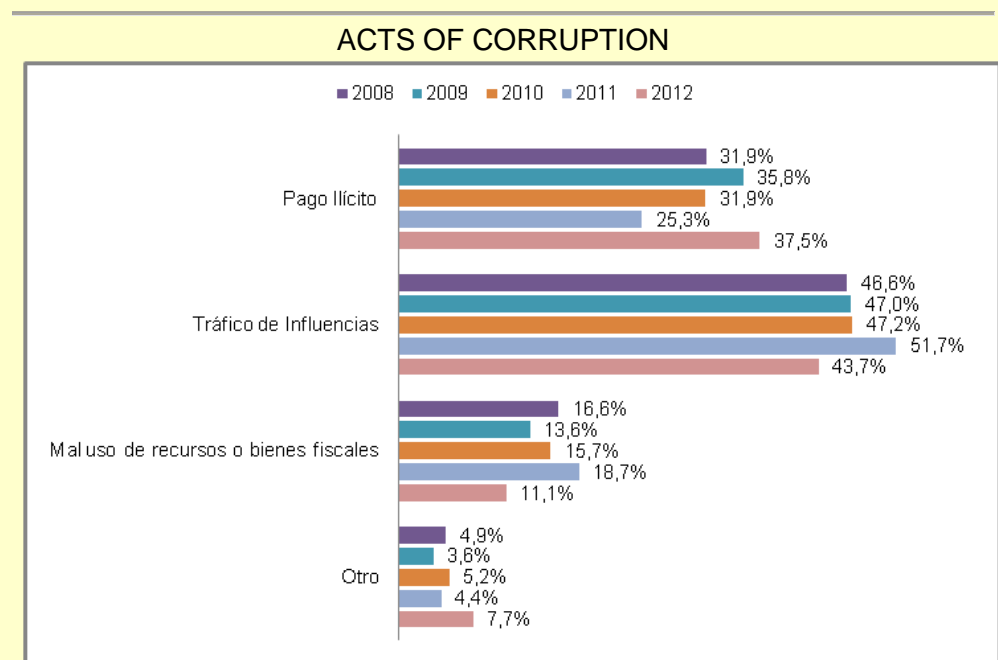
When analyzing by institutions, municipalities keep their supremacy in the first position, but the increase by 8.5 percentage points in State-owned companies is evident, ranking them as the second institution with most acts of corruption.

In the ranking of the institutions involved in acts of corruption, they are quite stable with the exception of *Carabineros* who increases 6 positions (from 15th to 9th in the ranking), and the improvement of the Internal Revenue Service (from 7th to 14th) and the Senate (from 11th to 15th) is worth highlighting.

Types of Illicit Actions and their Purposes

Following the trend of previous years, Traffic of Influence is once again ranked in the first position of the main corruption acts, with 43.7% of the cases. With 37.5%, Illicit Payments are ranked in the second place, increasing 12.2 percentage points in relation to the previous year. The decrease of 6.6 percentage points in Bad Use of Public Funds or Goods should be highlighted. Finally, Bad Use of Public Funds or Goods is ranked in the third place with 7.7% of the cases.

Chart 4



Source: 2013 Corruption Survey, L&D.

Another relevant aspect is to know the main reasons that led public officers to get involved in corruption cases. In this manner, for 2012, winning a tender holds the first place with 36.1% of the references. The second place is held by issuance of permits with 12.4%, 23.7% points less than the first option just mentioned.

Reporting and Penalty

It can be appreciated that 15.5% of the people who effectively experienced corruption cases, reported these actions. On the other side, those who preferred not to report dropped by 4.8 percentage points.

Concerning the current survey, 15.4% declared that there was a penalty when reporting to the authorities, and 10.3% declared to be currently on trial, which demonstrates the process's improvement in relation to 2011, when most cases were still undergoing proceeding. In turn, cases where there was no penalty registered a clear downward trend, from 52% to 35.9%, but the number of those who do not know or do not answer accounts for 38.5%, the highest in the last 6 years.

Conclusions

In the survey carried out by Libertad & Desarrollo, we observe that corruption decreases at historically minimum levels in practically all categories of perception and acts, with a statistically significant downward trend. However, we observe an important gap between the perception and acts of corruption and a certain degree of pessimism towards the future.

The progress made in recent years is positive; however, a warning light should be put to the pessimism shown towards the future. Therefore, it is necessary to keep strengthening the institutions and pay attention to those presenting a significant number of corruption cases. Likewise, together with improving the confidence of citizens, so that they perceive that reporting does have consequences, transparency should be further improved and the gap between corruption perception and reality should be narrowed.

In brief...

2013 L&D CORRUPTION SURVEY:

- The corruption perception level in the country obtained 3.76 points, the lowest since the creation of the survey.
- The perception of corruption in the institutions remains stable, except for the Internal Revenue Service, which descends 0.42 points in relation to 2012, despite the fact that acts of corruption in the SII decrease. Regional governments (0.46), the Judiciary (0.50) and *Carabineros* (0.40) show an improvement.
- The direct knowledge percentage of acts of corruption is ranked at its historical minimum, in the same way as the non-reporting percentage, going from 60.1% in the previous measurement to 55.3% in the current one.