



Transparency Watch

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INTERVIEW OF THE MONTH

Jose Angel Gurria, Secretary General of the OECD



The Organisation for Economic Cooperation and Development (OECD) groups 30 member countries sharing a commitment to democratic government and the market economy. TI speaks to its Secretary General, Jose Angel Gurria, about aid, development and the future of the OECD in the fight against corruption >> [read more](#)

TRANSPARENCY & CULTURE

Consumers against Corruption



Consumers are becoming increasingly aware of the ethical choices represented by their credit card. From organic food to humane working practices, in the last few years it has become increasingly fashionable to look behind the logo of big companies. TI looks at how shoppers can have a real impact on corporate corruption >> [read more](#)

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Since 2000, Transparency International (TI) has awarded Integrity Awards to up to three people each year for their outstanding contributions to the fight against corruption.

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CORRUPTION IN THE NEWS



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INTERVIEW OF THE MONTH

Jose Angel Gurría, Secretary General of the OECD

By Jennifer Williams



The OECD groups 30 member countries sharing a commitment to democratic government and the market economy. With active relationships with some 70 other countries, NGOs and civil society, it has a global reach. Best known for its publications and its statistics, its work covers economic and social issues from macroeconomics, to trade, education, development and science and innovation.

Transparency International's Cobus de Swardt and Amber Poroznuk went to the OECD headquarters in Paris to interview the great mind at the head of the OECD- Mr. Angel Gurría, on the opportunities in the global economy for international institutions, development and aid issues, the OECD Convention and on the future of the OECD.

Cobus de Swardt (CdS):

Let me start by asking what you currently see as the greatest opportunities in the global economy for international institutions.

Angel Gurría (AG):

The mandate of the Organisation for Economic Cooperation and Development (OECD) is to make the world economy work better. As simple as that, and as complicated as that. Our last ministerial meeting gave us the mandate to become the hub of globalisation. Now globalisation presents us with many challenges - transactions, investments, the economy, the environment, agriculture, water, migration, everything is now more and more cross-border; but also a possibility to deal with global issues. To observe them, measure them, compare them, analyse them, extract some conclusions and then propose best practices, both to our members and non-members.

This allows us to be completely devoid of an agenda, in terms of ideology or politics. But armed with the collective experience of our 30 democracies we can ask: 'What works, what doesn't work? What has worked, what turned out to be wrong?'

CdS:

You refer to a number of global issues - they refer to ideas that remain very contested. In the area of development and aid, for example, the World Bank/ International Monetary Fund (IMF) September meetings in Singapore again put the focus on the issue of conditionality. You had World Bank President Paul Wolfowitz and the UK's Secretary of State for Development Hilary Benn taking seemingly opposite sides and opposite views on conditionality and aid.

What are your own views on the issues of conditionality and aid; particularly with regard to the kinds of issues we are interested in - transparency and corruption?

AG:

The issue in Singapore was precisely about corruption. It was not a theoretical issue of whether there should be conditionality or not. The question is to get it right, to create the right incentives. Except now we are introducing an element of emphasis. I think the point was not that Mr. Benn and Mr. Wolfowitz were at odds with each other. It was about having a discussion to find out what the best way is. Except that it is a little uncomfortable if you want to have it with a hundred people at the same table and a thousand media outlets trying to find a story, as if the story of fighting corruption were not enough.

It is not that the World Bank discovered corruption yesterday. It is just that there is an emphasis now, an added importance. And that is the news. It is morally and ethically correct but maybe it is not newsworthy enough; we should however avoid, distorting the main thrust of the policy.

CdS:

The OECD Convention is, in our view, still widely regarded as critical to the international fight against corruption. Its successful enforcement will arguable significantly reduce international supply side corruption. However, despite a decade of efforts, there has not been even minimum active enforcement of the Convention in two-thirds of signatory countries. And, in TI's view, this is not only eroding support for the Convention, but clearly governments that now prosecute foreign bribery, even if insufficiently so, are likely to become less enthusiastic if their competitors continue to bribe. There is a lot of good work that has gone into the OECD Convention, but if the Convention doesn't increase its impact and if there is not much more enforcement across signatory countries it will actually lose support. Do you agree that the success of the convention is not yet assured?

AG:

This was true when there was one country that was effectively enforcing, because there were 35 that were not. Now there are 12 countries doing it.

CdS:

But there are still 24 who are not.

AG:

Yes, there are 24 who are not doing it yet or not enough. But then the other 12 could have lost their nerve on day one and they didn't. And they are big countries that are enforcing. We should not stop. We should just continue. This is the only way. Now, should we become more strident? I think what we should do is appeal precisely to those who are most affected, which are, number one, the business community in the countries that are enforcing the convention; and number two, the countries that would be the subject of the bribery efforts- the developing countries mostly – and have them sign the OECD Convention or the United Nations Convention Against Corruption (UNCAC).

But progress has been made in the ethical, moral and the political sphere. There are advances also in the usage. I think we are making progress because more and more people are now aware and behaving accordingly, and the competitive environment is also helping. If somebody perceives that the guy that got the contract did it by doing the wrong thing, there also are, increasingly, institutions where you have recourse. Strengthening institutions; capacity building; clearly defining the rules of the game. These are the challenges. Having not only good rules, but having enforcement of the rules at the level of the recipient countries. Creating transparency in the process.

CdS:

I would agree that progress has been made. The monitoring done by the OECD Working Group has played a major part. Some doubts exist at the moment of whether monitoring will continue once its second phase comes to an end in 2007. TI would strongly urge that this monitoring continues, but also urge the Working Group to make public the results by listing all prosecutions and the number of investigations in an annual report on monitoring.

AG:

Maybe it should. But, it is far easier to publish what is being done than to get things done that today are not being done. We may have to revise our own plans, because the idea was that after 10 years you would be looking at the second stage, where there would be a very great element of self-enforcement. It is obvious that is not yet the situation. Either we were not good enough at selling this, or the objective conditions were not fully appraised, and we should have imagined it would take longer. What cannot happen is that there is a perception we are relaxing the effort. We just have to make everybody feel that we are breathing down their necks and we are going to catch up with them sooner or later.

CdS:

As well as the continuous monitoring that we would strongly urge the OECD to do, there also is the question of enforcement, raised at the last four Group of Eight (G8) meetings. Could you envisage the OECD reporting back to the G8 in Germany on progress by G8 countries on enforcement?

AG:

Why not? That is done already. People know. Enforcement is something we can recommend and remind countries that they signed a convention with the force of law. Because it is an international treaty. It is not a wishful thinking. It is not a memorandum of understanding. It's a law.

CdS:

The level of awareness of the OECD Convention is still lacking in many countries. The latest Control Risks/ Simmons & Simmons report on International Business Attitudes to Corruption Survey showed that half of people are not aware of the Convention, in particularly of the legal obligations, and another 18 percent are only vaguely aware. We feel that the country visits, from your own Working Group, are playing a very important role in improving awareness, and yet we are concerned that this might be

downscaled instead of actually increased from the OECD side.

AG:

You're talking about budgetary issues here. It's not that there is any intention to downscale visits. It's simply that we have a number of competing demands. And you are asking if we have enough money to do as much monitoring and promotion as we want. Well, the answer is in every single case that we don't. Whether it is climate change or water or migration, or taxes— and the answer is no. We don't have enough money; and that includes the monitoring of anti-bribery. We have to stretch a modest budget to cover an increasingly ambitious substantive agenda.

However, to increase awareness about the Convention, countries can do a lot, and actually some of them have made great efforts to promote a better knowledge and utilization of this instrument. So we can also rely on committed countries to promote it.

CdS:

There is an impression from civil society around the world that although they are paid lip service to be important actors, neither the World Bank, the regional development banks or other international institutions actively seek to involve them. Do you think there is something you personally can do from the OECD to empower greater participation of civil society?

AG:

How does civil society participate in the dealings between the provider of turbines and the electrical authority, or the water authority, of the high officials of a particular developing country? There are rules. When projects are financed by the World Bank or a regional development bank there are rules. And many countries have their own, quite clear rules for public procurement. One way civil society should be involved, is to make sure that the rules are very good. Another way is to ensure that the governments enforce those rules. Not only in a particular transaction but also making sure that the process is always respected.

It is about institution building. The demand for these institutions must come from within. When we are talking about transparency it is essentially about the people's right to know. In the countries that have an Anglo-Saxon culture, for example, this sense that people have the right to know is quite well developed. I am not saying that the situation we have is ideal, rather, that we are in a process. But I am not willing to discuss the possibility of backtracking; I am saying we can't backtrack.

CdS:

At the September World Bank/ IMF meetings you talked about the OECD's Development Assistance Committee playing a coordinating role with donors. Do you see, from your own experience with the OECD Convention, an active role for the OECD in monitoring the UNCAC?

AG:

I would like to see a mutually reinforcing process, where the members who are already signed onto the OECD Anti-Bribery Convention, should be full members of the UN Convention. If we have these major countries, they have the impact that the rest of the world looks at them. More important than whether they are members or not, is whether they practice the best practices. Of course we can say to countries, 'you should sign the UN Convention', and the UN can say, 'you should sign the OECD Anti-Bribery Convention.' But mostly we ask, 'are you practicing?'

CdS:

And in some cases, we have countries such as Russia that have not signed up and, by not doing so, have set a very bad example.

AG:

Many countries have expressed interest or agreement to adopt a number of OECD principles in a process leading to eventual membership. If that was the case, and if the proper process was observed, just the discussion for membership would yield a desirable result.

CdS:

That's interesting, because one of the incoming priorities you had was the expansion of OECD membership. Regarding the criteria for membership, how high on your radar screen would be both signing and enforcing the OECD Convention?

AG:

I do not see that a country would be granted full accession to the OECD if it had not signed on to the Anti-Bribery Convention first. But frankly, I do not feel that countries find this difficult. I don't know of a single country that openly condones these practices. Some may be more lax, but I have not found anyone who thinks this is a normal state of affairs. This maybe used to be the case, but these situations

evolve. The word transparency before used to be when a window did not have a lot of stains. Now it is synonymous with anti-corruption.

CdS:

A lot of the feedback we get from OECD countries is that quite often the judiciary in those countries struggle because of the sophistication involved with prosecuting these cases. Would it not be one of the areas that the OECD could think of strengthening by getting prosecutors that work on this in closer contact with each other?

AG:

Yes, the judiciary is one crucial element of success. If you would have meetings of prosecutors, specialised prosecutors, they could show each other the ropes. Yes, of course, the answer is yes.

CdS:

Well, that is very important because of the international nature of many of these cases. And you want to be able to show that those on the supply side of corruption will be prosecuted. When you have people in the South saying 'there is corruption that took place here' but people are protected because they sit in the North, you start to have a very difficult moral case to make.

AG:

Let's get a little real here. Number one, if you catch the bad guys in the South that is good enough. It is good enough because by catching them, you demonstrate to other people that they will be caught as well. Therefore if somebody offers a bribe, they are going to say "no, no please, don't even think about it".

And second, there is an element of naming and shaming. If, a country in the South is saying 'I am trying to fight corruption in this country, which is full of so many millions of poor people, and I am trying to make every peso, every dollar, every Euro count. And you, who are housing the companies who come here and offer the bribes, etc, are not helping it.' That is going to embarrass, not the company, but the government of the company. And you, TI, and we the OECD, and maybe Mr. Wolfowitz with his new line of toughness on this issue, can help magnify the echoes of these calls.

CdS:

We agree with you. That is why we urge, in the recommendations that we submitted to you a few days ago, for the names of those who are prosecuted, as well as for the number of investigations, to be made public.

AG:

Yes, yes, yes.

CdS:

The OECD will do a great service if they do that. We appreciate your time and I know we need to wrap up. Let me ask you a final question: What is your future vision, in terms of your current position and the OECD? By the time that you leave the organisation, what would you like to see being achieved in the fight against corruption?

AG:

These instruments have to become a way of life. The institutional building process should be the rule and the strength of the institutions should be the norm rather than the exception. Also, both developed and developing countries should move towards identifying and stopping, and of course sanctioning, punishing, as you suggested, the more sophisticated types of corruption, where people will get wiser, better at covering their interests.

But I mostly aspire to inject this in the psyche, in the conduct, of people; to make it second nature. It changes with people. There was a generation where this was common practice, and it was condoned or maybe even encouraged, it wasn't even an ethical question or a moral question. It was a way to do things; it was a way to get the contract. In other words, you got fired if you didn't do it. Now, it is becoming obvious that this is maybe not an appropriate conduct. That is an improvement. Maybe the next step is to say this is undesirable, unbecoming conduct, and then more and more people around you will reject it.

You have work on both sides, building political accountability on both sides, building institutions on both sides. And you have to deal in an exemplary fashion with the individual cases. And then I think you have a good shot at seeing this reduced.

CdS:

Well, we wish you the best of luck, and can assure you that Transparency International will remain a critical but constructive partner of the OECD.

TRANSPARENCY & CULTURE

By Jennifer Williams



Consumers have been flooded by taglines over the last century. 'Just do it'® say the billboards, 'Don't leave home without it.'® 'Buy it. Sell it. Love it.' ® The tagline tide, however, has taken a turn and now consumers have started coming up with their own - 'Think Globally, Act Locally'; 'Go Ecotourism'.

Ethical consumerism, once dismissed as a fad, has now become a multi-billion dollar industry. A recent survey by the British newspaper *The Observer* found that more than half of respondents seek out "ethically sound" products. The sweatshop backlash of the 1990s against many multinational companies has now crystallised into engaged consumption.

In the light of this more caring consumption, shoppers may also see the link between bribes and brands. If they are voting with their wallets on other social issues, they could also be valuable allies in the fight against graft.

The founders of Corruption Inc. think so. Launched earlier this year, Corruption Inc. is a new scheme of anti-corruption pacts in Brazil, with the aim of encouraging consumers to make corporations change their ways. The 200 companies participating in the scheme – including companies such as Nestlé – will be identifiable to customers through a "clean company" logo. Firms enter into an 'integrity pact', whereby they agree to establish internal compliance mechanisms and adhere to strict ethical rules.

In a country whose leaders have been the target of recent corruption allegations, Corruption Inc. makes sure the consumer knows if a particular company is in any way a part of that corruption.

"People are sick and tired of this situation," says Caros Lins da Silva, the director of the Brazilian government relations firm Patria, "If consumers are convinced that they can be a factor in ruling out corruption then they will act."

To be part of the scheme, companies are required to train their employees and suppliers in transparency measures and allow their affairs to be externally checked. They are required to adhere to strict rules on hospitality and gift-giving, and to disclose their financial contributions to political parties.

The consumer's role in the scheme is also vital. In fact, the success of the scheme is premised on the fact that consumers can make a difference. By indicating a preference for clean companies through their buying power, shoppers can send a clear message to companies that hits them where it hurts the most...in declining sales. If the benefits of paying a bribe were outweighed by the resulting plummeting sales, there would be no attraction in greasing palms.

The Foreign Policy Association notes on its website that Corruption Inc. seeks to give customers "ownership over the choices they make". But consumers' choices are becoming increasingly complex as companies' advertising messages become more complicated. In the 1980s, Silk Cut cigarettes were famous for their abstract and seemingly meaningless adverts, but since then branding has only become more baffling. A strange, delicate relationship forms between consumer and brand, but it puts the product at risk when scandal hits. Loyalty can be "shallow enough to turn on a dime", writes Naomi Klein in her 2000 book *No Logo*.

"Multinationals such as Nike, Microsoft and Starbucks have sought to become chief communicators of all that is good and cherished in our culture," she said in her book.

"But the more successful this project is, the more vulnerable these companies become. When they do wrong, their crimes are not dismissed as the misdemeanours of another corporation trying to make a buck."

The value of a company's reputation is a major argument for businesses complying with anti-bribery codes. If customers are becoming more engaged, it is in the corporations' interests not only to be clean, but to be seen as such. Corporations know this: Every multinational now has a section of its website

labelled "corporate social responsibility" (CSR).

In many ways, this proliferation of internal codes of conduct is a victory for public engagement with producers. Civil society organisations including TI have long recognised the role of this kind of regulation. In an article for corporate responsibility website www.responsiblepractice.com, TI founder Peter Eigen explains the Business Principles for Countering Bribery set up in conjunction with multinationals such as British Petroleum.

"The proposals include training programmes with guidance for all employees to ensure that bribery - direct or indirect - is outlawed," he writes.

"Under the guidelines of another NGO project, the Global Reporting Initiative (GRI), participating companies are asked to describe their policies and procedures for addressing corruption, including how the organisation meets the requirements of the Organisation for Economic Cooperation and Development (OECD) Anti-Bribery Convention."

On their own, internal codes run the risk of merely being another layer of public relations, yet another face of the brand. But in conjunction with external legislation such as the OECD convention, they can not only change corporate behaviour but make clear to the public the ethical obligations behind the logos.

Nevertheless, consumerism can be a brittle tool for social progress. Despite all the evidence of a surge in ethical shopping, consumers are inevitably lazy and bargain-driven. According to Jenny Dawkins, author of a 2003 report from Market & Opinion Research International (MORI) on public perceptions of corporate accountability, "Although 84 percent of customers surveyed felt CSR would influence their buying decisions, only five percent consistently buy brands on ethical grounds."

Following its own survey *The Observer* came to similar conclusions, naming this kind of half-committed shopper the "conscious consumer".

Meanwhile the ethical mantra does not seem to have penetrated certain elements of consumerism, areas that some consumer surveys do not investigate. The public's carefree attitude towards counterfeit goods is a good example. Paying US \$10 instead of US \$500 for a Louis Vuitton bag is still seen by many shoppers as a victimless crime.

Although more often linked by the media to drug rings and terrorism, the distribution of fake goods is mired in bribery. TI spoke to Tim Phillips, author of *Knockoff: the Deadly Trade in Counterfeit Goods*. Phillips met an ex-Soviet Committee for State Security (KGB) agent who now investigates counterfeiting on behalf of Western brands.

"His problem is that Russia's crime gangs routinely offer bribes – he estimates the going rate is around US \$50 000 – to customs officials, police and prosecutors," says Phillips.

"So goods pass uninspected, evidence is mysteriously lost and prosecutions are dropped. There's little incentive to resist the bribes: wages for public officials are relatively low, and if you don't take the cash, your colleague or your boss will."

According to Phillips, the counterfeiting investigator pays bribes himself, although he does not make clear to whom. But Phillips believes the brands themselves can be complicit in this system. "He doesn't explicitly tell his American and European paymasters what he is doing, but they don't ask."

"This type of institutional corruption contributes heavily towards the current regime of tolerance towards counterfeiting", he says, "because until the culture is challenged there's no hope that organised counterfeiting will be eliminated or even constrained."

"Consumers can see that counterfeiting is clearly tolerated by brand owners, police and prosecutors everywhere in the world."

A 2005 Gallup poll for the OECD found that 45 percent of people think corrupt law enforcement officials does not equate for piracy or counterfeiting. The same survey found that one in eight American citizens had bought counterfeit products in the previous year, more than half of whom were aware that those products were counterfeit before buying them.

Convenience and low prices will always drive a hard bargain, even if there has been an ethical drift of late. But there is undoubtedly hope. The 2004 Co-operative Bank report *Who are the Ethical Consumers?* revealed one in five customers are active enough to reflect their concerns in their shopping habits, "if the issues are obvious, and the necessary information readily available". Every customer is different, and brings to the shops a web of information gleaned from disparate sources: their friends and family; the media and the connotations of those taglines. The ethical message just has to make itself heard above that noise.

But a company's reputation can rest on a knife-edge, and with enough publicity around corporate misdemeanours, consumers will stab them in the back. Corruption can be fought with a credit card. Just do it.

SPOTLIGHT STORY

Integrity Award winners: Where are they now?

By Jennifer Williams



Since 2000, Transparency International (TI) has awarded Integrity Awards to up to three people each year for their outstanding contributions to the fight against corruption. As the presentation of the Integrity Awards 2006 at the [12th International Anti-Corruption Conference](#) nears, TI takes the chance to look back at three previous winners and where they are now.

Integrity Award recipients have come from an array of backgrounds – from journalism to law enforcement, social activism to pharmacy – reflecting the many faces of corruption itself. Within their varied sectors, many previous winners have continued to fight corruption, or gone on to overcome new challenges.

Social activist Ana Hazare of India has long been something of a celebrity in his community. He received an Integrity Award in 2003 in recognition of his two decades of activism against corruption in governmental corruption; a campaign which ultimately led to the resignation of two ministers.

Hazare's activism was born of his desperation to improve the physical and social conditions of his impoverished native village Ralegan Siddhi, in Maharashtra. Hazare began donating his own money and using the agricultural method of "watershed development" to increase the village's water supplies.

Regarded as a Gandhi-like figure by many who know him, Hazare did not stop there. He followed his campaign to improve water supplies with hunger strikes to campaign for a freedom of information law. These strikes are regarded as a major impetus for the passing of Maharashtra's 2002 Right to Information Act – the model for the 2005 national version of the law. Ana Hazare has continued to enact peaceful protests since then in order to ensure the law is effectively implemented.

In March 2006, the national airline Air India began screening a documentary about Hazare's work on all its 160 flights. The 16-minute film, entitled "In the Footsteps of Mahatma", traces Hazare's development and anti-corruption work, with the aim of spreading Hazare's word internationally. The film was shown at the 2006 Tokyo International Documentary Festival, the International Women's Festival in Calcutta and the Pune International Film Festival.

Nigeria's Dora Akunyili received an Integrity Award in 2003, in recognition of her work against counterfeit drugs as Director General of Nigeria's National Agency for Food and Drug Administration and Control (NAFDAC). When Akunyili took control of NAFDAC in 2001, she found that Nigerian pharmaceutical regulators had been bought off by international drugs counterfeiters. She was plagued by death threats as she fought corrupt practices in the manufacture and trade of drugs, cosmetics and food products.

In a recent interview with the news website *Voice of America*, Akunyili reflected on how hard it had been to transform the corrupt working culture of NAFDAC's staff. "It was a cultural revolution down to the way they dressed, the way they treated clients, explaining to them why corruption would not help us, and we even had to retrench some corrupt, redundant and incorrigible staff," she said.

Dora Akunyili has gone on to receive a number of awards since those first difficult days. In December 2005, she was honoured with the International Service's Grass-Roots Human Rights Campaigner Award; where the judges remarking on her direct style and bravery in the face of numerous assassination attempts. She donated part of her prize money to the widow of the bus driver who was killed during one assassination attempt in 2003.

Earlier this year, Akunyili extended her strong links with the anti-corruption movement by contributing to TI's *Global Corruption Report 2006* on corruption and health. She remains vigilant in the fight against counterfeit drugs in her second five-year term as director of NAFDAC.

Akunyili is not the only Integrity Award recipient to have faced death threats. French magistrate and judge Eva Joly, an Integrity Awards winner in 2001, continued to investigate fraud cases involving the

French oil company Elf-Aquitaine despite the threats made to her life. In 2002, Joly was named *Reader's Digest* European of the Year.

Joly has continued to fight against corruption, working in the Norwegian Ministry of Foreign Affairs as assistant Secretary General responsible for combating corruption and money laundering. Last year, she was appointed as a special adviser on corruption to the Ministry. She continues to speak out against corruption. At a meeting of the Inter-Parliamentary Union in September 2006, she noted that "corruption is a universal problem". Despite this, Joly remains positive: "Hope lies in some developing countries where persons endowed with remarkable qualities set up institutions".

Hope also lies in the determined successes of TI's Integrity Award winners such as Hazare, Akunyili and Joly. Their triumphs did not end the day they received the Award. Neither did their ability to inspire. As the 2006 Integrity Awards come into view, the stories of previous winners are a reminder that some small battles have already been won.

CORRUPTION Q & A



The Corruption Perceptions Index (CPI) is perhaps Transparency International's best known tool. "Ah! You guys rank the countries!" is the association many people make when hearing the name Transparency International. It makes sense in a way. The issues surrounding corruption are complex. Numbers are simple and easy to remember. People want to know about *their* country. The CPI gives them both. Moreover, the CPI becomes even more important as the leading global indicator of cross-country perceptions of corruption in a time when corruption tops headlines and factors into aid allocation.

Launched on 6 November, major newspapers around the world have reported its findings, including the [BBC](#), [Financial Times](#) and the [International Herald Tribune](#). So what exactly is the CPI? Transparency Watch lists some of the most frequently asked questions below:

What is the Corruption Perceptions Index (CPI)?

Transparency International's (TI) Corruption Perceptions Index (CPI) ranks countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. It is a composite index, a poll of polls, drawing on corruption-related data from expert and business surveys. A country must have at least three sources to be included.

Whose perceptions does the CPI measure?

Surveys are carried out among business people and country analysts. The surveys used in the CPI use two types of samples, both residents of the country non-resident country experts.

Why is the CPI based only on perceptions?

It is difficult to assess the overall levels of corruption in different countries based on hard empirical data; for example, by comparing the amount of bribes or the number of prosecutions or court cases. Obtaining reliable data on the amount of bribes would be extremely difficult, and comparing data on prosecutions may tend to highlight the quality of prosecutors, courts and/or the media in exposing corruption across countries, rather than actual levels of corruption. One strong method of compiling cross-country data is therefore to draw on the experience and perceptions of those who are most directly confronted with the realities of corruption in a country.

Which matters more, a country's rank or its score?

A country's score is a much more important indication of the perceived level of corruption in a country than its rank. A country's rank can change simply because new countries enter the index or others drop out.

Is the country with the lowest score the world's most corrupt country?

No. The country with the lowest score is the one where corruption is *perceived* to be greatest among those included in the list. There are more than 200 sovereign nations in the world, and the latest CPI 2006 ranks 163 of them. The CPI provides no information about countries that are not included.

Is the CPI a reliable measure of a country's perceived level of corruption?

The CPI is a solid measurement tool of perception of corruption. As such, the CPI has been tested and used widely by both scholars and analysts. The reliability of the CPI differs, however, across countries. Countries with a high number of sources and small differences in the evaluations provided by the sources (indicated by a narrow confidence range) convey greater reliability in terms of their score and ranking; the converse is also the case.

Is the CPI a reliable measure for decisions on aid allocation?

Some governments have sought to use corruption scores to determine which countries receive aid, and which do not. TI does not encourage the CPI to be used in this way. Countries that are perceived as very corrupt can not be written off – it is particularly they who need help to emerge from the corruption-poverty spiral. If a country is believed to be corrupt, this should serve as a signal to donors that investment is needed in systemic approaches to fight corruption. And if donors intend to support major development projects in countries perceived to be corrupt, they should pay particular attention to ‘red flags’ and make sure appropriate control processes are set up.

For more, please see Transparency International’s In Focus on the Corruption Perceptions Index 2006 at: www.transparency.org/news_room/in_focus/cpi_2006

This area provides highlights of the valuable work of the anti-corruption movement, championing a world free of corruption.

This month highlights the following stories:

- [Access to Information work in Montenegro](#)
- [South Asia Sub Regional Meeting](#)
- [Inter-American Convention against Corruption: progress in Ecuador](#)

Access to Information work in Montenegro



The Montenegrin Network for the Affirmation of the NGO sector (MANS) has been testing Montenegro's new access to information legislation. The group has spent eight months submitting requests to political institutions for information relevant to the fight against corruption.

This drive by MANS has found that some state institutions are still forbidding access to public documents. All requests made to the Agency for National Security, for example, were refused. However the Administrative Court has overturned the agency's decision not to reveal how many people it employs. Other requests made by MANS, but refused by the agency, are also under review by the court, including a request for the number of persons under surveillance by the agency. The courts' decisions are expected in the near future.

South Asia Sub Regional Meeting



The sixth annual Transparency International (TI) South Asia Sub-Regional Meeting took place in Kathmandu on 21-22 September, bringing together TI national chapters from Bangladesh, India, Nepal, Pakistan and Sri Lanka. The late president of TI Nepal, Dr. Harka Gurung, opened proceedings.

Discussions highlighted democracy and government commitment to anti-corruption measures as prerequisites to transparency, as well as the necessity for governmental anti-corruption agencies to work closely with civil society. The Nepalese Prime Minister, Girija Prasad Koirala, addressed the meeting on subjects including the ratification of the United Nations Convention Against Corruption (UNCAC) by South Asian countries.

Delegates also expressed their support for TI's Asia-Pacific Anti-Corruption Learning Programme, which aims to increase TI's impact and effectiveness in the region.

Inter-American Convention Against Corruption: progress in Ecuador



The Corporación Latinoamericana para el Desarrollo (CLD), Transparency International's national chapter in Ecuador, presented a reform project of the Ecuadorian Criminal Code to the Ministry of Finance in the framework of its Inter-American Convention against Corruption (IACAC) implementation monitoring.

The Corporación Latinoamericana para el Desarrollo (CLD), Transparency International's national chapter in Ecuador, presented a reform project of the Ecuadorian Criminal Code to the Ministry of Finance in the framework of its Inter-American Convention against Corruption (IACAC) implementation monitoring. The aim is to ensure that all of the crimes that the Convention anticipates, detects and sanctions are included in the laws of the country, to strengthen the Ecuadorian judicial system and avoid impunity.

The text of the reform project includes offences like bribery, unlawful enrichment, illegal seizure/appropriation of goods, as well as access to privileged information for the benefit of a political position. It also includes the actions of the law concerning public officials, which were not considered previously in the legal body. The next step is the final approval by the highest authority in the Ministry of Finance, so that the law can be discussed in the National Congress.

Corruption stories of note in the news this month:

- [Silvio Berlusconi to stand trial for corruption](#)
- [Israeli Prime Minister faces corruption allegations](#)
- [Graft investigations increase in Shanghai](#)

Silvio Berlusconi to stand trial for corruption

by Jennifer Williams



Former Italian Prime Minister Silvio Berlusconi has been ordered by a Milan court to stand trial for corruption. Berlusconi is accused of paying his British lawyer, David Mills, to give false testimony in two previous trials against him.

The *Washington Post* reports that an alleged payment of US \$600 000 was made by Berlusconi to Mills in 1997. The pair, apparently “close friends”, have previously been charged with “false accounting, embezzlement and tax fraud”, writes the *Post*.

Russian newspaper *Kommersant* notes that Berlusconi - Italy's richest man - “has ample experience fighting legal battles”, but describes the alleged payment as “a new revelation”, which “prosecutors believe to be incontrovertible evidence of Mr Berlusconi's guilt”.

According to the Italian website *ANSA*, the trial is due to begin on 13 March. Judicial sources say the defendants face sentences of three to eight years if convicted.

The *BBC* notes that Mills, who will stand trial alongside Berlusconi, is the estranged husband of British culture secretary Tessa Jowell. The official spokesman of British Prime Minister Tony Blair “refused to be drawn on the case”, it writes.

Israeli Prime Minister faces corruption allegations

By Jennifer Williams



Israeli Prime Minister Ehud Olmert faced corruption allegations in October after accusations of corruption surfaced in the Israeli media. The website *New First Class* alleged that in 2005, while serving as finance minister, Olmert interfered in the privatisation of a major Israeli bank.

According to *Reuters*, Olmert was accused of trying to “help two overseas businessmen” - who, the report says, are Olmert's “personal friends” - in the bidding for Bank Leumi, Israel's second biggest bank.

“Neither of the businessmen purchased the bank,” *Reuters* notes, adding that the controlling share of Bank Leumi was eventually sold to an American investment group for US \$540 million.

An investigation is underway into allegations that Olmert “took bribes” during the deal, the *BBC* reports. It adds that the Prime Minister was already under investigation for the sale of a property to a political supporter at an allegedly inflated price, as well as for “appointments made in 2004 when Olmert was trade and industry minister”.

The Jerusalem Post reports that the State Comptroller, Israel's government watchdog, is expected to recommend that Olmert be placed under criminal investigation by the Attorney General over the latest allegations.

Graft investigations increase in Shanghai

by Jennifer Williams



A raft of corruption investigations hit Shanghai in October, as public officials and company executives were implicated in the city's pension scandal. The probe had already caused the high-profile dismissal of Shanghai's Communist Party secretary in September.

Reuters reported that the Chinese authorities had made "their first known arrest" in the corruption investigation. Zhang Rongkun, chairman of Fuxi Investment Holding Co. and China's 16th richest man was arrested for "alleged impropriety" involving a loan of city funds, the news agency reported.

The *Taipei Times* said the director of the city's Economic Commission, a "top judge" and the vice head of the Shanghai Maritime Court, had all been "relieved of their duties". No official reason was given for the dismissal, but the newspaper linked it to the pension fund investigation, which centres on "the alleged misuse of up to US \$400 million" from the city's retirement fund.

The *International Herald Tribune* reports that Yuan Yonglin, an executive of Shanghai Haixin Group, a company that makes 2008 Olympic mascots, also is being investigated for "involvement" in the pension fund scandal.

According to the *International Herald Tribune*, the crack-down is "part of a perennial campaign to stamp out rampant abuses that threaten to erode public acceptance of Communist rule".

NEWS FROM THE ANTI-CORRUPTION MOVEMENT

Dominican Republic celebrates National Day Against Impunity in Bank Fraud

The Raise Your Voice for Justice campaign, organised by Participación Ciudadana (PC), Transparency International's national chapter in the Dominican Republic, brought together more than 1,500 people to celebrate the National Day Against impunity in Bank fraud on 26 August 2006.

This campaign aimed to raise citizen awareness of the most prominent cases of bank fraud, and to demonstrate how these cases of fraud impact the economic wealth of the country as well as individuals' daily lives. It is part of the actions developed by PC in its transparency in public management programme.

First Index of Municipal Transparency in Colombia

Transparencia por Colombia, the Colombian Federation of Municipalities and the National Planning Council have developed the first Index of Municipal Transparency (ITM), or Índice de Transparencia Municipal. The Index measures whether Colombian municipalities have institutional conditions in place to favour transparency. The Index marks the municipalities on a scale from 0 to 100 points, where 100 indicates a high level of transparency. The average results of the ITM show a generally low level of transparency of 50.02 points. For more information (in Spanish), please see:

www.transparenciacolombia.org.co/new//transparencia/publico/indiceintegridad/indicemunicipal.html

ETHIC intelligence

Philippe Montigny, President of ETHIC intelligence and member of TI France introduced the anti-corruption, anti-money-laundering, and due diligence certifications developed by ETHIC Intelligence.

The ETHIC Intelligence certification process is a voluntary step undertaken by any company that wishes to ensure that its integrity measures comply with international good practices. As part of a self-regulation policy, this certification process allows a company to bring in an independent third party to demonstrate the existence and quality of such measures. For more information please go to: www.ethic-intelligence.com

New leadership at TI Switzerland

TI Switzerland thanks its former president, Philippe Lévy, for his tireless service and dedication to the organisation and its goals. In his eight years as head of the chapter, Mr Lévy led the way in building coalitions with a broad range of actors to address key anti-corruption issues and succeeded in establishing a strong, reputable and sustainable TI chapter in Switzerland. Dr. Anton N. Fritsch, former [ABB](#) Switzerland executive, will replace Mr. Levy as President. Dr. Fritsch was elected by the TI Switzerland Board of Directors and took up the post of president on 1 October 2006.

Papua New Guinea teaches voter education through drama

Transparency International Papua New Guinea is implementing a project on voter education, ahead of the national elections in early 2007. The Voter Education and Democratic Governance Awareness Project (VEDGAP), funded by the United Nations Development Programme, uses drama to provide information about elections, to encourage voter participation and to improve political representation. Papua New Guinea's leading drama groups put on live performances in public places. Each presentation is followed by a discussion about transparency, accountability and good governance.

For more information please see: content.undp.org/go/newsroom/october-2006/voter-education-papua-new-guinea-20061016.en

Global Corporations for the Transparency International (GCTI) 2nd annual briefing

On 13 October, representatives of the companies participating in the Global Corporations for Transparency International (GCTI) initiative gathered in London for the 2nd annual briefing. Companies

represented included Ernst & Young, Nexen, Norsk Hydro, Procter and Gamble, and Shell.

Chaired by Jermyn Brooks, the meeting provided an opportunity for TI to discuss the pivotal role of business in addressing corruption with private sector donors. Daivd Nussbaum and Cobus de Swardt spoke to activities at the TI secretariat and Neill Stansbury and Graham Rodmell spoke on corruption in construction and engineering and national chapter perspectives.

For more information on the GCTI, please visit: http://transparency.org/support_us/support/gcti.

U4 Expert Answer on Gender and Corruption

The U4 Expert Answer on Gender and Corruption was recently used as a basis to make changes to the Netherlands' Ministry of Foreign Affairs *Handbook on Good Governance*, specifically in the Guidance note on Corruption. To read U4 Expert Answers, please see: www.u4.no/helpdesk/main.cfm .

Korea's National Integrity System Study

Transparency International Korea released a National Integrity System (NIS) country study, analysing the institutions, sectors and activities that contribute to integrity in society. The study notes positive steps made by Korea such as introducing integrity into legislation and institutions, including the Anti-Corruption Act, the Public Service Ethics Act and The Korea Independent Commission Against Corruption (KICAC). The study, however, emphasises the need for deeper political commitment. Specific recommendations called for improving monitoring mechanisms, strengthening law enforcement and empowering anti-corruption institutions. For more, please see: www.transparency.org/news_room/in_focus/2006/nis_korea

CORRUPTION IN QUOTES

"For those of you who say that improving governance is a luxury that poor countries cannot afford, I am here to tell you that they cannot afford not to improve governance."

Paul Wolfowitz, President of the World Bank, speaking to the Inter-Parliamentary Union in Geneva; *The Tide News*, Nigeria, 24 October

"Absolute power may corrupt absolutely, but it also corrupts trivially."

Ruth Markus, writing on politicians indulging in petty corruption; the *Washington Post*, United States, 25 October

"People now expect their local politicians to be on the take. Voters assume that everybody takes a cut. All they hope for is that politicians do something for their town at the same time."

Manuel Fuentes, mayor of the Spanish town Sesena; *The Guardian*, UK, 26 October

"I guess I feel the same way when I watch soccer. I am always frustrated waiting for my team to score and feel like getting on the field and playing myself."

Thai army chief Sonthi Boonyaratglin on his frustration at the speed of the anti-corruption investigation into ousted Prime Minister Thaksin Shinawatra; *Reuters*, Global, 26 October

"The people who are in power become very comfortable with their positions, and they don't think that they can get in trouble for stepping over the line."

Craig Holman of watchdog group Public Citizen on corruption in the American government; *International Herald Tribune*, France, 24 October

"It is the tip of the iceberg. There is a lot more down there. The problem is, you don't know what you don't know."

James "Chip" Burrus, assistant director of the criminal investigation division of the FBI, on bribery at the United States/Mexico border; *San Francisco Chronicle*, United States, 25 October



COMING UP

Coming up in November

15-18 November

12th International Anti-Corruption Conference "Towards a Fairer World: Why is corruption still blocking the way?"

20-21 November

Octopus Interface on "Corruption and Democracy"

23-24 November

World Economic Forum in Turkey

20 November - 01 December

Local Governance for Rural Development

Coming up in December

3-5 December

EITI NGO Regional Strategy Meeting

5 December

Corruption, Extradition, Mutual Legal Assistance & Fraud Update: the UK's response to a global problem

10-13 December

Post-Conflict Insitution Building: Beating Corruption

10-14 December

Conference of the State Parties to the United Nations Convention Against Corruption



MASTHEAD

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