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December 2004



Transparency International's Quarterly Newsletter



TI Integrity Awards 2004 winners: Naftali Lagat, Milica Bisic and David Munyakei

**SPECIAL REPORT**

## Saying no to corruption: the TI Integrity Awards 2004 winners

"It is through the actions of courageous and determined individuals who share a passion for justice that the fight against corruption continues," said TI Chairman Peter Eigen, at the ceremony to honour the TI Integrity Awards 2004 winners. "This year's winners are a source of inspiration to all of us. They have gone above and beyond their sense of duty to ensure that the corrupt have no one to bribe and nowhere to hide," said Eigen.

The Integrity Awards 2004 were handed out at the opening ceremony of TI's annual membership meeting in Nairobi on 8 October. The winners were Dr Milica Bisic, a corruption-busting tax inspector from Republika Srpska (Bosnia & Herzegovina), and Naftali Lagat and David Munyakei, whistleblowers who helped expose a financial scandal in Kenya. A posthumous tribute was paid to three courageous individuals who lost their lives for taking a stand against corruption in Turkey, India and Bangladesh, respectively.

*Continued on page 10*

**FROM THE CHAIRMAN**

## TI celebrates first international anti-corruption day

Since the UN Convention against Corruption was launched on 9 December 2003, 113 countries have signed up to the convention, an instrument widely recognised as a milestone in international efforts to curb corruption. To mark the launch of the convention, the UN General Assembly subsequently designated 9 December as International Anti-Corruption Day.

Transparency International's chapters around the world have been marking the day by raising awareness about the dangers of corruption and launching debates on how to implement anti-corruption strategies. They are urging their governments to sign and ratify the UN convention, as well as key regional conventions such as the African Union Convention on Preventing and Combating Corruption. TI has also been urging OECD member governments to ensure that resources are made available to enforce the OECD anti-bribery convention, which outlaws bribery of foreign public officials and came into force in 1999.

The UN convention enters into force 90 days after it has been ratified by 30 member-states; at the time of writing, it had been ratified by 12 states. TI has been lobbying governments and institutions worldwide to accelerate ratification and implementation, and to prepare the ground for vital monitoring of the convention, promptly after it enters into force.

The UN convention, the first global legally binding instrument on corruption, breaks new ground with its provisions on corruption prevention and asset recovery. The convention facilitates international co-operation in the control and sanctioning of corruption and provides governments, citizens and donors with internationally agreed reference points for their work at country level. It also sets important standards for public sector ethics and access to information, as well as codes of conduct and accounting standards for the private sector.

More and more governments around the world, together with the private sector, the World Bank and the UN are recognising that prevention of corruption and promotion of good governance are essential to the achievement of sustainable economic and social development and to the creation of a competitive private sector.

A consensus has grown out of the increasing realisation that corruption diverts funds away from essential public services and thwarts the development of honest businesses. In so doing, corruption robs children of their future and breeds conflict, mistrust and even war. Let's fight corruption. It's our world.

*Peter Eigen, Chairman, Transparency International*

**SPECIAL REPORT**

### TI Integrity Awards winners

A corruption-busting tax inspector from Republika Srpska and whistleblowers who helped expose a financial scandal in Kenya are the recipients of this year's TI Integrity Awards.

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**SURVEYS**

### The 2004 CPI and Barometer

TI's latest Corruption Perceptions Index finds oil-rich countries particularly prone to corruption. The recently published Global Corruption Barometer highlights the pervasiveness of corruption in politics.

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**COUNTRY SPOTLIGHT**

### Public contracting in Croatia

TI Croatia has played an important role in pressuring the Croatian government to take measures that have ensured more transparency in procurement decisions. Zorislav Petrovic of TI Croatia tells the story.

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# In the Headlines

» A sample of corruption reports from around the world

## ● AFRICA

### • DRC

#### Mineral smuggling is costing millions

Rampant corruption and smuggling in the Democratic Republic of the Congo (DRC) means this impoverished country loses millions of dollars in revenues from copper and cobalt mining each month, according to Global Witness. Even during a boom in the price of cobalt, neither the country's economy nor the local population benefited. A recent report published by the organisation shows that China imported 10,707 tons of cobalt concentrate from the DRC in March 2004, but the African country's central bank recorded cobalt production of just 783 tons. Global Witness called on the international community to support Congolese government attempts to implement a 2002 mining code. "Without the active support of the international donor community, this situation is unlikely to change," the group said.

*Independent Online (South Africa), 28 September 2004*

### • SOUTH AFRICA

#### Graft trial fingers deputy president

In a highly publicised corruption trial, South African Deputy President Jacob Zuma has been implicated in almost every charge brought against Shabir Shaik, his financial adviser. Zuma was allegedly paid 1.3 million rand (US\$210,000) to secure business deals for Shaik's Nkobi Holdings company. Shaik, however, who is facing three main charges of fraud and corruption, claims he was merely lending the money to an old friend. In 1999, Shaik allegedly negotiated a deal with French arms company Thales International to pay Zuma 500,000 rand a year in return for protection from investigations into suspected irregularities of a multi-billion dollar arms deal. The deputy president, who has not yet been charged, has proclaimed his innocence and lamented that he is being "tried in the media".

*Agence France Presse, 1 November 2004*

## ● AMERICAS

### • COSTA RICA/FRANCE

#### Trio of former presidents embroiled in scandals

Three former Costa Rican presidents were embroiled in corruption scandals in October. José Maria Figueres, president from 1994 to 1998, resigned from his post as president of the World Economic Forum on 29 October after he was accused of pocketing US\$900,000 in bribes from Alcatel, the French telecommunications company. Figueres admitted accepting the money but insisted it was a consultancy fee.

On 15 October, Miguel Angel Rodríguez, president from 1998 to 2002, was arrested for allegedly taking a US \$550,000 bribe from Alcatel while in office. The company had been bidding for a concession of 400,000 GSM lines. The charges forced Rodríguez to resign as president of the Organization of American States on 8 October, just two weeks after he took up the post. In light of the scandal, Alcatel has fired their representative in Costa Rica and their director in Central America. Transparency International urged the Costa Rican and French authorities to proceed swiftly with the investigation of the case, and to apply the appropriate sanctions.

On 22 October, Rafael Angel Calderón, president from 1990 to 1994, was sentenced to nine months in prison while investigations continued into allegations that he pocketed part of a US\$39 million loan he had brokered from the government of Finland, intended for investment in the Costa Rican health system. His sentence was reduced to two months on 10 November.

*Financial Times, 25 October 2004;*

*Associated Press, 10 November 2004;*

*Le Monde, 5 November 2004;*

*Agence France Presse, 2 November 2004.*

### • USA/NIGERIA/IRAQ

#### Halliburton admits bribes 'may have been paid'

US oil service firm Halliburton has acknowledged that improper payments 'may have been made' to Nigerian officials through a consortium of which it was a member. Halliburton said the US Justice Department had expanded its investiga-

tion into potential bribes through the TSKJ consortium, a matter also under review in France and Nigeria. The company is currently under investigation in the US for allegedly contemplating bribing Nigerian officials to win a lucrative natural gas project 10 years ago. The alleged payments, many of which occurred when Halliburton was being run by current US Vice President Dick Cheney, helped the consortium win a US \$12 billion contract to build a gas terminal. Halliburton has denied that its top executives were involved in any wrongdoing.

*Agence France Presse, 8 November 2004; Financial Times, 11 November 2004.*

## ● ASIA

### • INDONESIA

#### More councillors named graft suspects

Dozens of former councillors have been added to a list of officials allegedly implicated in corruption cases across the country. East Nusa Tenggara Police said in November that they would name all 35 former members of the South Timor Tengah legislative council as suspects in a graft case involving Rp 1.4 billion (US\$155,555). The fund was allocated from the regency's 2003 budget as gratuity payment for council members when their five-year terms drew to a close. The police brought graft charges against council members because the allocation was not regulated by law, and authorities found indications of state losses. In a separate case, south Sulawesi provincial councillor Eddy Baramuli was named as a suspect in a corruption case involving Rp 18.23 billion (US\$2 million) of the province's 2002 budget; 16 other suspects, including councillors re-elected for the 2004-2009 term, were named in the same case.

*The Jakarta Post, 11 November 2004*

### • VIETNAM

#### Hanoi steps up drive to weed out corruption

Eight senior executives of Vietnam Airlines' petroleum trading subsidiary, Vinapco, were arrested on suspicion of illegally exporting oil to private traders in Cambodia. The suspects are accused of taking up

to US\$1.3 million in bribes. Just days later, an investigation into Vietnam's trade ministry reached its climax as Mai Van Dau, the deputy trade minister, was arrested for 'abuse of power' for allegedly selling export quotas for garment manufacturers sending textiles to the US. The 'cash-for-quotas' racket has claimed four other senior trade ministry officials, including Mr Dau's son. Vietnam's communist party appears to have stepped up its anti-corruption drive in the past 12 months. The clean-up effort has so far exacted its heaviest toll at Petrovietnam, the state-owned oil and gas giant, where the general director and his deputy were dismissed in May last year for misconduct in tendering for Vietnam's first oil refinery.

*Financial Times, 2 December 2004*

## ● EUROPE

### • RUSSIA

#### Critics say Putin must address security corruption

The performance of security services in Beslan, where at least 338 children and adults died in September, has drawn intense criticism from veterans of the military and law enforcement agencies. The terrorists who took over the Beslan school and demanded an end to the war in Chechnya were reportedly aided by a police officer. Polls have shown that most Russians blame corruption in security agencies for the deaths in Beslan and want the services overhauled. The agencies have failed to stem a recent tide of terrorism that has killed more than 1,000 people over two years.

*Washington Post, 15 September 2004*

### • TURKEY

#### Former ministers to face trial over corruption

The Turkish parliament in November voted in favour of putting two former public works and housing ministers - Koray Aydin and Yasar Topcu - on trial for corruption and abuse of office. Aydin is accused of corruption in tenders put out by his ministry, of failing to investigate allegations of fraud in tenders, and of accumulating unjustified personal wealth. Topcu faces allegations of corruption in a tender for building a highway. The parliamentary votes follow a far-reaching inquiry into claims of large-scale fraud in tenders, sell-offs, banking reforms and energy projects over the past decade.

Meanwhile, Cumhuriyet Ersumer and Zeki Cakan, two former Turkish energy ministers, were due in court on 25 November. The two men are charged with misuse of office, damaging the public interest and

dereliction of duty in relation to a controversial contract they oversaw to import natural gas from Russia.

*Agence France Presse, 9 November 2004; Financial Times, 24 November 2004.*

### • UK

#### Ministers back down on bribery controls

Ministers have bowed to intense pressure from business and agreed to water down new rules designed to curb corruption and bribery by British exporters. In April, ministers announced that anti-corruption procedures used to vet deals by the Export Credits Guarantee Department, the government agency providing guarantees and insurance to exporters, were being tightened to root out wrong-doing in international business. The new rules have run into sustained opposition from British exporters, who say the new anti-bribery requirements would place them at a competitive disadvantage. Anti-corruption campaigners have expressed alarm over the decision, saying it sends a bad message to the business community.

*Financial Times, 18 October 2004*

## ● MIDDLE EAST

### • IRAQ

#### Saddam ran kickbacks scheme, says report

Saddam Hussein personally oversaw a scheme that directed secret gifts of oil to hundreds of individuals and companies around the world who he believed could help get UN sanctions lifted, according to the chief US weapons inspector. A report from Charles Duelfer, head of the Iraq Survey Group charged with looking for weapons of mass destruction after last year's US-led invasion, describes the granting of oil allocations as part of an effort to give others a stake in the regime's survival. Alleged recipients included prominent politicians in several countries, including France, Russia and Indonesia, the report says. The allocations took the form of vouchers tradeable at a profit of 10 to 35 cents a barrel. The report showed sanctions crumbling after 1999 as Iraq's illicit revenues expanded. Illicit revenues never exceeded US\$430 million between 1991 and 1998. But they expanded to US\$1.35 billion in 2000 and US\$2.7 billion in 2001 and 2002.

*Financial Times, 8 October 2004*

For the latest global corruption headlines, see TI's Daily Corruption News:

[www.transparency.org](http://www.transparency.org)

## Returns to Kenya

By David Nussbaum

On my last trip to Kenya before joining TI, I stayed in a remote village close to the Somali border. The people there were coming to grips with the terrible conditions that flourished under president Daniel arap Moi's regime. In the three years that have passed, the country has undergone dramatic changes, particularly in terms of the open acknowledgement that corruption in Kenya must urgently be addressed.

The people of Kenya have entrusted a new government with the capital of their hopes and aspirations. While Kenyan society certainly stands to see some returns from their investment in the 2002 election, the historic prevalence of corruption in the country presents many hazards that could put at risk the potential high yield.

Given the expectations brought about by a new government, Kenya seemed an appropriate location for the international conference on 'New Anti-Corruption Governments: the Challenge of Delivery' (see also page 15). For two days, 200 participants worked to develop insights on how newly elected governments who have placed special emphasis on combating corruption can best overcome the challenges they face and deliver the gains from the democratic investment made in them.

Among the conclusions reached at the conference were that a new government needs a clear plan of action based on thorough diagnosis, and implemented by a highly professional team. Judicial reform is often a priority area, since resistance to anti-corruption efforts benefits from a judiciary that has been entangled in a corrupt system. A quick gain for new governments can be secured through provision of access to information, which promotes public trust.

Immediately prior to the new governments conference, we held our TI Annual Membership Meeting. For all of us at TI-S, it was inspirational to learn from, and interact with, individuals and TI national chapters from around the world. The gathering enabled us to continue building links across the TI movement and further develop our own governance structures.

As TI's Global Corruption Barometer 2004 shows, people around the world know that they pay a high price for rampant corruption. So many people have dedicated their time and expertise to TI, and we must find the best ways to maximise the return from this investment. The people of Kenya - and indeed the world - merit nothing less.

*David Nussbaum is Chief Executive of Transparency International.*

# Global Initiatives

» An overview of work by international organisations



*Corruption kills: In the run-up to International Anti-Corruption Day, TI produced a television spot using the metaphor of corruption as a plague. The spot is being translated into many languages and will be shown around the globe, including on BBC World and CNN International. For more information, contact: [jgarcia@transparency.org](mailto:jgarcia@transparency.org).*

## WORLD BANK/TI

### World Bank fights private-sector bribery

Following long-term advocacy by TI, in September 2004 the World Bank introduced a condition that requires bidders for large, Bank-financed projects to certify that they 'have taken steps to ensure that no person acting for [them] or on [their] behalf will engage in bribery'. According to the Bank, bribes cost the global economy as much as US\$1 trillion every year and a significant proportion of this figure is lost to the notoriously corrupt construction industry. The World Bank is set to spend US\$7 billion on infrastructure projects by 2005. Together with the regional development banks, the Bank allocated 39 per cent of all spending towards large-scale construction projects in 2002.

Though falling short of the ideal - a no-bribes policy for all World Bank contracts - the degree of corruption in the construction industry makes integrity certification an important initiative. It will not only promote probity in the projects directly bankrolled by the Bank, but also encourage the acceptance of codes of conduct across the construction sector as a whole.

## UNDP/TI

### Working for reform in the Arab world

On 5 September, the Lebanese Transparency Association hosted a workshop in

Beirut on ways of empowering civil society to promote a MENA-based agenda for governance reform. Organised in cooperation with UNDP's Programme on Governance in the Arab Region, the Lebanese Center for Policy Studies and the Economic Research Forum, the workshop was attended by 40 representatives of leading regional human rights, development, media anti-corruption organisations and research centres. A statement calling for respect for human and economic rights, the rule of law and protection from corruption was drafted at the workshop and presented to the G8 foreign ministers meeting in New York on 24 September.

## OECD/TI

### Enforcing the OECD convention

The OECD continues to scrutinise compliance with the Anti-Bribery Convention, with representatives of the Working Group on Bribery making on-site visits to Hungary and Greece in October 2004. These visits represent the latest 'Phase 2' checks that earlier in 2004 gave rise to information-gathering trips to Mexico and South Korea in February, Italy in April, Switzerland in May, and Japan and the UK in July. TI national chapters made written and/or oral contributions to the reviews in all but one of these countries. Follow-up 'examinations' by the entire Working Group - in which the results of the fact-finding missions are assessed - were concluded in the first five of those countries visited in 2004. The Phase 1 reports on Brazil, Chile and

Hungary, and Phase 2 reports on South Korea, Luxembourg, Mexico and Norway, are available on the OECD website. For more information, see [www.oecd.org](http://www.oecd.org) or contact Gillian Dell at the TI Secretariat ([gdell@transparency.org](mailto:gdell@transparency.org)).

## OECD/TI

### Civil society speaks up in the Middle East

As the only representatives of civil society at the OECD-MENA meeting steering group in September 2004 in Amman, Jordan, TI-S took the opportunity to highlight the importance of making civil society an active and crucial player in the region, particularly in the field of anti-corruption. In this second meeting of the steering group, participants were briefed on the rationale of the OECD-MENA investment programme and its practical, 'results orientated' processes. Other issues covered included improving corporate governance and investment policies.

## IBP

### Study reveals budgets blocked from public scrutiny

Continuing their mission to improve access to information on state finances, the International Budget Project recently released a study examining public access to state budgetary information. The report, 'Opening Budgets to Public Understanding and Debate', polled civil society organisations in 36 countries (including TI Georgia) and

revealed that despite the relative ease of releasing budgetary finances, public access to such information remains deeply problematic. While budget planning and priorities are frequently released to the public, there are widespread shortcomings in the provision of information needed to monitor and evaluate how public funds are spent. States show even less enthusiasm for encouraging public and legislative participation in budget forming processes. For more information, contact Pamela Gomez at [gomez@cbpp.org](mailto:gomez@cbpp.org) or see [www.internationalbudget.org/openbudgets](http://www.internationalbudget.org/openbudgets).

**IOC**  
**Return to Olympian ideals is 'fig leaf'**

Dogged for years by accusations of corruption in the choice of locations for the Olympic games, in 1999 the International Olympic Committee (IOC) constituted an 'ethics commission' in an attempt to clean up its act. In August 2004, however, allegations that members of the IOC may have flouted strict rules for the 2012 games surfaced again.

According to in the BBC's Panorama programme 'Buying the Games', almost one-quarter of the IOC's 124 members were open to bribery in return for their vote in the city-selection process for the 2012 games. Andrew Jennings, author of *The Great Olympic Swindle*, said recently: "The IOC's in-house 'reform' of 1999 was a fig-leaf, largely for media consumption." In a press release, TI Chief Executive David Nussbaum concurs: "[i]f the claims aired by the BBC are borne out, this reinforces the urgent need for an independent external agency, including non-governmental representatives, to monitor the IOC's decision-making processes."

The vast sums of capital investment that follow city selection have also proved a magnet for corruption; the budget for the Athens Games has been estimated at US\$12 billion. TI has entered into discussions with the Beijing Organising Committee in order to press for a code of conduct, including anti-corruption clauses, conflicts-of-interest rules and guidelines on taking gifts. The Anti-Corruption and Governance Research Centre at Tsinghua University has opened discussions with the committee about applying the TI Integrity Pact in the implementation phases of Beijing Olympic construction projects.

*Transparency International press release*

**TI/JCI**  
**Young business leaders and TI join forces**

On 27 August TI entered into a co-operation agreement with Junior Chamber International (JCI). As a worldwide federation of young leaders with 250,000 members, JCI is an excellent partner in ensuring a new generation of global leaders and businesspeople with a strong awareness of transparency and integrity. The agreement lays out ways in which TI and JCI can work together at local, national and international levels, and in education and training. To find out more about Junior Chamber International, visit their web site at: [www.jci.cc](http://www.jci.cc).

**PTF**  
**Small projects make a big difference**



In October 2004, 33 NGOs worldwide shared over a half million dollars in grants from the Partnership for Transparency Fund (PTF). After just four years of operations, the PTF is a leading light in showing how micro-projects (with funding levels between US\$5,000 and US\$25,000) can curb corruption through NGO capacity building and cooperation between civil society and the public sector.

Along with private funding, support has come from the Swedish and German governments, the World Bank, UNDP and the Inter-American Development Bank. Projects supported include monitoring the sale of state mobile phone network licences (Bulgaria), monitoring state spending and procurement integrity pacts (India, Pakistan, Poland and Tanzania), the mapping of ecologically sensitive areas (Costa Rica), creating an index of corruption within state institutions within a specific city (Czech Republic), anti-corruption media campaigns (Mongolia, Nicaragua) and establishing anti-corruption coalitions and charters (Cambodia, India). Civil society organisations committed to fighting corruption may apply for a PTF grant directly. For more information, see [www.partnershipfortransparency.info](http://www.partnershipfortransparency.info).

**TI**  
**Las redes de la corrupción published**



*Das Netz der Korruption* ('The corruption web'), the book by Peter Eigen on the civil society fight against corruption published in German in 2003, has now been published in Spanish. The Spanish edition, *Las redes de la corrupción*, is published by Editorial Planeta (Spain) and includes a special prologue by Luis Moreno Ocampo, Chief Prosecutor of the International Criminal Court, and former TI board member. The book also includes a special chapter on corruption in Spain. To order the book, visit [www.casadellibro.com](http://www.casadellibro.com).

**TI/IPSS**  
**Journalist prize nets US\$25,000**



In October TI Latin America and the Caribbean (TILAC) and the Institute for Press and Society in Peru launched the third annual prize for corruption related journalism in the TILAC region. The winner will pick up US\$25,000 and there are two smaller prizes of US\$5,000. Winners are chosen by an international jury of media experts and journalists including Pulitzer Prize winners Michael Reid and Gerardo Reyes. In 2003, the jury evaluated 104 submissions from 14 Latin American countries before choosing Arturo Torres, editor of the judicial section of the Ecuadorian newspaper *El Comercio* for a series of reports on corruption among Supreme Court judges in his country. For more information, see [www.transparency.org/tilac](http://www.transparency.org/tilac) or [www.ipys.org/inscri\\_premio.shtml](http://www.ipys.org/inscri_premio.shtml).

# TI Country Work

## » An A to Z of TI chapter activities around the globe

TI and Citizen's Advocacy Office (CAO), an ALBANIAN non-governmental organisation, signed a partnership agreement on 8 November. The agreement sets out a number of areas of co-operation, such as joint delivery of anti-corruption projects and co-operation on priority issues, including public contracting, political corruption, and access to information. Since its foundation in 2001, CAO has emerged as the foremost anti-corruption watchdog and advocacy organisation in Albania. The partnership agreement is the first of its kind that TI has signed with an Albanian non-governmental organisation. It reflects the ongoing need to combat corruption in Albania. In TI's Corruption Perceptions Index 2004 Albania scored 2.5 against a clean score of 10, ranking 108th out of 146 countries surveyed. Kreshnik Spahiu, Executive Director of CAO, commented: "Partnership with TI will strengthen our efforts to raise awareness among the people of Albania, to create and strengthen public oversight mechanisms, and to promote transparency and integrity in the public and private sector."



**Kreshnik Spahiu, executive director of CAO, TI's new partner organisation in Albania.**

For three years, Poder Ciudadano, TI's National Chapter in ARGENTINA, has been working with a group of NGOs on advocating for national access-to-information legislation. In November 2004, the senate revised the law, a year after legislation had first been drafted. The draft law does not meet international standards, as it fails to provide a concrete definition of what constitutes public information, and does not specify which governmental bodies are required to provide it. However, the law does require those asking for information to provide all their personal details and to



*The campaign run by Poder Ciudadano (TI Argentina) and an NGO coalition for an access to information law urges senators not to leave the law 'hanging'.*

justify why they need it. At the time of writing, the text had returned to the lower house of parliament for signature, after which it will be returned to the senate for approval or further changes. For more information, please contact [pilar@poder-ciudadano.org](mailto:pilar@poder-ciudadano.org).

Meanwhile, Poder Ciudadano celebrated its 15th anniversary in October. Poder Ciudadano was established as a grassroots organisation to strengthen democratic institutions weakened by years of military dictatorship, and continues to work toward democratic reforms in Argentina.

Professor Johann Graf Lambsdorff, TI's adviser on the Corruption Perceptions Index, and TI Secretariat Programme Officer Liao Ran visited TI's contact in CHINA, the Anti-Corruption and Governance Centre (ACGC) at Tsinghua University in Beijing, in September. They discussed their ongoing regional survey of the transition economies of East and Southeast Asia. The project received its first grant from Macau's Independent Commission Against Corruption.

In October TI FRANCE published a 25-page report on whistleblowing. The report outlines 12 recommendations for the public and private sectors. It makes the case for legislative reforms in France, a country which currently lacks whistleblower legis-

lation. The report was compiled by a TI France working group made up of lawyers, judges, business people, trade union representatives and academics. For more information, visit the chapter's website at [www.transparence-france.org](http://www.transparence-france.org).

TI and the Japanese private sector collaborated in a series of meetings organised by TI JAPAN, TI's international Board and the Japanese Federation of Business Associations in early November. In a highly productive and positive atmosphere, representatives of major Japanese industry players such as Mitsubishi Trading, Sony, NEC, Fuji-Xerox and Panasonic gathered to learn more about TI and TI's tools including the Business Principles for Countering Bribery. Discussions yielded particular concern about how to deal with corruption in business operations outside of Japan. It was suggested that workshops and seminars be held for Japanese corporations overseas. Discrepancies in the use of Japanese development aid was also highlighted as being a further area of concern. TI Japan was formally launched on 20 November.

TI signed a chapter-in-formation agreement with the non-governmental organisation Future without Corruption in KYRGYZSTAN. A TI Chapter in MONGOLIA was also formed following the signature of an agreement there.

## Twenty countries undergo transparency check-up in 2004

Since they were first introduced in 2000, TI's National Integrity System (NIS) country studies have provided a detailed assessment of anti-corruption systems at country level. The studies are based on TI's concept of a National Integrity System, which includes all those institutions and practices - from the executive, legislature and judiciary, through the private sector and watchdog agencies to an independent media and civil society organisations - that are necessary to promote accountability and integrity in a society. They create the basis for analysis and policy reform, and enable the formulation of targeted and effective national anti-corruption strategies. Each pillar, and its relationships to the other pillars, is crucial to maintain the equilibrium of the system. In addition to the studies highlighted here, in 2004 NIS reports (most conducted in 2003) have been published for 12 Pacific Island countries with funding from AusAID (see below) and a number of others funded by the UK Department for International Development and the government of the Netherlands. All studies are available on the TI website at: [http://www.transparency.org/activities/nat\\_integ\\_systems/country\\_studies.html#cee](http://www.transparency.org/activities/nat_integ_systems/country_studies.html#cee).

### Armenia

According to recent TI surveys, the Armenian government's adoption of an anti-corruption programme has done little to convince citizens and experts that ongoing reforms have reduced corruption. The NIS TI Country Study Report Armenia 2003 confirms that institutions in the country are far from functioning effectively. Reasons behind the failure, the report suggests, are the absence of political will, the lack of institutional autonomy, a weak legal framework and poor law enforcement, and the low level of public participation in the policy-making process. It recommends greater checks and balances to curb the power of the president in relation to the legislature. In addition, the study advocates free and fair elections, which can be achieved by giving more rights to proxies and observers and by making electoral commissions accountable to the public. Also vital to the fight against corruption in Armenia, the report states, is greater independence of law enforcement officials and the judiciary, and independent media that support investigative journalism. Above all, the report argues that anti-corruption reforms must be locally owned and be broadly supported by the country's population, through enhancing public awareness and education.

### Australia

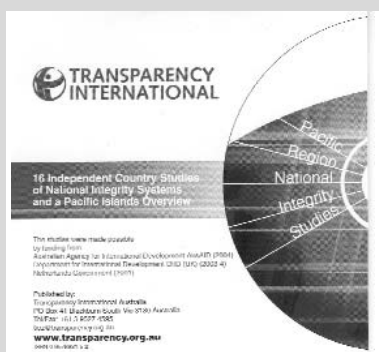
Australia's status as a country with fairly low levels of corruption is confirmed in TI Australia's NIS Country Study Report Australia 2004. However, the report shows that there are several weak points in the system, particularly the relative lack of protection for whistleblowers. According to TI Australia CEO Grahame Leonard, "this is of particular concern because corruption that exists in Australia in areas such as the construction industry and cartels requires whistleblowers to expose it and deal with it through the law enforcement system." The study identifies the lack of a watchdog anti-corruption agency as a major weakness, and criticises the absence of transparent reporting mechanisms at the Australian federal level. It argues that because of this lacuna, the federal government may not be able to recognise and combat cases of systemic corruption at an early enough stage.

### India

According to the NIS TI Country Study Report India 2003, India's administrative system is strong and independent, and Indian civil society organisations have succeeded in securing transparency in the electoral process. Despite this, the report states, high levels of corruption in India persist, particularly in the political party system: "India's politicians have attempted to frustrate the ideals of the constitution, subvert the rule of law, find and exploit loopholes in the system, and use political power to keep the executive subordinate." It identifies a number of priorities for reform, calling for further electoral reforms to keep criminals from accessing power, and legislation that would force political parties to open their funds to scrutiny and audit. The study also points to the need for a more effective judiciary and suggests that more manpower, financial autonomy and better technology would speed up the judicial process.

### Jamaica

Despite progress made toward introducing legislation requiring MPs and civil servants to declare assets as well as access-to-information legislation, the NIS TI Country Study Report Jamaica 2003 shows that the Jamaican government's anti-corruption efforts are still largely inadequate. The report states that the prevalence of petty corruption, political corruption and narcotics-related corruption "undermines the quality of the country's long-established democracy and retards its prospects for economic development." It calls for the prosecution of drug 'king-pins' involved in narcotics-related corruption and demands the elaboration of a comprehensive anti-corruption strategy with a clear timetable for implementation. The focus of the strategy, the report recommends, should be the introduction of legislation on political finance and whistleblower protection, in addition to the implementation of adequate internal controls in police and customs departments. The report also emphasises the need for effective disciplinary sanctions to curb corruption, and for greater public education on the harmful effects of political and narcotics-related corruption.



A CD-ROM published by TI Australia and The Australian National University is also available and contains 16 of the NIS studies. The 'Pacific Islands Overview Report 2004' was launched at TI's annual meeting in Kenya by Australian High Commissioner George Atkin. The 16 country studies on the CD-ROM are: Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.

With the aim of developing regional and global approaches to combating corruption in the Middle East and North Africa, TI LEBANON held a meeting in Beirut in September attended by parliamentarians, academics, researchers, activists and representatives of regional media. Building on the success of a meeting in Casablanca in February 2004, the Beirut meeting focused on adapting TI's *Source Book* to the particular needs of the MENA region. During the two-day workshop, special attention was paid to the practicalities of implementing the *Source Book's* "multi-pillared" approach to fighting corruption. Discussion also focused on ways of pooling the participants' knowledge and experience of effective practices.



TI Panama holds a press conference on the Corruption Perceptions Index 2004



Developing a regional approach to the TI *Source Book*

On 19 November, the LEBANESE Transparency Association launched *'The Right to Know: The Arab Reality in the Light of International Experiences.'* Written in Arabic, the book includes reports on access to information from seven Arab countries where TI is represented: Algeria, Bahrain, Egypt, Lebanon, Morocco, the Palestinian Authority and Yemen. It also contains a translation of the essays and case studies on access to information published in TI's *Global Corruption Report 2003*.

Prime Minister Datuk Seri Abdullah Ahmad Badawi delivered the keynote address at a fundraising dinner held by the Kuala Lumpur Society for Transparency and Integrity (TI MALAYSIA) in Kuala Lumpur on 6 October. The prime minister called on all parties to conduct business with honesty and transparency, noting the effect of perceptions of corruption on foreign direct investment. Arguing that government is unable to defeat corruption on its own, the prime minister stated that "fighting corruption actively in business transactions must surely be one of the sector's largest contributions to the nation's well-being".

Organised by Transparencia Mexicana (TI MEXICO), the second 'Making Good Government Real' forum took place in Mexico in September. Sponsored by the British government, the event was also run in collaboration with the Puebla state government after a Transparencia Mexicana survey had shown that Puebla was perceived to be the most corrupt state in Mexico. Participants included representatives of government, the private sector and civil society. Discussion groups addressed issues such as access to information, information technology, regulation and deregulation, governance and public services, and strategies to encourage good government. For more information, contact [transparencia99@prodigy.net.mx](mailto:transparencia99@prodigy.net.mx).

Etica y Transparencia, an NGO in NICARAGUA, became a TI national chapter-in-formation in August. The organisation's chairman is Roberto Courtney ([eyt@ibw.com.ni](mailto:eyt@ibw.com.ni)). For more details about their work, see [www.eyt.org.ni](http://www.eyt.org.ni).

On 3 November, Proética (TI's national chapter in PERU), launched the *Third National Survey on Corruption* and *The Progress Report of the Fight against Corruption from 2002-2004*. Both studies present a pessimistic portrait of the state of corruption in Peru. The survey measures perceived levels of corruption at the national and regional levels and the degree of corruption believed to exist in public institutions. The progress report includes the National Index of Fighting Corruption, which offers a quantitative, objective measure of corruption at the national level. Peru's score on this index (5.98 out of 10) demonstrates only average development in a number of key areas such as the fight against criminal corruption and the development of civil society initiatives.

For more information, contact [clanzara@proetica.org.pe](mailto:clanzara@proetica.org.pe).

Supported by the African Development Bank, SUDAN's first ever national anti-corruption strategy workshop was organised in Khartoum in August 2004. Organised by the National Centre for Peace and Development (NCPD) and TI Sudan, the workshop brought together representatives from political groups, the private sector, civil society and the international community. The government ombudsman, the Anti-Corruption Office and the national security agencies also participated. A wide range of topics were addressed through presentations and small working groups. The principal success of the event, however, was that it raised awareness of corruption and prompted open and lively discussion about the fight against corruption.

Chaired by former IMF economist Bo Karlström, TI SWEDEN was launched on 20 September. Despite consistently ranking among the 'least corrupt' countries in TI's Corruption Perceptions Index, the Nordic countries have witnessed a number of recent scandals such as those involving the Swedish-Finnish company Gotlandbolaget and Norway's StatOil. "The launch of a Swedish national chapter is a step towards creating a more robust, vigilant civil society," said Karlström. "Although Sweden has a long tradition of democracy and access to information, there is still room for improvement."

Marking the first-ever collaboration between the Taipei Municipal Government (TMG) and civil society, TI TAIWAN and the Taipei municipality ran a joint conference on 'Integrity and Good Governance' in November. The main goal of the conference was to improve the current legal framework and increase the integrity of

Taipei public servants.

The TMG also commissioned TI Taiwan to develop an integrity index in an attempt to explore the relationship between the popular perception of corruption and actual governmental performance. The index will combine objective standards with personal perceptions, to create a tool to compare governmental departments and assess the effectiveness of anti-corruption measures.

On 29 October, TI-UK launched a new report on money laundering that called for the regulation of company service providers and trusts. The report makes recommendations about the features of the proposed regulatory regime. Although many offshore financial services centres have introduced legislation to regulate such service providers, the UK and other onshore centres have yet to take action. The TI-UK report received good coverage in the UK press. In an editorial, the *Financial Times* urged the UK government to bring providers of company services and trusts under the regulatory scrutiny of the Financial Services Authority.

TI VENEZUELA became a national chapter-in-formation in November. The chapter's executive director is Mercedes de Freitas. To find out more about their work, contact [info@transparencia.org.ve](mailto:info@transparencia.org.ve) or see [www.transparenciavenezuela.org.ve](http://www.transparenciavenezuela.org.ve).

### First TI Baltic-Nordic meeting

In September, the TI national chapters of the Baltic and Nordic regions (Denmark, Estonia, Finland, Latvia, Lithuania, Norway and Sweden) met in Stockholm to explore possible bilateral and regional co-operation.



The Bahrain Transparency Society, TI's contact in the country, launches the Corruption Perceptions Index 2004

Speakers highlighted both the commonalities and diversity within the region. Despite significant differences in the perceived levels of corruption in the Nordic and Baltic states, participants found common ground in their historical and cultural relations, economic ties and the shared challenges brought forth by regional integration in the EU. They also recognised common threats such as organised crime.

TI representatives identified common priorities which included reducing corruption in politics and public contracting, improving standards in the private sector, implementing international conventions, measuring corruption and increasing the accountability of civil society. Possible outcomes of the meeting include planning of a Nordic-Baltic anti-corruption forum and a conference on improving integrity, transparency and accountability in Nordic-Baltic business relations.

### TI tackles corruption in public contracting

A series of workshops on public contracting took place in San Salvador, Tegucigalpa and Managua in September. As part of a Danida-sponsored TI project in Central America, the workshops aimed at providing training, knowledge sharing and facilitating the identification of possible networks for future work. They were co-ordinated and designed by TI-S in conjunction with local partner organisations in the region. The workshops included presentations by local experts in each city, and by the TI chapter and contacts in Peru and Guatemala. They were shaped according to local needs and included topics such as the assessment of national procurement laws, and the problem of corruption in public contracting and strategies to prevent it. The experiences of the Peruvian chapter with Integrity Pacts and transparency in local government (as well as the experience of Guatemala using the e-procurement system to monitor contracting processes) were also discussed.

TI national contacts and chapters in Burundi, Mauritius and Madagascar, gathered in Antananarivo, Madagascar in September for a week-long training workshop on public contracting and public expenditure monitoring. The workshop was designed and implemented by the public contracting programme at TI-S and based on chapters' needs. Selected experts from each country joined chapter representatives in a discussion on each country's procurement and anti-corruption legislation. The means and strategies to prevent corruption in public contracting, and budgetary and expenditure monitoring processes were also discussed.



TI's contact group in Guinea holds a conference on investigative journalism

# Saying no to corruption: the TI

Continued from page 1



## Milica Bisic: exposing corruption in the tax system

Dr Bisic is a professor of economics at the University of Belgrade and former head of tax and administration in Republika Srpska in Bosnia and Herzegovina. She received a TI Integrity Award for fearlessly taking on rampant corruption in the Republika Srpska's tax administration system. By introducing the forcible collection of taxes from large businesses, she is widely recognised as having established an institution with integrity that will work for the benefit of the people.

## David Munyakei: blowing the whistle on the Goldenberg scam

Former bank clerk David Munyakei helped expose one of the largest and most complex financial scandals in Kenyan history when, as an employee at the Central Bank of Kenya, he noticed



*Naftali Lagat and David Munyakei* that a company called Goldenberg was receiving unusually high amounts of money for supposedly exporting gold and diamonds. He blew the whistle on the scandal by providing opposition members of parliament with documents that revealed illegal transactions between the Central Bank and Goldenberg International. His courage

## Naftali Lagat: defying orders from corrupt officials

Constable Lagat was also recognised for his role in exposing the Goldenberg scandal. One night in 1991, he was on police duty at the airport when a director of Goldenberg International arrived carrying a suitcase full of gold. He refused orders from senior officials who he suspected were attempting to cover up illegal actions, and continued to bravely denounce corruption even after he was forced to appear before the Criminal Investigations Department.

## Posthumous Awards

Transparency International also extended posthumous tributes to three courageous individuals whose bravery cost them their lives: Hasan Balikçi, Satyendra Kumar Dubey and Manik Chandra Saha.

### Hasan Balikçi

An electrical engineer who worked for the Turkish state-owned company Turkey electric Distribution A.S, Hasan Balikçi was murdered in October 2002 after he denounced those responsible for stealing billions of dollars from the national utility. His death not only increased awareness about corruption in the energy sector, it also led to the strengthening of anti-corruption laws.

### Satyendra Kumar Dubey

Satyendra Kumar Dubey was Deputy General Manager of the Indian National Highway Authority when he was murdered on 23 November 2003. He was killed after his name was leaked in connection with a complaint about corruption he had sent to the prime minister's office and the road authority. His death has led to increased public outcry and renewed demands for laws to protect whistleblowers in a country where public money is frequently siphoned from large government projects through corruption.

### Manik Chandra Saha

During his time as a journalist at the BBC Bengali Service, Manik Chandra Saha frequently received death threats for his reports on crime and political corruption. His determination to expose injustice meant that he was under constant police protection until he was killed in a bomb attack on 15 January 2004. His death brought thousands of people into the streets and was condemned by the Bangladeshi Centre for Development, Journalism and Communication.

## Where are they now?

### Dr Peter Schönhöfer, Integrity Awards winner in 2002, continues his quest for corruption-free healthcare

Bribery, argues Dr Peter Schönhöfer, is putting the provision of quality healthcare at risk. Since he received a TI Integrity Award in 2002, ridding the medical profession of what he refers to as the "corrupt and corrupting practices of some pharmaceutical companies" has been the main focus of the campaigner's work. Since officially retiring from his medical career and professorship four years ago, Schönhöfer has dedicated much of his time to fulfilling his mission.

# Integrity Awards winners



"We absolutely must achieve a climate among physicians in which bribery is considered completely unacceptable," he says. Over the past few years, Schönhöfer argues, the ever-wors-

ening economic situation of physicians combined with a lack of innovation in the pharmaceutical industry has led to an increased frequency of bribery in the form of money and gifts.

"In many cases, at least in Germany, physicians are looking for extra income, which has made them easily corruptible. At the same time, there is less and less innovation in the pharmaceutical industry, meaning that some companies have resorted to paying bribes so that doctors prescribe and promote products that don't necessarily have any therapeutic value." The problem has reached such proportions, Schönhöfer argues, that "it's been estimated that up to one third of physicians accept bribes." The consequence, he points out, is the impediment of professional care.

Besides acting as co-editor of a monthly medical newsletter, Schönhöfer recently published a paper in the *International Journal of Risk and Safety in Medicine* that provides recommendations on how to curb corruption and other unethical activities in the pharmaceutical industry. In addition to advocating the sensitisation of physicians against material influences, he sees the need for the development of codes of conduct that would encourage transparency, and legislation that would extend anti-corruption laws to the health care profession. "We can only eliminate corrupt behaviour by making it punishable by law," he says.

Although retired, Dr Schönhöfer seems poised to continue his anti-corruption work. "I'm turning 70 next year," he says with a smile, "but I'll definitely keep going for a while yet."

## Goldenberg: a Kenyan scandal

By Mwalimu Mati

For two years, Kenyans have been captivated by the revelations of a judicial commission inquiry into a corruption scandal known as the 'Goldenberg affair'. This complicated mix of fraud, smuggling, international money laundering and political financing implicated former Kenyan president Daniel arap Moi, his vice-president George Saitoti (currently minister for education in the government of President Mwai Kibaki), and a substantial part of the political establishment. The commission's hearings, which ended on 18 November, presented Kenyans with a rare insight into a massive governance system failure that led to the bankruptcy of a nation. At least 20 per cent of Kenya's gross domestic product vanished because of Goldenberg International's activities. At the heart of the inquiry is the story of just three men.

The main focus of the commission's inquiry is Kamlesh Pattni, the businessman that ran Goldenberg. During his 65-day testimony, Pattni explained how he had convinced President Moi to approve a compensation scheme for the company that amounted to a rate of 35 per cent for every dollar made exporting gold and diamonds from Kenya, a country with no significant deposits of either resource. With this deal, the government embarked on an officially sanctioned smuggling operation involving gold and diamonds from the region. Ostensibly, this would protect the country from the effects of an international lending freeze that had been imposed because of the government's political and civil liberties record, and its reputation for corruption.

Kamlesh Pattni was arrested by chance one night in November 1991 at Nairobi's Wilson Airport. He was carrying 100kg of gold from Bunia, Zaire. The arresting officer, Naftali Lagat, defied orders from his superiors, including the director of intelligence, to release Pattni. This same intelligence director had been involved in the incorporation of Goldenberg International.

Pattni was released later that night, and his company went on to systematically loot the Central Bank of Kenya for 18 more months, on a daily basis filing false claims for fictitious gold and diamond exports. At about the same time, the first multi-party elections in three decades were being hotly contested, and Goldenberg money flowed in to ensure victory for Moi's party. During hearings of the Goldenberg inquiry, Pattni presented records of alleged payoffs to just about every political party, judges, lawyers and even religious leaders.

One day in April 1993, a 24-year-old junior clerk at the Central Bank decided to expose the scandal. David Munyakei photocopied export compensation claims worth US\$80 million that Pattni's company had submitted over a seven-day period. He then passed them on to two opposition members of parliament. Chaos broke out in parliament when the documents were tabled, as it did at the Central Bank the next day when newspapers reported the scandal. Munyakei was briefly arrested and then sacked.

Pattni's luck ran out in the mid-1990s: the Moi government turned on him when resolution of the Goldenberg affair became an important factor in the aid-conditionality imposed by the IMF, World Bank and bilateral lenders. His lawyers tied up proceedings in an already corrupt court system for nearly ten years, which prompted President Kibaki to set up the Goldenberg Commission of Inquiry in March 2003.

At the time of writing, Pattni is in custody and facing a murder charge. Naftali Lagat is still a constable in the Kenyan police force, and he has not been promoted for more than 10 years. David Munyakei lives in rural poverty with a family of six, unemployable because of a Central Bank blacklist. The latter two are recipients of Transparency International's Integrity Awards 2004.

While many Kenyans complain that the cost of the undoing of Goldenberg was too high, others say that finally 'naming and shaming' those responsible was well worth the cost. One thing is certain: provided that President Kibaki acts on the Goldenberg commission's report, impunity will no longer be guaranteed to future generations of corrupt leaders.

*Mwalimu Mati is Deputy Executive Director of Transparency International Kenya*

# Surveys

» TI's **Corruption Perceptions Index 2004** measures levels of corruption in the public sector and politics, as perceived by businesspeople and risk analysts. Countries' scores, derived from 18 surveys conducted by 12 independent institutions, range from a totally corrupt 0 to a clean 10.

Rank	Country	Score	Surveys used	Confidence range	Rank	Country	Score	Surveys used	Confidence range
1	Finland	9.7	9	9.5 - 9.8	74	Belarus	3.3	5	1.9 - 4.8
2	New Zealand	9.6	9	9.4 - 9.6		Gabon	3.3	3	2.1 - 3.7
3	Denmark	9.5	10	9.3 - 9.7		Jamaica	3.3	6	2.8 - 3.7
	Iceland	9.5	8	9.4 - 9.7	77	Benin	3.2	3	2.0 - 4.3
5	Singapore	9.3	13	9.2 - 9.4		Egypt	3.2	8	2.7 - 3.8
6	Sweden	9.2	11	9.1 - 9.3		Mali	3.2	5	2.2 - 4.2
7	Switzerland	9.1	10	8.9 - 9.2		Morocco	3.2	7	2.9 - 3.5
8	Norway	8.9	9	8.6 - 9.1		Turkey	3.2	13	2.8 - 3.7
9	Australia	8.8	15	8.4 - 9.1	82	Armenia	3.1	5	2.4 - 3.7
10	Netherlands	8.7	10	8.5 - 8.9		Bosnia and Herzegovina	3.1	7	2.7 - 3.5
11	United Kingdom	8.6	12	8.4 - 8.8		Madagascar	3.1	4	1.8 - 4.4
12	Canada	8.5	12	8.1 - 8.9	85	Mongolia	3.0	3	2.6 - 3.2
13	Austria	8.4	10	8.1 - 8.8		Senegal	3.0	6	2.5 - 3.5
	Luxembourg	8.4	7	8.0 - 8.9	87	Dominican Republic	2.9	6	2.4 - 3.3
15	Germany	8.2	11	8.0 - 8.5		Iran	2.9	5	2.2 - 3.4
16	Hong Kong	8.0	13	7.1 - 8.5		Romania	2.9	12	2.5 - 3.4
17	Belgium	7.5	10	7.1 - 8.0	90	Gambia	2.8	5	2.2 - 3.4
	Ireland	7.5	10	7.2 - 7.9		India	2.8	15	2.6 - 3.0
	USA	7.5	14	6.9 - 8.0		Malawi	2.8	5	2.2 - 3.7
20	Chile	7.4	11	7.0 - 7.8		Mozambique	2.8	7	2.4 - 3.1
21	Barbados	7.3	3	6.6 - 7.6		Nepal	2.8	3	1.6 - 3.4
22	France	7.1	12	6.6 - 7.6		Russia	2.8	15	2.5 - 3.1
	Spain	7.1	11	6.7 - 7.4		Tanzania	2.8	7	2.4 - 3.2
24	Japan	6.9	15	6.2 - 7.4	97	Algeria	2.7	6	2.3 - 3.0
25	Malta	6.8	4	5.3 - 8.2		Lebanon	2.7	5	2.1 - 3.2
26	Israel	6.4	10	5.6 - 7.1		Macedonia (FYR)	2.7	7	2.3 - 3.2
27	Portugal	6.3	9	5.8 - 6.8		Nicaragua	2.7	7	2.5 - 3.0
28	Uruguay	6.2	6	5.9 - 6.7		Serbia and Montenegro	2.7	7	2.3 - 3.0
29	Oman	6.1	5	5.1 - 6.8	102	Eritrea	2.6	3	1.6 - 3.4
	United Arab Emirates	6.1	5	5.1 - 7.1		Papua New Guinea	2.6	4	1.9 - 3.4
31	Botswana	6.0	7	5.3 - 6.8		Philippines	2.6	14	2.4 - 2.9
	Estonia	6.0	12	5.6 - 6.7		Uganda	2.6	7	2.1 - 3.1
	Slovenia	6.0	12	5.5 - 6.6		Vietnam	2.6	11	2.3 - 2.9
34	Bahrain	5.8	5	5.5 - 6.2		Zambia	2.6	6	2.3 - 2.9
35	Taiwan	5.6	15	5.2 - 6.1	108	Albania	2.5	4	2.0 - 3.0
36	Cyprus	5.4	4	5.0 - 5.8		Argentina	2.5	11	2.2 - 2.8
37	Jordan	5.3	9	4.6 - 5.9		Libya	2.5	4	1.9 - 3.0
38	Qatar	5.2	4	4.5 - 5.6		Palestinian Authority	2.5	3	2.0 - 2.7
39	Malaysia	5.0	15	4.5 - 5.6	112	Ecuador	2.4	7	2.3 - 2.5
	Tunisia	5.0	7	4.5 - 5.6		Yemen	2.4	5	1.9 - 2.9
41	Costa Rica	4.9	8	4.2 - 5.8	114	Congo, Republic of	2.3	4	2.0 - 2.7
42	Hungary	4.8	12	4.6 - 5.0		Ethiopia	2.3	6	1.9 - 2.9
	Italy	4.8	10	4.4 - 5.1		Honduras	2.3	7	2.0 - 2.6
44	Kuwait	4.6	5	3.8 - 5.3		Moldova	2.3	5	2.0 - 2.8
	Lithuania	4.6	9	4.0 - 5.4		Sierra Leone	2.3	3	2.0 - 2.7
	South Africa	4.6	11	4.2 - 5.0		Uzbekistan	2.3	6	2.1 - 2.4
47	South Korea	4.5	14	4.0 - 4.9		Venezuela	2.3	11	2.2 - 2.5
48	Seychelles	4.4	3	3.7 - 5.0		Zimbabwe	2.3	7	1.9 - 2.7
49	Greece	4.3	9	4.0 - 4.8	122	Bolivia	2.2	6	2.1 - 2.3
	Suriname	4.3	3	2.1 - 5.8		Guatemala	2.2	7	2.0 - 2.4
51	Czech Republic	4.2	11	3.7 - 4.9		Kazakhstan	2.2	7	1.8 - 2.7
	El Salvador	4.2	7	3.3 - 5.1		Kyrgyzstan	2.2	5	2.0 - 2.5
	Trinidad and Tobago	4.2	6	3.6 - 5.2		Niger	2.2	3	2.0 - 2.5
54	Bulgaria	4.1	10	3.7 - 4.6		Sudan	2.2	5	2.0 - 2.3
	Mauritius	4.1	5	3.2 - 4.8		Ukraine	2.2	10	2.0 - 2.4
	Namibia	4.1	7	3.5 - 4.6	129	Cameroon	2.1	5	1.9 - 2.3
57	Latvia	4.0	8	3.8 - 4.3		Iraq	2.1	4	1.3 - 2.8
	Slovakia	4.0	11	3.6 - 4.5		Kenya	2.1	7	1.9 - 2.4
59	Brazil	3.9	11	3.7 - 4.1		Pakistan	2.1	7	1.6 - 2.6
60	Belize	3.8	3	3.4 - 4.1	133	Angola	2.0	5	1.7 - 2.1
	Colombia	3.8	10	3.4 - 4.1		Congo, Democratic Republic	2.0	3	1.5 - 2.2
62	Cuba	3.7	4	2.2 - 4.7		Côte d'Ivoire	2.0	5	1.7 - 2.2
	Panama	3.7	7	3.4 - 4.2		Georgia	2.0	7	1.6 - 2.3
64	Ghana	3.6	7	3.1 - 4.1		Indonesia	2.0	14	1.7 - 2.2
	Mexico	3.6	11	3.3 - 3.8		Tajikistan	2.0	4	1.7 - 2.4
	Thailand	3.6	14	3.3 - 3.9		Turkmenistan	2.0	3	1.6 - 2.3
67	Croatia	3.5	9	3.3 - 3.8	140	Azerbaijan	1.9	7	1.8 - 2.0
	Peru	3.5	8	3.3 - 3.7		Paraguay	1.9	7	1.7 - 2.2
	Poland	3.5	13	3.1 - 3.9	142	Chad	1.7	4	1.1 - 2.3
	Sri Lanka	3.5	8	3.1 - 3.9		Myanmar	1.7	4	1.5 - 2.0
71	China	3.4	16	3.0 - 3.8	144	Nigeria	1.6	9	1.4 - 1.8
	Saudia Arabia	3.4	5	2.7 - 4.0	145	Bangladesh	1.5	8	1.1 - 1.9
	Syria	3.4	5	2.8 - 4.1		Haiti	1.5	5	1.2 - 1.9

# The TI Global Corruption Barometer 2004

To mark the first International Anti-Corruption Day on 9 December 2004, Transparency International published its second Global Corruption Barometer. This survey, the only worldwide public opinion survey on perceptions and experience of corruption, included more than 50,000 respondents from the general public in a total of 64 countries. It was conducted for TI by Gallup International as part of its Voice of the People Survey between June and September 2004.

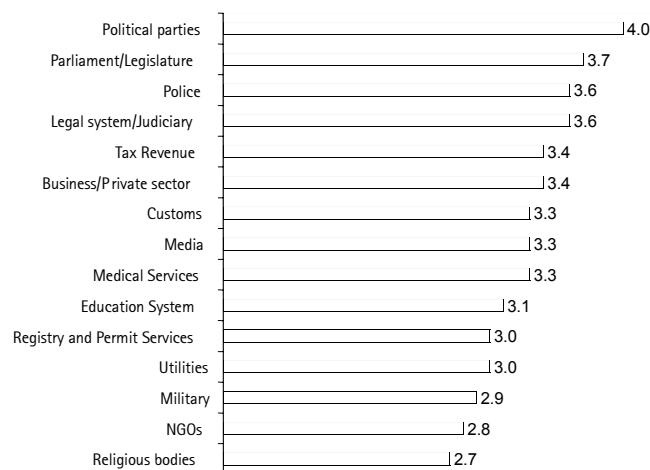
The Global Corruption Barometer 2004 compares petty and grand corruption (and compares corruption with other problems in society), evaluates the extent to which public and private institutions are considered corrupt, determines where the public believes corruption's impact is greatest, asks about experience of paying bribes, and surveys the public's expectations concerning future levels of corruption.

## Political parties are most corrupt institution worldwide

In 36 out of 62 countries surveyed on corruption in institutions, political parties were rated by the general public as the institution most affected by corruption (see Table 1). On a scale from a corrupt-free 1 to an extremely corrupt score of 5, parties ranked worst worldwide, with a score of 4.0, faring most poorly in Ecuador, followed by Argentina, India and Peru. At the same time, the public rated political or grand corruption as a very grave problem, and reported that in most countries surveyed corruption affected political life more than business and private life.

After political parties, the next most corrupt institutions worldwide were perceived to be parliaments, followed equally by the police and the judiciary.

**Table 1: Sectors and institutions most affected by corruption** (1 - not at all corrupt... 5 - extremely corrupt)



## Who pays bribes?

Worldwide, 10 per cent of respondents said that they or members of their household had paid a bribe in the previous 12 months. In five of the countries surveyed (Cameroon, Kenya, Lithuania, Moldova and Nigeria), at least one in three people said that they or members of their household had paid a bribe in the past 12 months (see Table 2). In Cameroon, a majority of those surveyed admitted that a member of their household had paid a bribe during the past year. In European Union countries, 11 per cent of Greeks also reported this experience. South Africans, in contrast, admitted paying bribes at similarly low levels to most developed countries.

The TI Global Corruption Barometer 2004 also indicates that the poor are most affected by corruption. Half of respondents on a low income believed that petty corruption was a very big problem, while 38 per cent of high-income respondents felt the same. The poor also reported the biggest impact of corruption on their personal and family lives.

**Table 2: Experience of bribery**

Question -	Answer - Yes	
In the past 12 months, have you or has anyone living in your household paid a bribe in any form?	More than 50%	Cameroon
	41% - 50%	---
	31% - 40%	Kenya, Lithuania, Moldova, Nigeria
	21% - 30%	Albania, Bolivia, Czech Republic, Ecuador, Ghana, Philippines, Romania, Russia, Ukraine
	11% - 20%	Bosnia and Herzegovina, Brazil, Costa Rica, Egypt, Greece, Guatemala, India, Indonesia, Kosovo, Latvia, Mexico, Pakistan, Peru
	5% - 10%	Argentina, Bulgaria, Croatia, Estonia, South Korea, Georgia, Macedonia (FYR), Poland, Turkey, Uruguay, Venezuela
	Less than 5%	Austria, Canada, Denmark, Finland, France, Germany, Hong Kong, Iceland, Ireland, Israel, Italy, Japan, Luxembourg, Malaysia, Netherlands, Norway, Portugal, Singapore, South Africa, Spain, Switzerland, Taiwan, UK, USA

The full results of the Global Corruption Barometer 2004 are available in English, French and Spanish at: [www.transparency.org/surveys/index#gcb](http://www.transparency.org/surveys/index#gcb).

# Recent Reforms

## » A global sample of initiatives to increase transparency and accountability

### Road to nowhere: TI Croatia on the dangers of closed contracts

**As Croatia's recent history demonstrates, non-transparent procurement decisions are often not in the public interest. Without scrutiny and fair competition, successful bids are unlikely to be the most cost-effective options. Closed contract deals and a lack of transparency can also lead to corruption. This year TI Croatia and other local civil society groups successfully campaigned for the government to re-open a contract initially awarded without a public tender, and to follow a competitive bidding process. Zorislav Petrovic, chairman of TI Croatia, writes on how progress can be made on one of TI's global priority issues.**

In a case that received international media attention, the government of Croatia planned a US\$257 million contract to build a 37km stretch of highway from Split to Dubrovnik. The project was not open to public tender and little information about construction plans was made publicly available. When the minister for public works and transportation, Bozidar Kalmeta, finally announced in July 2004 that the contract had been awarded to the US company Bechtel, he did not expect an avalanche of public protest. While no allegations of bribery were made, opponents of the deal focused on the government's decision not to issue a public tender.

The political opposition reacted first. TI Croatia then followed suit, as did other NGOs, construction companies and unions. A potential conflict of interest was alleged by the media: Foreign Minister Miomir Zuzul had worked as Director for Europe at Livingston/Moffet consulting company in Washington and one of his most important clients was Bechtel. This led to further public suspicion about the government's deal with Bechtel. TI Croatia pointed out that public tenders are less vulnerable to corruption and clientelism than direct negotiations. Second, they reminded the general public that very few kilometres of highway had been built before the 2000-03 government introduced more transparent procedures. TI Croatia's calculations revealed that highways built through public tenders cost taxpayers approximately half the amount of highways built through direct deals. While they never implied that bribes were paid or that any kind of corruption took place, TI Croatia asked the government to explain the reason for closing a direct deal without allowing public scrutiny of the process.

The 1990s also saw a series of high-profile cases involving infrastructure contracts that underscore the need for transparency. Some projects due to be completed by the late 1990s have not yet been finished. In 1995, the government awarded a contract to the French company Bouygues to build a highway on the peninsula of Istria. This highway has yet to be completed. The contract for the Zagreb-Macelj highway was awarded to the Italian company Astaldi, also through a direct deal. The highway was finished only after legal action had been taken. The most famous case is that of the Maslenica bridge near Zadar, which was destroyed in the 1991 conflict. After the war, a public tender was called for reconstruction of the bridge and five companies submitted bids. Four of them offered to build a bridge on the old spot for less money than was set out in the tender. A fifth company that offered to build a bridge on a new spot for a higher price eventually won the contract. It was later revealed that the head of the company was a close friend of the then minister for reconstruction.

There was a lack of transparency in all these contracts, but the government that came to power in January 2000 put tougher rules in place. A public tender was issued for each new stretch of highway, and representatives of the Croatian Employers Association sat on the committees that evaluated bids. Several hundred kilometres of highways were built in four years without a major scandal.

At first, Prime Minister Ivo Sanader did not pay much attention to public protest about the Bechtel deal, but when opinion polls showed that only seven per cent of Croatian citizens supported the deal, he started to look for a way out. The government requested an official opinion from the European Union (EU) on the legitimacy of the contract. While a direct answer was not provided, the EU's response made it clear that closed bids are not common practice in EU countries. Since Croatia was recently awarded status as an EU candidate country, the government used this as a reason not to go ahead. The contract with Bechtel was eventually annulled, and the government issued a call for tenders at the end of October. The case is a clear victory for civil society in the fight for transparent public contracting.

### ANTIGUA AND BARBUDA

#### Anti-corruption bill passed

The Antigua and Barbuda parliament passed an anti-corruption bill that the government said would show it was serious about good governance. This bill would impose a fine of US\$39,000 and five years' imprisonment for government ministers and public officials found guilty of corruption while in office. Prime Minister Baldwin Spencer, whose United Progressive Party government took office in March, promised to sign it, saying the measure was long overdue. The House of Representatives also passed a Freedom of Information Act on 26 October. The bill would allow parliament to appoint an information commissioner with the power to order elected and public officials to release information.

*Associated Press, 29 October 2004*

### HONDURAS

#### Immunity removed

On 27 July, members of the Honduran Congress unanimously approved the removal of the constitutional immunity that had protected more than 20,000 public officials in the country for more than 46 years. Protected by this privilege, hundreds of public officials and politicians have avoided trial for their crimes.

*El Nuevo Herald, 28 July 2004*

### SLOVAKIA

#### Public officials must declare property

Since 1 October, a new law on conflicts of interest obliges all public officials in Slovakia to publish information about their property and business activities on the Internet. Failure to do so could result in officials being dismissed. Publication of information is administered by a parliamentary committee monitoring the incompatibility of functions; the same committee will also propose sanctions for violations of the law. The Alliance - Stop Conflicts of Interest, which includes several dozen Slovak NGOs including TI Slovakia, has been lobbying for the law since 2002. Activists from the Alliance maintain that although the law is a considerable step forward in the fight against corruption, it has serious shortcomings.

*Czech News Agency (CTK), 4 October 2004*

# Spotlight

## Fighting corruption in times of change



TI Chairman Peter Eigen with Nobel Laureate Wangari Mathai at the 'New Anti-Corruption Governments meeting' in Nairobi in October

Two hundred and thirty representatives from transition countries and the international community gathered in Nairobi, Kenya, on 12-13 October to share experiences on the opportunities offered by political change. The conference, 'New Anti-Corruption Governments: the Challenge of Delivery', was opened by Kenyan President Mwai Kibaki. Georgian prime minister Zhurab Zhvania also spoke on the importance of fighting corruption to the survival of his government, and Nobel laureate Wangari Mathai delivered a surprise address to the delegates.

Delegates came from over 30 countries and included representatives of the executive branch of government, the judiciary, parliament, civil society and the private sector. Participants discussed anti-corruption strategies and the particular experiences of countries in transition, and examined case studies illustrating attempted reform in transition governments. Recommendations from the 16 working groups highlighted the need to plan for change, the importance of implementation and sequencing, the need to mobilise public support, to confront resistance and counter-reform pressures, and to deal with the past.

For more information about the 'New Anti-Corruption Governments Conference', see [www.transparency.org](http://www.transparency.org) and [www.kenyangm.co.ke](http://www.kenyangm.co.ke).

# Inside TI

## TI remembers George Moody-Stuart

George Moody-Stuart, one of the leading figures in TI from the very first years of its existence, passed away on 1 November 2004. George was an active member of the TI Advisory Council and of TI-UK. A retired businessman, in 1997 he published *Grand Corruption*, a book that laid bare the role of business in undermining governance in developing and transition countries. Moody-Stuart labelled the phenomenon 'grand corruption', an expression that quickly acquired use worldwide. Some emerged to support him; others moved to end some of his remaining directorships. Unbowed, he explained to the developing world just how bereft of 'moral superiority' the developed world really was. "We, too, are part of the problem," he said. "And the developed world must join with you all in finding solutions."

## TI welcomes new staff

Patrick Mahassen joined the TI Secretariat in September 2004 as the Director of the External Resources (formerly Fundraising) department. Patrick brings fifteen years of experience in fundraising and communication - mainly gathered at the International Committee of the Red Cross (ICRC) in Geneva and worldwide. Patrick has worked as a marketing director in the private sector and was also a professional musician for more than ten years.

Miguel Angel Peñailillo has joined the Americas department of the TI Secretariat as Regional Coordinator for Anti-Corruption Conventions. Miguel will be based in Santiago, Chile and work full-time on the programme, which aims to support the effective implementation of the anti-corruption conventions of the OAS and the UN in the Americas. A lawyer by training, Peñailillo joins TI from Chile's Ministry of the Presidency, where he worked on state reform.

## TI 'chapter zone' now online

The 'TI chapter zone' ([www.tichapter-zone.org](http://www.tichapter-zone.org)) is Transparency International's new password-protected website, developed to empower the anti-corruption movement through knowledge-sharing and capacity-building. The chapter zone serves as a message forum, notice board, contacts and information sharing tool, and as a space for capacity-building and policy development. The site navigation system is in English, French and Spanish. TI chapters are invited to add their own news, bulletins, press releases and policies.



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### Printing

Köllen Druck + Verlag GmbH

TIQ appears quarterly. Subscription rates are US\$100 for corporations or institutions and US\$50 for individuals.

The publication of this Newsletter was made possible by the generous contribution of the Norwegian Agency for Development Co-operation (Norad).

ISSN 1027-5886

Please send comments and contributions to [jkotalik@transparency.org](mailto:jkotalik@transparency.org).

## From public contracting...

At TI's Annual Membership Meeting in Nairobi in October, chapters from Argentina, Ecuador, Indonesia, Kenya, Latvia, Peru and Paraguay presented their experiences in public contracting, including integrity pacts and other monitoring activities. Approximately 60 participants attended the workshop.

## ...to budget monitoring...

The TI Secretariat also organised two budget workshops in Nairobi, one on monitoring budgets in the education sector, and the other for Francophone African chapters. Monitoring public spending is an excellent means of holding governments to account. Techniques such as Public Expenditure Tracking Surveys (PETS) and Citizen Report Cards are powerful tools to measure if funds are spent on their intended purposes.

## ...and access to information

Meanwhile, 17 TI national chapters established a network for co-operation on access to information. The network, which is open to all TI chapters, will be facilitated by the TI Secretariat and use online resources including CORISweb and the TI chapter zone. For more information, contact Andrea Figari, TI's programme manager for access to information, at [afigari@transparency.org](mailto:afigari@transparency.org).

## TI donors gather in Berlin

Representatives of the TI Secretariat's top ten governmental donors participated in



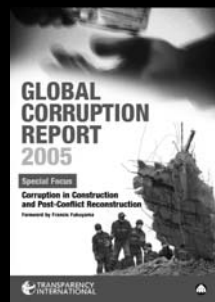
the first TI-S donor meeting in September in Berlin. The meeting provided an opportunity to discuss the latest trends in the fight against corruption in the development sector. TI briefed participants on the TI movement and latest accomplishments. Participants provided valuable feedback on their perceptions of TI's achievements. The TI Secretariat receives support from 11 bilateral agencies: Australia (AUSAID), Canada (CIDA), Denmark, Finland, Germany (BMZ), UK (DFID), USA (USAID), the Netherlands, Norway (NORAD), Sweden (SIDA) and Switzerland.

# Calendar

## • 9-10 December 2004, Paris, France TI and OECD support donors against corruption

The Development Partnership Forum on Improving Donor Effectiveness in Combating Corruption, 9-10 December 2004 in Bercy, France is jointly organised by the OECD's Development Assistance Committee (DAC) and TI. The forum marks an important recognition by the DAC of the need for donors to improve their performance in combating corruption. In particular, the forum seeks to address donor support for local anti corruption campaigns and the identification of aid practices that lead to corruption in partner countries. Hosted by the French finance ministry, the forum will be attended by 150 people including political leaders and senior officials, donors, multilateral organisations, international NGOs, national anti-corruption organisations and the private sector from the world over. For more information, contact [dac.partnershipforums@oecd.org](mailto:dac.partnershipforums@oecd.org).

## • March 2005 TI to launch Global Corruption Report 2005



Now in its fourth year, the 2005 edition of the TI *Global Corruption Report* focuses on corruption in the construction industry, the industry sector regularly rated as the most corrupt. In the book, experts lay bare the mechanisms of corruption in large-scale construction projects and illustrate the costs of corruption. The book also looks at post-conflict reconstruction, with a detailed analysis of corruption in Iraq. Rounding out the report are 40 detailed country reports and a selection of the latest corruption research. The TI *Global Corruption Report 2005* will be published in March 2005 by Pluto Press.

# TI news

## TI Annual Membership Meeting elects three new board members

Members of TI, meeting in Nairobi on 10 October, elected three new members to the TI Board of Directors. The new board members are Geo-Sung Kim (South Korea), Valeria Merino-Dirani (Ecuador) and Akere T. Muna (Cameroon). TI's Annual Membership Meeting, which took place in Nairobi, Kenya, on 9-10 October, was attended by more than 200 delegates from more than 75 countries.

Geo-Sung Kim is the founding secretary-general of Transparency International Korea, which came into existence in 1999. An ordained pastor in the Gumin Presbyterian Church, he was active in the democracy and human rights movements in South Korea and was imprisoned twice between 1977-1980 for criticising the then dictatorship.

Dr Valeria Merino-Dirani is an experienced Ecuadorian lawyer and democracy activist. Since 1999, she has been the executive director of Corporación Latinoamericana para el Desarrollo (CLD), TI's national chapter in Ecuador. In 1995, she was Vice-President of the Council of the United Nations University.

Akere T. Muna is founder and president of TI Cameroon. A lawyer by training, Muna is chairman of the Accreditation Committee of the Pan African Lawyers Union and a former president of the Cameroon Bar Association. The three new board members replace outgoing members Claudio Weber Abramo (Brazil), Emília Sicáková-Beblavá (Slovakia) and Mame Adama Gueye (Senegal), who each served a three-year term on the Board.

