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March 2004



Transparency International's Quarterly Newsletter



The TI Global Corruption Report 2004, with a special focus on political corruption, is released this month. International launch dates on page 16.

FROM THE CHAIRMAN

Moving in and cleaning house

The jury is still out on the many new national leaders coming to power on strong anti-corruption platforms. Still, this new wave of reform provides a window of opportunity for the anti-corruption movement.

In Kenya, since the election on an anti-corruption agenda of President Mwai Kibaki in 2002, the country has seen new legislation, inquiries into past misdeeds, the dismissal of numerous officials and judges, and the tracing of stolen assets to foreign bank accounts. According to TI Kenya's latest Bribery Index, there was a significant decrease in bribery in 2003. The index also shows that the average bribe increased, indicating that officials recognise the heightened risk and need greater inducement. But bribery continues to be pervasive.

Eyes are on the administration of President Luiz Inácio Lula da Silva in Brazil, who signed a TI anti-corruption commitment during the presidential campaign in 2002. Recent allegations of graft against an adviser to President Lula will test his administration's will to fight corruption at the highest levels.

In Georgia, the newly inaugurated president, Mikhail Saakashvili, has stated that fighting corruption is his 'top priority'. Speaking at a TI lecture in Berlin in January, Saakashvili promised to crack down on high-level corruption and, more importantly, to continue public sector reform to prevent corruption.

Having weathered their initial phases, both Mexico's President Vicente Fox and Nigeria's President Olusegun Obasanjo reiterated their powerful commitments during visits to the TI Secretariat in the past year.

Elsewhere, political will to fight corruption seems to be evaporating. Alarms went off at TI-UK after the disclosure of a briefing by UK Foreign Secretary Jack Straw last year to government staff. He said UK businesspeople caught making illegal facilitation payments to foreign officials would not be prosecuted.

Worse still, in some countries political leaders have launched high-profile anti-corruption campaigns as hollow publicity stunts. Zimbabwe's President Robert Mugabe is a worrying example.

The success of any government clean-up can be assessed only in the long run. But if these campaigns are to have an effect on reducing corruption, political will and sustainable institutional reforms are needed. Civil society must be vigilant in lobbying for such reforms and in ensuring they are implemented. This task will define the years ahead for many TI chapters around the world.

SPECIAL REPORT

Demystifying money in politics

By Gene Ward

The following is an excerpt from an article appearing in the TI Global Corruption Report 2004.

There is a mystique about money in politics. Although it is believed to be one of the biggest influences in an election and a prime indicator of the quality of governance, many countries simply do not know how much money is circulating in their political finance systems. One of the main reasons this mystery prevails is a lack of disclosure. Few countries will be able to better control the flow of money in politics until more transparency and financial disclosure is in place and enforced.

How money flows in politics

Money has always played an active role in democratic politics. Without it, competitive multi-party democracies could not function, nor could their governments operate. Like a form of free speech, political finance is linked to the health and strength of a democracy. Laws and regulations to control political finance risk

Continued on page 10

Peter Eigen, Chairman, Transparency International

SPECIAL REPORT

Political corruption

Gene Ward on using disclosure to combat corruption in political finance (page 1); TI Russia (page 7) and Roman Kupchinsky (page 12) take a look at Russia's free but unfair elections, and Larry Noble on the role money plays in US elections (page 13).

COUNTRY SPOTLIGHT

Georgia

Georgia's new President, Mikhail Saakashvili, recently paid a visit to TI in Berlin. "Georgia at the crossroads" examines the new administration's performance so far.

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INSIDE TI

The TI Global Corruption Report 2004

The new TI Global Corruption Report 2004 is launched worldwide. For more information see: www.globalcorruptionreport.org

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In the Headlines

» A sample of corruption reports from around the world

AFRICA

• BENIN

Corruption scandal reaches highest levels of state

Revelations that civil servants were complicit in the theft of more than US\$100m in state funds have rocked Benin and resulted in the country's most sweeping corruption investigation ever. A government statement issued on 13 February admitted that some 70 billion CFA francs (US\$139m) of public funds were stolen between 1996 and 1999.

Over 214 embezzlement cases have been officially identified, and more than one-quarter of Benin's officials and all but one of the nine lower courts have been implicated.

Agence France Presse, 14 February 2004

• NIGERIA

Strides made in battle against corruption

Three former Nigerian Cabinet ministers and two other former government officials face charges of accepting part of more than US\$1m in bribes, marking the first significant legal action against senior officials in President Olesegun Obasanjo's anti-corruption efforts. The three former ministers are accused of taking between US\$30,000 and US\$500,000 each, allegedly payoffs from SAGEM, a French electronics giant, to secure a US\$214m contract with the Nigerian national identity card programme in 2001. The trial is seen as a major test of President Obasanjo's pledge to eradicate graft.

Agence France Presse, 30 December 2003; Associated Press, 23 January 2004;

AMERICAS

• BRAZIL

Scandal threatens Lula government

The governing Workers' Party and President Luiz Inácio Lula da Silva have come under increasing fire with the emergence of a two-year-old videotape which shows a senior government official soliciting campaign contributions for two of the party's candidates and offering lucrative political favours in return. Waldomiro Diniz, the offending official, is shown

agreeing to rewrite an online lottery contract to favour a numbers game kingpin, in return for both significant donations to Workers' Party gubernatorial candidates in two states, and a 1 percent personal tip. He was fired on 13 February, but the resulting scandal threatens to engulf the previously squeaky-clean left-wing government.

The New York Times, 16 February 2004

• MEXICO

Green caught red-handed

Mexican television broadcast three home-made videos in a span of days showing politicians and officials involved in corrupt transactions. Mexico City legislator Rene Bejarano was shown stuffing thousands of US bills into a black briefcase. Another video showed Mexico City's finance chief, Gustavo Ponce, gambling in Las Vegas, while a hidden camera captured Jorge Emilio Gonzalez Martinez, a senator and president of the Green Party, discussing a US\$2 million bribe from a property developer.

The videos, and investigation that followed, shed new light on the long-standing problem of corruption in Mexican politics and officialdom. Mexico City Mayor Lopez Obrador opined: "The fundamental problem of our country - corruption - hasn't been solved. ...As long as there is corruption, we can't get ahead."

Meanwhile, Vicente President Fox found the silver lining: the scandals are a testament to an increasingly free press.

The Washington Post, 4 March 2004

• USA

One Enron executive confesses, another booked

Andrew Fastow, the former Enron Chief Financial Officer, entered a guilty plea and co-operation agreement with prosecutors, in which he and his wife, Lea, would go to prison for their role in the energy company's collapse. The deal makes Fastow the most senior former Enron executive to serve jail time for a wide-ranging accounting scandal that brought the company down two years ago. Fastow was "one of the masterminds behind a massive fraud scheme", said Deputy Attorney General James Comey.

The plea agreement could accelerate prosecutors' efforts to build cases against Enron's top executives, former chief exec-

utive Jeffrey Skilling (who surrendered to the FBI on 19 February), and former chairman Kenneth Lay.

Wall Street Journal, 15 January/19 February 2004; Financial Times, 8 February 2004

ASIA

• MALAYSIA

Arrest offensive

Malaysia's Anti-Corruption Agency arrested Eric Chia Eng Hock, former head of state-owned steelmaker Perwaja Steel, on 9 February, for his role in the country's biggest corruption scandal. He was accused of embezzling millions of dollars. Then on 18 February, Kasitah Gaddam, minister of land, resigned after being charged with corruption in a share transaction by the Sabah Land Development board. In a third case, two former bosses of a state investment company were charged with corruption and fraud on 17 February.

Kyodo News Service, 9 February 2004; Financial Times, 19 February 2004

• SOUTH KOREA/GLOBAL

Olympics Vice President caught cheating

International Olympic Committee vice president Kim Un-yong was indicted on 13 February on charges of bribe-taking, illegal use of foreign currency, and embezzlement from several South Korean sports organisations. Arrested on 28 January, Kim was charged with embezzling 3.84 billion won (US\$3.28 million) in funds from the World Taekwondo Federation, the World Taekwondo Headquarters, and other sports organisations. He also stands accused of receiving bribes of 810m won (US\$692,000) from businesses and a sports official in return for favours.

Associated Press, 13 February 2004

EUROPE

• FRANCE

Three top officials convicted

Alain Juppé, former prime minister and a close ally of French President Jacques Chirac, was found guilty of "illegally taking advantages", and handed a suspended 18-month prison sentence and a ten-year

ban from holding political office. Juppé's conviction stems from a bogus jobs scheme in the 1990s under which the Paris city government was paying the salaries for some staff of Chirac's political party. Juppé was the city's finance director under Chirac, then mayor. Meanwhile, Chirac has ordered an independent panel to examine allegations of "threats and pressure" against the judges on the case. The court decision could also herald legal problems for Chirac once he leaves office.

In separate cases, former Defence Minister François Léotard and his former Chief of Staff, Renaud Donnedieu de Vabres, were convicted on party finance money-laundering offences stemming from the same time period.

International Herald Tribune, 2 February 2004; Financial Times, 17 February 2004

• SWEDEN

Corporate corruption sullies country's reputation

Several top officials of Skandia Insurance Co. Ltd., including Chief Executive Lars-Eric Petersson, denied allegations of corruption after being questioned in early February over how the renovation costs of his and other senior Skandia managers' apartments came to be invoiced as renovation of the company's main office. In December, an internal investigation into Skandia revealed fraud, creative accounting and exorbitant bonuses to top executives.

Sweden's squeaky-clean image has also been tarnished by two other cases. Revelations surfaced recently that at least 90 employees at Systembolaget, the country's state-held monopoly for alcohol distribution, have taken bribes from suppliers in exchange for giving their products prime shelf space. Two Swedish businessmen have been convicted in a Swedish court on bribery charges for involvement in a syndicate that grounded a US\$115 million World Bank-funded plan to improve 26 urban roads in Kenya.

Agence France Presse, 4 December 2003; The Daily Nation (Nairobi), 6 February 2004; AFX News, 9 February 2004

• MIDDLE EAST

• IRAQ/USA

Employees admit kickbacks in Iraq reconstruction contracting

Halliburton Co. admitted that two employees at its subsidiary Kellogg Brown & Root took kickbacks valued at US\$6.3 million in return for awarding a Kuwaiti-based com-



Parmalat: Europe's Enron

By Jermyn Brooks

The scandal swirling around Italian food company Parmalat and the dramatic reversal of fortune for its founder Calisto Tanzi, have captured the attention of news media worldwide. The case, in which as much as EUR 14 billion seems to have evaporated off the balance-sheets, has been dubbed 'Europe's Enron'. Indeed, Parmalat's myriad subsidiaries and impenetrable maze of bank accounts are reminiscent of the mammoth case across the Atlantic. As with Enron, the company's complex structure served to obscure its true financial position from banks, auditors and regulators. This was, in all probability, a deliberate tactic on the part of the Tanzi family to veil corrupt practices. But the Parmalat rot is not only

the result of criminal wrongdoing by company executives. It is also evidence that the checks and balances meant to control the private sector have failed. These need to function in multiple areas similar to the structures TI has lobbied for to ensure good public sector governance. They include: effective laws governing the operations of companies and of capital markets (Italy's Consob); strong internal governance structures covering the workings of the board and its relation to shareholders and management; internal codes of conduct; rigorous standards for outside advisers such as lawyers and auditors; and proper due diligence by credit institutions.

company with lucrative work supplying US troops in Iraq. The offending employees were fired and the company fully reimbursed the Pentagon.

Halliburton has been embroiled in controversy since obtaining a no-bid contract last year to repair Iraq's oil industry. On 23 February, a US official confirmed that the Pentagon had launched a criminal probe into allegations of fraud at the company, including allegations that the company overcharged the US government by US\$61m for fuel imports into Iraq.

Wall Street Journal, 23 January 2004; Kuwait Times, 14 February 2004; Financial Times, 24 February 2004

• ISRAEL

Bribery case building against developer, Sharon

Israeli Prime Minister Ariel Sharon is facing the threat of indictment, stemming from a current influence-buying investigation. On 21 January, real-estate developer David Appel was indicted by an Israeli court on charges of paying around US\$700,000 to Sharon's son, Gilad, in hopes of bribing Sharon. No evidence was laid out, however, that Sharon knowingly took a bribe, and justice officials have yet to make a decision as to whether there is sufficient evidence to indict Sharon or his son. Sharon himself was interviewed on 5 February, and his testimony failed to convince the investigators that he was untainted by the dealings.

International Herald Tribune, 23 January 2004; The Guardian, 9 February 2004

effective in preventing Tanzi's efforts to cover up the loss and theft of company assets. Closer inspection shows no sign of an effective board of directors. And due to a twist in Italian law, auditors were able to rely entirely on subsidiaries to carry out their work. Blinded by the opportunity to earn huge fees organising the ever increasing borrowing needs of Parmalat, major domestic and international banks played directly into the company's hands. Lawyers and other advisers were only too eager to set up off-shore subsidiaries, some simply shells, to divert funds out of the publicly traded company so they could be pocketed.

Although the fate of the missing EUR 14bn is uncertain, most seems to have been used to cover undisclosed losses. In one particularly egregious case, an alleged Bank of America account that Parmalat claimed contained around EUR 4bn, proved to be entirely fictitious, its documentation merely a crude cut-and-paste job. At least EUR 600m, however, seems to have been "used" by Tanzi. The loss to the shareholders, bondholders and banks will be very large, but as usual the biggest losers will be the employees and the communities where Parmalat operated, at home and abroad.

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Jermyn Brooks is a member of TI's International Board of Directors

For the latest global corruption headlines, see TI's Daily Corruption News:
www.transparency.org

Global Initiatives

» An overview of work by international organisations



"If today the fight against corruption is much higher on the EU's agenda, this is in no small measure due to TI's persistent and constructive pressure."

EU Trade Commissioner Pascal Lamy (left) addressing TI Chairman Peter Eigen at the *Reader's Digest* 'European of the Year 2004' awards ceremony.

EU/WTO/TI

EU trade commissioner vows to fight corruption

Pascal Lamy, the European Union (EU) trade commissioner, said that the EU would try to expand the agenda of the World Trade Organisation (WTO) to include anti-corruption measures. Lamy was speaking in Berlin at an award ceremony for TI Chairman Peter Eigen, who was named European of the Year 2004 by *Reader's Digest* magazine. TI welcomed the move and promised its support. Lamy named a number of constraints, however, including that the WTO "lacks the autonomy to make an institutional statement against corruption", and that an explicit WTO policy against corruption could be attained only with "a very broad coalition of interests". Lamy also said that the EU would "work closely with TI for an effective implementation of the new UN Convention against Corruption".

EU/LATIN AMERICA

Community to community

In a report issued recently, TI Brussels found glowing words for co-operation agreements between the EU and both the Andean Community and Central America.

The agreements incorporate the principles of good governance and transparency throughout and promote a positive approach to enforcement, one of "supporting partners in their fight against corruption".

EU

EU Parliament on corruption

At its December 2003 session the European Parliament adopted a report drafted by Italian opposition MEP Francesco Rutelli on "EU policy against corruption", a response to the European Commission's earlier policy paper on the subject.

The report puts particular emphasis on political corruption and advocates the creation of an "anti-corruption culture". It also urges EU member states and accession countries to swiftly sign and ratify the new UN Convention against Corruption.

In an analysis of the report, TI Brussels expresses "regret" at the omission of an EU-specific monitoring mechanism, but sees the report as "confirming that corruption is now firmly on the EU agenda". The report (text A5-0367/2003) can be viewed at: www.europarl.eu.int

WEF/WSF/TI

Transparency the common thread in Davos and Mumbai

The annual meeting of the World Economic Forum was held in Davos, on 21-25 January, against a backdrop of growing corporate scandals worldwide. TI Chairman Peter Eigen and TI Board Member Jermyn Brooks both attended this year. TI's presence served to remind participants that corruption is not only illegal but also bad for business. Brooks participated in a number of sessions on corporate governance and integrity standards, where business leaders discussed how to implement meaningful no-bribes policies.

As the culmination of one year's work with the industry, TI and corporate CEOs from 19 engineering and construction companies - with combined sales of US\$70bn - signed up to the Business Principles for Countering Bribery. The same firms also committed to obtaining signatures from a further five engineering and construction (E & C) companies each, in order to bring the group to 100 by next year's meeting. Finally, companies from the minerals, mining and energy sectors agreed to work with the E & C industry to pursue a no-bribes statement for all of their sectors over the coming year.

TI Chief Executive David Nussbaum and representatives of TI Nepal attended the World Social Forum in Mumbai, India on 16-21 January 2004. The forum was attended by more than 100,000 people. Nussbaum participated in workshops on legitimacy, transparency and accountability, and corruption & development. He also attended a meeting with international advocacy NGO leaders, which included a briefing on the new UN Millennium Development Goals Campaign, headed by Salil Shetty. While in India, David also visited TI's national chapter in the country.



Role playing at the WSF in Mumbai

ABD/OECD/TI

Asia-Pacific officials discuss fight for transparency

Government and business officials from more than 35 countries in the Asia-Pacific region met in Kuala Lumpur in December to check progress on the Anti-Corruption Action Plan. The three-day forum was organised by the Asian Development Bank (ADB) and the Organisation for Economic Co-operation and Development (OECD). TI has been represented on the Action Plan's Steering Committee since its inception in 2001, and all TI national chapters from the region attended. The plan contains non-binding national and regional measures to combat corruption. Participating governments are supposed to take action to fight bribery and money laundering, and to promote public sector integrity. So far, the action plan has been endorsed by 21 countries (see: www1.oecd.org/daf/ASIAcom/).

Following the OECD/ADB meeting, 17 TI national chapters and contacts held an Asia-Pacific regional meeting on 5 December 2003. The meeting, chaired by Dr Juree Vichit-Vadakan (of TI-Thailand), welcomed Peter Rooke as the new Regional Director for Asia-Pacific at the TI Secretariat. It was agreed that possible areas for future collaboration would be: political party funding, education, and OECD Convention and OECD-ADB Action Plan monitoring.

TI

Integrity Awards 2004: Last call for nominations

Nominations for the Transparency International Integrity Awards 2004 will be accepted until 2 April. The annual awards programme honours the courage and determination of individuals and organisations fighting corruption around the world. The Awards, to be presented later this year, are conferred on a person or organisation whose actions are likely to significantly influence or impact existing levels of corruption in a country. For more information and nomination guidelines, please see:

www.transparency.org/integrityawards

TI/CENTRAL AMERICA

First Central American anti-corruption conference

The first ever Central American Anti-Corruption Conference, organised by members of the international development community, civil society, the private sector and Transparency International, was held on 26-27 February in Managua, Nicaragua. The theme of the conference, which drew 150 participants from across many sectors,

was: "The effect of corruption on economic development and local micro-, small- and medium-sized enterprises" (such so-called MSMEs comprise 98 per cent of businesses in the region).

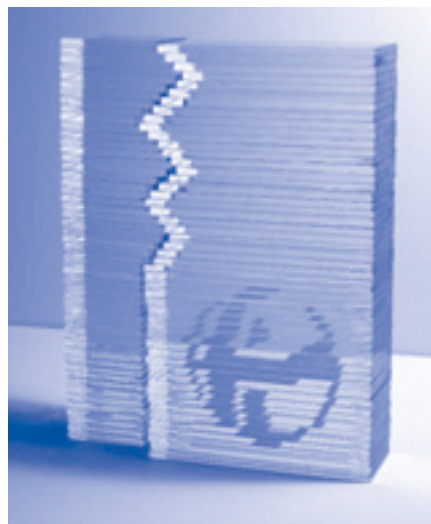
The conference opened with speeches by the Nicaraguan Vice-President, the President of the Chamber of Commerce and the President of the national MSME Association. Rosa Inés Ospina, Vice-Chair of the Board of TI, offered her thoughts in a speech on the shared responsibility of the business sector in tackling corruption.

TI

International conference on measuring corruption

The Americas Regional Department at TI-S, together with *Transparencia Mexicana*, held a workshop on measuring corruption last December in Mérida, Mexico. The workshop explored both international and country-specific tools that could move beyond mere awareness raising to trigger and feed change processes at the policy-making level. Instruments were analysed as a means of establishing benchmarks, monitoring progress and evaluating programmes, and as agents of change.

The experiences of TILAC chapters in launching tools such as Colombia's Integrity Index for Public Institutions and Mexico's National Survey on Corruption



Nominations open for TI Integrity Awards

and Good Governance emphasised the importance of tailoring tools to their national contexts.

The participation of chapters from other countries (Australia, Bulgaria and Russia) and of representatives of international organisations (such as the World Bank and the University of Bolonia) underscored the need to build networks across borders and sectors too co-ordinate activity and exchange information.

New principle for UN Global Compact

On the occasion of UN Secretary-General Kofi Annan's visit to Paris in January, the French signatories of the UN Global Compact organised an international conference on expanding the compact to include a tenth principle on the fight against corruption. The conference, held on 26-27 January, aimed to give Global Compact corporate members a better understanding of the link between transparency and the other nine principles, which deal with human rights, labour relations and the environment.

Speakers included French Finance Minister Francis Mer and UN representatives. Anti-corruption NGOs made presentations on their experiences in fighting corruption and TI Chairman Peter Eigen presented recent anti-corruption initiatives. Other presentations included initiatives such as disclosure by extractive industries companies of their payments to host countries, the Ecuador Principles endorsed by banks active in project finance, and Isis Asset Management's criteria for the assessment of sustainable development. Companies experienced in fighting corruption described their projects, including Shell with its publication of its "management primer" on corruption, and SAP on its experience with local stakeholders in Nigeria. A trade union leader also discussed the actions of labour organisations.

Discussion on the topic of the Compact's tenth principle continued in smaller workshops. The dominant view was that there is general acceptance on the inclusion of a principle relating to corruption, provided that its scope is more clearly determined, and that such an addition shall remain exceptional. Further debate will continue in advance of the Global Compact Leaders' Summit on 24 June.

At a reception at the Elysée Palace, French President Jacques Chirac gave his full backing to UN Secretary-General Kofi Annan and to the French signatories of the Global Compact. In his response to Chirac, Annan paid tribute to Transparency International for its dedication to the fight for transparency.

While no final conclusion was reached on the addition of the tenth principle, the two-day conference had a positive outcome in that it enabled participants to share their experiences and become fully aware of their common objectives.

Source: Jacques Terray, Vice-President, TI France



TI Country Work

» An A to Z of TI Chapter activities around the globe

In December, the Algerian Anti-Corruption Association, TI's national contact in ALGERIA, organised a two-day information session on international anti-corruption conventions and Algerian public procurement legislation. The event was coordinated together with the largest Algerian labour union (UGTA) and the Friedrich Ebert Foundation. Members of the TI Secretariat presented international conventions, and Tayeb Belarif, a business lawyer, led the debate on public procurement. The TI delegation was also received by the president of the National Assembly, who expressed an interest in organising a similar event for members of parliament. The Algerian government's signing of the African Convention on Preventing and Combating Corruption and the UN Convention against Corruption shortly after the meeting was considered to be a major success. For more information, please write to aaccalgerie@yahoo.fr.

TI BANGLADESH released a Parliament Watch report in Dhaka in December. Based on their monitoring of the 7th to 10th sessions, the chapter made a number of recommendations designed to make Parliament more effective. The report revealed that absenteeism resulted in 31 hours of delay in 39 sittings, wasting more than Tk 2.80 crore (US\$470,000). Only one sitting of the current Parliament commenced on time. Speaking at the launch, TI Bangladesh Chairman Khan Sarwar Murshid and Trustee Board Member Professor Muzaffer Ahmad said that lack of accountability and political corruption, among other factors, were reducing the effectiveness of Parliament.



Anti-corruption street theatre in Nepal

Transparencia Brasil, TI's chapter in BRAZIL, has been in the media spotlight since calling attention to a government-proposed bill regulating public-private partnerships (worth some US\$10 bn just in the first year) that was susceptible to corruption. In December, the group sent an open letter to President Luiz Inácio Lula da Silva on his administration's first anniversary, urging a strategic approach to the fight against corruption, with special attention to prevention.

TI's contact in BURKINA FASO, Renlac, organised the country's first national anti-corruption days on 20-22 January. Events were held to raise public awareness and call the government's attention to the negative impact of corruption on the country's development. (www.renlac.org)

TI CAMEROON recently announced plans to monitor vote buying and other malpractice by political parties in the North West province ahead of this year's presidential election. The chapter will establish each party's campaign spending and funding sources. They will expose the use of "state vehicles, civil servants, council vehicles, outright voter fraud", and other practices that have afflicted elections in Cameroon. The group will also embark on a massive awareness-raising campaign to encourage Cameroonians to register and vote.

Corporación Chile Transparente, TI's chapter in CHILE, promoted and implemented the signature of the first Integrity Pact in the country. The pact was signed by the participants in the public contracting process for the purchase of computers and software for several offices of the National Minors Service (SENAME). Both SENAME and TI Chile report that the initiative increased transparency and efficiency in the contracting and has paved the way towards future collaboration between the public sector and civil society in this area. (www.chiletransparente.cl)

TI's contact group in CHINA, the Anti-Corruption Research Centre (ACRC) and the Centre of China Studies (CCS) at Tsinghua University in Beijing, held a seminar, on 12 December, on improving integrity in the Communist Party and increasing accountability in governance. The seminar was also attended by Party officials. In the seminar, TI contact Professor Hu Angang presented the concept of a National



Anti-corruption seminar in December at Beijing's Tsinghua University

Integrity System and elaborated the need for more international co-operation in the fight against corruption. ACRC Director Cheng Wenhao presented the latest developments in the international anti-corruption movement. The seminar is a sign of the Communist leadership's growing interest in civil society anti-corruption efforts in China.

Transparencia por Colombia, TI's chapter in COLOMBIA, released the results of their 2003 Integrity Index for Colombian Government Institutions. This tool measures the performance of the main state-owned institutions in Colombia, based on three factors: transparency, governance and enforcement. According to the study, 53 per cent of government institutions are vulnerable to corruption. Only three of the 146 institutions surveyed had high integrity levels. The report was submitted to Colombia's Vice-President, Francisco Santos, who recognised that the results are not at all encouraging. The Colombian President also invited TI Colombia to present the Index to his Cabinet. This will be an opportunity for cabinet ministers to evaluate the main measures suggested by Transparencia por Colombia to improve the country's public sector performance.

Concerned that immunity in GEORGIA leads to individuals seeking a seat in parliament only to protect themselves from prosecution, TI Georgia recently undertook a survey on parliamentary immunity. Just ahead of the November 2003 parliamentary elections, TI volunteers surveyed a large number of MPs and parliamentary candidates in order to determine their

views on current Georgian immunity laws. By putting their views on the public record, TI Georgia hopes that it will be more difficult for them to ignore the issue in the future. The survey made clear that a majority of both MPs and candidates (75 per cent and 84 per cent respectively) believe that the laws are “frequently used to shield members of parliament from prosecution”. Many of the MPs admitted that the rules regarding immunity need to be revised, though many MPs and candidates still viewed immunity as necessary.

Since October, TI ITALY has run a training programme in Ethics for the Public Administration in the Province of Varese. After drafting a Code of Ethics for Public Management, further courses for public servants are planned for May and June. The final steps will be the implementation of TI Integrity Pacts and the development of an innovative management and auditing system.

Meanwhile, TI Italy has published a manual aimed at evaluating legislation implementing the OECD Anti-Bribery Convention. The chapter recently published a booklet on ways to reduce corruption in the development aid system, and is also working with the Ministry of Foreign Affairs on the matter.

SHVIL, TI’s chapter in ISRAEL, recently established the Dove Israeli Center for Transparency and Ethics in Organisations. The institution is to become the first of its kind in Israel, a leading academic, instructional and research centre. It will develop

and promote curricula for teaching ethics at the university level, promote academic research on organisational transparency and ethics, and host professional development and training programmes for those teaching ethics. The centre is named after the late Prof. Izraeli, the chapter’s founder.

A joint publication by TI KENYA and TI ARGENTINA (Poder Ciudadano), “Fool’s Gold: the abuse of export compensation scheme in Kenya and Argentina”, has been entered into evidence as Exhibit 118 at the Goldenberg Inquiry, the single largest financial scandal and corruption case in Kenya’s history. Newspaper columnist Gitau Wairigi, one of the report’s authors, gave evidence at the Commission in January. Fool’s Gold, a case study on the abuse of export compensation schemes run during the 1990s, which have brought adverse effects on the economies of the two countries, is available at: www.tikenya.org/documents/FoolsGold.pdf

Within the framework of the Task Force on Corporate Governance in LEBANON, the Lebanese Transparency Association (LTA), TI’s Lebanese chapter, has co-ordinated Lebanese involvement in the revision of the OECD Principles of Corporate Governance. In July 2003, the Task Force and LTA held a focus-group discussion on corporate governance in Lebanon, in co-operation with the Center for International Private Enterprise (CIPE) and the Global Corporate Governance Forum (GCGF). Participants included private sector executives, economists, and representatives of busi-

ness associations and financial institutions. TI Lebanon also participated in the High Level Working Meeting and Consultation on the OECD Principles of Corporate Governance in November in Paris.

On 4 February, TI MACEDONIA announced the launch of their Advocacy and Legal Advice Centre, which will be open for all citizens in need of legal advice in corruption cases or looking for information on access to information, conflict of interest, and global anti-corruption activities.

Meanwhile, in a joint project with the Macedonian Customs Office, the chapter has established a hotline for citizens to report corruption and crime within the customs authority.

The Kuala Lumpur Society for Transparency and Integrity (TI Malaysia) awarded its International Integrity Medal to Khun Anand Panyarachun, two-time prime minister of Thailand, who was recognised for introducing a national constitution featuring a system of checks and balances. The award, given annually by TI MALAYSIA, recognises foreign government leaders and public officials whose integrity and personal commitment to confronting corruption have made a decisive, positive difference to the lives of the people they serve.

TI MOLDOVA has published a number of hard-hitting reports on corruption which have made waves in the country. Launched at a ceremony in December, a report, “Customs Activity in the Republic of Moldova and Corruption”, quantified the damage caused by corruption in Moldova’s cus-

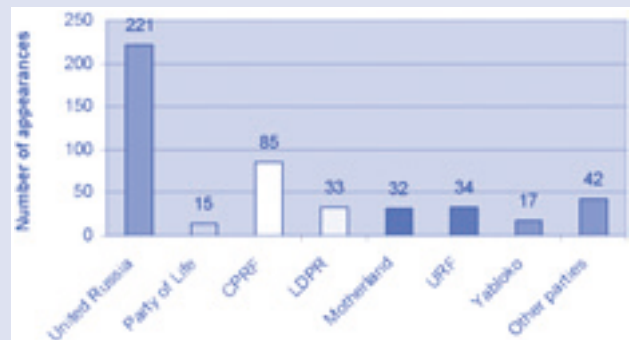
TI Russia monitors media abuse ahead of Duma elections

Preliminary results of a study investigating the misuse of public resources in Russian election campaigns were released in December 2003. The project, carried out by TI Russia’s Center for Anti-corruption Research and the Open Society Justice Initiative, sought to document abuses during the recent State Duma election campaign.

Startlingly, the study found that over half of all appearances and references to political parties or candidates in the national media constituted some misuse of public resources, with two-thirds of these instances amounting to direct misuse of state-run media. The study’s definition of media abuse included unpaid or cloaked political advertisement, as well as disproportionate or excessively biased coverage of a particular candidate or party.

These findings indicate strongly that control of state-run media and other public resources endows parties with influence beyond what traditional campaign funds can provide. Preliminary analysis shows that through manipulating state-run television, United Russia (the party supporting president Vladimir Putin) received coverage that would have cost US\$7.7 million through normal advertising channels, as stipulated by electoral law.

GRAPH FROM TI RUSSIA



CPRF: Communist Party LDPR: Liberal Democrats URF: Union of Right Forces
Graph shows the distribution of coverage of political parties by number of appearances in the context of the election campaign.

The study also found widespread abuse of official capacities, in which candidates exploited state staff and resources for campaign activities, as well as a pattern of distorted budgeting decisions. This could take the form of a sudden allocation of state funds to vote-winning activities such as increased child support or pensions.



A winning cartoon, by Alex Dimitrov

toms authority. The report charged that corruption in customs threatens state security, and made specific recommendations on how to tackle the problem. The launch ceremony was attended by representatives of government authorities and international organisations, including the IMF and UNDP. On the same occasion, TI Moldova published a report entitled "Corruption and Tax Evasion: Economic Dimensions", which finds that regions with a high level of corruption are also prone to widespread tax evasion.

The chapter also announced the winners of competitions for the best piece of investigative journalism on corruption and the best anti-corruption caricatures. In conjunction with the competitions, TI Moldova has produced two new volumes of "Artists against corruption" (vol. 2 and 3) and "Journalists against corruption" (vol.2), a collection of corruption-related articles. The chapter's website (www.transparency.md) now has a gallery of more than 1,000 corruption-related cartoons.

Transparency Maroc, TI's national chapter in MOROCCO, together with other anti-corruption groups, celebrated their 8th National Anti-Corruption Day in Casablanca on 6 January. The event was organised to raise public awareness of the necessity for judicial and political reforms.



Through various seminars with partners from other NGOs and parliamentarians, issues such as the independence of the judiciary, the potential of e-government and the adaptation of the TI Source Book to the Arab context were addressed. For further information, please visit www.transparencymaroc.org or contact transparency.maroc@marocnet.net.ma.

TI NEPAL recently submitted to the prime minister a set of recommendations on accountability of government officials and public servants in Nepal, containing recommended governance principles and a code of conduct for ministers and civil servants. The prime minister assured TI Nepal that he would consider the recommendations in preparing a code for government ministers under a planned anti-corruption plan.

TI Nepal also organised a series of theatre tours in December. Dramas focussing on bribery were performed by professional artists in nine cities across the country. Staged in public squares of major cities, the performances drew some 700 people in each city.

TI PAKISTAN completed its first TI 'no-bribes' Integrity Pact in June 2002 on the Greater Karachi Water Supply Scheme, estimated to have resulted in substantial savings on a project worth around US\$100m. Following the success of this Integrity Pact, the City District Government Karachi (CDGK) recently called on TI Pakistan to establish transparent procurement procedures in its Services and Works Department. The chapter prepared a comprehensive Procurement Manual, which the CDGK committed to follow for all procurement procedures beginning in March this year. This commitment is in line with the government's 2002 National Anti-Corruption Strategy. For more information, see www.transparency.org.pk/news/IP-Karachi.htm.

Ahead of the 2 May presidential election in PANAMA, TI Panama recently published a "Minimum Anti-Corruption Agenda", outlining 13 crucial anti-corruption measures for candidates. These include the establishment of an independent anti-corruption office and disclosure on campaign finances. Four presidential candidates have responded, emphasising the importance of transparency and accountability.

On 10 February, Proética, TI's chapter in PERU, published the results of their second national corruption survey. The survey of 5,810 households revealed that two out of three Peruvians tolerate corruption (up from the previous year), while corruption is seen by respondents as the third biggest problem in the country. The judiciary was

once again perceived as the most corrupt institution, followed by the police, the national congress and the central government.

Paradoxically, these institutions were also identified as those that should be fighting corruption. Twenty per cent of respondents felt current President Alejandro Toledo's administration was Peru's most corrupt. (www.proetica.org.pe)



Proética President José Ugaz: two out of three Peruvians tolerate corruption

TI PAPUA NEW GUINEA has been advocating for the passage of a whistleblower-protection bill, proposed by the Deputy Chairman of the Public Accounts Committee. The chapter had issued a press release in February after the sacking of a whistleblower in the National Capital District Commission (NCDC).

TI-POLAND has produced a report, which was widely covered by the national media, documenting incidences of corruption in the country during the past year. Entitled "Map of Corruption", it is a registry of more than 500 cases and is based on 3,500 news reports taken from 185 periodicals.

TI ROMANIA has just opened an Advocacy and Legal Advice Centre for Citizens in Bucharest. The centre, launched in close co-operation with Romania's National Anti-Corruption Prosecution Service, the National Control Authority, and the Romanian Broadcasting Society, will assist and counsel victims and witnesses of corruption in the public sector. It seeks to educate and advise citizens on the institutions involved in combating corruption, to help them define and identify corruption, and to assist them in making corruption-related complaints. TI Romania reports that the centre is booked solid with appointments.

Meanwhile, ahead of the local and general elections in spring and autumn 2004, TI Romania has issued a challenge to political parties to announce specific anti-corruption policies and to make a public pledge to implement them. TI Romania is also working to increase the quality of investigative journalism in Romania by

Georgia at the crossroads

Georgia's new President, Mikhail Saakashvili, recently paid a visit to Berlin, where he held a meeting with TI Secretariat staff and journalists and talked about his anti-corruption agenda. His chosen task is daunting. Will he be able to deliver what he promises?

Mikhail Saakashvili earned his reputation as an outspoken opponent of corruption while still a member of President Eduard Shevardnadze's administration, when he presented photographic evidence documenting the illicit wealth of several colleagues. His position never wavered, and in the events that led to the Rose Revolution in November 2003, he made it clear that eliminating corruption was paramount. In his presidential inauguration speech, he stated: "We will root out corruption and will change the system that created the vicious circle of corruption."



There is little question that the president and his administration have pursued the first half of this task with vigour. In a move against entrenched interests, a large number of visible, high-level officials have been replaced, as have many mayors and regional police chiefs. Saakashvili recently commended his Prosecutor General for his efforts in ferreting out and prosecuting corrupt civil servants. In his fledgling presidency, Saakashvili has already seen the arrest of the former chief of the state railway, Akaki Chkhaidze, and the former energy minister, Davit Mirtskhulava. A warrant has been issued for one of the most notorious members of the previous government, Levan Mamaladze, the Governor of the state of Kvemo Kartli. Several other former ministers are under

investigation - a novel experience for previously untouchable government officials.

The second part of his stated task - to change the system that fosters corruption - is a complex and long-term undertaking. So far, several programmes for reforming the system have been announced, at the encouragement of the president's administration, most recently by the Interior Ministry. It remains to be seen, though, whether the fight against corruption can be successfully institutionalised.

Recent efforts to amend the Constitution will give the executive unprecedented power while weakening parliament. It is essential that this new power is wielded fairly. Still, the changes will enable the executive to reform the system of 'individual discretion', which has historically facilitated bribery and legal impunity. TI Georgia will be working to support this initiative, which eliminates inducements and opportunities for corruption in government.

It is clear that President Saakashvili intends to tackle corruption seriously. But he will need the support of civil society and the international community to translate the current momentum into lasting change.



Saakashvili speaking in Berlin

TI Georgia

providing journalists with a professional network, and will produce a Legal Guide for Investigative Journalists.

TI SLOVAKIA, in co-operation with NGOs from across the country, continues to monitor public procurement at the local-government level. The process culminated in the publishing of a report in October 2003, which provides a picture of public procurement practices in town halls across the country. The report identifies areas prone to corruption, weaknesses in procurement policies and recommends measures to improve procurement. The report was also released to the media and presented to government bodies, including the Slovak Office of Public Procurement. In January, TI Slovakia organised a workshop to discuss possible improvements in the monitoring methodology. Using the updated methodology, a second round of data collection is slated for April 2004. This time, TI Slovakia and its local partners will focus on public procurement in selected Slovak hospitals.

TI SRI LANKA has drafted and tested the country's first anti-corruption curriculum. The curriculum is aimed at strengthening civil society and trade unions to fight corruption, and will be translated into local

languages used across Sri Lanka. TI Sri Lanka is considering the development of a second curriculum focussed on educating public servants. TI Sri Lanka has also launched a campaign to lobby the government to ratify the UN Convention against Corruption; it has written to the President, Prime Minister and all individual cabinet ministers to support this global initiative.

Ahead of the 20 March presidential election, TI TAIWAN, in partnership with local NGOs, launched a "Clean Election" campaign advocating transparent political donations and a bribe-free election. Two presidential contenders signed a pledge promising a transparent election campaign. Candidates from the Democratic Progress Party also promised to publish all details on political donations they receive on their website.

In January, TI TURKEY organised a conference in Ankara on the "Effects of corruption on the country's economy and transparency in local government". Speakers at the event included two Ankara area mayors, MPs representing three parties, academics, journalists and TI Turkey representatives. A wide range of participants subsequently engaged in a lively question-and-answer session. Parts of the draft leg-

islation on reform of the public administration were criticised, in particular the sections dealing with anti-corruption. TI Turkey also presented their 'Island of Integrity' model for reducing corruption in municipal government.

TI UK continues to lead global efforts to prevent corruption in the official arms trade. The chapter recently announced the next stage of this project, comprising three major components. Firstly, it aims to develop a set of methodologies by which the bidding, procurement and marketing processes of the defence industry can be controlled. In conjunction with the TI Secretariat, TI UK will develop an Integrity Pact matched to the specific needs of the defence industry. The second component is the creation of an industry standard code, with input from the private sector and others. Finally, the project will recommend a number of legislative and regulatory anti-corruption measures. A conference on corruption in the official arms trade is planned for June 2004, with the aim of bringing together arms industry representatives, academics, and other interested parties to discuss progress and next steps. For more information, contact Mark Pyman or Carolyn Hodder at: www.transparency.org.uk

Demystifying money in politics

By Gene Ward

Continued from page 1

stifling the basic right of citizens to provide funding to the candidate or party of their choice.

There are many legal as well as illegal paths that money can take as it flows in and out of party and candidate campaign coffers. On the one hand, money plays a positive role in politics. Former Speaker of the California House of Representatives, Jesse Unruh, made famous the notion that money is “the mother’s milk of politics” because of its all-nourishing effects on campaigning. Without money as a means for citizens and parties to express their choices for leadership and vote freely with their wallets, politics would remain largely the domain of incumbent governments and elitist armies of financiers, special interest cronies and questionably legal enterprises. On the other hand, money can be seen as the spoiler of elections and good governance. Bribes, kickbacks, vote-buying, illegal use of state resources and illicit money in politics make democracy akin to a purchased commodity, skew the playing field and limit electoral competition.

Limiting the flow

The appetite for money in politics is usually insatiable. Because of the size of the money flow, most countries have instituted restrictive legislation, including limits, bans and prohibitions, as a means of curtailing, or at least slowing down, that flow. It can be argued, however, that there is not too much money entering politics, but there is simply too much money entering politics without being adequately accounted for by disclosure reports and, thus, open to public scrutiny.

Disclosure is one of five methods that can control the flow of money in politics, as seen in Table 1. Most countries offer some form of public financing for political parties, yet half still rely on private funds from corporations, trade unions or foreigners - three sources considered very influential in determining the outcome of an election and with great potential for corruption. With regard to limits, restrictions on spending (41 per cent) are more popular than restrictions on contributions (28 per cent), though the majority of countries practise neither. Disclosure, or what this article terms ‘full disclosure’ - where the public is informed of “who gave how much to whom for what purpose and when” - appears to be the least practised of all (13 per cent).¹

Why disclosure is important

Disclosure is to politics what financial statements are to business. The knowledge of quantities in business and politics must be reasonably exact before they can be controlled, curtailed or reformed. In political finance, unfortunately, estimates of campaign costs are used more frequently than hard numbers. This is especially so in developing countries, where the discussion is mostly speculative, anecdotal or otherwise lacking in empiricism.

Disclosure fulfils two very important functions: accounting and accountability. These serve as both preventive measures and monitoring tools in combating political corruption. Accounting means that political parties and candidates prepare itemised

reports of funds they receive and spend. Accountability follows from the presentation of these reports to the public, so that voters can make more informed choices about their parties and candidates. There are four major benefits of the disclosure process.

The ability to ‘follow the money’. Disclosure is the cornerstone of all campaign and political party regulations. Without it there is no way to keep track of income and expenditure, and thereby enforce limits, bans or prohibitions. The ability to ‘follow the money’, or construct an ‘audit trail’, is the first defence against system irregularities and can have an impact on democracy and governance.

Disclosure as a preventive measure. Disclosure serves to reveal information that can help close the revolving doors between business and politics, and prevent conflicts of interest. It feeds informed analyses by watchdog groups and the media, and creates better educated voters. Illicit activity can then be highlighted in ‘name and shame’ exercises that send warnings to elected and appointed officials.

Disclosure is the less polemical measure. This does not necessarily make it more effective than other control mechanisms, but it is a reform which wins legislative support more easily. Evidence for this is suggested by the number of countries that have passed asset disclosure laws as an indirect method of combating misuse of money in politics.

Disclosure builds confidence in the democratic process. In a democracy, the more transparent and open a nation’s public and political finances, the more its citizens will trust the government. Secrecy breeds scepticism and cynicism about democratic politics.

A snapshot of disclosure around the world

Disclosure laws throughout the world range from the totally transparent to the totally opaque, with the latter predominating.

Table 1: Ways to control money in politics

Type of approach	Percentage of countries using approach (104 countries surveyed)
Public Financing	79
Bans & Prohibitions*	50
Spending Limits	41
Contribution Limits	28
Full Disclosure	13

* primarily on corporations, trade unions and foreign donors

Sources: These numbers are estimates by Michael Pinto-Duschinsky in ‘Financing Politics: A Global View’, *Journal of Democracy*, vol.13, no.4, October 2002, except for the author’s data on “full disclosure”, excerpted from *Money in Politics Handbook: A Guide to Increasing Transparency in Emerging Democracies* (Washington, D.C.: USAID, 2003).

Based on a survey of disclosure laws in 118 nations, USAID developed a composite snapshot of the state of disclosure. Even with a generous definition, the number of countries considered to have high public disclosure is only 13 per cent. This tiny figure should confirm suspicions that the practice of disclosure is not widespread. Twenty-three per cent of the countries surveyed had no disclosure laws at all and another 17 per cent had 'hidden disclosure', meaning that for all practical purposes 40 per cent of nations in the world told their people nothing about money in politics.

How to enhance disclosure

Each country requires a tailored approach to increase disclosure, based on the resources available and its readiness to tackle the issue of money in politics. It is up to democracy practitioners to select the appropriate path, or combination of paths, with the highest potential for impact. The role of civil society in this endeavour is crucial, and can be helped by strengthening ties between NGOs, the media, research scholars and reformist politicians. Political parties and leaders can also be engines of political finance reform.

Disclosure mechanisms across the world have thus far proven inadequate for keeping track of money in politics, given that the majority of leaders in democracies are still not required to reveal who funded their victories. Adequate disclosure would allow both governments and the public to keep track of the amounts, sources and destinations of campaign finance. Without these declarations of accounts, governments and citizens risk never knowing the price of their democracy, or the identity of the major influences behind it, whether corporate, union, general public, special interest groups - or drug lords and other criminal syndicates.

Countries that are serious about getting a handle on their political finances will emphasise disclosure as much as they do public finance or any other reform measures. Disclosure is not the last word, or the only word in campaign and party finance, but it is the most essential first word.

1. The survey data cited is from *Money in Politics Handbook: A Guide to Increasing Transparency in Emerging Democracies* (Washington, DC: USAID, 2003). With USAID sponsorship, IFES collected data on 118 countries based upon its availability between January and June 2001. See www.usaid.gov to download a copy of the handbook.

ABOUT THE AUTHOR

Gene Ward



Gene Ward, PhD, is a senior adviser in political finance at the USAID Office of Democracy and Governance. He is the primary author of "Money In Politics Handbook: A Guide to Increasing Transparency in Emerging Democracies" (USAID, 2003). He served in the Hawaii House of Representatives from 1990 until 1998, half of this time as the Minority Leader. Prior to joining USAID, he was a decentralisation specialist for the International Republican Institute's Local Autonomy Project in Indonesia. He has held senior positions in several UN bodies.

TI Standards on Political Finance and Favours

The idea to develop a set of global standards on political finance first emerged in an essay by Prof. Keith Ewing in TI's *Global Corruption Report 2001*. Regional projects and work with organisational partners further underscored the need for global standards, standards that would guide rather than rigidly prescribe. A team from the TI Secretariat prepared a draft with input from experts from around the world. Consultation with TI national chapters and the Board of Directors followed. The standards appear in full in the *TI Global Corruption Report 2004*.

1. Curbing influence peddling and conflicts of interest

Donations to political parties and candidates to elected office must not be a means to gain personal or policy favours. Parties and candidates must practise transparency. Governments must implement adequate conflict-of-interest legislation.

2. Transparency through disclosure and publication

Political parties, candidates and politicians should disclose detailed information about assets, donations, in-kind donations, loans and expenditure, on an annual basis as well as before and after elections, to an independent agency.

3. Effectiveness in enforcing and supervising of regulatory measures

Independent public oversight bodies endowed with the necessary resources must effectively supervise the observance of regulatory laws and measures. Together with independent courts, they must ensure that offenders are held accountable and duly sanctioned.

4. Diversity of income and spending limits

Diversified funding should be sought through: state funding and subsidised access to the media; the encouragement of small donations and membership fees; and controls on corporate, foreign and large individual donations. Spending limits should be considered.

5. Fairness and integrity in access to the media

Candidates and parties must be given fair access to the media. The media should play an independent role, free from political interference, both in election campaigns and in the broader political process.

6. Civil society participation

Civil society should have the opportunity to actively participate in promoting adequate legislation in the field of political finance and in the monitoring of political finance and its impact on political representation.

Russia's elections: free but not fair

By Roman Kupchinsky

The December 2003 elections for the state Duma, Russia's lower house of parliament, resulted in sweeping victories for the pro-presidential and nationalist parties. The opposition parties were almost completely eliminated from office and, for the first time in post-Soviet Russia, the president had a parliament which would do his biddings without question. The situation was shortly characterised as a "regression in the democratisation process" by the president of the OSCE Parliamentary Assembly, Bruce George.

Widely criticised by observers as being "free but not fair", the Kremlin was accused of blatantly stacking the odds in favour of the pro-Kremlin bloc, United Russia. The 500 election observers from the Organisation for Security and Co-operation in Europe (OSCE) reported that the poll "failed to meet many OSCE and international standards" and concluded: "We are certain that the government knows how to meet these standards. What we are yet to see is the willingness to meet them."

Access to state-owned television, the critics claimed, was weighed heavily in favour of supporters of President Vladimir Putin, while the sudden campaign against the Yukos oil company and the arrest of its chairman, Mikhail Khodorkovsky, soon followed. The pre-election evening news on television was split between news of the crackdown by the president on a "crooked oligarch" and endless praise of the pro-presidential parties.

This particular form of political corruption, in which the public media is used for electoral purposes, is not exclusive to Russia. Government control over the media - and, with it, the electoral process - has become one of the major ills of the former Soviet Union and now threatens to become a permanent feature in these societies.

Air-time shenanigans

According to the OSCE's monitoring of Russian television coverage during the campaign (from 7 November until 5 December), state-owned First Channel's prime-time news devoted approximately 18 per cent of its air time to the pro-presidential party, United Russia, with an overwhelmingly positive slant to the reports. The opposition parties were given negligible coverage in comparison, except for the Communists, with around 12 per cent of almost completely negative coverage. Coverage of President Vladimir Putin was, on the other hand, overwhelmingly positive and took up over one-third of prime air time.

NTV, the television station owned by Gazprom, the state-controlled gas monopoly, fared somewhat better in its prime-time news programme. But the president was again given an overwhelming 34.8 per cent of positive coverage (see page 7 for a campaign media analysis by TI Russia).

Adding to the air-time imbalance was a witch hunt for "corrupt oligarchs". The arrest of Yukos chairman Mikhail Khodorkovsky, who had openly donated money to the opposition, was used to the utmost by the media. Putin's spin doctors rumoured that this was "dirty money", stolen from the Russian electorate during the privatisations of the Yeltsin era. And while these political donations were not part of the formal charges levelled against Khodorkovsky, they were nonetheless used as a weapon against the opposition in the campaign.

The Duma elections underlined the lack of an effective firewall between the managers of the national state-run media and the government. Fear of administrative pressure from the state for airing "politically incorrect" coverage drives state-owned media to follow the administration's line when presenting issues and allocating air time to parties, candidates and the president. This practice is in direct conflict with the law, which requires equal media coverage for all candidates.

Floundering private channels

The Kremlin's grip on the media also extends to what were once private television stations. From the government's takeover of NTV in 2001 to its closure of TVS in June 2003, such heavy-handed tactics have systematically silenced critical voices. In a telling case from 2000, the Committee to Protect Journalists reported that the Kremlin allegedly offered television station ORT owner Boris Berezovsky a choice between giving up his shares in the company or going to jail.

The problem is compounded by a widespread public belief that the government should control the media. This has eased the government's takeover of private media outlets. Writing on public attitudes towards the media, media expert Robert Coalson noted in September 2000 that "much of the Russian population seems either hostile or indifferent to independent journalism. A national poll taken immediately before the Kursk incident revealed that 38 per cent of Russians believe 'increased state control of the media would be good for Russia'. Another 25 per cent said that such control wouldn't matter one way or the other."

Meanwhile, non-governmental watchdog organisations are generally ineffective and often limited to websites with a limited readership in Russia. Some Western-funded pro-democracy organisations have come under police surveillance and political attack and, as in neighbouring Ukraine, there is pressure coming from the pro-presidential factions in parliament to ban them altogether.

Russia, on the eve of this year's presidential elections, was a nation mired in political corruption. Petty corruption, such as traffic police demanding bribes and housing inspectors insisting on a "consideration" before issuing a permit, will no doubt be an issue in the Russian election campaign. But the propriety of the campaigns themselves is where the real danger lies, and is a question unlikely to get any air time.

Russia, on the eve of this year's presidential elections, was a nation mired in political corruption. Petty corruption, such as traffic police demanding bribes and housing inspectors insisting on a "consideration" before issuing a permit, will no doubt be an issue in the Russian election campaign. But the propriety of the campaigns themselves is where the real danger lies, and is a question unlikely to get any air time.

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Roman Kupchinsky is editor of Radio Free Europe/Radio Liberty's weekly "Crime, Corruption & Terrorism Watch".

"Fear drives state-owned media to follow the administration's line."

Campaign finance reform in the United States

By Lawrence Noble

Campaign finance laws attempt to deal concretely with the potential for corruption, which is perceived as inherent in political contests driven by large aggregations of wealth. While the details may differ in each country, campaign finance reform efforts often follow the same pattern: scandal followed by reform, followed by people finding new ways to evade the laws, resulting in fresh scandal and a new push for reform. Regardless of the system, however, there are certain principles that are essential to reform efforts.

Transparency is at the heart of every meaningful campaign finance system. Disclosure allows the voters to see where campaign money is coming from, and helps them judge to whom their elected official will be responsive once in office. Disclosure is also an important tool for law enforcement. It not only deters illegal activity, but also aids in detecting violations of the law. And, as history has repeatedly demonstrated, it opens a window on abuses that may require changes in the law.

Additionally, limitations on contributions to candidates and political parties, as well as prohibitions on who can give, often work to curb the influence of wealthy special interests. Naturally, such laws will only be effective if enforced. It is thus critical that the agency charged with enforcing the law be seen as non-partisan, fair and independent. It must be seen as working for the public, not the political players.

As in most countries, efforts at campaign finance reform in the United States have been fuelled by scandal and marked by success and defeat. The country saw its first serious attempt at regulating the financing of campaigns in the early 1900s. These measures focused on the disclosure of campaign contributions and restrictions on who could make those contributions. Over the next 70 years, the law gradually evolved in response to the emergence of new power centres, such as trade unions in the 1940s, and ever more sophisticated fundraising schemes designed to take advantage of legal loopholes. But, as a practical matter, these campaign finance laws were generally considered ineffective, providing little real transparency and having no actual impact on how campaigns were financed.

Both the law and public opinion toward campaign finance issues changed, though, in the 1970s. The Watergate scandal, involving large undisclosed campaign contributions, caught the public's attention and spawned a comprehensive set of reforms. Over the next 20 years, however, the campaign finance rules were again undermined by ever increasing pressure to circumvent restrictions on the raising and spending of money to win elections. This time, the erosion of the campaign finance system peaked with the fundraising scandals of the mid-1990s, when both the Democrats and the Republicans were found to be exploiting known loopholes and crafting new ones, having grown used to weak enforcement by a regulatory agency captive to powerful political interests. By the 2000 elections, the campaign finance laws had come to be seen, once again, as largely ineffective.

Press accounts of big donors currying favour with the political parties and candidates with five-, six-, and even seven-figure political contributions during the 1996 and 2000 elections gave rise to new calls for reform. While there was opposition in both

major political parties to clamping down on the big money contributions, the corporate scandals in 2001-2002 - and their connection to political donations - galvanised many and increased the call for new reforms. This resulted in the McCain-Feingold campaign finance law (also known as the Bipartisan Campaign Reform Act or BCRA), enacted in 2002. Its main provisions are a ban on the large, unregulated corporate, labour and individual contributions to the national political parties, known as "soft money", and stricter regulations on so-called "sham issue ads", thinly disguised campaign ads supporting or attacking candidates. As soon as the law went into effect, the battle over the creation of new loopholes began.

We will not know the full impact of the BCRA until after the 2004 presidential election, but we can already see changes in the dynamics of the campaign. For example, the "soft money" ban has forced both major political parties to focus on raising a larger number of smaller contributions from individuals, many of whom may never have given to political campaigns before. In addition, fundraisers (individuals known as "bundlers") who can raise a large number of individual contributions from people willing to give the maximum of US\$2,000 per election are also becoming more important. At the same time, new groups - claiming to be independent of the political parties - have been formed

to solicit and collect some of the large soft money contributions that used to go to the political parties. While the activities of these new groups are controversial and there is some question as to how the law applies, it is still too early to gauge their full

impact on the election.

Campaign finance laws, such as the BCRA, are integral to the health and well-being of a democracy. As with any law, these laws must reflect the democratic values of a country and the reality of the political system. This means that these laws will have to change as campaigns evolve, loopholes open and society's expectations shift. While this is not an easy task, ignoring the issues these laws address will lead to a loss of public confidence in the integrity of the elected officials, undermining the very democracy that those elected officials serve.

"The Watergate scandal caught the public's attention and spawned a comprehensive set of reforms."

ABOUT THE AUTHOR

Lawrence Noble



Lawrence Noble is executive director of the Center for Responsive Politics, a non-profit, non-partisan research organisation in the United States that studies money in politics and its impact on public policy. He was general counsel of the US Federal Election Commission from 1987 until 2000.

Recent Reforms

» A global sample of initiatives to increase transparency and accountability

AFRICA

NEPAD peer review process launched

In response to the continent's poor governance track record, African leaders gathered in Rwanda to push forward a plan to monitor each other's performance on human rights, corruption, and other issues. Ghana, Kenya, Rwanda, and Mauritius will be the first nations to undergo a peer review under the auspices of the New Partnership for Africa's Development (Nepad).

The Nepad secretariat, which is overseeing the review process, has an extensive list of partner institutions it will call on for expertise. Countries must appoint either a minister or a director-general to liaise with the reviewers. A period of six to nine months is the average time envisaged between the arrival of a review team and the public release of the report. However, only 17 of 53 eligible African Union members have so far signed up to the plan.

The New York Times 13 February 2004;
Business Day, 18 February 2004

AZERBAIJAN

Parliament adopts anti-corruption law

The Azerbaijani Parliament (Milli Majlis) recently adopted an anti-corruption law, honoring a commitment that the country made before joining the Council of Europe in 2001.

The law, which will take effect beginning 1 January 2005, centres on the creation of a special commission to combat corruption. It will comprise representatives from all three governmental branches. Government officials will be legally required to report to the commission each year their income, property, bank deposits, and other aspects of their finances.

The law will also prevent upper-level government officials from hiring their close relatives and from taking gifts that cost more than US\$50. Any gift above that amount must be given instead to the office or government body where the official works.

Baku Today, 15 January 2004

CHINA

New rules tackle corruption and malpractice

On 1 March, China's Land and Resources Ministry is to institute new measures to crack down on corruption and inefficiency.

Among the new controls are measures stipulating that land and resources officials at all levels must publish standards on land and mineral rights within 30 days. The measures also ban officials from designating intermediaries, some of whom have included family members, for land and mineral development projects undergoing governmental assessment. Finally, officials will be forbidden from receiving personal benefits, such as cash, stocks or bonds.

"Those defying the new measures will see administrative sanctions and even criminal punishments in more severe cases," said Meng Xianlai, a leading official with the Ministry of Land and Resources in charge of the work.

China Daily, 4 February 2004

COLOMBIA/PERU

Border security and anti-money laundering agreement signed

The Peruvian and Colombian governments have signed an agreement against the laundering of drug money, and committed themselves to reinforcing security along their common border. The pact between the two countries was finalised after the visit to Bogota by Peruvian Foreign Minister Manuel Rodriguez.

Rodriguez, who met President Alvaro Uribe on 19 February, emphasised the importance of the agreement, saying that it is a "critical link" in combating drug-trafficking activities.

This pact "will allow for the detection, control and suppression of money-laundering activities carried out by people, legal entities or any other sort of agent acting within the two countries' financial systems," the Peruvian foreign minister explained at an event in the Foreign Ministry.

El Espectador, 21 February 2004

INDIA

New norms for transparency in procurement

A new directive issued by the Central Vigilance Commission (CVC) seeks to bring greater transparency to the procurement and tendering process of government agencies.

All government departments, public sector undertakings, banks and any other agencies that make bulk purchases are now required to make their calls for tenders and the complete bid documents available online. The CVC has set a deadline of 1 April.

The new measure arose from allegations of inadequate disclosure, with procurement officials not making available bid documents and application forms.

Business Line India, 10 January 2004

MAURITANIA

Good governance program launched

The Minister for Economic Affairs and Development chaired a workshop in February resulting in the adoption of a National Good Governance Program. This was the culmination of a long process, started in 1999, and involving many players. The program is multi-faceted and seeks to improve the parliament and judiciary, the capacity of the administration as well as strengthening civil society. The new paragraph (3.2.2.5) defines the program's goals as follows: to generate debate on existing legislation, identify constraints (political, social, etc.) on the fight against corruption, lay out the main points of an anti-corruption strategy involving all sectors and to promote ethics through education and communication.

RWANDA

Corruption crackdown

Politicians and civil servants in Rwanda have been asked to declare their wealth in a campaign against corruption in government. Rwanda's newly appointed Ombudsman Tito Rutaremara has stated that those who do not comply will be prosecuted.

Starting this week, leaders, who include President Paul Kagame, will fill in forms stating what they own. The constitution adopted by Rwanda last year requires public office holders to declare their wealth.

Mr Rutaremara added that the new government drive will promote transparency and prevent people from acquiring wealth fraudulently. "The Rwandan Patriotic Front (RPF) political programme stresses that we fight corruption and malpractices so we will be applying what we have been teaching," he said.

BBC News, 3 February 2004

New Publications



Face à la corruption

By Daniel Dommel, Éditions Karthala, EUR 24, November 2003, 292 pp., ISBN 2-84586-426-4

Daniel Dommel, chairman of TI France from 1996 until 2003, presents the state of the world's corruption and TI's experience in fighting it in this comprehensive anti-corruption manual. Citing the latest research, Dommel details the damage caused by corruption around the world. He presents a wide range of techniques that can be used to prevent corruption and describes international and regional efforts to eradicate it. The book is an indispensable tool for corporate managers and politicians, and anyone interested in ethics and governance.



The Blood Bankers: Tales from the Global Underground Economy

By James S. Henry, Four Walls Eight Windows, NY, US\$26.95, December 2003, 417 pp., ISBN 1-56858-254-4

We have heard much about the crisis of third-world debt and its possible solutions. James S. Henry asks a deeper question: What happened to the more than US\$2.7 trillion of debt, aid, and investment made available to the developing world since the 1970s? One answer is that it was not spent but stolen, with as much as two-thirds going to the political elites of recipient countries.

Henry, a lawyer and economist by training and an investigative journalist by avocation, has been working on this story since the late 1980s. He travelled to more than 50 countries in pursuit of it, and his book contains first-hand accounts of decades of unscrupulous financial behaviour in many of them.

His inquiry into the paradox of third-world debt soon became an indictment of the corporations that helped to create it. He describes how leading international financial groups have, often with the help of governments and supranational institutions, created and fuelled the new high-growth global markets for all manner of dubious trans-national economic activity.

Corruption is the scandal behind third-world debt, and is key to any lasting solution. For more information see: bloodbankers.typepad.com.

Joe Roeber, TI-UK

Inside TI

Kofi Annan names TI Trinidad & Tobago founder special adviser

UN Secretary-General Kofi Annan has appointed Trinidad & Tobago's John Reginald Dumas as his Special Adviser to help tackle Haiti's escalating political, economic and social turmoil. Dumas, 68, has a long record of diplomatic service for his country and has specialised in issues affecting the Caribbean region. He has also worked on public task forces in Trinidad & Tobago, and in 1998 co-founded his country's chapter of Transparency International.

UN News Wire, 26 February 2004

TI Secretariat hosts Malaysian anti-corruption officials

A delegation from the National Integrity Co-ordination Committee (ICC) recently created by the new Prime Minister of Malaysia, Abdullah Badawi, visited the TI Secretariat in Berlin on 9 February. The Malaysian delegation also included Mustafar Ali, Director of the Research and Planning Division in Malaysia's Anti-Corruption Agency. The purpose of their visit was to learn more about TI's efforts in promoting transparency and integrity and combating corruption, in particular the corruption indices and the National Integrity System. The ICC, headed by the Prime Minister, has as its goal to draft recommendations for a National Integrity Plan and establish a Malaysian Institute of Public Ethics.

Iraqi scientists visit Berlin

A group of Iraqi scientists, invited by the Free University of Berlin to participate in a three-week seminar on democracy and civil society, visited the TI Secretariat on 17 February. TI Programme Officer Arwa Hassan gave a presentation in Arabic on TI and its work in the Middle East/North Africa region, which was followed by a valuable exchange. The Iraqis who visited were eager to set up a network in Iraq of those keen to raise corruption awareness. However, within the current structures in Iraq, there are no clear guidelines or policies on the registration of civil society organisations.



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New TI-S Chief Executive

As of 1 January 2004, Peter Eigen handed over his TI Secretariat executive role to David Nussbaum, who becomes Chief Executive. Peter Eigen remains the Chairman of the Board of Directors of Transparency International.

TI's Governance Task Force inviting input

A Governance Task Force (GTF) was established by the TI Board of Directors, chaired by TI Advisory Council Chairman Kamal Hossain, to address internal governance issues. Specifically, the GTF is to develop proposals for the 2004 Annual Membership Meeting on TI objectives as stated in our charter, and on Personal Active Membership, as requested by the 2003 membership meeting. Dr Hossain informed members of the TI movement about the process the GTF plans to follow and the issues it intends to address, while inviting feedback to be sent to Stan Cutzach (scutzach@transparency.org) by 29 February 2004.

TI Secretariat staff changes

We are happy to announce that Dr Cobus de Swardt from South Africa will be joining the TI Secretariat this May as the new Global Programmes Director.

In line with the TI Strategic Plan, the TI Secretariat has strengthened its key global priorities with the assignment of dedicated programme managers. TI's Global Programme Managers are: Gillian Dell (International Anti-Corruption Conventions); Bettina Meier (Anti-Corruption Education and Ethics); Juanita Olaya (Public Contracting and the Integrity Pact); and Diana Rodriguez (Political Corruption). Robin Hodess is TI's new Director of Policy and Research and Jeff Lovitt is Director of Communications. Marie Wolkers is now Programme Officer for Measuring Corruption. Andrea Figari continues to work on Access to Information and Susan Côté-Freeman on Standards in the Private Sector.

New to the TI website

The Chapter Activity Database on Public Contracting and Integrity Pacts is now available on the TI website in the Public Contracting web section:

www.transparency.org/integrity_pact/preventing/integ_pacts.html.

The database will be updated twice a year, and feedback is welcome.

Calendar

- 25 May 2004, Johannesburg, South Africa
Developing guidelines for good governance for Southern African NGOs. Regional conference organised by the Charities Aid Foundation Southern Africa. Contact: Yvonne Morgan, ymorgan@cafsouthernafrica.org, or tel: +2711 726 1148 (Johannesburg)
- 2-4 June 2004, Maputo, Mozambique
Africa Economic Summit
For more information see: www.weforum.org
- 13-15 June 2004, Seoul, Korea
East Asia Economic Summit
For more information see: www.weforum.org
- 30 June and 1-2 July 2004, London, United Kingdom
STOP Money Laundering! Conference
For more information visit www.stopmoneylaundering.com
- 9-10 October 2004, Nairobi, Kenya
Annual Membership Meeting of Transparency International

TI Global Corruption Report 2004 International launch dates

The TI Global Corruption Report 2004 (Pluto Press, US\$24.95, March 2004, 370pp., ISBN 07453 22301) can be ordered from www.amazon.com

- 25 March 2004, London, United Kingdom
Main launch at 12:00 at the Foreign Press Association
- 27 April 2004, Paris, France
Launch of the French edition of the Report (*Rapport mondial sur la corruption*)
- 28 April 2004, Washington, DC, United States
US roundtable discussion at Brookings Institution
- May 2004, Buenos Aires, Argentina
Launch (date to be confirmed) of Spanish edition (*Informe Global de la Corrupción*)

The following chapters will also be holding events:

Ghana Integrity Initiative: TI Botswana, TI Australia, TI Kenya, TI Mauritius, Palestinian contact group AMAN, TI Poland, TI Russia and TI Romania.

For more information on the *TI Global Corruption Report*, please visit: www.globalcorruptionreport.org, or e-mail: gcr@transparency.org.

Website Tips

www.opensecrets.org

Conducts computer-based research on campaign finance issues for the news media, academics, activists, and the public at large.

epic.at.org/epic/pc

Powerful search engine. Collaborative project between IFES, IDEA and UNDP. Includes global survey of party funding and disclosure.

www.aceproject.org/main/english/pc/pc.htm

Another collaborative project of IFES, IDEA and UNDP. Also available in French and Spanish.