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Transparency International's Quarterly Newsletter



SPECIAL REPORT

## Following the money trail: where corruption meets terrorism

By Stanley E. Morris

Corruption and terrorism are intrinsically linked. While corruption has money as its motive, terrorism requires money to further its ends. Although different in some respects, both attack the body politic, undermining democratic institutions and destabilising societies. Since both must conceal the source and objective of their funding, governments, international organisations and the private sector alike have sought to apply traditional anti-money laundering tools to curb corruption, and more recently, the flow of money to terrorist organisations.

The need for unified global action against money laundering was recognised decades ago, and was addressed by the 1988 United Nations Convention on Drugs and Psychotropic Substances. In contrast, the efforts to address the financial sides of corruption and terrorism are of much more recent vintage. Until the OECD took steps in the late 1990s to establish the international principle that giving and receiving bribes should be criminalised, most governments paid little attention to the financial side of corruption. Recognising this failing, Transparency International has heightened public understanding of the financial flows essential to corruption schemes, and

*continued on page 10*

FROM THE CHAIRMAN

## Corruption is unsustainable

Transparency International took a clear message to the UN Summit on Sustainable Development in Johannesburg: that a fairer, more sustainable world requires effective governance, and good governance is undermined from start to finish by corruption.

At the meeting of the Global Water Partnership and the World Water Council, TI highlighted the urgency of tackling corruption in the water sector. Today, 1.2 billion people do not have reliable access to safe water. Transparent, efficient and honest management of water supplies and sustainable planning are needed to save lives.

The water sector is particularly vulnerable to corruption: from the Three Gorges Dam in China, to the Lesotho Highlands Water project, designed to meet the water needs of Lesotho and South Africa, and many other projects, corruption poses an enormous danger. If decisions are made according to the size of a bribe, they invariably fail to serve the long-term needs or environmental concerns of the communities the projects ought to be serving.

Governments and politicians often pay lip-service to sustainable development at summits abroad, yet fail to act on corruption at home. In the new Corruption Perceptions Index 2002, seven out of ten countries score less than 5 out of a clean score of 10 on perceived levels of corruption among politicians and public officials.

Governments and businesses are part of the problem, and only together and by engaging civil society can they build a level playing field for all stakeholders in society. It was for its efforts in promoting coalition-building that TI was awarded the Carl Bertelsmann Prize 2002 on 5 September in Gütersloh, Germany. Appropriately enough, the two runners-up were both international organisations tackling environmental issues.

Civil society is crucial to tackling the problems of our planet. To do that effectively, organisations must put their own houses in order and continuously adapt their structure and operations. This is happening at TI. At a strategy meeting in April, members of TI's Board, Advisory Council and national chapters began to tackle the challenges ahead. The Annual General Meeting in Morocco in October will begin to translate this into action, and the appointment of a new Managing Director of the TI Secretariat, David Nussbaum, until now a deputy Chief Executive Officer at Oxfam UK, also ushers in a new generation of leadership and professional excellence.

Next year TI will celebrate its tenth birthday. With 89 chapters around the world, we have built a strong movement. In our second decade, we must continue to build coalitions to shape a fairer world.

*Peter Eigen, Chairman, Transparency International*

SPECIAL REPORT

### One year on

Stanley Morris of Interpol and Gopakumar Krishnan of TI take a look at the effects of the post-September 11 terrorist clamp-down on anti-corruption efforts.

*See page 10*

SURVEY

### TI's Corruption Perceptions Index 2002

The new CPI ranks 102 countries, the highest number ever. The bad news is that seven out of ten countries ranked less than 5 out of a clean score of 10.

*See page 5*

INTERVIEW

### No regrets for TI Integrity Award winner Mustapha Adib

Even after serving a prison term for denouncing a supplies racket in the Moroccan military, Mustapha Adib encourages others to speak out against corruption.

*See page 15*

# In the Headlines

» A sample of corruption reports from around the world

## ● AFRICA

• LESOTHO/CANADA

### Canadian company found guilty of bribery

Acres International, a major Canadian engineering firm, was convicted in September of paying bribes in an attempt to win contracts for a US\$ 2.4 billion water project funded by the World Bank. The High Court in Lesotho found the company guilty of bribing an official in return for contracts worth about US\$ 13 million. Acres, which is due to be sentenced in October, claims it was unaware of the conduct of its local intermediary and plans to appeal. The Lesotho government, which also has Germany's Lahmeyer International and France's Spie Batignolles on trial, is still deciding whether others among the dozen international companies involved will be charged. Observers have expressed concerns that the other companies may escape judgement as the Lesotho attorney general could run out of funding to finance the case.

International development observers say the verdict will send shivers through transnational companies, some of which have escaped punishment for bribery in the past because authorities have focused on officials who took bribes instead of the companies paying the money. The World Bank has thus far held off adding companies involved in the Lesotho scandal to its blacklist of firms implicated in corruption.

*The Globe & Mail, 18 September 2002;*  
*International Rivers Network,*  
*17 September 2002*

• ZAMBIA

### Former president may face trial

Former Zambian president Frederick Chiluba can be stripped of his immunity and face prosecution on corruption charges, a High Court ruled in August. Parliament had voted to remove his immunity earlier, but the decision had been challenged in court by Chiluba supporters. The anti-corruption drive is spearheaded by the current President, Levy Mwanawasa. Mr Chiluba and his associates are accused of embezzling around US\$ 80 million during his 10 years in office. The former leader denies the charges. Correspondents say the new president is trying to woo donors and impress voters after his controversial election victory last year.

*UN-IRIN, 12 September 2002;*  
*New York Times, 1 September 2002;*  
*BBC News, 30 August, 2002*

## ● AMERICAS

• ECUADOR

### Corruption network under investigation

In June, the Ecuadorian Finance Minister Carlos Julio Emanuel resigned after it emerged that his ministry was involved in an extortion racket. The alleged US\$ 150 million corruption network is thought to have involved at least half of Ecuador's municipal and provincial governments, several congressional legislators and six ministries. Provincial mayors are claiming that they were being forced to pay out "commissions" of up to 30% before getting the money to pay for public works contracts. When they refused to co-operate, their budgets were cut. According to an estimate by Quito's chamber of commerce, corruption costs Ecuador US\$2bn (11.2% of GDP) a year.

*Reuters, 25 August 2002; The Economist,*  
*1 August 2002; Financial Times, 24 June*  
*2002; EFE, 25 June 2002*

• HONDURAS/USA

### US cancels visas of corrupt Hondurans

During the first week of July, the Ambassador of the United States in Honduras announced that his embassy had cancelled the visas of several Hondurans suspected of corruption or criminal activity. However, no details were provided as to how many visas had been cancelled, nor who the persons involved were. Ambassador Frank Almaguer stated: "If you are corrupt, if you steal, if you rob the people's benefits, we don't want you on vacation in Disneyland, we don't want you to go shopping on Fifth Avenue; we don't even want you to get a check-up in Houston. We are not interested in the United States being a place for corrupt people to visit."

*La Prensa, July 10, 2002;*  
*Honduras This Week, 1 July 2002*

• NICARAGUA

### Former president loses immunity

In a decision without precedent in Nicaragua, its parliament in September removed former president Arnoldo Alemán as speaker of the national assembly. The decision opens the way for prosecution to begin against the former president who has now lost his immunity as a lawmaker. Alemán is

accused of grave acts of corruption during his term, which ended in January. Together with close family members and three ministers, he has been accused of looting close to US\$ 100 million, the equivalent of Nicaragua's annual health budget, before leaving office in January. Authorities are now poised to try him in a US\$ 10m corruption case.

*DPA, 20 September 2002;*  
*AP, 24 September 2002;*  
*The Economist, 22 August 2002*

## ● ASIA

• CHINA

### Whistleblowers play a risky tune

Corruption is routinely the top complaint of people queried in internal Chinese government polls and unrest, riots, killings and demonstrations linked to corruption cases are increasing. In the city of Liaoyang, workers and retirees took to the streets in March after being denied their wages and pensions. In the wake of the protests, several people were jailed or fired, but not all of them were corrupt officials. Amongst those behind bars are the four leaders of the demonstrations.

Anyone who publicly accuses a leader of malfeasance does so at considerable risk, as Zhou Wei found out. Mr Zhou organised petitions to the authorities about the corrupt activities of local leaders in Shenyang, China's fourth-largest city. According to a government report, the mayor, his wife, daughter and lover, his executive vice mayor, the police, prosecutors, judges, customs officers, construction bureaus, private companies, bankers and local legislators were all on the take. In the crackdown that followed in mid-2000, hundreds of officials were arrested, and some sentenced to death.

The whistleblower himself was sent off without trial to a labour camp in May 1999, where he was to remain for over two years, accused of "disrupting public order". After his release, the media lionised Mr Zhou, but family members say he is being followed by plain-clothes police. Another Shenyang whistleblower, the journalist Jiang Weiping, was less lucky. In January, he was sentenced to nine years for writing a series on corruption for a Hong Kong magazine.

*New York Times, 14 September 2002;*  
*AP, 18 April 2002;*  
*International Herald Tribune, 8 March 2002;*  
*The Economist, 23 November 2001*

## • INDONESIA

**Suharto's son sentenced to 15 years in prison**

An Indonesian court sentenced former president Suharto's favourite son to 15 years in prison in July. "Tommy Suharto", as he was commonly known, was found guilty of ordering the murder of a Supreme Court judge who had convicted him for graft in 2000. During his father's reign, Tommy was said to control a business empire worth US\$ 800 million. His case was widely seen as a test of the Indonesian judicial system. Although some scoffed at the sentence, pointing out that the killers had received life, the verdict marked a turning point. Members of the old first family used to be considered untouchable. Aged former president Suharto himself has avoided trial so far, claiming ill health.

*The Straits Times, 29 July 2002;*

*Washington Post, 26 July 2002;*

*International Herald Tribune, 28 July 2002*

## • JAPAN/MONGOLIA

**Mitsui suspected of bribery**

In late August, the Tokyo District Public Prosecutors Office began investigating Mitsui & Co., Japan's second largest trading company, for corruption. The scandal involves allegations that a Mitsui employee bribed a high-ranking Mongolian government official Y1m (US\$ 8,500) to secure orders for a project funded by the government's official development assistance (ODA) programme. Mitsui could be the first company to fall foul of a 1998 anti-corruption law that makes overseas bribery illegal in Japan. Mitsui's president was forced to resign.

*Asahi Shimbun, 10 September 2002;*

*Financial Times, 29 August 2002*

## • NEPAL

**Corruption watchdog bites**

In a major campaign, the CIAA, Nepal's constitutional anti-corruption watchdog, raided almost two dozen government employees and detained most of them on charges of corruption. This is the first time that the CIAA has taken such action. Most of the officials arrested have been occupying 'beneficiary offices' like the customs and tax offices for a significant length of time. Amongst the accused, who are rumoured to have amassed millions, are the chiefs of a Kathmandu inland revenue office and the head of the revenue section of the ministry of finance.

*The Kathmandu Post, 17 August 2002*

## • EUROPE

## • NORWAY/UGANDA

**Construction giant in corruption probe**

Norway's special economic crime division in September began an investigation into the country's largest construction firm, Veidekke, which is suspected of corruption. The allegations revolve around a US\$ 10,000 payment made by a now defunct Veidekke subsidiary. The money went straight into an overseas bank account of Uganda's former energy minister, Richard Kajjuka, who was made to resign from a later post as World Bank alternate executive director for east, central and southern Africa when the payments came to light. Mr Kajjuka claims the payment was for his son. The bribe allegedly helped Veidekke to secure one of its biggest ever contracts, for a US\$133m power plant for the Bujagali dam in Uganda. The contract went to Veidekke and others in an international consortium without bid. The World Bank has suspended its support for the Bujagali dam and launched an investigation. Veidekke announced it was pulling out of the project at the end of August. The project is East Africa's biggest private investment.

*Financial Times, 2 September 2002;*

*Aftenposten, 12 September 2002*

## • UK/QATAR

**Straw faces grilling on arms 'bribes'**

Foreign Secretary Jack Straw faced questions in the House of Commons this week over his department's role in the UK's largest criminal corruption inquiry involving an alleged £7 million (US\$ 11 m) payment by British Aerospace into secret offshore accounts owned by the Foreign Minister of Qatar. *The Observer* revealed that Jersey's attorney-general had suddenly dropped a two-year criminal probe into trusts set up in the Channel Islands by Sheik Hamad Bin Jassim Bin Jaber al-Thani, the Qatari Minister for Foreign Affairs. Senior sources close to the investigation told *The Observer* that BAE, now known as BAE Systems, had paid almost £7m into the trusts. The British defence company is not the subject of the criminal probe, which centres on this alleged payment to Sheik Hamad. Detectives believe the payments, made by BAE and other European arms companies, were intended as sweeteners to secure lucrative arms contracts. It remains unclear which contracts are said to be linked to the BAE payments.

*The Observer, 9 June 2002*

## • GLOBAL

## • CORRUPTION AND FOOD

Reading reports that nearly 13 million people in drought-stricken southern Africa face hunger or starvation in the near future, it may be worth keeping in mind Amartya Sen's famous observation that the rich never starve.

In ANGOLA, over a million people are threatened by famine despite estimated oil revenues of US\$ 3 billion (US\$ 300 per capita) in 2001 alone. Experts estimate that over US\$ 1bn in oil profits simply vanished last year - nearly five times the amount that the UN is currently trying to raise for the country.

According to the World Food Programme, nearly one-third of the population of MALAWI might be hungry by next spring. Donors have been withholding funds, citing concerns about corruption and mismanagement. In one instance, the EU demanded back US\$ 8 million it had already paid. In August, the former agriculture minister was sacked and charged with fraud for his role in the sell-off of the country's grain reserve last year. Malawi's Anti-Corruption Bureau says the grain was sold after there had been clear warnings of a looming food crisis. Critics allege that the minister used bad cheques to buy 330 tonnes of corn for himself, never repaying the government; he denies the charges.

In INDIA, meanwhile, local officials in Andhra Pradesh have been accused of misappropriating thousands of tonnes of rice intended for poor farmers suffering the continuing drought. The rice, which a government agency distributes to affected areas at a subsidised price, was resold to the central government at market prices. After having skimmed off the profits from the sale, the officials then allegedly distributed inferior quality rice - much of it reportedly unfit for human consumption - to local farmers.

Trouble has also been brewing in MONGOLIA following the theft of 500 tonnes of US food aid. The US ambassador declared that no additional wheat would be supplied until the government prosecutes the man thought responsible for the theft. It seems the speaker of the INDONESIAN parliament also found it hard to resist temptation. He was tried and convicted to three years in prison for misusing US\$ 4.5m intended to buy food for the poor when he was secretary of the cabinet in 1999. Critics say he got off lightly.

*The Independent, 23 August 2002;*

*AP, 13 August 2002; Financial Times,*

*23 August 2002; Reuters, 10 July 2002;*

*New York Times, 5 September 2002*

These and other stories can be found in the searchable archive of TI's Daily Corruption News:

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

# Global Initiatives

» An overview of work by international organisations

TI/SAI

## TI develops Business Principles

Transparency International, in partnership with Social Accountability International, has facilitated the development of a set of Business Principles for Countering Bribery, aimed at encouraging change in corporate behaviour. The Business Principles provide a framework and reference point for anti-bribery practice. The document was developed in collaboration with business, trade unions, academics and non-governmental organisations, and thoroughly field-tested in three companies. As a result of this process, the Business Principles reflect good business practices for combating bribery. TI plans to launch the Business Principles in late 2002 and they will be published in print and on the TI website.



Tara (Moldova), 3 September 2002

cess to information, funding of political parties, repatriation of stolen assets, and the involvement of civil society in the monitoring process. TI national chapters in Africa will now lobby for its adoption and speedy ratification. The convention will be presented to heads of state for adoption at the next AU summit in June 2003 in Maputo, Mozambique. Negotiations are under way towards a formal collaboration Agreement between TI and the AU. This would allow TI chapters in Africa to lobby and monitor the pan-African institution more effectively.

TI/AFRICA ECONOMIC SUMMIT

## TI in action at Economic Summit

In June, Andrew Nongogo, representative of TI Zimbabwe, attended the Africa Economic Summit in Durban, and presented TI's views on two major issues: privatisation in the energy sector and corporate governance. Privatisation in Africa has provided enormous opportunities for corruption. Many of the most powerful business entities in Africa are foreign and thus do not have a national obligation to deal with the issue of corporate governance, noted Nongogo. "There is a very strong likelihood that civil society will be required to play a more prominent and visible role in ensuring accountability and transparency," he said. "TI must use these opportunities to ensure a coherent approach to anti-corruption strategies and action in Africa."

TI/AFRICAN UNION

## TI chapters help draft convention

TI and its national chapters in Africa welcomed the approval, by the African Union's Ministerial Conference held in Addis Ababa on 18-19 September, of the Draft African Convention on Preventing and Combating Corruption. Kumbirai Hodzi, Vice-Chairman of TI Zimbabwe, Maître Muna Akere, Chairman of TI Cameroon, and Chantal Uwimana, Programme Officer at TI-S, represented TI at the second Experts Meeting on the draft AU Convention which preceded the Ministerial Conference.

The draft convention contains provisions that should guarantee access to information and the participation of civil society and the media in the monitoring process. Article 10 seeks to ban the use of funds acquired through illicit and corrupt practices to finance political parties; and Article 7(C) requires state parties to adopt legislative measures to facilitate the repatriation of the proceeds of corruption. TI welcomed the draft convention as a positive sign but insisted that governments would have to commit themselves to formal monitoring of its implementation, once adopted.

TI welcomed the participation of civil society, including TI chapter representatives, in the drafting and deliberation of the convention. Recommendations from TI taken into account included input on ac-

TI/GLOBAL WITNESS

## TI signs global "Publish what you Pay Appeal"

TI joined an appeal to governments by NGOs led by Global Witness and international financier and philanthropist George Soros for rules to require corporations in the extractive industry to disclose payments. TI and its chapters and contacts in Algeria, Cambodia, Cameroon, Germany, Kenya, Mauritius, Niger, Senegal, UK, and Zambia have signed the appeal. The coalition of more than 60 NGOs urges oil, gas and mining companies be forced to publish net taxes, fees, royalties and other payments as a condition for being listed on international stock exchanges and financial markets. Relying on companies to voluntarily disclose information has so far failed because they fear being undermined by less scrupulous competitors. But the campaign calls for mandatory disclosure backed by legislation, so that citizens in developing countries can call their governments to account over the management of revenues. For more information, please see: [www.publishwhatyoupay.org](http://www.publishwhatyoupay.org) or [www.transparency.org/pressreleases\\_archive/2002/2002.06.13.publish\\_pay.html](http://www.transparency.org/pressreleases_archive/2002/2002.06.13.publish_pay.html)

TI/OECD

## TI urges OECD to speed up review

In August 2002, TI submitted a set of recommendations to a gathering of key members of the OECD Working Group convened in Lugano to discuss the future agenda of the OECD Convention. TI emphasised the danger that the Phase 2 Review process is faltering and called for the needed political commitment and, equally important, the necessary financial commitment to assure adequate resources for the OECD Secretariat to support the work of the OECD Working Group. The recommendations also emphasised that the OECD Working Group should do more work to assure the Convention's application to subsidiaries, political party officials and in cases of private to private corruption.

# The TI Corruption Perceptions Index 2002

Transparency International has published the Corruption Perceptions Index since 1995. The index ranks the world's countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. This year, TI ranked 102 countries, creating a composite index from 15 different surveys from nine independent institutions.

Rank	Country	Score	Surveys used	Standard deviation	Rank	Country	Score	Surveys used	Standard deviation
1	Finland	9.7	8	0.4	52	Czech Republic	3.7	10	0.8
2	Denmark	9.5	8	0.3		Latvia	3.7	4	0.2
	New Zealand	9.5	8	0.2		Morocco	3.7	4	1.8
4	Iceland	9.4	6	0.4		Slovakia	3.7	8	0.6
5	Singapore	9.3	13	0.2		Sri Lanka	3.7	4	0.4
	Sweden	9.3	10	0.2	57	Colombia	3.6	10	0.7
7	Canada	9.0	10	0.2		Mexico	3.6	10	0.6
	Luxembourg	9.0	5	0.5	59	China	3.5	11	1.0
	Netherlands	9.0	9	0.3		Dominican Rep.	3.5	4	0.4
10	UK	8.7	11	0.5		Ethiopia	3.5	3	0.5
11	Australia	8.6	11	1.0	62	Egypt	3.4	7	1.3
12	Norway	8.5	8	0.9		El Salvador	3.4	6	0.8
	Switzerland	8.5	9	0.9	64	Thailand	3.2	11	0.7
14	Hong Kong	8.2	11	0.8		Turkey	3.2	10	0.9
15	Austria	7.8	8	0.5	66	Senegal	3.1	4	1.7
16	USA	7.7	12	0.8	67	Panama	3.0	5	0.8
17	Chile	7.5	10	0.9	68	Malawi	2.9	4	0.9
18	Germany	7.3	10	1.0		Uzbekistan	2.9	4	1.0
	Israel	7.3	9	0.9	70	Argentina	2.8	10	0.6
20	Belgium	7.1	8	0.9	71	Cote d'Ivoire	2.7	4	0.8
	Japan	7.1	12	0.9		Honduras	2.7	5	0.6
	Spain	7.1	10	1.0		India	2.7	12	0.4
23	Ireland	6.9	8	0.9		Russia	2.7	12	1.0
24	Botswana	6.4	5	1.5		Tanzania	2.7	4	0.7
25	France	6.3	10	0.9		Zimbabwe	2.7	6	0.5
	Portugal	6.3	9	1.0	77	Pakistan	2.6	3	1.2
27	Slovenia	6.0	9	1.4		Philippines	2.6	11	0.6
28	Namibia	5.7	5	2.2		Romania	2.6	7	0.8
29	Estonia	5.6	8	0.6		Zambia	2.6	4	0.5
	Taiwan	5.6	12	0.8	81	Albania	2.5	3	0.8
31	Italy	5.2	11	1.1		Guatemala	2.5	6	0.6
32	Uruguay	5.1	5	0.7		Nicaragua	2.5	5	0.7
33	Hungary	4.9	11	0.5		Venezuela	2.5	10	0.5
	Malaysia	4.9	11	0.6	85	Georgia	2.4	3	0.7
	Trinidad					Ukraine	2.4	6	0.7
	Et Tobago	4.9	4	1.5		Vietnam	2.4	7	0.8
36	Belarus	4.8	3	1.3	88	Kazakhstan	2.3	4	1.1
	Lithuania	4.8	7	1.9	89	Bolivia	2.2	6	0.4
	South Africa	4.8	11	0.5		Cameroon	2.2	4	0.7
	Tunisia	4.8	5	0.8		Ecuador	2.2	7	0.3
40	Costa Rica	4.5	6	0.9		Haiti	2.2	3	1.7
	Jordan	4.5	5	0.7	93	Moldova	2.1	4	0.6
	Mauritius	4.5	6	0.8		Uganda	2.1	4	0.3
	South Korea	4.5	12	1.3	95	Azerbaijan	2.0	4	0.3
44	Greece	4.2	8	0.7	96	Indonesia	1.9	12	0.6
45	Brazil	4.0	10	0.4		Kenya	1.9	5	0.3
	Bulgaria	4.0	7	0.9	98	Angola	1.7	3	0.2
	Jamaica	4.0	3	0.4		Madagascar	1.7	3	0.7
	Peru	4.0	7	0.6		Paraguay	1.7	3	0.2
	Poland	4.0	11	1.1	101	Nigeria	1.6	6	0.6
50	Ghana	3.9	4	1.4	102	Bangladesh	1.2	5	0.7
51	Croatia	3.8	4	0.2					



Turgay Tugsuz  
in Radikal (Turkey), 29 August 2002

## Reactions to publication on 28 August 2002 of the CPI 2002

"(M)any developed countries had no cause for pride."

*Reuters, 28 August 2002*

In response to their dismal showing in the CPI, (lowest score among Latin American countries, third lowest overall) Paraguayan civic groups declared the 6th of September a "Day of National Shame" as a means of protest against corruption by public servants. Citizens also organised "Operation Rainbow", as a show of support to honest officials.

*ABC Digital, 3 September 2002*

# TI Country Work

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

The Lebanese Transparency Association (LTA) has hosted a series of regional workshops in Beirut for TI ARAB CHAPTERS, regional and bilateral donor organisations and other civil society organisations. The workshops were attended by participants from Bahrain, Mauritania, Palestine, Egypt, Morocco and Lebanon, and were



organised in co-operation with the UNDP and the World Bank. Two new regional projects are now under way: the adaptation of TI's Source Book into the Arab context and the launch of an Arab network on Access to Information. The Source Book adaptation is a joint project of the nine national chapters and contacts of TI in the region. The new Access to Information project aims at establishing a regional network of professionals working on the subject, in order to facilitate an exchange of information and best practice. This virtual community, which is based on the network of Arab Anti-Corruption NGOs, involves the creation of a permanent website and a series of e-discussions. The network will also commission a number of country reports that will be posted on the site, covering the state of Freedom of Information in the region.

TI AZERBAIJAN has recently published a first book about corruption in Azerbaijan in English, Azeri, and Russian. The 120-page book is based on four seminars, presentations and discussions organised for Azeri NGOs, the mass media, public officials and international organisations in autumn 2001. For more information, contact the chapter at: [transpaz@azeronline.com](mailto:transpaz@azeronline.com).



*Ad from TI Brazil's Clean Vote campaign*

In August TRANSPARENCIA BRASIL launched the Voto Limpo ("clean vote") campaign, ahead of the national and local elections to be held in October/November. Offices up for election are the Presidency, 27 state governors, the federal Lower Chamber, two-thirds of the federal Upper Chamber and 27 state parliaments. In a nation-wide survey conducted by TI Brazil in early 2001, offers by candidates to buy votes were reported by 6% of respondents. The campaign focuses on two messages: "Don't sell your vote" and "Don't vote for thieves". TI Brazil planned to communicate the "clean vote" message through a range of mediums including ads and editorials on television, radio spots, and articles strategically placed in newspapers and magazines. The chapter teamed up with other organisations for the campaign, including student groups. Possibly the most eye-catching element of the campaign was the suspension of a balloon with the "clean vote" logo at the highest point in São Paulo. In addition to raising awareness, TI Brazil urged candidates to open their accounts to public scrutiny and firms to advertise whom they were financing. The four main presidential candidates were asked to sign an Anti-Corruption Pledge requiring them to implement certain actions if elected. On 25 September, the leading candidate in the Presidential elections, Luiz Inácio da Silva (Lula), of the Workers' Party, became the first to sign. For more information, please see the website of TI Brazil: [www.transparencia.org.br/tbrasil-ns.asp#](http://www.transparencia.org.br/tbrasil-ns.asp#).

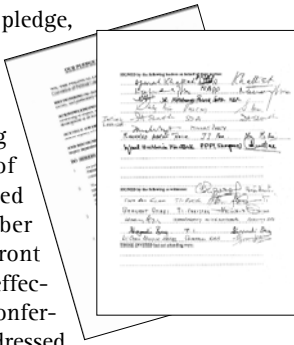
TI BRUSSELS is now a formal member of the Forum of Civil Society, which monitors the Convention on the future of Europe. The chapter's annual conference held in September looked at the Convention's contribution to the fight against organised crime. Both Belgium's former Prime Minister, Jean-Luc Dehaene, and the European Union (EU) Commissioner for Justice and Home Affairs, Antonio Vitorino, were present as speakers. TI Brussels has also recently participated in a public hearing on the European Prosecutor and has written a letter to EU Commissioners Chris Patten and Poul Nielson, reiterating their concern about the fact that the concepts of "good governance" and "the fight against corruption" do not appear anywhere in the draft regulation on co-operation with Asian and Latin American countries.

In September ABUCO, TI's national contact in BURUNDI, will organise a workshop aimed at establishing a national action plan against corruption. Representatives of civil society, the media, government, the Senate and the private sector are expected to attend. In addition to its important awareness-raising effect, the workshop is expected to lead to the formation of a network of civil society partners and the definition of strategies and actions to be taken. For more information about this event, please contact Nestor Bikorimana ([abuco@cbinf.com](mailto:abuco@cbinf.com)) or Chantal Uwimana at the TI Secretariat.

TI CAMEROON, which recently became a chapter-in-information, monitored the municipal and legislative elections in June. (The elections, expected on 23 June, were postponed for a week.) TI Cameroon sta-



ing a formal pledge, politicians committed their parties by promising that all of those elected in October would confront corruption effectively. The conference was addressed



by the President of Pakistan, General Pervez Musharraf, who gave his own pledge to the people of Pakistan to continue the fight against corruption. The conference was convened by TI as a politically neutral and impartial body and it was chaired by Jeremy Pope of the TI Secretariat, Shazadi Beg, a civil society activist, Jeremy Carver of TI-UK and Shaukat Omari of TI Pakistan. Almost 200 politicians attended, including nine of the 11 leading political parties contesting the elections. Others in attendance included leading members of the Cabinet, representatives of the diplomatic corps and donor organisations (including the World Bank and the IMF), representatives of civil society, and students. For more information and to view the pledge and its signatories, please see the TI press release at: [www.transparency.org](http://www.transparency.org) or contact TI Pakistan at [ti-pak@khi.paknet.com.pk](mailto:ti-pak@khi.paknet.com.pk).

On 11 June TRANSPARENCIA PARAGUAY sponsored a public hearing organised by the Committee for the Promotion of the National Integrity System and the two related Senate committees responsible for providing an opinion on a draft law to provide a legal framework for procurement in the country. The chapter has been working together with the Committee and different government bodies in order to promote discussion of the draft law, which is now before the Senate. Twenty-five public and private bodies were represented at the hearing as well as 10 senators. Even though public hearings are not required under Paraguayan law, the senators heard different opinions on the draft law before developing their official position. With the help of a legal consultant specialised in administrative law, Transparencia Paraguay presented 45 observations and proposals relating to the law.

The Access to Information Law drafted by TI RUSSIA for the region of Kaliningrad last autumn was passed into law after a third reading. The initial draft was changed but not significantly. It will be available in Russian (and, later, in English) on the chapter's website: [www.transparency.org.ru](http://www.transparency.org.ru). The chapter welcomed this move as a watershed decision not only for the Russian Federation where access to in-

formation was a seemingly empty promise made to the people by the state nine years ago, but also for all Russian NGOs – that a small group of civil society activists managed to overcome the obstacles and get a law passed that the Russian Duma had tried to introduce for the past decade without success. Monitoring the implementation, promotion and enforcement of the law are next on the chapter's agenda.

### Congratulations go out to...

- Angélica Maytín, Executive Director of TI Panamá, who was recently named Woman of the Year 2002 by Panama's Club Soroptimista Internacional.
- Roberto Courtney, Executive Director of the Nicaraguan Grupo Cívico Ética y Transparencia (Civic Group on Ethics and Transparency), one of TI's partners in Nicaragua. Mr Courtney was one of 21 young Central Americans recently recognised by IDB América, the magazine of the Inter-American Development Bank.
- The Arab Network of Anti-Corruption NGOs, hosted by the Lebanese Transparency Association (LTA), one of the three winners of the Mediterranean Development Forum/World Bank Group's Communities of Practice Competition. For more information, see <http://www.worldbank.org/mdf/copwinners.html>.

Forum Civil (TI SENEGAL) and a group of civil society organisations recently created a national anti-corruption coalition. Meeting in May, members of the newly formed coalition took stock of the new government's track record and declared that no concrete measures had been taken in the fight against corruption since the change of government. Forum Civil was also chosen to chair a working group on good governance in the framework of EU-Senegal co-operation negotiations. For more information, please contact Forum Civil, [bg@sentoo.sn](mailto:bg@sentoo.sn).

TI's new contact in SIERRA LEONE is the recently launched National Accountability Group Sierra Leone (NAGSL). At the launch of the group in Freetown on 18 June, Clifford R. Roberts, Chairman of NAGSL, decried the presence of corruption in all spheres of Sierra Leonean life and welcomed the opportunity to start afresh following the end of the civil war. The event received wide media coverage on television and radio. The idea of creating NAGSL stems from the 10th International Anti-Corruption Conference in Prague in October 2001, where members of various civil society organisations discussed setting up an independent body which would become the local contact organisation for TI.

TRANSPARENCY TAIWAN, a new TI chapter-in-formation, was launched on 28 August. The ceremony - which also saw the publication of TI's Corruption Perceptions Index 2002 - was attended by some 80 participants, including representatives of the Justice Ministry, civil society organisations, and the media. During the press conference, TI Taiwan introduced its Chairman, Jack Shih, Executive Director Chilik Yu, Board Members Tim Wu, Tong-yi Huang and Don Chen, and announced its plans for the future. Priority will be given to promoting public awareness of corruption and educating the public. Transparency Taiwan can be contacted at: [ti\\_taiwan@yahoo.com.tw](mailto:ti_taiwan@yahoo.com.tw); Tel: +886-2-2236 2204; Fax: +886-2-2236 3325.



From right to left: Don Chen (Board Member), Tim Wu (Board Member), Liao Ran (TI-S Programme Officer), Chilik Yu (Executive Director), Tong-yi Huang (Board Member).

*The views expressed here are those of the author and do not necessarily represent the viewpoint of Transparency International.*

## Algeria: Corruption thrives on oil-rich grounds

*Despite its great natural riches, Algeria is suffering an economic crisis. But citizens are starting to tire of the status quo and demanding reform, writes Djlali Hadjadj.*

This year, Algeria again fails to appear on the list of countries ranked by Transparency International's Corruption Perceptions Index (CPI). The renewed omission prompted much speculation in the Algerian press. Why was their country being ignored yet again? While some pointed to the lack of interest by foreign businesspeople and risk analysts, others blamed the country's political instability and the obstacles to foreign investment. Many Algerians believe the repeated absence of their country in the CPI is very bad news. Even a poor showing would be beneficial, some argue, as this might at least prompt the country's leaders to address corruption. But corruption – both petty and grand – is alive and well in Algeria, as numerous scandals show.

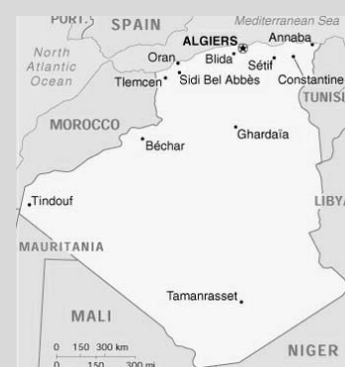
Most doubt the government's lack of political will when it comes to tackling corruption. For many years, the government paid lip-service to fighting corruption, but now even the official speeches and short-lived campaigns have faded away. For example, the customs authorities have repeatedly announced their intention to wipe out corruption in their department, but they have failed to outline a clear strategy. In the meantime, fresh scandals implicating customs officials continue to surface in the press. The heads of the *gendarmerie* have also recently admitted that corruption is widespread among their ranks, but they too have said nothing about how they intend to tackle it. And the tax authorities have for years trumpeted their intention to modernise internal management and increase transparency. Senior civil servants are alarmed by the high levels of fraud and tax evasion, but although considerable public funds have been earmarked for reform programmes, but so far we have seen no results. Yet another recent example demonstrating the lack of political will is the new public procurement law passed in July. In the works for three years, the final version of the law is disappointingly weak, especially in contrast with legislation passed in other countries. Opportunities for corruption are set to increase.

Oil revenues have doubled in the past three years, and the government has announced that foreign exchange reserves are now US\$ 20 billion. This is the equivalent of what the country has to pay in imports for two years. Meanwhile Algeria's foreign debt stands at more than US\$ 25 billion. And while oil and gas revenues continue to climb, poverty and unemployment are on the rise.

Demonstrations have erupted across the country. In the Berber-speaking region of Kabylia, where two years ago a protest led to a police crackdown and more than 100 deaths, protests continue into their second year. Citizens are clamouring for democracy, liberty and the respect of human rights. And in another form of protest, many stayed at home in June's parliamentary elections. In a country where turnout rates have always hovered around the 80% mark, only between one third and half of the electorate went to vote, depending on whose figures you trust.

How do you explain that, after a decade of civil war that has claimed nearly 200,000 lives, terrorism continues to haunt Algeria, whose rural inhabitants must live in constant fear? Who benefits from this continued violence? Despite the war, it is business as usual.

*Djlali Hadjadj is an Algiers-based journalist and head of the Algerian Anti-Corruption Association, TI's national contact group in Algeria.*



TI SLOVAKIA has convened a group of experts that has produced several studies related to combating corruption in public procurement. In August 2002 TI-Slovakia published a book called *Anti-Corruption and Information Minimum in Public Procurement* (Vlach, Ursíny, TI-Slovakia, Bratislava 2002), designed to act as a guide to government officials in charge of procurement. TI-Slovakia recommends that documents (such as announcements about tenders and bids) be "clear and unambiguous", and the book describes how to achieve this clarity. This and other publications are available on the TI-Slovakia website: [www.transparency.sk](http://www.transparency.sk).

TI-Slovakia has already overseen the enforcement of anti-corruption measures in the country. Integrity Pacts have been employed in the Slovak Republic on two pilot projects, namely the purchase of bond paper (Government Office of the Slovak Republic) and the purchase of cars for the Slovak Interior Ministry.

In response to the growing need to build common African approaches to fighting corruption, TI national chapters and contacts from SOUTHERN AFRICA gathered at Victoria Falls with other civil society organisations for a two-day conference aimed at stimulating communication and information-sharing among civil society activists. Participants expressed the need to move the fight against corruption from discussion to action and to become more "service-oriented". Participants drew up a detailed action plan which includes monitoring of the implementation of the New Partnership for Africa's Development (NEPAD) and carrying out integrity surveys.

Ahead of the country's general elections scheduled for 3 November, TI TURKEY and the National Democratic Institute (NDI) invited top political leaders to come together and pronounce their commitment to transparency. During the panel discussion held on 19 September, the deputy chairmen of the seven largest political parties made a pledge in front of the media and partici-

pating NGOs. They promised to increase transparency within their parties, especially in the selection of candidates. They also agreed to press for parliamentary immunity to be lifted. The chapter will now monitor how candidates live up to this pledge.

On 13-15 September, the TI WESTERN EUROPEAN chapters convened in Athens, Greece, for a meeting on political corruption hosted by TI Greece. The meeting was attended by 25 representatives of 11 national chapters and contacts and of TI-S, as well as by TI's Senior Adviser on Political Corruption, Keith Ewing, and resource person Arnaud Miguet. The participants exchanged information about national legislation and experiences of political corruption in the countries in the regional group, drawing on responses to a questionnaire prepared for the meeting. The meeting produced two important documents, namely the Athens Statement on Political Corruption and the Athens Plan of Action. See: [http://www.transparency.org/working\\_papers/party\\_funding](http://www.transparency.org/working_papers/party_funding)

# Following the money trail: where corruption meets terrorism

*continued from page 1*

has worked closely with the Wolfsberg group of major international private banks to establish principles to deter and detect corruption funds. Similarly, the terrorist attacks of September 11, 2001 prompted action: With heightened anxieties about terrorism, the intergovernmental Financial Action Task Force on Money Laundering (FATF) and other groups are now focussing on its financing. Some of the leading initiatives in this area include the Eight Special Recommendations by the FATF (added to their original 40 recommendations), UN Security Council Resolution No. 1373/2001, the Statement of the Wolfsberg Group of banks in October 2001 (see [www.wolfsberg-principles.com](http://www.wolfsberg-principles.com)), as well as important regional initiatives by the European Union, the ASEAN group of nations, the Organisation of American States, the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), and the Commonwealth Group.

## Global action required

Money laundering, corruption and the financing of terrorism are all global in nature, and cannot be addressed by sporadic measures limited to a few countries. Moreover, the dynamics of international law enforcement co-operation are too complex to defy ready solutions. Unfortunately, governments and law enforcement machinery at times do not keep pace with shifts in strategy by criminals and tend to be reactive rather than proactive. In the Asia-Pacific region for instance, 10 jurisdictions still do not have laws in place to deal with money laundering, while 19 countries lack any suspicious-transaction reporting requirements for their financial institutions. If money transactions are not regulated and controlled at the international level, criminals will simply shift their activities to those countries that lack effective safeguards, and the familiar problems will simply resurface elsewhere.

## When "clean money" leaves a dirty trail

Corruption and terrorism differ from traditional organised crime, which is conducted in order to reap profits from crime: selling drugs, trafficking in human beings, fraud schemes, etc. The funds connected with corruption and terrorism are often not illegally derived. When a business uses its legally derived funds to bribe a local official or even head of state, a criminal act has not been committed until the bribe takes place. If a charitable association supports individuals in their political agenda, it is not committing a criminal act until those funds are used to manufacture a bomb or organise a hostage taking.

This presents a unique challenge to law enforcement, regulators,

private financial institutions and financial intermediaries such as lawyers, accountants or investment advisers. Indeed some experts believe that the movement of these monies is not money laundering at all in its traditional sense, i.e. the act of knowingly concealing the source of illegally derived funds or assets. Nevertheless, many of the tools designed to address the problem of money laundering in its traditional sense are useful in following the money trails of corruption and terrorism.

## Calling on all players

These are the challenges that law enforcement, regulators and financial institutions are attempting to address. Considerable progress has been made but much more remains to be done. Perhaps the most

important lesson learned in the past few years is that the solution to the problem cannot be found in any one organisation, set of laws, or principles. Increasingly, the problem is being addressed by bringing together international organisations such as Interpol, the FATF and the UN, in concert with non-governmental organisations such as Transparency International, and working collaboratively with private financial institutions and groups of regulators such as the Basle Committee on Banking Supervision. Complex problems such as the financing of corruption and terrorism require complex solutions. It is this recognition that gives comfort that progress can be made against these dual scourges.



## ABOUT THE AUTHOR

**Stanley E. Morris**



*Mr Morris is the Director of the Secretary General's Cabinet at Interpol. Prior to assuming this position he was a member of the Board of the US chapter of TI. He has served as a consultant on money laundering and an adviser to the Council of Europe. In a long career in the US government he was Director of the US Marshals, Deputy Director in the White House Office of National Drug Control Policy, and Director of the Financial Crimes Enforcement Network, the US anti-money laundering bureau.*

# Global civil society after September 11: some disquieting trends

By Gopakumar Krishnan

The geo-political landscape has altered dramatically since last September, and new constellations of alliances and coalitions have formed. Arguably, there is a consensus among most nations today around the need to seriously tackle the issue of terrorism and related vices such as money laundering and illegal arms trafficking. The fight against terror has also had a major impact on the fight against corruption.

Post-September 11, we are seeing a renewed interest in many countries in international instruments such as the OECD Anti-Bribery Convention and in reviewing banking secrecy laws. Interestingly, a major beneficiary of the ongoing international anti-terror effort has been the state. If the 1990s were the decade of civil society, characterised by the retreat of the state, the new millennium is witnessing a massive resurgence of the state. This new and, in many ways, unexpected development threatens to upset the delicate balance between an effective state and a proactive civil society.

For one thing, the terrorist attack has brought back the paranoia of secrecy. Many NGOs working on environmental issues are already complaining that critical information has started disappearing from public websites, under the guise of protecting sensitive information. Debates on right to information in many countries are likely to remain stalled as many recalcitrant states are latching on to this new “window of opportunity” to deny the public access to critical public information. In South Asia, parliamentary debates on this theme seem to have disappeared from the screen.

Another alarming trend is the shrinking of the political space available for effective civil society voices. With governments on a heightened security alert, any form of dissent is likely to be construed as “illegal and unlawful”. A recent update from Human Rights Watch<sup>1</sup> reveals how civic rights are being undermined and political oppositions repressed under the banner of the “war on terror”. A belligerent “surveillance state” with no proper checks and balances is highly likely to undermine the very essence of democracy. As political space around global themes and institutions is shrinking, and NGOs and the public are denied access, activists fear that issues like corruption might disappear from the agenda again. A recent communiqué from the Bretton Woods Project informs that access has already been denied to NGOs to preparatory committees of the UN Conference on Financing for Development<sup>2</sup>.

Foreign aid is yet another issue that needs to be closely monitored. Thanks to the concerted efforts of institutions like Transparency International, transparency in foreign aid is a major pillar in the anti-corruption framework of many bilateral and multilateral aid agencies. However, a recent briefing by the think-tank Oxford Analytica<sup>3</sup> warns that in future “development assistance motivated by ideological and geopolitical considerations” may very well dictate foreign aid policies.

There are three specific areas in which civil society institutions can make a significant impact on anti-corruption work: influencing public policy and decision making; enhancing state performance and accountability, for instance by monitoring public bidding



Jonathan Shapiro in Sowetan, 29 August 2002

processes; and enforcing social justice, rights and the rule of law. The state, in turn, should facilitate stronger civil society involvement by opening up a sphere for autonomous activities, creating favourable institutional structures and developing active policies in support of civil society.

The fight against corruption requires a vibrant relationship between state and civil society. All concerned must ensure that this milieu is preserved and that the anti-corruption agenda does not get hidden away in opaque enclaves of secrecy. Allowing that to happen would be a disastrous step backwards.

1. See: <http://www.hrw.org/campaigns/september11/opportunismwatch.htm>
2. 'Crisis or opportunity? The international financial institutions and civil society in a new political context'. Bretton Woods Project, 2002. For more, see <http://www.brettonwoodsproject.org/topic/reform/25crisisandopportunity.htm>
3. Quoted in 2.

#### ABOUT THE AUTHOR

### Gopakumar Krishnan Thampi



Dr Thampi is Programme Manager in the Asia-Pacific department of Transparency International. Prior to joining TI, he was Senior Research Officer at the Public Affairs Centre, Bangalore, India. He has a doctoral degree in Entrepreneurial Studies and holds post-graduate qualifications in Economics, Journalism and Conflict Resolution.

# Recent Reforms

» A global sample of initiatives to increase transparency and accountability

## AUSTRIA

### Anonymous accounts abolished

Anonymous savings accounts were finally abolished in Austria, following an 18-month transition period. Customers who have failed to identify themselves by 30 June will only be able to withdraw money from existing accounts following an examination by a money-laundering unit. According to Austria's central bank, some 25 million such savings accounts with an overall volume of EURO 122 billion existed at the end of 2001.

*Frankfurter Allgemeine Zeitung, 27 June 2002*

## ARGENTINA

### Access to Information in the Senate

From now on, whether they like it or not, Argentine senators must allow the public access to information about their private property. An old law forcing senators to declare their assets publicly had never been put into practice, but in July the Supreme Court of Justice ruled that this legal obligation must no longer be ignored. The verdict follows legal action taken by Poder Ciudadano (TI's Argentine national chapter), after the group was denied access to such documentation while monitoring the Senate. Thanks to these efforts, and the work of other Argentine civil society organisations, information on the assets and property of senators will now be made available to any citizen who requests it.

*La Nación, 9 July 2002*

## BULGARIA

### Parliament forms corruption commission

Bulgaria's parliament set up a special body to battle corruption in September. As in neighbouring Romania, corruption is seen as a key obstacle to the country's aspirations to join NATO and the European Union. The EU has repeatedly criticised Bulgaria for not doing enough to curb corruption and to reform its legal system. In a related move, the interior minister proposed a law making it easier to confiscate the property of people and companies convicted for crimes including money-laundering, fraud and embezzlement.

*Associated Press, 11 September 2002*

## BRAZIL

### Congress ratifies OAS Convention

On 26 June the Brazilian Congress ratified the Organisation of American State (OAS) Inter-American Convention Against Corruption. The convention had been awaiting ratification by the Congress since it was signed by Brazil in 1997. Due to efforts initiated and led by Transparencia Brasil, ratification of the convention was taken up as a political priority by the Executive. The step is important for the OAS Convention itself due to the relative weight Brazil has in regional affairs.

*Transparency International*

## CHINA

### New law regulates procurement

A new law adopted in July aims to standardise government procurement. All documents related to procurement must now be kept for 15 years. In addition, the procurement organisation of the central government is to emphasise staff training and assessment. Employees who fail the assessment must quit their jobs. The government procurement system was introduced in China in 1995. The Ministry of Finance forecasts that the total volume of government procurement will exceed 100 billion yuan (US\$ 12 billion) this year.

*People's Daily, 30 June 2002; Renmin Ribao web site, 10 July 2002*

## CHINA

### Market clean-up reveals malpractices

For the first time ever, China has shut down a stockbroking house for 'misconduct'. The closure of Anshan Securities was interpreted as a test case for delisting brokerages, and another significant step in a broad regulatory campaign to clean up the country's corrupt stock markets. The clampdown has revealed many malpractices, such as brokerages using clients' funds for proprietary trade, opening numerous false trading accounts to rig prices and lending customers money to buy shares. All these are barred, but so far punishments have been mild.

*The Straits Times, 13 August 2002*

## GERMANY

### Bill on blacklisting of corrupt companies rejected by Bundesrat

The German Bundesrat (Upper Chamber) twice rejected a bill proposing the establishment of a central registry listing companies proven to have used corrupt or other clearly illegal means to bid for public procurement contracts. Listed companies were to be excluded from bidding for public procurement contracts. Following successful lobbying by TI Germany, the lower chamber had passed the bill in early July, but although both chambers agreed on the creation of such a list in principle, there were disputes over the exact procedure for blacklisting. The conservative opposition, which blocked the measure in the Bundesrat, has announced that it will soon suggest modifications to the bill. Blacklists already exist in eight federal states of Germany.

*TI, 24 July 2002; Kölner Stadt-Anzeiger, 27 September 2002*

## JAMAICA

### Access to information law passed

After a tough vote in the Senate, the Jamaican Parliament passed the Access to Information Act 2002 on 28 June. A sharp division resulted over a clause that gives the Minister of Information the power to exclude any statutory body from the influence of the information law. Several MPs and an alliance of civic groups, led by TI Jamaica, opposed the clause on grounds that it gave the minister sweeping powers to exclude entire agencies from the purview of the information law, rather than exempting specified documents. Regulations for enforcing the law still have to be drafted and approved by the Parliament. The new law will come in force within a two-year review period.

*Jamaica Observer, 29 June 2002*

## KENYA

### Government appoints officers to address corruption in ministries

The government has appointed Integrity Assurance Officers in ministries, major departments and state corporations to systematically address corruption issues. The government says it has initiated the public service integrity programme to restore the

virtues of integrity, transparency and accountability in public service. The programme is jointly co-ordinated by the Directorate of Personnel Management, and the Anti-Corruption Police Unit.

*East African Standard, 27 August 2002*

**LATVIA**

**Premier signs decree on party finances**

Prime Minister Andris Berzins has just signed a new law that sets the procedure on how political parties submit and publicise their annual financial declarations, financial declarations for pre-election and election periods, statements on estimated election costs and information on donations received. According to the new legislation, all political parties must begin placing information on accepted donations and gifts on the Internet starting 15 August. All information will be displayed on the Internet homepage of the Corruption Prevention Council ([www.pretkorupcija.lv](http://www.pretkorupcija.lv)) until the Corruption Prevention Bureau launches operations. TI Latvia and other civil society groups played a very important role in promoting the new law. TI Latvia welcomed the legislation as a very powerful tool for increasing transparency and monitoring political parties.

*TI Latvia and LETA news agency, 14 August 2002*

**MADAGASCAR**

**Anti-corruption or its reverse?**

In a dramatic move aimed at curbing corruption, newly elected Malagassy president Marc Ravalomanana announced a tenfold increase in government ministers' salaries. The salaries of all civil servants are also to be reviewed. "We will begin with the ministers and move on bit by bit," the president promised. Observers were divided. Some thought the initiative was genuine, others saw it as an attempt to reward close supporters. "It is a good start but not the only solution," said TI Madagascar's Yveline Rakotondramboa. She called for a complete assessment and reform of the bureaucratic structure in the country.

*BBC News, 21 July 2002  
IRIN, 22 July 2002*

**MAURITIUS**

**New anti-corruption commission**

On 28 August 2002, the Mauritian Prime Minister launched the Independent Anti-Corruption Commission (IACC). Reports in the Mauritian press highlighted that the event coincided with TI's publication of the Corruption Perceptions Index. The IACC's deliberations and investigations are to be kept secret to preserve the presumption of innocence until proven guilty. A

Corruption Prevention & Education Division has been created to promote public awareness, and the IACC's new head emphasised the importance of forming a partnership with the public. TI Mauritius has been involved in defining the strategy of the body. Welcoming its creation, Jacques Dinan of TI's national chapter declared that it "opens new avenues for the struggle against corruption".

*Le Mauricien, 29 August 2002;  
L'Express, 30 August 2002*

**MEXICO**

**Political parties take finances online**

The PRI, which governed Mexico for seven decades until losing power two years ago, has begun publicly auctioning assets and tendering bids on the internet. As part of an initiative to recover popularity, the party's finances, assets and resources can also be seen online. The first acquisition will be the purchase of a fleet of 24 new cars, a spokesman announced. Meanwhile, PRD, the ruling party in the capital, has decided to publish its financial information on the Internet. The new programme, dubbed "Nothing to hide", will include posting officials' salaries and the party's income and expenditures and updating them fortnightly. The site can be viewed at <http://www.prd-df.org.mx/finanzas/index.html>.

*The News Mexico, 13 August/  
26 August 2002*

**NEPAL**

**Special Court formed to try corruption cases**

On 22 August, the Nepalese government formed a Special Court to deal with cases of sedition and corruption filed by the Commission for Investigation of Abuse of Authority (CIAA). The court will have the power to issue warrants, confiscate property and order imprisonment. The newly formed Special Court has an immediate job in hand, as it will now look into the cases of government officials arrested recently by CIAA on charges of corruption. (See p.3)

*The Kathmandu Post, 22 August 2002*

**PERU**

**Websites for government transparency**

Peru's government ordered all businesses and public entities that depend on the state business development fund (FONAFE) to set up websites detailing their activities. The sites must feature quarterly bulletins stating the number of clients served and the time taken for resolving complaints, queries and requests. FONAFE partners must also disclose their liabilities, including loans from banks, government agencies, and international organisations, as well as non-taxable debts to the state. Entities have until 21 October to comply with the order.

*Business News Americas, 4 July 2002*



*Clarín (Argentina)*

- Did you hear? According to the report by Transparency International, Argentina went down to 70th place in the ranking of most corrupt countries.

- We're so hungry that we get more transparent every day.

## ROMANIA

**New office set up, sort of**

Stung by criticism that one of the biggest barriers to joining Nato is endemic corruption, the Romanian government earlier this year announced it was setting up an anti-corruption office. While the office is now open for business, there are still a few problems: it is an anti-corruption office without much of a staff as prosecutors and police officers are reluctant to leave secure jobs for positions in such a political institution. Also, it is an anti-corruption bureau without a proper office. Because there are no premises currently available, the crime-busters are temporarily working out of the old Bancorex building. Bancorex was the state-owned bank that collapsed in the late 1990s amid allegations of corruption.

*Financial Times, 6 September 2002*

## RUSSIA

**New ethics code for civil servants**

In August, Russian President Putin signed a decree outlining a series of ethical principles for public officials. According to the decree, civil servants will be expected to observe the law, serve the public efficiently and courteously, avoid conflicts of interest, and remain politically neutral. A number of commentators were sceptical of the effectiveness of the latest measure, and demanded tougher action to prosecute senior officials on corruption charges. Others, however, believed the decree was a signal to the political class that times are changing. Heavy bureaucracy and bribe-taking are among the leading complaints cited by businesses as restricting their capacity for more rapid growth. But ordinary Russians also suffer. According to a study conducted this spring, more than one-third of respondents had been asked for a bribe in order to get health care. The researchers calculate that about 12 million Russians each year are denied necessary health care because they cannot afford to bribe their doctors.

*RFE/RL, 16 August 2002;*  
*Financial Times, 15 August 2002;*  
*Helsingin Sanomat, 13 August 2002*

## SOUTH KOREA

**Civil servants' Code of Conduct causes controversy**

The government's anti-corruption commission proposed a draft code of conduct for civil servants last week. Drafted by the Korea Independent Commission Against Corruption, the ethics rulebook aims to provide detailed and clear guidelines that civil servants can refer to when faced with

circumstances that demand an ethical judgment. The code replaces a similar set of guidelines drawn up in 1999 but which were never enforced in earnest due to a lack of binding force. Central and local governments and other public agencies should adopt their own legally-binding codes of conduct by October after making alterations to the commission's standard code. Adopted codes will take effect from 1 January 2002. Since the announcement of the code, however, trade unions have voiced strong opposition, claiming that the code is not only unworkable, but that it will also sap the morale of public officials.

*Korea Times, 29 July 2002*



*The Economist, July 2002*

## SWITZERLAND

**Banks face tougher money laundering rules**

The accounts of politicians and other "politically exposed persons" are to face extra scrutiny, the Swiss Federal Banking Commission announced in July. Under the initiative, banks would be required to know clients' addresses and business activities as well as the size and frequency of transactions. The supervisory body stated that the decision had been motivated by money laundering scandals involving the late Nigerian president, Sani Abacha, and Peru's former intelligence chief, Vladimiro Montesinos. The proposed regulations will be consulted until October. They will come into effect by mid-2003 if adopted.

*Swiss Info, 10 July 2002*

## TAIWAN

**Cabinet passes anti-corruption bill**

After Taiwan had been listed as one of the more corrupt nations among the leading exporters (editor: TI's Bribe Payers Index 2002), the Taiwanese Cabinet yesterday approved draft amendments to the Statute for the Punishment of Corruption, which

would make those who bribe foreign public servants subject to fines or jail terms. The bill will be sent to the Legislative Yuan for further review and final approval. To encourage offenders to surrender themselves to authorities, violators who turn themselves in within one year after the law takes effect would not be subject to prosecution.

*Taipei Times, 11 July 2002*

## USA

**Broader co-operation promised**

Taking advantage of a legal tool approved by Congress following the September 2001 attacks, the federal government plans to broaden cooperation with state and local agencies to go after those involved in corruption both at home and abroad. The expanded effort "will allow us to seize illegal or ill-gotten properties from corrupt individuals in the United States as we seize them from drug traffickers," said Otto Reich, assistant secretary of state for Western Hemisphere affairs. The Patriot Act, passed by Congress in October, gives law enforcement agencies broadened powers and provides improved tools for clamping down on those who help corrupt politicians to launder their illicit gains through US financial firms.

*The Miami Herald, 12 June 2002*

## USA

**Law targets corporate crime**

Reacting to high-profile scandals involving companies such as Enron and WorldCom, the US in July introduced new legislation aimed at restoring investor confidence. Hailed as the most radical redesign of securities laws since the 1930s, the Sarbanes-Oxley Act imposes federal regulation on the accounting profession and makes significant changes in the responsibilities of corporate officers, directors and other professionals involved in the financial markets. The law creates an oversight board to monitor the accounting industry, toughens penalties against executives who commit corporate fraud, and increases the Securities and Exchange Commission budget for auditors and investigators. Under the act, a chief executive officer or chief financial officer who certifies false financial reports could get 20 years in prison and be fined US\$ 5 million. Shredding of documents could result in a 20-year sentence. The law also calls for the immediate disclosure of stock sales by company executives, and prohibits companies from giving personal loans to top officials.

*CNN, 31 July 2002*

# Interview **Mustapha Adib**

# Inside TI

## Whistleblower jailed for speaking out in Morocco



Mustapha Adib will never forget 18 May 2002. On that day he was released from the Sale prison, where he spent two-and-a-half years for daring to denounce corruption in the Moroccan military. Mustapha Adib received a hero's welcome from a crowd gathered outside the prison, which included not only his family and friends, but also a broader group of supporters made up of concerned citizens and representatives of human rights groups. Many organisations, including Lawyers without Borders, the UN Working Group on Arbitrary Detention, and the World Organisation against Torture, had criticised the conditions of his trial and lobbied for his release. TI recognised the young Captain's courage by honouring him with the first TI Integrity Award in September 2000. Only this year, at TI's Annual General Meeting in October in Morocco, will he finally be able to receive it in person.

"It was my duty to speak out," he says, of his denouncing of an oil and supplies scam on the military base where he was stationed in 1998. What he describes as a duty involved standing up to his superiors, and filing a complaint, first inside the Moroccan military, and then the civil courts. He finally went public with his story, in an interview with the French daily newspaper *Le Monde* in December 1999. This duty also meant that he was ostracised, discharged from the armed forces, arrested, and charged with "breaching discipline" and "slandering the army". According to Captain Adib, the military continues to be riddled with corruption. "The military hierarchy has tainted the image of the Moroccan justice system," he says.

Despite several years in prison, Mustapha Adib says he has no regrets. "Being in prison is difficult. Being sent there arbitrarily is even more difficult. But since my imprisonment served an important cause, I think it was well worth it." Adib believes that speaking out against corruption will encourage others to do the same and he speaks of a growing awareness of civic duties in Morocco. But the risks are still great for whistleblowers: "The fear of losing your job, getting cut off from society, and having to rebuild your life from scratch may lead you to think twice," he says.

Today, as a free man, Mustapha Adib is still battling for justice. At the time of writing, he had been waiting for months to receive a Moroccan passport - a procedure that usually takes a couple of working days. Without it, he will be unable to travel to Canada, where he has been invited by Amnesty International. An attempt to silence a critic? Time will tell.

## TI awarded Carl Bertelsmann Prize 2002

TI was awarded the prestigious Carl Bertelsmann Prize 2002 at a ceremony in Gütersloh, Germany on 5 September. The award went to TI in recognition of its work in promoting transparency at all levels of society and advancing solutions to problems created by the failure of the market and the public sphere. In selecting TI as this year's prize-winner, the Bertelsmann selection committee was particularly impressed by the worldwide impact of the Integrity Pact, a tool pioneered by TI to maximise transparency in public tenders. The three other candidates shortlisted for the prize were the Coalition for Environmentally Responsible Economies (CERES), Conservation International, and the World Business Council for Sustainable Development. The prize money (EURO 150,000) will constitute the first contribution to the TI Endowment Fund that will assure financial independence for TI for the years to come.



TI Chairman Peter Eigen with Bertelsmann CEO Gunter Thielen

## Transparency International wins Agenda Setting Award

TI received the Media Tenor Award for Agenda Setting 2002 at an international conference in Bonn, Germany, on 21 August. "Without the work of Peter Eigen and his team we would all know much less about the misuse of taxpayers' money and the abuse of power. Above all, we would constantly think that this is a problem confined to less developed countries," said Roland Schatz, Editor-in-Chief of Media Tenor, an international institute for media analysis which analyses media diversity in Germany, the US, the UK, South Africa, Israel and the Czech Republic. Awards for diversity in media reporting were handed out to international media, including BBC TV, *Frankfurter Allgemeine Zeitung*, *Les Echos* and the *Financial Times*. For more information, see [www.agendasetting.com](http://www.agendasetting.com).



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## David Nussbaum appointed Managing Director

David Nussbaum has been appointed Managing Director of TI. Nussbaum, who will take up his position at the TI Secretariat in Berlin in autumn 2002, is currently Director of Finance, Information and Planning, and a Deputy Chief Executive, at Oxfam GB, the UK-based development and humanitarian charity. Chosen from more than 600 candidates from all continents, Nussbaum's appointment was unanimously endorsed by an international selection committee, which comprised leading figures from TI national chapters and the TI Advisory Council. Jermyn Brooks, TI's Chief Financial Officer, has agreed to step in as interim MD until Nussbaum assumes the position.

## Warm thanks and farewell to Hansjörg Elshorst

We congratulate Hansjörg Elshorst and TI Germany for having elected him as Chairman of their Board and extend our warmest thanks to Hansjörg upon his retirement as Managing Director of the TI Secretariat. A key figure in the founding of TI and MD since 1998, Hansjörg led the development of TI from a young NGO with two dozen chapters into a worldwide organisation active in more than 85 countries. We look forward to continued close co-operation and wish him every success in the German chapter.

## Other staff changes in the TI Secretariat

We welcome Caroline Knowles to the TI Secretariat. Caroline joined TI in July 2002 as Content Manager of CORIS (the Corruption Online Research and Information System). Caroline has experience as a freelance editor and she has worked in a variety of publishing and communications roles in non-profit organisations, including seven years with Oxfam Publishing.

Margaret Cruz has joined the Latin America Department as Assistant Programme Officer. A citizen of the US and Mexico, Margaret has worked as an intern and volunteer with various civil society and international organisations in the Americas. She holds a Master's degree in International Relations from Yale University.

We also welcome Alejandro Salas, Programme Officer for Latin America. Alejandro will co-ordinate the Central America programme. A native of Mexico, Alejandro holds a Master's degree in Public Policy (The Hague). He has worked in the public sector in Mexico and more recently at an applied research institute in Peru, where he specialised in the area of good government, institutional reform and anti-corruption policy.

# Calendar

See updated events on the TI website:

<http://transparency.org/activities/events/events>

- 12-13 October 2002, Casablanca, Morocco

International conference and Annual General Meeting of TI

The *TI Integrity Award 2002* will be handed out in Casablanca on 11 October.

- 13-16 October 2002, Ottawa, Canada

Inaugural meeting of the Global Organization of Parliamentarians Against Corruption (GOPAC). GOPAC seeks to bring like-minded parliamentarians together to share best practices on how to encourage effective governance, and combat bribery and corruption around the globe. More than 125 parliamentarians from around the world have confirmed their attendance. For more information, please see [www.parlcent.ca/anti-corruption/gopac.html](http://www.parlcent.ca/anti-corruption/gopac.html) or contact GOPAC Interim Chair John Williams, MP: Tel: +1-613 996 4722; E-mail: [willij@parl.gc.ca](mailto:willij@parl.gc.ca).

- 22-24 January 2003, Hong Kong, China

*International Conference Against Corruption*

Hong Kong's Independent Commission Against Corruption (ICAC) and Interpol are hosting the conference. Additional information may be obtained at [www.icac.org.hk/conference/](http://www.icac.org.hk/conference/) or by emailing [conference@icac.org.hk](mailto:conference@icac.org.hk).

- 25-28 May 2003, Seoul, South Korea

*11th International Anti-Corruption Conference*

*"Different Cultures, Common Values"*

The 11th IACC will be hosted by the Korean Government and organised by the Korean Ministry of Justice in co-operation with the IACC Council, Transparency International and Transparency International Korea. The conference will be immediately followed by the Global Forum III, to be held on 29-31 May 2003. For more information, please contact the conference secretariat ([iacc2003@moj.go.kr](mailto:iacc2003@moj.go.kr)) or visit the conference website at [www.11iacc.org](http://www.11iacc.org).

# Publications by TI



Transparency International's latest publication, *Combattre la corruption, enjeux et perspectives*, is an adaptation of the TI Source Book to the legal, economic and political context of Francophone Africa. Published in July 2002, it is the result of a two-year process involving some 100 participants from the region. The book can be ordered through the publisher: Editions Karthala, 22-24 bd Arago, 75013 Paris, France. <http://www.karthala.com>. [25. ISBN: 2-84586-311-X. 360 p] It is also available on the TI website: [www.transparency.org/sourcebook/other\\_languages/french/2002.07.09.toc\\_s-book.fr.html](http://www.transparency.org/sourcebook/other_languages/french/2002.07.09.toc_s-book.fr.html)



The Corruption Fighters' Tool Kit is TI's compendium of practical civil society anti-corruption tools. The 2002 edition contains 27 new tools from around the world on issues ranging from access to information, to election campaigns to diagnostics. The Tool Kit is available in print, on CD-ROM, and on the TI website. ISBN: 3-935711-02-6.

To receive a copy, please write to: [toolkit@transparency.org](mailto:toolkit@transparency.org).



*Corruption, Governance and International Cooperation: Essays and Impressions on Nepal and South Asia*, by Devendra Raj Panday; published by Transparency International Nepal, Kathmandu, Nepal, 2001. ISBN: 99933-345-1-0. The author of this collection of essays, presentations and opinion pieces is a former Finance Minister of Nepal, a Board Member of TI, and President of TI Nepal.