

### **East Asia and the Pacific**

- ◆ International cooperation in the fight against corruption is growing, and it may bring significant change to the region. Institutions, including the World Bank, the OECD and the ADB, now tie anti-corruption efforts to their loan activities. The importance of good governance has been stressed in the new Cotonou Agreement, which underpins relations between the EU and the Pacific island states. And in response to coup attempts in the Solomon Islands and Fiji, the Pacific Islands Forum firmly committed its member states to the promotion of democracy and good governance.
- ◆ The Chinese government has moved to de-link the military and police from their considerable past business involvement. And to combat corruption in building the ambitious Qinghai-Tibet railway, China's Deputy Minister of railways announced a process of public bidding for the contract – an example of the recent shift towards market mechanisms in project approvals and administration.
- ◆ The entanglement of chaebols (conglomerates) with successive governments and leading politicians in South Korea is regarded by many as dangerous and corruptly collusive. The collapse of the second biggest chaebol, Daewoo, with debts of US\$80 billion, sent shock waves through Korea, and the bankruptcy saw an auditor face criminal charges for the first time in South Korean history.
- ◆ In Japan, a foreign ministry report in early 2001 revealed the existence of hitherto secret 'discretionary funds' used by prime ministers and officials for overseas trips and for other activities, including espionage. This behaviour was widely viewed as corrupt inside Japan, and its revelation in an official document indicated the emergence of new attitudes to transparency and accountability.
- ◆ Australia's federal criminal code was amended to include a new chapter, the Proper Administration of Government, that covers theft, fraud, bribery and related offences with new penalties of up to ten years' imprisonment for bribery. The amendment came into effect in May 2001.

### **Southeast Asia**

- ◆ The simultaneous investigation of three heads of government for alleged corruption – Indonesia's President Abdurahman Wahid, Thailand's Prime Minister Thaksin Shinawatra and former President Joseph Estrada of the Philippines – is a unique indication that the demand for political accountability has taken root.
- ◆ In Thailand, the October Network watchdog group can call on a team of whistleblowers, including bureaucrats and company managers. Reform-minded senators, armed with oversight powers, have set up committees to monitor government ministries and the implementation of economic policy. In the Philippines, anti-corruption groups are volunteering to guard ballot boxes and to monitor the procurement of government projects.
- ◆ In the Philippines, the testimony of the vice-president of a bank during the Estrada trial was a watershed for the business community, many whom now prefer professionalism over cronyism. In Malaysia, the state of Terengganu created a local Ombudsman office and adopted an integrity pact. In Cambodia, a Transparency Task Force has been established by the NGO Centre for Social Development in conjunction with the Ministry of Education, and is developing a curriculum of ethics, transparency, accountability and good governance studies for the public school system.
- ◆ In its annual report this year, the anti-corruption NGO Indonesia Corruption Watch claimed that political parties are now the vanguard of corruption, with a hand in every public decision from the appointment of Supreme Court justices and provincial governors to the abrupt termination of investigations into a tycoon's suspect business dealings.

- ◆ Corruption takes a heavy toll on the environment, particularly a communist Laos where residents say corruption has increased in tandem with the growth in illegal logging. Illegal deals between government officials and logging companies have led to companies using armed soldiers to terrorise local villagers into selling their trees.
- ◆ Gaps in legislation or procedural requirements can be key constraints on conviction rates. Campaigners in the Philippines point out that current legislation places the burden of proof on the prosecutor, making convictions difficult when the required documents – details of bank transfers, for example – are impossible to obtain. The amendment of bank secrecy laws would ease this obstacle. The same legal hurdle exists in Indonesia where the government is currently preparing legislation to transfer the burden of proof to the accused. The suspect will then have to prove that he or she obtained wealth without breaching the law. There have also been moves to strengthen the legal protection of witnesses in corruption trials.
- ◆ But the key to effective implementation of anti-corruption laws is often the strength, independence and integrity of judiciaries. In Malaysia, the independence of legal institutions is a cause for concern: a recent survey found that eight out of ten people are unhappy with the courts. In the Philippines, 57 per cent of respondents to a 1999 World Bank survey said that most judges could be bribed. Only 4 per cent bothered to report incidents of bribery, saying that reporting them would be futile.

## South Asia

- ◆ At an All India Conference of State Vigilance Commissioners in January 2001, Prime Minister Atal Behari Vajpayee vowed to “provide a clean, efficient and transparent administration” and to “adopt a policy of zero tolerance while dealing with corruption”, His words boomeranged as an arms bribery scandal exposed by the news web site tehelka.com rocked the ruling coalition government of the National Democratic Alliance (NDA). A video-taped sting operation conducted by two journalists posing as arms dealers appeared to show politicians, senior military personnel and defence ministry bureaucrats receiving bribes.
- ◆ In Pakistan, five successive elected governments have been dismissed on charges of corruption and mismanagement since 1988. Most recently, the Sharif government’s alleged manipulation of the trial judge in the Bhutto case, and Sharif’s exile to Saudi Arabia in the ‘national interest’, left little doubt as to the political motives of official anti-corruption drives.
- ◆ At the local level, grassroots movements have demonstrated the crucial role collective citizen action has to play in the fight against corruption. The Mazdoor Kisan Shakti Sangathan (MKSS), or Association for the Empowerment of Farmers and Workers, in Rajasthan, India, is campaigning for the right of ordinary citizens to access official information and organising public hearings where government records are cross-checked against evidence provided by service users.
- ◆ The Nepalese government introduced its key anti-corruption measures under sustained pressure from the media, the public and NGOs. In Sri Lanka, the government moved to institute a parliamentary select committee to investigate allegations of corruption in arms deals amid demands for accountability from the opposition and media. Freedom of information bills, the distinguishing mark of democracy around the world, are on the legislative table in India, Nepal and Pakistan. The region’s judiciaries, parliamentary committees, auditor generals and independent election commissions are also turning the screw on corruption.

## Southern Africa

- ◆ In South Africa, the region’s most economically influential state, a long-running controversy over a US \$5.5 billion arms deal with contractors in Germany, Italy, Sweden and the UK dominated the headlines this year. Close links between subcontractors and high-ranking government officials were exposed.

- ◆ Regionwide, the ministers of justice and home affairs of the Southern African Development Community (SADC) adopted a draft anti-corruption instrument in November 2000 after two years of patchy dialogue. The draft protocol defines corruption in both the public and private sectors and provides for the confiscation or seizure of properties and proceeds acquired in a corrupt manner. All SADC member states will have to develop their domestic anti-corruption laws or strengthen existing laws within the protocol's framework once it is ratified. In June 2001, anti-corruption institutions from eight SADC countries founded an informal coalition, the Southern African Forum Against Corruption (SAFAC), to facilitate networking and information exchanges.
- ◆ A damaging blow was dealt to one of the region's more outspoken anti-corruption activists when South Africa's President Thabo Mbeki publicly denounced Judge Willem Heath, head of the Special Investigating Unit, which is mandated to investigate corruption cases and recover plundered public funds.
- ◆ Political will to fight corruption showed its limits most starkly in Zimbabwe. President Mugabe's violent 'land reform' process was used as a means of transferring white-owned farms into the hands of political cronies. The majority of commercial farms invaded last year by war veterans groups, avowedly to resettle landless citizens, were reallocated at giveaway prices to party officials or the employees of private and state-owned corporations.
- ◆ The Lesotho government, currently prosecuting foreign contractors involved in the Lesotho Highlands Water Project, took a vigilant stand against bribe paying abroad by foreign companies. The World Bank is paying for the prosecution of this case, a move welcomed by critics who had accused the Bank of trying to sweep revelations of corruption under the carpet so as not to delay completion of the project. The Bank also recently proposed blacklisting companies found guilty of corruption in the trial.
- ◆ In April 2000 the IMF, the World Bank and the Angolan government agreed to monitor oil funds, contracting an international consultancy firm to implement a 'diagnostic' of oil industry accounts. At present no official records of the oil audit are publicly available, and international oil companies in Angola are not required to file annual accounts that would detail tax and royalty data. No record exists of where the controversial 'signature bonuses', paid by multilateral oil companies to secure oil blocks, actually go.
- ◆ On the whole, civil society is still too weak to lead an effective drive against corruption, but independent media and NGOs play an increasing role exposing wrongdoing and raising awareness of corruption issues. The autocratic tendencies of governments in Southern Africa persist despite democratic transition, resulting in ongoing intimidation of independent media and journalists. And deep-seated racial tensions are a further problem that undermines concerted civic action against corruption, particularly in South Africa and Zimbabwe.

### **East and East-Central Africa**

- ◆ Corruption is a prominent feature of daily public life even in the region's more peaceful countries, and imposes high costs both at the local and national levels. While data is limited, the Kenyan government is thought to have lost more than Ksh475 billion (US \$6 billion) through corruption between 1991–97. The country is now facing a credit squeeze from its foreign lenders, directly related to perceptions of institutionalised corruption. The NGO Uganda Debt Network estimated that Uganda lost the equivalent of US \$500 million to corruption over the last five years
- ◆ In December 2000 in Kenya, the High Court ruled that the Kenya Anti-Corruption Authority (KACA), a body created primarily at the behest of IMF and World Bank pressure, was unconstitutional. Donors promptly froze all lending, sending the economy reeling.
- ◆ The police and judiciary are the institutions considered most corrupt by ordinary Ugandans. In a survey by the country's Ombudsman, 63 per cent of respondents claimed to have bribed a police officer, while 50 per cent had bribed a court official. Fifty-seven per cent of people interviewed thought corruption was getting worse, not better.

- ◆ In Burundi, a parliamentary commission of inquiry reported in January 2001 that ‘theft, fraudulent management, corruption and embezzlement are rampant in the public sector’. Among those named was President Pierre Buyoya’s wife, who was mentioned in connection with sugar import fraud. According to information provided by the Inspector General’s office, over BFr12 billion (US \$16.5 million) have been embezzled since the civil war erupted in 1993.
- ◆ In oil-rich Gabon and Congo-Brazzaville, oil and political pay-offs define the landscape of corruption. An ongoing investigation in France has focused on the secret slush funds allegedly run by state-owned oil giant Elf Aquitaine in order to pay top officials in both countries, as well as in France. Elf continues to be the largest oil producer in Gabon and Congo-Brazzaville.
- ◆ Uganda and Rwanda reacted with outrage when a UN special committee released a report on their role in exploiting resources during the DRC conflict. The report documented the activities of their respective forces in eastern DRC, and showed in stark detail how senior military officers and their business associates took advantage of the war to enrich themselves. It was candid about the personalities involved. Heading the list was Caleb Akandwanaho, otherwise known as Salim Saleh, who is President Museveni’s younger brother, and his wife Jovia. Also mentioned was General James Kazini, commander of Ugandan forces in the DRC until last year. On the Rwandan side, the report named Colonel James Kabarebe, the army’s Chief of Staff. Other officials of the ruling Rwandan Patriotic Front were also incriminated.

### **West and West-Central Africa**

- ◆ President Obasanjo has not had an easy ride since he made anti-corruption measures the centrepiece of his administration on coming to power. While he has pushed his reform programme forward, the pace of change has been slow, which was perhaps inevitable in a country where corruption is so deeply embedded. It took over a year for the legislature to pass Nigeria’s Anti-Corruption Act, and the Anti-Corruption Commission it was intended to establish was only sworn in at the end of September 2000. Observers suspected that the delay was linked to a series of corruption scandals that broke out in the legislature. The most prominent was the impeachment in August 2000 of Senate President Chuba Okadigbo, who was alleged to have misused public funds.
- ◆ Burkina Faso suffered critical damage to its international standing following UN accusations in December 2000 that it was involved in smuggling weapons to rebels in Sierra Leone and Angola and exporting conflict diamonds, collected by the Revolutionary United Front (RUF).
- ◆ In Ghana, intervention by the media played an important role in ensuring that the presidential election in December 2000 was relatively free and fair. President John Kufuor’s inaugural address, which marked an end to 19 years of rule by Jerry Rawlings, announced a policy of ‘zero tolerance’ of corruption. Though the new government acted quickly to prevent outgoing ministers and officials from stealing public assets, including official cars, it has yet to articulate a firm anti-corruption strategy.
- ◆ Inter-governmental groupings in the region have taken steps during 2000–01 to strengthen the campaign against corruption. In June 2000, the eight member Economic and Monetary Union of West Africa (UEMOA) signed a Transparency Code for the Management of Public Finances, calling for a ‘qualitative change’ in the conduct of public finances. In November 2000, the Economic Community of West African States (ECOWAS) held the first meeting of a new Inter-Governmental Action Group against Money Laundering in Dakar. As part of the growing regional concern with corruption, attorney generals and ministers of justice of ECOWAS countries issued the Accra Declaration on Collaborating against Corruption in May 2001. Member states began to develop a Community Protocol on Corruption and called for international assistance in the recovery of national wealth that had been stolen and deposited abroad.
- ◆ As one step in the process of rationalising public services, a number of governments have carried out manpower audits with striking findings. In Nigeria, the Accountant General reported in April 2001, following a manpower verification exercise, that the government had discovered 40,000 staff on the payroll who were no longer employed. The same fraud is replicated elsewhere in West and West-Central Africa. In February 2001, Cameroon’s Civil Service Ministry revealed that monthly salaries were

paid to 7,000 personnel who had no official function, or who had left their posts years before. In Equatorial Guinea, the anti-corruption commission revealed in December 2000 that more than 2,100 civil servants on the pay-roll did not exist, mostly within the Defence and Education Ministries. The continuing need for cleaning up the civil service is clear.

### **Middle East and North Africa**

- ◆ In the Gulf, governments introduced important legislation that may have consequences for the strengthening of national integrity systems. The progressive new ruler of Bahrain, Sheikh Hamad Bin Issa al-Khalifa, who succeeded his father in March 1999, introduced a national charter in 2001 that promised wide-ranging reforms including an elected parliament, a constitutional monarchy and an independent judiciary. Bahrainis gave it their wholesale approval in a two-day referendum, and *Mithaq* (charter) has become a popular name for newborn babies.
- ◆ Observers welcome the rise of civil society groups in the region. The number of NGOs increased in the 1990s, particularly in Egypt, Israel, Jordan, the Palestinian territories and Yemen. However, many 'civil' associations have strong links to governments and are unable to fulfil the crucial criterion of independence that is needed if they are to hold governments to account. This is true in Tunisia, where two thirds of all associations emanate from the civil service; in Morocco, where philanthropic associations are traditionally formed by people close to the palace; and in Jordan, where civil society organisations are often run by members of the royal family. In Egypt, an association can only qualify as an NGO if it fulfils restrictive government registration criteria.
- ◆ In the United Arab Emirates, an anti-corruption commission was established after the arrest in early 2001 of the chief of Dubai's customs on corruption charges, a significant development given the country's prominence as a trading centre.

### **Commonwealth of Independent States**

- ◆ In Georgia, President Eduard Shevardnadze and his ruling elite have been busy promoting wide-ranging anti-corruption efforts. Calling corruption a 'mortal danger' to national security, Shevardnadze signed an anti-corruption decree in March 2001 authorising the creation of a 12 member co-ordinating council to fight corruption. While some wrote off the move as an empty gesture designed to restore the country's tarnished image, Shevardnadze fired Minister for State Property Mikhail Ukleba several days later, accusing him of failing to curb corruption and other illegal activities in his ministry.
- ◆ In Russia, state doctors, earning between US \$15 and US \$50 per month, feel they have no other choice but to accept bribes for services that should otherwise be free. And the hospitals, with negligible budgets, see bribery as the only way of financing medical supplies.
- ◆ The subtle and not-so-subtle art of electoral corruption in the CIS region obstructs the completion of democratic and market reforms. Dirty tricks, such as the removal of opponents from elections, ballot box stuffing, tampering with ballots, and bribing or threatening voters, are some of the more obvious forms of electoral corruption. Manipulating the media and misinforming the voting public is another form, perhaps more subtle and more dangerous in the long run.
- ◆ The states most resistant to enacting anti-corruption reform remain Azerbaijan, which has still to acknowledge that corruption is a problem, and Turkmenistan, whose leader demonstrates all too clearly how nonchalantly the issue is handled. On 16 April, President Saparmurat Niyazov denounced officials for graft, demanding the country get rid of corruption – in exactly five days.
- ◆ In Central Asia and the Caucasus, religious warfare, increased drug smuggling and battles over lucrative oil revenues have resulted in ever-shrinking transparency, a trend made all the more worrying as governments increasingly under-play the seriousness of bribery, nepotism and other abuses of power. Key players are still able to take advantage of partial market reforms and the availability of new offshore outlets for moving money.

- ◆ The New Russia Barometer asked two related questions about this in 2000. In answer to the proposition 'some people say that in Soviet times, to get anything done by a public agency, you had to know people in the party,' 68 per cent agreed, while 32 per cent disagreed. In answer to the statement 'some people say that nowadays to get anything done by a public agency you need to pay money on the side,' 90 per cent agreed, while 10 per cent disagreed.

### **Central Europe, Southeast Europe and the Baltic States**

- ◆ In June 2001, Bulgarians went to the polls and gave the party of ex-King Simeon 40 per cent of the popular vote. His election manifesto focused on attracting foreign investment, cutting taxes and reducing corruption.
- ◆ In the Czech Republic during 2000–01, long-awaited charges were brought against officials and businessmen for corrupt actions in the 1990s. In February 2001, the authorities arrested Frantisek Chvalovsky, the country's top soccer boss and head of the Czech-Moravian Football Association, on charges of credit fraud totalling US \$17 million. In December 2000 and early 2001, over a dozen prominent Czech bankers and businessmen were either charged or convicted of bank fraud, insider trading and other corruption-related crimes. Several had close political ties, including contributing funds to some of the country's largest parties. Such connections may have shielded them in the past, but no more.
- ◆ In June 2001, the Financial Action Task Force amended its 'black-list' of 'non-cooperative' countries in the fight against money laundering to include Hungary.
- ◆ The key anti-corruption agency in Bosnia is the Anti-Fraud Department of the Office of the High Representative (OHR), the West's main oversight body. It has its own budget, investigative powers and a mission to act as a link between local institutions and the international community. In theory, it coordinates the anti-corruption activities and efforts of other international agencies, such as the World Bank, the IMF, the OSCE and the UN International Police Task Force (IPTF). The Anti-Fraud Department has mainly focused on reform of the financial police, together with the European Commission's Customs and Fiscal Assistance Office to Bosnia and Herzegovina, but it has also pushed for and monitored the implementation of customs and tax administration reforms. Critics of the international community say that limited resources, as well as support for non-nationalist politicians no matter how dirty, prevent headway being made. A local official in Bosnia cited the example of a leading Bosnian Serb politician, widely thought to be engaged in corrupt activities, who managed to avoid investigation because he was a Western ally in the battle against Bosnian Serb hardliners. 'These double standards, which are quite obvious and visible to the local community, harm Western anti-corruption efforts,' he said. But international agency involvement in the region has also had positive results. In Bosnia, a new electoral rule introduced by the OSCE in February 2000 bans elected officials from joining privatisation agencies and the boards of public enterprises. It has had a major impact.

### **West Europe and North America**

- ◆ The Elf Aquitaine affair, with its allegations of corruption at the highest levels of French political life, has been at the centre of media attention in France over the last 18 months. Some US \$350 million of the then state-owned oil company's funds were reportedly diverted for corrupt purposes. Investigating magistrate Eva Joly has shown great determination in seeing that those involved are brought to justice. This year Roland Dumas, French foreign minister under the late president Francois Mitterrand and later head of the Constitutional Council, was found guilty of taking bribes. Released on bail to appeal against his sentence, Dumas made sweeping public allegations against the political establishment, and said that French justice was 'protecting those still in power'.
- ◆ In the latest twist in a long tale of party financing scandals linked to Germany's Christian Democratic party (CDU), former chancellor Helmut Kohl escaped prosecution in March 2001 but was forced to pay a US \$142,000 fine. Kohl admitted accepting US \$1 million from secret benefactors for his party while he was Chancellor, breaking rules on the funding of political parties, but he denied accusations that his political decisions were affected by the donations.<sup>8</sup> Kohl continues to refuse to identify the donors.

- ◆ Corruption remains a pervasive problem in Turkey, hindering attempts at economic reform and entry into the EU. In February 2001, the government of Prime Minister Bulent Ecevit came under attack when he was accused by President Ahmet Necdet Sezer of 'dragging his feet' in the fight against corruption.
- ◆ Under the presidency of Romano Prodi, the EU put transparency and the elimination of corruption in its own institutions at the top of its agenda, following the collective resignation in 1999 of the European Commission in the wake of a series of accusations of nepotism and mismanagement.
- ◆ The International Anti-Corruption and Good Governance Act, signed into US law by former president Bill Clinton in October 2000, introduced a new formal goal to US foreign development policy: 'the promotion of good governance through combating corruption and improving transparency and accountability'. Under the Act, anti-corruption programmes will be integrated as a component of US aid to developing countries.
- ◆ A vast network of corruption has been exposed in the Los Angeles Police Department (LAPD). Although a high-profile trial of police officers ended in acquittal in December 2000, the original investigations led to a series of reviews of previous arrests and prosecutions and to the appointment of an independent monitor to oversee the LAPD for a five-year period.
- ◆ Since the OECD Anti-Bribery Convention came into force in 1999, most West European countries have made the bribery of foreign public officials a criminal offence, and the US too has had to adapt its legislation to come into line with the Convention. In part because of the Convention, most Western governments have now also eliminated the practice whereby companies were able to claim tax deductions on bribes paid abroad. Fifteen countries that signed the Anti-Bribery Convention previously allowed tax deductibility, but 13 of those have since revised their legislation.
- ◆ Investigations into the accounts of the family of former Nigerian president Sani Abacha by the Swiss Federal Banking Commission and the UK Financial Services Authority revealed that a large share of the money travelled through private accounts in British retail banks. This confirmed a suspicion, heightened by the 1999 Bank of New York scandal, that the reporting of suspicious transactions is still poor in the City of London. In March 2001, the UK government published a Proceeds of Crime Bill that will broaden existing anti-money laundering legislation and establish an agency for the recovery of criminal assets.
- ◆ Switzerland also froze US \$80 million tied to Vladimiro Montesinos, former head of Peru's secret service, after investigators launched a probe into money laundering.

### **Central America, the Caribbean and Mexico**

- ◆ In February 2001, Mexico two months into the new administration, the government signed a National Pact on Transparency and Fighting Corruption, and the Secretariat of Audit and Administrative Development (SECODAM), the agency charged with fighting corruption, created a unit with special responsibility for involving civil society in its work. Similar watchdog units are being created to ensure transparency in federal agencies and monitor government spending. In a bid to tackle pervasive petty corruption, the government launched an operation to purge corrupt officers from the Customs Agency. In February 2001, Director José Guzman fired 45 of the agency's 47 supervisors around the country in what signalled the beginning of a top-to-bottom overhaul.
- ◆ In Honduras, cases of corruption were endemic throughout the police and military during the year. High-ranking military officers are being investigated on a number of charges related to misappropriation of state resources. Meanwhile Minister of Security Gautama Fonseca began to tackle the Preventative Police Force. Over a hundred agents and officers were dismissed under a decree issued by Congress for negligence, illegal enrichment and theft. All told, the government has fired more than 3,000 officers for alleged corruption since 1999.
- ◆ Panama and some of the Caribbean island states protested in June 2000 at their inclusion on the Financial Action Task Force's (FATF) 'blacklist' of countries that were failing to cooperate in the fight

against money laundering. Although Panama came off the list in June 2001, the domestic anti-corruption authorities have not prosecuted – much less jailed – a single person for laundering illicit money.

- ◆ In Haiti, Jean Léopold Dominique, the owner of independent Radio Haiti Inter and a prominent civil rights activist, was murdered in June 2000. This ‘had a trickle-down effect on the media’, according to Deborah Kirk of the International Centre for Journalists. ‘Haiti is probably the most dangerous country in the region for journalists. People don’t want to speak out. There is an atmosphere of corruption.’
- ◆ Government efforts to stamp out corruption come to nothing in some countries. In Nicaragua last year, accountability and anti-corruption efforts collapsed. No serious attention was paid to allegations of corruption against revenue director Byron Jeréz although President Alemán admitted that Jeréz had misappropriated 6 million córdobas (US \$500,000).<sup>26</sup> Possibly more damaging for institutional capacity was the dismantling of the Comptroller’s Office and its division into a five-headed political organisation after Comptroller General Jarquín left office. A committee that includes four politicians from the two most powerful parties now runs the agency. Nicaragua has a progressive anti-corruption plan, but the government failed at every juncture to put it into action.
- ◆ In 2000–01, international efforts to clamp down on tax havens forced several Caribbean nations to change their banking secrecy laws and close down fly-by-night financial institutions. The OECD’s tax haven list, followed by the FATF ‘blacklist’, named countries suspected of making life easier for money launderers, prompting several to take swift action to tighten up banking legislation and supervisory regulations. Others protested vociferously, but took little action to stop the laundering wheels grinding. The Bahamas, Cayman Islands and Panama were taken off the list in 2001, while Dominica, St Kitts and Nevis, and St Vincent and the Grenadines still need to bring their standards into conformity with international criteria.

## South America

- ◆ In Argentina, allegations of bribery in the Senate in 2000–01 revealed details about the illegal financing of politicians; an impressive list of officials who cashed a monthly salary without working; and evidence of how bribery is used to approve or speed up the passage of laws in Congress. Bribe-takers included senators in the opposition party, as well as secretaries of state, advisors, and close personal friends of President Fernando De La Rúa.
- ◆ A number of cases of political corruption in 2000–01, reported widely in the media, dealt body blows to the governments of Peru and Argentina. In Peru, corruption toppled President Alberto Fujimori. Fujimori began a controversial third term in office after elections that were contested on the grounds of voting irregularities and fraud. Shortly after his victory, a video emerged showing Vladimiro Montesinos, head of the National Intelligence Agency, apparently offering a congressman a US \$15,000 bribe to endorse Fujimori’s re-election. Thousands of similar episodes of Montesinos allegedly bribing or coercing ministers, judges, police, military bosses and business leaders, were captured on tape, with some subsequently leaked to the media and broadcast to Peruvians. Montesinos fled the country, but was captured in Venezuela and extradited in June 2001. Fujimori successfully sought asylum in Japan in November 2000.
- ◆ The Argentinian judiciary set an important precedent in 2000–01 by placing former president Carlos Menem under house arrest in June 2001 on charges of illegal trade in weapons during his administration from 1989–99. According to the daily *Clarín*, some US \$60 million of a total US \$100 million dollars spent on 6,500 tonnes of arms went on bribing Argentinian and foreign officials.
- ◆ Brazil has experienced a new era of economic growth and stability since the start of President Fernando Henrique Cardoso’s administration in 1995, but the government has made only hesitant efforts to fight corruption. In April 2001 the President announced the creation of a cabinet-level anti-corruption bureau, but it is limited in scope, activists say, due to political pressure.
- ◆ Venezuelans heard revelations of a major loss to corruption of public funds derived from oil revenues. In March 2001, President Hugo Chávez, who won office in December 1998 under a populist campaign

banner of anti-corruption, also admitted that there had been irregularities in Plan Bolivar 2000, a US \$113 million social welfare and poverty eradication programme managed by high-ranking military officers. Fraud, largely committed through inflated invoices, consumed as much as 40 per cent of the Plan's expenditures, according to analysts. Another serious set of accusations involved the country's Fondo Unico Social.

- ◆ President Jorge Batlle of Uruguay sent a draft law to Congress last year that will criminalise money laundering with sentences of up to ten years. An important feature of the law, which passed in March 2001, is that it also applies to Uruguayans living abroad.
- ◆ A World Bank report in April 2001 revealed gross mismanagement of a Paraguayan public roads project, part of the ongoing Programme for the Administration of Natural Resources. The report suggested that the Minister for Public Works and Communication altered contracts in order to increase project costs. As a result, the price of improving 445 kilometres of rural roads went from an original estimate of US \$13 million to US \$24 million.
- ◆ A parliamentary commission led by Representative Moroni Torgan is investigating the scale of drug money laundering in Brazil, which has been estimated to total US \$25 billion a year. According to a report presented to Congress, corruption leads to the laundering of a further US \$25 billion a year, or roughly 10 per cent of the total amount laundered globally. The commission suggested that one third of this sum goes to government officials and the private sector, including banks, to oil the laundering chain.
- ◆ Colombian President Andrés Pastrana established a Presidential Programme Against Corruption, headed by Vice-President Gustavo Bell. Both private sector and civil society groups (including the TI chapter Transparencia por Colombia) were invited to contribute. As a result, President Pastrana's plan included a component that called on all public sector departments to use TI-Colombia's innovative 'Integrity Pacts' to make public contracting and investment transparent, equitable and sustainable.