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"Bad governance and corruption are a symptom of poverty. We have corruption in the developed countries too but here it doesn't kill people - in Africa it does."
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FEATURE INTERVIEW

Democracy and Corruption: Reflections from Jail

By Amber Poroznuk



On 19 January 2006, Dr. Devendra Raj Panday, a member of TI's Advisory Council and a former president of Transparency International Nepal, was arrested and detained without cause by the government of Nepal. He remained in prison for nearly 100 days. Here is his personal account of his arrest, his ideas on democracy, corruption and politics in Nepal.

TI: *Can you describe the events surrounding your arrest? What are your strongest memories of that day?*

DRP: On 19 January, I returned home from my morning walk. I saw a police van outside my gate and some security personnel in plainclothes inside. They told me politely that they had come to "take me away" as per the order "from above". They did not produce any papers or charge me with anything. They wouldn't tell me where they were to take me either. Some friends who had arrived (Ashish Thapa of TI Nepal, who lives nearby, was also attracted by the police van) advised me not to cooperate in an unlawful detention. I reasoned that the rule of law had no place here and went with the police. They took me first to a nearby station where I was kept all day without any knowledge of what was to happen to me. Later, in the evening, they moved me to a makeshift prison inside the National Police Academy. There, in two rooms, I found myself in the company of seventeen political leaders and some civil society colleagues who had also been rounded up that morning. This was some comfort.

This was not the first time I had been arrested in the current struggle for democracy. I was arrested together with many friends and colleagues on July 25, 2005 when, as a part of the programme of the Citizens' Movement for Democracy and Peace, we protested in the street against the government's lawless law. We were released the next day. Similarly, and in the context of a comparable programme on Human Rights Day, I was again arrested on 10 December, but only for a few hours. The difference this time was that I was arrested at my house, when I was not breaking any law, not even "their law".

TI: *Was your imprisonment directly related to your work on anti-corruption? What were the charges under which you were arrested?*

DRP: On 1 February 2005, King Gyanendra declared a state of emergency and arrested many political and some civil society leaders. One of the reasons he gave for his action was his intention to control corruption. Knowing how dictators routinely exploit corruption to serve their ambitions for power and privilege, and aware of King Gyanendra's own dubious business record, I was suspicious of this claim from day one. Fearing that Transparency International might be hoodwinked into cooperating with the despotic regime, I immediately started warning the Secretariat about this. At the time of the King's declaration, I was in the United States. Upon my return to Nepal in March, I joined the political struggle against the coup d'état. To me, anti-corruption and democracy are inseparable. Accountability requires structures and processes that are possible only in a democracy where people can question and try and punish their leaders in the media and in elections. I would like to believe that the founder of Transparency International, Peter Eigen, contacted me in late 1992 to invite me to join the movement because of my record of struggles for human rights and democracy, apart from whatever he had heard about me and my public career.

The government would not acknowledge any of this, of course. That evening of 19 January, I eventually received a piece of paper that said that I was charged with the crime of "spreading misinformation", and thus "threatening national security".

TI: *Can you describe the time you spent in jail? What were the conditions like? What were your most frequent thoughts?*

DRP: I was in "the Academy" for 41 days. On the afternoon of 2 March, some police officers told me to pack my things because I was to leave immediately. The pleasant thought that I was possibly being released from prison did not occur to me even for a second. Earlier that day, they had come with the same message for two of my colleagues. The authorities were executing their plan to separate us from one another and keep us incommunicado. The authorities feared that we were "too powerful" even in prison and might plan something together to feed the struggle against the despotic regime.

That day, I was moved to another police barracks and kept in isolation until 25 April when, thanks to the

power of the people peacefully demonstrating in the streets and villages throughout the country, I was released, together with all political prisoners. During this period, I was not allowed to see anyone but very close relatives and representatives of the United Nations Office of Human Rights Commission. My wife was in the United States through most of this period visiting our daughter and her family, including a newborn grandson. She came back in mid-March and became my daily visitor. The authorities did not seem to know that my new place of confinement - the police barracks – was close to my house. There I could have at least one meal cooked and brought from home that helped me maintain my spirits. The food in prison, especially in the first station, was hardly edible. Yet, it is hard to complain about it, because the men and women in the police force eat lesser meals all the time.

TI: *What prompted you to join the anti-corruption movement?*

DRP: In 1990, Nepal acquired its first democratic constitution. (I was arrested and sent to prison during that struggle, too). Following the adoption of the constitution, I briefly became the country's finance minister. From the social and political conditions in Nepal and the experiences of many other countries I understood one thing. I knew how difficult it would be to institutionalise democracy and make governance work for the welfare of the people. Corruption was not going to leave us just because we had a new political order. If not handled properly, the vagaries of electoral politics and the influence of the feudal, patron-client relations in the country could be more lethal in a democracy than in an authoritarian regime.

TI: *What challenges do you face in your daily work of fighting corruption, and have these changed over the years?*

DRP: To me, the campaign against corruption is closely related to social movements for securing political freedom, equality, rule of law, opportunities for involvement in productive endeavours and social justice. Together they constitute what we call "development". The ultimate sources of the challenge to anti-corruption are the same as those for all such agendas for change. The vestiges of the feudal social order get in the way, as do the difficulties in resolving the contradictions between the need for political financing and clean governance. Most importantly, perhaps, we in the anti-corruption struggle are ourselves not fully free from many of the weaknesses afflicting society at large. I was lucky to have been invited by Peter Eigen to join the anti-corruption movement when TI was still at a planning stage.

TI: *Is there a link in Nepal between the temporary collapse of democracy and corruption?*

DRP: The governments elected under Nepal's 1990 constitution were an immense disappointment to the people. The leaders lacked vision and reflected the same political culture in their behaviour as the regime they replaced. They easily succumbed to pressures and attractions for feudalistic privileges and perks that would come their way. Corruption increased with the increase in the scale of public expenditure and inflows of foreign aid. Despite the unique provision of a constitutional body to investigate and prosecute abuses of authority, impunity became the order of the day. The nouveaux riches in politics, bureaucracy, the army, police and business flaunted their wealth merrily, adding to the disgust and disappointment of the people who were looking forward to a new era of development in post-1990 Nepal.

However, this is not necessarily why democracy collapsed. In any country, the disappointment and apathy in the people merely create an environment for a potential dictator who would find one way or another of fulfilling his ambitions any way. With King Gyanendra on the throne, this is what happened in Nepal. As the king assumed full powers of the state, an atmosphere of corruption and corrupt acts grew, notwithstanding his establishment of a commission nominally intended to control corruption but in fact used to intimidate and victimize those who were challenging it.

TI: *More generally, is there a link between human rights and corruption?*

DRP: Corruption is a threat to human rights because it perverts the important institutions and mechanisms of the state that are created to assure the rights and services that citizens can lawfully expect from the state. Unfortunately, human rights as an issue are not explicitly recognised in anti-corruption campaigns. In fact, in our zeal to see corrupt people brought to justice, we sometimes ignore such fundamental principles such as presumption of innocence in some of our debates on anti-corruption strategy. This can happen because the anti-corruption campaigns are often ambivalent about the value of democracy, given the bitter experience of institutionalising it in the developing world. In the TI movement, democracy is accepted as one of our core values. But we have yet to operationalise it in planning and programming.

TI: *Do you think there is new political will to tackle corruption after recent events? What is the feeling of the Nepalese people?*

DRP: The people joined the political movement initiated by the Seven Party Alliance with an uneasy feeling. They knew full well that the leadership and the behaviour of the parties had not changed much from the time they governed ineffectually and corruptly. We could only hope that the parties and their political culture and their sense of public accountability would change for the better, given the bitter experience and suffering in the despotic regime. Much hope is also placed in the possible emergence of youthful leadership that can inculcate new values and commitments in the parties currently saddled with the baggage of history.

The priority at the moment is the successful conclusion of on-going talks between the Nepal Communist Party (Maoists) and the government, leading to the election of the constituent assembly. We have to make sure that corruption as a factor in political, social and economic development receives due consideration in this process. It already hurts to see corrupt politicians playing their familiar roles in the parliament that was restored with the sacrifices of the masses.

TI: *What concrete recommendations on fighting corruption would you make to the new government?*

DRP: In short, the battle against corruption is about inculcating new values in society and in politics. To lead the process, first and foremost, the political parties must learn lessons from their own experiences. The undemocratic and unrepresentative institutional structures and mechanisms of the parties and the underlying political culture must change. For this to happen, the anti-corruption campaigns, among others, should coalesce and work together with younger generations in the parties, and help them play a new and innovative role in the organisations and programmes of the political parties. We should similarly work with youth across society.

One of the problems facing political parties in Nepal is similar to the enduring challenge faced to this day by political parties in “advanced democracies”. It is about the conflicts involved in political financing and in the business-politics nexus that can flourish at the cost of efficiency and justice. We have to tackle the problem together through exchanges of experiences and the “learning by doing” processes.

TI: *What can Transparency International do as a movement to support you in your anti-corruption work?*

DRP: I stress the inter-related nature of the issues of social change of which corruption is one part and democracy is another. Transparency International could consider debating such inter-relatedness of social problems to support its strategic planning for the future. The vital role, however, belongs to TI Nepal. Just as we hope to restructure the state and its policies under the new constitution, TI Nepal may also need to restructure and reorient itself from time to time, in order to harness its potential and meet the challenges and opportunities. We need younger people in the movement, and in leadership positions, who are more committed to the campaign and can bring with them not only their youthful energy but also dreams that only they can dream.

SPOTLIGHT STORY

Freedom of civil society organisations in Russia

By Elena Panfilova, Chair of TI Russia



A question in everyone's mind in the run up to the Group of Eight summit in St. Petersburg, Russia, was how civil society organisations would be treated by the Russian government, which organised the summit. Elena Panfilova, Director of TI Russia, shares with Transparency Watch the challenges of running a critical and outspoken organisation in a hostile political environment.

Historically, Russia had no culture of civil society. Civil society activity blossomed at the beginning of the 20th century, but that ended in revolution. Then we had seventy years of communist rule, with no civil society to speak of. The introduction of glasnost and perestroika in the 1990s saw an explosion of civic organisations, especially think-tanks and policy organisations, funded by foreign donors. All of the major civil society organisations (CSOs) started as foreign-financed entities dealing with situations that the government at the time could not.

By 2000, independent media outlets were systematically put under pressure because of debt, bad credit or other liabilities. Most businesses (including media) that started during the '90s acquired wealth in quasi-legal or suspicious ways. The state began to acquire partial or total control of media outlets, one by one, through intimidation, blackmail or other forms of pressure. By 2003, independent media had been nearly eliminated.

Political opposition was also disintegrating. A new registration law and financial rules for political parties was passed with requirements too complicated for most parties to understand. A new electoral code provided 20 ways to block a candidate's registration. The result? By 2005, there was no free media or political opposition to speak of. The only remaining independent sector was civil society. Though not as strong or developed as in the West - and still largely foreign-funded - our organisations were still independent and intact.

Then the government introduced what is known as the "NGO (non governmental organisation) law". There had been a feeling of foreboding among the community of Russian civil society organisations that something negative was coming, but no one expected anything as damaging as this. It amended existing laws regulating CSO activities, creating a very heavy formal burden for civil society organisations. For example, the law required some CSOs to re-register with the state, along with bi-annual reports to the Ministry of Justice on daily activities for all civil society organisations in Russia.

Slowly, the government created an atmosphere of mistrust around civil society organisations. It began with the infamous story of a transmitter hidden in a rock. A primetime programme on ORT - the main state controlled television channel - alleged that British diplomats had sent confidential data via a transmitter concealed in an artificial rock in a Moscow park. In the same breath, authorities disclosed that the diplomats had also been funding civil society organisations, including the Moscow-Helsinki Group, a human rights institution in operation since the Soviet era. While there were no concrete accusations, it was enough to create the impression that civil society organisations with foreign words in their titles - such as Transparency International - represented a liability for Russia, potentially weakening it and making it dependent on external powers.

The groundwork for this view had been laid earlier in 2005 by Vladislav Surkov, a Kremlin aide, who had labeled opposition groups, particularly those with outside funding, as "fifth-column", a Spanish civil war term for a loose network of insurgent agents.

By spring of this year, the increasingly negative atmosphere allowed the government to publicly justify the repression of civil society. In addition to rising public distrust, formal procedures for CSOs have become much more complicated. Registration, tax regulations and grant registration procedures are more difficult. Public criticism of the government is riskier, because it could trigger greater scrutiny and a further tightening of procedures.

Transparency International Russia currently faces a 138-page reporting form for submission to the government by 1 October. It requires a detailed listing of all meetings, press conferences and other gatherings held in the past year related to its charter. In practice, this can mean providing information for up to three items per day. Another large international civil society organisation hired a full-time

employee to complete their form. Processing data from the forms has reportedly required the creation of over 30,000 jobs in the Russian bureaucracy.

The atmosphere is especially oppressive for organisations that receive foreign funding; with no tradition of Russian business supporting civil society, this means nearly all CSOs. In the 1990s, business was just beginning its development, and in 2000 the country was still grappling with poverty on a massive scale. Then the oil started to flow; the Russian government overcame its dependence on foreign aid and private business flourished. But even under these more favourable circumstances, a supportive culture for civil society did not exist. Everyone understood the need for foreign funding.

Soon after Mikhail Khodorkovsky started "Open Russia", the first Russian fund for CSOs, he was arrested. "Open Russia" supported service delivery CSOs, journalism associations and policy organisations. The government opposed foreign funding of these entities, especially those that went beyond service provision into advocacy, yet they also prevented domestic funding.

This was blatant hypocrisy. The government's position seems to be that it is okay to save whales and help kids, but as soon as a civil society organisation looks into environmental laws or criticises childcare policy, they cannot receive foreign funding, and will get no government support.

At TI Russia, we are looking for ways to finance our activities while avoiding the trap of registering foreign grants. After 1 January, when old grants expire, the new laws will apply. I suppose that even if we could not get new funds, most of our staff would still work voluntarily. I have not received a salary since last spring, but provide for myself by lecturing, publishing articles and finding work as a political analyst.

The situation in Russia brings us to an obvious crossroads: do we at TI Russia want to limit ourselves to harmless activities such as awareness-raising, courses on ethics and handing out brochures? Or do we want to be the organisation saying there is a problem with Germany's former Chancellor Gerhard Schroeder being on the board of Gazprom, or that there is a problem with electoral funds? Do we want to be a critical voice?

Russians like the idea of transparency, but they remain dependent on an administration that is completely opaque. New laws and appointments emerge from nowhere. Concepts like TI's Integrity Pacts are perceived as a joke to most people who must pay bribes just to get through the day. When you have a systematically corrupt country, you cannot fight it by signing nice treaties that are not implemented.

That's why this year's G8 Statement on High-Level Corruption was so innovative. It was an official document talking about high-ranking corrupt officials as a systemic problem, going on to state that corruption undermines democratic growth. At TI Russia, we saw it as a direct message to Russia. People were calling TI Russia all day. It was a sensation.

2007 is an election year in Russia. Perhaps there will be some room for change. But whatever happens, the best way to show that we are a normal organisation is to adhere to our mission, to go about our work without paying too much attention to what others are saying. If we need to go to court, we will go to court. If we need to go to the media, to the TI movement, we will do that.

TRANSPARENCY & CULTURE

By Jesse Garcia



I awoke ready to take part in the first day of what promised to be an important event, the Other Russia Conference, a meeting of civil society and political opposition leaders, diplomats and media, being held in the shadow of the Group of Eight (G8) nations Summit which would take place the following weekend in St Petersburg.

In the lead up to this month of meetings surrounding the G8 Summit there had been a great deal of debate about the legitimacy of the two civil society events, The Other Russia and the Civil G8 conferences. The Other Russia conference was being held in the business-class Renaissance Hotel in Moscow, where most of the attendees – including me – were also staying.

I had arrived at the hotel the day before, dragging my copious luggage across Moscow's streets, oppressive in the July heat. Inside the hotel, in a conference room with no air-conditioning, a press conference was already underway. I stayed at the margins of the crowded room and as the proceedings were entirely in Russian, I had to rely on tone of voice, facial expressions and the occasional explanation provided by Elena Panfilova, director of TI Russia.

At the front of the room sat, among others, Georgiy Satarov, director of INDEM, Gary Kasparov, chess world champion turned political opposition leader, and Lyudmilla Alekseyeva, head of the Moscow Helsinki Group and a champion of human rights in Russia since well before the Iron Curtain fell. Talk centered around the appalling human rights situation in Russia, around whether this was a king-making event, intended to produce a viable opposition candidate; and of course, around the issue of corruption. Corruption seems to pervade every facet of life in Russia, and which, despite periodic dismissals and arrests, allegedly permeates the upper ranks of Russian bureaucracy and government.

But there was another, more sinister topic, namely the systematic harassment of would-be attendees attempting to make their way from Russia's outlying provinces, from Kaliningrad, from Siberia and elsewhere, to Moscow. Tales were circulating of environmental and human rights activists being mysteriously arrested while trying to board planes or trains, and then being 'caught' with heroin in their baggage, or, in one woman's case, TNT in her handbag. One man was said to have been doused with 'chemicals' by unknown assailants, leaving him with burns across his face.

As chilling as the stories were, I admit I took them with a grain of salt. But my skepticism was rapidly tempered the following morning as I pulled aside the curtains in my hotel room and surveyed the scene thirteen stories below. In the middle of the broad road - Olimpiyskiy Prospekt - was a police car, parked and redirecting traffic. Immediately in front of the hotel, a cordon of police officers was in place, including men in blue fatigues. Across the street in a parking lot, shielded at ground level by low trees, was a group of several hundred soldiers, some with attack dogs, standing silently in formation. They did not appear to be there to protect the participants of the conference.



Used to subtler forms of government persuasion, I was deeply unsettled. I called Elena Panfilova, who was coming from her home that morning, to let her know what was waiting for her upon her arrival at the hotel. She thanked me for the call. Apparently I was not the first to have warned her.

Returning to the window, the rows of police and military personnel had now been supplemented by a band of pro-Kremlin protesters, young men and women equipped with surprisingly expensive-looking banners and flags, admonishing conference attendees for their unpatriotic behaviour. Lining the hotel driveway, they would stand there all day, even as temperatures soared in the afternoon sun. Undaunted, attendees made their way to the fourth floor of the conference centre, where they milled

about cheerfully, greeting one another and scanning the information stands in the coffee area that provided background on the conference issues and the groups represented. TI Russia had a display in Russian and English that included a world map based on TI's *Corruption Perceptions Index* and comparative data on corruption in Russia's many administrative regions.

A battalion of international press attended, drawn by the presence of the handful of remaining opposition leaders, and egged on by the ominous pronouncements of Russia's G8 Sherpa, Igor Shuvalov, who deemed conference attendance by foreign diplomats a political affront. Ominous warnings notwithstanding, the US Assistant Secretary of State, Daniel Fried, and British Ambassador to Russia, Brenton Anthony Russell, were in attendance. Many German political luminaries had sent greetings as did former US Secretary of State Madeleine Albright. The Ambassador underlined the non-negotiable role that civil society must play in healthy democratic societies. This was followed by speeches from representatives of civilian casualties of government anti-terrorism raids (who far outnumber the terrorists killed in the raids), from advocates for the rights of young men drafted into a military that sees nearly three thousand non-combat deaths of junior servicemen each year, and from advocates for environmental issues and human rights more broadly.

Although each was advocating something different, there was a common thread to their remarks. The events by which the Russian state co-opted big business and media outlets and by which they squeezed most political opposition out of operation were recounted again and again. The increasing pressures in recent months on a civil society capable of voicing critical opinions gave the proceedings a sense of urgency.

These pressures were illustrated dramatically during the first day's lunch break. While making the short, ten meter trip across the hotel driveway to the restaurant where lunch was being served, several conference attendees were summarily arrested. A German journalist who happened to be present photographed the operation with his mobile phone. When he did not heed police warnings to cease documenting the arrests, they accelerated their squad car, hitting him in the legs. Uninjured, he stood there in shock as the police stepped out of their car and took his phone. The password-protected phone, without pictures, would be returned a few hours later by a junior officer claiming to have "found it" in a parking lot.

This stood in stark contrast to the Civil G8 ("Civil G8 is your opportunity to discuss global problems") meeting I had attended a week earlier. With the exception of a brief visit from Russian President Vladimir Putin, the Russian state was not visibly present. There were no police cordons, no arrests, no car-rammings. In fact, it was characterised by exceptional harmony and a progressive, participatory structure.

While there had been an element of opposition within the Other Russia conference, the Civil G8 was sponsored by the state itself. The recommendations that emerged at the Civil G8, which broke off into discussion groups tackling questions of climate change, human rights, business and society, and poverty and development were to be presented to leaders at the G8 Summit in St Petersburg. In fact Putin received the recommendations in person when he dropped in on one of the plenary sessions. When Putin entered the plenary hall at the Mezhdunarodnaya hotel where the Civil G8 was being held, he did so with no visible security. That is what representatives of global civil society organisations like Transparency International, Amnesty International and CIVICUS saw. However, outside, according to witnesses, three city blocks had been cleared and snipers positioned on neighbouring rooftops. As Putin's motorcade made its way to the conference site, bystanders were herded by soldiers into underpasses and held there.

Plenary sessions, break-out sessions and a leader that comes to listen to civil society's concerns – they seem like the right ingredients. But the situation for the media, for political opposition and for civil society groups whose work goes beyond service delivery tells a different story. And it is this dissonance that was the defining quality of my brief stay in Russia.

This dissonance was reflected too in the divergent reactions to the civil society forums, with some praising a surprisingly open and engaged Putin for providing an unprecedented space for civil society, while others maintained a great suspicion of the proceedings. The Other Russia also polarised the civil society community. There was sharp criticism on account of some of the extreme political views espoused by some of the participants, or the possible for instrumentalisation by British or American governments trying to even scores or promote an ideological agenda. For others again it was the last gasp of Russia's brief period of chaotic democracy.

I think it was useful for Transparency International to be present and to support both events. In cold, utilitarian terms, both had great value in terms of our visibility and the forging of connections with other members of civil society. Both provided a forum for Russian civil society groups, especially those from beyond Moscow and St Petersburg, to meet their international peers. And perhaps, some members of the grey ranks of the Russian bureaucracy saw that civil society is not a danger to be feared, but potential partners that can help find solutions to the complex problems facing all countries including Russia.

REGULATION OF CIVIL SOCIETY IN VENEZUELA

By Mabel Gonzales



The Venezuelan National Assembly recently passed the first draft of the Law on International Cooperation. The proposed law could increase existing regulation of local and international civil society organizations, allowing government to interfere in their objectives, activities and funding sources. Transparency Watch spoke with Mercedes de Freitas, Director of Transparency International Venezuela (TIV) about the draft law and how it would affect their work.

TIS: *How would the new law change the day to day work you perform at TI Venezuela?*

TIV: The draft law raises concerns about the freedom of civil society and its ability to function independently of government control. It creates uncertainty about whether organisations like TI Venezuela would be allowed to continue working in the areas we have been working in and with the funds we have been using to finance our projects. If the law is approved, the government would have the right to decide which organizations will receive funding and which areas/activities would have priority. The law therefore creates the uncertainty we would be able to continue with the day to day work we perform at TI Venezuela.

The draft law establishes new control systems but it does not clarify the scope of the government's action. The text of the proposed bill is ambiguous, leaving ample room for further restrictions at the government's discretion. In my view, there are two aspects that require greater precision: First, the draft law must define the requirements for registration of organisations (these requirements are currently lacking) and second, the draft law must clarify certain points related to the proposal for a Fund for Internal Cooperation and Assistance. At this time, it remains unclear who would be responsible for managing the fund and how the money would be distributed among NGOs.

TIS: *What is the political motivation behind this draft law? And who is part of the opposition to his law?*

TIV: The law is being proposed by the party forming government. In our National Assembly here are no members from the opposition. The problem of political polarisation is quite strong in Venezuela, and has worsened in the past years. The current government is now in its eighth year in power, and everything is seen and understood, both by the government and the opposition, from an angle of polarisation. Those who are with me are good regardless of what they do, and those from the other side are bad. There is no room for proposals coming from a different perspective.

The political motivation behind the law could be for the government to control all spaces of activity, to make everything seem to be part of one political tendency. When criticism is directed at the government, the response never addresses the criticism itself, but instead the messenger; accusing them of being part of the opposition, or of the bourgeoisie, or North American imperialism and being pro-Bush. This takes away from the importance of the message. Civil society organisations like TI Venezuela, working under the principle of political neutrality, often have difficulty being recognised as politically independent. At TIV it is very important to show that we stand neither with, nor against, the government or the opposition; but that our work supersedes whoever may be governing.

TIS: *What is the situation of funding like for civil society organisations in Venezuela? Are they mainly foreign or domestically funded?*

TIV: Large civil society organisations do not receive money from the public sector, but from the private sector as well as from international cooperation. However, in Venezuela, private funds are directed towards sectors that do not touch upon politically sensitive issues because the success of private enterprises depends heavily upon maintaining a good relationship with the government. There are a number of reasons for this, for example: Venezuela's most important competitive industries are oil extraction and mining, which are both under government control; also, as a result of foreign exchange controls instituted five years ago, companies which need to buy from or sell abroad must have good relations with the government.

For these reasons, TI Venezuela does not receive funds from private companies. Companies are afraid to finance an organisation that can claim publicly that the government is not being transparent in its hiring, contracting, etc. However, over the past five years, the government has decreased, or even stopped funding civil society organisations working on social projects. Many have not been able to survive, and so the number of organisations dealing with social or political issues has decreased. The

independence and autonomy of civil society organisations is something that also depends on the source of funding. To receive funds from outside of the country helps to reach independence at an internal level.

TIS: *The first draft of the law has been approved by the National Assembly. What are the next steps?*

TIV: The draft has to be discussed article by article. But as I mentioned before, all the deputies in our National Assembly support the government and therefore the draft law, which means that there will be no further discussion of the law or changes made to it. Many civil society organisations are against this law but do not have anyone to represent this position in the National Assembly. Many ambassadors from other countries, especially the Europeans, have raised their concerns about the freedom of civil society under this new law, in particular about the idea of having a fund for international cooperation and assistance managed by the government. But the only way to stop the draft law from going ahead is if the government understands that this law could harm civil society organisations and have severe political consequences.

TIS: *What message would you send to the international community?*

TIV: The international community needs to look more critically at Venezuela and the current government. For us, permanent critique is a value that helps us improve. Any attempt to introduce greater control over civil society organisations in Venezuela must respect international standards. The Venezuelan constitution and international instruments such as the United Nations International Covenant on Civil and Political Rights, ratified by Venezuela, establish the right of association and citizen participation. If approved, this new law would clearly encroach upon these rights.

We are much more that "chavistas" and "anti-chavistas" - we are Venezuelans. The international community must understand that we are not against the government but against regulations or policies that could restrict peoples' freedom. If this draft law is approved, civil society organisations could soon disappear.



Transparency Watch

the e-bulletin of the anti-corruption movement

AUGUST 20

Anti-Corruption Work Around the World

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New report: Bangladesh lost US \$75 million to corruption in 2005

By Jennifer Williams



Transparency International Bangladesh's (TIB) latest *Corruption Database Report*, based on incidents reported in the Bangladeshi press, reveals that the country lost US \$75 million to corruption in 2005. Of the 38 sectors surveyed, police, education, health & family welfare and private sector were listed as "most corrupt".

The *Corruption Database Report*, released 5 July, documents over 2000 cases of corruption spanning 38 sectors. The most common form of corruption was found to be abuse of power, with bribery and extortion following close behind. The report has sparked anger from Abdul Mannan Bhuiyan, Minister for Local Government, Rural Development and Cooperatives, who threatened TIB with legal proceedings if it did not withdraw its findings. TIB received similar threats from the government with the release of their September 2005 *Corruption Database Report*.

The report recommended that the Bangladesh Anti-Corruption Commission be made fully operational and that the government develop effective deterrence measures and press monitoring systems. Last September's report continues to cause the government problems. The Communications Ministry, which had promised legal action against TIB for the findings, has failed to provide any information to the parliamentary probe on the report.

TI-UK: Attacking corruption in the defence sector

By Dominic Scott and Jennifer Williams



After six years of dedicated work toward a cleaner arms industry, Transparency International's UK chapter finally saw the announcement of a European industry anti-corruption working group, shortly before the Farnborough Air Show in July. Since 2000, TI UK has worked with governments, business and civil society to initiate and accelerate change in the defence sector, notorious for its vulnerability to corruption.

The arms industry is one which may require the greatest attention to combat corruption. High levels of corruption are facilitated by a number of factors, not least the levels of secrecy - ostensibly for the sake of national security - with which arms deals are carried out. Global military expenditure in the arms industry was an estimated US \$1 trillion in 2004, according to the Stockholm International Peace Research Institute. With developing countries with fragile and easily manipulated governance among the largest weapons importers, it is perhaps unsurprising that graft should be so rife.

Through TI's consultation with the governments of the UK and Sweden, the US Aerospace Industries Association and the Aerospace and Defence Industries of Europe, a series of documents have been created that examine the practices and legal loopholes that facilitate corruption in the arms industry. TI UK has issued recommendations for cleaning up the industry, including an industry code of conduct, implementing defence integrity pacts, and placing anti-corruption measures at the centre of arms control regimes. For more information, see:

www.transparency.org/news_room/in_focus/defence_sector

Venezuelan journalists win investigative journalism award

By Marta Erquicia and Jennifer Williams



Two Venezuelan journalists from the newspapers *Últimas Noticias* and *El Nacional* who uncovered irregularities in the investigation of the Danilo Anderson case share first place in this year's Latin American Prize for Best Investigative Journalism Report on Corruption. The annual award, now in its fourth year, recognises the courage of journalists who investigate corruption in Latin America and the Caribbean. It is organised by the Instituto Prensa y Sociedad (IPYS) and Transparency International in Latin America and the Caribbean (TIALC) and sponsored by the Open Society Institut (OSI).

Tamoa Calzadilla and Laura Weffer will share the US \$25,000 first prize for uncovering evidence ignored by the authorities during the investigation into state prosecutor Anderson's assassination. Reports from *La Nación* (Costa Rica) and *El Imparcial*, (Mexico) received second and third place respectively. In addition, the jury also made special mention of the Brazilian press' continuous anti-corruption research and campaigning in 2005.

The winning stories were selected from more than 100 published in the Latin American press in 2005 and chosen by an international jury of renowned journalists. The awards will be presented to the winners during the 12th International Anti-Corruption Conference in November in Guatemala. For more information please visit:

www.transparency.org/news_room/latest_news/press_releases/2006/2006_06_23_ipys_award_eng

Corruption in the news

Corruption stories of note in the news this month:

[Putin "pokes" at UK cash-for honours scandal](#)

[Group of Eight statement on high level corruption](#)

[Volkswagen under investigation for corruption... again](#)

Putin "pokes" at UK cash-for-honours scandal

By Jennifer Williams



Addressing the issue of corruption at a G8 press conference, President Putin remarked that he would be interested in hearing Mr. Blair's experience, "including how it applies to Lord Levy". According to the *Moscow Times*, the reference to the ongoing UK "cash for honours" scandal was "a friendly poke". In the UK, the *Daily Mail* saw it differently, its headline reading "Putin Twists Knife".

The scandal, in which Mr Blair's personal Middle East Envoy and chief party fundraiser Michael Levy was arrested in connection with the alleged selling of peerages, has attracted extensive press coverage around the world, and prompted speculation that Mr Blair could himself be questioned.

The *Kuwait News Agency* reports that John Austin, chair of the cross-party parliamentary group for Euro-Arab co-operation, has said that Levy "should be sacked as Middle East Envoy". The *BBC* believes the arrest comes as "no surprise" to those who have followed the story since it originated in March, when questions over Labour party funding first hit the headlines. Levy, who is often referred to in the British media as "Lord Cashpoint", thanks to his knack for eliciting donations, was later released without charge.

Group of Eight statement on high level corruption

By Raluca Batanoiu



On 16 July 2006, the representatives of the Group of Eight (G8) nations released a statement confirming their renewed commitment to fighting high level corruption. Transparency International's response to the statement was mixed, insisting that actions, rather than words, were what counted.

AllAfrica.com reported TI's criticisms, but also stated that the civil society organisation leading the global fight against corruption felt the G8 statement pointed "to a maturing understanding of corruption and numbered days for impunity of public officials". Meanwhile the Russian news agency *Novosti* indicated that the G8 leaders had called on "presidents of international development banks to prepare a strategy for the fight against corruption by September 2006".

Acknowledging the G8 agreement, the White House released a detailed proposal for a new corruption strategy on 10 August. The policy was described by the *Washington Post* as "a new global campaign ... to combat kleptocracy, or rampant government corruption," also quoting President Bush's accompanying remarks: "Kleptocracy is an obstacle to democratic progress, undermines faith in government institutions, and steals prosperity from the people".

Volkswagen under investigation for corruption... again

By Raluca Batanoiu


Two employees and a retired manager of the automaker Volkswagen (VW) AG have been taken into investigative custody on suspicions of corruption, writes the *Deutsche Presse Agentur*. Prosecutors suspect the French supplier Faurencia SA of paying bribes of up to US \$1 million a year since 1998 to purchasing



managers at VW, according to the *Associated Press*.

Spokespersons for both companies told *Reuters* they were aware of the allegations and were cooperating with the investigation, but declined further comment.

Investigating whether VW managers and council members received illegal privileges, German news magazine *Der Spiegel* reports that a search of the employees' apartments uncovered US \$88,600 in cash hidden in a utility room. *Deutsche Welle* notes that the probe "follows an investigation last year into managers that had created fake companies to defraud authorities and enrich themselves while spending company money on personal travel, jewels, alcohol and sex".

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the Guatecompras website. Acción Ciudadana assessed more than 300 public institutions on their number of published tenders and contracting law violations, among other criteria. Executive director Manfredo Marroquín said: "Infractions are still being made; the weak public prosecutions held by the Controller's Office hinder important leaps toward transparency in Guatemala". For more information contact: accionciudadana@accionciudadana.org.gt

Venezuelan City Halls of Naguanagua and Valencia receive Transparency Awards

Transparency International Venezuela's Municipal Transparency Indicator System, designed to assess the transparency of public procurement and contracting, commercial licensing and budgeting, has recently awarded Transparency Awards to the city halls of the Venezuelan municipalities Naguanagua, Valencia, Los Salias and Carona. The mayor of Naguanagua said it reflected a commitment to maintaining the transparency necessary for social development. The general coordinator of Valencia City Hall said the award was a great incentive, and expressed a wish to improve transparency still further. To receive more information on this award, now in its second year, please email prensa@transparencia.org.ve or visit <http://www.transparencia.org.ve>

Transparencia por Colombia and Chile Transparente share anti-corruption methodologies and strategies.

At a workshop organised by the Policy and Research team of Transparency International's Secretariat (TI S) and Inwent, and facilitated by the Americas Department at TI S, Chile Transparente and Transparencia por Colombia met to discuss anti-corruption methodologies and strategies. The Colombian team shared its experience in developing transparency indicators, political monitoring and integrity pacts with Chile Transparente as they began their work on an *Access to Public Information Index*. Transparencia por Colombia annually publishes the *Public Entities Integrity Index*, the *Departmental (Provincial) Transparency Index* and the *Municipal Transparency Index*. For more information, please contact: chiletransparente@chiletransparente.cl or: publico@transparenciacolombia.org.co

Interested in Fundraising?

Alan Warburton, Senior Resources Coordinator at the Transparency International Secretariat, is looking for people from across the TI movement who are interested in sharing information and experiences on fundraising. If you have lessons to share, or questions to ask, please contact Alan at: awarburton@transparency.org

Uses and Abuses of Governance Indicators

An OECD Development Centre study, *Uses and Abuses of Governance Indicators*, is now available. The study provides an overview of the strengths and weaknesses of the most widespread indicators, helps users find their way through the hundreds of indicator datasets and shows how these tools are widely misused both in international comparisons and in the analysis of individual countries. The study comes at a time when investors, donors, academics and analysts are demanding to see indicators of the quality of governance in the various countries in which they operate. Get more information by writing to: Dev.Contact@oecd.org

Lebanese Transparency Association involved in Civil Campaign for Relief

Following the recent bombings, TI's chapter in Lebanon, the Lebanese Transparency Association, has joined forces with five other local civil society organisations to launch the Civil Campaign for Relief (CCR). The campaign is a civil society-led initiative, working with various branches of government to support and provide immediate assistance to refugees and displaced persons from South Lebanon and the southern suburbs of Beirut. The CCR was formed in response to the lack of capacity to cope with a large humanitarian crisis.

Over 650,000 persons have been displaced. Many face a serious shortage of basic necessities. The CCR is coordinating and providing relief and emergency assistance such as food, medical aid and psychological support. It is also providing information and updates on the situation, and coordinating with other relief agencies. The most urgent needs concern accommodation of the refugees in schools: mattresses and blankets, sheets, sanitary equipment, food, medical supplies, cutlery, clothing and fuel.

The Civil Campaign for Relief is based at Zico House (Yamout Building), 1st Floor, Spears Street, Beirut. Their phone numbers are: +961 1 741 412 and +961 70 971 731. Donations may be made to:

The Lebanese Association for Democratic Elections

Acc: 013-004-360016454-02-5

Société Générale Beyrouth Liban (SGBL), Sassine

SWIFT: SGLILBBX

