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April, 2000

## Political Corruption Makes the Agenda

It has come as excellent news that France is poised to enact effective legislation to implement the OECD Convention criminalising the bribing of foreign public officials. While we continue to press other laggard European countries to do likewise, we must now also address the need to extend the breadth of the Convention so as to include prohibitions on political party donations designed to attract or retain business. The matter remained on the agenda after OECD countries had failed to reach a consensus earlier, and the world can now see why. Then, countries such as Germany argued that they could not criminalise actions abroad which would not be criminal at home. They would have to reform their domestic arrangements, they said, and this they had no plans to do. Helmut Kohl may have rendered his party a monumental disservice, but his actions and their revelations have given rise to a tide of public concern in Germany.

The question of addressing illicit political party donations - both at home and abroad - must now be within our grasp. For this, those concerned with development and with the underpinning of democratic gains in the South and the countries in transition have much for which to be thankful. With such a stumbling block removed, progress which only weeks ago seemed improbable, now seems achievable. On the negative side however, it would be disastrous were the unrepresentative governments, that are a feature of many emerging democracies, to use the political financing scandals presently gripping Europe as a justification for their own illicit fundraising - most notably through kickbacks on international contracts - on the basis that the democratic model comes from Europe and that "this is the way they do it there". If Kohl is treated as a role model, the negative consequences of his actions will have disastrous repercussions well beyond the shores of Europe.

*Peter Eigen, Chairman, Board of Directors*

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# Special feature

## Spotlight on: Emilia Sicáková

Only 25-years old, and already one of the most influential women in Slovakia. President of Transparency International Slovakia, she is of course Emília Sicáková, and she has just been voted *The Slovak Spectator*'s 1999 Woman of the Year.

After a series of scandals involving government corruption in 1999 had weakened the country's faith in the government and left many wondering whether the country had really turned the corner on Meciar-era corruption, things deteriorated when two ministers from the largest party of the ruling coalition - Telecom Minister Gabriel Palacka and Economy Minister Ludovít Cernák of the SDK - resigned amidst a flurry of mismanagement allegations. English-language newspaper *The Slovak Spectator* claimed "Any transparency that has been achieved this year can largely be ascribed to the efforts of corruption watch-dog Transparency International Slovakia (TIS). With each passing scandal, cries for an independent mediator of state dealings have increased as has the public support and political clout of TIS."

When questioned about the fact that she is young and a woman, Emilia considers that "Age and gender are not important". She firmly believes that women can do a lot "even in a man's society, but they must unfortunately play by the men's rules of the game". When asked about the issue of women and corruption, she ponders "One study I read by the Harvard Institute called Gender and Corruption stated that if there were more women in leading government positions there would be less corruption. But, I don't think the solution is to say that 50% of the government should be women. That would be artificial. Culture and society must change".

Born in east Slovakia in Snina and having grown up in Michalovce, she studied economics at the Economic University's Faculty of Trade in Bratislava because they had more foreign language requirements and the programme was oriented towards foreign trade, which she says "was unique at the time". When a commercial diplomacy programme was opened, she joined it and then saw an announcement saying that the [Slovak NGO] Centre for Economic Development [CPHR] was looking for young people to work for them. She contacted [CPHR Director Eugen] Mr. Jurzyca and arranged a meeting with him and started to co-operate with the centre.

While Emilia was still studying, the centre began focusing on the issue of transparency, and after graduating, Emilia began to work full-time at the Centre. "In 1998 we had to decide what to do with all our research. Do we start a different project or do we go deeper into transparency? We realised that the issue was very complex, that it's not just a Slovak problem, but a world-wide problem and that international organisations working on transparency exist. So the Centre decided to become a part of Transparency International. An organisational section was created and I became the president." Emilia recognises that there are still not enough organisations in Slovakia to fight corruption: "It's not enough to have one NGO. We can start the activities, we can give the impulse, but the whole implementation process and the main responsibility for what is done in this field is up to the government".

TI Slovakia have various projects and achievements to speak of: they have been asked to prepare a draft of the anti-corruption plan and were also invited to monitor the process of privatisation by the former Telecom Minister [Gabriel Palacka] for the process of choosing the third operator of the GSM 1800 frequency. "This is how we got our foot in the door" she says proudly.

Emilia describes herself as "active". She is convinced that if the system needs changing, "you have to understand the weaknesses of the system, you have to go out and study the field. There must be independent organisations that analyse and come up with proposals to be discussed by the public". She firmly believes that the best way to effectuate change is by a combination of political decisions and public pressure. She concludes: "The greatest challenge for NGOs in the 21st century will be how to co-operate and help while maintaining their independence and sustainability, and not to be caught in corruption".



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## The 3rd Page

**Corruption fighting on an EU level: What remains to be done?**

**A new memorandum by TI to the EU**  
by Dieter Frisch

In December 1999, TI submitted a second comprehensive memorandum on corruption to the EU Institutions as a follow-up to our first initiative in November 1995. The first memorandum was presented because TI felt at that time that the EU was not sufficiently aware of the role it was able to play in countering cross-border corruption. This was reflected in its title: "The fight against corruption: What the EU can do". Since that time, numerous initiatives have been taken. TI takes pride in having thus contributed to putting the fight against corruption higher on the EU agenda.

TI-Brussels considered it timely in 1999, with a new European Parliament and the new Prodi-Commission in place, to take stock of what had been achieved. But first it was essential to recommend steps for further action, hence the title of our new memorandum: "Fighting corruption: What remains to be done at the EU Level." The memorandum dated November 1999, can be obtained from TI-Secretariat (Berlin) and from TI-Brussels. It is also on TI's website under the category "[Publications](#)" and "[Working papers](#)".

Readers of our memorandum who would be looking for stories about fraud and corruption within the European institutions might be disappointed. Firstly, this is not in line with TI's general approach and moreover, this subject has been so extensively covered not only by the media, but also by the European Court of Audit and a Committee of Independent Experts. All relevant proposals for change are meanwhile being dealt with. TI should not waste its energy where other bodies are doing a professional job.

The focus of TI's memorandum is on corruption- relevant areas where the EU has the capacity to act, without being specifically limited to the EU's own financial interests. As far as the international regulatory framework is concerned (EU conventions, OECD and Council of Europe Conventions), the set of international rules now seems to cover the main repressive and preventive aspects of the fight against international corruption. However, these rules are only operational to a very limited degree, since ratification procedures and the transposition of the new rules into national legislation are much too slow. TI's memorandum urges EU Member States to give high priority to the implementation of their international commitments and would go so far as to

say that the political credibility of Member States is at stake.

Judicial co-operation is an indispensable complement to the criminalisation of cross-border corruption. This is particularly relevant within the EU territory where criminals enjoy free movement whereas prosecution is still hampered by national frontiers. TI calls for progress in this area inter alia through the establishment of a special unit (EUROJUST) bringing together national prosecutors, magistrates and police officers with a view to reinforcing the fight against organised crime of which transborder corruption is just one dimension. Furthermore, TI supports the idea of appointing a European Public Prosecutor.

On "whistleblowing", TI regrets that until recently the prevailing tendency was to give priority to the duty of confidentiality rather than encouraging officials and employees to reveal financial malpractice. In its memorandum, TI takes the view that any initiative on "whistleblowing" should encourage the staff to raise their concern within their company or administration. "However, in a situation where the organisation has been properly addressed and has failed to take remedial action in a reasonable period of time, safe and accepted routes should be provided through which concerns about fraud and corruption can be reported to an outside organisation". TI suggests that the European Commission should examine and compare best practice in this area, mainly in EU Member States, and define clear guidelines for its own administration.

Public procurement appears in TI's memorandum under two headings: as an EU internal issue and as a feature in foreign aid programmes. For both areas, TI strongly recommends introducing the Integrity Pact Concept by which public procurement entities enter into anti-corruption pledges and bidders sign a commitment agreeing not to use bribery to obtain contracts. TI particularly welcomes the recent adoption of a "Manual of Procedural Rules" which regulates procurement procedures in all foreign aid programmes (TI was consulted on the draft manual). In particular, the "ethics clauses" in this document cover corruption concerns in an exemplary way. TI recommends that this model also be used in intra-EU procurement directives. A most effective sanction is usually the "blacklisting" of companies that have violated the no-bribery rules. A few exemplary cases of temporary or permanent exclusion from further contracts would act as a major deterrent. The above-mentioned "ethics clauses" include the possibility of blacklisting and for this purpose, procedures for the detection of fraud and corruption should be determined which do not depend upon a ruling by a court of law. TI considers that a scheme of blacklisting should be established which would apply to all areas where EU finances are at risk. As a second step, blacklisting should be extended to the EU and the Member States. A company which has been found guilty of corrupt practices in one Member States should indeed not continue to have access to public tender procedures in other Member States or at EU-level.

TI's memorandum also deals with the role of the statutory auditor in fraud and corruption detection. Whilst supporting the European Commission's position which consists of encouraging self-regulation by the profession, TI recommends establishing a monitoring system which would at least allow the EU authorities to assess progress under self-regulation and to determine whether at any moment additional regulatory measures are needed.

On Export Credit Insurance (ECI), TI recalls the two documents which we have submitted in February and September 1999 to the EU and the OECD calling for radical reforms in the manner ECI institutions address corruption and submitting concrete proposals for change. Although TI's initiative has largely contributed to placing this issue on the EU and OECD agenda, TI now calls for a formal position in substance by the European Commission with a view to seeing EU Member States act jointly in the OECD framework.

Whilst welcoming the progress that has been made since TI's first memorandum, our new document again dedicates a chapter to the ways in which EU foreign aid programmes should deal with the fight against corruption. TI can take some credit for the way in which the concept of "good governance" - defined as the "transparent and accountable management of all resources of a country for its sustainable economic and social development" - has been introduced in the "post-Lomé" negotiations. There is, of course, a direct link between this concept and the fight against corruption. TI urges the EU to give good governance a prominent place in all future development co-operation agreements. First and foremost, development assistance should foster good governance. By contrast, governments that tolerate large-scale corruption should lose the benefit of the EU's financial assistance. TI suggests that good governance, and in particular a country's determination to

systematically fight corruption, should become a key indicator for performance and, consequently, for aid allocation. The EU should dedicate more financial resources to anti-corruption programmes and gradually build individual measures (seminars, civic education, free press, anti-corruption legislation, transparent procurement etc.) into National Integrity Systems. Civil society should play a major role in monitoring this process.

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### European Investment Bank:

**Co-operation with the European Anti-Fraud Office:** The European Investment Bank's Management Committee has begun a new co-operation with the European Union's newly-formed Anti-Fraud Office (OLAF).

The framework for this co-operation involves the investigation by the EIB of the suspicion of fraud in the management of the EU's budgetary funds, and if appropriate, calling on the expertise of the Anti-Fraud Office in the case of enquiries into operations carried out by the Bank. It will inform the Anti-Fraud Office of any suspicions of deceit involving the Bank's staff or governing bodies, keep the Office advised of its investigations and any action it takes.

The framework also covers assistance to the Anti-Fraud Office in its own enquiries. The Bank's control procedures include an Internal Audit, as well as normal internal banking controls, reporting procedures and codes of conduct. The Bank's Audit Committee is an independent statutory body appointed by and reporting to the EIB's Board of Governors.

*EIB Press Release, 17 November 1999*

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### European Union:

**From Lomé to Suva:** Negotiations at ministerial level led on 4 February to the conclusion of a new overall trade and aid agreement between the EU and the 71 African, Caribbean and Pacific (ACP) States, which will for a duration of 20 years from 1 March onwards, replace the so-called Lomé-Convention. It will be signed on 31 May in Suva (Fidji). TI was closely involved through TI Brussels Vice-Chairman Dieter Frisch (who is also a former Director-General for development at the European Commission) in the preparation and monitoring of these negotiations. The most important issue for TI was, of course, the way in which good governance and the fight against corruption would be included in the new convention. Good governance had become a major stumbling block until late in the negotiations. The EU wanted to upgrade this concept to the same legal and political level as human rights, democratic principles and the rule of law, namely giving it the rank of an "essential element", thus providing an even better basis for the concrete promotion of sound and accountable management of resources, but also for sanctions in the case of serious mismanagement and corruption. Finally,

a compromise was reached by giving "good governance" the slightly downgraded status of a "fundamental element" of the new convention - a result that, nevertheless, seems very satisfactory to TI. In order to reach this compromise, it was imperative that an agreement on an operational definition of "good governance" be reached, as the ACP feared that too broad a definition could lead to unilateral interpretation and arbitrary sanctions by the EU. The agreed text finally defines "good governance" as the "transparent and accountable management of human, natural, economic and financial resources for the purposes of equitable and sustainable development". It calls in particular for measures aiming at "preventing and combating corruption". The emphasis is on positive action in the field of institutional development and capacity building with a view to "ensuring transparent and accountable governance and administration." The contracting partners commit themselves "To work together in the fight against bribery and corruption in all their societies". However, serious cases of corruption should give rise to consultations between the parties. It is first and foremost up to the country where corruption has occurred to take remedial measures. If this does not lead to an acceptable solution, the other party can institute sanctions, it being understood that the suspension of co-operation would be a measure of last resort. The principles of transparency and accountability appear in other parts of the new convention particularly concerning procurement. They will also be a criteria for aid allocation.

*Transparency International, Brussels, February 2000*

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## European Union:

**Freedom of Information plans not up to scratch:** European Ombudsman Jacob Sönderman, launched a strong attack on the European Commission, accusing it of reneging on pledges to give the public better access to documents of the institutions of the European Union. He said the plans defining the public's right to access papers; electronic files or recordings of the Commission, Council of ministers and the European Parliament seemed "to consist mainly of a long list of possible reasons to deny access to documents". The plans, published in January 2000, have attracted strong criticism from some European parliamentarians and civil liberties groups. Particularly disturbing was the opportunity given to third parties to block access to documents they supplied on grounds of confidentiality. More details are available from the EU civil liberties monitor [Statewatch](#).

The Financial Times, 3 February 2000

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## European Union:

**New life breathed into money-laundering directive:** The European Commission proposes to update and extend a 1991 Directive to counter money-laundering. The new proposal would oblige Member States to combat laundering of the proceeds of all organised crime (including fraud against the budget of the European Union), not only those of drug offences. The new proposal would also extend the coverage of the current Directive (limited to the financial sector) to a series of non-financial activities and professions, which are also vulnerable to abuse by money launderers. Requirements regarding client identification, record keeping and reporting suspicious transactions would therefore be extended to external accountants and auditors; real-estate agents; dealers in precious stones and metals; notaries and lawyers performing financial transactions; casinos and transporters of funds.

*European Commission, 4 February 2000*

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## Council of Europe:

**GRECO starts work:** The Group of States against Corruption (GRECO) was formed last year by 21 member states of the Council of Europe and on 1 January 2000 started its first round of evaluation of the performance of member states. This round which will continue until 31 December 2001, will address three subjects relating to the functioning of institutions in charge of the fight against corruption, namely: (1) independence, autonomy and powers of persons or bodies in charge of preventing, investigating, prosecuting and adjudicating corruption offences; (2) immunities from investigation, prosecution or adjudication of corruption offences; and (3) training of persons or bodies in charge of fighting corruption. During the year 2000, GRECO will evaluate 10 member states, namely Belgium, Cyprus, Finland, France, Georgia, Luxembourg, Slovakia, Slovenia, Spain and Sweden. In 2001 the remaining eleven states will be evaluated, namely Bulgaria, Estonia, Germany, Greece, Hungary, Iceland, Ireland, Lithuania, Poland, Rumania, and the United Kingdom.

*Council of Europe, December 1999*

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## **OECD:**

**Fiscal transparency in OECD countries:** A recent survey launched by the OECD among its member countries pointed out mechanisms to increase fiscal transparency including the full disclosure of all relevant fiscal information on a systematic and timely basis. It is recognised that fiscal transparency supports policy credibility and contributes to macroeconomic stability. All of the 28 countries reported that their governments had formally announced medium-term (about three or five years) fiscal policy objectives. Only one third of the countries surveyed presented the budget documentation to the legislature with detailed estimates of revenue and expenditure. About 16 countries gave a general overview of the figures. 85% of the countries made budget documentation available on the Internet and 68% offered an online guide to the citizen's budget.

OECD Website: [www.oecd.org](http://www.oecd.org)

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## **UNDP:**

**New impetus for debt relief debate:** At TI's last annual meeting in Durban, the management and the Board were asked to work out a TI position with respect to the international movement on debt relief. To this end, Tunku Abdul Aziz, Vice-Chairman of TI, and a new Senior Advisor to TI, Knud Kjaer Nielsen from Denmark, participated in a UNDP conference on the so-called enhanced HIPC (Highly Indebted Poor Countries) initiative. Also present were TI representatives from Mali and Benin. The objective of the conference was to promote the role of civil society in elaborating Poverty Reduction Strategy Papers at the country level. In addition to macro-economic requirements these papers are now requested before debt relief for specific countries can be processed. The conference recommended that the countries themselves should take the lead in writing these papers, rather than the World Bank or the IMF. The TI-representatives introduced the issue of corruption into the debate about the proper utilisation of resources to be freed by the HIPC initiative. TI will continue to give attention to the debt relief initiative so important for many of the poorest countries.

*Transparency International, 15 February 2000*

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## **Financial Action Task Force (FATF):**

**Forty-six countries to be the target of sanctions:** At least 46 countries were expected to be the targets of proposed sanctions for money laundering, Patrick Moulette, president of the FATF said. He confirmed that a list was being drawn up of countries judged to be "non-co-operative". The FATF had compiled a list of 24 criteria to identify countries and administrations, including factors such as "excessive bank secrecy", which

were obstacles to the fight against money-laundering. A list of the offending countries would be put to the G7 group and the countries asked to comment on the judgement. The sanctions envisioned included the publication of a list of non-co-operative countries and the possibility of limiting or "setting conditions" on financial transactions with such areas.

*New Zealand Herald, 11 December 1999*

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## Corporate News

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### South Africa: Firms rank low in corrupt practices

South African companies have scored well in international directors' perceptions of corrupt business practices, according to a 1999 survey by the Industrial Research Bureau. The survey was conducted on behalf of UK- based risk-management firm Control Risk.

Directors of American and European firms were asked about their perception of the compliance of companies in various countries with non-corrupt practices in securing and commencing business transactions. On the four-point scale, South Africa was given a 2.6 indicating that it has "a generally high standard of compliance with only occasional lapses".

The survey also showed that corruption was the single biggest deterrent to investors seeking opportunities offshore. Of the directors surveyed 39 % said corruption had stopped them from engaging in otherwise attractive foreign investment opportunities. John Bray, principal research consultant, attributed the increased sensitivity to corruption to intensified media coverage. "Companies are well aware that a local scandal can affect their reputation", he said. Regarding "grease payments", however, the survey found that companies were less sensitive. While 38% of European companies condoned them, nearly a quarter of US companies does not forbid them.

*Business Day, (SouthAfrica) December 1999*

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### USA: PricewaterhouseCoopers comes under the microscope

The entire US auditing profession is to be investigated after the publication of a report exposing violations by partners and staff at PricewaterhouseCoopers (PwC), the world's biggest auditor. The report, commissioned by the US Security and Exchange Commission, found almost half of PwC's 2,700 partners - including six out of eleven partners at the senior management level who oversee PwC's independence programme - holding shares issued by public companies audited by PwC in contravention of independence rules. The Public Oversight Board, an independent group tied to the profession's main body AICPA, has agreed as a result to conduct comprehensive reviews of member firms' compliance with independence requirements. In the meantime, the accountancy profession announced a strategy to win back confidence in the standards of audits worldwide. The proposal by the International Federation of Accountants, representing 143 professional bodies in 104 countries,

contains the set up of a forum on audit policies and practices consisting of members inside and outside the profession by the end of this year.

*Financial Times, 7 & 19 January 2000*

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## Argentina: Increasing transparency in public procurement

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The public contracting body AFIP (Administración Federal de Ingresos Públicos) is taking action to increase transparency in public procurement. In April, a new website will allow all citizens to monitor the purchases and contracts of this government body, which amount to US\$400mn each year. The fight against corruption was one of the central campaign issues of the new administration of President De la Rúa. One of the first measures taken by the new administration was the creation of an Anti-Corruption Office, which operates under the Ministry of Justice. In addition, public officials will now have to declare their assets or risk having their salaries suspended. Following this, a website has been set up (cristal.gov.ar) in order to disseminate information including the list of personnel and their salaries. This system of "Active Control" is a breakthrough among initiatives aimed at increasing transparency in public procurement. "Transparencia en la Administración de los Estados", the NGO developing the website for the government, explains that the secret lies in the fact that all information is instantly online. This means that a few seconds after an employee types a contract or purchasing order on a computer, the information is automatically relayed onto the Internet. Since there is no process of selecting material, all information is accessible to the citizen.

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*La Nación (Argentina), 13/14 February 2000*

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## Czech Republic: Anti-Corruption Drive will continue

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Prime Minister Milos Zeman announced that his government's "clean hands" campaign will continue and that all officials guilty of corruption will be put behind bars, CTK reported, citing a 1 January TV Nova broadcast. Zeman said 2,200 potential criminal cases are being examined as part of the drive. He added that the pace of the campaign has been slow because a lot of people were opposing it.

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*Radio Free Europe/Radio Liberty, 3 January 2000*

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## Fiji: Anti-corruption commission established

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The Fiji Government has established an independent Commission to enquire into allegations of corruption both in the public and private sectors. Fiji's Attorney General, Anand Singh, said the three-member Commission, chaired by High Court Judge, Daniel Fatiaki, will try to gain a firsthand view of how corruption works and where it may be thriving. Mr Singh says the Commission's terms of reference include wide powers to recommend legislative, non-legislative, policy or institutional reforms to overcome entrenched corruption. He emphasised that, education about corrupt practices is an important aspect of overseas anti-corruption measures and this aspect will also be studied. Mr Singh added that the Fiji government was also mindful of the need to govern in accordance with constitutional safeguards and in a corruption-free environment.

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*Australian Broadcasting Corporation, 7 December 1999*

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## Germany: Increased powers for parliamentary investigation committees

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At the end of January in the Lower House, the German governing coalition proposed a new bill which deals with the relevant authorities of parliamentary investigation committees. The intention is to give a legal basis to their activities and to grant their authorities legal rights equal to court competencies. The committees ought to have the right to investigate company files. In future, all federal authorities will be obliged to hand out material to the committees. If they refuse, they will be questioned by a high court judge and no longer by a district judge. A witness who refuses to testify will be fined or imprisoned for contempt. The governing coalition intends to use the drafting of the law to help clear up the recent Christian Democratic Union donation scandal.

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*Süddeutsche Zeitung (Germany), 22 January 2000*

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## Germany: Ministers must disclose assets

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A decision has been taken by the North Rhine-Westphalian cabinet, which obliges ministers to disclose their assets. The cabinet has also recommended that political parties in North Rhein-Westphalia can no longer receive donations from companies in which the state has a share. The leading parties announced this decision as a consequence of the donation scandal of the CDU (Christian Democratic Union). The questionable dealings involving members of the SPD (Social Demcratic Party) with the State Bank from North Rhein-Westphalia (WestLB) had also been a reason for this conclusion.

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*Süddeutsche Zeitung (Germany), 19 January 2000*

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## Hong Kong: Corruption-free construction of mega-airport

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The Airport Core Programme in Hong Kong is an outstanding example of how corruption can be minimised even in the most massive infrastructure projects, a new report by Transparency International (TI) says. The findings of the TI report are all the more striking against the background of the recent Bribe Payers' Survey by the anti-corruption organisation which shows the construction industry to be the sector to be most heavily entangled in corruption. The mission concluded that there were major factors which allowed and facilitated the corruption-free execution of this massive investment project, including the existence of clear rules, the existence of a central anti-corruption institution and a favourable working environment, amongst others. For the full text, please see [here](#).

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## Japan: Politicians prohibited from accepting donations

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Japanese politicians are prohibited from accepting individual donations from companies as of April 2000. The regulation, passed in December 1999, allows for a three month grace period for the parliamentarians to become accustomed to the new regulation, says Japanese news agency Kyodo as they had until now been allowed to receive up to US\$5,000. The belated move follows a number of scandals involving the tight connections between the industry and high-powered politicians. In 1989 the "recruit" scandal forced the then prime minister Noboru Takeshita to resign, the 1993 findings of large sums of cash, gold and bonds in the house of leading LDP politicians increased the pressure. According to the Japan Times, the average LDP politician covered about 42 % of expenditures through direct personal donations.

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*Frankfurter Rundschau (Germany), 16 December 1999*

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## Korea: Seoul rates corruption in city offices

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The South Seoul city government published for the first time its Anti-Corruption Index (ACI), estimating the degree of corruption among its officials in districts offices, fire stations and special headquarters. The ACI was measured on the dual basis of opinion polls of 8,789 Seoul citizens, who actually applied for permits and approvals at the subject offices over the past year, and tangible statistics on measures taken by each office against corruption. Eight percent of those surveyed said they had to offer money or entertainment to city officials in return for the approval of civil applications over the last one-year period. Depending on the area polled, between 3.8% and 5.4% of the respondents claimed that they saw an increase in corruption and wrongdoing by city officials, while 48.7 to 62.3 percent said corruption cases declined. More information at [www.english.metro.seoul.kr](http://www.english.metro.seoul.kr)

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*The Korea Herald; Korea Times; Seoul City Government, 5 January 2000*

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## Latvia: More rights for citizens

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A new law in Latvia grants all citizens the right to challenge civil servants, the police and local government officials when they feel they've been wronged. It's a basic right in most democracies but flatly suppressed under the Soviet government and submerged during the formative years of Latvia's young democracy under the weight of exorbitant court fees, a slow legal system and plain graft. The law will curb unjustified or biased government decisions or abuse of power on things ranging from business licence applications to speeding tickets.

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*The Baltic Times, 11-17 November 1999*

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## Mozambique: Corrupt customs cleaned up

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Mozambique's President Chissano took a bold step by inviting British officials, Crown Agents, to clean up the highly corrupt customs service. TI is a Foundation Member of Crown Agents. However, a BBC reporter recently experienced at close quarters what a hazardous job this can be. A team from Customs conducting a spot-check on the daily Johannesburg-Maputo train, confiscated wares that would normally have been unloaded and sold by illegal traders. On being told how much duty they owed, the furious smugglers stormed the warehouse where the officials and journalist had retreated with the goods, punching, kicking and hurling bottles. Mobbed on all sides, the Mozambican customs officials fired into the air. A ricocheting bullet wounded one woman, and the BBC reporter narrowly escaped being taken hostage. The customs team beat a hasty retreat, taking the woman with them for treatment. During their three years in Mozambique, Crown Agents officials attempting to confiscate contraband have been frequently attacked and often forced to withdraw by irate Mozambicans used to years of lax or even non-existent enforcement of customs laws and resentful of foreign interference. Mozambique's economy has been booming in recent years but ordinary people are largely forced into the informal economy to make a living.

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*BBC Radio Four, 10 February 2000*

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## Nicaragua: Has government met necessary demands?

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Representatives of financing bodies met in Oslo in December, to evaluate the degree to which the Nicaraguan government has complied with the Stockholm agreements, in which large sums of money were granted for the reconstruction of the country. The donors will receive a report from the European Community in Managua on how the government of Arnaldo Aleman has met demands for good governance, transparency, independence of powers, autonomy of municipalities and the process of reconstructing itself. According to a survey conducted by CID Gallup (Costa Rica), Nicaraguans have a pessimistic view of the economic future of their country. 41% believe that the government has done little for the reconstruction of the country, 27% think that something has to be done, 8% think that much has been done and 19% say that the government has done nothing. According to the survey, corruption is the second most significant national problem.

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*Nicaragua Hoy (Nicaragua), 8 December 1999*

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## Nigeria: Accounts frozen in Switzerland

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The judicial authorities in Berne, Switzerland, have frozen accounts of the deceased Nigerian dictator Sani Abacha at the request of the Nigerian government. In thirteen banks in Geneva and Zurich, US\$645mn in about 140 accounts have been blocked. At the Credit Suisse Group almost US\$183mn were found in an account of one of Abacha's sons. The current Nigerian government charges the Abacha family with having stolen US\$2.2 billion from the country's Central Bank as well as about US\$1bn which went into contracts which were non-existent or inappropriately awarded to members of the family and their friends. President Obasanjo estimates that the total plundered by the Abacha family is about US\$4.3bn. Of the funds so far located, a major share was hidden in Switzerland. According to the Geneva lawyer for the Nigerian government, Enrico Monfrini, bank accounts of Abacha and his accomplices have also been blocked in Luxembourg, Belgium,

France and England and it is likely that there is additional money to be found in Germany. Reports in the Nigerian media also say that the government is looking into transfers made to accounts in Lebanon and the United States. During the visit of an eight-member delegation from the US to Nigeria in December last year, the country's Vice-President Atiku Abubakar disclosed that Switzerland has pledged to help repatriate an amount of US\$3.75mn. Abubakar appealed to the US to use its international clout to prevail upon European countries to co-operate in Nigeria's effort to recover the stolen money. He also asked that Nigeria's appeal for debt relief be facilitated in view of the debt overhang, which hinders efforts at infrastructural development.

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*Sunday Times (South Africa), 19 December 1999; Sueddeusch Zeitung (Germany), 26 January 2000*

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## **Nigeria: Inquiry into corruption at state carrier**

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The Nigerian government has set up a judicial commission of inquiry into the running of troubled state carrier Nigeria Airways from 1983 to 1999. The Justice Minister Kanu Agabi, who inaugurated the seven-member commission on Tuesday, told reporters it was under orders to "bring to book perpetrators of corruption and economic crimes". A report by a government panel of inquiry released last month, said that corruption and mismanagement at the airline between 1983 and 1999 had cost Nigeria US\$180mn and pushed up the carrier's debts to local creditors to US\$7,7mn and US\$71,4mn to foreign creditors. More than US\$50mn were "lost" in unexplained "cash payments" while US\$100mn earmarked for the establishment of Air Nigeria, a mooted international arm of the carrier, were unaccounted for, the report said. Agabi stated on Wednesday that the government did not want the judicial commission to be a "mere formality". The new civilian government which took power last year was determined to track down those involved in past corruption, he said. The government has also pledged to privatise Nigeria Airways. The International Finance Corporation (IFC) had last year been appointed as an adviser.

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*Development News, World Bank Lotus Notes, 10 February 2000*

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## **Nigeria: Senate passes anti-corruption bill**

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The Upper House of the Nigerian federal legislature, has passed the anti-corruption bill proposed to it in June 1999 by President Olusegun Obasanjo. However, the version of the bill, which was finally approved by the Senate, contained several significant amendments, including amendments previously made by the Lower House, the House of Representatives in late 1999. In August 1999, Human Rights Law Service (HURILAWS) in collaboration with civil society organisations convened public hearings in Lagos to examine the draft anti-corruption bill. Participating stakeholders from civil society and the legislature identified various defects and lacunae in the bill and generated recommendations to strengthen it. These recommendations were presented to the National Assembly and were the crux of the HURILAWS testimony at the Senate Judiciary Committee hearings on the anti-corruption bill in November 1999.

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*Human Rights Law Service, February 2000*

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## **Pakistan: 14-years imprisonment to loan defaulters**

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Pakistani President Rafiq Tarar has promulgated an ordinance that empowers an accountability court to impose up to 14 years' imprisonment to corrupt persons and disqualify them from holding public office for up to 21 years. The National Accountability Bureau (NAB) Ordinance 1999 envisages the setting up of an accountability court for speedy disposal of corruption cases. The comprehensive law provides the NAB with legal cover for investigation, prosecution and speedy disposal of cases involving corruption, misuse of power, misappropriation of property, kickbacks and commissions.

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*India Abroad News Service, 17 November 1999*

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## **Palau: Banking Commission established**

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The republic of Palau has established a banking commission aimed at preventing the country being used to launder money. In December, four international banks said they would ban the transfer of US dollar payments to Palau, Vanuatu and Nauru, to prevent abuse by unlawful elements. However, the government of Palau and local banks said they were puzzled by the announcement, as US dollar transfers were continuing. The President of Palau, Kuniwo Nakamura, says the banking commission will ensure Palau can develop itself a legitimate financial centre, without becoming a sanctuary for criminals. The commission will review current banking laws, and recommend changes in banking controls.

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*Australian Broadcasting Corporation, 14 January 2000*

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## **Papua New Guinea: 'Slush fund' comes under new guidelines**

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Papua New Guinea's Planning Minister has confirmed that there will soon be tough new guidelines to oversee a controversial politician's 'slush fund'. MPs will soon be required to account for how they spend the fund, which is officially known as the Rural Development Fund, but since there are no rules governing its use, it has become to be regarded as the politicians' slush fund. The fund has been used to persuade MPs to swap parties thereby making or breaking governments, and one analyst blames it for the high number of aspiring MPs at elections. Talks with the World Bank and donor countries this week did not, as some hoped, view an end to the fund itself. But Planning Minister Moi Avei believes the World Bank has been asked to provide guidelines to make the fund usage accountable and transparent. Mr. Avei says no more money from the fund will be available until the guidelines are introduced.

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*Australian Broadcasting Company, 11 November 1999*

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## Philippines: Traffic police withdrawn in clean-up

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General Panfilo Lacson, the new police chief, withdrew all traffic police from duty and handed the work over to 2,700 traffic "enforcers" in his bid to clean up corruption in the force. But the official in charge of the enforcers, Jejomar Binay, called for them to be given guns in order to earn the respect of drivers.

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*Far Eastern Economic Review, 9 December 1999*

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## Russia: Investigation launched into acts of ex-Official

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The World Bank announced on October 22 that it has hired the law firm of Venable, Baetjer, Hower, and Civiletti to investigate the alleged misconduct of Leonid Grigoriev. He worked as a senior official in the World Bank's Washington headquarters between 1992 and 1997, first as alternate executive director for Russia, then as advisor to Russia's executive director. The Wall Street Journal reported that Grigoriev while carrying out his duties at the World Bank was suspected of having provided "insider" investment advice-tips on debt-market investments- to the Moscow-based Inkombank. If true, World Bank officials point out, Grigoriev's actions would have constituted violations of World Bank conflict of interest rules. Currently, Grigoriev heads a Moscow- based economic policy analysis institute, the Bureau of Economic Analysis (BEA), which is supported through a World Bank loan. At the request of the Russian government, the board of BEA has placed Grigoriev on administrative leave pending the results of the investigation. The Russian government and the World Bank have agreed that, in addition to earlier audits, they will review the transactions and accounts of the BEA.

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*Transition, World Bank Newsletter, October 1999*

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## South Africa: New bill promotes transparency

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President Thabo Mbeki signed into law the Promotion of Access to Information Bill. This contribution is intended to promote transformation and give ordinary citizens the right to make the government - on all levels of power - accountable, as they will have the right of access to information held by public or private bodies. One area under dispute by opposition parties is the extension of these rights to the government when it is acting in "the public interest." The bill ensures that the right to information is also made accessible to the public in the form of comprehensible guides in the countrys' official languages. Information officers appointed by private and public bodies will have to account to parliament via the Human Rights Commission on their performance in processing citizens' requests. Implementation will largely depend on the allocation of sufficient resources. To view the legislation see the [Parliamentary Monitoring Group](#) website.

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*Daily Mail & Guardian (South Africa), 3 February 2000*

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## South Africa: Government gains trust

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The confidence South Africans have in the state's commitment to a clean and honest government is increasing. More than half of all South Africans (51%) now feel that government is doing enough to ensure a clean administration is in place, compared to 42% in 1998. According to a recent Human Sciences Research Council (HSRC) survey, more than a third (34%) of South Africans believe that government is placing sufficient priority on rooting out corruption in contrast to the 29% recorded in a similar survey in 1998. Perceptions on how highly government rates the stamping out of corruption differ markedly by race. The latest survey revealed that most coloureds, Indians and 72% of whites give government low marks on dealing with corruption. Black respondents are the only group among whom a relatively high number of respondents (40%) see sufficient priority accorded to ensuring a clean and honest government. However, 20% of black respondents see too much emphasis placed on dealing with corruption, while only 5% of whites feel this way. Strict publicised measures against erring senior officials in 1999 are felt to have influenced people's perceptions of the state's commitment to ensuring clean and honest government.

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*Panafrican News Agency, January 2000*

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## United States: Tougher ethics for American Bar Associations

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The American Bar Association (ABA), spurred by a federal regulator, has adopted an ethics rule forbidding lawyers from making political contributions as a way to obtain government work. Competence and not connections should be the principle when awarding government contracts. The new ABA rule, which state regulators will be asked to adopt, does not prohibit all political contributions by lawyers. But it does state that a lawyer or law firm shall not accept a government legal engagement or an appointment by a judge if they make a political contribution or solicit political contributions for the purpose of obtaining or being considered for that type of legal engagement or appointment.

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*Associated Press, February 2000*

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## Vietnam: Corruption offences liable for maximum penalty

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In mid-December the Vietnamese Parliament dismissed the deputy Prime Minister, Minister Ngo Xuan Loc, and shortly later Hanoi's vice Mayor, Dinh Hanh. Both were accused of accepting bribes for the attribution of licences for an amusement park. These dismissals are however the paroxysm of five years of an ongoing fight against corruption and of two years of an actual anti-corruption campaign, which has already dealt out 41 death sentences and numerous life imprisonment sentences. A single corruption case is said to have cost some US\$400mn to the Vietnamese economy and bribery is officially recognised as one of the major causes of the negative growth rate over the last two years.

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*Neues Deutschland (Germany), 12 January 2000*



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April, 2000

## TI National Chapters

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On 24th December 1999, **Algerian** contact Djillali Hadjadj together with other founding members launched the Algerian Association Against Corruption. Its members include business executives, university teachers, health professionals and journalists, among others. Its objectives are varied and include:

- Sensitising public opinion as to the necessity of curbing corruption.
- Encouraging the setting-up of a national coalition against corruption.
- Promoting transparency and public responsibility in international commercial transactions and in public administration.
- Collaborating with the public authorities to help them define and put in place anti-corruption programmes.
- Making available information on the causes of corruption and what is being done world- wide to fight it.
- Initiating good-governance practices.
- Organising public debates about the fight against corruption
- Developing partnerships on an international as well as a national level with any institution, NGO or public body that shares the same objectives.

The launch of the Association received some excellent feedback from newspaper readers of *Le Soir* and *Le Matin* (in Algeria), amongst other newspapers, who telephoned and wrote in to the newspaper expressing their support. Djillali has also been invited to appear on the French/German TV Channel ARTE to discuss corruption issues. The group will soon be depositing legislation with the Ministry of the Interior.

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**TI Argentina** signed an agreement with the new government of the country in January, whereby it will monitor the major infrastructure projects. This involves carrying out the Programme for Transparent Contracting, which combines two components: holding public hearings and the signing of an Integrity Pact. The position of the National Chapter with the new administration of President de la Rúa is strong. The National Chapter "Poder Ciudadano" is closely and strictly monitoring the new government, to ensure that all pledges made during the election campaign regarding actions against corruption are met. Christian Gruenberg, from Poder Ciudadano, went to Bulgaria on February 13th to discuss with the Bulgarian Chapter's team the possibility of replicating the Program for Transparent Contracting in that country. The Tinker Foundation has approved a project proposed by Poder Ciudadano, with the aim of adapting their programme of "Transparent Financing of Political Campaigns" in six other Latin American Countries.

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**TI Brussels** decided in 1999 to test the interest of universities for seminars or lectures on corruption to be organised on their own premises. The result of initial contacts was very positive: a seminar took place at the law faculty of Université Catholique de Louvain in December. A large public conference will be organised jointly by the law and economic faculties, together with the students' representation, at the same university at the end of February. TI Brussels will send a panel of three speakers. In early March the same formula is envisaged at Liège "Hautes Etudes Commerciales". Several more events are planned also for example in Gent and Brussels.

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FORJA, the **Chilean** national chapter of TI has been chosen as the institution to co-ordinate a workshop on the Organisation of American States (OAS) anti-corruption convention and its implementation in Chile. The OAS is organising a total of twelve workshops in different countries in Latin America. The participants in the workshop will identify the legal changes necessary and will propose a strategy to bring about the changes. There will also be a process to monitor the government's compliance with the recommendations.

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Acción Contra La Corrupción, the **Dominican Republic** National Chapter in Formation co-organised the Third Anti-Corruption Conference on 8 February 2000 in Santo Domingo. The conference brought together the three main candidates of the presidential elections to be held in May 2000. There they presented and defended their anti-corruption programmes answering the questions of the large audience. The presentations of the candidates were accompanied by speeches of national and international civil society representatives, among them Karen Hussmann of the TI-Secretariat. At the end of the event, Acción Contra la Corrupción committed itself publicly to monitoring the implementation of the candidates' programmes. The following day, representatives of the different member organisations that constitute Acción Contra La Corrupción and Karen Hussmann met to start developing a monitoring strategy.

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**TI Fiji** and **TI New Zealand** have organised a joint workshop for the financial industry and journalists from

the Pacific region with attendance from the Pacific Islands, Australia, and Papua New Guinea. After the conference, a wrap-up bulletin was published. It contains the following agreements: a transparent decision-making environment is fundamental to the stable development of the Pacific Island countries. For the creation of this environment, there needs to be a free flow of financial information to the press. For this reason, the financial institutions should review their press and public information delivery policies and systems, if any, with a view to maximising the outflow of information to the press. These institutions are responsible for improving financial reporting standards by running background briefings, holding one-to-one meetings and engaging in other forms of informal interaction with journalists. The importance of the funding of watchdog state institutions was also pointed out at the conference. New organisations have a responsibility to make training in financial and economic journalism an important priority in order to develop a cadre of financial writers. With the assistance of institutions such as the Pacific Financial Technical Assistance Centre, resources will be provided to the Pacific Island governments to enhance their fiscal and managerial capabilities.

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**Germany** needs a new culture of transparency on how politics is financed and influenced, TI Germany urges. "Against the background of the recent wave of scandals in Germany, we are presenting a programme of action which can result in full transparency in political lobbying and political funding," says Dr Michael Wiehen, Chairman of the German National Chapter, TI Germany. "The recent revelations are a shock lesson which tell us that Germany finally needs to confront the wider European reality of corruption and illegal party-financing," says Wiehen, who is also a member of the international TI Board of Directors. "The essence of our demands is that we need to overcome the prevailing culture of secrecy to make political lobbying and the funding of politics fully transparent," Dr. Wiehen says. TI Germany has drawn up a reform programme calling for limits on political donations by companies and others and the full public disclosure of assets. The full catalogue is available in German at: [www.ti-deutschland.de](http://www.ti-deutschland.de)

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**TI Germany** has welcomed four new corporate members: DaimlerChrysler AG, Lufthansa AG and construction giants Hochtief AG and Philipp Holzmann AG have joined the chapter. The Board of TI Germany has also decided to revise corporate membership rules. A draft commitment spelling out corporate membership conditions will be discussed with corporate members and should be implemented later this year. In an effort to enhance its financial transparency, the Board further agreed to publish all donations on its website.

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**TI India**, together with its sister organisation, Lok Sevak Sangh organised on 18-19 December a conference on "Delay and Corruption in the Indian Judiciary-Remedial Measures". The recommendations of the conference confirmed the need for an independent judiciary, referred to pay and promotion prospects, training, filling of vacancies, appointment on a merit base and the introduction of strict time limits to clear cases. Codes of conduct were proposed for judges and lawyers, as were exercising of rigorous inspections. The appointment of a judicial ombudsman in every state was discussed. Improving the infrastructure and documentation procedures of lower courts was seen as a priority. There are over ten million cases pending in various courts all over India, some of which have been in the courts for decades. Among the major problems are an inadequate number of judges, interference from politicians and bureaucracy in the selection, appointment and transfer of judges as well as the absence of any direct or indirect accountability of the judiciary to the people. The power to exercise "contempt of court" has been utilised to curtail any criticism of the judiciary.

TI India

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In an article, Tunku Abdul Aziz, Chairman of The **Kuala Lumpur** Society for Transparency and Accountability (Transparency International Malaysian Chapter), drew the Government's attention to the continuous national and international negative perceptions from which it suffers.

*... While perceptions may not always have a basis in fact, they are real, and views and decisions are often coloured by perceived notions. In all the circumstances, it is understandable that we should feel hard done by, particularly by the foreign media. But we would be missing the point completely if we ignored the fact that for the most part we could have done more to improve our standing in the world community. We believe that the Government would exercise much greater legitimacy to govern and at the same time silence further criticism, rightly or wrongly, of maintaining a repressive and corrupt regime by adopting the following measures:*

- *Ministers, including the Prime Minister, will declare their assets and those of their spouses and immediate families to an independent all-party parliamentary committee. The information will be accessible to the public.*
- *The Anti-Corruption Agency will be an independent commission, along the lines of the highly successful Independent*
- *Procurement procedures, including privatisation, will be transparent and open to public scrutiny.*
- *His Majesty's Leader of the Opposition will be accorded identical privileges as a Government minister as accords with the best traditions of parliamentary democracy.*
- *There will be greater public access to information, leading eventually to the Freedom of Information Act.*
- *Institutions of government, including systems and procedures, will be reviewed and strengthened in line with the needs of a more caring, open and responsible society.*
- *The Government will operate in a totally accountable way, exercising its mandate with the sole object of serving the interest of the many over those of the few.*

*Tunku Abdul Aziz*

*Kuala Lumpur*

*New Straits Times, 29 December 1999*

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Moroccan chapter, **TI Maroc** organised The Art for Transparency Cultural Day in Casablanca on the 20th of January together with the Moroccan Writers Union and the research group "Art for Appreciation" based at the Hassan II University. The event took place within the framework of the Moroccan National anti-corruption day. Over 500 students, artists, writers, poets and researchers joined it. The day was an opportunity for the anti-corruption movement in Morocco to meet and it also provided artists with the possibility to discuss their role in combating corruption. The Moroccan Writers Union gave its official support to the Art for Transparency project. To continue to give this process momentum TI Maroc has announced a workshop on the role of comics in raising public awareness, the outcome of which will hopefully filter through to schools as a tool for raising awareness. The co-ordinator of the Moroccan AFT project Dounia Benqassem explained that this is one of the

most efficient ways to deal with the issue of corruption, to reach the target public of children and young people and to try and inculcate the culture of transparency.

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**Transparency Maroc's** National Day of Integrity on January 6 received excellent coverage. A national press conference at the Press Club in Rabat and interviews with Sion Assidon by the two main state-run television stations were held on the day. Prior to and following the national day there were a number of meetings on a range of subjects. There was also a local awareness-raising initiative in Mohammedia on the day itself. The press conference was very well-attended by about sixty journalists and included the presentation of awards to several writers who had won an anti-corruption writing competition organised by Transparency Maroc. Present at the press conference from Transparency-Maroc, in addition to Sion, were Dounia Benqassem, Azzedine and others. The evening awareness-raising initiative in Mohammedia involved a large group of representatives of a local network formed at the initiative of two members of Transparency Maroc. This group first met at a local youth centre for speeches, including one by Sion and also by representatives of the Prime Minister. They then went out into the streets and distributed anti-corruption flyers to passers-by and to stall owners. The reception of the flyers was very positive and people were willing to be photographed holding them. The activists organising the event said that only a short time ago, the reaction would have been very negative due to fear of government backlash. A campaign in schools and universities which started on 20 January, as well as the training of educators at school and university level are major projects upon which Transparency Maroc are working.

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**TI Nepal** participated in the meeting of the Constitutional Council in Nepal, in framing the criteria for all the constitutional appointments. It was the first time in history that a non- governmental organisation was invited to participate, In the absence of its president, its Vice-President represented TI Nepal.

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**TI Nepal** continues to co-operate with the municipality of Bhaktapur to turn it into an Island of Integrity. Around two thirds of the 538 members and staff of Bhaktapur Municipality have now made their commitment against corruption by signing the Integrity pledge. The elected members had signed the pledge last year but the signing process among the staff was initiated after a talk programme addressed by Devendra Raj Panday, members of TI Nepal and the mayor of Bhaktapur Municipality, in January. Other cities have expressed their interest in this process. TI Nepal will invite Mayors for a workshop to discuss such local governance programmes.

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The Comptroller General of **Nicaragua**, Agustín Jarquín Anaya, was finally released after the national and international outcry following his detention last November. Transparency International was one of the many international organisations to express their concern over the detention of Mr. Jarquín Anaya on corruption charges. In response to the press release issued by TI, the Comptroller's Office sent a letter of explanation to TI (see below). With the release of Jarquín, however, there have been significant changes to the organisation of the Comptroller's Office, which effectively reduces the power of Jarquín quite significantly. A law was passed

to replace the figure of the comptroller by a group of 5 comptrollers. These will consist of 3 members of the ruling Liberal party, one Sandinista and Mr. Jarquín. Decisions will be taken by a simple majority. Mr Jarquín has stated that he is considering his resignation.

*TI Lateinamerika Anders (Austria), February 2000*

*Managua, 04 January 2000*

*Dear Mr. Schloss, I am writing to inform you that the Comptroller General of the Republic of Nicaragua, Agustín Jarquín Anaya, was set free on 24 December 1999, after having been detained for 44 days. The final ruling passed by the Court of Appeal confirms the Comptroller's innocence of the accusations made by the Executive Power through the judicial authorities. Once the above-mentioned legal proceedings were finalised, the Comptroller General of the Republic of Nicaragua was reintegrated into the institution on 3 January 2000, the date on which work is resumed in our country. We would like to express our commitment to continue working with the greatest of determination for the benefit of all Nicaraguans, to join efforts in the fight against corruption and continue with the process we have been encouraging of increasing professionalism in the office of the Comptroller General of Nicaragua. I would like to kindly ask you to ensure that this information is transmitted through Transparency International to every National Chapter. Thank you for your attention, and allow me to take this opportunity to express my highest regards.*

*Sincerely,*

*Mario Ramirez Solorzano*

*Director Relaciones Internacionales*

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**TI Nigeria** has been working on a proposed Code of Ethics for Nigerian Legislators. TI Nigeria organised participatory workshops on 13 January, 2000 in Lagos and Kaduna where civil society organisations discussed the proposed Code. The results of these discussions were presented in a workshop for parliamentarians held in Abuja, 1-3 February, 2000, organised by TI Nigeria in collaboration with the Nigerian House Committee on Ethics and Privileges. This workshop produced a Code and a joint recommendation by the workshop organisers for its adoption by legislators. The Code was signed by members of the House Committee and a representative of TI Nigeria on 16 February, 2000. TI Nigeria is currently planning a Report Card Workshop to take place in April or May 2000.

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**TI Panama** signed an agreement with the national social security institute, *Caja de Seguridad Social* (CSS) in order to increase transparency and prevent corruption in public procurement. The agreement was signed on 17 November 1999 and sets out a range of concrete measures aimed at preventing corruption in the procurement of the CSS. Among these measures is the establishment of a database on medical supplies and other products acquired by the CSS, to be published on a regular basis. Another of the agreements was the implementation of Public Hearings and Integrity Pacts aimed at preventing corruption in the public contracting of staff and services. Transparency International

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The Campaign for Good Governance (CGG), TI's contact group in **Sierra Leone**, held a public meeting on 20 December, 1999 on the subject of the Anti-Corruption bill presently under consideration by Parliament. The meeting was addressed by the Attorney General and Minister of Justice and attended by civic groups. The bill they discussed provides for establishing an Anti-Corruption Bureau to deal with the massive level of corruption in Sierra Leone. CGG has also sponsored radio and television airing of their speeches, as well as radio discussions, to enable the broader population to understand the bill and contribute to the ongoing debates in Parliament. CGG is currently planning to host a two-day national anti-corruption conference bringing together all stakeholders in the anti-corruption issue, including police, customs, immigration, civil society, traditional rulers, importers and multinational conglomerates. This conference will also be replicated in the districts of the country.

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**TI-Thailand** has recently launched its own website which is accessible at: <http://tithailand.nida.ac.th>

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TI Contacts in **Yemen**, at the Forum for Civil Society led by Jamal Adimi, Secretary-General of the FCS, have been doing excellent work on the anti-corruption front. In a special issue of the Yemeni legal journal *Al-Qistas (The Balance)*, which is regularly edited by Jamal Adimi and which appeared last Autumn, the whole issue was dedicated to events, articles and features on the corruption theme. The Forum for Civil Society conducted a survey which was published in *Al-Qistas* of corruption-related crimes in Yemen. In particular, the survey looked at administrative corruption during 1998, including such crimes as abuse of power and bribery as well as a wide range of others, such as smuggling of state medical supplies. The survey examined the number of cases relating to each type of crime as well as the outcome and how many of these cases had been presented to court.

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Last week, on 23 February the FCS held a Round Table Discussion on corruption issues and tried to bring prominent, interested parties together. Attendees included a member of the parliament; an official from the Ministry of Labour; university professors; the head of the private sector association and Jamal Adimi. The Round Table was organised jointly by the FCS, the well-known Emirates Newspaper *Al-Bayan* and the Future Studies Centre. The FCS is currently working on a study of the most common corruption problems and situations which give rise to corruption in Yemen. These are various and include overstuffed public administration, the land titling and registration system, amongst others. From 5-8 March Jamal Adimi will be attending the Mediterranean Development Forum<sup>3</sup>, which is a joint World Bank/UN partnership which will discuss issues of regionalism, institutional reform and transparency and accountability. The Forum will be opened by Susan Mubarak, wife of Egyptian President Mubarak; Queen Noor of Jordan and Vice-President of the World Bank MENA region, Jean-Louis Sarbib.

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Demands by civil society groups, including **TI Zimbabwe**, for fundamental constitutional reforms, provoked a

resounding "No" in the controversial poll on a new constitution largely written by incumbent President Robert Mugabe, which would have bestowed sweeping powers on the President and enabled him to serve a further twelve years.. Corruption is rampant and the country's economy is in ruins, with the International Monetary Fund (IMF) withholding disbursement of balance-of-payments support, an investment stayaway, and a crippling fuel crisis, caused by private oil companies earning more by selling state-supported oil elsewhere in the region than in Zimbabwe, due to drastic depreciation of the currency. The expensive military adventure in the Congo continues, fuelled largely, critic's claim, by the greed for corrupt earnings. President Mugabe is on record as admitting that some government officials were corrupt. TI Zimbabwe had called for the inclusion of an independent anti-corruption commission in the draft constitution.

*Daily Telegraph (UK), 12 February 2000; The Zimbabwe Independent (Harare), 11 February 2000,*

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April, 2000

## Corruption Reports

A sample of corruption cases from around the world

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## Africa

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### Algeria: Anti-corruption journalist forced to resign

Transparency International (TI), the international anti-corruption movement, has expressed its concern over Algerian journalist Djillali Hadjadj, who has been forced to resign from his job with the Algerian newspaper *El-Watan*. Shareholders declared that they would suspend the newspaper if the editors continued to publish his articles, which often dealt with corruption issues. Hadjadj is also the TI Contact in Algeria, and recently succeeded in founding an association that will work on combating corruption in Algeria.

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### Angola: Oil profits looted

A damning report released by British NGO Global Witness, accuses oil multinationals, international banks, and key Angolan officials of contributing to the country's "humanitarian and development catastrophe". The report, "A Crude Awakening - The Role of the Oil and Banking Industries in Angola's Civil War and the Plunder of State Assets", alleges that a lack of corporate transparency has encouraged massive official corruption, impoverishing people and obstructing peace initiatives. By providing the vast majority of government revenue and short-term, high-interest loans, the oil companies and the banking sector respectively are said to be the key factors in this equation of corruption and opacity. Another major problem is the intransparent use of growing oil revenues by the Angolan government, leaving a war-torn population with little benefit from massive expected investments. The report stresses that it is time for a radical rethink in international business practice, urging the oil and banking industries to join the international community in insisting that the Angolan government "becomes fully accountable to its people". The group also calls for a loan embargo until fundamental improvements in transparency are adopted by the government of Angola.

*IRIN (UN) Johannesburg, 6 December 1999*

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## Lesotho: Bribery charges against UK companies

Three British companies are to be prosecuted next May in the world's biggest case of alleged overseas aid bribery, involving a US\$1.6bn project funded by taxpayers from Britain, France, Canada, Germany, Italy and Sweden. The prosecution involving a hydroelectric dam project in Lesotho in southern Africa follows the arrest of its chief executive after allegations that he accepted US\$1.94mn in bribes over a decade from firms building the scheme. One British company, Gibb Ltd - formerly Sir Alexander Gibb and Partners - based in Reading, has been indicted with bribery and corruption charges. Two others, Balfour Beatty and Kier International, have been charged as members of two consortiums, the Lesotho Highlands Project Contractors and the Highlands Water Venture, which built the scheme. All three companies vehemently deny the charges.

*Guardian Newspapers (South Africa), 17 February 2000*

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## Liberia: Corruption in the public sector

While the Liberian government is starved of much-needed financial assistance by the international donor community, there are a lot of corrupt structures at home, gulping whatever little is generated. When calculated, the combined figure of unaccountable monies as uncovered by the General Auditing Office of Government between 1997 and 1998, would reach billions of dollars. In its audit document dated December 1998, the General Auditing Office reported to President Taylor that vouchers were prepared by the Bureau of the Budget in favour of vendors who failed to deliver the said goods. Further to this a scandal involving the renovation of the capital hit the Senate recently in addition to other reported incidents of misappropriated funds.

*Concord Times (Liberia), 12 October 1999*

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## Morocco: Army captain faces prison for exposing corruption

Captain Adib has been sentenced to five years in prison for revealing to the foreign press an illegal fuel trafficking scheme within the army in which he refused to participate. As a result of blowing the whistle, Captain Adib has been charged with "breach of discipline" and "posing a threat to army morale". The presiding judge refused to replace one of the two military judges who, according to the defence attorney, is Captain Adib's superior and the person against whom he had complained. The presiding judge also opposed the appearance of witnesses called by the defence. Moreover, the trial was held behind closed doors, far from the gaze of the press. Transparency International and its Moroccan Chapter, Transparency Maroc, share the deep concern expressed by human rights organisations in Morocco and had denounced the conditions of the trial and called for a fair and open trial. Transparency International appealed to the Government of Morocco to take the necessary steps to ensure that public employees who report dishonest practices can do so without fear of reprisals.

*Transparency International*

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## South Africa: Justice Minister reprimanded

South African Justice Minister Maduna's position in government will not be affected by possible disciplinary measures in Parliament over his alleged misleading of the public, according to the office of the President. He had implied that the then Auditor-General Henri Kluever was responsible for covering up the theft of R170m from the Strategic Fuel Fund. Public Protector Selby Baqwa claimed that the Parliament had to remedy a "weakness" in the Constitution, which did not penalise organs of the State that failed to protect the dignity of organisations such as the office of the Auditor-General. Baqwa's report follows more than a year of hearings into Maduna's claims of irregularities and "fancy footwork" in the auditing of the fund. Maduna's lawyers conceded that the alleged loss was the result of a change in accounting policy. All the Auditor-General's reports to Parliament on the affairs of the fund were "correct and proper" said Baqwa.

*Business Day (Johannesburg), 24 January 2000*

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## Zimbabwe: The most travelled African leader

Zimbabwean President Robert Mugabe has spent a staggering US\$260mn on trips to more than 150 countries in the last decade. As The Zimbabwe Independent reported quoting airline and oil industry experts the amount only covered fuel costs for Air Zimbabwe aircraft he frequently chartered, and excluded other associated travel expenses such as hotel charges and allowances for officials accompanying him. In ten years the Zimbabwean leader spent nearly a full year (306 days) out of the country covering more than 400 000 miles. Mugabe is the most travelled African leader. Last year he spent 44 days visiting 21 countries. This year he has already travelled to Mozambique and Libya, in addition to the US visit he is currently on. The national outcry over his foreign travel only succeeded in forcing him to take scheduled flights, and stop chartering aircraft from Air Zimbabwe, which disrupted the airline's operations. The International Monetary Fund (IMF) mission that was due to visit the country this month to review economic targets for end-December 1999 will not take place until the Bretton Woods financial institution and the Zimbabwe government agree on a new set of targets.

*Pan African News Agency (Zimbabwe), 23 January 2000*

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# The Americas

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## Cuba: Corruption among state-enterprise managers

An audit at the "Recreation and Tourism Provincial Company" in Pinar del Río revealed instances of misappropriation, bribery, stealing, abuse of power and document forgery, all of which are crimes under the existing penal code. Among those implicated are the chief of the Basic Food Unit, through whom speculators sold produce to the company and who received part of the profit from the sales, and the accountant for the company, who enabled the fraud to proceed by violating established procedures. The chief of transport and the

vice director in charge of performance were found responsible for lack of control in the proper filling out of routing sheets and the improper deliveries to fuels and materials. There is a Code of Ethics for the managers of State enterprises as well as for members of the Communist party, but both groups are frequently found to operate for personal gain.

*Cuba Press (Havana), 9 February 2000*

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## **Mexico: Film on corruption withdrawn**

Mexican film-goers cried foul after a controversial film depicting corruption within Mexico's ruling party was abruptly yanked from its only commercial screening in December last year. Dozens of disappointed film-goers were turned away after all screenings of "Herods Law" were cancelled on `technical grounds`. Allegations of government interference to prevent the release intensified since it was withdrawn from a film festival in Acapulco. Officials later bowed to public pressure. "Herods Law", a fictional film set 50 years ago, is reportedly the first Mexican movie to give an open portrayal of corruption within the ruling Institutional Revolutionary Party (PRI), which has governed Mexico uninterrupted for 70 years.

*Reuters, 8 December 1999*

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## **Nicaragua: Church clergy in donations scandal**

Bishops and priests of the Catholic Church have been strongly criticised for donations received from the state. The Bishop of Estelí, Juan Abelardo Mata received a donation consisting of a complex of offices. Without the approval of the National Assembly he accepted over US\$2,4mn per month as a subsidy for a large number of Catholic schools. Monseñor Silvio Fonesca Martínez also received a large donation from the National Lottery, which was illegal due to the fact that Fonesca is a member of the Board of Directors that approved the donation. Such donations have called into question the independence of the Catholic Church, and have provoked strong reactions from the Evangelical Churches.

*Nicaragua Hoy, (Nicaragua), 8 October 1999*

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## **Paraguay: Attempts fail to bring Comptroller-General to trial**

The lower chamber of congress in Paraguay has failed in its attempt to initiate a political trial against the Comptroller General, Daniel Fretes Ventre, on charges of corruption. Fretes, who is responsible for fighting corruption in the country, is being investigated by a criminal tribunal for 18 crimes including inducement to illicit activities, extortion, blackmail, money laundering and covering up. Congress, however, needed the vote of two thirds of the 76 members of the lower chamber (47 votes) in order to formalise the charges. Only 44 votes were cast in favour of the trial, with 25 against and seven abstentions, which effectively ended the process that began last November. "This is regrettable because the evidence shows that the comptroller used his position for personal gain, he failed to respect the constitution, he extorted and he encouraged subordinates to commit serious crimes", the opposition member Rafael Filizzola told Reuters.

*Reuters, 2 March 2000*

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## United States: Russian money laundering scandal

Two suspects in the federal investigation into the illegal transfer of billions of dollars from Russia through the Bank of New York have agreed to plead guilty to money laundering charges. Lucy Edwards, the former senior officer at the Bank of New York, and her husband, Peter Berlin, whose company, Benex International, controlled the accounts through which the money was passed, are expected to arrive in New York from London and surrender to federal authorities. The charges arose from an investigation that began in the fall of 1998 when U.S. and British officials discovered that billions of dollars were passing through only a handful of accounts at the Bank of New York. A person close to the investigation reported that the couple had agreed to plead guilty to several charges, including conspiracy to commit money laundering, visa fraud, wire fraud and bribery of a bank official. The couple agreed to forfeit US\$9mn that had been seized in their personal accounts.

*Reuters (New York) 15 February 2000, New York Times 15 February 2000*

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## United States: Worst police corruption scandal in history

The Mayor of Los Angeles, Richard Riordan, confronted with the financial fallout from the worst police corruption scandal in the history of Los Angeles said that he favours diverting US\$300mn in expected tobacco-settlement money to pay the cost of resolving lawsuits that arise from the Los Angeles Police Department (LAPD) Division investigation. Under his proposal the city would give up its 25-year share of national tobacco-settlement money to get US\$100mn up front. Many people in town have been abused by LA police officers implicated in the still-growing list of misdeeds, which include robbery, improper shootings, framing of suspects, thefts, beatings, perjury and cover-ups. The mayor agreed that even the staggering sums that he proposes to set aside may not cover the full costs of the lawsuits. He vowed not to spend money from city programmes and taxpayers. Two key officials, Mike Feuer and Ron Deaton, expressed worry that the money might be taken away from a programme that is aimed at helping handicapped people and that is required by the federal government. Riordan's proposal will, however, require City Council approval.

*Los Angeles Times, February 2000*

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## Venezuela: Anti-corruption crusade called into question

Venezuelan Government leaders have moved to fend off corruption allegations in what could be the biggest political challenge to President Hugo Chavez since he took office just over a year ago. The President's former military allies have made accusations of corruption and cronyism against Mr. Chávez's key civilian supporters. The dispute is part of a wider power struggle ahead of congressional elections in May and could set back the government's plans for economic recovery. Jesus Urdaneta, who resigned as military intelligence chief recently, has presented evidence to the public prosecutor of 46 alleged cases of corruption and nepotism by politicians including José Vicente Rangel, foreign minister, and Luis Miquelena, head of the legislature and chief political adviser of Mr. Chávez.

*Financial Times, 12/13 February 2000*

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## Asia and the Pacific

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### Bangladesh: Ex-minister sentenced to 15 years' imprisonment

Kazi Zafar Ahmed, Prime Minister in the erstwhile government of General Hussain Mohammed Ershad, has been sentenced to 15 years' imprisonment for misappropriating wheat and rice worth about US\$20,000 allocated for a food-for-work programme. The prosecution claimed that as Prime Minister, Ahmed had allocated rice and wheat during the 1989-90 financial year for workers filling earth in low-lying lands in Khulna, where a cancer hospital was to be built.

*India Abroad News Service, 3 November 1999*

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### China: Corrupt Spouses

Chinese Premier Zhu Rongji has told top government officials to control their spouses after the wife of a Politburo member was implicated in a massive smuggling scandal. Zhu's warning came as China's biggest smuggling scandal in five decades unfolded in the south-eastern coastal city of Xiamen. Close to 200 people have been implicated, including the wife of Jia Qinglin, one of the 22 members of the Communist Party's powerful Politburo. Jia was the former party boss of the south-eastern province of Fujian, which faces Taiwan. Jia's wife, Lin Youfang, has denied Hong Kong and Western media allegations of involvement in the scandal. Zhu announced that the government would launch a campaign to stamp out corruption in law enforcement agencies and state monopolies, and top officials would be held responsible for major corruption cases in organisations under their jurisdiction.

*Transport Logistics, 18 February, 2000*

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### China: Dodgy dealings in stock market

Sixty executives and officials have been implicated in a scandal relating to a 1997 share offering on Shanghai's stock market by oil refinery Daqing Lianyi. The company's top executives are alleged to have illegally transferred shares to influential officials as bribes to secure approval of the stock.

*Far Eastern Economic Review, December 1999.*

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## China: Biggest corruption scandal ever

For many years, high ranking officials of both the government and the military, smuggled consumer goods of all kinds into the country. The value of the goods, from crude oil to cars and mobile phones, is estimated at more than US\$ 17 billion. The activities took place in the southern port city of Xiamen. Several hundred Civil Servants are already arrested. Behind the case are believed to be top ranking military personnel and politicians. The scandal had been discovered last summer, but due to its political implications the Party implemented a press embargo on the matter. Meanwhile, some of those who allegedly pulled the strings in the case, have left the country.

*Der Tagesspiegel (Germany), 27 January 2000*

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## China: Controls on Internet tightened

Trying to tighten its hold on the fast-moving Internet, China is ordering companies to register software used to transmit sensitive data and threatening punishment for letting government secrets slip onto the Web. The moves, set out in regulations, could scare off foreign firms eager to tap into China's bursting Internet market and retard the growth of electronic commerce. The regulations underscore the Chinese leadership's ambivalent desire to exploit the Internet for business while constricting information considered threatening to communist rule. Everyone, from Internet servers to chat-room users, must gain approval from agencies protecting government secrets before publishing previously unreleased information on the Web, according to the States Secrecy Bureau regulations released in People's Daily. Perhaps most chilling for business are regulations ordering companies and individuals to register with the government the software used to protect transfers of sensitive information. Forms require companies to hand over the serial numbers and list the employees using the software, possibly making it easier for the government to track use. China has set up a special police force to monitor the Internet and has in criminal trials accused political dissidents and leaders of Falun Gong of disseminating anti-government views and state secrets on the Web.

*Associated Press, February 2000*

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## India: Civil servants accused of corruption

The Central Vigilance Commission has published on their web site the names of 94 civil servants which they believe should be charged with corruption. Most of them were working for the home and interior ministry as well as from ministries involved with surface transport of coal, steel and staple foods.

*Daily Telegraph, 25 January 2000*

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## Indonesia: Illegal logging widespread

The Financial Times quotes a forthcoming UK-funded study for the Indonesian forestry ministry indicating that the Indonesian wood-processing industry depends on illegal logging for more than 70 % of its consumption of domestic raw timber. The report *Corporate debt and the Indonesian forestry industry*, as well as another entitled *Illegal logging in Indonesia* show the extent of illegal logging. The article refers to World Bank studies, which have analysed the environmental cost of logging to the country, and to efforts to link important reforms of the logging industry to official aid. But most official aid agencies admit many of the resulting conditions have yet to be properly implemented.

*World Bank Development News, 17 December 1999*

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## Indonesia: Internal weaknesses explain sad state of economy

Indonesian Vice President Megawati Sukarnoputri declared in an opening speech to a meeting of the Consultative Group on Indonesia (CGI) headed by the World Bank and the International Monetary Fund (IMF) in Jakarta that the country's dire economic problems were due to internal weaknesses including corruption and nepotism. Megawati also cited the environment as one area that had suffered due to the interests of a "small number of people in the past." She also pledged that investors would soon see a body of laws they could rely on and that to foster greater justice, the government would need to amend the constitution. The World Bank and the IMF have expressed their readiness to help the Indonesian Attorney General's Office and the Ministry of Law and Legislation draw up a programme for the establishment of an anti-corruption agency. At the CGI meeting today, Reuters reports the World Bank as saying it was confident Indonesia's donors would respond positively to Indonesia's request for US\$4,2-4,7bn to cover its budget deficit in April to the end of December.

*World Bank Development News, February 2000*

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## Palestine: Censure for dissidents

Yasser Arafat fended off his sharpest challenge yet on the issue of corruption when Palestinian lawmakers voted on Wednesday to censure dissidents who for the first time directly blamed the Palestinian leader for waste, mismanagement and fraud in his government. In recent years, Palestinian lawmakers have repeatedly tried to impose greater accountability on government officials and ministries. But following Wednesday's vote, top Arafat associates issued a blunt warning that lawmakers could face punishment over offending statements in the future. "This problem is finished for now, but there will be a committee and a procedure for dealing with this kind of matter," parliament speaker Ahmed Qureia told reporters after lawmakers voted 33-8, with three abstentions, to denounce the anti-corruption manifesto. "We condemn the way this document was written, and everything contained in it," the parliamentary statement said. Although the manifesto was not considered a serious threat to Arafat's overall authority, it underscored his vulnerability on the corruption issue. Critics say hundreds of millions of dollars in Palestinian Authority income are unaccounted for annually, and Palestinian public-opinion polls regularly indicate the government is widely perceived as corrupt. Resentment is especially strong in the economically struggling Gaza Strip, where many people believe corruption stifles the kind of business activity that could help lift them out of poverty. Still, many did not personally fault Arafat, who is seen as retaining the spartan lifestyle of his guerrilla days. University student Adel Khalifa said he blamed lawmakers, not Arafat, for failing to act against corruption. "I'm not a big fan of Arafat, but he's the one who's worked the hardest to achieve the goals of the Palestinian people."

*Associated Press Writer, 12 January 1999*

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## Papua New Guinea: Developer linked to controversial deal

Australian property developers have been linked to a controversial US\$12mn deal in Cairns involving former Papua New Guinea (PNG) Prime Minister Sir Julius Chan. The PNG ombudsman's report into the 1994 deal found that the purchase of an office and shopping complex by the PNG Public Officers Superannuation Fund Board was "gross administrative incompetence" or alternatively "that it was deliberately done for some corrupt benefits or motive. It is significant that the purchase of the complex involved an inordinate amount of profit." The investigation found that the superannuation board paid US\$11.92mn for the complex when, just a week earlier, it had changed hands for US\$6.21mn. An independent valuation by the ombudsman priced the complex at US\$4.45mn. While Sir Julius involved himself in the decision to buy the complex, the same Australian developers who were selling the property were also involved in negotiations to build a large complex in Port Moresby. This was on land owned by a company in which Sir Julius held 75% of the shares. The ombudsman said the US\$7mn "went straight into the hands of foreign property developers" and suggested starting civil proceedings to recover the money lost.

*Melbourne Age (Australia), 3 December 1999; Daily Telegraph (UK), 12 February 2000*

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## Vanuatu: Prime location for Russian-organised crime

Vanuatu bankers expect that a ban on trading in US dollars will be lifted soon, after US State Department officials agreed to visit Vanuatu to inspect its banking system. The ban follows claims that more than \$US70bn of Russian Mafia money has been laundered in the Pacific. The claim was made by the Governor of Russia's Reserve Bank, and included in a US State Department report claiming that off-shore banks in Vanuatu, Palau, Niue and Nauru were being used by the Mafia and South American drug cartels to launder money. All four countries have denied the claim. Niue and Palau do not have any off-shore banks, although Nauru has agreed to revise its virtually non-existent banking laws. A Vanuatu delegation has just returned from New York and Washington, saying it was successful in pointing out that its local banking laws are tougher than America's and that the off-shore banks most likely to be laundering money were operating not in Vanuatu, but the United States. State Department officials have now agreed to visit Vanuatu in February to see first-hand the country's banking system. Britain has also agreed to inspect the books of Vanuatu banks with Russian connections. An international banking inspector will investigate. The Financial Action Task Force of the OECD has cited "a heavy concentration of activity by Russian criminals in Vanuatu, Nauru, Western Samoa and the Cook Islands."

*Australian Broadcasting Company, 11 February 2000*

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# Europe

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## **Austria: Anonymous passbooks system must be abolished**

The Financial Action Task Force (FATF), an anti-money laundering body linked to the OECD, warned that Austria faced automatic suspension if it did not quickly agree to abolish a system of anonymous savings passbooks operated by the country's banks, estimated to contain US\$97.7bn. The FATF, set up in 1989 to combat money laundering, has given the Austrian government less than six months to agree to comply with its request to outlaw anonymous passbooks by 2002 and has ordered a ban on the opening of new anonymous accounts. If the Austrian government does not comply by May 20, it will be suspended from the FATF from June 15, 2000. There are understood to be around 27 million anonymous passbooks in Austria, a country of 8 million people, and money laundering experts are increasingly concerned at the way the anonymous passbooks are being bought and sold on the internet. There is no limit to the amount of money that can be deposited in the passbooks. It is possible for ownership of the passbooks to be transferred without notifying the bank, which makes them an ideal instrument for circumventing Europe's anti-money laundering laws.

*Financial Times, 4 February 2000*

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## **Hungary: Police suspect fraud behind land sales**

An inquiry into the sale of land by agricultural co-operatives to national parks is likely to raise questions of fraud as a police spokesman Laszlo Garamvolgyi told. The police investigation began because of the Agriculture Minister Torgyan's explanations that the co-operatives had sold properties that were in private hands, thus swindling some 57,000 landowners. Experts believe that some 94,000 hectares may have been affected by the illegal purchases.

*Radio Free Europe/Radio Liberty, 14 January 2000*

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## **Ireland: Government rife with corruption**

Large sections of the Irish government have been accused of corruption. One cabinet minister has already resigned, two senior government ministers are under judicial investigation and an ex-Dublin County manager has been arrested at Dublin airport, reportedly with a bag full of bank drafts and cash amounting to US\$320,000. Even President Bertie Ahern has been linked to sleaze with a myriad of allegations made against him. The turmoil in Irish political life began in 1995 when two young barristers took up the novel idea of offering a US\$16,000 reward "for information leading to conviction and indictment of persons for re-zoning corruption". Two adverts were placed in Irish newspapers and within a few months the reward had attracted more than 55 informants. One of the results is that the government has been forced to establish the "Flood Tribunal", a parliamentary appointed judicial proceeding, to investigate corruption in the planning process and place four decades of Irish political life under the microscope. As one commentator wrote, "The lid is finally off the sewer".

*The Guardian Weekend (UK), 4 December 1999*

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## Russia: Aeroflot embezzlement scandal

Two Swiss businesses have begun legal moves to prevent the transfer of information on a multi-million dollar embezzlement scandal involving Russia's national airline Aeroflot, a spokesman for the Swiss prosecutor's office said. The Lausanne-based companies Andava and Forus have asked the federal tribunal not to allow information to be sent to Moscow, where an investigation has been mounted into how Aeroflot was allegedly fleeced of US\$600mn. A further two writs have been filed by "people involved" in the case. Russian investigators maintain that executives in Aeroflot stole the money from the firm's coffers, and proceeded to launder it through Andava and Forus. The money was allegedly then deposited in four banks in Switzerland. Both firms, which were raided in July last year, have denied all involvement in the scandal. Prosecutors in Russia last year called on Swiss prosecutors to help them in the case, in which leading tycoon and Kremlin acolyte Boris Berezovsky was at one stage said to be involved. Charges against Berezovsky have since been dropped, but suspicions remain that the diversion of the Aeroflot funds may have been the work of high-level business and political leaders.

*Agence France Press (BERN), 15 February 2000*

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## Russia: Swiss widen probe of former Yeltsin aide

A Swiss money-laundering probe of the Russian State official Pavel Borodin has uncovered new evidence of alleged bribes of tens of millions of dollars paid into Swiss accounts of Kremlin officials. As Geneva's chief prosecutor, Bernard Bertossa said, the probe initially focused on payments allegedly made to Borodin and other Kremlin officials by the Lugano construction firm Mabetex, but then widened to include another Swiss firm, Merkata Trading. Bertossa alleged that Merkata, a construction company also based in Lugano, made payments of US\$60mn to top Kremlin officials in return for renovation contracts. Swiss prosecutors accuse Borodin, now Russian state secretary responsible for the Belarus-Russia union, of taking bribes in return for giving the Swiss-based companies lucrative government contracts to renovate the Kremlin. A Swiss federal police spokesman said Borodin risked extradition to Switzerland if he travelled to the West. Swiss prosecutors are looking at Kremlin contracts won by Mabetex and Merkata totalling more than US\$500mn.

*Reuters (Geneva), 18 February 2000*

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## Spain: Labour minister resigns

Spain's labour minister resigned in February amid allegations of irregularities in the allocation of state contracts, delivering a setback to the centre-right government just three weeks before general elections. Manuel Pimentel resigned abruptly as minister of labour and social affairs after sacking a close ministry colleague over disclosures made by a radio network. The report alleged that US\$11.86 million in subsidies for training and apprenticeship contracts had gone to a company co-owned by the official's wife. This is the first instance of a minister resigning because of corruption allegations since José Maria Aznar came to power four years ago.

*Financial Times, 21 February 2000*

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TRANSPARENCY  
INTERNATIONAL

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April, 2000

## TI Internal

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### Correction: **Malaysia**

On page 15 of the September 1999 issue of the Newsletter, an article reporting on a letter by Tunku Abdul Aziz to the Malaysian Chamber of Commerce (MCCI) was misleading by creating the impression that some of MCCI's members expressed their willingness to accept corruption if it was at a tolerable level. We now realise that Mr. Aziz was in fact reacting to the speech of the Trade and Industry Minister, in which she was underlining the joint responsibility of the private sector concerning the ranking of Malaysia with regard to its corruption level. We apologise for this oversight.

The Editor,  
April 2000

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## TI relaunches website More news - new media monitoring service

**Transparency International has relaunched its website, which is now available at the new address: [www.transparency.org](http://www.transparency.org)**

The new item "[Daily Corruption News](#)" monitors media reporting on corruption from around the world. Currently, 47 media are monitored worldwide every day. From the "Daily Corruption News" there are also direct links to those media that have websites of their own. "The new service is particularly aimed at the anti-corruption activists in order to enable them to keep abreast of the daily news regarding corruption," said TI press officer Carel Mohn.

In English the website now also offers additional languages, ranging from Korean, to Hebrew and Romanian. News from TI's 77 National Chapters around the world are also featured more prominently. "Our new address at [www.transparency.org](http://www.transparency.org) underlines the fact that although based in Berlin, Germany, TI is a truly international organisation," said Mohn.

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## **Corporate human rights obligations**

At the invitation of the International Council on Human Rights Policy (ICHRP), TI Executive Director Nihal Jayawickrama attended a project formulation meeting held in Geneva on 10-11 February 2000 on "Identifying corporate human rights obligations".

The ICHRP was established in 1998 and conducts research of practical relevance to governments and other national and international institutions that protect and promote human rights. The working group included Prof. David Weissbrodt who is a member of the UN working group on Transnational Corporations; and representatives of Benchmarks for Business, London; OXFAM (Business Standards Adviser); International Centre on Trade and Sustainable Development; and the Centre for Human Rights and the Environment, Cordoba, Argentina. The working group considered the proposed draft UN human rights code of conduct for companies, as well as a paper on "Business, the WTO and Human Rights; a paper on "The question of jurisdiction under international criminal law over legal persons"; and "Business and Human Rights" - a progress report prepared by the UN High Commissioner for Human Rights.

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## **Visit of President Obasanjo to TI**

During a State visit to Germany, President Olusegun Obasanjo of Nigeria (former Chairman of the TI Advisory Council) spent time on 17 December, 1999 at the TI Secretariat in Berlin prior to meeting with German Chancellor Schröder. During his two-hour visit to TI with a large delegation, President Obasanjo met privately with TI Chairman Peter Eigen and also held his only press conference in Germany, at which he emphasised his commitment to fighting corruption in Nigeria and to recovering assets stolen in the past. Following this visit, at the request of the Nigerian government, a meeting was convened at the TI Secretariat in Berlin on 14 - 15 February, 2000, between Ambassador Azikiwe, the newly-appointed co-ordinator of Nigerian government anti-corruption initiatives and representatives of TI-Nigeria (TI-N President Hajiya Lateefah Okunnu) and of the TI Secretariat (Executive Directors Jeremy Pope and Miguel Schloss and Senior Advisor Neville Linton). The meeting addressed the future work of the office of the co-ordinator. Ambassador Azikiwe is Senior Special Assistant (Anti Corruption and Transparency Matters) in the Nigerian Presidency.

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## New Publications

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### **Fighting Corruption - Invitation to Ethics**

**Management** by Vusi Mavuso and Daryl Balia is the fourth in a series of publications intended to create awareness and foster understanding of issues around corruption in public and other sectors of civil society. Focusing on South Africa this publication arose in response to a need for the country to enter into the global dialogue about measures of fighting corruption. 259 pp., Unisa Press, South Africa, ISBN: 1-8688-12-61

**Bleeding Mountains of Nepal** by Aditya Man Shrestha is a wide ranging study of Nepal looking at the country in terms of social, economic and geographical perspectives. The book is an account of the corruption and mismanagement in Nepal. The International Community, foreign banks and aid organisations offer help and technology but the expensive loans and projects appear to be benefiting only the international experts, Nepalese politicians and high officials while the life of the poor grows worse every day. 277 pp., US\$10, Ekta Books

### **Corruption, Democracy and Good Governance in Africa: Essays on Accountability and Ethical**

**Behaviour** by Kwame Frimpong and Gloria Jacques. This book comprises a collection of papers presented at the 20th Southern African Universities Social Science Conference held in Zambia last year in November. This conference was established in 1977 as an organisation dedicated to academic research and the dissemination of information amongst universities in the region. Topics include democracy, human rights and development, the crisis of leadership in Africa, corruption of public officials, political patronage, lack of public and private accountability and economic and social concomitants of corruption and low standards of ethical behaviour in leadership. Frimpong is Professor in the Department of Law, University Botswana and Jacques although works at the same University as a Senior Lecturer in the Department of Social work. 278 pp., Lightbooks South Africa, ISBN: 99912-71-14-7

**An Empirical Analysis of Hofstede's Cultural Dimensions that Impact upon the Corruption Levels of Nations**, Thomas M. Fitzpatrick, Jr./ Graduate School of Business, New Hampshire College, USA, examined in this study the explanatory value of Hofstede's cultural model to the levels of corruption from one nation to

another as depicted in Transparency International's Corruption Perception Index (CPI). Fitzpatrick's study employs the Hofstede model in conjunction with the CPI Index to attempt to explain the cultural dimensions of international corruption. Also available by the same author are the following studies: "The impact of corruption on foreign direct investment: CPI and rates of foreign investment", CPI: An Analysis of the economic, political, geographic and prosperity factors that influence international corruption." and "The causes of corruption: A cross-national study". For further information please contact: [fitzpath@nhc.edu](mailto:fitzpath@nhc.edu)

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## Conferences

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### 28 March 2000 in Paris

20<sup>th</sup> Anniversary Meeting of the ICC Institute of World Business Law. The lack of a clear set of rules governing protection of a company's investment increases the cost of investment through raising the risk premium. Rules governing the investor's relationship as well as dispute settlement methods must be well defined to create clear protections for investors, so that the topic of the meeting is "Investment Protection". For information contact: ICC Conferences, Phone: +33 1 49 53 28 91, [conf@iccwbo.org](mailto:conf@iccwbo.org)

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### 29-31 March, Bucharest, Romania

The Conference of Central and East European Countries on Fighting Corruption. The organisers view it as a follow-up to Vice-President Gore's February 1999 Anti-Corruption Conference and a bridge to the subsequent global anti-corruption forum in Holland in 2001 and will be hosted and organised by the Romanian Justice Minister. For more information please contact TI Secretariat.

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### 10 - 17 April in Vienna, Austria

10<sup>th</sup> United Nations Congress on prevention of crime and the treatment of offenders. The congress will be held at the UN Vienna International Centre. For more information please contact [www.odccp.org](http://www.odccp.org)

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### 25 - 27 April, Maastricht

Working Conference on Anti - Corruption. The object of the conference is to expedite and co-ordinate donor-countries policies and action on corruption. The proposed outcome is to develop a concrete plan of action for the Utstein Group and to invite other like-minded donor countries to co-operate in the international anti-corruption campaign. For more information please contact: [U.Seela](mailto:U.Seela), Phone: +31 70 348 66 97,

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### 25-28 June, Warsaw

The World Forum on Democracy conference is organised by the Freedom House and the Stefan Batory Foundation. The World Forum will gather democracy leaders and activists, academic experts, representatives

of NGOs and the business community. The panel will facilitate a discussion of questions such as: How does corruption threaten democratic states? How can transitional societies combat corruption in ways that do not erode political and personal liberties? Contact: [Ellen Bork](#) or [Anita Gmurowski](#)

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