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June, 2001

TI's Board of Directors: A letter from the Chairman, Peter Eigen

A key element in the strength and the legitimacy of a vibrant non-governmental organisation is its Board of Directors. Our Board is a pillar of strength. It has been evolving as Transparency International has grown, and at our Annual General Meeting in Prague on 6 October we shall elect new Board members.

It is our Board that takes the final decisions on the accreditation of National Chapters, on the determination of our budget, on the determination of our key public advocacy approaches, and on the major policies that drive our international movement.

Under our Charter, the Active Members, representing the broader TI membership, convene annually to elect the Board of Directors. The Active Members comprise representatives of the national chapters and a number of volunteers who were active in TI in its early years. Our Board consists of 12 dedicated women and men from across the globe. Two of our number, Adam Tertak of Hungary and Ibrahim Seushi of Tanzania, have served their three-year terms and we are now calling for nominations for candidates for these two seats.

TI's Board has a responsibility to see that the organisation has the best possible managers and that TI's policies and programmes reflect priorities shared across the national chapters. The Board needs to be informed by the management, consulted by the management and, in its turn, it must report to the membership. The Annual Report and the Annual General Meeting are the Board's prime communications channels to the membership.

These are difficult roles and, as we grow, so does the need to attract candidates for Board election who not only have a deep knowledge of, and interest in, fighting corruption in their own countries and their own geographic regions, but who can also take broad global views and act and inspire others to strengthen the international movement as a whole. The Board needs people who have substantial experiences, be it in the governance of other organisations, and/or in management and finance, and/or in the wide realm of public affairs. We need to continue to attract outstanding individuals to volunteer to stand for election.

The more visible and influential TI becomes on the public stage, so the more we must ensure that there is broad understanding of the Board's roles. The Board is charged with ensuring the soundness of the organisation's finances, the integrity of its staff and representatives, and the excellence of its international reputation. In performing these oversight duties there is a need, for example, for finance and audit committees of the Board to verify the balance sheet and guide managerial decisions to ensure the prudent use of our financial resources.

The position of Director of the Board of TI is not a remunerated one, and it requires a degree of sacrifice. Individuals must invest a lot of their time to work through the Board to consistently strengthen TI and build public support for TI. I am proud to be the Board's leader, and encourage all Active Members to assign the highest priority to promoting the candidacy of excellent individuals for Board election. Our open democratic process and our sustained efforts to encourage participation in the annual elections are cornerstones of our legitimacy and the strongest guarantee that our movement will continue to grow in strength and influence.

Peter Eigen, Chairman, Board of Directors

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The 3rd Page

The arms bazaar: hard-wired for corruption

by Joe Roeber, TI-UK

TI-UK held a conference in Cambridge, UK, in April entitled "Corruption in the Official Arms Trade" (see p.15). Joe Roeber, one of the organisers, is writing a book with the same title.

When I tell people I am writing a book on the effects of corruption on the arms trade, only those who assume I shall be assassinated are impressed. Serious students of the arms business shrug and say that corruption is one of the costs of doing business. The anti-arms factions shrug and ask: what do you expect? Both accept that the payment of commissions or bribes to the buyers of arms is routine, but contend that the practice is peripheral. The first group seeks to analyse the strategic rationale of arms procurement and the performance of the weapons, and they believe that neither is affected by commercial arrangements. For the second group, the subject of bribery is a distraction from the primary objective of getting rid of the trade altogether. In my view, both groups are profoundly wrong.

The real losers

Far from being peripheral, corruption acts at the very centre of the arms business, inflating what is spent on arms and distorting procurement. The result is a waste of resources and an addition to global insta-bility. That alone is bad enough. When the biggest losers are the developing countries, it cannot be ignored. There are many instances:

- The Bofors company of Sweden is alleged to have paid \$250 million commissions on a \$1.3 billion deal for the sale of their guns. The deal was done in 1986 but came back into the news when the billionaire Hinduja brothers were kept in India for questioning.
- There is an uproar in South Africa over bribes and other inducements allegedly paid to politicians on a \$5+ billion deal to re-equip the defence forces.

- In May, a former French foreign minister, Roland Dumas, was sentenced to six months in prison on charges of having benefited from commissions paid to his mistress for allegedly favouring an arms deal with Taiwan.

The stories tell us nothing about the extent of corruption in the trade as a whole, or whether the arms trade is better or worse than other trades. To get a handle on this issue, I asked other questions.

1. What is the view from the trade? Industry insiders and many more knowledgeable outsiders confirmed that it is standard practice to bribe in arms deals.
2. The US Commerce Department collects complaints from US companies about unfair competition from bribery by their competitors in overseas markets. More than half of the reports concern arms - or "defence equipment" - deals. The arms trade accounts for less than 1% of total world trade and about 5% of the five trades considered to be the most corruptible - arms, civil aviation, energy, infrastructure projects and telecommunications. Conclusion: the arms business is the most corrupt of all legal trades.
3. Structurally, the industry shares all the features of the most-corruptible trades listed above plus two features that make it uniquely susceptible: the freedom to operate under a cloak of government-sanctioned secrecy and almost total price opacity. Conclusion: the arms trade is hard-wired for corruption.

Arms trade corruption or, euphemistically, the payment of "commissions" to buyers of arms is virtually mandatory in trade with developing countries. It is more damaging than any other form of corruption: it damages the economies of arms importers; it is a source of global instability; it destroys democratic institutions; and it cannot be controlled for, once the slush funds are set up, the bribes can go in any direction. "Retro-commission" is the French phrase for the back-flows of money to the bribers.

A law unto itself

Despite the OECD Convention, the arms business is inextricably tied up with national security, and all countries regard their security interests as above any laws or treaties. Secrecy, the imperatives of national security and the complicity of governments create a special situation for which special treatment is needed. This might include:

- Comprehensive reform of procurement systems, a long-term project. A start has been made by the Stockholm International Peace Research Institute (SIPRI) to assemble a manual of best practice.
- Anti-corruption language should routinely be included in arms control treaties because, by providing inducements for buying arms that may not be needed, corruption introduces irrationality into the trade.
- TI's "integrity pacts" are a tool to be used whenever possible. The Swedish government intends to raise IPs in the context of the EU's Code of Conduct.
- Governments should consider making arms export licenses conditional on companies' having serious and well-designed internal ethics programme, including the presentation of annual sign-off letters
- Offset arrangements are the high road to corruption. Ideally, they should be banned by international agreement. At the least, they could be made subject to rigorous internal audit by companies and the results published with their accounts.
- A monitoring system or hotline should be put in place. It should be autonomous and not subject to control by national governments as OECD and EU systems are.
- The rationale of the privileges of secrecy given to the industry by governments should be rigorously

examined.

A web of mistrust

It is a rough business and companies have no reason to trust each other. The risks of a code-compliant company simply handing over an advantage to a non-compliant competitor are very significant, hence the need for a monitoring system. More worrying, reform would open markets to non-signatories eager to capitalise on these restrictions. Russia, China and Israel immediately come to mind.

Special measures are needed to deal with a special case. Whatever actions are taken, they should be multilateral and pragmatic. The admirable experience of the US Foreign Corrupt Practices Act notwithstanding, unilateral action will receive no support because it makes the actors vulnerable to their less scrupulous competitors. Ineffective action is worse than no action as it brings the whole system into disrepute. The measures must have teeth and must be effectively policed.

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"TI launches campaign to repatriate Africa's stolen wealth."

TI representatives from 11 African countries (Botswana, Cameroon, Ethiopia, Ghana, Malawi, Nigeria, Kenya, South Africa, Uganda, Zambia and Zimbabwe) have adopted the Nyanga Declaration, launching a campaign to repatriate Africa's stolen wealth. The declaration, signed at a regional conference in Zimbabwe on 4 March 2001, calls for "the sealing of all known loopholes, requiring banks to open their books for inspection where there is reasonable cause to suspect illegal activity, and mandatory liquidation and repatriation of assets known to have been corruptly acquired".

The chapters called on members of the United Nations to adopt an international treaty to expedite the tracing, recovery and repatriation of wealth stolen from developing countries and transferred abroad. Participants expressed their support for the Wolfsberg Anti-Money Laundering Principles adopted by 11 leading international banks as "a first step towards stopping the movement of illicit wealth".

The Declaration calls upon the Organisation of African Unity to "take a leadership role in representing the interests of Africa with regard to the return of Africa's stolen wealth wherever it may be found on the globe and, as a first step, (to) adopt all reasonable measures to prevent the illegal appropriation and transfer of moneys from Africa's treasuries".

The full text of the Declaration can be found at:

http://www.transparency.org/pressreleases_archive/2001/2001.03.13.nyanga_declaration.html

United Nations:

TI joins global urban governance campaign

TI joined with the United Nations Centre for Human Settlements (Habitat) to launch a Global Campaign for Participatory Urban Governance. In a Memorandum of Understanding signed in Bremen, Germany on 5 April by TI Chairman Peter Eigen and Executive Director of Habitat Anna Tibaijuka, TI and Habitat agreed to campaign for greater transparency and accountability in local government, and to focus attention on the needs of the urban poor. TI will contribute codes of conduct and best practices, forming part of a register of local government projects in TI chapters (including examples from Buenos Aires, Bhaktapur and Malaysia), as well as Toolkits describing emerging best practices in Integrity Pacts for local government procurement, public awareness raising through coalitions, public hearings, monitoring, independent audits and ombudsmen. The flagship projects of the Global Campaign for Participatory Urban Governance will include: the development of a Declaration on the Norms of Participatory Urban

Governance; the revision and adoption of national legislation towards better urban governance; Inclusive Cities (nominating partner cities who are applying principles of participatory urban governance); a Participatory Urban Governance Toolkit to integrate processes, methods and tools developed by TI to promote good governance; and a Participatory Urban Governance Index, sharing TI's experience in building and promoting indices related to transparency and accountability. Habitat will support the implementation of the Campaign by: providing a Campaign Secretariat; sharing its existing tools related to urban governance; sharing its networks of cities, global programmes and technical co-operation activities; providing policy support; and fostering collaboration with governments.

OECD:

TI presents La Pietra Recommendations

On 19 February 2001, TI made a presentation to the OECD Working Group on Bribery of the La Pietra Recommendations on Prohibiting Bribe Payments to Foreign Political Parties (see http://www.transparency.org/pressreleases_archive/2000/2000.10.19.p_funding.html).

The recommendations were drawn up at a meeting, organised by TI, in Italy on 12-14 October 2000. TI presented six country studies (France, Germany, Italy, Japan, Korea and the USA), outlining that important cases of cross-border bribery involving political parties have arisen in the recent past (see the papers at http://www.transparency.org/working_papers/index.html#issues).

TI called upon the OECD to ensure that bribe payments to foreign political parties and their officials were effectively prohibited through its instruments. TI welcomed proposals by the OECD Secretariat to address this issue through the addition of an interpretative note to the OECD Convention and the inclusion in the Phase 2 review process of an inquiry into how cross-border bribery of political parties is handled in the various states party to the Convention. TI proposals for a revision to the OECD Convention are also being considered.

OECD:

US move jeopardises tax haven reform

The US has withdrawn support for key parts of an international crackdown on tax evasion in a move that casts doubt on the initiative's future and causes tension with European countries pressing for reform. Paul O'Neill, US Treasury Secretary, voiced concern about the campaign, which aims to persuade offshore financial centres to reform their tax systems and improve transparency. The softer US stance is a blow to the OECD, which has given 35 centres it identified last year until July 31 to commit to reform or face sanctions.

Financial Times, 11 May 2001

IASC:

Global accounting standards in the works

A new International Accounting Standards Board is set to take on the complicated job of devising a single set of accounting rules that all of the world's nations and businesses can use. The board will be led by David Tweedie, former chairman of the UK's Accounting Standards Board. He will be joined by 13 others on a panel assigned to find common ground between industrialised and developing economies. "In partnership with national standard-setters, we will aim to increase the transparency of financial reporting by achieving a single, global method of accounting for transactions," Tweedie said. Half of the board's membership will be liaisons to national accounting boards in Australia/New Zealand, Canada, France, Germany, Japan, the USA and the UK. Tweedie's board is the creation of the International Accounting Standards Committee, a group comprising financial professionals from 14 countries.

European Union:

Brussels agrees information compromise

The European Parliament yesterday voted overwhelmingly for a measure that supporters said would establish freedom of information in European Union institutions, but which critics said fell far short of its ambitions. The decision came after EU member-states, the European Commission and parliamentary leaders all agreed on a compromise which establishes the principle that EU documents can be consulted by citizens - but allows a class of "sensitive" documents to be exempted.

Financial Times, 4 May 2001

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Barbados: Government signs OAS anti-corruption convention

On 6 April 2001, the government of Barbados signed the treaties adopted by the Organisation of American States (OAS) to combat corruption and trafficking of arms. "Barbados continues to take concrete steps to enhance its laws to counter the damaging effects and threats posed to its economic prosperity, stability and security by corruption and the illicit manufacturing of and trafficking in firearms," Ambassador Michael King said. King signed the Inter-American Convention against Corruption and the Inter-American Convention against the Illicit Manufacturing of and Trafficking in Firearms, Ammunition, Explosives and Other Related Materials. Barbados joins Brazil, Guatemala, Haiti and Suriname as countries which have signed, but not yet ratified the OAS Anti-Corruption Convention.

CANA News, 8 April 2001

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Brazil: Anti-corruption ministerial position created

In the context of recent corruption scandals (see Corruption Reports), in early April President Fernando Henrique Cardoso created a ministerial position to fight corruption and wrongdoing by public officials. He appointed former Public Prosecutor Anadyr de Mendorica Rodrigues to the post. The new minister will report to the president's office, despite calls by the opposition and political analysts for the creation of a fully independent office to fight public corruption. Some civil society actors within Brazil have also criticised the post for its lack of independence and limited mandate.

AOL News (Reuters), 2 April 2001

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Canada: New money-laundering law

A new money-laundering law, which straddles accountancy and law, is expected to take the sting out of organised crime by forcing all financial-services companies to report suspicious transactions to federal authorities. Federal legislation will force banks, brokerage firms, currency-exchange businesses, casinos and other financial concerns to become much more alert to untoward activity. Its key provision is the requirement that financial-services companies report any transactions that they have reasonable grounds to suspect are related to money laundering. Cross-border transfers or transportation of more than C\$10,000 will also have to be reported to Canada Customs. There is a maximum fine of C\$2 million and imprisonment for five years for failing to report suspicious transactions. In Canada, the federal government estimates that as much as C\$17 billion in criminal money is laundered each year.

The Montreal Gazette, 15 February 2001

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Cuba: New anti-corruption ministry

In the biggest step so far in a six-year campaign to reduce corruption and black market activity, the Cuban government has set up a new ministry to root out corruption and improve efficiency in the economy. According to government officials, the aim of the new Ministry for Auditing and Control is to elevate and guarantee honesty and discipline in the administration of state resources. When corruption among senior officials comes to light in Cuba, it is dealt with harshly. The country's fishing minister was recently removed from his post for receiving what were officially called unacceptable gifts. Foreign businessmen operating in Cuba, however, say levels of corruption are far lower than in most other countries in Latin America. President Fidel Castro, who has warned that corruption played a big role in the collapse of the former Soviet Union, has imposed a strict ethics code for officials, new laws against white-collar crime and measures to improve accounting practices

BBC, 4 May 2001

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Estonia: April fool's pay

April Fool's Day was no laughing matter for Estonian officials who had to disclose their earnings on the internet for public scrutiny. Finance Minister Siim Kallas signed the law in July 2000, but there was very little evidence of the 100,000 or so public servants having met its requirements. Media interest caused a sudden flurry of activity, as public institutions tripped over themselves in a rush to rectify the situation. Unsurprisingly, this coyness was not without reason, with many civil servants earning more than the heads of private sector interests. The aim of the law is to introduce transparency into state finances. "The new system is definitely useful for the state, but perhaps not so comfortable for individuals," Daniel Vaarik, an official from the finance ministry, told TOL.

Transitions Online, 9 April 2001

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Indonesia: Reversal of burden of proof

Almost three years since the end of the Suharto regime, reformers in Indonesia are disappointed. In the absence of immediate substantial reform, prominent lawyer and long-standing anti-corruption campaigner Todung Mulya Lubis is calling for constitutional change. He has supported President Abdurrahman Wahid's proposal to reverse the burden of proof, which would require people accused of corruption to prove they gained their wealth legally, but Lubis said it would not work as suggested: "The agencies who deal with corruption are equally corrupt, and they act with impunity... We need a clear paradigm for transparency of the judiciary, and for regional autonomy."

The Jakarta Post, 14 May 2001

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Iran: Leader calls for anti-corruption drive

Iran's supreme leader has called for a crackdown on rampant corruption, rejecting concerns that tough action may discourage investors. Ayatollah Ali Khamenei ordered security forces and state auditors to work together to "eradicate financial and economic corruption." Economists have said that a similar campaign, launched in 1997, which led to the arrest of several Tehran city officials and wealthy real estate developers, had scared away investors. The reformist government of President Mohammad Khatami has repeatedly called for the creation of safe conditions for private investment to lift the economy out of recession. Reformists have accused conservative-led courts of targeting pro-reform officials in the anti-graft drive, a charge denied by the judiciary.

Reuters, 1 May 2001

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Japan: Reforms ahead

In his first policy speech on 7 May 2001, newly elected Prime Minister Junichiro Koizumi underscored that, since the early 1990s, the Japanese economy has been unable to break free of long-term stagnation due to eroding public trust in the political leadership. He gave top priority to rebuilding the Japanese economy and instituting structural reforms. Noting the series of unfortunate scandals in the country, Koizumi vowed that his cabinet would ensure transparency in policy deliberation processes in order to bring back the "politics of trust". One key reform target of Koizumi's overall plan is the Liberal Democratic Party (LDP) itself. The new Prime Minister seeks to break the LDP's long reliance on support from unproductive industries like the postal service, the construction industry and the small and medium-sized enterprises - which remain politically strong as they employ a large number of people and make generous donations.

*New York Times, 25 April 2001,
Public Policy Speech of the Prime Minister, 7 May 2001*

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Kenya: New KACA Bill worries MPs

The newly published Kenya Anti-Corruption Authority (KACA) Bill is flawed, some MPs have said. Published by Attorney-General (AG) Amos Wako two weeks ago to revive the outlawed body, the Bill does not resolve the jurisdictional conflicts between KACA and the AG's office, the parliamentarians said. Meeting under the local chapter of the African Parliamentarians Network Against Corruption, the MPs said some investigative and prosecution powers concurred or overlapped. Concern was expressed that future legislation would establish an even weaker KACA. The Bill, the MPs also pointed out, failed to provide any links between the new and the old KACA, which meant there were no transitional provisions empowering KACA to take over the assets, staff and cases instituted by the old KACA. "KACA has no retrospective powers and this gives de facto immunity for all offences of corruption and economic crime committed before the Bill is enacted," the MPs said. Other concerns included funding pressure on the anti-corruption body and the fear that establishing the office might be slow.

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Latvia: Council of Europe convention ratified

On 9 February, Latvia ratified the Council of Europe's Criminal Law Convention on Corruption. The convention covers a wide range of corrupt activities in both domestic and international sectors and provides for enhanced international cooperation (mutual assistance, extradition, and the provision of information) in the investigation and prosecution of corruption offences.

Radio Free Europe/Radio Liberty, 12 March 2001

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Lithuania: Ethics resolution gains initial support

On 17 April, the Lithuanian Lower House of Parliament approved a draft resolution submitted by Parliamentary Speaker Arturas Paulauskas, which lays down ethics principles for politicians and civil servants. The draft proposes establishing eight key ethics principles, including respect for human beings and the state, justice, no conflicts of interest, honesty, an unbiased approach, responsibility, publicity, and exemplary behaviour. It is hoped that this resolution will increase the public's confidence in state bodies, and encourage politicians and civil servants to work in a transparent and efficient way. TI-Lithuania's Executive Director, Laima Zilinskiene, is a member of the working group on ethics principles for state politicians and civil servants. Other envisaged anti-corruption measures include a new effective legislation base and a Criminal Code. According to Paulauskas, the parliament is expected to pass an anti-corruption bill, resolutions to fight corruption and control crime, and an organised crime prevention bill. A national anti-corruption strategy is already underway.

ELTA (Lithuanian News Agency), 30 March/17 April 2001

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Malawi: Government retrenches

Malawi's government ministers must say goodbye to first-class flights, long trips at government expense and joyriding in their official cars, according to Finance Minister Mathews Chikaonda. Chikaonda announced he was clamping down on wasteful spending in his new budget plan. From now on ministers and other senior government officials, with the exception of the president, will fly economy class on foreign trips, he said. The government will limit its funding of overnight hotel stays and put stricter controls on government vehicles. Chikaonda also said ministers whose offices failed to properly account for their expenditures would be paraded before Parliament to explain why their ministries should continue to be funded. Under intense pressure from donors, President Bakili Muluzi fired his entire Cabinet in November after Parliament's Public Accounts Committee published a report detailing high levels of corruption and fraud in the government, the first to be democratically elected in Malawi.

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Malaysia: Amendment to Anti-Corruption Act planned

Earlier this year, the Anti-Corruption Agency (ACA) was reported to be seeking the powers of the police and immigration department to investigate crimes related to corruption. The ACA has also made plans to amend the 1997 Anti-Corruption Act to enable the ACA to ask civil servants to declare their property at any time, with no conditions. Under current provisions, the ACA can only ask civil servants to declare their assets if they are under investigation for alleged corruption.

The Star (Malaysia), 26 January 2001

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Mexico: President Fox implements anti-corruption reform

After winning the Mexican presidency on a strong anti-corruption platform, President Vicente Fox continues to implement anti-corruption reforms. As reported in the March 2001 TI Newsletter, upon taking office Fox created the Transparency and Anti-Corruption Commission of the Federal Public Administration. More recently, President Fox has required members of his cabinet to pledge to a code of ethics. This new set of ethical standards calls for top government officials to observe, among others, the principles of integrity, honesty, impartiality, transparency and accountability. Furthermore, on 26 February 2001 a National Agreement for Transparency and the Fight against Corruption was signed by 83 bodies, including cabinet ministries, political parties, labour unions, NGOs and professional associations. Through the agreement, government and other actors make a concrete joint commitment in favour of transparency and against graft. While both reforms were welcomed, the initiatives must be judged on their impact

Accountability and Anti-Corruption Newsletter, No. 26, April 2001

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Peru: Government launches spending web site

The Peruvian Ministry of Economy and Finance recently launched a web site that provides information on public accounts and the management of public resources. The majority of public entities will be represented on the site, including the Ministries of Defence and the Interior. The public will be able to access such information as the budgets of most public entities, their fiscal income and debt service. The web site may be found at:

<http://www.transparencia-economica.mef.gob.pe/default2.htm>

Accountability and Anti-Corruption Newsletter, No 26, April 2001

Russia: Money laundering 'blacklist' to be drawn up

Russia is preparing to publish a blacklist of countries whose banks it accuses of laundering money that has been illegally taken out of the country, Tass news agency reported. The list is being drawn up with the help of deputies from the lower house of parliament, the Duma, and will have a sound legal basis, according to the head of Russia's intergovernmental centre against money laundering. Industrialised countries grouped in a special anti-money laundering group last year put Russia on a blacklist, saying its legislation did not come up to international standards. They estimate that more than US\$ 20 billion are laundered in Russia every year.

Agence France Presse, 23 April 2001

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Senegal: Transparency finds way into new constitution

The new Senegalese Constitution adopted by referendum on 7 January 2001 refers in its preamble to the principles of "transparency in the management of public affairs and good governance". This statement was integrated into the preamble following a proposal by Forum Civil, the Senegalese National Chapter of TI. The proposal was made during a consultative process, which took place prior to the adoption of the draft constitution. As part of this process, Forum Civil organised a televised debate in December 2000 in which the Senegalese President and organisations representing civil society were present

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South Africa: Act to protect whistleblowers

The Protected Disclosure Act to shield whistleblowers in the workplace came into effect on 14 February, the Department of Justice said. The Act outlines procedures in terms of which employees in the private and public sector may disclose information on unlawful or illegal conduct by their employees. It will protect such employees against disciplinary action, dismissal, suspension, demotion or transferral against their will. "Section three of the Act stipulates that an employee may not be subjected to occupational detriment by the employer on account of having made a protected disclosure," the department said. It defined protected disclosure as, among others, "disclosures made to a legal adviser, an employer, a member of Cabinet or executive council, the Public Protector and the Auditor General".

News24 (South Africa), 15 February 2001

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South Africa: Fight against corruption continues

South Africa has signed a joint declaration with the UN Office for Drug Control and Crime Prevention as part of the UN's wider Programme Against Corruption. The UN agency will provide assistance in striving to prevent, detect and fight corruption. A survey of 150 experts and policymakers by the Institute for Security Studies shows that the problem is widespread. A shocking one in three respondents conceded that they or persons known to them had been expected to pay a bribe in the last year. Almost half agreed that paying bribes to officials makes it easier to get things done. Asked to rank the effectiveness of anti-corruption watchdogs, 84.5% opted for the soon-to-be disbanded Special Investigating Unit, headed up by Judge Willem Heath.

The Mail & Guardian, 12 March 2001

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Switzerland: Swiss sign Council of Europe Convention

The Swiss government has signed the Council of Europe Convention on Fighting Corruption. The Swiss chargé d'affaires, Alain-Denis Henchoz, signed the agreement in Strasbourg. The treaty goes further than existing European agreements on fighting corruption, targeting domestic as well as cross-border corruption.

Neue Züricher Zeitung, 27 February 2001

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Switzerland: 'Dictator fund' law is urged on Swiss

Funds stolen by dictators and corrupt officials, which are later found in Swiss bank accounts, should go to aid agencies, Geneva's chief prosecutor said yesterday. Bernard Bertossa said that the money should not be returned to regimes where it could be misused or stolen again. He said that over the past 10 years some £4 million had been confiscated of which two-thirds was returned to the country of origin. He urged the Swiss government to consider his proposal when it drafts new legislation on the restitution of impounded funds. Most funds were linked to theft rather than corruption. Once a case was settled, such funds were returned to private owners. The proceeds of drug trafficking were divided between aid agencies in the countries of origin and treating drug addicts in Switzerland.

Daily Telegraph, 4 May 2001

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Thailand: Young senators ring changes

Chirmsak Pinthong, a former Thai newsreader and newly elected member of the Thai Senate, has challenged

the country's political reforms in his assertion that corruption and bribery still permeate Thai political life. Chirmsak announced in February that an adviser to the Senate Communications Committee had demanded 300 million baht (US\$7 million) from two prospective candidates to the seven-member body. The actions of Chirmsak (one of a group of some 40 or so young senators intent on exposing corruption and pushing through democratic reforms within the state) have led to a comprehensive review of the entire selection process by a panel led by Kaewsan Atibodhi, another of the reform-minded group. Anti-corruption efforts will intensify as the liberalisation of domestic markets and the privatisation of state-owned utilities commence later this year. Chirmsak, who has also spoken out against interference and corruption in the reforms of the domestic whisky industry, is also trying to instigate a committee of Thai economists to monitor the execution of the government's contentious economic policies. Plans are also afoot by other senators to set up similar watchdogs for other ministries previously dogged by corruption. The real test for the senate will come in its effectiveness in monitoring the constitutional court's handling of Prime Minister Thaksin Shinawatra's case, and whether or not he deliberately concealed assets whilst serving in 1997. If so, he could be disbarred from office for five years.

Far Eastern Economic Review, 29 March 2001

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Uganda: List of shame for MPs

Civil society groups are compiling a list of "undeserving parliamentary candidates" ahead of the forthcoming election. Sources said that the tentative list, being compiled by civil society groups involved in the fight against abuse of office, includes seven of the current MPs who are likely to stand. The Uganda Debt Network (UDN) estimates that US\$112 million is lost to corruption each year, and the loss to Uganda since 1993 will shoot to US\$680m this year. UDN co-ordinator Zie Gariyo said that the list, when completed, would include MPs or any nominees ever cited in any dubious deals by official institutions. It will continually be updated and the information disseminated to counties where those accused are campaigning. "We don't want this to be just a rumour, where we could easily be dragged to court. So, we are going to rely on records from other bodies," he said. This will include the courts of law, parliament itself, as well as others like the Auditor General and Inspector General of Government offices, and commissions of inquiry, he said.

The Monitor, 21 May 2001

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United Arab Emirates: Corruption commission planned

An anti-corruption commission is to be set up in the United Arab Emirates, according to a government newspaper in Abu Dhabi. The move follows the arrest of Dubai's customs chief, the chairman of the World Customs Organisation Obaid Saqr bin-Busit, on corruption charges. He and two top aides are accused of amassing tens of millions of dollars through corrupt practices. Earlier, Al-Bayan newspaper quoted an official statement reporting the arrest of "corrupt employees who took advantage of their jobs to serve their personal purposes and amass "illegal wealth". The UAE's Justice Minister, Mohammad Al Zahari, says any commission will be set up with the help of Dubai police. The Al-Ittihad newspaper reported that an anti-corruption law concerning the public sector is also being studied which could increase the penalties against those convicted of corruption. In recent years, several bribe-takers have been brought down and punished.

UK: Crime bill cracks down on money laundering

Introducing the proceeds-of-crime bill, Jack Straw, UK home secretary, admitted that serious criminals often appeared "untouchable" because it was hard to bring successful prosecutions. Mr Straw said the draft bill, which is likely to become law early next year, would also enable the Home Office to move quickly to freeze suspected criminal assets after requests by foreign governments. Existing legislation has prevented the Home Office from responding rapidly to a request by Nigeria to freeze assets in London banks that were stolen by Sani Abacha, the country's former dictator. (Editor: The British authorities finally agreed to co-operate with Nigerian investigators on 8 March, almost nine months after the request for legal assistance was made by the Nigerian government.) The government is concerned about the "very low" number of money laundering prosecutions in the UK, which reflects the low priority given to it by the police. The bill will widen the offence, so a banker or other person in the regulated sector can be prosecuted for failing to report evidence of any form of money laundering. Also, the prosecution will have to prove only that the accused had reasonable grounds for suspecting a person was engaged in money laundering. The widened offence would continue to be punishable by up to five years in jail. The bill will establish a criminal assets recovery agency, next year or in 2003, which is to investigate and seize wealth accumulated through criminal activity. Financial investigators will have powers to require financial institutions to provide details of accounts held by a person under scrutiny

Financial Times, 6 March 2001

Vietnam: Thousands sacked for graft, new party chief elected

Vietnam's Communist Party has expelled nearly 3,000 members and disciplined more than 16,000 others in a drive against graft and mismanagement in the past two years. Up to 53 senior cadres, including 11 members of the powerful Central Committee, had been disciplined, the deputy head of the committee's Organising Commission Pham Van Tho told a news conference on the second day of a party congress. Tho admitted that the campaign against government graft and mismanagement had fallen short of expectations. He said the outgoing central committee suggested stricter requirements for senior officials to disclose assets and financial sources. Party chief Le Kha Phieu, who had staked his reputation on cleaning up corruption, was replaced at the party congress on 21 April by a new reform-minded party leader Nong Duc Manh. The choice of Manh as party chief reflects the widespread desire for greater transparency. During Manh's de facto tenure as chairman of the National Assembly, ordinary Vietnamese suddenly found that they could switch on the TV and watch legislators pose hard questions to the nation's ministers, and even send in their own questions by phone, letter or email

*CNN, 20 April 2001,
Far Eastern Economic Review, 3 May 2001*



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Recent TI chapter activities

In **Algeria**, recent amendments to the Penal Code seen as curbing freedom of the press have led to demonstrations. On 29 May, 21 Algerian daily newspapers refused to publish. TI's Algerian contact Djilali Hadjadj, the author of the recently re-published "Corruption et democratie en Algerie" (La Dispute Editeurs) has once again become the victim of judicial harassment. Since the beginning of the year, he has received eight summons to appear before a court on the grounds of defamation. The main case against him has been brought by a retired general, Mohamed Betchine, who is mentioned in Mr Hadjadj's book.

TI-Bangladesh presented awards to seven journalists from different national dailies for their investigative reports in 1999-2000 at a ceremony on 29 March 2001. TI-B hopes that the awards will help consolidate awareness created by last year's Corruption Database reports, which highlighted widespread corruption across all sectors. Corruption is so insidious that foreign direct investment in the country has halved; public confidence in the health and law enforcement agencies is at an all-time low; and government financial losses incurred by corruption in the last six months of 2000 were the equivalent of 2.6% of GDP. TI-B called for the setting up of independent watchdogs to monitor the political and law enforcement sectors, and for greater transparency in the election manifestos of all political parties.

TI Brussels has taken steps to convince Belgian banks to adhere to the anti-money laundering guidelines known as the Wolfsberg Principles. Following a discussion with TI Brussels' Advisory Council, the board of Fortris Bank, the largest Belgian commercial bank, has decided to formally adhere to the principles. TI-B Chairman Jean Godeaux has approached the association of Belgian banks with a view to broadening support.

Transparencia Brasil's efforts in advocating an anti-corruption programme in Sao Paulo have come to fruition. The Sao Paulo municipality and the World Bank Institute (WBI) announced that an anti-corruption programme would be launched in the city administration. In the past few months, Transparencia Brasil has been involved in critical discussions with both the WBI and Sao Paulo's mayor in order to reach agreement on the project. The programme will begin with an eight- to nine-month diagnosis, meant to examine the city administration's vulnerability to corruption. After heavy cases of corruption in the city of Londrina, in the state of Parana, led to the mayor's impeachment, Transparencia Brasil began working with the government and civil society in the city. An anti-corruption programme has been initiated in collaboration with the new mayor, elected in November 2000, and the local university.

Transparencia por Colombia (TPC) has taken significant steps forward in drafting and defining the chapter's mission statement, values and code of ethics. Working with the Colombian Centre of Entrepreneurial Responsibility, TPC is also developing a work methodology for small and medium-sized enterprises to implement organisational ethics programmes. A pilot project has already been established in Hermagu, with the development of an ethics programme in a 35-strong spare parts company. TPC and the Ethics Resource Centre have also proposed that two large corporations, Credibanco (VISA franchise holder) and Loceria Colombiana (subsidiary of Corona), incorporate organisational ethics programmes into their operations. TPC is also looking to setting up similar initiatives with other NGOs.

TI Germany has just published an analysis of party-funding legislation. The report comprises an extensive comparison of the proposals put forward by the different German political parties as well as TI Germany's own proposals and is being submitted to the Rau Commission of independent experts. The main finding of the analysis was that a number of the proposals make tentative steps in the right direction, but are no way far-reaching enough to promote the necessary reforms for the German party financing system.

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Under the theme "Ghana United Against Corruption", the Ghana Anti-Corruption Coalition (GACC) was officially launched in Accra on 31 January. Its secretariat is the TI chapter-in-formation in Ghana, known as the **Ghana Integrity Initiative (GII)**. The Coalition unites diverse public and non-state

institutions in the fight against corruption, as well as politicians such as Vice-President Alhaji Aliu Mahama. The GII has become a key player in the fight against corruption. Last September, GII commissioned the Action Plan against corruption, which outlined anti-corruption strategies for Ghana's public bodies. GII is now conducting a programme of Public Ethics Education for Institutional Executives and Parliament which, with the technical support of TI, included an ethics retreat for the presidency of Ghana. Following the change of government, GII is stepping up its efforts to push for the adoption of a Code of Conduct for Ministers of State in Ghana.

TI-Hungary is undergoing renewal and restructuring. At the beginning of April, the "oldest" chapter in Central and Eastern Europe signed a co-operation agreement with a group of young journalists, lawyers and academics with the aim of pooling resources to reach a much wider audience. Together, they will establish a joint secretariat to run the new alliance's day-to-day activities.

TI-India and its sister organisation Lok Sevak Sangh called another Satyagraha (peaceful civic protest) against political corruption on 4-25 April. Over the past few years, Lok Sevak Sangh and TI India have repeatedly lobbied the government for the establishment of a Lok Pal Bill (to establish a federal ombudsman), a declaration of assets by parliamentarians and a government audit of party accounts. TI-India has now obtained the written support of 100 parliamentarians across party lines. The Indian cabinet has since cleared the Bill to be introduced in the budget session of Parliament. Meanwhile, TI India is also conducting a project on tackling micro-level corruption in six Delhi government departments and has been entrusted by the city to develop charters for the Delhi civil service and a proposal to improve the delivery of services.

In March, **Shvil TI-Israel** began conducting a training programme on Ethics Codes and Programmes for 24 local government leaders. The course meets once a week for a duration of four months and is held at the Inter-disciplinary Centre of Herzelia, as part of their Political Leadership Programme.

In February 2001, **TI-Latvia** (Delna) began its "Openness in Political Party Financing" project which was financed by the Soros Fund Latvia (SFL). Latvia's government has proposed the future possibility of political parties being financed from the national budget, and draft legislation to this end has been prepared. TI Latvia intends to raise public awareness for the need for real openness and transparency, and encourage a dialogue between the public and political parties about party financing. All political parties were invited to provide an account of their campaign expenditures, and only one major party categorically refused to do so. Experts will analyse this information in addition to monitoring campaign advertising.

TI-Malaysia awarded the Mayor of Seoul, the Honourable Goh Kun, the TI-

Malaysia Global Integrity Medal 2001 at a ceremony in March. Careful consideration was given to the work of Mr Goh Kun in transforming a once corrupt city administration into a more open, transparent and accountable city government. Over the past two years, he has introduced a number of good governance and anti-corruption measures which have proven effective. Meanwhile, TI Malaysia President Tunku Abdul Aziz met with the Malaysian Minister of Justice, the Chief Justice, and the Attorney General, in order to seek co-operation on developing a sustainable national integrity system and on measures to improve transparency and accountability. It was agreed that TI would develop joint integrity and accountability programmes with several ministries.

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For the first time in Mexican history, the government has opened its doors to a civil society organisation, **Transparencia Mexicana**, to evaluate the capacity and functioning of the National Control System. Mexico counts on more than 250 Internal Comptroller's Units at the national level as well as on 32 provincial comptroller's offices - all covered by the study. The diagnosis, which was co-ordinated by Transparencia Mexicana in co-operation with the Federal Department of Control and Administrative Development (SECODAM), identifies strengths and weaknesses of the institutions and generates comprehensive information on the "institutional infrastructure" of the system. The document will soon be available on the Internet.

A **TI-Nepal** Support Group was established in Biratnagar and convened by former minister Radha Prashad Ghimere. The group, which consists of 16 eminent persons from various sectors of society, will function as a watchdog and public forum by raising important local issues.

As part of the Public Sector Ethics Initiative in Nigeria, **TI-Nigeria** gave a presentation on anti-corruption programmes at a presidential and cabinet retreat in late February. The ethics project has thus included the first Ethics Pilot Workshop, held in February at the Ministry of Transport. This was the first of three planned workshops on formally developing a code of ethics for the Nigerian public service. Further pilot workshops with agreed ministries are planned.

The Management of the Karachi Water & Sewage Board has approved **TI-Pakistan** Karachi Chapter's proposal to adopt an Integrity Pact (IP) for all procurement within the body. The pact is comprehensive, covering all consulting, construction, and goods and materials. This is the first IP ever to be adopted in Pakistan.

TI-Panama is currently working on a project to promote better access to information in Panama. The chapter is taking a holistic approach and working

along several fronts: elaboration of a draft bill on access to information; elaboration of access to information regulations within the Caja de Seguro Social (CSS), the state social security body, in order to make it more transparent; and establishment of a CSS client council to monitor implementation of the regulations. With regard to the elaboration of an Access to Information Law, the Panama chapter is preparing to lobby political groups and launch a public awareness campaign.

In February 2001 the Peruvian President invited **TI Latin American (TILAC)** President Luis Moreno Ocampo, Daniel Kaufmann of the World Bank Institute and Bolivian Vice-President Jorge Quiroga to discuss the implementation of new anti-corruption strategies. As a consequence, a National Anti-Corruption Plan is currently being developed under the leadership of the Ministry of Justice. A first draft will be presented and discussed at Peru's first national Anti-Corruption Conference on 26-28 June in Lima, Peru. The conference is being organised by the Ministry and a group of four civil society organisations which are leading the effort to create a pro-active, independent and pluralistic anti-corruption coalition.

TI Coalition Workshops were recently conducted in five regions of the Philippines. In each of the workshops, a Steering Committee was formed, with participants electing their own leaders in a process called Bathalalan. The committees are responsible for adopting an action plan for the region. **TI-Philippines** is preparing to work with government agencies and local NGOs on monitoring public projects including, for example, those of the Audit Commission and the Department of Public Works and Highways.

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TI-UK has endorsed efforts to bring UK legislation in line with the requirements of the 1997 OECD Anti-Bribery Convention. The UK has ratified the convention, but there has been no subsequent attempt to bring national legislation into conformity by criminalising the bribery of foreign public officials. TI UK has prepared a Bill to this end and Tony Colman, MP for Putney, introduced the Bill into the House of Commons in mid-March. The Bribery of Foreign Public Officials Bill would implement the 1997 OECD Convention and would be the first update to the UK Corruption laws since 1916. Mr Colman expressed the hope that the provisions of the Bill be enacted early in a new Parliament. A text of the draft Bill and explanatory notes are available at:

http://www.transparency.org/pressreleases_archive/2001/2001.03.16.bfpo.html.

TI-UK also welcomed the recent report on corruption from the Parliamentary Select Committee on International Development. The Report, which provides the government with a clear agenda, is the outcome of the hearings held by the committee over the last six months, to which TI-UK gave evidence in October 2000 in the form of a 70-page statement. The report covers much of the ground on which TI-UK has been campaigning for the past seven years.

Recent TI Chapter Launches

TI Bosnia and Herzegovina

Launch: Banja Luka, 23 February 2001

Contact:

Boris Divjak, President, TI-BiH

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51000 Banja Luka,

Bosnia and Herzegovina

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E-mail: ti-bih@blic.net

TI Botswana

Launch: Gaborone, 20 February 2001

Contact:

H.C.L. (Quill) Hermans,

Executive Director,

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Gaborone, Botswana,

Tel: +267 306 818,

Fax: +267 306 811,

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TI Kenya

Launch: Nairobi, 15 May 2001

Contact:

TI-Kenya, PO Box 198,

00200 City Square, Nairobi, Kenya,

Tel: 254-2-727763/5,

+254 (0)733-834659/60 (mobile),

Fax: 254-2-729530,

E-mail: tikenya@wananchi.com

TI Serbia Launch: Belgrade, 12 March 2001

Contact: Predrag Jovanovic,

President of the Transparency Group

of the European Movement in Serbia,

Dure Jaksica 5/1,

11000 Beograd, Yugoslavia,

Tel/fax: +381 11 630 281 or +381 11 636 533,

E-mail: emins@EUnet.yu epus@EUnet.yu

Internet: <http://www.emins.org>

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Recent Surveys

Transparencia Brasil

On 10 May 2001, the TI National Chapter in Brazil made public the results of a national survey on corruption conducted and donated by Ibope, Brazil's leading survey organisation. Due to the recently held municipal election, the survey put an emphasis on the buying and selling of votes, showing that 6% of Brazilian voters were approached with an offer to buy their ballots during the 2000 municipal elections. On the same occasion, 9% of people approaching the municipal administration to solve problems were confronted with the requirement that they vote for a particular candidate in order to have the service done. Furthermore, during the last 12 months, 4% of those surveyed were directly or indirectly asked to pay a bribe to a government official for him to fulfil his duty. The study also revealed that the majority of Brazilians believe that corruption is on the rise. See the complete report at <http://www.transparencia.org.br>

Ghana Governance and Corruption Survey

The January launch of the Ghana Anti-Corruption Coalition (see p.13) served as the occasion to release the Ghana Governance and Corruption Survey, a study conducted last summer by the Centre for Democracy and Development. The study captures the views of 1,500 Ghanaian households, 500 businesses and 1,000 public officials on the prevalence of corruption in the country. According to the survey data, Ghanaians see corruption not only as a serious problem, but also as one that is on the rise. As many as 80% of households consider corruption to be worse today than three years ago, and 82% of public officials believe corruption has become more widespread in the same time period.

TI-Greece

TI Hellas has carried out a public opinion survey on the relationship between private citizens and both state institutions and the private sector. The research study was designed and conducted by Prognosis S.A. (a member of Esomar) in January in the greater Athens area, using a representative sample of 920 people. Among the findings were the following: 45% of those polled stated that at some point they had been obliged to offer an additional payment to a public service employee in order to advance their specific case. This activity was found to be predominant in the healthcare, fiscal and construction sectors, and in the acquisition of various licences such as a driving licence or business registration. The majority of respondents stated that the long-term duration of this phenomenon has led to it becoming "institutionalised" and therefore either directly or indirectly accepted by the general public.

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TI-Portugal

TI Portugal has conducted a survey on perceptions of corruption in Portugal, which was distributed by the three leading Portuguese newspapers and six Chambers of Commerce. The respondents (numbering 7,850) identified education and religious institutions as the most transparent in Portugal; and the

sports system and local administrations as the least transparent. The behaviour of the public administration and the judiciary were the two factors most commonly identified as influencing levels of corruption in Portugal. For additional information on this survey, please contact Jorge Vasconcellos: nop48670@mail.telepac.pt

Transparency South Africa

Transparency South Africa (T-SA) jointly launched South Africa's first-ever on-line survey, together with the international auditing firm KPMG and the Public Service Commission (PSC), on 7 March in Johannesburg. The South African Ethics Practice Survey is designed to establish a snapshot of current ethics practices, and will act as a barometer of the views of South African non-governmental organisations, business and government bodies on both ethics trends and means to improve ethical practices. It will also address issues such as conflict of interest and corporate courtesies. The PSC is interested to discern what impact, if any, the Public Service Code of Conduct has had on the behaviour of public servants and on service delivery. Final results of the survey are expected soon.

South Asian chapters plan regional survey

The five South Asian TI chapters (Bangladesh, India, Nepal, Pakistan and Sri Lanka) met in April in Bangladesh to co-ordinate their planned national corruption surveys. The individual questionnaires will be designed in such a way that the data may be aggregated in a regional survey. The project is co-ordinated by Dr Jamal Munshi, a volunteer of TI-Bangladesh, and results are expected in October.

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Public procurement initiatives of TI chapters

Latin America

On 20 March, a regional project on public procurement was launched by several Latin American chapters. The aim, via a structured discussion, is to reach a consensual regional position on: changes in the legal framework of each participating country, proposals for changes in the standards and activities of international financial institutions across the region, development of civil society tools to enhance transparency in procurement, and monitoring of progress. All Latin American chapters have been invited to participate in the discussions. A first web site for the debate is located at:

<http://www.transparencia.org.br/licitaciones>

South-Eastern Europe

On 21 March, the TI South-Eastern European chapters-in-formation, namely TI Bosnia and Herzegovina, TI Croatia and TI Serbia, together with Bostjan Horvat, national contact in Slovenia, adopted the Initiative on Public Procurement in South-Eastern Europe. The initiative establishes a mandate, action plan and activities for its Members. It focuses on public procurement in a regional context and aims at mutual harmonisation among the participating countries, ultimately bringing procurement in line with best practices in the European Union.

Special features

Everything your ever wanted to know about corruption, but were afraid to ask...

It is a society's underlying values and public awareness to ethical questions that underpin the pillars of an Integrity System and give the whole structure whatever strength it has, explains TI Executive Director Jeremy Pope in the new, expanded edition of the Transparency International Source Book. *Confronting Corruption: The Elements of a National Integrity System*. From the executive, legislature and judiciary, through the private sector and watchdog agencies to an independent media and civil society organisations, each pillar, and its relationships to the others, is crucial to maintain the equilibrium of the system. Now, with the assistance of TI's national chapters, 18 country studies have been published evaluating National Integrity Systems in operation. TI presented the reports in The Hague on 28 May. Entitled *The National Integrity System: Concept and Practice, A Report by Transparency International for the Global Forum II Conference*, the publication was edited by Alan Doig and Stephanie McIvor of the Centre for Fraud Management Studies, Liverpool John Moores University in the UK. The countries are: Argentina, Botswana, Brazil, Bulgaria, Canada, Colombia, Fiji, Ghana, Jordan, Kazakhstan, Republic of Korea, Lithuania, Mexico, Mongolia, Nepal, The Netherlands, Senegal, and Trinidad and Tobago. The country reports will be posted on the web in the near future. In the meantime, check out the [TI Source Book](#).

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Interview: Inese Voika Latvia embroiled in controversy over shipping privatisation

Latvian shipping is the world's third largest shipping firm in terms of oil product handling. Four attempts have been made to privatise the concern in five years and failure to do so has brought down two governments (Financial

Times, 1 May 2001). Past attempts to privatise it have been riddled with accusations of bribery, and it is one of the most politically charged issues in Latvia.

That is why when Eizens Cepurnieks from Latvian Shipping paid a visit to Delna (TI Latvia) on 17 January, with new bribery allegations, it came as no surprise to Delna president Inese Voika. "We always listen when people come to talk to us about such cases," says Voika, "but his claims didn't sound logical." Instead of taking his complaints to the Prosecutor's office, as Delna suggested, Cepurnieks went straight to the press with his story. The national chapter was immediately flooded with calls about the allegations, which Voika, a journalist by training, says is "typical of the media driven by scandal". The situation was aggravated when Voika spoke about Cepurniek's visit off-the-record to a journalist friend. That journalist went public with the story. For weeks, the press buzzed with talk of corruption and shipping and TI.

Delna went on to monitor the shipping privatisation, signing an Integrity Pact with the Privatisation Agency on 23 January. But while the chapter had never been accused of any wrongdoing, the media remained on guard. "The media is suspicious of politics," notes Voika. "The problem is that when you get involved in privatisation, you suddenly find yourself on the political scene. And this is one of the first cases in Latvian history when someone has entered politics with no political agenda," she says. The idea of a civil society monitoring privatisation was indeed new, and Voika says that many journalists and politicians did not understand the idea or support it from the beginning. But she stresses that the publicity TI-Latvia received at the time did not damage the chapter's reputation and that it actually increased their visibility. "Even those who did not like us, respected us because of the media attention we received," she adds. "After all, our reputation depends on how well we do the monitoring and other projects."

As for lessons learned from this brush with the media, Voika says: "A first step is to have basic rules for the procedures to follow when dealing with the public and with whistleblowers in particular." Voika stresses that chapters can learn from each other, not only what to do, but how to do it. "Before we started monitoring, we read a report from TI-Slovakia with recommendations about introducing transparency. But then I learned from our Slovak colleagues that when they made their final presentation, the media created so much noise that the Economy Minister was forced to resign. (TI-Slovakia President) Emilia Sicakova said she was afraid to open the newspaper the next morning. And if we had known that, it would have helped us to prepare. You have to prepare as though you are really going into politics."

When asked how to avoid getting caught up in the political wrangling, Voika stresses the importance of finding credible experts to carry out the monitoring and keeping a distance from those you monitor. She offers a pragmatic piece of advice: "You can be quite small when you start monitoring privatisation, but once you start, you will meet with success. Even if the privatisation does not proceed smoothly, it is still a success. And as they say, the most difficult thing is to manage success. So be ready for it. You suddenly need to become much bigger in order to fulfil the demands made of you. Very much will depend on your leadership - how well they can juggle both pressure and principles, both fame and blame." It looks as though TI Latvia survived this time.

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Corruption Reports

A sample of corruption cases from around the world

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Africa

DR Congo: Plunder by officials in nearby lands

A report on the looting of the Democratic Republic of Congo's natural resources by armies involved in Africa's widest war has opened what some diplomats say is a long overdue debate on official profiteering. A panel of international experts recommended that the UN Security Council establish a system for formally investigating and prosecuting military and government leaders involved, particularly in Rwanda and Uganda, and compensation for Congolese who have suffered from the looting of the resources. "Illegal exploitation of Congo's mineral and forest resources is taking place at an alarming rate," the report said. The stripping of diamonds from areas under the control of Ugandan and Rwandan troops was described as significant. The panel's preliminary investigations built a trail of evidence to the offices of presidents Museveni and Kagame. Uganda called the report "fiction"; Rwanda "totally biased". A statement of the UN mission in Congo said: "This war was not one that dealt with the concerns of neighbouring countries, nor was it a war that sought to protect a certain ethnic minority, but rather it was a war for the plundering of natural resources."

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Kenya: Leakey leaves, casting pall over anti-graft efforts

The man who was hired to clean up government in Kenya, world-renowned conservationist Richard Leakey, has stepped down after less than two years, throwing the future of reform into doubt. In 1999, President Daniel arap Moi astonished Kenyans by appointing his former political foe, Dr Leakey, to reform the government and take charge of the civil service. Leakey hired five top private-sector executives as part of a so-called dream team that would take the reins of government departments and reassure international investors. Leakey's sudden departure comes with the reform process at a standstill. Several of his key efforts - cutting 40,000 government jobs, an independent corruption watchdog, a civil service code of ethics, and privatisation of the state-owned telecommunications company - have all been put on hold, whether by courts, the Parliament, or by President Moi. "I think we can say goodbye to reform," says John Githongo, Executive Director of Transparency International Kenya. "The reform process has been stuck since last November, and this is the

final nail in the coffin."

Christian Science Monitor, 28 March 2001

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South Africa: Yengeni stands firm over Mercedes

Tony Yengeni, chief whip of South Africa's ruling party, the African National Congress (ANC), has dug in his heels over allegations that he was given a car by a company involved in a US\$5.5 billion arms deal. Parliament's ethics committee received a report from the registrar of MPs' assets confirming that Tony Yengeni's acquisition of the Mercedes Benz four-wheel drive "was not a normal business transaction". Yengeni has adamantly denied that the car was a gift. Allegations of impropriety in the deal, which will see South Africa buy vessels and aircraft from German, French, Swedish and British companies, are the subject of probes by three state agencies. DaimlerChrysler Aerospace confirmed in April that Yengeni's car was bought by a senior staff member and registered in Yengeni's name three days later. It also acknowledged that it "rendered assistance" to some 30 VIPs to obtain vehicles. The investigation into the arms deal began in January after the opposition charged that the government appeared to be covering up corruption, and the investigators are due to report to parliament in July.

Mail and Guardian, 9 May 2001

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Togo: Government runs up \$20 million phone bill

Togo has rung up more than US\$20 million in telephone bills from improper use by civil servants and ministers, according to the government newspaper. Quoting a report by the west African country's anti-corruption committee, Togo-Presse said arrears had accumulated between 1994 and 2000. The worst offender was the communications ministry. The newspaper said phones in ministries and public buildings were used freely by strangers to make international calls, often with the complicity of government employees, and even ministers, in exchange for a small bribe. A decision to cut lines at the ministries has been made.

Reuters, 4 May 2001

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The Americas

Argentina: Central Bank president dismissed

Argentina's Central Bank president, Pedro Pou, was dismissed by President Fernando de la Rúa after a congressional committee recommended his removal from office. The Central Bank chief, who denied wrongdoing, was accused of having withheld information in an investigation into money laundering. The

scandal first erupted on February 5 when a preliminary report from the US Senate subcommittee on investigations found that several Argentine financial institutions laundered money from drug dealing and bribery. President de la Rúa had first supported Mr Pou against the allegations, but recently said he would accept the recommendations of the congressional committee.

*New York Times, 1 March 2001;
Latin American Weekly Report 1 May 2001*

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Brazil: Corruption in development agency and senate

In a storm of corruption accusations against government officials and senators, Regional Development Minister Fernando Bezerra resigned after admitting that US\$280 million in funds were missing from the development office of the Amazon (Sudam), which oversees infrastructure and social projects in the Amazon region, one of the poorest and least-developed areas of Brazil. The directors of Sudam were dismissed in March and a new chief was named to manage the agency. President Fernando Henrique Cardoso has been fighting since February to stop a corruption inquiry into leading figures in his coalition, arguing that it would divert Congress from passing important reforms, and that the allegations should be investigated by the police and prosecutors, not posturing opposition congressmen. Another inquiry is investigating two senior pro-government senators suspected of pressing an official to reveal how fellow senators had voted in a secret ballot to expel a colleague accused of embezzling public money.

*Weekly AAAFlash, 29 April 2001;
Economist, 12 May 2001*

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Peru: Facing the past and future chances

Peru is still feeling the impact of Fujimori's corrupt regime of the past decade even as it experiences the beginnings of democratic change. After Congress voted to remove immunity from former president Alberto Fujimori in February, the Peruvian government is now preparing an indictment against him on charges of abandoning his post and failing to fulfil his duties as a public servant. A wave of further criminal counts are expected to be brought against him. As Fujimori has maintained that he will not return to face charges, the government will seek his extradition from Japan. Furthermore, the release of videos clandestinely taken by Vladimiro Montesinos, the country's former chief of intelligence, has revealed to Peruvians the extent of corruption in all branches of Fujimori's government. Some \$US70 million has been found in bank accounts linked to Montesinos. So far only a small portion of the 2,400 videos has been reviewed by the courts, leading to arrests of eight active and retired generals, one Fujimori cabinet minister, two senior government prosecutors and one mayor. Four Supreme Court judges are also under investigation.

*International Herald Tribune, 5 February 2001;
Washington Post, 10 March 2001*

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USA: Bruce Carter - prosecutor of corruption

Assistant US Attorney Bruce Carter, who has spent three decades sending crooked politicians, corrupt officials and white-collar criminals to prison, is to retire in April. His career began in 1971, when much of the state political process that is now open to the public was conducted in secret. "It has been wonderful to see how the existence of public disclosure reporting has become the norm, and has gone a long way to remove those secret relationships that tended to corrupt the political process," he said. One of Carter's biggest corruption cases began with a West Seattle bridge contract, stretched across the nation to Vice President Spiro Agnew, and ended with the conviction of state legislator Robert Perry for extortion and income tax evasion after he returned from an overseas fugitive lair in 1979. Carter and fellow Prosecutor Steve Schroeder extracted US\$45 million in restitution to the Washington Public Power Supply System and other utilities defrauded by pipe contractors who had cheated on costs using inflated invoices. More recently, Carter has been prosecuting health-care fraud cases as part of the interagency Medfraud Task Force, which has obtained 29 convictions and has recovered US\$8.75m since its inception in 1992.

Seattle Post-Intelligencer, 15 March 2001

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USA: Global construction conspiracy to defraud US

A group of international construction companies going by the name of the Frankfurt Group conspired for seven years to de-fraud the American government out of tens of millions of dollars earmarked for Egyptian water projects as part of the Middle East peace accords reached during the Carter administration. The group, so-called because many of the larger companies were American subsidiaries based in Frankfurt, rigged Egyptian water project bids tendered to the US Agency for International Development in the late 1980s and early 1990s. Bribes and kickbacks were made to other potential contract-bidders. ABB, the Swiss engineering company, has agreed to pay US\$63 million in fines and restitution for bribing rival companies to the tune of US\$3.4m to submit artificially high tenders which would allow ABB to inflate its own tender to build a waste-water treatment plant in Abu Rawash. ABB subsequently won the contract with their tendered bid of US\$135m. Justice Department court records show that other companies involved in the scam were able to record profits of as much as 60% on the projects. Related court civil records show that the US\$3.4m was paid to an unincorporated joint venture between Bill Harbert Construction and the J.A. Jones Construction Company, a subsidiary of Frankfurt-based Philipp Holzman A.G. Irregularities discovered by former Jones controller/treasurer Richard F. Miller pointed to proof of a wider rigging scheme which secured a US\$107m sewer contract in Cairo. Activities uncovered by Miller's federal whistleblower suit included the wire transfer of US\$3.5m to a company for fictitious "pre-construction costs" and a bogus "sales-leaseback" arrangement involving Sabbia, a Jones subsidiary company. US\$14.4m in lease payments were made to Sabbia, but the US\$4m equipment costs incurred by Sabbia were never paid. That money remained in a Swiss bank account to be used as a fund to disburse bribes to other members of the Frankfurt Group.

New York Times, 13 April 2001

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Asia and the Pacific

Australia: Self-scrutiny for watchdog

The Independent Commission Against Corruption (ICAC) has been investigating its staff to discover if any of them have been improperly killing off complaints before they are investigated. A spokesman for ICAC confirmed that former Supreme Court judge Mr John Slattery had begun investigating allegations of malpractice made by John Kite who claims he was sacked by the National Parks and Wildlife Centre as a result of his claims of mismanagement within the Centre. "There's an inference that there's this person on the inside and if the complaint does go to the commission we have someone who can sweep it under the carpet," a spokesman said. Mr Kite was a senior officer with the service at the time of the Thredbo landslide in 1997 and has made allegations about mismanagement of the Kosciuszko National Park to ICAC and the NSW Ombudsman.

The Sydney Morning Herald, 16 February 2001

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India: Quake unearths builders' scams

The revelations of corruption in India's defence ministry, exposed by the internet company Tehelka, have caused some much-needed public introspection. But the Gujarat disaster holds far more cogent lessons for the country than kickbacks in defence deals. The Gujarat calamity claimed more than 50,000 lives, and more than 200,000 people were injured. The financial toll was heavy, with some estimates putting the loss at around US\$5 billion. Clearly, the poor quality of construction aggravated the damage, causing an avoidable tragedy. Within a week of the quake, the Ahmedabad police had registered 37 cases of culpable homicide and criminal conspiracy against builders, architects and engineers. Media reports had also begun to indicate that powerful political lobbies had been sheltering the builders. Huge amounts of money are spent on civil engineering works every year. Many experts believe that half the amount spent, particularly on construction of buildings, goes down the drain of corruption. While civil engineering works such as dams, canals, and water schemes all have automatic objective scientific quality norms, the construction of buildings does not, leaving immense scope for the siphoning off of public funds at the expense of the common people.

The Times of India, 2 May 2001

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Oman: Ex-minister jailed for corruption

In what is seen as the most high-profile case in Oman's judicial history, Mohammed bin Moosa Al Yousef, a former minister and noted entrepreneur, has been jailed for six years and fined for corruption and other acts of malpractice. His three close associates, two Omanis and an Indian, who were running his growing business empire, were awarded lesser punishments. The President of the Penal Court, the country's highest, said in a historic judgement at the end of the six-month trial, that Al Yousef had been found guilty on three counts: breach of trust, manipulation of share prices in the Muscat Securities Market, and violation of the Muscat Securities Market Law. In other news, the former chairman of Oman Housing Bank, the former general manager, and some other senior officials were also recently jailed for embezzlement.

Gulf News Online, 9 May 2001

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Pakistan: 65% of corruption cases end up in compromise

The anti-corruption department, Rawalpindi in Pakistan, has become a compromise centre: 65% of the cases disposed of last year ended in a settlement between the complainant and the "accused". The law requires that the complainants, withdrawing allegations, would have to be pursued under section 182, but actually only 10-15% of such accusers are charged under the relevant law. Sources said the officials of the anti-corruption department themselves engineer the compromise by pressuring the complainant to withdraw charges against the accused officials. The sources further said that the department was investigating a number of corruption cases against officials of police and revenue departments. Fear was expressed that these cases would also end in compromise.

Dawn, 10 May 2001

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Europe

France: Oil man says Chirac knew of bribes

The former boss of oil giant Elf said that the payment of covert commissions to foreign governments had been routine practice for French state-owned firms and was allowed by successive presidents. In potentially explosive interviews with two newspapers, Loik Le Floch-Prigent, one of seven defendants in the Elf trial including the former foreign minister, Roland Dumas, said he was fed up with being made the scapegoat for a culture of corruption that he alleged extended to the very top of the state. Mr Le Floch-Prigent, who faces up to five years in prison on charges of presiding over Elf's estimated US\$430 million slush fund, accused the political establishment of hypocrisy in failing to acknowledge its key role in a massive system of illicit payments aimed at securing Elf's interests in Africa, Spain and Germany. "A large number of people at the heart of the government were aware of the sums at stake," he told Le Figaro. "All the presidents knew. Jacques Chirac knows. Once a year, the president of Elf goes to the Elysee with a chart recording the commissions for the year. It represents hundreds of millions of francs." The scandal centres on allegations that the late president Francois Mitterrand's close friend, Mr Dumas, benefited from commissions paid by Elf in a contract for the sale of frigates to Taiwan. Meanwhile, 30 French MPS have signed a petition to impeach President Jacques Chirac over corruption during his 18-year tenure as mayor of Paris. But observers say that there is little hope of the petition making it through parliament

Daily Telegraph, 19 May 2001;

BBC, 21 May 2001

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Germany: Berlin leader quits in scandal

Klaus Landowsky, the speaker of Berlin's city council, bowed to political pressure yesterday and said he would resign following a loan scandal. Mr Landowsky, a member of the Christian Democrats (CDU), faced calls to

quit after admitting to taking a political donation in 1995 from property developers who subsequently won a big loan from a city-controlled bank he ran. The resignation of Mr Landowsky, a close associate of conservative Mayor Eberhard Diepgen, is another embarrassment for the CDU, which is still suffering from the aftershocks of a slush fund scandal around former Chancellor Helmut Kohl.

Financial Times, 7 May 2001

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Italy: Berlusconi's return

Silvio Berlusconi and his centre-right coalition won the Italian elections on 13 May. Because he controls Italy's three private television networks, its largest publishing house and a financial services conglomerate, Mr Berlusconi's political ambitions give rise to a seemingly inescapable conflict of interest between his public role and business interests. This issue bedevilled Mr Berlusconi throughout his first tumultuous, seven-month stint as prime minister in 1994. He has so far failed to explain how he plans to resolve the conflict this time around, other than to say that he would appoint a panel of three foreign experts to propose appropriate legislation. Mr Berlusconi left office in disgrace, but denies any wrongdoing. Tax fraud and corruption charges are still pending against him.

*New York Times, 11 May 2001;
International Herald Tribune, 11 May 2001*

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Romania: Anti-corruption head quits in row with premier

The head of a commission charged with tackling spiralling corruption in Romania resigned after clashing with the prime minister and claiming he was being spied on by security agents. Ovidiu Grecea, who has taken a hard line on exposing corruption in Romanian politics and business, said he was stepping aside to make room for someone "more loyal" to Prime Minister Adrian Nastase. He had accused senior interior ministry officials of failing to sack individuals under investigation for their role in suspect privatisations and said intelligence services under the ministry's control had followed him and bugged his phones. Analysts said the developments raised worrying questions about government commitments to attacking the dishonesty, bribery and profiteering which have swept through Romanian public life since the overthrow of communism in 1989. Nastase's party, which has effectively ruled Romania for all but four years since then, has been accused of widespread cronyism and criticised for a heavy-handed response to dissent.

Reuters, 16 March 2001

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Russia: Audit chamber powerless against corruption

Former Deputy Chief of the Audit Chamber, Yury Boldyrev, has stated that most investigations made by the agency were ignored by the country's political leadership because they too were involved in corruption and had links to organised crime. In an interview with Moscow's leading Moskovskii Komsomolets newspaper, he

revealed that former Duma speaker Ivan Rybkin and several aides of former Prime Minister Viktor Chernomyrdin had created an illegal "Fund for Russian-American Partnership". On being ordered to cease its activities, all Fund assets were immediately transferred abroad. The Fund's Director, Vladimir Sterlikov, was assassinated in a contract killing.

Russia Reform Monitor, 3 April 2001

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Russia: Chief notary of Russian Federation murdered

The chief notary of the Russian Federation, Anatoly Tikhenko, was gunned down near his house in Moscow in what has been described by Moscow radio station Ekho Moskvyy as a "paid killing". Investigators told the station that it was likely that Tikhenko's death was probably a result of his efforts to bring increased transparency and accountability to the corruption-ridden notary business. Russia Reform Monitor (American Foreign Policy Council),

Russia Reform Monitor (American Foreign Policy Council), 2 March 2001

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Slovakia: EU aid embezzlement tests government

On 4 May, Pavol Hamzik, Deputy Prime Minister for Slovakia's integration into the European Union, was dismissed by the Slovak President. Prime Minister Mikulas Dzurinda called for Hamzik's resignation after corruption allegations were made against one of his employees, but Hamzik refused to step down. Hamzik has been under fire since Roland Toth, who was responsible for distributing EU financial aid, was sacked last month following allegations of misuse of EU funds. Toth's dismissal was the reason that the EU temporarily suspended tenders and payments to Slovakia on 26 April. The Commission has welcomed the fact that Slovakia's investigators are expected to co-operate with the EU's anti-fraud office (OLAF) in clearing up the suspected abuse of EU financial aid.

*Radio Free Europe/Radio Liberty, 4 May 2001;
CTK News Agency, 11 May 2001*

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Turkey: Turks probe pipeline to ship Russian gas

Prosecutors are investigating allegations of corruption in a multibillion-dollar project to construct a pipeline under the Black Sea to bring Russian gas to Turkey, officials said. The probe is the latest step in a widening investigation into alleged graft in state energy deals. Energy Minister Cumhur Ersumer resigned in late April after prosecutors filed bribery charges against 15 energy officials and businessmen and implicated him in the scandal. Ersumer, who is alleged to have steered millions of dollars in government contracts to favoured companies, has denied the allegations of wrongdoing. Deputy Prime Minister Mesut Yilmaz has defended him. Many Turks believe that widespread corruption is the root cause of the country's current economic crisis that has led to a 40% fall in the value of the lira and massive layoffs. Turkey is close to sealing a financial rescue

package to help it recover from the crisis, but international money lenders want to see Turkey carry out reforms as well as see progress in the fight against corruption.

Moscow Times, 7 May 2001

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UK: Corrupt farmers spread foot-and-mouth epidemic

Corrupt British farmers are believed to have spread foot-and-mouth disease by borrowing sheep from dealers to cheat EU subsidy schemes. The UK Ministry of Agriculture is investigating reports that farmers have boosted their subsidies by claiming to have more animals than they actually had. Sheep have been "leased" before inspectors were due and returned after they have called, with the animal movements involved not being recorded. This has made it impossible to trace infections spread in this way.

Guardian(UK), 19 March 2000

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TI Internal

On 1-6 May, a TI delegation led by TI Vice-Chairman Tunku Abdul Aziz visited **Taiwan** to take stock of anti-corruption efforts in the country and to identify potential members of a future national chapter. The delegation met with the TI contact persons from the Asian Resources Centre for Democracy, NGOs, the Comptroller's Office, the Minister of Justice, the Deputy Auditor General, the mayor of Taipei and MPs from several political parties

Quick on the heels of a TI fact-finding mission to **Japan** last November, the Transparency Symposium 2001 was held in Tokyo on 11 April. The Symposium was organised by TI, in co-operation with The Asia Foundation and Arthur Andersen, and enjoyed financial support from both the Japanese government and international agencies. Participants from TI included Peter Eigen, Tunku Abdul Aziz and Peter Rooke from the Board of Directors, Margit van Ham and Lisa Prevenslik-Takeda from TI-S, and Bronwyn Best of TI-Canada. TI now has a core of interested Japanese parties, with whom we will be able to correspond regarding the potential development of a National Chapter and participation in regional and international anti-corruption events.

On 4-7 April, TI Secretariat in Berlin organised a workshop on **Transparency in Public Procurement** for TI resource persons. The event was part of the Secretariat's effort to enlarge its pool of volunteer experts on public procurement, in order to better respond to an increasing number of requests from chapters for assistance in this area. TI Board Member and public procurement and Integrity Pact specialist Michael Wiehen chaired the meeting. A total of 12 participants from six countries discussed ways of improving transparency in procurement processes through civil society participation. The TI concept of the Integrity Pact was introduced and debated. Representatives from the Colombian and Brazilian chapters reported on practical experiences with designing and carrying out procurement monitoring projects.

The **TI Secretariat's Latin American and Caribbean (TILAC)** office has relocated to Santiago, Chile, where it is sharing office space with TI-Chile. Programme officers for Latin America Karen Hussmann and Sandra Pabon can be contacted at:

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New Publications

Corruption and Democratisation

edited by Alan Doig and Robin Theobald

The advent of the information age, of globalisation and the rule of big corporations means that the effects of corruption are increasingly felt the world over. The very real effects of corruption on ordinary people's daily lives has created a welter of opposition in civil society. This collection of essays examines the development of anti-corruption strategies, the importance of democratisation in a civic context and the fundamental fight against corruption. Taking Australia, Uganda, Botswana, the Caribbean and Singapore as case studies, Doig and Theobald examine the congruence or otherwise of a strong civil society, democratisation and anti-corruption practices in what is a pioneering work on the theme

176 pp., Frank Cass Publishers

ISBN 0714649961

A Culture of Corruption?

Coping with Government in Post-Communist Europe

by William L. Miller, Ase B. Grodeland and Tatyana Koshechkina

A series of in-depth surveys and accompanying focus groups contribute to a remarkable book which tells how ordinary citizens are coping with government in Ukraine, Bulgaria, Slovakia and the Czech Republic. It portrays how citizens there cope as individuals in their day-to-day dealings with low-level officials. It focuses on how citizens and officials interact, on how they feel about those interactions, how they interpret them and how they would reform them. Essential reading.

320pp., Central European University Press

ISBN 639116998

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Conferences

7-11 October 2001, Prague, Czech Republic

"Together against corruption: designing strategies, assessing impact, reforming corrupt institutions" will be the theme of the 10th International Anti-Corruption Conference hosted by the Government of the Czech Republic and TI Czech Republic. The conference series is overseen by the IACC Council, for which TI serves as Secretariat. The IACC is the principal global forum for all those with a stake in anti-corruption efforts - from government, the private sector and civil society. Some of the confirmed plenary speakers who will address the conference include Vaclav Havel, Czech President; Vicente Fox Quesada, President of Mexico; Jean Lemierre, President of the EBRD; Ann Pettifor, Director of Jubilee 2000; and George Soros. This year, participants will be able to choose from a variety of practical and participatory workshops on topics such as "Corruption in health services: reducing its impact on the patient", "Corporate integrity guidelines: fig leaf or shield?" and "Corruption and the arms trade: is transparency an antidote?".

For further information please visit the website
<http://www.10iacc.org>
or contact
Michal Burian, burian@transparency.cz

26 October 2001, Hotel Diplomat, Prague, Czech Republic

TI Annual General Meeting Hotel Diplomat

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