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March, 2001

## Hard times for world's anti-corruption bodies

Politics and corruption are disturbingly frequent bedfellows and, just as easily as power corrupts, the corrupt come to power. The New Year saw both phenomena in action at a time when attempts to undermine anti-corruption agencies have been proliferating around the globe. Joseph Estrada finally stepped down as the President of the Philippines on 20 January in the face of mounting evidence of corruption - and a legislature that was prepared to gerrymander the outcome in his favour. Fortunately for the people of the Philippines, the very transparency of the process exposed its shortcomings for all to see.

Yet, while power corrupted in Manila, in Bangkok a businessman-turned-politician was swept to power despite a cloud of corruption hanging over him. On 7 January the Thai Rak Thai party of billionaire Thaksin Shinawatra won an unprecedented victory in the parliamentary elections, despite the fact that Thailand's National Counter-Corruption Commission had recently stated that Thaksin had failed to declare hundreds of millions of dollars of assets that had been placed in the names of household servants.

Meanwhile in Kenya a Constitutional Court ruled that the Kenya Anti-Corruption Authority (KACA), set up in 1997, was an unconstitutional rival to the Attorney General's power to prosecute. The case had been brought by two civil servants challenging KACA's authority to prosecute them. Unless overturned, or a constitutional amendment is enacted, the ruling means that KACA will cease to exist. The court also ruled that the appointment of Justice Aaron Ringera violated the principle of separation of powers between the judiciary and the executive arm of government. Ringera has since stepped down.

The role of an anti-corruption agency with the power of the law behind it remains a contentious one. Without the unequivocal independence of the judiciary, and a clear distinction between an agency's investigative powers combined with a strong legal framework defining the obligations and powers of state prosecutors, constitutional challenges can paralyse an agency's good intentions. The establishment and impact of an anti-corruption authority require an holistic approach, where a system of transparent checks and

If the Constitutional Court turns down Thaksin's appeal, he could be banned from public office and thereby the premiership. If he does take office as prime minister, plans are allegedly already afoot to "redefine" the functions of the Commission, which is a core element of Thailand's greatly admired "anti-corruption" constitution, and which can expect to lose its essential "teeth".

Thailand's anti-corruption body has been relatively successful, but other agencies are also facing stiff opposition. As the year 2000 closed, the South African Constitutional Court ruled that the appointment of Justice Willem Heath to head the Special Investigating Unit (SIU) violated the separation of powers under the Constitution, rendering the SIU, which investigates corruption, unable to inquire into the probity of the government's R43 billion arms deal and the process of awarding contracts.

balances means that a change of political wind cannot shipwreck investigations into corruption.

To prosecute the little person is a simple task. The real test of an agency comes when it is challenged by a corrupt elite, prepared to use whatever means it can muster to derail an investigation or even undermine the entire agency.

*Peter Eigen, Chairman, Board of Directors*



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## The 3rd Page

### TI helps leading international banks establish anti-money laundering principles

by Mark Pieth

In October 2000, a group of the world's largest banks announced that they had agreed to a set of global anti-money laundering guidelines for international private banks. The participating institutions are ABN AMRO Bank, Barclays Bank, Banco Santander Central Hispano, S.A., The Chase Manhattan Private Bank, Citibank, N.A., Credit Suisse Group, Deutsche Bank AG, HSBC, J.P. Morgan, Inc., Société Générale, and UBS AG. The new guidelines state at the outset: "Bank policy will be to prevent the use of its worldwide operations for criminal purposes. The bank will endeavour to accept only those clients whose source of wealth and funds can be reasonably established to be legitimate." The principles represent the group's effort to establish anti-money laundering guidelines that are viewed as appropriate when dealing with clients in the global marketplace. The principles deal with diverse aspects of "know your customer" policies that pertain to relationships between high net worth individuals and the private banking departments of financial institutions. They require the banks to be fully cognisant of the beneficial owner of the accounts and deal with the identification and follow-up of unusual or suspicious activities.

TI has been instrumental in this process, serving as a catalyst for the banks to come together to exchange policies and practices. The result of this year-long process has been the formulation of a set of guidelines, which will make it harder for corrupt people to deposit their ill-gotten gains in the world's banking system. This is the first time that a diverse group of banks has agreed to come together to fine-tune the "know your customer" and "due diligence" rules - and senior managers of participating banks have now committed themselves to the enforcement of the principles. From the perspective of the OECD's work against corruption, this private initiative is highly significant. It renders it far more difficult to create slush funds for bribery and to hide corruption money in the regulated banking sector, since the level of awareness is raised substantially and in an internationally standardised way.

Obviously, this instrument will not be the final answer to the fight against laundering the proceeds of bribery and graft. The principles will have to be

fully implemented by the participating banks throughout their global operations. The issue will need to be raised more widely in the financial sector and more banks will need to sign on. It also remains important to secure the enforcement of the principles by regulators worldwide and to extend their reach into other areas of the finance industry. And last but not least, it is necessary for TI not only to sustain an active dialogue with the participating banks, but also to monitor possible shortcomings in the standards and how they are enforced.

*Professor Mark Pieth of the University of Basel is a Swiss expert on money laundering and the Chairman of the OECD Working Group on Bribery in International Business Transactions*

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## **What the media reported:**

**"The world of private banking is highly secretive and competitive, so it was no small feat for Transparency to get two major Swiss banks, J.P. Morgan, Citigroup and others to agree to common procedures. As other banks sign on, the hope is that one of the incentives for tolerating lax oversight will diminish – the fear that competitors will take the tainted money that vigilant banks turn down."**

*New York Times, 6 November 2000*

**"The more nations who join in this effort the better."**

*The Christian Science Monitor, 6 November 2000*

**"The next step is for the financial regulators to adopt the Wolfsberg principles for the organisations they supervise and closely monitor their enforcement."**

*Financial Times, 31 October 2000*

**"For the first time, trustees depositing money will have to reveal the identity of their clients to the banks, as well as to any criminal investigators."**

*UPI, 30 October 2000*

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## International Organisations

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### European Union:

#### European Commission to make whistle-blowing an obligation

With a consultative document entitled "Raising concerns about serious wrongdoing" - presently submitted for internal discussion - the European Commission is preparing major reforms in this area. The new rules are intended to complete and sharpen the existing legal framework. They deal not only with the protection of those who raise concerns about fraud, corruption or other serious wrongdoing, but also with the introduction in the Staff Regulations of an *obligation* for officials to report such concerns.

The document tries to provide a practical, effective balance between the public interests of confidentiality and loyalty (which are enshrined in the Staff Regulations through the clause "(an) official shall exercise the greatest discretion with regard to all facts and information coming to his knowledge in the course of or in connection with the performance of his duties...") and the public interests of transparency and accountability which have more recently become high priorities in citizens' attitudes towards public administration and the European institutions in particular.

The proposed rules provide clearly defined internal reporting channels. The obligation of the official will be to report "evidence which gives rise to a presumption of the existence of possible cases of fraud..." without delay to his Director General or, if the official considers it useful, to the Secretary General or to the independent anti-fraud office, OLAF. The new schemes give the strongest incentives for concerns to be raised and treated internally. As OLAF is the EU body responsible for investigating fraud and corruption and as it is functionally independent of the Commission, there is every reason that concerns should be raised with it before any external disclosure.

Disclosures beyond OLAF, i.e. outside the employing institution (e.g. for a Commission official to report to Parliament, to the Court of Auditors, to the Ombudsman, to the Council of Ministers, etc.), are an option of last resort, considered legitimate only in the unlikely situation that concerns have been raised internally and have not been addressed in an appropriate way. Internal discussion of the new rules will continue until 31 March 2001 and inter- institutional consultation will follow. An integrated proposal will be made to the Council of Ministers in December 2001.

## OECD:

### La Pietra recommendations on political party financing

A group of 28 individuals from nine countries from the private sector, public institutions and civil society met at the invitation of Transparency International (TI) at the Villa La Pietra, Florence, Italy, from 12-14 October 2000. The purpose of the meeting was to review issues relating to corruption and political party financing, particularly in the context of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Participants agreed that the present process of expansion of international business must be accompanied by the development of effective international standards of conduct. This is increasingly recognised in the fields of corporate governance, competition policy and rules for accounting and audit. Participants believed that expanding international trade must also be accompanied by effective measures against corruption, and they commended the OECD for its leadership role in the adoption of the 1997 OECD Convention.

Concerns were expressed, however, that the Convention's prohibition of bribe payments to foreign *public officials* did not fully prohibit bribe payments made to foreign *political party officials*. Payments to political parties may be used to circumvent the intended impact of the Convention. In the light of the increasing privatisation of traditional government functions, the participants also wanted to ensure that the issue of bribery within the private sector received adequate attention.

The participants recommended the following actions to the OECD:

1. The OECD should ensure that bribe payments to foreign political parties and their officials are effectively prohibited by its instruments. Such a prohibition should cover bribe payments made "to obtain or retain business or other improper advantage" in order to have the same scope as the prohibition against the bribing of foreign public officials.
2. Governments should take effective action to implement such a prohibition in a manner consistent with their legal systems. In some countries such action could include a prohibition against "trading in influence", as provided for in the Council of Europe's Criminal Law Convention On Corruption.
3. In order to achieve greater transparency, political parties in the signatory states of the OECD Convention should be required to make prompt and appropriate disclosure of contributions and expenditures. Corporations should also be required publicly to report political contributions and to comply with reporting and other requirements imposed by the countries where such contributions are made.
4. The signatory states of the OECD Convention should prohibit corporations based in their own countries from making political party contributions in violation of the laws of the foreign countries where the contributions are made.
5. The development of effective mechanisms to deal with bribery within the private sector is a matter of growing urgency. Action in this area may also be a means by which to address aspects of political party corruption.

The participants agreed that their proposals should be submitted formally to the OECD Working Group on

Bribery in International Business Transactions. They also agreed to function as an ongoing advisory group to assist TI in promoting the reform of political financing at the OECD and in other national and international fora. A follow-up to La Pietra was scheduled to take place at a meeting of the OECD Working Group in Paris on 19 February 2001 when the recommendations were to be presented by TI Chairman Peter Eigen and other members of the group that attended the La Pietra meeting.

*Transparency International, 18 October 2000*

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## **OECD:**

### **Clampdown on bribery in export credit transactions**

OECD member-states announced in Paris on 6 December 2000 that they have agreed on an action statement to deter bribery in government-supported export credit transactions.

The export credit and export credit insurance agencies of OECD countries will also demand written statements from all companies applying for coverage, stating they have not, and will not, engage in bribery. If bribery is established, the agency will deny coverage or reject claims for indemnification and will refer the case to the judicial authorities.

TI has consistently called for an exclusion of corruption-tainted contracts from export credit guarantees and welcomed the decision reached by the *OECD Export Credit Agency Working Group*. "We regard this as a major breakthrough," said Michael Wiehen, a member of the board of Transparency International. "This reflects the position we presented to the OECD as long as a year ago." The agreement will end the contradiction between the policies of the OECD countries' export credit agencies and the 1997 OECD anti-bribery convention, which makes it a crime to make bribe payments to foreign public officials.

"OECD members are finally closing a major gap," said Wiehen. "This is also a strong signal to the private sector that OECD member states will no longer support or tacitly approve of business that is based on corruption."

In the past, many private sector companies became involved in corrupt projects in developing and transition countries because they enjoyed the full support of their countries' export credit agencies. "This will now be a thing of the past," Dr Wiehen concluded. "Transparency International will be actively monitoring the OECD countries to see if these words are put into action."

*Transparency International, 6 December 2000*

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## **OECD:**

### **Guidelines for MNCs**

In June 2000, the Council of Ministers of the OECD released new guidelines for the responsible behaviour of Multinational Corporations (MNC). The recommendations touched on a variety of economic, social, ethical, and environmental issues, of which the following were most relevant to TI:

- a call to make company policies and values public
- fighting corruption by banning bribes, drawing up and publicising company anti-corruption policies, making employees aware of the issue, and outlawing contributions to political parties or individual

office-seekers

- abstaining from all competition-hindering practices such as price rigging, co-ordinated submission of bids, or dividing up of markets.

The guidelines were presented in Berlin during an event hosted jointly by the OECD and Germanwatch on 17 January 2001. Several parliamentarians were in attendance, as well as Peter Eigen and Michael Wiehen of TI. Professor Ingomar Hauchler of TI Germany chaired the event. It is now up to the German industry associations BDI and CCI to promote these new guidelines amongst German MNCs. In the light of these developments, the revision of the BDI's own anti-corruption guidelines, long sought by TI Germany, has gained new relevance.

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## **OECD:**

### **OECD bribery convention monitoring process**

#### **Phase 1: Implementation**

Phase 1 monitoring of the implementation of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions is proceeding at a healthy pace. Twenty-nine countries have ratified the Convention to date, including the Netherlands on 12 January 2001. Brazil, Portugal and Turkey have ratified, but have not yet approved implementation legislation. And despite the OECD recommendation to the United Kingdom to revise its legislation, the British government has still not presented a bill to parliament. Argentina, Ireland, New Zealand and Portugal have made good progress toward ratification. The OECD Working Group on Bribery in International Business Transactions has completed its review of legislation in 23 countries and has called for the correction of serious shortcomings in seven cases. France and Denmark were reviewed in December 2000. TI submitted its analysis of the French legislation. TI's principal concerns included the fact that the three-year statute of limitations is too short and that it should run from the time the offence becomes known rather than from the date of the last payment. It also raised concerns about how courts might treat bribes paid pursuant to contracts concluded prior to the legislation's entry into force. Meeting in February 2001, the Working Group will review the implementation legislation of the Netherlands, Poland and Luxembourg and the accession of Slovenia. It will also review the proposal for an anti-corruption declaration for non-members. OECD Phase 1 country reports are available at: [www.oecd.org/daf/nocorruption/index.htm](http://www.oecd.org/daf/nocorruption/index.htm).

#### **Phase 2: Enforcement**

The OECD Working Group plans to begin Phase 2 country reviews of the adequacy of enforcement programmes in 2001. It expects to complete reviews of two to three countries in the first year and subsequently of six countries annually. The OECD is expected to publish the Phase 2 questionnaire and the procedures for Phase 2 on its web site this year. TI has urged the OECD to hold public hearings during each country review in order to gauge the views of civil society and the private sector.

*TI recommends assessment of compliance with accounting and auditing provisions*

The TI Task Force on Financial Transparency and Accountability recommended that the OECD Phase 2 country evaluations address countries' compliance with the accounting and auditing provisions of the Convention. These require parties to prohibit off-the-book accounts and other measures to hide bribes, and set out measures countries should take. As a result, the Phase 2 questionnaire will include questions regarding accounting and auditing practices. The OECD Working Group has invited representatives of the TI Task Force to make a presentation at its April 2001 meeting. Members of the Task Force met with the SEC Chief Accountant Lynn Turner, General Counsel David Becker and US negotiators from the Departments of Commerce, Justice and State to build US support.

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## **OECD:**

### **Non-complying countries are changing anti-money laundering regulations**

A June decision to name 15 territories as failing to co-operate with international efforts to combat money laundering, and a warning that they faced possible counter-measures if they did not improve, may already be showing results. Seven of the 15 jurisdictions deemed to have "serious systemic problems" in their anti-money laundering regime (the Bahamas, the Cayman Islands, the Cook Islands, Israel, Liechtenstein, Panama and St Vincent & the Grenadines) have since enacted legislation aimed at addressing problems identified by the Financial Action Task Force on Money Laundering (FATF). Five more (Dominica, the Marshall Islands, the Philippines, Russia and St Kitts & Nevis) are either already working on legislation or have pledged to do so. The FATF welcomed this "significant, rapid progress", but said it would be "premature" to take anyone off the uncooperative list immediately. Legislation will have to come into effect and the FATF will ensure that it is being implemented before removal from the list can be considered. The other three jurisdictions named as uncooperative in the June report were Lebanon, Nauru and Niue. The FATF is continuing to monitor weaknesses in the global fight against money laundering and will be reviewing other jurisdictions in the coming year.

*OECD Observer, 19 October 2000*

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## **HIPC/Bretton Woods:**

### **Debt relief reassessed**

The Bretton Woods Committee (BWC) brought together architects of the Heavily Indebted Poor Countries (HIPC) initiative from the Bretton Woods institutions with senior US Treasury officials and a group of development experts and activists to reassess the HIPC strategy. The group discussed current and future challenges to the initiative, the nature of future development assistance to the poorest countries, and the steps that will have to be taken to ensure that this programme is useful instead of counter-productive. The success of the initiative hinges on developing and maintaining a sound framework to govern the transfer of forgiven debt payments toward effective poverty reduction and health and educational programmes in recipient countries. World Bank and IMF officials stated that debt relief is on a pace to enable approximately 20 (of the 41) HIPC countries to reach the decision point and receive some debt relief by the end of this year. But some of these remaining countries are facing severe governance issues or undergoing civil conflict, complicating efforts to help them. Roundtable participants were encouraged that a genuine and meaningful dialogue between government and civil society on poverty strategies was beginning to take place in HIPC countries and that this was the right step toward improving the mechanisms for transparency and democracy in developing countries.

*BWC, (Washington D.C.) 27 November 2000*

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## **World Bank:**

### **Hotline exposes corrupt activities of staff members**

An internal World Bank investigation has disclosed that three staff members engaged in corrupt activities in connection with funds administered by the Bank. Investigators from the Bank's Corruption and Fraud Investigations Unit as well as the Office of Business Ethics and Integrity were alerted to the activity through a call placed to the Bank's hotline for reporting fraud and corruption. The hotline was established in 1998 as part

of a series of anti-corruption measures the Bank put in place. The investigation revealed that the staff members were paid or agreed to receive kickbacks by two separate groups of Swedish companies in exchange for steering certain Bank contracts to those firms. In other instances the contracts were awarded for ineligible activities. The three staff members involved have been fired. The World Bank contracts were financed by various consultant trust funds that the World Bank administers on behalf of member governments. The World Bank will reimburse the trust funds for the value of all the contracts that were used to fund ineligible activity or that were awarded as a result of kickbacks or other corrupt actions. The value of the contracts tainted by corruption or ineligible activity totals just under US\$900,000. In 1998 the Bank also established a process through which companies found to have engaged in corrupt activities could be debarred from future work with the Bank or in connection with Bank-financed projects. The Bank considers the misconduct uncovered to be serious and intends to refer the companies involved to the Bank's debarment process. If debarred, the names of the companies will be made public. (Since 1998, 53 companies have been debarred by the Bank and their names are posted on the Bank's external website at <http://www.worldbank.org/html/opr/procure/debarr.html>.) The Bank also intends to pursue the matter through all available means, including referral to criminal authorities in the United States and Sweden

*World Bank press release, 6 December 2000*

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## **International Olympic Committee (IOC):**

### **Samaranch warns about corruption**

Chief Juan Antonio Samaranch reminded cities hoping to stage the 2008 Summer Games about new anti-corruption rules when they presented their bids to the ruling executive board of the International Olympic Committee (IOC) on 13 December 2000. There was no time for detailed question-and-answer sessions in the ten-minute presentations by the five candidates for next July's IOC vote - Paris, Toronto, Beijing, Istanbul and Osaka, Japan. But IOC President Samaranch, who has faced numerous calls to quit in the last two years because of the Salt Lake City bribery scandal, reminded the cities they were not allowed to offer visits or gifts to IOC members in their campaigns. Asked why he had taken the opportunity to remind the cities about the rules, Samaranch said later: "[This] represents the new philosophy of the IOC." Since the bribery scandal of 1998, the IOC has been forced to throw members out of the organisation for breaking rules on accepting gifts and has introduced bans on visits and gifts in a bid to stamp out corruption. Samaranch is overseeing his last bidding race before he steps down next year.

*Reuters, 13 December 2000*

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## **United Nations:**

### **UN developing global rules**

On 15 November 2000, the United Nations General Assembly adopted a Transnational Organised Crime Convention and protocols that include provisions on corruption. The provisions require parties to criminalise active and passive domestic bribery and to adopt preventive measures, including ensuring the independence of anti-corruption authorities. They also call on parties to consider criminalising transnational bribery and other forms of corruption. The UN General Assembly also approved a resolution on 4 December 2000 calling for a UN Convention Against Corruption. The resolution directs the UN Crime Commission and the Secretariat to report on existing agreements by April 2001.

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## **United Nations:**

### **Financial centres pledge to curb money laundering**

International financial centres in more than 30 countries and territories have made a high-level political commitment to join the United Nations in a global effort to adopt anti-money laundering measures, the UN Office for Drug Control and Crime Prevention (ODCCP) said. According to the Vienna-based organisation, 31 centres responded positively to a communiqué issued by the states and territories participating in the UN Global Programme against Money Laundering (GPML) plenary held in the Cayman Islands in March 2000. The communiqué had called for a global and non-discriminatory approach to the adoption of internationally accepted standards. The countries that agree to the standards qualify to receive technical assistance from the UN in all matters relating to establishing or improving their anti-money laundering capability. The 31 states and territories making a formal commitment to adopt internationally accepted standards of financial regulation are: Anguilla, Antigua & Barbuda, Aruba, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Cook Islands, Cyprus, Dominica, Gibraltar, Grenada, Guernsey, Isle of Man, Jersey, Liechtenstein, Malaysia, Marshall Islands, Mauritius, Nauru, Netherlands Antilles, Niue, Panama, Samoa, Seychelles, St Kitts & Nevis, St Lucia, Trinidad & Tobago, and Turks & Caicos.

*UN Newsservice, 26 October 2000*

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## Corporate News

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### Companies admit "facilitation payments"

**Unilever** and **BP Amoco** admitted that they had made "facilitation payments" in developing countries. Stephen Williams, general counsel of Unilever, said such payments were "tolerated, not encouraged" as long as they met several conditions. These were that the payment was small, was used to facilitate something that would happen anyway, and was in line with local practice, transparent and in public. Reg Hinkley, group vice-president and general auditor of BP Amoco, said such payments had to be made sometimes to prevent delays, rather than to gain an unfair advantage over competitors. However, Ian White, a director of Crown Agents, said he was "a little shocked" to hear that the companies had tolerated such payments. The company advises its clients to expose officials demanding such payments it considers to be not far removed from bribery. Unilever said it was strongly opposed to bribery and corruption but in some developing countries made "facilitation payments" amounting to "no more than a few pounds here or there". These were not itemised in its annual report and accounts because they were "so small they would not even register. We actively discourage them, but, in some circumstances they cannot be avoided."

*Financial Times, 10 January 2001*

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### IBM settles corruption charges

International Business Machines Corp. agreed to pay US\$300,000 to settle charges that a subsidiary made illegal payments to foreign officials in 1994, federal securities regulators said. The Securities and Exchange Commission alleged that IBM violated US book and record-keeping rules in connection with a US\$250 million contract to manage the computer system of a commercial bank owned by the Argentine government, Banco de la Nacion Argentina. The SEC contended that three former executives of IBM- Argentina made a deal with a subcontractor, Capacitacion Y Computacion Rural S.A. (CCR). The IBM unit paid CCR about US\$22 million under the subcontract, of which at least US\$4.5 million was sent to several bank directors by CCR. All of the accused are Argentine citizens and were the three highest-ranking officials of IBM-Argentina at the time. The executives allegedly overrode IBM contracting procedures, hid the

details of the subcontract and provided fabricated documents, including a backdated authorisation letter and a document that gave incomplete and inaccurate reasons for hiring CCR. IBM immediately got rid of the executives after discovering what had happened, said the SEC. IBM, based in Armonk, New York, did not admit or deny the charges in settling the matter.

*Reuters, 21 December 2000*

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## **Swiss bank indicted on Nigeria**

Credit Suisse has become the first Swiss bank to be indicted in the money-laundering scandal over US\$4 billion plundered from Nigeria by General Sani Abacha, the country's former leader. The bank confirmed that the Swiss banking regulator had filed a formal complaint to the industry's self-regulatory body over US\$214 million, which its private banking arm had accepted from Mr Abacha's two sons. The case had been referred by the Swiss Federal Banking Commission (SFBC) to the Swiss Bankers' Association, which has the power to fine the bank up to SFr10m (US\$5.9m). In September, the SFBC said six banks, including three units of Credit Suisse, had failed to display "necessary diligence" in accepting part of the estimated US\$600m in Abacha-related funds currently frozen in Swiss bank accounts. The six were among 19 banks investigated by the commission after informing it of suspicions over the origins of the funds, in compliance with industry guidelines. Credit Suisse, which had the largest exposure of any Swiss bank, blocked its Abacha-related accounts in March 1999.

*Financial Times, 6 December 2000.*

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## **Money laundering alleged at US banks**

Financial services giant Citigroup and the Commercial Bank of San Francisco violated control rules and allowed some US\$1 billion in possibly illicit Eastern European money to move through their accounts, congressional investigators say. "These transfers raise concerns that the US banking system may have been used to launder money," the General Accounting Office, Congress's investigative arm, said in a report on its nine-month inquiry dated 31 October 2000. The report is just the latest allegation of large-scale international money laundering, which has received increased notice after it was revealed last year that the Bank of New York, one of the nation's largest, had served as a conduit for US\$7bn in Russian money, some of it believed to be from criminal activities. New York-based Citibank, one of the world's largest banks with operations around the globe, came under congressional scrutiny a year ago for alleged abuses by some executives in handling millions of dollars deposited by foreign officials later accused of corruption and money laundering. "It is clear in hindsight that our systems and tracking procedures were not sufficient to detect the nature and extent" of a client's relationship with the bank, wrote Michael Ross, general counsel of the bank's Global Consumer Business division.

*Associated Press, 30 November 2000*

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## Argentina: Anti-corruption net

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In a move to reduce corruption by functionaries in the provinces, Argentina mandated its provincial governments to publish all official transactions on the Internet. Under the new law, Argentina's 23 provinces must report their budget, contract and payroll information on the Internet every month for public review. The measure was precipitated by a reported 117 per cent increase in federal disbursements to the provinces between 1991 and 1999. "The goal is to make government transparent, and the best control is social control," Marcos Makón, the Secretary for State Modernisation, told *El Clarín* newspaper. "Clearly (the Internet) is the most efficient, economical, accessible and mobile method for this type of information."

*wired.com, 11 January 2001*

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## Cambodia: Educating on good governance

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The results of the National Survey on Public Attitudes Towards Corruption, conducted in early 1998 by the Centre for Social Development (CSD) – TI's partner organisation in Cambodia - in early 1998, revealed that 84% of Cambodians viewed bribery as "the normal way of doing things". This finding suggested that a massive education campaign was in order. CSD has therefore established a Transparency Task Force (TTF). Working in co-operation with the Cambodian Ministry of Education, Youth and Sports, its goal is to educate Cambodian youth about good governance through the integration of these concepts into the Khmer language and social science disciplines at both the primary and secondary levels. The TTF has already published a teacher's handbook and distributed more than 40,000 copies. This number should be doubled in 2001. The first seminar on the use of the handbooks was held in mid-September 2000, in Phnom Penh. Next year, the TTF will conduct similar seminars in six regions, covering 24 provinces and cities. More than 30,000 headmasters and teachers are expected to attend, and in the 2001- 2002 school year the teacher's handbook will officially come into use as teaching material in primary and secondary schools all over Cambodia. In order to raise corruption awareness and understanding in rural areas, more than 10,000 campaign posters were also produced.

*Centre for Social Development Cambodia, 13 September 2000*

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## China: China seeks more transparent judicial system

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In an effort to make its judicial system more transparent, China's highest court has banned spouses and children of its chief judges and presidents from being involved in paid legal services, state media said recently. Following complaints that some cases had been handled "under-the-table," judges' families are not allowed to run law firms in the same jurisdiction or represent clients in court, the *China Daily* said. Relatives are also banned from business transactions with the court, such as selling bulk commodities, providing construction work or taking part in court auctions, sales and assessments. "The regulations are part of a new effort by China's top court to weed out corruption and guarantee judicial fairness," the paper said. Efforts have been made to open up the judicial system since reforms of the courts began in 1998, including encouraging people to

attend court hearings, televising trials, and opening case files to the public. China has also sought to disentangle relatives from the work of officials, banning family members of senior officials from running businesses or taking positions within the same field as their parents or spouses.

*Reuters, 23 November 2000*

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## **Croatia: New Office for Fight against Corruption and Organised Crime**

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Croatia's Justice Minister Stjepan Ivanisevic announced an initiative to establish an office to combat widespread corruption and organised crime in the country. Stjepan said existing institutions had failed to tackle the problems, which he admitted also extended to the legal system and hampered the country's reforms. Croatia ranked 51st on TI's 2000 Corruption Perception Index.

*Agence France Presse, 21 October 2000*

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## **Germany: German Rail sets up Ombudsman against corruption**

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Deutsche Bahn AG, the state-owned German rail company, has established an anti-corruption Ombudsman. The initiative by the CEO of Deutsche Bahn, Kurt Mehdorn, was launched after a massive bribery scandal in eastern Germany became public. The two lawyers who were asked to serve as Ombudsmen are already investigating some 25 substantial allegations. Deutsche Bahn is among the first German companies to have established a special anti-corruption body, a move that was praised by anti-corruption prosecutors as well as by TI Germany. Analysts say the creation of such an institution is one of the most useful instruments for fighting corruption within a company or government body

*Transparency International/Süddeutsche Zeitung (Germany), 18 December 2000*

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## **Ghana: Creation of Office of Accountability**

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Jake Obetsebi-Lamprey, Minister for Presidential Affairs-designate, said the restructuring of the President's office would see the creation of an Office of Accountability where special attention would be given to cases of corruption. The Office of Accountability, he said, would be solely responsible for cases of corruption and abuse of office by public office holders. The establishment of such an office is meant to encourage people who have information on corruption or abuse of office by public servants to lodge their complaints with the office. "Such a move is part of steps by government to scale down corruption, which had assumed alarming proportions in the country," he declared. Obetsebi-Lamprey said the government would not pamper any wrongdoers but would also not waste time searching for one. He appealed to the masses to report any information on corruption to the government since they were not going to close their eyes to such cases.

"Besides the Office of Accountability, if any Ghanaian feels he has a good case against any official over the abuse of public office through the mismanagement of state resources and would want to take up the matter, such a person would not be discouraged to pursue the case if he or she wishes to do so."

*Ghanaian Chronicle, 30 January 2001*

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## **Ireland: Row looms over IR£200,000 donation to parties**

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Multi-millionaire Denis O'Brien has given IR£200,000 to the main Irish political parties in the past month. But Labour, one of the four parties receiving IR£50,000 each, returned the cheque to O'Brien with a covering letter outlining the need to end the links between big business and politics. Now the donations, made in a personal capacity, seem likely to ignite a simmering row over funding. The former Esat chief's substantial contributions come at a time of demands for a ban on such private funding and pledges by the present Fianna Fail-PD [Progressive Democrats] government that limits will be set on the amount that can be given to a political party. Only last month when O'Brien made the donations of IR£50,000 to Fianna Fail, Fine Gael, Labour and the PDs, the Taoiseach [Prime Minister] pledged his government's intention to bring forward a new framework for public life. At present, there are no limits to the amount that can be given, although all donations over IR£4,000 must be disclosed to the Public Offices Commission (POC). Setting out his agenda, Prime Minister Bertie Ahern said the government intended to introduce an amendment to the Electoral Act imposing a limit of IR£20,000 as the maximum amount that any political party could receive from any single source in any year.

*Irish Independent, 23 January 2001*

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## **Kyrgyzstan: New rules for Kyrgyz civil service**

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President Askar Akayev of Kyrgyzstan has introduced a new code of ethics for government employees in what is being seen as an attempt to tackle widespread corruption. Under the new rules, civil servants are forbidden from securing jobs for friends and relatives - a common practice in Kyrgyzstan. They are also not allowed to be members of religious or political organisations, nor can they talk about their work to anyone outside the government. However, correspondents say the new code is unlikely to make a real difference and is more likely to be used by the authorities to sack undesirable employees.

*BBC News, 10 January 2001*

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## **Latvia: Anti-corruption campaign launched**

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On 29 November 2000, Latvian Prime Minister Andris Berzins announced the beginning of the country's largest ever public awareness campaign on corruption. The campaign is financed by the PHARE anti-

corruption legislation, education, and public information programme, the Latvian government, and other institutions, and will last until July 2001. It will include the publication of various booklets and the production of television programmes to explain what corruption is and how to combat it. Stressing that any anti-corruption efforts will be in vain without public support, the organisers of the campaign said efforts would focus on informing and educating young people as well as journalists. Earlier, Latvian Finance Minister Gundars Berzins became the first of his party's five cabinet ministers to have a 24-hour web camera in his office, BBC Online reported on 24 October 2000. The webcam is hosted on the People's Party website at <http://www.tautaspartija.lv/ministry/>. Party spokesman Jurgis Liepniks said that it was important for people to "see what politicians do every day and how many hours they work" in order to provide more transparency in government for what he called an increasingly disillusioned public

*Radio Free Europe/Radio Liberty, 26 October 2000 and 30 November 2000*

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## **Lithuania: Speaker to present service ethics code motion**

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Lithuanian Parliamentary Speaker Arturas Paulauskas is preparing a motion to form a working team to design a code of ethics to streamline the disclosure of misconduct by public officials. Paulauskas pointed to what he sees as protracted "scandalous stories, discussions and talk" in Lithuania. The country has been in the grip of fervent debates over the highly controversial visit of Economy Minister Eugenijus Maldeikis to Moscow, which led to suspicions of a conflict of public and private interests and protocol violations by the minister. As requested by Maldeikis himself, the details of the visit are under scrutiny by the Chief Service Ethics Commission. "If we had an Ethics Code and service ethics rules, fewer questions would remain," Paulauskas told a news conference. According to the parliamentary speaker, the present law on public and private interests lays down several ethics principles but they are still subject to diverse interpretations. .

*ELTA News Agency, 25 January 2001*

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## **Mauritius: Parliament Approves Anti-Corruption Committee**

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The Mauritius National Assembly has adopted a motion by Prime Minister Anerood Jugnauth to set up a select committee on fraud and corruption. "I want to be remembered as the prime minister who eliminated fraud and corruption in this country," Jugnauth said ahead of the parliamentary debate. He said members of the select committee must assume this responsibility with the greatest urgency. Jugnauth added that the existing Economic Crime Office has done an encouraging job "but does not have the necessary means to struggle against fraud and corruption". Deputy Prime Minister and Minister of Finance Paul Berenger said the establishment of the committee was the beginning of a national crusade against fraud and corruption in the country. He said the government would not tolerate any form of impropriety and would therefore be merciless against any minister or member of the National Assembly found guilty of fraud or corruption. Berenger also warned that civil servants and local government employees would not be spared if found guilty of corruption. But the leader of the opposition, Navin Ramgoolam, warned against what he termed "trial by the press". "Allegations are made left, right and centre. We need evidence," he added.

*Panafrican News Agency, 18 October 2000*

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## Mexico: Anti-corruption commission now in place

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The new administration of President Vicente Fox has fulfilled one of the promises made during its campaign: the creation of an anti-corruption commission. Called the Transparency and Anti-Corruption Commission of the Federal Public Administration, the new body will try to restore citizens' confidence in the government. The government aims to create a culture of public service sustained in values and ethical principles. The main activities of the commission will be:

- creation of anti-corruption legislation
- designing activities to improve the quality of service provided by public officials
- promotion of access to information within public institutions
- ensuring participation by civil society in the anti-corruption effort
- creation of the necessary mechanisms for a culture of transparency.

Members of the Commission will include representatives from various public institutions and from the President's office, as well as individuals from the civil and private sectors. The Attorney General of Mexico will have a permanent seat on the Commission. Transparencia Mexicana, TI's National Chapter in Mexico, took part in the dialogue that led to the commission's creation [see TI Country Activities].

*Transparencia Mexicana Newsletter, December 2000*

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## Panama: Money laundering laws strengthened

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In a bid to regulate Panama's blacklisted financial centre more closely, the legislature acted to strengthen laws against money laundering. Congress approved a 21-point legislative amendment in a third reading, just three months after Panama was included on a G7 blacklist of 15 "uncooperative" banking havens judged not to be doing enough to combat hot-money transactions. The amendment extended existing money-laundering laws to cover revenue from arms trafficking, extortion, kidnapping, corruption and trade in stolen cars. It also increased prison sentences for money laundering to a maximum of 12 years, tightened existing know-your-client requirements, and imposed stricter rules for banks and lending institutions about reporting deposits of over \$10,000. The new legislation also covered commercial transactions at Panama's Atlantic coast duty-free park, the Colon Free Zone, and established reporting requirements for casinos, insurance and real estate companies, and the national lottery. Panama's banking sector consists of 87 banks with assets totalling US\$37 billion. The new regulations join more than 40 already on the books.

*The Sun (Malaysia), 4 August 2000*

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## Poland: Parliament passes law to curb money laundering

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On 12 October 2000, the Polish parliament voted overwhelmingly to endorse a bill on money laundering, PAP reported. The bill provides for the appointment of a "General Inspector of Financial Information" who will examine all transactions exceeding US\$8,600. Necessary information will be obtained from banks, pension funds, currency exchange desks, and other institutions. The inspector is empowered to halt a suspicious transaction for two days and notify a public prosecutor's office about it. The inspector will be appointed and recalled by the prime minister. The Finance Ministry estimates that, in Poland, the total sum of laundered money deriving from such crimes as smuggling and drug trafficking amounts to as much as US\$3 billion a year. However, the new law also drew criticism: "It interferes too deeply with individual rights and freedoms by allowing too many institutions to look into bank files," the adviser to the head of the Association of Polish Banks commented to AP.

*Radio Free Europe/Radio Liberty, 13 October 2000*

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## **Slovakia: Parliament Passes Anti-Money Laundering Law**

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The Slovak Parliament passed an anti-money laundering law in October 2000. The SITA news agency said that the law requires the identification of those making transactions of more than Sk100,000 (approximately US\$2,000) and records of such transactions to be kept for 10 years. Individuals or legal entities will not be criminally liable for not keeping records, but repeated infractions could lead to the loss of a business licence.

*Reuters, 6 October 2000*

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## **Thailand: A different sort of measure...**

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Bangkok's mayor puts curse on corruption The mayor of Bangkok has come up with a new weapon to fight corruption - a curse. Desperate to stamp out malpractice in the Thai capital, city chief Samak Sundaravej sent a handwritten letter to all 50 municipal offices on Wednesday saying any local officials taking bribes would suffer terrible misfortune and calamity. The letter was designed to stamp out extortion by city officials of local street vendors, who have traditionally had to pay bribes to get permission to sell their wares. "May those city officers who commit extortion from vendors run into disasters until their retirement, have illness and die in their early days," the fulmination declared. A spokeswoman for Samak said the governor hoped the curse would have more impact than previous polite warnings. "After six months of complaints from vendors and warnings by the governor, he felt he had to do something more," she said.

*Reuters, 1 February 2001*

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## **Ukraine: Kiev pledges to make privatisation more transparent**

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The Ukrainian government has announced that it plans to increase the pace of privatisation and to make that process more transparent in 2001, ITAR-TASS reported on 2 January. It has already compiled a list of enterprises to be privatised during the next 12 months and has prepared a draft bill that would end a ban on the privatisation of approximately 200 firms.

*Radio Free Europe, 4 January 2001*

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## **United Kingdom: Ministry to block aid to firms that bribe**

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According to the Trade and Industry Secretary Stephen Byers, British companies involved in corruption will be barred from receiving government backing for their projects abroad. Mr Byers will promise to cancel Export Credit Guarantees, a form of government insurance, for companies found guilty of offering bribes to win contracts. Mr Byers's announcement follows demands for a change from the House of Commons' International Development Select Committee, which called for the "blacklisting" of UK firms guilty of corrupt practices. In response to the committee's report, published in July, Mr Byers will say a conviction for bribery or corruption will in future be grounds for refusal of an application to the Export Credit Guarantee Department (ECGD). Likewise, inclusion on a list of firms ineligible for World Bank financing because of fraud or corruption will also bar firms from receiving ECGD cover. In the current version of the list, 36 of the 54 companies listed are British, though there is no record of any of them having ECGD cover. Mr Byers will add that firms that have already received cover will have it withdrawn if they are found to have been involved in wrongdoing.

*Independent, 25 October 2000*

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## **USA: Banks given guidelines to guard against ill-gotten wealth**

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Treasury Department announced voluntary guidelines for US banks aimed at preventing corrupt foreign political leaders from sheltering their money in US accounts. The initiative, which follows nearly a year of negotiations with US bankers and federal regulators, spells out procedures that banks should follow to expose accounts used to launder wealth obtained through corruption. The guidelines are part of an aggressive Treasury campaign to crack down on money laundering in the US and abroad. The effort was spurred by revelations in 1999 that Russian criminals with links to the government had used accounts in the Bank of New York to launder about US\$7 billion. US officials say they are modelling the guidelines on those developed in Switzerland. The guidance encourages banks to undertake "enhanced scrutiny" of accounts maintained by senior foreign officials, their family and close associates. This would include, for example, checks to establish the legitimate wealth of those individuals and scrutiny of transactions involving wire transfers from central banks.

*Financial Times, 17 January 2001*

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## USA: Ruling clears whistle-blower

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In a decision that could give attorneys new freedom to expose wrongdoing, the State Bar of California has exonerated whistle-blower Cindy Ossias of violating lawyers' ethics when she leaked documents that contributed to the downfall of former Insurance Commissioner Chuck Quackenbush. The bar found that the actions of Ossias, a Department of Insurance lawyer, were not only protected by the California Whistleblower Act but, more importantly, by "advanced ... public policy considerations bearing on the responsibilities of the office of insurance commissioner". Legal experts said the carefully worded decision - believed to be the first of its kind in the nation - could be an important breakthrough, especially for government lawyers who witness wrongdoing that could affect the public. This court ruling might suggest that the obligation to protect the public overrides other considerations, including a lawyer's ethical obligation not to divulge confidential information provided by clients. Ossias provided information about secret settlements Quackenbush had reached with six insurance companies after the Northridge earthquake. The deals allowed the companies to donate money to private foundations that Quackenbush had created rather than face possible fines for mishandling Northridge claims. Funds from one of the foundations were used for political polling and television advertising designed to help the commissioner prepare to run for higher office.

*LA Times, 30 November 2000*

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## Country activities

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Through the efforts of Poder Ciudadano, **TI's National Chapter in Argentina**, the country's first Integrity Pact (IP) was signed, ensuring civil society monitoring of a public procurement tender process for garbage collection in the city of Morón (Buenos Aires province). Three local firms, one international firm and the Governor of Morón signed the formal and voluntary no-bribery commitment. The amount of the winning bid was US\$32 million and saved approximately US\$17m compared with the previous contract. Before the signing of the pact, the monitoring process was led by Poder Ciudadano and included a series of public hearings. On 15 June 2000, the responsible authority convened all stakeholders (citizens, representatives from business, etc.) to discuss the bidding documents in an open forum. The event was attended by nearly 500 people and approximately 60 individuals testified. The decisive factors in awarding the contract were made transparent, and the Morón municipality published the final bidding document on the Internet. Poder Ciudadano, supported by international TI experts, monitored the bid evaluation and the award decision process. Violations of the IP are subject to significant sanctions, such as cancellation of the contract, liability for damages, forfeiture of the bid, and debarment of the offender from all business with the government for five years.

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At the request of the Bulgarian Government, in early December 2000 **TI Bulgaria** monitored the public auction of the second GSM license. Of 42 companies requesting to bid, five met the criteria published in the Government Gazette. The license was ultimately sold for US\$135 million, and awarded to Hellenic Telecommunications Organisation (OTE). TI Bulgaria was able to declare that the bidding process had been transparent and in accordance with the rules agreed upon in advance. One unsuccessful bidder, TIM International, stated that it had been the most transparent of all public auctions in south-eastern Europe. The monitoring done by TI-Bulgaria was the first project supported by the Partnership for Transparency Fund (PTF). The Partnership Fund covered fees for a team of national and international experts, which ensured the quality of the project. The report is available from: Ventsislav Karadjov, Programme Director Transparency International Bulgaria, 3 Bistriza Str., 4th Floor, 1000 Sofia, Bulgaria, [mbox@transparency-bg.org](mailto:mbox@transparency-bg.org)

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On 4-8 October 2000, **TI Chile** co-ordinated a workshop on "Adapting the Chilean Legal System to the Inter-American Convention against Corruption". The workshop was sponsored by the Organisation of American States. Participants at the workshop included the Secretary General of the OAS, the President of the Inter-American Bank, Chilean legal experts and the staff and management of TI Chile. Luis Bates and Xavier Dupret from TI Chile prepared the basic working document for the session, which analysed relevant Chilean legislation and compared it with the commitments of the Convention. The conclusion drawn from the workshop was that in order to better implement the Convention, in both the Chilean context and the region, states must go beyond modifying legislation and must address necessary policy and institutional changes. Furthermore, there must be an emphasis on developing monitoring arrangements, such as peer reviews, in order to ensure that countries are truly complying with the Convention. Workshops such as this one, which rely on the opinions and expertise of members of civil society and the public sector, are central to the implementation process. The workshop was part of a series of similar workshops in countries that have ratified the Convention.

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In the autumn of 2000, **Transparencia por Colombia** held a workshop with allied organisations from five Colombian regions in order to share the vision and mission of Transparency International. After having discussed short- and long-term objectives of Transparencia por Colombia, a common national agenda for 2001 was to be established. Bringing TI's work to the regional level is of particular importance given Colombia's decentralised social and political structure. The participants shared the programmes and achievements of their organisations in areas such as awareness-raising, coalition- building, private sector ethics, civil society empowerment and research. Transparencia por Colombia in turn presented its areas of involvement, with a special focus on the Integrity Pact and on Citizen Observatories of Corruption. The latter was chosen as the common platform, on which a broader common agenda is to be developed. Each of the participants from the regions made a commitment to work on specific tasks. The results of this meeting will be published in a nationally distributed bulletin and on the Internet. The creation of an "Integrity, Transparency and Probity Network" was the final outcome of the workshop. The participants signed a "Declaration for a Strategic Alliance for Probity and Transparency". For Transparencia por Colombia, this represents a step forward in strengthening civil society participation in the improvement of the National Integrity System in Colombia.

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**TI Czech Republic** has recently completed the editing and publication of the Czech version of the TI Sourcebook. This adaptation of the TI anti-corruption manual was financed by a grant from the European Commission's Phare programme. Contributions on the realities of the fight against corruption in the Czech Republic were gathered during a Czech National Integrity Workshop held in Prague in November 1999 and at the follow-up Sourcebook workshop also held in Prague in February 2000. Both events were made possible by the Phare grant. A special thank you is extended to TI Czech Republic project manager, Pavla Haššová, who will soon be leaving the TI office in Prague. Ms Haššová has overseen the production of an invaluable anti-corruption information resource, with input from a team of experts from various institutions, including the Office of the Czech President, the Open Society Fund – Prague, the Prague Stock Exchange, the Foundation for the Development of Civil Society, the Czech Ministry of Interior, the Czech Finance Ministry, the newspapers Mladá fronta Dnes and Zdravotnické noviny, the Czech Supreme Audit Office, various educational institutions such as the Banská University in Ostrava, the Prague School of Economics, the School of Social Sciences in Warsaw, and a team of dedicated volunteers at TI-Czech Republic. More information on the Czech source book will shortly become available on the TI Czech Republic web site at: <http://www.transparency.cz>

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Germany is currently analysing the various proposals to reform party-funding legislation published by the political parties in parliament. The chapter will be publishing its assessments as part of its efforts to push for far-reaching changes in the party-funding system. The chapter also started a survey on access to information policies at the local level in the two federal states that have given their citizens broad access to public files. **TI Germany**'s corporate membership has also grown, with the addition of Deutsche Bahn AG, the state-owned rail company.

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On 24 October 2000, Acción Ciudadana invited other national groups to join them in a two-day planning session. (Under the leadership of Acción, the four organisations make up the **TI Chapter-in-Formation in Guatemala**.) The objective of the workshop was to analyse the main vulnerabilities of the Guatemalan Integrity System and design a common agenda to counter corruption. Karen Hussmann, Co-ordinator of TI-LAC, attended the meeting and shared experiences, strategies and practical projects from across the region. The participants decided to immediately work on reversing the decision to freeze the budget for the Comptroller General, and on promoting free access to information, as granted in the constitution but not yet regulated by law. Finally, a follow-up meeting was planned to further explore the common agenda of the group. The participants unanimously called for an "Inter-institutional National Entity" to be created in order to promote integrity and transparency in the public administration. All agreed that the National Entity needs to develop alliances with the public sector in order to influence decision-making and reform processes.

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**TI India** met with the Indian Justice Minister and recommended some remedial measures to counter corruption in the Indian judicial system. They recommended, inter alia, the constitution of a National Judicial Commission and an increase in the number of judges. They also urged the government to adopt new legislation (found at: <http://www.ti-bangladesh.org/ti-india>). The meeting was a follow-up to the last workshop held in December 1999. TI India has also been working to establish a chapter in the state of Gujarat. This will be the second sub-chapter of TI India, following the formation of a chapter in Kerala. This initiative has been temporarily disrupted due to the devastating earthquake in Gujarat, but it will be taken up in the future.

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Latvian Privatisation Agency (LPA) Director General Janis Naglis backed naming **Delna (TI Latvia)** an independent observer in the privatisation process of the state-owned joint-stock shipping company "Latvijas kugnieciba" (LK). Naglis expressed the hope that Delna would not only note errors during meetings but would comment and express its reservations whenever necessary. Representatives from the organisation participated in the December LPA board meeting on the approval of LK's privatisation regulations, and they had no objections, Naglis said. Delna was also invited to a meeting between the government and LPA management to discuss the possible involvement of the public in observing the privatisation process. The organisation intends to set up a group of three experts who would be entitled to obtain information and follow the course of the privatisation process. This group should include one shipping specialist, one international observer and one Delna specialist. Delna has promised that if access to confidential information is ensured, then it would be able to evaluate the fairness of the privatisation process.

*LETA News Agency, 27 December 2000*

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Parliamentary Speaker Arturas Paulauskas and **TI Lithuania** members Aleksandras Dobryninas and Laima Zilinskiene agreed that parliament should further perfect laws designed to combat corruption and unethical conduct in the civil service, and monitor international practice with the help of TI. When meeting on Thursday, the officials conferred on steps required to battle against civil service violations and corruption cases.

"Corruption appears when there is no plain and transparent framework of civil servant conduct rules and principles and their effective control," Paulauskas said. He highlighted the absence of a clear definition of such misconduct and types of punishment, commenting that, until now, corruption cases had been addressed only by public statements about ethical conduct. But he insisted that rules must urgently be laid down in a Civil Service Ethics Code. Sociological surveys announced by TI Lithuania show that Lithuanians do not trust civil servants, but rather see them as neglectful of their duties and corrupt. Analysts consider these attitudes a hindrance to the evolution of civil society. The officials concluded that the existing Chief Civil Service Ethics Commission, supervising the adjustment of public and private interests, has its functions limited only to the supervision of two laws. A spokesman for Paulauskas stated that, owing to this, the Commission virtually cannot fulfil preventive, educational and co-ordinating functions.

*Lithuanian News Agency ELTA, 18 January 2001*

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On 11-13 December, Tunku Abdul Aziz, Vice-Chairman of TI and President of **TI Malaysia**, and various chapter representatives from the region attended the ADB/OECD "Anti-Corruption Initiative for Asia-Pacific", the annual anti-corruption conference for Asia-Pacific in Seoul, Korea. An East Asia and Pacific Website on anti-corruption initiatives was launched on 11 December in conjunction with this important gathering. Contributions from anti-corruption institutions from the region, including TI national chapters, will provide a database of information about on-going anti-corruption initiatives.

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On 11 October 2000, representatives of **Transparencia Mexicana**, the Mexican Chapter of TI, met with President-elect Vicente Fox and presented him with an agenda called "10 Actions in Favour of Transparency and Against Corruption". This agenda is the result of a workshop in which high-level officials and leaders from the business and NGO sectors elaborated concrete measures to fight corruption in Mexico. Such measures include, for example, the provision of better access to public information, the stimulation and strengthening of the culture of legality in Mexico, and the improvement and broadening of mechanisms for public accounting. On the basis of this proposal, a formal dialogue between the Fox transition team and Transparencia Mexicana was established. As a consequence, one of the first actions of President Fox after taking office in December was the creation of the Commission for Transparency and the Fight against Corruption in the Public Administration. (See Recent Reforms). The agenda, 10 Actions in Favour of Transparency and Against Corruption, will soon be published on the [TILAC web site](#).

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**TI Netherlands** and the Rotterdam Erasmus University Criminal Law Capacity Group, part of the Faculty of Law, organised a Conference on the topic "Corruption – From Taboo to Social Change". The event, which took

place on 14-15 September 2000, addressed new national and international anti-corruption legislation and sector initiatives to combat corruption. These include European measures to combat corruption in the public as well as the private sector, whistleblower protection, and the promotion of Integrity Systems within the public sector. Speakers included Dutch Minister of Justice A.H. Korthals, representatives of industry and civil society.

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**TI Panama** has developed its first price comparison database. The database compares purchasing prices for a series of basic legal drugs and oxygen by the Social Security Institute (CSS). The project is part of a bigger programme to promote transparency in the procurement area of this major public institution. The objective of developing the database is to compare prices for the same drugs purchased by different branches of the CSS. The first publication released by TI Panama highlights the often striking differences in price and administrative deficiencies within the CSS in the metropolitan area. The study suggests that up to US\$30 million could be saved if the disparities were eliminated. The project was first initiated in public hospitals in Buenos Aires. Poder Ciudadano, TI's National Chapter in Argentina, then promoted this promising approach to the control of the public procurement of smaller items by institutions elsewhere in Latin America. It has since been adopted in Colombia and the Dominican Republic.

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**TI Papua New Guinea** (PNG) will hold public consultations on the recent electoral reforms, in conjunction with the Electoral Commission of PNG and the Constitutional Development Commission. TI PNG will hold workshops and seminars across the country ahead of the next election to examine the reforms, which were adopted to ensure fairer representation. A popular education campaign will be launched to explain the new laws and how they benefit citizens. At the same time, the public will be taught about their civic duties: the importance of their vote; their participation in political parties; and what they can expect from their elected representatives. TI-PNG Newsletter 10/00

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**TI Philippines** has launched its Transparent Accountable Governance project. By March, the project plans to publish and distribute a directory of organisations with anti-corruption programmes, to strengthen coalition building with civil society organisations, government organisations and the business sectors, and to develop a public information, awareness and education campaign on corruption and good governance.

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On 12 October 2000, the day of the opening of the general and presidential electoral campaign in Romania, **TI Romania** launched the Public Integrity Initiative with a press conference at the Parliamentary Palace. The Public Integrity Initiative is a joint initiative of TI Romania and three Romanian NGOs: the Pro Democracy Association, the Media Monitoring Agency (Academia Catavencu) and the Civil Society Development Foundation. The members of the initiative have asked all political parties and candidates to explicitly declare their position on the need to introduce legislative reforms to improve transparency and public accountability, and to make known the specific solutions they design for curbing corruption. The media has been encouraged to promote these topics in public debate, both during and after the election campaign. TI Romania and its partners are ready to monitor and assess the steps taken by the Romanian authorities in adopting and

implementing the standards of integrity in the political, administrative, and economic life of the country.

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National coalition against corruption launched in Senegal In early December 2000, Forum Civil, the **national chapter of TI in Senegal**, organised a two-day seminar in Dakar to launch a national coalition against corruption. The seminar was chaired by the President of Senegal, M. Abdoulaye Wade, and rounded off by the Prime Minister. More than 80 participants, drawn from all sectors of society, met in working groups to discuss two areas of concern related to the coalition: the plan of action and anti-corruption strategies; and the structure of specialised commissions. One of the most important outcomes of the seminar was the creation of a co-ordinating committee, made up of lawyers, academics and members of the private sector and civil society. The committee will also have equal gender representation. It will be in charge of co-ordinating ad hoc committees, which specialise in sectors such as the police and customs. The main tasks of the coalition will be lobbying and making proposals in collaboration with the government, which will also provide logistical support. But what is probably most remarkable is the bold official commitment by the government to the fight against corruption, confirmed shortly after in a proposed amendment to the Constitution, which is to be put to a referendum. The Ministerial Council also announced a day after the seminar that public audits would be published and that the dormant law against illegal enrichment would be enforced.

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**TI Switzerland** welcomed the following new corporate members in the latter half of 2000: Contrôle fédéral des Finances, Raymond Weil SA, Rieter Management AG, Belimo Automation AG, Pestalozzi Gmuer & Party, Hess Holding AG, Mühlemann & Partner, and Gewerbeverband des Kantons Luzern.

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US Under Secretary of State Alan Larson addressed over 40 TI supporters on the Administration's Anti-Corruption Agenda at the **TI-USA** Quarterly Meeting on 4 October 2000. Larson noted TI's valuable contribution to continued progress on the OECD Convention and to securing US ratification of the OAS Convention Against Corruption. He indicated that the US would sign the Council of Europe Criminal Law Convention On Corruption and would participate in the GRECO (Group of States Against Corruption) monitoring process. Larson sought TI's recommendations on initiatives for the new administration and on the strategy for the next phase in the anti-corruption movement. TI-USA was pleased to welcome representatives of TI Brazil, TI Colombia and the TI Secretariat at the meeting and to provide an opportunity for US supporters to learn about their productive programmes. On October 17 2000, President Bill Clinton signed into law the Microenterprise for Self-Reliance and International Anti-Corruption Act of 2000 (PL106-309). This legislation incorporates the anti-corruption provisions of the International Anti-Corruption and Good Governance Act. The Act makes combating corruption a principal goal of US development assistance and mandates that USAID establish programmes to combat corruption.

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Four weeks after the toppling of the Milosevic regime, Transparency International's partner organisation in

Yugoslavia, the European Movement in Serbia (<http://www.emins.org>), [English version](#), launched an anti-corruption programme in the cities of Nis, Kikinda and Cukarica. The project is to increase the transparency of budgeting and public procurement at the local government level and started on 8 November 2000. Against the background of the widespread corruption in the Milosevic administration, TI also called on the new administration to ensure the highest standards of transparency in public life nationwide. "The new government faces the challenging task of reforming the system and keeping the citizens' trust," said TI Chairman Peter Eigen. He added: "It was civil society that ultimately overthrew the Milosevic regime. It is now civil society that can monitor and guarantee the much needed reforms." Corruption is one of the major problems in the country to be urgently tackled, as Yugoslav President Vojislav Kostunica has stressed repeatedly. Yugoslavia was rated the second worst in the list of 90 countries ranked by the 2000 TI Corruption Perceptions Index (CPI). The local government project in the three cities of Nis, Kikinda and Cukarica has been developed jointly by the European Movement in Serbia and TI and is supported by the World Bank, the City of Budapest, local authorities and grassroots NGOs in the three towns. It has been under development since the beginning of 1997, thanks to the continuity of democratic rule at the local level in Serbia. The project will provide a testing ground for building anti- corruption mechanisms in the country from the bottom up.

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March 2001

## Corruption Reports

A sample of corruption cases from around the world

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## Africa

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### **Morocco: Bank probe tests power of old order**

Moroccan Prime Minister Abdel Rahman Youssoufi has set up an investigation into the apparent diversion of more than US\$ 1 billion of state funds over the course of a decade to friends of the ancien regime through a state-owned real estate bank. The roll call of names included in the investigation covers the breadth of the elite from trade union to political and business leaders. The case is a test of the government's willingness to confront older members of the country's political establishment, the makhzen, who benefited from the scam. There is a suspicion that only the bank's management will be brought to justice rather than all those involved in the scheme. Despite a stated ambition by King Mohammad, to modernise a backward country, Morocco's progress has been uneven. As it has sought to move away from an authoritarian and corrupt system to transparent economic management and a more liberal political society, it has found it difficult to break the habits of the past. Soon after taking over, he dismissed Driss Basri, the former interior minister who was regarded as the pillar of the makhzen system. The investigation comes on the heels of a political crisis in which the government and the palace reverted to repression to quell dissent. The case, which has become a symbol of the abuses of the past, may also come up against the "red lines" that apparently remain in Moroccan politics - individuals who are seen as untouchable.

*Financial Times, 31 January 2001*

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### **South Africa: Heath excluded from arms deal investigation**

South Africa's R43 billion arms deal scandal, in which high officials are suspected of complicity in procurement irregularities, continues, with hardline anti-corruption Judge Willem Heath facing an uncertain future. Last Thursday, Auditor General Shauket Fakie and the heads of the other two bodies probing the deal - Public Protector Selby Baqwa and National Director of Public Prosecutions Bulelani Ngcuka - met to brief several Cabinet ministers and President Thabo Mbeki, who then decided against granting a proclamation to Judge Willem Heath's Special Investigating Unit (SIU). The SIU is in virtual limbo after a court decision last November declared it unconstitutional for the body to be headed by a sitting judge. The squabble over the inclusion of Heath in the arms deal investigation has drawn Auditor General Fakie into a political fight, raising concerns that he could have buckled to political pressure to back off from his previous position that Heath be included in the investigation. The National Assembly's audit commission, which is effectively the Auditor General's board of directors, will meet next week to discuss, among other things, the arms probe. Fakie, whose office will be steering the investigation, said he stood by his earlier report on the arms deal and confirmed the

recommendations to conduct a forensic investigation, which is under way.

*Mail & Guardian (Johannesburg), 26 January 2001*

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## The Americas

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### Canada: Embassy corruption

A Canadian Embassy official in Kiev has been fired for handing out visas in exchange for bribes, in a case that casts light on a global underground industry in which corrupt local staff smuggle illegal migrants to Canada. The Kiev case is the latest in a series of theft, bribery and corruption problems at Ottawa's overseas embassies and consulates; an internal report shows 197 cases were investigated from 1996 to 1999 and 45 staff members were found to have engaged in misconduct in missions in Syria, Pakistan, Kuwait, Los Angeles, Hong Kong, Ivory Coast, Philippines and elsewhere. The Ukrainian national was dismissed last month after a two-week Royal Canadian Mounted Police investigation into complaints of bribery and migrant smuggling at the embassy in Kiev.

*National Post (Canada), 6 January 2001*

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### Peru: Political change and anti-corruption efforts

In November 2000, the government of President Alberto Fujimori came to an end when the President submitted his resignation, was subsequently declared morally unfit to rule, and finally dismissed by Congress in absentia. Corruption, in particular the case of Vladimiro Montesinos, former head of the National Intelligence Service of Peru, was a key cause of the president's fall. Fighting corruption therefore figures high on the agenda of the interim government led by President Valentin Paniagua. It appointed a Special Prosecutor, Jose Ugaz, to investigate cases of corruption under the Fujimori government. In addition, a corruption survey has been initiated as part of a general anti-corruption plan supported by the World Bank.

*Transparency International, January 2001*

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### USA: Ten years for ex-Louisiana governor

Former Louisiana governor Edwin W. Edwards was sentenced to ten years in prison and a US\$250,000 fine for racketeering and corruption. US Attorney Eddie Jordan said Edwards deserved a much stiffer sentence than he got. "There were blatant acts of corruption on the part of this defendant and we will appeal to see that he gets more of the time we feel he deserves," Jordan said. In May, Edwards, his son Stephen and three others were convicted of racketeering, extortion, mail and wire fraud and conspiracy for demanding hundreds of thousands

of dollars from applicants for riverboat casino licenses. Six fraud convictions were overturned last month after the US Supreme Court ruled in an unrelated case that mail and wire fraud could not be prosecuted in cases where no gambling licenses were issued.

*Reuters, 8 January 2001*

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## Asia and the Pacific

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### Azerbaijan: 16 officials sentenced for embezzlement

An Azerbaijani court has sentenced 16 former top officials linked to the country's former parliamentary speaker for embezzling oil products worth an estimated US\$30 million. The country's court for high crimes read out sentences ranging from five to 12 years for theft during the period 1992-1995. Among the guilty were two ex-Ministers for Foreign Economic Relations, Rauf Garayev and Hafiz Baybayev, as well as the director of Baku's main pipe-fitting factory, Tofik Akhundov. All 16 are accused of belonging to a criminal gang headed by Rasul Guliyev, the country's former parliamentary speaker and one-time director of the largest oil refinery. Guliyev, one of President Heydar Aliyev's main political opponents, is already under investigation for allegedly embezzling more than US\$70m. Guliyev denies the charges and claims that they are politically motivated. He lives in self-imposed exile in the United States.

*Agence France Presse, 21 November 2000*

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### India: Bangalore official sues briber

For the first time in the history of the state electricity utility, an official of the Karnataka Power Transmission Corporation (KPTC) has filed a criminal case stating that there was an attempt to bribe him. The official, Chief Engineer Jayakumar Singh, said in his submission to police that two representatives of a Delhi-based equipment manufacturing company, Towers and Transformers Limited (TTL), visited him at his residence and presented him with a small gift in which he later found several gold coins. "I immediately spoke to my Chairman and Managing Director, V.P. Baligar, who advised me to lodge a police complaint," he said. The submission clarified that Singh headed a technical evaluation committee for the purchase of meters, for which TTL had put in a tender. "It is therefore obvious to me that the firm, through their local representatives, tried to bribe me to get official favour," Singh said. Releasing the submission and an earlier letter sent to all suppliers of KPTC requesting them not to offer bribes to any KPTC employees, Baligar told reporters that the TTL's actions were a clear attempt to bribe Singh. "We have decided to blacklist the company from this particular tender and also short-close the existing order that they have for meters to the tune of Rs70,000," he added. KPTC Director N.K. Nagaraj said such cases were "very necessary" to control corruption in the KPTC. "It is a very positive development, as such manufacturers will compromise on quality after paying bribes," he added. Nagaraj said the charges had been laid under the Elimination of Bribery and Corruption Act.

*The Times of India, 2 January 200*

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## Indonesia: Central Bank Governor tried for corruption

The trial of the Indonesian Central Bank Governor Syahril Sabirin in the country's latest corruption case has begun. Sabirin insists on being the victim of a conspiracy between President Abdurrahman Wahid and the Attorney General to have him thrown out of office. The outcome of the trial, which concerns Sabirin's alleged part in the Bank Bali scandal, will help to re-establish confidence in the Central Bank. It will also put the credibility of Indonesia's legal system to the test. The Bank Bali case became a potent symbol of corruption in public life and prompted alarm from international finance agencies, including the IMF. In late January, thousands of protesters stormed the Indonesian parliament, demanding the resignation of President Wahid himself. In what may be a first step towards possible impeachment, the parliament voted to accept the findings of an inquiry that implicated Wahid in two corruption scandals.

*Financial Times, 17 January 2001*

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## Israel: Former aide convicted of corruption

Shimon Sheves, who served as the late Prime Minister Yitzhak Rabin's chief of staff from 1992, was convicted on charges of soliciting a bribe, fraud, and breach of trust for his role in an international arms deal. The Tel Aviv District Court found that he committed the misdeeds while acting as a go-between in a deal to sell Israeli weapons to a country media reports have identified as Taiwan. According to the verdict, Sheves was in return promised part ownership in a company that was to be established as part of the deal and was also supposed to receive part of the profits from the company.

*Associated Press, 22 October 2000*

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## Kazakhstan: Trade fraud spells loss of hundreds of millions of dollars

Dubious foreign trade flows are as much a result of official policy as outright mischief, with more state control likely to make matters worse. Kazakhstan's problem is on the export side. According to the government, some of Kazakhstan's oil producers sell oil at discount prices to shell companies in Caribbean tax havens. These companies, having obtained Kazakh oil on the cheap, then sell it to the true end-customers at far higher prices, a practice known as "transfer pricing". The reason for this transfer pricing was that Kazakhstan imposed a 50 per cent surrender requirement on all hard currency export earnings as of 5 April 1999. Exporters therefore had an incentive to under- declare the true value of their sales, thus avoiding selling hard currency to the government. The surrender requirement was scrapped in November 1999, but oil exports to the Caribbean have risen steadily. In the first half of 2000, an incredible US\$1.1 billion of Kazakhstan's total \$1.6bn in oil exports went to the Caribbean. Grigori Marchenko, head of the National Bank of Kazakhstan, claims that 70 per cent of all capital flight from Kazakhstan is a direct result of transfer pricing. The government threatened to impose export duties and even export quotas, but is instead bringing in regulations to completely ban transfer pricing. The state-owned oil company, Kazakhoil, earns the least for its oil exports and sells to former Soviet markets. Kazakhoil is, however, politically well connected and so receives little, if any, government criticism.

## **Papua New Guinea: Local government suspended**

The national government of Papua New Guinea has suspended a second provincial government and issued a warning to another. The National Executive Council suspended the powers of the Southern Highlands provincial government – whose region covers the Kutubu oil fields and the Papua New Guinea-Queensland gas pipeline project. Local government within the province has been crippled for months by clan rivalries. Neighbouring Enga Province - host to the rich Pogera gold fields - has also been given 21 days to respond to complaints of maladministration made against its government. Three weeks ago, the provincial government in Western (Fly River) Province, which adjoins West Papua and is home of the Ok Tedi copper mine, was suspended by the national government following similar accusations of mismanagement. In all three cases, the national government said, it was acting to address concerns about corruption, abuse of public funds and mismanagement. The Prime Minister, Sir Mekere Morauta, said: "There is evidence of very serious mismanagement of public funds, of corruption and nepotism, and of a complete disregard of the laws and directions of the national government." The provincial government will be investigated further.

*Australian Associated Press, 17 October 2000*

## **Philippines: Resignation of president part of change in Asia**

Resignation of president part of change in Asia It was not a rigged election, a crackdown on political opponents or any sort of dictatorial behaviour that drew hundreds of thousands of Filipino protesters to the streets of Manila earlier this month to demand the resignation of President Joseph Estrada. It was bank statements, ledger books and cancelled checks that suggested Estrada had accumulated vast wealth from bribes. "We're fed up with corruption," one demonstrator growled. "We don't want our politicians to behave this way any more." Across Asia, where kickbacks and backroom deals have long been part of the political landscape, a tide of public anger has been rising against government officials suspected of graft. Fighting corruption has emerged as a top issue on the continent, raising the prospect that other leaders will be forced to step down. "What happened in Manila is part of a change in Asia," said Agus Purnomo, secretary general of the Indonesian chapter of Transparency International. "There is much less tolerance for corruption, cronyism and nepotism than there was even a few years ago."

*Washington Post, 31 January 2001*

## **Yemen: Whistleblower victim of vicious attack**

On 28 March 2000, Abd Rabu Al Abid Husein Al Arifi, an auditor at the Central Organisation for Control and Auditing (COCA), had acid poured on his head by two masked men while he was waiting for an early morning bus to go to work. Mr Al Arifi's crime was to unearth a lucrative corruption scheme involving the Taxation Authority where he had been seconded by COCA as an auditor. While auditing their books, Mr Al Arifi

discovered that in the month of February 1999, a total of 61 custom clearance documents (which are issued by the Customs Authority of the Port of Hodeidah) were submitted to the Deputy of the Taxation Authority by the port customs, but were not passed on to the Customs Secretary as required by official procedure. When the Deputy was questioned about the documents, he denied ever having received them. Meanwhile the attack has cost Mr Al Arifi a substantial salary cut while he is on "sick leave", and he has not been able to afford the expensive treatment that is mostly available abroad. Two people were initially arrested in relation to the assault, but they were later released. The case is currently pending in court.

*Al-Quistas (Yemen), November 2000*

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## Europe

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### **Netherlands: Corrupt officials arrested**

Five police officers and two environmental officers in the Dutch city of Enschede have been arrested on suspicion of corruption. On 13 May 2000, a massive explosion in a fireworks factory resulted in the death of 22 people and left 950 people injured. The seven officials who were arrested in November 2000 apparently "forgot" to carry through routine safety checks at the factory. In return, they have allegedly received fireworks as gifts over the past few years. One of the prime suspects is an official of the Environmental Office of the Department of Defence, which is responsible for fireworks. He was responsible for issuing permits required for the sale of fireworks in Enschede. Although he was regarded as a fireworks expert, he never undertook any refresher courses. Rather, he followed the guidelines of his office. The head of this department and two of his colleagues were arrested in 1999 on corruption charges.

*Süddeutsche Zeitung, 27 November 2000*

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### **Russia: Kremlin stops corruption probe**

The senior Prosecutor General in charge of investigating the mass Kremlin corruption case known as the Mabetex affair announced that the case was closed due to "absence of evidence". Consequently, former presidential property office chief Pavel Borodin and other members of former President Boris Yeltsin's inner circle, including daughters Tatiana Dyachenko and Yelena Okulova - accused by Swiss authorities of money laundering - are cleared from official suspicion. The Geneva prosecutor, Bernard Bertossa, who is in charge of the Swiss part of the investigation, told Kommersant that the Russian Prosecutor General is covering up for crimes and that he will continue his probe.

*Russian Reform Monitor, 13 December 2000*

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## Ukraine: Kuchma fires Yulia Tymoshenko

*The Washington Post, 2 December 2000*

President Leonid Kuchma fired Deputy Prime Minister Yulia Tymoshenko on Friday, days after she was charged in one of the country's biggest corruption scandals, officials said. Kuchma signed the dismissal decree during his visit to Germany after appeals by prosecutors, who accuse Tymoshenko of stealing Russian natural gas and illegally exporting it, a government spokeswoman said. As deputy premier, Tymoshenko oversaw Ukraine's troubled energy sector and was praised by foreign observers for many of her reform efforts. Prosecutor General Mykhailo Potebenko on Monday charged Tymoshenko in the gas scheme and with falsifying documents and tax evasion. Potebenko asked Kuchma to dismiss Tymoshenko to prevent her from using her government position to influence the investigation. Tymoshenko denied any wrongdoing and claimed the case was orchestrated by political opponents, filing a complaint against Potebenko. She insists that she is an efficient manager whose reforms have been thwarted by corrupt officials.

*Associated Press, 19 January 2000*

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## United Kingdom: Laundering battle hampered

Britain's battle against money-launderers is being hindered by the failure of most financial organisations to report suspicious transactions and a shortage of resources among law enforcement agencies. The head of the National Criminal Intelligence Service (NCIS), the Home Office agency, told a House of Commons committee that fewer than one in four of the UK's 554 authorised banks had submitted a report last year. The reporting rate was even lower in other financial service sectors, with reports submitted by just 33 of the 840 insurance companies. Only 57 of the 12,500 solicitors had reported suspicious transactions while the figure for accountants was just 17, or 0.1 per cent of the total. John Abbott, NCIS Director-General, said top-tier criminals routinely used lawyers and accountants to launder money. "There are a whole host of activities of solicitors and accountants that bring them in contact with the movement of money," he said. Abbott added that NCIS would launch an inquiry early next year into why a "significant number" of organisations were not submitting reports. Around 10 per cent of banks inspected by the FSA appeared to have inadequate controls for dealing with money-launderers, he added.

*Financial Times, 21 November 2000*

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## Yugoslavia/USA: Milosevic cronies took US\$1 billion

US Treasury investigators have concluded that at least US\$1 billion was spirited out of Yugoslavia by associates of ousted president Slobodan Milosevic and flowed through banks in Cyprus to other destinations. "It is apparently the money the former regime had transferred to Cyprus in the course of the 1990s," Yugoslavia's Central Bank Governor Mladjan Dinkic told reporters. Investigators do not yet know where the money may have ultimately gone. The new Yugoslav leadership has frequently accused Milosevic and his ruling elite of transferring state funds abroad, but the Treasury investigation has apparently provided the first major evidence of large-scale money transfers. Dinkic, a prominent opposition economist during the Milosevic era, became Central Bank Governor this week. "Our aim is to repatriate the money, which belongs to the Yugoslav people," he said. Dinkic indicated that the Yugoslav government would seek technical assistance from the US Treasury in tracking down the funds.

*The Washington Post, 2 December 2000*



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## TI Internal

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### German Medal of Merit awarded to Peter Eigen

TI founding chairman Peter Eigen has been awarded the Bundesverdienstkreuz 1.Klasse, the first-class medal of merit of the President of the Federal Republic of Germany. Heidemarie Wieczorek-Zeul, German Minister for Development and Economic Co-operation, presented Peter Eigen with the award at a ceremony in Berlin on 5 February 2001. Since 1951, presidents of the Federal Republic of Germany have honoured outstanding social, political or economic services rendered to Germany with this medal. Peter Eigen is being recognised for his extraordinary efforts in combating corruption.

*TI Secretariat, February 2001*

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### Art for Transparency

Moroccan comic artists sharpen their skills With the support of the TI Secretariat, in November 2000 the Moroccan Art Appreciation group hosted a five-day workshop for 30 aspirant comic artists at the Hassan II University. Under the guidance of Finnish cartoonist Leif Packalén and a number of local artists, the group focused their attention on corruption in the public administration, in hospitals and in the political process (elections). The medium of comics was chosen by the Moroccan group due to its reasonable cost and the possibility to access a largely illiterate population. The use of humour is also an appropriate vehicle to pass on the message. A copy of the conference report (in comic format), together with some samples of the workshop outcome, can be obtained via e-mail from Hendrik van Vuuren at the TI Secretariat: [hvvuuren@transparency.org](mailto:hvvuuren@transparency.org)

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## **Tool Kit now on the web**

The Latin American Anti-Corruption Tool Kit for civil society action against corruption can now be found in English on the TI website. The tools can be found under: What TI Does/National Chapters/Activities/Developing Anti-Corruption Tools (<http://www.transparency.org/toolkits/lac-toolkits/index.html>). The Tool Kit presents a range of anti-corruption activities in an accessible, concrete, user-friendly format. The write-ups situate the tools in the specific national socio-political context and in the context of the responsible National Chapter (NC). Each case includes detailed descriptions of its distinct stages of implementation, sections on tangible positive and negative results, and lessons learned. Parallel to offering these tools to the public, TI is starting to assess the impact of the anti-corruption tools in a more systematic way. The TI-LAC chapters believe that the tools are of interest beyond Latin America and can be adapted by other NCs. In addition, they are meant to trigger a much broader process of capturing civil society competence relevant for fighting corruption. If you are aware of tools that you believe could be of use to other NCs or civil society organisations, please contact the appropriate regional TI Programme Officer. To initiate this exercise in Latin America, TI counts on the support of The Tinker Foundation (USA). Anti-corruption activities will be evaluated systematically to derive cumulative lessons for adaptation to different country contexts and institutional capabilities.

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## **TI Pakistan taking shape**

On 22-27 November 2000, Margit van Ham and Ran Liao of the TI Secretariat visited Karachi and Lahore to assist in the formation of TI Pakistan. Their stay was also used for meetings with the National Accountability Bureau and local government ministers, as well as round-table talks with the Institute of Engineers and the Karachi Water and Sewage Board (KWSB). A workshop on the Integrity Pact (IP) was facilitated by Rene Ribic, a senior adviser to TI, and it was followed by discussions on identifying a possible project with the KWSB. In Lahore, seminars were held with the interested future members and students of the College of Law. Both in Karachi and Lahore, the promoters of TI Pakistan have gathered a promising coalition of businesspeople, lawyers, journalists and academics, among them a number of women. In the meantime, an agreement between the TI Secretariat and TI Pakistan in formation has been signed.

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## **TI's Ottawa Conference**

A total of 260 participants from 93 countries descended on Ottawa in September 2000 for TI's international conference "The Anti-Corruption Agenda in a New Decade: Defining Issues, Identifying Allies". TI Canada co-organised the conference. Inspired by the Best Practice session that opened the proceedings, the conference provided an opportunity to discuss approaches on tackling corruption with several plenary sessions, 13 workshops, and three regional meetings. The Ottawa meeting saw the accreditation of National Chapters in Senegal, Mexico, Russia, Lithuania, Estonia, Georgia, Kazakhstan and Zimbabwe. The conference was also the opportunity for the movement to hold its formal Annual General Meeting (AGM) where three members of the Board, Fritz Heimann, Michael Wiehen and Peter Rooke, were re-elected. Another outstanding event was the discussion of the TI Code of Conduct proposal, which will be finalised at the next AGM in Prague. The Transparency International Secretariat would like to express special thanks to CIDA, DfID, USAID and the Volkart Foundation whose financial support made this conference possible.

## Transparency International Integrity Awards

Last September, TI presented its first ever Integrity Awards. The Awards were introduced in the year 2000 to recognise the tremendous courage and dedication of those who fight corruption around the globe, often at great personal risk. These individuals and organisations usually work in extremely difficult circumstances, in societies where corruption is endemic and where speaking up for honesty and integrity is a dangerous occupation. The first TI Integrity Awards were handed out during a special ceremony at the close of TI's Annual General Meeting in Ottawa. The recipients of the Awards were: Mustapha Adib of Morocco, an army captain who is serving a prison sentence after having exposed corruption in the in the Moroccan Air Force. The Concerned Citizens of Abra for Good Government, a citizens' group from the Philippines which monitors infrastructure projects such as road and bridge construction to ensure that government funds are spent wisely. Lasantha Wickremetunge, an investigative journalist from Sri Lanka, whose newspaper was banned and who was subjected to physical threats because of his exposés on corruption in the government. The late Dr Alfredo María Pochat, a civil servant who had devoted most of his career to uncovering systematic corruption and was assassinated on 4 June 1997, moments before he was due to reveal financial irregularities in the Argentine Social Security agency. Two of the recipients, from the Philippines and Sri Lanka, were in Canada to accept the awards personally. Captain Adib, who remains in prison, was represented by his lawyer, Abderrahim Jamai, while the award for the late Dr Pochat was accepted by his parents in an emotional ceremony. The ceremony also featured a special video presentation chronicling the achievements of the four recipients. The TI Integrity Awards will be staged annually in an effort to raise the awareness of corruption around the world and to highlight the deserving actions of individuals and organisations whose efforts help promote the goals of the TI movement. The seven-member Awards committee, chaired by Virginia Tsouderos (TI Greece), is now receiving nominations for the TI Integrity Awards 2001. Nominees should have undertaken actions that have or will influence levels of corruption within a country or a region. Their actions should be deemed worthy of emulation or be particularly innovative or courageous. All nominations should be sent to the Awards programme secretariat before 31 May 2001. They can be forwarded by post or by email c/o Susan Côté-Freeman, Transparency International, Unit 1, The Quadrangle, 49 Atalanta Street, London SW6 6TU, UK. Email: [freeman@transparency.org](mailto:freeman@transparency.org)

More information on the year 2000 winners and on requirements for nomination files is available on the TI web site at [http://www.transparency.org/activities/i\\_awards.html](http://www.transparency.org/activities/i_awards.html).



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## New Publications

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### TI Source Book 2000

#### **Confronting Corruption: The Elements of a National Integrity System by Jeremy Pope**

A revised and expanded edition of TI's flagship publication is now available in print and electronic format. In this 364 page volume, TI's Executive Director, Jeremy Pope, builds on the innovative concept of the national integrity system and its accountability "pillars" which form the basis of a country's accountability and transparency mechanisms.

Released five years after the original edition, the TI Source Book 2000, offers new perspectives on containing corruption and ponders some of the lessons learned from anti-corruption efforts to date. Policy makers, anti-corruption practitioners, academics and all those with an interest in governance and transparency issues will find the Source Book 2000 an invaluable reference manual.

TI Source Book 2000, pp 364, **ISBN 3-980 5657-8-5**

The TI Source Book is now available at the TI web site:  
<http://www.transparency.org/sourcebook/index.html>.

Comments on the publication are welcome and may be sent by email to:  
[Jeremy Pope](mailto:Jeremy.Pope@transparency.org).

Copies of the TI Source Book 2000 can be ordered from:

Transparency International Secretariat,  
Otto Suhr-Allee 97-99, D 10585 Berlin, Germany,  
Tel: +49 30 3438 20-0, Fax: +49 30 3470 3912,  
Email: [landreu@transparency.org](mailto:landreu@transparency.org).

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## Information for Accountability Workshop Workbook and Sourcebook

The International Records Management Trust, Rights and Records Institute has recently announced the availability of these resources. They can be downloaded from: <http://www.irmt.org/index2.html> The workshops provide government officials with a methodology to identify and respond to citizens' legitimate demands for information about government programmes. The aim is to bring together members of the government, the legislature and representatives of civil society and the media. The workbook and sourcebook should be used in tandem. The sourcebook makes available the most relevant background information.

The sourcebook outlines methodology, providing practical instructions to help you plan and run a successful Information for Accountability Workshop. The International Records Management Trust co-operates with TI and its national chapters. The workshop approach is derived from a methodology developed by TI. For more information about the Information for Accountability Workshops, please contact:

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Email: [pcain@irmt.org](mailto:pcain@irmt.org), website: <http://www.irmt.org>

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## Blowing the Whistle:

### One Man's Fight Against Fraud in the European Commission by Paul van Buitenen

captures a historic low in public confidence in the European Commission and the strange influence one low-level official had on the collapse of Jacques Santer's regime. Paul van Buitenen, in 1998 an assistant auditor in the Financial Control Directorate of the European Commission, became Europe's most notorious whistleblower. Collecting evidence of corruption – from double payments to tenders landing in the laps of close relatives of Commissioners or advisers who designed the tender specifications in the first place – he sought to draw senior officials' attention to the abuse of power.

Running into solid resistance, he eventually turned to the European Parliament – and the rest is history. Van Buitenen describes the impact on a whistleblower and his family of being suspended on half-pay in costly Brussels and on the entrenched resistance to investigate: even internal disciplinary proceedings were often not instituted owing to fears that the details would leak out. The Commission's fraud prevention unit would not launch an investigation "until there was already exhaustive proof", and even then, charges van Buitenen, it looked at only narrowly defined fraud. The dilemma faced by many officials in Brussels – the choice between the duty of confidentiality within the organisation and loyalty to the public interest – is strikingly portrayed, as is the dependence of a whistleblower on a vigilant media. As van Buitenen puts it, "without the media I would have been destroyed".

Van Buitenen's story is that of the messenger who is attacked, while the people responsible for the irregularities and fraud close ranks. It remains to be seen whether the new Prodi Commission and Neil Kinnock, the Commissioner in charge of reform of the EU, can rebuild public confidence in the Commission – and the loyalty of their staff in a transparent and open organisation.



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## Conferences

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### **2-4 March 2001, Nyanga, Zimbabwe**

Following a decision made at TI's 2000 Annual General Meeting in Ottawa, TI Zimbabwe is organising a regional meeting of African national chapters, the majority from English-speaking countries. Notwithstanding financial and organisational constraints, the crucial wish of TI chapters in Africa remains to interact more across the language divide. The gathering will reflect on ways of pushing the substantive agenda of TI chapters forward with a particular emphasis on improved regional co-operation and communication, and increased initiatives on a regional basis. Two members of the TI Board of Directors, Ibrahim Seushi and John Githongo, will be present at the meeting.

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### **15-17 March 2001, Naples, Italy**

The "Third Global Forum on Governance: Fostering Democracy through E-government" is organised jointly by the OECD Public Management Service (PUMA), the UN, the European Union and the World Bank. For more information, visit the website: [www.globalforum.it](http://www.globalforum.it) or email to [projectleader@globalforum.it](mailto:projectleader@globalforum.it)

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### **26-30 March 2001, Dakar, Senegal**

Dakar will host the third region-wide workshop for the Adaptation of the TI Source Book to Francophone Africa. The meeting will gather some 35 participants from the region. The list of participants is nearly closed, but those interested can still contact the TI Secretariat in Berlin: Roslyn Hees [rhees@transparency.org](mailto:rhees@transparency.org) or Françoise Ndoume [fndoume@transparency.org](mailto:fndoume@transparency.org)

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## **28-29 March 2001, London, UK**

The "Anti-Money Laundering, Audit & Compliance" conference, organised by the Institute for International Research (IIR), will provide participants with an understanding of the new guidelines on money laundering, to ensure that their organisation is compliant and to provide ways to identify money-laundering schemes and transactions. Aimed at representatives of the business community, the conference will help participants increase successful co-operation with enforcement agencies. The distinguished speaker panel includes TI Executive Director Jermyn Brooks.

For more information, visit the IIR website: [www.iir-conferences.com](http://www.iir-conferences.com)

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## **11-12 April 2001, United Nations University, Tokyo, Japan**

The "International Symposium on Enhanced Transparency in Public and Private Sectors in Japan" is jointly organised by Transparency International and the United Nations Development Programme. TI Chairman Peter Eigen will be a keynote speaker at the symposium and he will be joined by representatives of Japan's public and private sectors, academia, and non-governmental organisations. Participants from the region will include special experts from Thailand, Malaysia, Bangladesh, and Australia. One of the principal topics of discussion at the symposium will be the impact of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business, to which Japan is a signatory. There will be a strong focus on good corporate governance and ethical business practices. Transparency in the context of development aid and overseas co-operation will also feature on the agenda.

For further information, please contact:

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Tel: +49 30 3438 2018, Fax: +49 30 3470 3912,  
E-mail: [lpakeda@transparency.org](mailto:lpakeda@transparency.org)

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## **28-31 May 2001, The Hague, Netherlands**

The Dutch Minister of Justice is hosting "Global Forum on Fighting Corruption and Safeguarding Integrity II". The intergovernmental conference is expected to bring together more than 1,000 experts and government ministers to discuss new government strategies against corruption. Ministers will adopt a Final Declaration, containing a number of ideas on a future UN legal instrument against corruption, on the monitoring of the effectiveness of national anti-corruption strategies and on best practices.

More information is available on the Global Forum II website: <http://www.gfcorruption.org>.

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## **7-11 October 2001, Prague, Czech Republic**

The International Anti-Corruption Conference (IACC) is the principal global forum for anti-corruption experts and activists. "Together against corruption: designing strategies, assessing impact, reforming corrupt institutions" will be the theme of the 10th IACC hosted by the Government of the Czech Republic and TI Czech Republic this autumn.

The Prague conference will provide a regional spotlight on Central and Eastern Europe and Central Asia, with

special emphasis on issues relevant to the private sector. Key themes to be addressed include: building an ethics culture, reform of corruption-prone institutions and sectors, and measurement and monitoring of institutions and systems. Speakers will include Czech President Václav Havel, financier George Soros, and Patrick Alley of Global Witness. The conference series is overseen by the IACC Council, for which TI serves as Secretariat.

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

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## Voluntary Subscription Information

TI has grown tremendously since its foundation almost five years ago, triggering - to our delight - more and more interest all around the world in receiving our Newsletter. Up to now, we have sent out the Newsletters to most of our readers free of charge.

However, we are facing ever increasing mailing and production costs which no longer can be met by our scarce budget. Thus we would kindly like to ask the readers to make a contribution to our production and distribution.

The subscription fees are as follows:

Individuals: \$ 50 p.a.

Institutions & Companies: \$ 100 p.a.

Special arrangements can be made for those who cannot afford this or who are interested in exchanges of publications. Please help us help you by taking out a voluntary subscription today.

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