



Transparency International's Quarterly Newsletter

March 1996

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Editorial

Tanzania's recently-elected new president, Benjamin Mkapa, has voluntarily made a full and public disclosure of his assets and those of his spouse. More than this, he proceeded to explain the sources of income enjoyed by himself and his spouse, and to show how these assets were afforded. The move has been heralded as the first step in President Mkapa's declared campaign to stamp out corruption - a key issue in the election which brought him to power at the end of last year.

As far as we are aware, this constitutes a "first" for the continent, and is all the more remarkable for being made voluntarily, as the last parliament in enacting a leadership code had provided for disclosures that were private, not public, and did not include spouses.

The leadership thus provided by the new President has implications that go well beyond the boundaries of his country, though judging by the messages of excitement reaching us from Tanzania, his people, more by this single act than anything else, now believe that meaningful change is on its way. Of course, other new presidents in other countries have expressed similar determinations and have all too often presided over administrations which have quickly slid deep into sleaze. It is the action of transparency and accountability on the part of President Mkapa personally that many see as demonstrating a very real commitment to change.

The task does not end with such a gesture, as the new President clearly realises. Rather, it marks a beginning. Other leaders have been quick to follow suit, showing that vibrant personal example will always be more potent than sterile legal requirements. Quickly, too, a commission has been established, and with an early reporting date. Other steps are believed to be under consideration.

If the momentum now created by the President can be sustained - and no one doubts that the task is formidable - then Tanzania may, indeed, be on the brink of a restoration of the high standards of personal probity that were once the hallmark of its public service. The whole of Africa - and the wider world - is watching and hoping.

Peter Eigen, Chairman of the Board



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Country Updates

Jordan	Tanzania, (more), (more)	Brazil
Columbia (more)	Australia	Austria
Panama	Canada	Germany
Uganda	Switzerland	France

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Jordanians prepare for corruption battle

The latest in a series of consultations with civil society and government agencies took place in Amman, Jordan, on 16-17 December. The workshop aimed at distilling best practice, and was attended by some 60 Jordanians, drawn from both the public and the private sector, and the Commissioner of the Hong Kong ICAC (B. de Speville), Dr Mohammad Kisubi (Public Administration specialist, Uganda), Tan Ah Leak (Deputy Director of Singapore's Corrupt Practices Investigation Bureau) and TI's Jeremy Pope. The proceedings were televised, as was a meeting between the overseas experts and the Prime Minister, who took the opportunity to publicly define the major corruption problem as being nepotism.

The next step will be the formulation of a national action plan.



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Regional Seminar in Usa River, Tanzania

Representatives from more than 25 influential NGO's in Eastern and Southern Africa participated in a regional seminar on corruption and its impact on development held from November 13 to 15, 1995 in Usa River, near Arusha. Co-hosts

were the Harare based NGO-centre MWENGO and the Danish supported MS Training Centre for Development Cooperation. At the action oriented meeting delegates were eager to formulate initiatives suited to their area of work. They realised, that also grand corruption should be of concern to NGO's. The meeting adopted a communiqué urging the individual NGO's to develop strategies suited to their reality. An active network is established with MWENGO as coordinating centre. The practical activities that will be started include the integration of anti-corruption measures in all work to be done by NGOs, initiate community-based awareness raising campaigns and support the establishment of documentation centres and action research on corruption as well as work for law reforms and effective public complaint systems. Among the participants were representatives of TI-National Chapters from the region.



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US presses for anti-corruption laws in Brazil

The Clinton administration is pressing Brazil with diplomatic means to act effectively against corruption. The US proposed, among others, the following: to freeze and confiscate goods resulting from financial fraud and to punish companies and individuals involved in corruption of public officials. It was said, that it was not enough to have these laws but that it was crucial to enforce them. The aim is within three years to have the whole Southern American Hemisphere working with effective anti-corruption legislation.

O Estado de Sao Paulo, 17 December 1995



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Corruption test for Australian Police

The Australian Federal Police has overhauled its recruitment process for senior officers to include extensive testing for corruption. The new process comes as the NSW Police Royal Commission considers allegations involving more than 10 former federal officers. The director of the recruitment agency said that new candidates for the AFP were made to sign an anti-corruption statement. The statement gave an "unequivocal assurance" that the officers had never been involved in " corruption or serious malpractice".

The Australian, 15 November 1995



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President Mkapa forms Anti-Corruption Commission

President Mkapa has formed a nine person team to investigate matters relating to corruption and advise him accordingly, it was announced on January 18. The Anti-corruption Commission will be under the Chairmanship of Mr. Joseph Warioba, a former Prime Minister and first Vice President. One member will be nominated by the Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA). The Commission will make recommendations on how best existing laws and procedures can be amended or changed to seal off loopholes for corruption, identify short comings in trade and non-trade contracts, service rendering procedures etc. The President said that the Commission will discharge its duties in a transparent manner and its report would be made public on completion. The Commission is to complete its work by September.

TI-Tanzania



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Transparency revolution in Tanzania

The newly sworn-in Tanzanian President Benjamin Mkape stated that he would set up a system to monitor the behaviour and conduct of his appointees in addition to the already existing regulatory bodies such as the Anti-Corruption Squad. To show that he means business, he promised to give an account of his assets and how he acquired them soon. Many Members of Parliament are willing to follow suit. Corruption has reached the point where it is a serious impediment to development, reported the *Business Times*. Subsequently, the President went on nation-wide radio to declare not only his own assets but those of his wife, and to explain how these were acquired. Subsequently a large number of members of parliament followed his example.

Business Times, 24 - 30 November 1995;



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"Self-absolution" rejected by Colombian Congress; Call for Reforms

A bill which proposed to drop the law which allows for the legal prosecution of Congress members and leading politicians accused of illicit enrichment or receiving money from drug trafficking was approved on 14 December 1995 by the Colombian Senate with 56 versus 32 votes. However, the bill, closely monitored by a vigilant press, was rejected the next day by the Congress. If the bill - a "national shame" for Colombia (Andres Pastrana) - had been enacted, 80 % of the charges against the Cali drug Cartel would be void and it would be a kind of "self-absolution" for members of the Senate, since most of those in favour of the bill are charged with having received drug money themselves.

El Nuevo Herald, 16 December 1995; Tagesspiegel, 3 January 1996



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Agenda 1996

Twelve Colombian economic and political leaders have issued their "Agenda 1996", calling for high-level resignations, reforms and firmer economic direction to address the crisis and confusion surrounding President Samper's government. The document constitutes a rallying cry against progressive damage to Colombian institutions and government, and against legislative corruption. Nearly all the signatories belong to the governing Liberal party. The politicisation of public entities, the misuse of political favours, and inadequate tax measures have fostered economic inefficiency, according to the Agenda. The government should concentrate on controlling public spending and on supporting education, health, infrastructure projects and security.

FT, 23 January 1996



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Austria to end anonymous trading accounts

Austria will relax its strict bank secrecy laws by abolishing anonymous securities trading from July 1, Victor Klima, finance minister, announced. The long awaited move bring domestic regulations in line with standard international practices and is designed to prevent insider dealings and money laundering. Austria is the only European country that permits anonymous accounts. they are mostly used by legitimate investors, but are also seen as the main conduit for insider trading and parking illegal funds from abroad, mainly coming from Germany and Italy, though actual amounts are not known. The move has been expected since Austria joined the European Union in January 1995.

FT, 14 February 1996



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Panamanian Presidential decree against corruption

The Panamanian President Ernesto Pérez Balladares signed at the occasion of the official launch of the Panamanian Chapter of Transparency International on 25 January a Presidential Decree against corruption in the public sector, which allows TI-Panama to assist the government in its efforts to combat corruption. The decree follows a Law for Public Transactions adopted last December, which already contains a Transparency Principle for all public procurement acts.

Estrella de Panama, 26 January 1996



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Canada: Action recommended against conflicts of interest; bribe inquiry `focus on Boeing'

The Law Reform Commission of British Columbia has reported recommending that the law be changed to ban directors of non-profit organisations from entering into business arrangements or otherwise receiving money from a society, a ban extended to family members and business associates. The appointment of a commissioner to advise on conflicts of interest and to make rulings is also mooted.

Law Reform Commission of British Columbia, Report on Conflict of Interest, 1995, Vol.1.

Boeing and a senior sale executive are reported to be under criminal investigation in Canada on suspicion that a former Boeing subsidiary paid more than \$1 million in bribes and "fees" to sell five planes to Bahamasair in 1990. Accusations of improper payments were made in a highly detailed report issued by a Bahamian government commission of inquiry last year. The reported bribes are also the subject of a Miami law suit, filed against Boeing by Aviaco International Leasing, a Canadian aircraft leasing company. Aviaco contends it was cut out of the aircraft sale after signing a deal to provide financing, because, the suit says, Aviaco's presence would have impeded the payment of bribes. Boeing rejects the allegations as being `based on the testimony of individuals whose credibility is in serious doubt'. The report said that a Canadian citizen who ran a hotel in the Bahamas and had high government contacts acknowledged receiving \$1.14 from the subsidiary, de Havilland, then passing \$786,000 to two businessmen close to the Government ministers who had run Bahamasair.

New York Times, 13 February 1996



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Germany: Bonn plans to crack down on corruption; Tax Payers' Association presents action plan; Federal State acts against corruption in its administration

Bonn plans to sharpen its legislation against corruption: companies paying bribes to get state contracts will have to pay recompensation fines. The German ministries of justice and the interior are presently elaborating a package of "Anti-Corruption Provisions". It is planned to establish a blacklist of bribe-paying companies which can be excluded from the tender, to increase the penalties for bribes, to make semi-public officials punishable and to criminalize price fixing.

Berliner Zeitung, 8 February 1996

The Tax Payers' Association of Berlin presented an anti-corruption catalogue to combat bribery in the public administration; some of the proposals go beyond of what is planned in Bonn. Karl Heinz Däke, the president, said that a drastic simplification of the administration was needed, team work and the four-eyes-principle should be enhanced, more independent controls, the prohibition to accept presents and blacklisting of bribing companies should be introduced. Some of the measures are already in effect in Berlin, and a good number of the proposals corresponds with

the recommendation the Berlin Senate Anti-Corruption Group will present this year to the Senate.

Tagesspiegel, 8 February 1996

The North-Rhine Westphalian minister of the Interior, F.J. Kniola said that an internal control commission, unprecedented in Germany, had been established in the Düsseldorf Ministry of the Interior. The "specialists" of the commission have the authority to arrive without warning at any office and may review all files. Over the first 9 months of 1995 charges of corruption were levied against 72 civil servants. Kniola said that in particular procurement officials had to fear random and unexpected examinations by the commission, and recommended that such control bodies be introduced in all German public administration institutions.

Süddeutsche Zeitung, 4 January 1996



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Ugandan leaders declare commitment to action

The participants at the Uganda National Integrity System Workshop, held at Mukono, Uganda, on 28 November 1995 issued their "Mukono Integrity Declaration". After the meeting it was broadcast in its entirety over the national radio network.

"After over 30 years of Independence and sacrifice, Uganda is at last starting to realise meaningful social and economic development, but we recognise that this will not be achieved without a radical strengthening of our national integrity and ridding the country of the corruption that has plagued it for many years.

"Our objectives now are as a matter of the highest priority to establish just and honest governance in our country, in which all share fairly in our social and economic progress and are served equally by an efficient government of the highest integrity. We therefore commit ourselves, and call upon all fellow citizens, and in particular all those seeking elective office, to join with us in the following declaration:

"1. We will work to bring together all Ugandans, regardless of affiliation and background, in a united front against corruption and in favour of an open and democratic society in which government services are delivered to all in fair and efficient ways. This national coalition will include the business community, the professions, politicians, the media, educators, the public service, NGOs and religious leaders.

"2. We will support in all ways open to us the development of strong and vibrant institutions well-placed to uphold the Rule of Law and to strengthen and police our national integrity, including parliamentary practices which serve as a meaningful check on executive and administrative powers; and the independence of the judiciary, the DPP, the Auditor General and the IGG.

"3. We recognise in particular the central roles to be played by civil society and the private sector in building a strong and vibrant Uganda, and will support steps taken to foster an enabling environment for civil society to operate in and to foster activities in the private sector.

"4. We will support and take part in a wide-ranging public awareness programme designed to raise public understanding of the damage to Uganda done by corruption and the role of the public in countering it.

"5. We will support civil service reform at all levels in ways which will limit opportunities for corruption. We will also support measures aimed at eliminating conflicts of interest between public duties and private interests, including the introduction of effective measures to monitor the personal assets of decision-makers in the public service as a means of openly reassuring the public of their integrity.

"6. We will support the freedom of the press and its right of access to information as provided for in the Constitution.

"7. We will support a thorough overhaul of existing arrangements for public procurement to ensure that future procurement is open, transparent and fair, and represents value for money for the citizens of our country.

"8. We will work to achieve the holding of free and fair elections and the building of a strong democratic tradition in our country.

"9. We will in our respective ways continue to work to implement and further develop the action programme against corruption first agreed at Mukono in November 1994.

"10. To these ends we will work together with all like-minded Ugandans of every social, political and religious persuasion who wish to achieve a safe, secure and honest society in which our country can continue its social and economic development, and in which all Ugandans can live with dignity and pride."



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"Mani pulite" in Switzerland

An anti-corruption working group consisting of judicial and police experts, established on the initiative of Federal Counsel Arnold Koller, was ordered to work out an evaluation of the situation of corruption in Switzerland and to elaborate proposals on how to counter it. In this context experienced members of "Mani pulite", like Gherardo Colombo, Hilda Boccassini and Francesco Borrelli, were invited to Bern for a hearing and to exchange information. Borrelli stressed in his speech the close international cooperation as the indispensable precondition for sustainable success in fighting organised crime. He also pointed to lacunae in national legislation, since only in the US the bribing of foreign officials was considered a crime.

Neue Züricher Zeitung, 3 November 1995



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Water Music at Lyonnaise des Eaux in France

It was with an eye on the past as much as on the future that Lyonnaise des Eaux, the French giant utilities and construction group, resolved last spring to develop a wide range of corporate governance and ethics reforms. Over the last year the group has been drawn into growing allegations about the links between politicians and business in France involving bribes in major public contracts. But under the shake-up, three new committees - on auditing and accounting, on the selection of executives and on ethics - have been created, a foreign non-executive director was appointed to the board, wrongdoers have been fired and all future contributions to political parties have been banned well in advance of a similar law pushed through by former Prime Minister Balladur. René Coulomb, group director responsible for ethics, argues that the reforms were driven by both the internal management challenges and the external pressures of customers and investors from abroad.

FT, 2 February 1996

Europe awakes to bribery....

In the past weeks, a number of TI-supported initiative have started to bear fruit:

* EU member countries decided to improve cooperation in containing corruption at the national and European levels. A first step is agreement by Ministers of Justice to make the bribing of national and European public officials a crime. Die Welt, 14 January 1996.

* At the end of 1995 the European Parliament asked the Commission to present an anti-corruption programme by this July. Die Welt, 14 January 1996.

* The Trans-Atlantic Business Dialogue, in Seville on 11 November called for the US, the EU and Member States to "fully implement the 1994 OECD Recommendations on bribery in international transactions" and review tax practices, as well as emphasise transparency in public procurement. Communique, 11 November 1995

* The Trans-Atlantic Summit in Madrid on 3 December translated this into political commitment by stating that "we *will combat* corruption and bribery *by implementing*" the OECD recommendations.

Communique, 3 December 1995



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TI National Chapters

[Australia](#) [Bolivia](#) [Ecuador](#)

[Germany](#) [Morocco](#) [Nigeria](#)

[Nepal](#) [Panama](#) [Turkey \(Poll results\)](#)

[Uganda](#) [UK](#) [Zimbabwe](#)

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TI-Australia has launched its first state councils in Melbourne and Sydney as a basis for regular programmes of local activity and to involve more people in its work. Its capacity is also being strengthened by growing support from academic and professional institutions as well as the corporate sector but funding constraints continue. Government lobbying has concentrated on securing active Australian support for the OECD working groups and briefing government officials responsible for foreign affairs, trade and aid. Media reports, articles in the trade press and regular speaking engagements have increased awareness in the private sector, too. After the sabbatical leave of Isabelle Blackett to South Africa, Peter Rooke is now the Coordinator (fax: 61-2-969 6854, e-mail tioz@ozemail.com.au).

TI-Bolivia and **TI-Ecuador** organised the second regional meeting out of three to prepare a regional coordination role for TI on the Latin American continent. This workshop, which was held on 14-16 December 1995 in La Paz with UNDP funding, was well-attended by the main National Chapters and those in formation from the region as well as by representatives from international institutions like the OAS, UNDP, IDB, UN Crime Prevention, and university researchers. The workshop gave participants the chance to present briefly their experience in fighting corruption at the respective national levels and focused then - divided in working groups - on defining different areas of corruption where TI can become active regionally. The results of the workshop will be the basis of TI's strategy and coordination in Latin America to be presented at a Regional Consultation Meeting with IDB funding in May 1996. One of the major achievements of the meeting was the strong and emphasised support from donors and international organisations for our activities. All stressed that exchanges of information and experience should be enhanced and that they were very interested in finding ways to cooperate more closely with Civil Society in general and TI in particular. It also became clear, that more efforts should be spent to support the formation of national chapters in the region.

TI-Germany's lobby work to promote the implementation of the OECD Recommendations in the German Bundestag suffered a setback when in the Committee on Economic Cooperation and Development the coalition parties killed a motion of the opposition to cancel the tax deductibility of bribes in international business transactions. However, the final vote has not yet been taken and TI-Germany has written letters to all members of parliament asking them to engage in the fight against international corruption. There was quite a good response and even members of the coalition parties have expressed their support to abolish the tax deductibility of bribes if the other major industrial countries do the same. TI-Germany's endeavour to obtain support in the German business community has had a big boost from a meeting with leading representatives of major German industrial enterprises on January 24 at the premises of the Aspen Institute in Berlin. Participants including former Bundespräsident Richard von Weizsäcker

reached consensus about the widespread incidence of corruption in international business transactions as well as in German business and the necessity to fight corruption through government measures and actions by private business. The TI approach to create "Islands of Integrity" and thus to control corruption without distorting competition among private enterprise was genuinely supported and concrete proposals for new "Islands of Integrity" were discussed. On February 21, an Advisory Council for the German TI Chapter consisting of eminent persons from business, politics and science will be constituted.

Transparency-Maroc was launched on 6 January in Casablanca, the economic capital of Morocco. Their Statutes and Charter were officially adopted. Academics, businessmen, artists, and others all stressed the seriousness of the problem of corruption expanding towards getting institutional and representing an obstacle for economic development and democracy. T-Maroc, first organisation of this kind and our first national chapter in the Arab world, will start to focus on awareness raising. Sion Assidon, one of the founding members, said: "We first want to inform the public, make it more sensitive to corruption related issues, which altogether are still a rather unknown phenomenon, and an intolerable practice. Be it the abuse of political, administrative, judicial or economic power for private profit".

The performance of Händel's Messiah marked the official launch of **TI-Nigeria** on 6 December in Lagos. This rather unique event, performed by the choir of the Redeemed Christian Church of God, attracted some 700 people, including leaders from industry, finance and commerce as well as individuals from different sectors. Most astonishing was the presence of a number of foreign diplomats, including Chargés d'Affaires and some Ambassadors, who were thought to stay away due to the international sanctions of the Nigerian government for killing 9 human rights activists in November. Justice Kayode Eso, Chairman of TI-Nigeria's Advisory Council, gave a speech on transparency and accountability and asked then - for the first time - publicly the government to release his report on Judiciary Reform, which resulted from a panel on this topic. Justice Eso called on everybody present to support and identify him/herself with the fight of corruption, because otherwise the country would continue to decay. TI-Nigeria will start its full operation in 1996 following the strategy of being more proactive than reactive and hoping to become one of the surprises that the world will be witnessing in routing out corruption.

TI-Nepal was formed in Kathmandu on 15 December 1995. Fifteen personalities representing a variety of professions in Nepal attended the formation meeting. They approved the constitution and elected an Executive Committee. The group is chaired by Mrs Ambica Shrestha. The meeting thanked Dr. Devendra Raj Panday from TI's Advisory Council for his special efforts in creating public awareness for the need to fight corruption. TI-Nepal is assisting the preparation of a TI- preliminary mission to the country in March.

As scheduled **TI-Panama** was officially launched on 25 January in a high-level event attended by the State President and many distinguished personalities from public and private life. At this occasion the President Ernesto Pérez Balladares signed a Preseidential Decree against corruption in public transactions. Only in December the Panamanian government had approved a Law for Public Transactions, including a "Transparency Principle", which enjoys the full support of the Panamanian Chapter and which was consulted in the drafting stages. Implementation will be carefully monitored. In due course an Advisory Council, consisting of distinguished personalities mainly from the professional world will be constituted.

A Turkish NGO interested in becoming; **TI-Turkey**; has been facing difficulties in getting themselves registered due to changes in the law. However, activities are carried forward through discussion groups, seminars and workshops with a growing number of adherents in different cities. Once the core group has gained an adequate number of supporters and members, they will organise a national congress to which they intend to submit a draft declaration of citizen ethics. Recently, the group around Ertugrul Ihsan Özol organised a brainstorming session with the participation of some 25 finance inspectors, some working in Istanbul, some already retired and others working in the private sector.



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Turkish financial inspectors were asked their opinions on:

1. Corruption in Turkey	Increased	40 %
	Abnormally Increased	60 %
	Public tenders	68 %
2. What is the subject of corruption	Banks	20 %
	Building licenses	6 %

	Privatisation	4 %
	Politicians	65 %
	Bureaucrats	26 %
3. Functional organs	Businessmen	5 %
	Legal Professions	2 %
	Others	2 %
	Abolishing immunity for ordinary crimes	40 %
4. Improve the political system by	Limitation of election expenditures	38 %
	Declaration of Wealth	22 %
	Independent public prosecutors	41 %
5. Improve the judicial system by	Quick court trials	40 %
	Specialized police and judges	10 %
	Transparency in government	46 %
	Sufficient salaries	25 %
6. Improve the bureaucracy by	Independent auditing of ministers and high off	21 %
	Open evaluation and promotion of civil servants	8 %
	Code of Ethics by professions	50 %
7. Improve the private sector	Tenders in front of cameras	40 %
	Tenders in presence of judge or notary	10 %



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Elisabeth I. Nahamya, the Chairperson of **Transparency-Uganda**, participated in mid-November as resource person in a seminar called "Corruption and its effect on Development" articulating Non-Governmental organisations' positions, organised by the MS Training Centre for Development Cooperation. As a result of her speech "Methods and strategies to combat corruption", various of the other participating NGOs joined TI-Uganda. Due to awareness raising work by one TI-Uganda member in training courses for grass roots people on rural development, corruption was integrated as a topic in the institute's training courses. In Kampala, some TI-Uganda members in collaboration with Radio Uganda are putting together a drama on corruption describing the present situation in the country and are preparing a talk-back radio programme on corruption. TI-Uganda (or TI-U) was also involved in the proceedings of the November review by the National Integrity Oversight Committee of the progress made in implementing Uganda's national action plan. Uniquely, ten journalists were also present, building public confidence in the determination of the Committee to improve prevention, detection and prosecutions of corrupt activities.

The principal activity of **TI-UK** has been a series of monthly meetings, starting last October, on topics of interest to TI members. Each of these, lasting about two hours, has been addressed by a main speaker, supported by two others experts on the subject, with at least an hour available for questions and comments. The formula appears to be a good one, as the meetings have been drawing audiences of 30 to 40 and leading to lively discussion. The topics covered so far have been: Monitoring Money Laundering, by L. Covington from the National Criminal Intelligence Service, The Centre for Accountability and Debt Relief's proposed programme in Uganda, by K. Ziegler, director of the Centre, Business Ethics and Codes of Conduct, by Simon Webley, secretary of the British North American Research Association, and UK Defence Procurement: how widespread is bribery? by Paul Gregory, a member of TI-UK. Moreover, inputs have been made towards the British Government's response to the OECD recommendation.

TI-Zimbabwe (TI-Z) is under new Chairmanship. The Interim Chairman (interim because TI-Z has not yet been officially launched) is Professor J. Mw Makumbe. Due to differences some members of TI-Z, including former Interim Chairman Jon Spicer and former Treasurer Alexander Katz, leading to the restructuring of the executive committee. for this reason the official launch scheduled for January, has been postponed to April. New members are joining the movement in Harare and there are efforts to gain membership in other parts of the country. Support from the international donor community is picking up slowly. Local companies are still a bit nervous to fully support the TI movement. 160 questionnaires for the VAS (Vulnerability Assessment Survey) have been sent out to companies, local and international NGOs, donor agencies, foundations and government institutions. First results are expected by the end of March. The VAS was designed to help define areas where TI-Z should focus its work on, because it will identify areas in the

Zimbabwean socio-economic system that are most vulnerable and thus most likely to get exposed to or involved into corrupt practices.

International Organisations

EU

OECD

Commonwealth

Global Coalition for Africa

Inter-American Bar Foundation

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EU Commissioners get a Financial Code of Ethics

The European Commission has come out with a new code of conduct which tightens the rules on Commissioners receiving outside income and bans fees for private speaking engagements. However, the code allows commissioners to publish books on condition they inform the Commission president of their intention. In addition, Jacques Santer and his fellow-commissioners have offered written statements about their financial assets and interests in private companies or foundations.

FT, 8 December 1995

Tax "subsidy" targeted by OECD

The Organisation for Economic Cooperation and Development has been trying to abolish tax deductibility of bribes to foreign officials within the member states and seems to have won now the willingness of some European governments to discuss the eventual closing of this loophole, which is considered by US officials to favour European companies doing business in emerging markets. Other suggestions by the OECD to fight corruption even without explicit laws banning the practice, include the use of the penal laws in the member state if the act of corruption of its citizen is "punishable by the law of the country where the act took place" and the extradition of wrong-doers to the country accusing this person of corruption, noted the *Wall Street Journal*. Subsequently, the following recommendation was agreed: "The Council recommends that those member countries which do not disallow the deductibility of bribes to foreign public officials re-examine such treatment with the intention of denying this deductibility. Such action may be facilitated by the trend to treat bribes to foreign officials as illegal".

The Wall Street Journal Europe, 22 January 1996

GCA calls for support by the North

The Global Coalition for Africa (GCA) met from 25 - 29 November in Maastricht to decide its future. The forum, consisting of many important leaders from Africa and Northern decision makers, decided to continue its work for another 5 years concentrating its focus on selected high priority issues, including good governance. The issue of corruption was prominently on the agenda with the Prime Minister of Ethiopia saying: "We will do our best to get our house in order - but our Northern friends: please do not support the bribery by your exporters by giving them tax deductions for their bribes!" Similar statements came from the presidents of Mali, Burkina Faso and Malawi, who singled out TI as a "most helpful, new organisation".

Commonwealth NGOs contemplate integrity role

A number of Commonwealth NGOs met in London informally in January to consider a proposal that they monitor integrity developments against the Harare Declaration of Commonwealth leaders. In the Declaration the Heads of Government pledged themselves to work for improved standards of just and honest government. This progress may be assessed by an NGO integrity network every two years, on the eve of the leaders' biennial CHOGM. A firm proposal is now being circulated for discussion. TI was represented and offered participation by national chapters in Commonwealth countries.

Inter-American Bar Foundation calls for more transparency in public procurement

The Inter-American Bar Foundation at a meeting in Washington on 2 - 6 October, called for modifications in public procurement procedures to allow for more transparency. After analysing existing legislation in 13 Latin American countries,

participants agreed that there was adequate legislation, at least in theory, but that modifications were needed. They proposed to foster public participation in the selection of projects, to promote the monitoring of public procurement processes by the media, to train public officials and to publish the evaluation documents which led finally to the selection of the successful party.

Excerpts from the International Press

Africa Americas Asia

Europe Pacific Middle East

International Press: Africa

Nigeria

Uganda

Seychelles

South Africa

Kenya

Shell to purge Nigeria staff; Jail terms over Nigeria fraud

The international oil giant Shell is planning a purge of executives in Shell Nigeria following the discovery of a "black hole of corruption" involving the payment of millions of dollars in bribes and kickbacks to tribal chiefs and military chiefs in the troubled Ogoni region. The allegations include the claim that a senior army officer, accused of ordering the murder and torture of Ogoni dissidents, was on Shell Nigeria's payroll.

The Sunday Times, 17 December 1995

Five men involved in the London end of a Nigerian-based \$2m fraud were sentenced to a total of 20 years in jail. Potential victims were sent letters telling them they could receive large amounts of US dollars allegedly held by the Central Bank of Nigeria as a result of "over-invoicing". Some who replied were then persuaded to make up-front cash payments to the men in order to pay "taxes" to allow the money to be released by the central bank. The fraud operated in several countries, including Australia, the US and Germany.

FT, 19 January 1996

Uganda acts up against bribes

The Minister of Internal Affairs Dr. Crispus Kiyona has warned immigration officials at border points against taking bribes. The minister said taking illegally money destroyed trade with neighbouring countries. "We are going to remove anybody who has stolen. If you feel the money we are paying you is not enough, leave the job".

The New Vision, 27 November 1995

Seychelles: crooks' paradise

International condemnation of the Economic Development Act (EDA) - dubbed as Welcome Criminals Act - has forced the Seychelles government to rethink its plans to make the island a safe haven for money-launderers, drug dealers and other criminals. Potential investors in the islands, who were hoping to buy immunity from prosecution and a safe haven for the proceeds of their crimes, are leaving the Seychelles. Most are German, British or Italian. The international outcry followed a story by an Insight journalist from the Sunday Times, posing as a lawyer who represented a Russian business consortium. In return for an investment of \$15m he was offered by the Seychelles full diplomatic immunity and facilities to clean dirty money as well as exclusive rights to a Seychelles island. Any like-minded investors willing to spend more than \$10m in the cash-strapped island economy were assured that strict confidentiality about the source of their funds would be maintained: "That's not our concern", an official said.

The Saturday Paper, 6 January 1996; Sunday Times, 21 January 1996

Transkei stronghold more corrupt than ever

Populist hero Bantu Holomisa seized power in the Transkei, ostensibly to bring to an end the corruption and nepotism that characterised the Matanzima regime. Instead of the corruption ending, it appeared to get worse. In the Eastern Cape corruption is so pervasive that the new provincial government is at loss to account for some 20 000 civil servants who appear on the books, get paid salaries, but don't appear to exist. There are calls for criminal action against those behind the scams.

The Saturday Paper, 9 December 1995

Kenya's anti-corruption step might lead to IMF grants ...

Prospects for an end to the three-year stalemate in relations between Kenya and the IMF rose as a respected businessman was appointed chairman of Kenya Ports Authority, riddled with corruption. The whole Kenya Ports' leadership had been sent on leave while the disappearance of 1200 vehicles costing the state \$130m in 1995 was investigated. With Robert Breneissen taking over, the IMF - and subsequently other donor organisations both international and bilateral - are likely to resume their aid programs. However, opposition politicians remain sceptical about the implementation of the latest anti-corruption measures.

FT, 1 February 1996

... but Moi's private jet jeopardises the prospect

President Daniel arap Moi flew to Uganda in a new private jet bought recently by taxpayers' money for \$60m. On the ground, the main road between Nairobi and Mombasa consists only of potholes, demonstrating what is wrong with the government's economic priorities: a tendency among politicians to let personal prestige outweigh public interest. Another example is the planned airport in Moi's home town, which was not approved by parliament but the money for it was tucked away in a special debt-service fund in this year's budget. The stakes are high for Kenya because at risk is \$200m in direct aid from the IMF and nearly \$166m in loans from the World Bank for roads and other projects. Ironically, the controversies over the airport and the private plane came to light as the economy started to improve.

Guardian, 31 January 1996

International Press: Americas

United States Argentina (more) Mexico

Brazil

Chile

Columbia

US whistleblower rewarding; \$348m Fraud Charge; Cigarette scandals deepen

Lawsuits involving whistleblowers in the US have become more frequent as employees grow more confident of winning

protection against their bosses after disclosure of illegal practices. Under the law, employees cannot be fired, disciplined or harassed for disclosing illegal activities of their companies against the government. However, some high profile cases, involving of up to \$ 16 million as a reward for reporting the illegal activities, have prompted some concern that "blowing the whistle" has become too profitable.

Guardian, 6 December 1995

America's Securities and Exchange Commission (SEC) has charged Joseph Jett, a former bond trader with Kidder, Peabody & Co, with fraud for allegedly creating \$348m in false profits. In a civil administration case, the SEC alleges that Jett tried to hide losses of \$83m. The case is the first the SEC has filed in connection with the Kidder, Peabody incident, which took place amid the collapse in the mortgage-backed securities market in 1994.

The Times, 10 January 1996

Prosecutors have begun an investigation into whether Brown & Williamson, the US subsidiary of BAT, tried to intimidate a former company official turned star witness into the tobacco industry concerning the addictive effects of nicotine. Jeffrey Wigand has also filed a lawsuit against B&W claiming it said that he was once arrested, abused his ex-wife and falsified his c.v. In a separate development B&W is alleged to have been involved in a fraud scam involving shipping back to Canada cigarettes manufactured there and exported, to circumvent Canada's heavy taxes on cigarettes consumed domestically. B&W deny both sets of allegations and are suing Wigand for allegedly violating a confidentiality agreement.

Guardian 8 February 1996

More money laundering of bribes than of drug trafficking'

In Latin America, bribes, fraud and financial crimes are leading to more money laundering than drug trafficking and arms deals, said US Ambassador to Argentina, James Cheek, after a meeting with the Argentinean Minister of Economics, Domingo Cavallo. The money launderers were taking advantage of the globalization of the economy which allows them to invest the dirty money "earned" in one country in another one.

Página 12, 10 November 1995

March and Samba to protest crime and corruption in Rio

Hundreds and thousands of people, rich and poor, on 28 November filled the downtown streets of Rio de Janeiro expressing fear and anger about what crime and corruption has made of their city. People were marching and dancing to the percussion beats of Samba. The demonstration ended with a series of speeches, which called for a cleanup of the police which is notoriously corrupt. An international report stated that an estimated 80 % of the police is corrupt and extorts more than \$ 1 m each month from drug dealers, kidnappers and corruption.

New York Times, 29 November 1995

Mexico cracks down on Salinas family

The Mexican Congress has voted to set up a commission to investigate the rapid enrichment of Raúl Salinas, the brother of the former president, during his time as civil servant. It is the first time the Congress has decided to investigate a former senior public figure. Raúl Salinas was jailed in February amid allegations of having masterminded the assassination of the former PRI leader J. Ruiz Massieu. In December of last year, the comptroller-general's office announced it had traced 44 bank accounts belonging to Salinas, who is now facing new charges of forgery and illicit

enrichment. In the UK the Citybank has frozen an account of \$42m as part of an international drug and money laundering investigation. The involvement of Scotland Yard's Organised Crime Group in this is an indication of a possible international connection between the Ruiz Massieu murder and the alleged money-laundering.

FT, 4 + 8 December 1995; Guardian, 5 December 1995

Brazil arrested Agusta chief; "Pasta Rosa" threatens Cardoso; SIVAM affaire causes political crisis

The Italian businessman at the centre of the bribery scandal which precipitated the resignation of Nato secretary-general Willy Claes faces possible extradition to Belgium after being arrested in Brazil. Rafaelo Teti, 69, former chairman of the Italian defence firm Agusta, has been arrested on corruption charges by the Brazilian authorities following an international arrest warrant issued by the Belgian investigating magistrate.

The European, 23 - 29 November 1995

A pink file, called "pasta rosa", which was held in the Banco Economico, contains data about the bank's financing of the election campaign of the powerful minister of planning Jose Serra. On this secret list figures among others also the president of parliament. Although the politicians had violated the law by accepting money from the private sector to finance their campaigns, the main preoccupation of Brazil's president Cardoso and his ministers is to find the hole in the Central Bank or the government from where the information leaked after the Central Bank intervened in the rotten affairs of the private bank.

Süddeutsche Zeitung, 23 December 1995

A huge radar system (SIVAM) planned to assure national security and to crack down on drug trafficking and gold diggers has caused a political crisis at the highest levels of government in Brazil with charges of corruption in the procurement procedures. Due to the large financial volume of the contract and its political importance, SIVAM needs to be agreed upon by the Senate. Telephone calls intercepted by the Federal Police gave evidence of close connections between a Brazilian public official and close adviser to the president, Julio Cesar Gomes dos Santos, and the US company Raytheon. Dos Santos even promised over the phone to bring his influence to bear in favour of Raytheon. Raytheon won the contract, which was sought also by Thomson-Alcatel, France, and Dasa, Germany. Dos Santos has resigned along with a series other high officials.

Frankfurter Rundschau, 5 December 1995

Chilean copper company CODELCO lost \$200m

Allegations that the British Winchester Commodities Group could be involved in the \$200m CODELCO copper scandal are being investigated in London. Investigations are based on Chilean government claims that one of its own traders was paid huge sums in kickbacks in return for giving commodity firms preferential deals. Winchester Commodities has close links with the major French bank, Crédit Lyonnais, which is acting as its clearbroker. CODELCO has already lodged a writ against other companies, including the Belgian Sogemin, allegedly involved in the affair.

Guardian, 19 January 1996

Colombian 1st class prisoners face diet

The Colombian imprisoned big-shots in drug trafficking are facing radical changes regarding their treatment their treatment in the high security prisons. Up to now, they could celebrate parties with champagne and caviar and use cellular phones. But in January 1996 the prison administration decided to do away with the privileges for some of the

richest men in the world like the Cali-Cartel Orujela brothers (\$6bn), because corruption among the prison guards was rampant. More than half of the prison staff had to be sacked over the past six months because of corruption.

Le Monde, 10 January 1996

International Press: Asia

South Korea Japan India
Singapore Hong Kong Philippines
Indonesia Taiwan

South Korea: Roh's confession shakes the country; Ex-Aide to Roh received cash; US arms deals with Roh

The former President of South Korea Roh Tae Woo sparked the latest political upheaval with his tearful admission of a \$ 654 million slush fund. But Koreans are aware that he is far from being an isolated case. Many other leading political and business figures have been drawn into the row, among them the presidents of the seven biggest companies, like Samsung, Daewoo and Dong Ah. President Kim has started to deregulate the economy, reform campaign financing and legislate more transparency in financial transactions. Reformers hope the moves should bolster the traditionally weak standards of political accountability. But if the scandal engulfs the President, Korea could be plunged into a new period of political turmoil.

Far Eastern Economic Review, 30 November 1995, The Weekend Australian, 2- 3 December 1995; Frankfurter Rundschau, 6 December 1995

The national security adviser of former President Roh Tae Woo acknowledged that he received money from businesses hoping to win arms contracts. Kim Jong Wwi, arrested in December, is accused of receiving almost \$300.000 from leading businesses attempting to gain contracts, involving fighter planes. Kim Woo Joong, head of the Daewoo conglomerate, is accused of giving the security chief \$65.000. He acknowledged giving the money, but insisted it was a donation rather than a bribe.

International Herald Tribune, 27 January 1996

The South Korean attorney general is investigating in an airplane deal between South Korea and US companies, which allegedly involved also huge bribes to former President Roh Tae Woo. Representatives from the US companies General Dynamics (GD) and Lockheed Martin have been questioned. According to the authorities, Roh dismissed the Chief of the Airforces in 1990 because he was opposed to buying the F-16 from GD. The South Korean Airforces had favoured the F-18 from McDonnell Douglas. In addition to the admitted \$654m in bribes in a slush fund, Roh is thought to hold large amounts of bribe money in foreign accounts, in particular stemming from arms deals.

Süddeutsche Zeitung, 12 December 1995

Former Japanese Minister arrested after fraud inquiry

Tokyo prosecutors arrested a former cabinet minister on charges of breach of trust after Parliament had waived his immunity. The former labour minister Toshio Yamaguchi is accused of conspiring to arrange unlawful loans worth more than \$28m for members of his family from the Tokyo-based credit co-operative Anzen which collapsed last December. During the investigations it turned out that Yamaguchi had been involved in illegal practices for several years, the detection of which reveals much about the link between politics and business.

FT, 1, 5 + 7 December 1996

India: Telecoms Minister accused of corruption; Corruption scandal hits leading politicians; Republic Day plea for clean-up in public life

The Indian Prime Minister P.V. Rao is under pressure from his own party to remove his telecoms minister Sukh Ram from the cabinet because of controversy surrounding the privatisation of the telecommunications sector. The scandal might embarrass Rao's ruling Congress party only months before a general election. Ram has been accused by the opposition of mishandling a tender to award licences to local and foreign companies. Ram denies allegations that he favoured a small and unknown consortium from his home state, which emerged as the highest bidder in nine of the twenty zones under tender.

FT, 11 December 1995

Indian investigators charged seven leading politicians and sought permission to prosecute three cabinet ministers for allegedly receiving bribes from a steel industrialist, Surendra Jain. In a coded notebook, payments to politicians and bureaucrats were detailed totalling \$33m for the years 1988 and 1992. The recipients were often identified by their initials which led to the investigation of 60 senior bureaucrats, politicians and businessmen. After being jailed in 1994, Jain admitted that he bribed politicians in return for business favours, particularly power contracts. Some of the politicians, including the environment minister Rajesh Pillar, have said they used the money for political campaign purposes. Prosecution of the charges will proceed through a special anti-corruption court in Dehli. The scandal threw the government into turmoil shortly before general elections, but the involvement of the opposition leader L.K. Advani could equally torpedo the opposition's anti-corruption crusade against Congress.

Guardian, 17 January 1996; FT, 18 January 1996; New York Times, 22 January 1996

India observed Republic Day (26 January) in a mood of despair. The chaotic state of politics, the spread of corruption in business and government and uncertainty about economic reforms have left the country more divided and troubled than perhaps at any time in 49 years of independence. President Sharma, in an address on the eve of Republic Day, said corruption, criminalisation of politics, caste discrimination and communal strife threatened national security. In a clear reference to a torrent of corruption scandals he exhorted "persons holding prominent public offices to be in the forefront in the movement for a cleaner public life".

The Times, 27 January 1996

Maximum jail sentence for Singapore official

A senior Public Utilities Board (PUB) official was given the maximum 14 years jail and ordered to forfeit \$ 13,85m received as bribes in Singapore's biggest corruption case. The sentence is the longest, and the kickbacks accepted by Choy Hon Tim from local and foreign contractors since 1977, a record, judging from past corruption cases. Choy, the former deputy chief executive of PUB received the lion's share of the money from former PUB clerk Lee Peng Siong who is an Australian citizen since 1983. Lee who was a consultant to PUB paid the money for pre-received information on the tenders. The scandal resulted in the possible barring of five well-known contractors - Britain's BICC, Siemens, Pirelli, and Japan's Marubeni Corporation and Tomen Corporation - implicated in the bribery. The ban came when BICC announced plans to expand its operations in Asia with a US\$31m investment in Indonesia and the Philippines.

Sunday Times Singapore, 26 November 1995

Hongkong Bank discovers \$42m fraud

The Hongkong and Shanghai Banking Corporation (HSBC) has detected a \$42m fraud at its main branch in Jakarta. Although the bank declined to give details, it is understood that the fraud involves the transfer of funds through an elaborate chain of Indonesian and overseas banks, including Union Bank of Switzerland and Dresdener Bank of Germany. The HSBC said, that the missing funds have no material effect on the financial standing of the bank.

Philippine police "reinvents" corruption technique

Police in Quezon City, Manila, have been refining their corruption techniques, reported Marley Bong of Makati. They no longer demand a cut of the takings at sleazy clubs. Instead, they have worked out a formula so that the bribe money payable corresponds to the size of the customers' area in the clubs.

Far Eastern Economic review, 30 November 1995

Indonesians' growing anger about corruption

The latest move by Indonesian president Suharto to counter widespread corruption has led for the first time during his rule to public accusations against one of his ministers. Newspapers reported the private wealth of Minister of Transportation H. Dhanutirto and said that over the past few years there had been 392 cases of corruption in his ministry. Anger among the population about widespread corruption is growing rapidly; and even Minister of Defence E. Sudradjat was concerned about corruption, bad leadership and insufficient bureaucracy becoming the norm for Indonesian society, which is looking down on the elite with cynicism.

FAZ, 9 January 1996

Taiwan: Sin City a heaven for corruption

In the middle of large investment projects Taichung City, the third-largest city in Taiwan, is getting rich, "even public officials can benefit - they can invest in entertainment, real estate, etc." Or they can take bribes from developers, builders and businessmen in exchange for permits, accelerated paperwork or turning a blind eye to illegal practices. President Lee Teng-hui once said that 85 % of the money spent in public works involves fraud of some kind. However, the City's 42 prosecutors won a national reputation for cracking down on such crimes leading to the indictment of politicians for vote-buying, the arrest of 22 prison guards, the arrest of some 20 local officials and businessmen for building an illegal golf course, among others.

Far Eastern Economic Review, 25 January 1996

International Press: Europe

Germany	United Kingdom	France
Spain	Russia	Ukraine
Netherlands	Italy	Finland
EU Disputes on Tourism		

Germany: Bribes abroad still allowed; Call for transparency of second jobs

In late November 1995, the Bill to abolish tax-deductibility for bribes in international transactions - proposed by the Social Democrats (SPD) in an effort to implement the OECD recommendation of May 1994 in German Law - was defeated in the German Parliament on the votes of the ruling coalition of Christian Democrats and Liberals. The SPD

speaker for cooperation Ingomar Hauchler said, that despite of their proclaimed commitment the coalition parties are still not willing to enact effective measures against corruption. In comparison with other OECD countries, efforts made by the Federal Government to contain corruption were absolutely insufficient, she said.

E + Z, 1 January 1996

The President of the German Parliament, Rita Süßmuth, called for more transparency in the declaration of second jobs for members of Parliament. All extra-parliamentarian activities, whether paid or not, should be published.

Berliner Zeitung, 8 January 1996

UK: Corporate governance; Fraudsters evade the police net; Maxwells - White collar criminals; \$10m defrauded under the nose of police; Lawyer masterminded multi-million dollar fraud; Insolvencies due to internal fraud

The new Committee on Corporate Governance may reverse some of the reforms put in place by its predecessor, the Cadbury committee. Sir Ronald Hampel, chairman of Imperial Chemical Industries and chairman of the committee, said that the code of best practice for corporate boards would be reviewed, because the code was criticised for requiring non-executive directors to monitor the behaviour of executives. The new panel, which follow up the Cadbury committee's examination of corporate governance, has a much stronger business flavour than its predecessor.

FT, 23 November 1995

"Money launderers could slip through the net because there are insufficient resources to investigate the suspicions of the staff of banks, building societies and other financial institutions", says Michael Levi, director of the White-Collar and Organised Crime Unit at the University of Wales. Only a small portion of the many reports of suspicious transactions received more than routine police checks. "The financial sector does get very frustrated at no seeing the effects of their disclosure", says Sue Thornhill, assistant director. Financial disclosures had helped to detect some important cases, but few reports that resulted in a "hit" involving more than \$150 000.

The Times, 8 January 1996

Following the acquittal of the two sons of the late Robert Maxwell and Larry Trachtenberg on charges of defrauding the Maxwell pension funds, the Serious Fraud Office(SFO), which brought the prosecution, found itself under heavy criticism. Maxwell had taken not only the surpluses, but also part of the main body of the funds in order to finance his own private business empire, which finally led to the charges against his heirs of defrauding \$187m. After the acquittal, Labour's City spokesman Alistair Darling said:"In view of the failure of this trial and others in the past, we now need urgently to review the way City crimes are prosecuted and in particular the role of the SFO". However, after "careful and painstaking" consideration, the SFO decided to proceed with further trials against the Maxwell brothers and Trachtenberg, inspite of the not guilty verdicts.

Guardian, 20 January 1996, FT, 20 - 21 January 1996; FT, 27 January 1996

Anthony Williams, a senior civilian member of the Metropolitan police, defrauded \$10m from his employers. "Astonishing" and "unacceptable" it was said, is that he was able to perpetrate such an extensive fraud under the noses of the country's largest police force, and this although he was under suspicion for six years before his arrest. William stole the money from a confidential fund used to combat serious crime operations involving drugs, terrorism and murder.

Guardian, 24 January 1996

Charles Deacon, a Staffordshire lawyer, and James Fuller, a business consultant, were jailed for nine and seven years respectively for having masterminded a multi-million dollar fraud, involving \$32m. Deacon falsely claimed that he had the support of the CIA and former president George Bush. Project Bluebook and Ultima were the code names for the so-called covert CIA operations to unlock billions of dollars for the US government, and which subsequently could be used to fund loans to Deacon's victims at advantageous rates in return for advance payments.

FT, 26 January 1996

Companies are increasingly put at risk by frauds perpetrated by their own managers, a survey by the Society for Insolvency Practitioners showed. Just emerging from recession, Britain businesses may be relaxing their financial controls giving executives a better chance to swindle their company of cash. The number of insolvencies due to fraud doubled from 3.5% to 7% in only one year.

FT, 29 January 1996

France: Whistleblower rewarded; Paris mayor to sell scandal flats; Alsthom bribes of Indian minister; Lyonnaise executive arrested; "Soft Amnesty" called for by Paris Chamber of Commerce

Jaques Glassmann, who blew the whistle on the Marseille bribery scandal, was handed the 1995 FIFA fair play award. The former Valenciennes player set off a far-reaching investigation in 1993 by claiming that he had been offered bribes to throw a French league match against Marseille. The then Marseille president Bernard Tapie was subsequently jailed for corruption.

Guardian, 12 December 1995

The mayor of Paris Jean Tibéri will sell off the 1,400 apartments under the city's control as an reaction to allegations that managing this property is subject to political manipulation. Newspapers had published a long list of senior politicians, public servants, journalists and others living in rent-reduced, Paris-owned housing in spite of earning good salaries.

FT, 13 December 1995

Alsthom Export, a French subsidiary of the GEC-Alsthom power company, has rejected allegations that it paid bribes to influence Arif Mohammed Khan, a former Indian minister for energy and civil aviation, in clearing a 1990 power project at Kawas, Gujarat, which was won by Alsthom. The charge document states that Khan received a "reward" of \$2m through a middleman, S K Jain, who is at the centre of the Indian corruption inquiry involving high-ranking politicians, civil servants and businessmen.

FT, 22 January 1996

Jean-Jacques Prompsy, the former commercial director of Lyonnaise des Eaux, the French construction and utilities group, has been arrested and placed under formal investigation in relation to alleged payments made by this company to an organisation linked to the financing of the Socialist party. He has already been fined \$ 90.000 and sentenced to a four-year suspended prison sentence on corruption charges tied to the award of the water contract for the city of Grenoble to Lyonnaise and one of its affiliates.

FT, 30 January 1996

The Paris Chamber of Commerce and Industry has recommended what three judicial organisations called a "soft amnesty". It aims at changing the 60 year-old criminal law most widely used in business corruption cases. There should be e.g. for example a

time limit after which the corruption case could no longer be legally pursued, and also prison sentences should be considerably reduced. Moreover the crime should be more narrowly be defined to ensure that it only covers acts clearly against the interest of the company. However, judicial experts said the crime was often an important starting point for discovering broader issues of corruption.

FT, 27 - 28 January 1996

Spanish Socialist jailed; Siemens allegedly involved in Filesa scandal

A one-time priest, who headed the regional government of Navarre from 1984 - 1991, Gabriel Urralburu has been jailed on the suspicion of bribery, based on evidence from the Roldán corruption scandal. Alleged illegal commissions might involve "practically all" major public works projects in Navarre, said the investigating magistrate.

FT, 2 December 1995

The leading German electronics company Siemens has been accused of paying \$20m in bribes to Spanish politicians and public officials in connection with a \$1.3billion contract to electrify the high-speed railway Seville - Madrid and to provide locomotives. Among the direct beneficiaries were Luis Roldán, the former head of the police now jailed on corruption charges, and Antonio Aragón and Gabriel Urralburu, both from Navarra and involved in the Filesa party financing scandal. Siemens had also contracted to smaller consulting firms which were also involved in the Filesa affair, as it later turned out. Siemens confirms the existence of these contracts but denies the charges of corruption. The Filesa affair refers to a huge fake company net which for years has illegally financed the PSOE. The scandal has caused considerable unrest in the Spanish business world, since among those facing charges for corruption are 32 business people, 3 politicians and 4 bankers, all high up in the hierarchy.

FAZ, 8 December 1995

"Conflict of interest" Russian-style; Russia's dirty money finds Swiss home

One of Russia's most powerful commercial banks, Menatep, says it wants to take a controlling stake in the oil company Yukos through an auction of state-held shares. The bank's confidence it will make the winning bid is not surprising - it is organising the auction. However dubious the process, many members of the Moscow business world see the end result as positive because it gets the government out of the boardroom and will force the restructuring of the firms involved.

Guardian, 25 November 1995

Switzerland's economic problems have made some of its companies and financial institutions more willing to accept "dirty" money from international criminal organisations, including the Russian mafia, according to senior European police officials. The trend coincides with predictions of a rise in money leaving Russia in coming months because of mounting fears among newly rich entrepreneurs that the Communists will win presidential elections in June. According to an international crime expert, the Russian mafia has taken a greater interest in the banking sector. "Nowadays they don't rob banks, they own them", he said.

FT, 7 February 1996

Ukraine diverted Chernobyl funds

The Ukrainian Chernobyl Union, a pressure group representing victims of the Chernobyl nuclear accident, has accused the Ukrainian government of having diverted funds which were set up to pay early pensions, medical care and compensations to the victims. Yuriy Andreyew, president of the Chernobyl Union, claimed that a total of \$60m was diverted to cash-strapped government programmes, including a salary increase for the armed forces, a resettlement programme for Crimean Tartars and the Russian gas import bill.

FT, 24 January 1996

Dutch fined over price fixing

The European Commission has fined FNK, the Dutch crane rental federation, \$ 15.2 million for illegal price fixing over more than 12 years. The 200 members of FNK represent two-thirds of Dutch companies active in crane rental. A fine of \$ 400 000 has also been imposed on the Dutch authority which registers crane companies, mainly because of its illegal practice of forbidding the sub-letting of cranes.

FT, 30 November 1995

Italy: Berlusconi denies \$6m link to Craxi; The second decline of Pompeji; Fashion trial in Milan

Silvio Berlusconi, the former Italian prime minister, was summoned for questioning by Milan magistrates over allegations his Fininvest business empire illicitly channelled \$6m to Bettino Craxi, leader of the Socialist party. Presently 15 top executives of Fininvest are accused of falsifying the company's balance sheets. The scandal came to light after the former treasurer of Fininvest, Giovanni Romagnoni, blew the whistle. Craxi is widely regarded to have helped with the 1990 legislation permitting Fininvest to possess three television channels. Following earlier corruption charges, Craxi was sentenced to 20 years in jail, but he fled the country and lives now in Tunisia. Berlusconi denied the charges against him and Fininvest, and accuses the magistrates of waging a political vendetta against him.

FT, 25 - 26 November 1995; Die Woche, 1 December 1995

One of the biggest and perhaps most important excavation sites of the world is threatened of entire erosion due to a mixture of corruption and Camorra criminality, a proliferating bureaucracy and a lack of financial means. In addition to corrupt guards - one of them facilitated the robbery of the archaeological museum by members of the Camorra Clan - community leaders started to issue construction licences for some of the best areas in the middle of the historical site - to companies which belong to the Camorra Clan. Last spring three former mayors were jailed on corruption charges.

Der Spiegel, 48/1995

Italian fashion gurus Giorgio Armani, Gianfranco Ferré and Krizia are among a larger group of designers, tax officials, businessmen and accountants going on trial in Milan on corruption charges. The designers are alleged to have bribed tax officials in return for favourable tax audits. It is expected it will be claimed in their defence that the money was extorted.

FT, 22 January 1996

Finland - A long way to go till the country is a "State of Justice"

Some examples from the past years: a high official released for "irresponsibility" and back in office after having shot dead a policeman, a councillor getting too small a fine for repeatedly granting contracts to his own company, the son-in-law of former President Koivisto helping to lure millions from the state purse through a desk-top company because of good contacts among top officials, casino-game losses of top officials compensated by public funds. The top judiciary considered those only "ethically suspicious". Little wonder that Finnish citizens find festive speeches about a democratic state of justice a bad joke. Changes can be achieved only by destroying the Dear-Brother-system that has rooted itself in the state administration. So say the Citizen Group "The Criticals".

Alueutiset, 24 January 1996

EU disputes over contract tendering; Arrests in EU tourism fraud

The European Parliament's monetary affairs committee last week rejected proposals by the Commission to modify the EU's procurement laws to bring them in line with an international agreement which applies rules ensuring fair and open competition to more contracts and bidders than current EU rules, and under which companies failing to win a contract have the right to be told why. The EU, along with 7 other countries, including Japan, US, Switzerland and Canada, is signatory to a Government Procurement Agreement (GPA) which provides guarantees for fair and open competition for public sector contracts. The Commission appears to have incurred the wrath of some major industries backing the Parliamentary lobbyists, because it proposed that the changed rules apply to all sectors and aspects of procurement policies, not just those covered by the GPA.

FT, 31 January 1996

Two former officials of the European Commission have been arrested on allegations of receiving kickbacks from companies, involving travel companies and tourist organisation across Europe, in return for channelling subsidies to promote tourism with them. George Tzoanos, the Greek former head of the Commission's tourism unit, and Pascal Chatillon had been suspended from duty two years ago, but the case is likely to raise new questions about EU's accountability. According to MEP McMillan-Scott the scandal had been covered up by different bodies of the EU from the beginnings showing that fraud control in Brussels is "completely inadequate".

Guardian, 6 January 1996

International Press: Pacific

Australia

Australian building suppliers fined for price-fixing; NSW police corruption; Former Elders IXL chief on trial

Three of Australia's largest building materials companies, and a number of their executives were fined a total of \$ 15.5 million for price-fixing in the Queensland concrete market. "What made the conduct particularly reprehensible in this case was that these companies, or others within their groups, had been fined for the same thing in the past", said Prof Allan Fels, chairman of the new Australian Competition and Consumer Commission (ACCC). He indicated that if fines for price-fixing should fail to deter such behaviour, the ACCC would press for jail terms.

FT, 5 December 1995

The NSW Police Service had been aware of widespread police corruption before it was revealed by the Wood Royal Commission, Tony Lauer, an outgoing Police Commissioner, said. Mr Lauer blamed a lack of police powers for failing to effectively tackle the problems of police corruption, which reportedly includes organised bribe-taking drugs, and child-sex pornography. However, Justice James Wood, the head of the NSW Police Royal Commission, announced that the corrupt police officers might keep their bribe money and resign with normal financial benefits under an amnesty. Corrupt police will have three months to accept the offer.

The Age, 30 November 1995; Wayani Chronicle, 17 January 1996

The former head of the Elders IXL agribusiness group, John Elliott, is facing charges of theft, conspiracy and false evidence, involving a total of \$45m. The prosecution maintains that Elliott tried to conceal the theft under two fictitious foreign exchange transactions. The trial may be one of the most complex and costly in Australian corporate history. However, there has been public concern about the low speed at which cases from the 80s have proceeded. Mr. Elliott, who is also a former president of the opposition Liberal party, denies the charges.

FT, 30 January 1996

International Press: Middle East

Egypt

Jordan

Egypt: Electoral fraud; MP's immunity lifted

In the first round of Egypt's parliamentary election the ruling National Democratic Party won nearly all the seats, although most constituencies showed no clear winner. A landslide victory by the NDP was ideally expected, but the extent of alleged vote rigging, fraud and intimidation has provoked bitter resentments towards the government by many Egyptians.

FT, 2 December 1995; The Economist, 9 December 1995

Egypt's newly elected parliament took the unusual step of lifting the immunity of six MPs from the ruling National Democratic party so they can face financial and criminal charges. Tawfik Abdo Ismail is president of the state-owned Dakahleya Bank and head of parliament's planning and budget committee and Mohamed Azzam is married to the daughter of the privately owned Nile Bank's vice-president. Both are accused of defrauding millions of Egyptian pounds. Two other MPs are accused of a killing during the violent election day last November and killing a pedestrian with a car respectively.

FT, 29 January 1996

Jordan Government intensifies battle against official corruption

Implicitly acknowledging the existence of corruption in Jordan, the government promised all efforts to secure transparency and integrity in the executive authority. Prime Minister Sharif Zeid Ben Shaker said that government was serious in fighting corruption, especially that "no party can bear the cost of corruption and its effects locally or internationally". Jordan aims to draw up a practical strategy to fight corruption through benefiting from the successful experiences of other countries like Hong Kong, Bolivia and Uganda.

Jordan Times, 17 December 1995



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Internal News

During the next couple of months, TI is planning to carry out several country missions, some of which are conceived as a preliminary visit to assess the situation and bring people from different parts of public and private life together for first discussions.

Under the PHARE Democracy Programme of the European Commission, there will be a series of missions to six Central and Eastern European countries. The aim of these missions is to provide assistance to the countries in designing strategies to contain corruption in the public sector, with particular emphasis being attributed to public procurement and privatisation.

The first mission to Hungary, the Czech Republic and Poland will take place in the first half of March. Peter Unwin, the former British Ambassador to Hungary and TI Advisor will lead the effort. Albania, Romania and Slovakia will be visited in May.

Another country mission will be carried out in March to South East Asia. The TI-team, consisting of Peter Eigen and Michael Wiehen, will first go to Bangladesh where the TI-Bangladesh will be officially launched. Then the mission goes on to India and Nepal to have talks with all relevant parts of civil society, the public sector and government in order to design strategies to contain widespread corruption in these countries. In Nepal a small steering group has already been

formed. The mission will be financed by the Swiss Development Cooperation.



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STOP PRESS

Five firms might be barred from public tenders in Singapore

Five leading electronics conglomerates might be barred for the next five years from public tenders in Singapore. The Singaporean government had announced to the

press that Siemens from Germany, Pirelli from Italy, BICC from Britain, and Marubeni and Tomen from Japan would be excluded from government contracts because of the companies' alleged involvement into Singapore's biggest corruption scandal so far. (see article on page 12). Siemens denies all charges and said that they would await an official notification of the ban before they come out with a reaction. However, it was admitted that Siemens had paid \$20m over the past 5 - 10 years in fees to a project coordinator, Mr. Lee, but claims that they did not have any idea about what was done with the money. This kind of fees were common business practice, it was stated.

FAZ, 15 February 1996; The Wall Street Journal, 15 February 1996



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TI's National Integrity Source Book nears publication

Nearly two years in the making, TI's Source Book is almost ready for publication. After careful scrutiny by a series of focus groups and excellent editing by Shahrzad Sedigh, the finishing touches are being put to the 150-page product. The Companion Volume (to be published in loose-leaf format and which contains examples of documents used in over 20 countries) runs to some 1050 pages. Loose-leaf will mean that it can be updated periodically. Both should be published by March, and well in time for the AGM.

Plans for follow-up include placing the Source Book on the Internet, refining extracts from the Companion Volume and placing these, too, on the Net. Efforts are being made to organise translation into other major languages in the hope that regional and national workshops can be held in non-common law countries, to enable these to re-edit and transform the Source Book and the Companion Volume into their own administrative and legal environments. It will provide an excellent focus for the work of national chapters, who will be assisting in compiling their own, unique, country integrity handbooks and in identifying possible gaps and ways in which these might be filled. TI has been greatly facilitated by the EDI in these efforts, and by funding from the Ford Foundation.



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Voluntary Newsletter [Subscription](#)

As most of our readers will be aware of, Transparency has grown tremendously since its foundation two and half years ago, triggering - to our delight - more and more interest all around the world in getting our Newsletter on a regular basis.

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 hardly can be met by our scarce budget. Thus we would kindly like to ask the readers to make their contribution to the production and distribution of the Newsletter in order to cover the costs of production and mailing. The subscription fees are as follows:

	International	Europe
Individuals	\$ 50	DM 50
Institutions & Companies	\$ 100	DM 100

There is, of course, the possibility of special arrangements for those who cannot afford this or who are interested in an exchange of publications.



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Publications

National Integrity Source Book Nears Publication. [Click here to find out more.](#)

The following are among the documents available at the cost of postage and reproduction:

Korruption by Fredrik Galtung. Lamuv Verlag, Göttingen. (in German) 112 pages, DM12.

Should Foreign Bribery be a Crime? The Experience of the FCPA by Fritz F. Heimann (prepared for TI), 1994. 10 pages, DM20.

Accountability and Transparency in International Economic Development by the DSE and TI, 1994. 130 pages, DM30.

The Good Business Guide to Bribery by George Moody-Stuart. 1994 ed. 39 pages, DM25.

La Gran Corrupción by George Moody-Stuart. Siddharth Mehta Ediciones, Madrid. 1994. 66 pages, DM25.

Transparency International Annual Report 1995. The first annual report of the movement against corruption in international business transactions, including status reports from a dozen national chapters, national and regional anti-corruption initiatives, etc. DM30.

Un champ de corruption privilégié: les échanges extérieurs by Daniel Dommel in *Entreprise Ethique* Published by the *Cercle d'Ethique des Affaires*, 26 boulevard Raspail, 75007 PARIS

Boom: Vision & Insights For Creating Wealth In The 21st Century by Frank Vogl and James Sinclair, IRWIN Professional Publishing

The **Spanish translation of the September and December** edition is available at TI-Berlin

"A bit on the side: Politicians and who pays them?" is an insiders' guide to the financial interests of members of the UK parliament and British Euro MPs. The book, by Paul Halloran and Mark Hollingsworth, tabulates the companies and organisations who fund MPs, and is fully indexed. The guide details the types of business that lies behind sometimes obscure names. A model for other countries, it is published by Simon & Schuster (ISBN 0-671-71350-7).



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Conferences

28 - 29 March 1996, Washington, USA

Current Issues in International Trade; organised by the George Washington University

21 - 25 April 1996 in Uganda

Annual Meeting of Transparency International

April 1996, New Zealand

Tracing Transnational Fraud; organised by the NZ Law Society

29 April - 3 May 1996, Miami, USA

10th Anniversary International Conference on New Developments in Governmental Financial Management

22 - 23 May 1996, New York, USA

Ethikos organises its annual conference on ethics in business

30 May - 2 June 1996, Istanbul, Turkey

UN Habitat II, "The City Summit"; Private Sector Forum

18 - 20 September 1996, Frankfurt, Germany

Working Across Cultures, 9th annual conference of the European Business Ethics Network (EBEN)

23 Sept. to 1 Nov. 1996, UK

Six week training course on Economic Crime, organised by Crown Agents with TI

1997 in Peru

The Eighth International Anti-Corruption Conference (IACC)



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Editors: Jeremy Pope, Karen Hussmann

Contributing authors: André Clodong, Peter Rooke, Elizabeth Ibanda Nahamya, Oby Ezekwesili, Laurence Frey,

Transparency International e.V.

Heylstraße 33

D-10825 Berlin, Germany

Tel: +49-30-787-5908

Fax: +49-30-787-5707

E-Mail: ti@transparency.org

Bank Account No. 09 332 145 00

Dresdner Bank Berlin (Bank code 100 800 00)

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Transparency International (TI) - Otto-Suhr-Allee 97 - 99 - 10585 Berlin, Germany -
Phone :+49-30-343 8200 - Fax :+49-30-3470 3912 - email: ti@transparency.org

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