



TRANSPARENCY INTERNATIONAL

global
CORRUPTION
report
2003

special focus:
ACCESS
TO INFORMATION



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Editor's note

The *Global Corruption Report 2003* is Transparency International's second annual report on the state of corruption worldwide. It concentrates on the events and developments that shaped the struggle against corruption from July 2001 to the end of June 2002, the period immediately following that covered by the *Global Corruption Report 2001*.

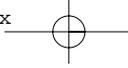
Transparency International defines corruption as the misuse of entrusted power for private gain. This definition includes public and private sector corruption, at both petty and grand levels.

The *Global Corruption Report 2003* is divided into three main sections. The first focuses on access to information, a core issue for the anti-corruption movement. TI executive director Jeremy Pope introduces the section, emphasising the need for transparency in view of the demise of trust in public and private institutions. Each of the other reports explores a different aspect of the theme: e-government, corporate transparency, the role of the media and freedom of information legislation.

The theme of access to information is also explored in the following section, which considers global corruption trends in 16 regional reports. The sequence of regional reports begins with Western Europe and North America, emphasising the prevalence of corruption in the developed world. Written largely by academics and independent researchers from the regions, the reports provide summaries and analysis of prominent events relating to corruption and the fight against it during the period under review. The authors have illustrated their assessment of trends in their regions with key country examples; the fact that not all countries in a region are given equal prominence does not reflect judgement on their corruption levels.

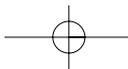
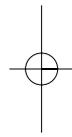
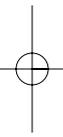
The regional reports are composed of four sections, each with a distinctive focus: international and region-wide developments; national developments involving governments, public administration, parliaments and political parties; the private sector; and civil society. A region-specific box on access to information links each report to the central theme of the *Global Corruption Report 2003*. The section is supplemented by essays and personal accounts contributed by the staff of Transparency International national chapters, independent journalists and NGOs from around the world. In discussing the effect of recent trends in corruption on their countries, they give a sense of the local challenges that characterise today's fight against corruption.

The final section of the *Global Corruption Report 2003* showcases the latest research on the dynamics of corruption around the world. The data and research described in this section provide snapshots of ongoing or recently completed projects undertaken by international organisations, governments, the private sector,



NGOs and academics. Our selection criteria prioritised research that is comparative, involves innovative methodology or has significant implications for anti-corruption policy.

The *Global Corruption Report 2003* also gives a voice to prominent figures in the struggle against corruption – the distinguished prosecutor Eva Joly and the secretary general of Interpol, Ron Noble – who provide insight and inspiration for the anti-corruption movement as a whole.



Acronyms and abbreviations

ADB	Asian Development Bank
APEC	Asia-Pacific Economic Cooperation
BPI	Bribe Payers Index
CIS	Commonwealth of Independent States
CPI	Corruption Perceptions Index
CSO	Civil society organisation
EBRD	European Bank for Reconstruction and Development
ECOWAS	Economic Community of West African States
EU	European Union
FATF	Financial Action Task Force (on Money Laundering)
FDI	Foreign direct investment
G8	Group of eight major industrial democracies (Britain, Canada, France, Germany, Italy, Japan, the Russian Federation and the United States)
GDP	Gross domestic product
GNP	Gross national product
GRECO	Council of Europe Group of States against Corruption
HIPC	Heavily Indebted Poor Countries
IDB	Inter-American Development Bank
IGO	Intergovernmental organisation
IMF	International Monetary Fund
Interpol	International Criminal Police Organization
Mercosur	Mercado Común del Sur (Southern Cone Common Market)
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental organisation
OAS	Organization of American States
OAU	Organization of African Unity
OECD	Organisation for Economic Co-operation and Development
OSCE	Organization for Security and Co-operation in Europe
SADC	Southern African Development Community
TI	Transparency International
UN	United Nations
UNDP	United Nations Development Programme
UNICRI	United Nations Interregional Crime and Justice Research Institute
USAID	United States Agency for International Development
WBI	World Bank Institute
WTO	World Trade Organization

Introducing the *Global Corruption Report 2003*

Peter Eigen, Chairman, Transparency International

The corrupt are running out of places to hide. That is the message that runs through the *Global Corruption Report 2003*. Empowered by technology – essential to the prompt and accurate flow of information – the media and the public are increasingly calling businesses and politicians to account.

To help secure that flow of information, national chapters of Transparency International have campaigned for freedom of information in Germany, Lebanon, Mexico, Panama and many other countries. Under their scrutiny and that of other civil society organisations and the wider public, governments are taking steps to further the cause of transparency. From Chile and Brazil to South Korea and India, the spread of e-government involves increasing use of the Internet to disseminate public information and to open up the bidding process in public tenders and privatisations.

But freedom of information is not enough. However professionally and accurately information is processed, corruption will continue to thrive without the vigilance of the media and civil society, and the bravery of investigative journalists and whistleblowers in particular.

These champions of transparency are as essential in the developing as they are in the developed world. The regional reports section of this volume opens with reviews of Western Europe and North America, from where the Enron scandal sent shock waves through the global corporate sector and severely damaged public trust in the integrity of business. Enron and the scandals that followed heightened the perception of collusion between auditors, tax advisers, lawyers and bankers and their corporate clients to massage accounts for the short-term benefit of managers – in defiance of the trust placed in them by shareholders, employees and the public at large.

To a certain extent, this type of unethical behaviour can be deterred by international initiatives such as the 1997 Organisation for Economic Co-operation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials. While its principal focus is to criminalise bribery of foreign officials, the convention and related OECD instruments also deal with accounting, auditing and corporate controls. TI has for some years urged the OECD to press member states for improvements in these areas. The impact of the convention is not yet satisfactory. Only a few cases are being investigated under the convention, and in most OECD member countries the political will to prosecute major bribery cases is lacking. Furthermore, the

Preventing corruption: empowering the judiciary

The *Global Corruption Report* is not alone in calling attention to the recent scandals surrounding Enron, WorldCom and other public companies in the United States, and in demanding more effective reporting and control mechanisms to prevent their recurrence. These cases revolved around private enterprises under the control of external bodies that were themselves subject to conflicts of interest between their auditing and consulting functions. Some of these industrial groups, financial institutions and service providers exert more global influence than many countries. Nevertheless, what has come to light in the private sector may one day emerge in the public sphere with respect to a state's accountability to the public.

Transparency in government relies on parliamentary control, the foundation of democracy, which is upheld by public funds. But there is often an imbalance between the prerogatives of the executive branch and the capacity of a parliament to truly exercise its regulatory powers over public spending and the budget. How accurate, for example, are the figures that relate to budgetary deficits, the balance of payments, growth rate calculations, extra-budgetary investment in retirement funds or provisions to meet the state's responsibility in matters of public health?

Over the last few years, the magnitude of global corruption has been characterised by the repeated implication of public officials in fraudulent transfers

of public and private funds. Corruption can be prevented through greater transparency in accounting and better control mechanisms, particularly in the area of international intervention – be it with respect to aid or disaster relief – and in relations between large corporations and states regarding contracts for the exploitation of natural resources.

The battle against illicit financial transactions must be fought with sound strategy, one that empowers the justice system as an indispensable weapon. It is thus paradoxical that justice budgets represent only a small share of public expenditure. In Europe, for instance, only 1–2 per cent of the budget is allocated to the justice system in Spain, France and Germany.

In the current international climate, it is appropriate to reconsider this allocation of resources since, without a functional and well-endowed justice system, no major investigation can be successful. When an overloaded and under-resourced justice system is confronted by international organised crime, the latter is guaranteed impunity.

Without efforts to modernise legal institutions, new international agreements will remain unrealised and our democracies will continue to be threatened by our inability to track corruption and other criminal activities.

Eva Joly

OECD's monitoring process, which was designed to assure effective implementation and enforcement of the convention by member governments, is severely under-resourced and behind schedule. The convention will fail if the OECD cannot press governments to prosecute foreign bribery cases.

Legislative reform is not the only means to promote transparency. Within the corporate sector, many business leaders are also taking up the challenge to curtail corruption. The Bribe Payers Index (BPI) 2002 reveals that companies from leading industrial countries are seen as slightly less likely to bribe than they were in the first

BPI, carried out in 1999. Companies from Britain and the United States, however, were notable exceptions to the trend. But many businesses understand that stopping bribery makes sound economic sense. A survey carried out by Social Weather Stations in late 2001 found that entrepreneurs in the Philippines were willing to pay 2 per cent of their corporate net income to fund anti-corruption programmes. They had estimated that preventing corruption would result in a 5 per cent increase in net income and a 10 per cent saving on contracts.

At the national level, progress in the fight against corruption is also in evidence. Encouraging news has come from EU accession candidates in Central and Eastern Europe, where – along with pressure from international actors – political will and civil society efforts have promoted transparency and good governance. Yet progress is slow to reverse the damage corruption has caused to personal, public and corporate reputations. Throughout the world, the public has suffered a tremendous loss of confidence in politicians. Trust in political parties is lower than in any other public institution. New data from the New Europe Barometer, presented in the data and research section of this report, tells us that in Central and Eastern Europe as a whole only one in eight people trusts political parties and only one in seven positively trusts members of parliament.

While there is much room for improvement, the past 12 months did witness noticeable successes in the fight against money laundering and in the repatriation of stolen assets. The events of September 11th prompted the U.S. government and others to acknowledge the pernicious nature of money laundering and to urge the OECD's Financial Action Task Force to further tighten its anti-money laundering strictures. International cooperation between the judiciary and police forces has increased, and in November 2001 the EU adopted a new directive on money laundering that obliges member states to combat the laundering of the proceeds of all serious crime, including corruption.

The *Global Corruption Report 2003* also reflects a positive trend among donor agencies. While their efforts to curb corruption were noted in the 2001 report, organisations have become more demanding in the last year, insisting on a commitment to anti-corruption policies and procedures. This approach dovetails with the opening up of public accounts to independent scrutiny. Donors should also insist that civil society have full access to monitor spending and verify that support reaches intended recipients and projects, such as schools and hospitals.

As civil society organisations have begun to organise themselves more effectively, especially in many countries on the African continent, they too are making important contributions to the anti-corruption cause. Transparency International's national chapters in Africa are spearheading a campaign for the repatriation of assets plundered by former dictators and deposited in bank accounts in London, Zurich, New York and Liechtenstein. Nigerians finally saw the return of US \$1.2 billion in funds stolen from Nigeria by the late dictator Sani Abacha, although the breakthrough necessitated dropping theft and money laundering charges against

Policing corruption

Law enforcement should play a pivotal role in ensuring the protection of fundamental human rights in a democratic society. Corruption can diminish the ability of law enforcement to accomplish its mission and hinder the efficient and fair functioning of society as a consequence.

This is particularly so when corruption influences the activities of law enforcement itself. A corrupt law enforcement officer who obstructs the pursuit of justice can render law enforcement ineffective in the fight against crime in general. This in turn can undermine public confidence and trust.

Those involved in organised crime are generally motivated by one thing – profit. Huge sums of money are generated through arms smuggling, trafficking of human beings and narcotic substances, and financial crimes. These monies are laundered so that they have the appearance in our financial system of the proceeds of legitimate business activity. In many cases these crimes are facilitated by corruption. Organised crime invests heavily to seek out a ‘weak link’, someone who can be persuaded or coerced to assist. Those targeted may include bankers, lawyers, prosecutors or judges, politicians, passport-issuing clerks, embassy officials and those engaged in law enforcement, such as customs and police officers. Often the commodity that is most targeted is information, the disclosure of which can critically compromise police activities.

As Secretary General of Interpol, the only global police organisation, I am committed to achieving excellence in the communication and use of police information. I have prioritised our information exchange activities, such as the real-time exchange of key police information, to combat a range of serious crimes, including corruption.

The international community is still reeling from the events of September 11th. Law enforcement agencies worldwide have

rallied to evaluate their structures and systems so as to remedy the weaknesses that may hamper their efforts to combat and prevent terrorism. That future terrorist acts may be facilitated by police corruption cannot be ruled out.

Part of the solution for law enforcement must be to ensure that national and international integrity systems are in place. Where they exist we must remain vigilant and refine or improve them to meet new developments. These systems are designed to identify where corruption may exist, to prevent the corrupt or those vulnerable to corruption from being recruited and, most importantly, to increase the risk and the fear of being caught and exposed.

Interpol, through its Expert Group on Corruption, has developed an integrity system for law enforcement. For our General Assembly in Cameroon in October 2002, Interpol’s 179 member-states were invited to adopt very comprehensive ‘Global Standards to Combat Corruption in Police Forces and Services’. Such standards, though not legally binding, are essential for an organisation whose primary task is to exchange sensitive police information. Implementation of the standards, which have already been adopted by a majority of Interpol’s member-states, will be monitored. We will support implementation by offering training and practitioner exchange programmes.

I remain committed to ensuring that Interpol assists its members in this way to provide effective service delivery, built on a foundation of sound ethical values infused with a high degree of professional integrity. A focus on efficient information exchange and an effort to strengthen the role of police within integrity systems are crucial building blocks of the common cause against corruption.

Ron Noble

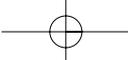
Abacha's son and one of his business associates. On this front, progress has also been made in South America. In Peru, the government of Alejandro Toledo has made significant efforts to right the wrongs of the Fujimori era. For example, US \$225 million in accounts belonging to Fujimori's intelligence chief Vladimiro Montesinos and others implicated in corruption has been frozen worldwide.

Civil society's efforts to combat corruption are buttressed by the work of investigative journalists. In October 2001, Transparency International's Integrity Awards committee honoured the memory of four individuals who lost their lives as a result of their tenacious efforts to root out corruption. Three of them were journalists. Carlos Alberto Cardoso, an investigative journalist in Mozambique, was assassinated in November 2000 while investigating the largest banking fraud in the country's history. Georgy Gongadze, a Ukrainian journalist who highlighted the corruption of the government on his Internet news service, was brutally decapitated and burnt with acid in autumn 2000. Norbert Zongo, an investigative journalist from Burkina Faso and editor of the weekly newspaper *L'Indépendant*, was murdered in 1998; the case remains unsolved. In 2001, one in four of the journalists killed died while investigating corruption. The killing has not stopped.

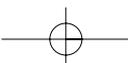
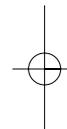
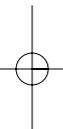
Yet we must also bear in mind that there is an abundance of cases in which the media neglect their role of watchdog and instead nurture unsuitably close ties with political leaders. In this context the media are not likely to expose corruption. Indeed, a recent World Bank study finds that exposure is not as common among state-owned media as it is among their private counterparts. In the Middle East, many TV stations are owned by government ministers whose conflicts of interest are not addressed. Journalists in the region continue to face imprisonment for criticising the political leadership, and most of the region's legislatures have yet to draft, pass and implement freedom of information laws.

Political pressure and inappropriate relationships with public figures are not the only factors that stand in the way of maintaining high journalistic standards. In many countries, the concentration of private ownership is increasingly threatening the vital role of the media in the fight against corruption. Issues of conflict of interest and media concentration come into sharp relief in Italy, where Prime Minister Silvio Berlusconi controls the majority of private TV stations as well as the public television network. Berlusconi had promised to resolve the conflict between his political role and media interests within the first 100 days of his administration, but by mid-2002 he still showed no signs of honouring his pledge. As a member of the EU, Italy has set an appalling example to EU accession candidates that have only recently escaped from the clutches of Stalinist censorship.

Civil society and international institutions fight corruption on many fronts. Corruption – which continues to destroy trust in public and private institutions – is a systemic problem; the means to fight it must also be comprehensive and systemic. Laws and regulations against the misuse of power must be used in this struggle. Restoring trust in public and private institutions must involve access to



information to promote transparency, perhaps the most important weapon against corruption. Only by insisting on both access to information and greater transparency in every sphere of society, from the local to the intergovernmental, can civil society, business and government hope to forestall and expose corruption, and ensure that the corrupt will run out of places to hide.



Access to information: whose right and whose information?

Jeremy Pope

A popular government without popular information, or the means of acquiring it, is but a prologue to a farce or a tragedy or perhaps both. Knowledge will forever govern ignorance, and a people who mean to be their own governors must arm themselves with the power knowledge gives.

– James Madison, letter to W. T. Barry, 4 August 1822

Madison's observation is as valid today as it was when he made it almost 200 years ago. Access to information is still a minefield across the world. As Madison noted, knowledge is power, and those who possess it have the power to rule.

The concept is problematic enough in many industrialised countries, but it is particularly challenging where countries have been under forms of colonial rule – systems marked by a preoccupation with secrecy, with information of the most menial type being scrupulously guarded, and with accountability not to their peoples, but to remote metropolitan capitals. There was no element of trust.

On regaining independence, these countries inherited administrative systems and officials obsessed with secrecy. The same holds true of the transition countries of Central and Eastern Europe, and those elsewhere emerging from various forms of dictatorship or feudalism. Sheltered by secrecy, corruption, repression and human rights abuse abounded – and trust was at zero. This climate persists in many countries, as recent events from Kazakhstan to Zimbabwe have made all too clear. In the former, the authorities have beaten outspoken journalists, while in the latter the Mugabe regime has crushed access to government information and a free press.¹

An obsession with secrecy persists in leading industrial countries. Witness the absurd spectacle of Sweden being accused by the European Commission of breaching Community Law by making Commission documents available under legislation the Swedes have enjoyed for nearly 250 years.² Even modest access proposals provoked a 'bitterly fought and still controversial compromise' in the European Parliament.³ Meanwhile, in the United States (whose landmark freedom of information legislation has long been a world leader) the White House has sought to block public disclosure of its meetings with Enron and other energy industry officials – illustrating the fact that the struggle for information is, first and last, a struggle for accountability. At the Johannesburg summit on sustainable development, battle raged over whether communities in the developing world should have rights to information

that would empower them to hold multinational corporations to account if and when they pollute the environment and damage the health of their people.⁴

In the developing world the perceived secrecy and lack of accountability of aid donors and international financial institutions have fuelled people's misgivings. The donors have too often appeared to shore up secretive regimes with loans and assistance, the details of which are kept from the citizens they are ostensibly intended to help. In some countries, these citizens are now expected to make good the loans plundered by their former leaders with the apparent acquiescence of the lenders.

These abuses have been compounded by excessive bank secrecy, coupled with offshore financial centres, some of whom advertise their mission as being to help customers (corrupt political leaders among them) to 'keep their assets away from prying eyes'.⁵

Matters are further complicated by the crisis in the industrialised world over accounting practices in the private sector. There, the linking of rewards for senior executives to stock prices – coupled with egregious conflicts of interest on the part of auditors – has enabled scandalous accounting practices and shameless insider trading. We have reached the point now where the public can have no confidence that any given corporation's books present a true and fair statement of its financial affairs, with untold consequences for the savings and pension schemes of a whole generation in much of the developed world and for the sound operation of capital markets.

Behind a mask of apparent openness and accountability to which once-trusted accountancy firms and business analysts were willing collaborators, a raft of corrupt practices has undermined the livelihoods and expectations of millions. Yet by blowing the whistle audit firms risk losing fees as well as being questioned about their own role in devising opaque corporate structures and offshore subsidiaries.⁶ Auditors were trusted to provide honest accounts, and this trust was betrayed.⁷ Often, their activities were supported by legal advisers, who helped to construct secret corporate partnerships and offshore tax evasion schemes.⁸

Other passengers on the crowded secrecy bandwagon are research institutes, with major cash-strapped universities embracing industrial sponsors. Here there are incalculable risks when, as they invariably must, business interests come into conflict with central tenets of academic inquiry. The funders of university research often claim the right to suppress findings that might work to their disadvantage.⁹

The media, whose role should be to protect us from these abuses, often let us down. True, some media organisations have played key roles in revealing and investigating corruption. But it is equally true that many media organisations have been at the mercy of the advertising policies of business and government alike, with advertisers (both private and public) prepared to abuse their power to place and to withdraw advertising. Huge international media conglomerates have evolved, at times all too willing to do the bidding of governments in order to massage the size of

Campaigning for access to information

Access to information has become the rallying cry for scores of citizens' movements and civil society organisations around the world. From grassroots village associations to transnational campaigns, civil society groups are asserting the right of citizens to know what governments, international organisations and private corporations are doing and how public resources are allocated. Some of these demands directly reflect anti-corruption concerns. Others are more broadly related to improving governance, but because corruption flourishes in darkness, any progress towards opening governments and intergovernmental organisations to outside scrutiny is likely to advance anti-corruption efforts.

Campaigning locally: MKSS, India

One of the most successful civil society campaigns pressing for greater access to official information is Mazdoor Kisan Shakti Sangathan (MKSS), the Association for the Empowerment of Workers and Farmers, based in the state of Rajasthan, India.

MKSS began its activities in the early 1990s in the mostly illiterate village of Devdooгри. Although local citizens had witnessed spending malpractices at first hand, they had no means to document them. With modest funds provided by the community, a core group of activists began to walk from village to village asking basic questions about how much money was supposed to have been allocated to individual communities for development and how it had actually been spent.

Many government officials insisted that no one had the right to demand such information. Yet with the help of sympathetic officials, MKSS succeeded in obtaining local government accounts. It then organised public readings that made clear that monies were not spent as had been intended. Lists of those paid to work on projects were read out, revealing that

many of those being paid had died years before. Lists of project expenditures were read out, but those present declared that the projects had never been implemented.

The MKSS movement quickly expanded. More than 200 villages and 400 organisations participated in a 40-day sit-in in 1996 for the right to information in Rajasthan, demanding transparency in accounts and the return of missing funds.¹ That action broadened into a state-wide campaign involving journalists, politicians and other grassroots movements.

The campaign led to change in 2001, when the government of Rajasthan passed an access to information law. Five other Indian states have since passed similar legislation and the MKSS movement that began in Rajasthan has grown into a National People's Campaign.

Campaigning nationally: Grupo Oaxaca, Mexico

The Grupo Oaxaca arose out of a conference on 'The Right to Information and Democratic Reform', convened in Oaxaca, Mexico, in May 2001. Scholars, lawyers, journalists and NGO representatives met there and agreed to form a technical commission that would press for access to information legislation. President Vicente Fox had included in his election campaign a pledge to submit a law on access to information during his first year in office, but no such law was under preparation at the time of the Oaxaca meeting.

In October 2001, the group presented the Mexican congress with its own draft law intended to guarantee citizens access to government documents, the first time a civil society group had brought a bill to the legislature. The government responded by promising to introduce freedom of information legislation by December 2001.

The drafting of the law then fell to the government's anti-corruption agency, SECODAM, but leaks revealed that

SECODAM's draft was full of exemptions and loopholes. Responsibility was transferred to the government secretariat (Secretaría de Gobernación),² and the proposals then became the subject of a month-long dialogue involving congressional representatives. Both houses of the legislature eventually approved a compromise bill unanimously in April 2002.³

Campaigning internationally: the World Bank's disclosure policy

Although the World Bank formulated a disclosure policy in 1989 and revised it in 1993, partly in response to civil society pressure, civil society activists argued that the policy was too restrictive. Much information remained shrouded in secrecy, particularly concerning the bank's plans for future projects and programmes. Moreover, 'attempts to gain access to information – by the public and particularly by people directly affected by Bank projects and programmes – were consistently met with refusals and red tape'.⁴

In 2001 civil society groups renewed the campaign for reform. Among the more active groups were the Bank Information Center (United States), Libertad Ciudadana/Poder Ciudadano (Panama), Transparencia (Mexico), regional networks such as the Central and Eastern European Bankwatch Network and chapters of international NGOs such as ActionAid, Oxfam and Transparency International. In April 2001, more than 550 such organisations from more than 100 countries co-signed a letter demanding greater transparency and accountability from the World Bank. In addition, more than 250 groups attended consultations in 19 cities around the world and many submitted written comments to the bank or to their national governments. If the bank were serious about increasing participation, they argued, it must release documents showing what projects or policies were under discussion and release them in time

for those most affected to help shape them.

Ranged against the civil society campaign were some of the world's more corrupt and repressive governments, which were unimpressed by claims that they had a responsibility to allow themselves to be held accountable for how they conducted projects involving World Bank or other funding. Most surprising, however, was the resistance from a number of large developing-world democracies. They argued that releasing sensitive information during loan negotiations could frighten markets and drive away private creditors.

A revised World Bank policy on disclosure, implemented in autumn 2001, took some steps towards greater transparency,⁵ but in general civil society organisations remain dissatisfied. The bank rejected the idea of releasing draft documents that would enable people outside the institution's immediate circle to provide input into project preparation. It also refused to open meetings of the board of directors to allow for more transparent representation. As the Bank Information Center noted, 'The new policy ... represents an unwillingness within the Bank to transform its rhetoric on "inclusive decision-making" into concrete policy commitments.'⁶

The aftermath of September 11th

Though these three experiences involved successes, they also suggest that civil society's struggle for access to information faces obstacles at all levels: local, national and international. Secrecy helps to keep the circle of decision-makers small, saving administrators the trouble of explaining themselves.

The events of September 11th further strengthened the willingness and ability of governments to counter demands for transparency. The United States reacted with particularly strong measures, such as the practice of 'scrubbing' websites: removing information that might aid terrorists in planning attacks. Federal

agencies, including the Environmental Protection Agency, the Nuclear Regulatory Commission and the Internal Revenue Service, as well as a number of state governments, took steps to make information more inaccessible. Even civil society groups engaged in scrubbing: the Federation of American Scientists, a leading NGO proponent of government transparency via its 'Government Security Project', removed information from its website concerning the location of secure intelligence facilities on the grounds that such data were not available elsewhere.⁷ The Canadian government also took action to limit information access, enacting a Terrorism Act in November 2001 that allowed the attorney general to overturn releases of information ordered by the information commissioner with only limited judicial review.⁸

Yet the setbacks for access to information are likely to be limited, especially outside the United States. As the recent Mexican legislative success indicates, the right to access to information remains a powerful cause for civil society actors. Although cultures of secrecy are deeply ingrained, what has been most striking in recent years is not the success of governments in retaining control over information, but the ability of civil society to wrest away such control.

Moving forward

Enabling civil society to prevail requires help from many quarters. One important step is for groups in different countries and regions to communicate with one another, pooling ideas about strategies. Researchers could help considerably by evaluating the transparency policies of governments and international organisations, comparing them to one another and to absolute standards.⁹ Though national campaigns should be sustained locally, foreign donors are needed to support transnational networking among civil society groups.

Most important is the role played by civil society groups themselves – they do not

always provide information about their personnel, operations, funding sources, expenditures or sometimes even their goals. The groups involved in access to information campaigns tend to be more transparent than many of their counterparts, but they still find themselves tarred by accusations of unaccountability and opacity that are increasingly lodged against the entire civil society sector. Those civil society groups promoting access to information must also require themselves and other activist groups to provide public accounting if, as proponents of openness, they are to safeguard their own legitimacy and credibility.

Ann Florini

- 1 Safia Sircar, 'Information Is My Right', *Indiatogether*, May 2001, www.indiatogether.org/stories/ncpri.htm.
- 2 Kate Doyle, 'Freedom of Information in Mexico', Washington, D.C.: The National Security Archive, 2 May 2002, www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB68/index2.html.
- 3 *Washington Post* (US), 1 May 2002.
- 4 Lori Udall, 'The World Bank and Public Accountability: Has Anything Changed?', in Jonathan A. Fox and L.D. Brown, eds., *The Struggle for Accountability: The World Bank, NGOs, and Grassroots Movements* (Cambridge, MA: The MIT Press, 1998).
- 5 The most important was that Poverty Reduction Strategy Papers (PRSPs), which are intended to be the outcome of national discussions involving civil society on how best to reduce poverty, must now be disclosed locally before the World Bank's board can consider them.
- 6 Bank Information Center, 'The On-going Struggle for World Bank Transparency: The Outcome of the Information Disclosure Policy Review' (Washington, D.C.: Bank Information Center, 4 November 2001).
- 7 Lou Dolinar, 'Access Denied', *Newday.com* (US), 24 October 2001.
- 8 David Banisar, 'Freedom of Information and Access to Government Records around the World', July 2002, www.freedominfo.org/survey.
- 9 The University of Victoria's Centre for Global Studies put out a 'Rethinking Governance' Handbook: *An Inventory of Ideas to Enhance Participation, Transparency and Accountability*, which provides an excellent starting point for evaluating the disclosure efforts of international organisations, www.globalcentres.org/html/inventory.html.

their audiences and the potential for increased advertising revenue. These networks have assumed incalculable political power, and they are accountable to none but themselves. The saving grace here is that these conglomerates operate in a competitive environment and there are still independent media organisations that can and do bring to public attention the most egregious instances of abuse by these global media leviathans.

Another danger is the mounting influence of the media oligarchs who have emerged to use their power, not to inform but to serve blatantly partisan and self-serving political and financial ends. The spectacle in Italy of a head of government not only dominating the private media but also with the power to gerrymander the state-owned media institutions bodes ill for democracy. It points not only to the dangers of individual domination of the private media, but also to the dangers inherent in most forms of state-owned and state-controlled media. The often intensely close relationship between media tycoons and powerful political leaders in developing countries and in Central and Eastern Europe frequently blocks the media from fully informing the public on major issues, while equally frequently ensuring that the public receives news and views that serve the business interests of the media owners and their political partners in corruption. The ongoing episodes of political efforts to dominate the media in Central and Eastern Europe are part of a profoundly disturbing trend.¹⁰

Within news corporations, from Latin America to Central Asia, are individual journalists who have proved willing victims of offers of corporate hospitality and bribes, and who have thought nothing of misusing their power to private ends. Even in the leading industrial countries we have seen reporters grow so close to major corporations that they have failed to do their duty – so many were bullied by Enron that they chose to ignore for months the fact that the demise of one of the world's largest corporations was imminent.¹¹ The *Financial Times* is among those that complain of 'pious protestations of public interest from sensationalist newspapers that are unscrupulous in their own professional practices'.¹²

Ranged against these battalions has been a lonely and exposed band of whistleblowers: individuals who risk good reputations, careers and families to bring both public and private sector abuse to public notice. To these we should add the intrepid journalists who have paid with their lives for their dedication to the fight against corruption – providing further evidence of the lengths to which some political elites are prepared to go to protect the status quo. When the Voice of the People Communication Trust in Zimbabwe succeeded in sidestepping a government ban on independent radio stations by having its programmes beamed from the Netherlands, it was quickly the victim of a 'professional incendiary demolition' that destroyed its computers, recording equipment, files and tapes, leaving only the walls of its studios standing.¹³

Little wonder, then, that in societies around the world the notion of 'trust' has shifted radically – be it in government, in the private sector, in the professions, in the

media or in civil society. No longer do people accept the diktat 'Don't challenge me. You can trust me'. So frequently kept in the dark, so regularly misled and so often betrayed, the people now tend to respond, 'Show me! I must see for myself.' Transparency has become a substitute for trust.¹⁴

Indeed, the public responds with demands to know not only the sources of political party funding but also the assets, incomes and liabilities of politicians and senior public servants, in a manner unheard of in the past.¹⁵ Paradoxically, these demands are often met with claims that disclosure would represent an unwarranted intrusion into privacy – a defence that further feeds suspicions that politicians are selling out to the highest bidders and that officials are siphoning wealth from the public purse.¹⁶ The claim to privacy is basically the same cry of 'Trust me!' But the fact remains that a cynical public does precisely the opposite. In the absence of reliable information to the contrary, it simply assumes the worst.

If our objective is transparent, accountable and honest governance – government we can trust and a private sector that is trustworthy – then clearly the less information that is kept from us, and the greater the confidence we can have in its accuracy, the more likely we are to achieve our aim.

Information overload

Ordinary citizens need access to government-held information in order to exercise their rights in just about every phase of their lives – whether to gain entry to education, apply for a job, gain access to a poverty alleviation scheme, build or buy a house, start a business or collect a pension. Without it, they are ready prey to the corrupt and the abusive.

Above all, we need access to publicly held information if we are to have confidence in our public institutions and be assured that they are working as they should. Policies and practices of openness can, of themselves, provide much comfort.

Yet the information we need can easily be engulfed in an avalanche of irrelevant information. What do we gain if we suffer from information overload, if the information we receive is not truly informative, if we are simply confronted by a flood of unverifiable 'facts'? In the United States, for example, there is a plethora of data on who makes contributions to election campaigns, yet critical information that provides insights into the political influence gained by major contributors is largely absent.

If we ask for a needle, we do not want to have to look for it in a haystack. That is where the mass media can serve as a filter, their role being to sift and sort the information into manageable forms. Unfortunately, the media's performance has often been inadequate.

The role of the media is hardly helped when governments use their power and their courts to intimidate editors and journalists. Nor is the cause of accuracy advanced when information is distorted by politicians' 'spin doctors'. A vivid

example was provided in Britain when a 'special adviser' to a minister proclaimed on 11 September 2001, a time when public attention was mesmerised by the World Trade Center atrocity, that it was a 'good day to bury bad news'.¹⁷

Access to information campaigns are often led by media interests, whose claims to access should be beyond argument. Given our uncertain faith in the media, however, we cannot yield to them exclusive ownership of the struggle for access. Far from it. The claims of the citizen are much more compelling. If we ask, 'Who *owns* the information we demand?' the answer must surely be, 'We, the people, not them, the state.'

Information is best viewed as being held by the state on behalf of the people, for use in the best interests of the people. Indeed, the constitution of Brazil goes so far as to enshrine every citizen's right to be provided by public entities with information concerning a citizen's personal interest or information of general or collective interest, the only exception being where the confidentiality of information is essential to the security of the state and society.¹⁸

Fighting poverty with information

The citizens of India – the world's most populous democracy – are among the most prominent proponents of access to information. In particular, the civil society group Mazdoor Kisan Shakti Sangathan (MKSS) – translated as the Association for the Empowerment of Workers and Farmers – developed a radical interpretation of the notion that citizens have a right both to know how they are governed and to participate actively in the process of auditing their representatives.¹⁹

By encouraging supportive officials to make information available to them unofficially, MKSS was able to begin documenting the nexus between local politicians, local officials and local contractors, a linkage that was well known but flourished under a veil of secrecy.²⁰

What this example clearly demonstrates is that the right to information has a real practical relevance to poor and marginalised people, particularly where civil society activists can help them to access and use it.

Such was the success of the 'social audits' undertaken by MKSS that the state of Rajasthan passed legislation requiring the holding of audits right across the state. But because the public officials who conducted them were not committed to the process, the official audits failed miserably. The officials neglected to provide notice as to why or when the meetings were being held, and made little effort to present information in a comprehensible form.²¹ The wilful mismanagement of information by officials protected the corrupt and succeeded in frustrating well-intentioned reforms.

For information to be useful, it must not be aggregated, but made available in detail. To be empowered, parents must know more than the size of a state's education budget; they must be able to ascertain readily the budget for their own children's school. People must also have access to supporting documentation as to how

a particular application was assessed under an anti-poverty scheme, or as to how and to whom funds were disbursed; otherwise, the chances of exposing bias in the handling of an application, or diversions in the disbursement of funds in implementation, are slight. Without rights of access to expense receipts, employment and wage registers, and timely access to building sites, fraud in public works projects also goes undetected. The **information** must also be physically accessible. In rural areas it matters little what rights to information a person may have if, to get it, he or she has to journey hundreds of kilometres to a capital city.²²

The Indian experience suggests that NGOs and other activists must be willing to use the information they have gained in order to confront the authorities and so impel public officials to take remedial action. Such activism cannot be left to an unmotivated bureaucracy.

Legislating for access to information

Article 19 of the Universal Declaration of Human Rights – a universal right of all ‘to seek, receive and impart information ...’ – is a starting point for legislating for access to information, but it only takes us so far. It is aimed at curtailing government censorship rather than promoting government transparency.²³ Thus the task of the reformer is to place flesh on the bones of Article 19, and to do so for social as well as economic reasons.

Fundamentally, all information belongs to the public and it should be in the public domain unless compelling reasons exist to withhold it. The ideal approach is seen in Brazil: to create a legal requirement that official information must be made available to anyone who seeks it unless there is good reason to withhold it.²⁴

Any freedom of information law will have to prescribe limits, and it is easy for the ‘state security’ card to be overplayed. An official secrets act can follow hard on the heels of a progressive access to information act, effectively reclaiming most, perhaps all, of the ground previously conceded.²⁵ Singapore even prosecuted the *Business Times* for publishing nothing more threatening than an official prediction of the country’s likely economic growth – material freely available in other industrialised countries – and then curtailed the circulation of the *Economist* when it criticised the move.²⁶

Few recent debates about the opposition between the needs of a society to have access to information and the demands of a state for security have been as significant as those in the United States over the secrecy that the Justice Department has forced in the name of the ‘war on terrorism’. While there may be a seemingly compelling logic to holding suspects and alleged terrorists in secret, there is the danger that a greater societal imperative will be undermined. Of great relevance is the recent opinion of Judge Damon J. Keith of the U.S. Court of Appeals for the Sixth Circuit, who warns that ‘democracies die behind closed doors’. He writes that the First Amendment and a free press protect the ‘people’s right to know’ that their gov-

Whistleblowing in South Africa

One major obstacle in the fight against corruption is the reluctance of individuals to 'blow the whistle' on corrupt activities. Fear of retribution from employers or colleagues dissuades many from reporting cases of corruption. In South Africa, whistleblowers are often seen as troublemakers or, in the South African vernacular, *impimpis* (apartheid-era informants). In addition to being stigmatised as traitors, whistleblowers who reported misconduct before the introduction of the Protected Disclosures Act in 2000 found no legal protection or support from their government.

A parliamentary committee produced a draft law after a series of scandals in which whistleblowers suffered because of their actions, including several who were hounded from their jobs. Modelled on the British Public Interest Disclosure Act of 1998, the law provides legal recourse to whistleblowers who suffer professional loss as a result of their actions. The Protected Disclosures Act, which came into force in February 2001, sets out procedures by which both public and private sector employees who report unlawful or corrupt activities by their employer or colleagues are protected from reprisals. The law is intended to encourage honest employees to report wrongdoing.

But for such a law to work at least three things must happen. First, there must be the political will to confront a culture that scorns whistleblowers. Second, employers must be trained to implement a viable whistleblowing policy that allows

employees to raise concerns without fear of reprisal. Third, workers themselves must know and understand their rights under the law in order to be able to report misconduct in a proper manner.

After helping to draft the new law, the Open Democracy Advice Centre (ODAC) is now addressing these three aspects in an effort to put the law to work. ODAC's mission is 'to promote open and transparent democracy; foster a culture of corporate and government accountability; and assist people to realise their human rights'. By offering free legal advice, ODAC seeks to help individuals deal with the difficult choices they face when deciding whether to blow the whistle or remain silent. The group monitors and advocates effective implementation of the law and provides training for employers in both the public and private sectors. To help whistleblowers, ODAC also established a legal helpline (0800-Lalela, meaning 'Listen' in the Xhosa language), based on the model employed by the British NGO Public Concern at Work.

The new law is essential to the promotion of access to information. Under protection of the law, whistleblowers are better able to get information about corruption out into the public domain. Civil society groups such as ODAC and Transparency South Africa recognise the value of the law and are redoubling their efforts to put the legislation into practice.

Richard Calland,

www.opendemocracy.org.za

ernment is acting fairly and lawfully. 'When government begins closing doors,' he continues, 'it selectively controls information rightfully belonging to the people. Selective information is misinformation.' Further: 'A government operating in the shadow of secrecy stands in complete opposition to the society envisioned by the framers of our Constitution.'²⁷

Just as it is difficult to fine-tune limits on access to information in the security arena, so too are there complications in terms of personal privacy. The values societies

place on personal privacy are varied and often shaped by their differing histories. The fact that in Sweden one can see the income tax return of a next-door neighbour may be unlikely to convince others elsewhere of the desirability of such openness.

Public figures often claim the right not to have their private lives exposed in the mass media. As courts around the world are tending to the view that public figures are, *ipso facto*, public, citizens and the media seem to be winning this argument.²⁸ Consequently, in a growing number of countries public figures are having to put up with greater scrutiny of their private lives than might be permitted in the case of ordinary citizens; politicians, in particular, have to be more robust when it comes to defamation and be accorded far less protection.

Pleas to secure 'commercially sensitive information' by constraining public rights to information are common. Yet, as a matter of principle, citizens assuredly have the democratic right to know about the details of commercial arrangements entered into between their government and its suppliers, all the more so in an era of privatisation in which traditional public sector activities are passing into private hands. Whereas confidentiality may characterise lawful transactions within the private sector, it may be utterly indefensible when public money is at stake.²⁹

Perhaps the most problematic area of all is the extent to which citizens should have access to policy advice. Advocates of limiting such access argue that policy recommendations from civil servants to their ministers need to be delivered fearlessly; exposing such exchanges to public view would be detrimental to an essential atmosphere of confidence and would ultimately undermine effective decision-making. Accordingly, internal official documents are often exempted from freedom of information requirements. Yet the fact is that countries that have made this information available tend not only to have encountered few, if any, problems, but also to score consistently well in Transparency International's annual Corruption Perceptions Index.³⁰

In cases of dispute

Once we have a legal right to information with an appropriate breadth of scope, how then should competing interests be resolved in any particular case of dispute? How easy should it be for political, as opposed to public, interests to intrude when a citizen – or a journalist – makes a request?

In some countries, ministers enjoy discretionary power to decline requests for information. Clearly, no minister should have this authority, as it can be effortlessly abused. Information should never be withheld if its release might be inconvenient or embarrassing to the minister or the department. Nor should ministers be able to block access with claims that information is none of the requester's business, or that it could be 'misunderstood'.³¹

Some countries allow for a right of appeal to an independent information commissioner, an ombudsman or an appeals body. Systems of governance may vary, but

there is always a wholly unacceptable conflict of interest whenever an official is the judge in his or her own cause.

Information campaigns and records management

Should people always have to ask for the information to which they are entitled? Public authorities should not simply wait until they are asked for information. They should develop policies that take essential information to the people before they ask for it. Such positive actions can be much more cost-effective, and of greater practical utility, than is the case when departments wait passively for the submission of inquiries.³² Such a proactive strategy is particularly advantageous to governments whose resources are slender. By making **information available in offices and other public places**, the calls on staff time to respond to individual queries can be greatly reduced – and citizens can learn of their rights without even being aware of their entitlement to know.³³

When we campaign for greater access to information we must at the same time campaign for **improved records management**. There seems little point in having access to information that is chaotic and unreliable. Clearly there needs to be systematic, complete and dependable record keeping.

But as governments open up, reformers must be prepared to take the world as it is, not as they would like it to be. Old records may be so chaotic as to render rights of access highly time consuming, if not wholly fruitless. Indeed, in Mexico, where a freedom of information law was enacted in April 2002, a report stated that ‘public records, transcripts and notes from important meetings have been purposefully kept from public view, leaving almost no official record of how key decisions have been made. In many cases, official records have been destroyed or taken home by officials when they left office.’³⁴

In such cases, transitional arrangements are essential if citizens’ faith in their newly won rights is not to be lost as soon as they try to exercise them. Rather than allowing existing poor records management systems to be used as a reason to block reform completely, it may be better to **draw a line and start afresh**, with **rights of access not being retroactive** in areas where the existing system simply cannot deliver with reliability.

Whatever the course adopted, a clear duty must be imposed on the providers that information be complete, coherent and understandable by its target audience. Invariably, the cost factor is raised as an argument against reform. Should those asking for information be required to meet the costs of preparing the replies? If so, should there be limits? Obviously, high fees deter requests and so undermine the whole purpose of the exercise. Fortunately, governments are learning that the benefits of openness can outweigh any related costs. Furthermore, wherever legislation has been passed, only nominal processing fees tend to be required.

Information and the private sector

The private sector, too, has its own needs for access to complete and reliable publicly held information, notably that relating to public procurement rules and exercises, which some countries are starting to make available through the Internet.³⁵

Even though information held by the private sector itself is governed by considerations quite different from those applying in the public arena, certain categories of information must be made available to consumers, suppliers and employees. Examples range from accurately labelled food to honestly prepared accounts, from professional audit and financial services to employer-held personal files.

The public rightly expects greater accountability whenever private entities carry out public functions or where a traditional state function is privatised. Private agencies cannot be permitted to obscure political accountability; on the contrary, citizens are entitled to know much more about public-private undertakings than about activities that are entirely confined to the private sector. After all, such state-funded activities involve taxpayers' money.

Citizens are also entitled to expect honest financial information from publicly listed corporations. We should look to private sector auditors to discharge their duties independently of their clients and with a view to the public interest rather than that of senior managers. The financial reports they produce are vital to the welfare of citizens, and they perform a public function by providing information that gives a true picture of the financial health of the companies they audit.³⁶

To their credit, leading corporations in their orthodox business role are starting to accept the legitimacy of public concern and in some cases are responding by promoting access to information policies.³⁷ Indeed, accountability by the private sector to the public at large lies at the very heart of the growing corporate social responsibility movement.

A culture change

Even if the benefits of openness are rightly understood as overwhelming, the prospect of rights of access to information can appear threatening to officials accustomed to regarding their files as confidential and thus safe from the eyes of an inquisitive public.

A culture change is needed among civil servants – from the most junior staff through to the responsible minister. They must come to understand that, although in the past their administrations may have seemed to function adequately, the introduction of access to information policies can increase the quality of administration significantly. Such policies foster a public sector ethic of 'service to the public', enhance job satisfaction and raise the esteem in which public servants are held by the communities they serve and in which they live.

An agenda for reform

What, then, should be our aims?

From our governments, we need clearly articulated and extensively disseminated policies on access to information that ensure the widest possible access for citizens and media alike – at the local no less than the national level.³⁸ Our legal right to access public information must be formally guaranteed.

Records management systems must ensure that the information to which citizens are entitled is accurate, complete and readily accessible.

Essential information must be carried to the people in easily understandable forms and languages. Public information policies must provide for open political party funding practices, with the disclosure of donors and donations. We must also have access to declarations of assets and interests by senior public figures.

We must attain formal guarantees of freedom of speech, press freedom and an absence of repressive libel laws. Honest journalists must be able to report professionally and be unaffected by ‘sponsorship’ and self-interest. State-owned media, where its existence is justified to protect the public interest, must be run independently of editorial control by a ruling party. Given that the systems the chief archivist manages and the records he or she holds provide the paper trails crucial for exposing mismanagement and corruption, we must question why these posts are so junior and so under-resourced. Let us ask why the post of chief archivist is not accorded constitutional protection, and why it is not placed on a par with a supreme court judge or a supreme audit institution, so vital is its role in guaranteeing both accountability and public access.

At the international level, bilateral and multilateral agencies must make full information available about their loans and development assistance – not just in terms of total loans but also down to the level of the local projects being funded by them. In a similar way, private sector policies must promote access to the information held by corporations.

Nor must we overlook the need for formal guarantees to protect complainants, should they be forced to act as whistleblowers.

Conclusion

Nearly two centuries on from James Madison, the struggle over access to information, presently handicapped by September 11th and the ‘war against terrorism’, is set to continue. Secrecy still strikes at the concerns of civil society everywhere, and most significantly it perpetuates an environment in which corruption can flourish unhindered – a direct threat to every one of us, and a menace that continues to undermine the democratic gains of the past decade. Is it too much for us to hope that, as societies become more open, trust in their institutions will flourish?

The playwright and thinker George Bernard Shaw asserted that ‘the right to know is like the right to live. It is fundamental and unconditional in its assumption

that knowledge, like life, is a desirable thing.’³⁹ For much the same reasons, the architects of our global movement against corruption took ‘transparency’ to serve as the war cry on our battle-flag.

- 1 *Washington Post* (US), 30 August 2002.
- 2 www.foi.org.uk/sweden1.html. Freedom of information has been enshrined in Swedish law since 1766. The Swedish government has continued to push the issue forward, most recently through its Open Sweden initiative, intended to improve application of the law and increase public awareness. See www.oppnasverige.gov.se/page/1/42.html.
- 3 *Guardian* (Britain), 4 May 2001.
- 4 *Guardian* (Britain), 29 August 2002.
- 5 See ‘Keep Your Assets away from Prying Eyes ... Ten Good Reasons to Choose Dominica’, an advertisement on the website of Safe Haven Offshore Limited, June 2000, www.safehavenoffshore.com/10reasons.htm.
- 6 The International Accounting Standards Committee Foundation, the body likely to be setting rules for all European-listed companies from 2005, has been criticised for its failure to disclose the names of more than 100 corporate donors. Concern emerged when it appeared that Enron had considered donating to the committee if this would enable it to help shape IASC’s policies. *Financial Times* (Britain), 4 March 2002.
- 7 Enron and Arthur Andersen were a case in point. Internal audit was combined with external audit while tens of millions of dollars of debt were hidden and millions in profits conjured up from business lines still in their infancy. *Wall Street Journal* (US), 16 April 2002. Far from trusting private sector leaders, the Securities and Exchange Commission proposed that such leaders be compelled, under threat of criminal sanctions, to certify accurate quarterly reports of their businesses’ positions. *Financial Times* (Britain), 13 June 2002.
- 8 Former SEC chairman Arthur Levitt writes: ‘Lawyers, who can play crucial roles in revealing or obscuring financial problems, should review their own ethics codes. Under the American Bar Association’s ethical standards, lawyers who uncover wrongdoing by clients cannot report it to the SEC or local authorities. This inherent conflict needs to be addressed.’ *New York Times* (US), 17 January 2002.
- 9 *Guardian* (Britain), 11 June 2002.
- 10 *New York Times* (US), 31 August 2002.
- 11 ‘Enron was also a failure of journalism. If business is more powerful, we need better business reporting to hold it to account ... The signs were there for anyone who cared to look ... [but] most publications only started to take Enron’s problems seriously ... when the game was already up.’ Richard Lambert, editor of the *Financial Times* (Britain) from 1991 to 2001, critiqued the performance of his own profession in ‘Enron and the Press’, *Prospect Magazine* (Britain), March 2002.
- 12 13 June 2002.
- 13 *Times* (Britain), 30 August 2002.
- 14 The reverse is the thesis of Prof. Onora O’Neill in her 2002 Reith Lectures, namely that ‘the deluge of information thrown at us in the name of openness leaves us less capable of gauging the truth than ever’. See ‘Trust Is the First Casualty of the Cult of Transparency’, *Guardian* (Britain), 24 April 2002. The lectures are published by Cambridge University Press.
- 15 Mexican president Vicente Fox has responded to such demands by voluntarily disclosing his personal financial assets on the Internet. VOA News (US), 3 May 2002.
- 16 *Financial Times* (Britain), 29 August 2002; www.transparency.org/cgi-bin/dcn-read.pl?citID=45105.
- 17 Spin doctor Jo Moore’s infamous comment helped trigger a reappraisal of the role of politically appointed ‘special advisers’ in the British civil service by the Wicks Committee (still sitting at the time of writing). *Guardian* (Britain), 9 October 2001. She was later dismissed over timing the issuing of bad news on a day dominated by a state funeral.
- 18 Brazilian Constitution, Article 5, Item 33.
- 19 For a full account, see Rob Jenkins and Anne Marie Goetz, ‘Accounts and Accountability: Theoretical Implications of the Right-to-Information in India’, *Third World Quarterly*, vol. 20, no. 3 (1999).
- 20 BBC News (Britain), 14 June 2002.
- 21 ‘Critique of State Government Initiated Social Audit Campaigns and Public Hearings (Jan Sunwais)’, note prepared for MKSS for the workshop on ‘Institutionalisation of Social Audit and Public Vigilance’ held on 7 January 2002.
- 22 Compare with a similar case in Tanzania, reported at the TI workshop ‘Information for Accountability Workshop’, Tanzania, 27–28 March 2000; www.transparency.org/working_papers/thematic/proceedings.html.
- 23 See Jenkins and Goetz.
- 24 Brazilian Constitution, Article 5, Item 33. Such is also the case in New Zealand’s Official Information Act, 1982. The act reversed the principle of secrecy set out in the Official Secrets Act 1951, which it repealed.

- 25 Zimbabwe combined the two approaches into one act, giving an apparently 'liberal' title to a highly repressive set of provisions. Licence fees set under the act are described as 'absolutely outrageous' and likely to induce several international agencies to close their Zimbabwe operations. *Daily Telegraph* (Britain), 17 June 2002. Others have been forced out, such as the BBC.
- 26 The Singapore *Business Times* editor was prosecuted with others under the country's Official Secrets Act for publishing 'flash' GDP estimates – early calculations of the most recent economic growth – before they were officially released. When the *Economist* commented mockingly on the prosecutions, it set in train a confrontation with the government that led to the magazine's circulation being curtailed in Singapore. 'Newspapers: a Ban Is Not a Ban unless Restricted' by Francis T. Seow (former Solicitor-General of Singapore), April 1998, www.sfdonline.org/Link%20Pages/Link%20Folders/Press%20Freedom/seow.html.
- 27 *New York Times* (US), 2 September 2002.
- 28 *Times* (Britain), 29 March 2002: 'The *Mirror* was entitled to show that [Naomi Campbell, a model] was lying about not being a drug addict and receiving treatment. But the newspaper went too far in publishing sensitive personal data.' Progress is far from universal, as Zimbabwe's laws forbidding criticism of its president make plain.
- 29 *Guardian* (Britain), 18 June 2002: 'False accounting exposes private cash for public services as a theft from the taxpayer.'
- 30 The Nordic countries and New Zealand invariably head the list as the world's cleanest countries.
- 31 New Zealand State Services Commission, 1995.
- 32 Such a requirement is now imposed on local authorities in Britain. See the website of the Standards Board for England at www.standardsboard.co.uk/guidance/guidance_index.htm.
- 33 For example, in Indonesia, the World Bank has encouraged the erection of billboards on development sites carrying details of the particular project under way. The local community can then follow the process and monitor the undertaking. See Jenkins and Goetz.
- 34 *Washington Post* (US), 1 May 2002.
- 35 A good example is the OPEN system of the South Korean city of Seoul; www.transparency.org/building_coalitions/public/local_government/projects_topic/procurement.html. For more, see the essay on e-government in this volume.
- 36 'The ethical dimension – especially the question of the duties owed to people other than their clients – does not seem to have arisen,' wrote Peter Martin in 'Accountants' Moral Duty', *Financial Times* (Britain), 17 January 2002. See also *Financial Times*, 5 March 2002.
- 37 One such initiative is by NIREX (www.nirex.co.uk/ipublic), a corporation 'working to develop safe and environmentally responsible solutions for the management of radioactive waste'. Its web-based 'transparency policy' commits the corporation to 'a policy of openness'. It also has a policy of responding to individual requests and provides for a right of appeal to an independent review panel.
- 38 TI Russia is one TI chapter that is working with local authorities to this end. In Britain, legislation now requires local authorities to have proactive information policies (Local Government Act 2000: www.hmso.gov.uk/acts/acts2000/20000022.htm).
- 39 'Preface on Doctors: the Flaw in the Argument', in *The Doctor's Dilemma*, 1913.

E-government and access to information

Subhash Bhatnagar

Among the many tools being developed to fight corruption, there has been much focus lately on **e-government** – the use of communications technology like the Internet and mobile phones to open up government processes and enable greater public access to information.¹ E-government includes the publication of information on a website so that citizens can download application forms for a variety of government services. It can also involve the actual delivery of services, such as filing a tax return or renewing a licence. More sophisticated applications include processing on-line payments.

In developed countries, these services are offered in a self-service mode through the Internet, often via portals that are a single point of interaction between the citizen and a broad range of departments. In developing countries, on-line service counters may operate in a department offering services related only to that department. In some countries, citizen service centres have been created at convenient locations where citizens can access on-line services of several departments. At these counters, run either by departmental or private operators, the public does not directly interact with computer screens, and collection of payments is often handled through conventional means.

The benefits from the on-line delivery of services include convenience (location and time) and shorter waiting periods. **E-government systems** may also lead to **greater transparency** and **reduced administrative corruption**. So far, however, the reduction of corruption opportunities has often been an incidental benefit, rather than an explicit objective of e-government.

Reducing corruption through e-government

The very process of building an on-line delivery system requires that rules and procedures be standardised across regions and made explicit and, therefore, capable of computer coding. This reduces the discretion and opportunity for arbitrary action available to civil servants when dealing with applicants on a case-by-case basis. Moreover, as the possibility of exposure of wrongdoing is enhanced, the fear of consequent embarrassment can be a deterrent to corrupt practices.

Though there have been few independent audits of the impact of e-government on corruption, several case studies in developing countries report an impact.² Many governments have chosen to go on-line in departments that have a large interface

with the public or business and which are perceived to be relatively corrupt. Surveys indicate that tax collection agencies are particularly prone to corruption,³ and it is no surprise that a large proportion of documented e-government applications are built for departments dealing with tax collection.⁴

To reduce corruption effectively, **some features that lead to greater transparency and accountability need to be consciously built into the design.** E-government applications must **first increase access to information,** then **ensure that rules are transparent** and **applied in specific decisions** and, finally, **build the ability to track decisions and actions to individual civil servants.** If all these objectives are pursued, corruption can be reduced significantly. Ignoring some of them can defeat the whole purpose. Numerous government websites are ineffective because they focus on the single objective of providing electronic access to information. Often the websites are little more than electronic copies of printed brochures. Not enough effort is made to ensure that transparency and accountability increase when government processes go on-line.

OPEN, Seoul Municipality, South Korea

The OPEN system of Seoul Municipality exemplifies the impact on corruption of making the decision-making processes and actions of individual civil servants more transparent.⁵ The system enables on-line tracking of individual applications for a variety of municipal licences.

Extensive municipal regulations in Seoul in the 1990s, spurred by the expansion of the city's bureaucracy, created new opportunities for corruption. In 1998, the mayor declared an all-out war on corruption through preventive and punitive measures, increased transparency in the administration and enhanced public-private partnerships. The introduction of e-government was one element of a broader range of initiatives, many of them enacted prior to computerisation. These included cutting and simplifying regulations and actively involving citizens in anti-corruption activities.

The e-government programme involved setting up a portal called OPEN – Online Procedures Enhancement for Civil Applications. OPEN explains to users elements of the anti-corruption drive, displays an anti-corruption index on five services deemed most susceptible, offers citizens information on rules and procedures and enables real-time monitoring of progress of an application for permits and licences. By the end of 2000, the number of visits to the site reached 2 million.⁶ To encourage greater usage, the system was made accessible via mobile telephone in 2001.

The OPEN system has been evaluated in different ways. Results from a survey of 1,245 citizens showed that 84 per cent believed that OPEN had led to greater transparency. Surveys conducted by the South Korean chapter of Transparency International in 2000 and 2001 indicate a growing interest in OPEN, but a marginal decline in user satisfaction over time.⁷ The system is credited with saving

time and facilitating access, but it was viewed as offering marginally less improvement in terms of transparency and anti-corruption than the year previously.

As a whole, the focus of Seoul's anti-corruption programme is not information technology – technology for technology's sake – but the simplification of regulations and procedures, re-engineering of work practices, transparency in procedures and effective communication with citizens. For anti-corruption efforts to be effective, reformers must look beyond individual instances of corrupt behaviour and target the structural factors that allow corruption to develop. Seoul shows the success of a multipronged attack. Two factors particularly contributed to the success in implementation. First, there was strong leadership by the mayor and, second, widespread citizen participation.

Computerisation of land records, Karnataka, India

The *Bhoomi* ('land') project of on-line delivery of land records in Karnataka, one of India's 26 states, demonstrates the benefits of making government records more open so as to enable citizens to challenge arbitrary bureaucratic action. It also illustrates how automation can be used to remove discretion from civil servants.⁸

The department of revenue in Karnataka has computerised 20 million records of land ownership for 6.7 million farmers in the state. Under the manual, paper-based system, 9,000 village accountants maintained land records. Farmers had to seek out the village accountant to obtain a copy of their 'Record of Rights, Tenancy and Crops' (RTC) – a document essential for obtaining bank loans. Village accountants were not easily accessible. The time taken to provide RTCs ranged from three to 30 days, depending upon the importance of the record to the farmer and, therefore, the size of the bribe. A typical bribe could range from Rs.100 to Rs. 2,000 (US \$2 to \$40).

All 'mutation requests' – requests to alter land records upon sale or inheritance of a piece of land – had to be filed with the village accountant, who was required to issue notices to the interested parties and post the information at the village office. Often neither of these actions was carried out and no record maintained. If no objections were forthcoming within a 30-day period, an update of the land records was to be carried out by a revenue inspector, a practice that could take up to two years.

The Bhoomi initiative reduced the discretion of public officials by introducing provisions for recording mutation requests on-line. Farmers can now access the database and obtain a printed copy of the RTC on-line at 180 computerised kiosks for a fee of Rs.15 (less than US \$1). A farmer can check the status of his application on a touch screen provided on a pilot basis in three of the computerised kiosks. Operators of the computerised system are made accountable for their decisions and actions by the use of a system that authenticates every log-in through a thumbprint.⁹ In the next phase of the project, all the databases will be uploaded to a central, web-enabled database. RTCs will then be available on-line at Internet kiosks, which are planned for rural areas.¹⁰

Nevertheless, since the project affects the work of the village accountant but not the role of the revenue inspector in passing the mutation order, corruption in the process may only decline in part. Ultimately, there is no substitute for good management.

Implementation of land record computerisation has typically been difficult in India. Bhoomi succeeded because there was a strong departmental head in charge and because staff resistance was minimised through harnessing political support. Extensive training coupled with a participatory style also helped to diminish opposition to the initiative. Overall, Bhoomi limited the opportunities for bribery by land management administrators, while empowering citizens to follow up and challenge the actions of petty civil servants.

Electronic procurement in Chile

Electronic procurement increases transparency and probity by keeping a traceable record of government transactions on-line. A comprehensive e-procurement system includes three main components: information and registration, e-purchasing and e-tendering.¹¹ The Chilean system focuses on the first component, providing adequate public notification and facilitating oversight.¹² In contrast to other countries, a private company operates Chile's system.

Following the introduction of a system of e-procurement, companies hoping to do business with the public sector no longer have to search through newspapers or the Internet for information about bidding opportunities. They need only to register, indicating the areas that interest them – office furniture, construction services, IT consulting, etc. Whenever a public agency needs to purchase goods or services, it files a request in the system specifying the job and including all necessary documentation. E-mails are automatically sent to all the registered contractors, minimising response time and providing an equal opportunity to all firms to submit their bids.¹³

The system also supplies on-line all information related to procurement operations, including the public organisation's full contact details and the name of the officer in charge of the tender. At the conclusion of the bidding process, the e-system provides the results: who participated, the proposals, the economic and technical scores and, lastly, who won the contract. Historical information about the organisation's previous contracts is also made available.

Entirely Internet-based, the e-system was launched at www.compraschile.cl in October 1999. A new presidential act was passed that allowed e-commerce transactions and replaced the main government procurement agency with a smaller agency that provides technical assistance and supervision. In the first phase, 454 suppliers in 75 separate business sectors and 16 public agencies were registered in the e-system, but within a year the number registered rose to nearly 4,000 firms.¹⁴

However, although participation in the e-system was expected to be mandatory for all public organisations, less than 18 per cent of public procurement was notified on the website after two years of operation.¹⁵ This was attributed to weakening

political support and resistance from within the administration. In the absence of a systematic study, it is difficult to quantify the impact on corruption, although savings ranging from 7 to 20 per cent have been reported on public sector procurement enacted through the site.

Central Vigilance Commission, India

The launch of a website by India's Central Vigilance Commission (CVC) illustrates the kind of catalytic role the Internet can play in anti-corruption efforts, especially in connection with print and electronic media whose greater reach allows the digital divide to be overcome.¹⁶

In 1998, following a supreme court directive, the CVC was made a statutory body with a mandate to launch investigations under the 1988 Prevention of Corruption Act. The commission launched a website in 1999 informing the public about its role and strategies and instructing citizens on how to lodge complaints against corruption without fear of disclosure. It highlighted the performance of various departments responsible for conducting investigations. In an effort to focus media attention on corruption, the CVC published the names of personnel in the elite administrative and revenue services against whom investigations had been ordered or penalties imposed for corruption.

By April 2002, three years after its establishment, only 180,000 visitors had logged on to the CVC site, prompting questions about the value of the Internet as an anti-corruption weapon in countries like India, where there is low computer penetration. But India's vibrant free press and electronic media used the CVC website for stories that they subsequently disseminated across the country. The site had a much wider impact than might be expected from its low visitor count.

The CVC's experience with the Internet highlighted the fickle nature of the media, which, despite the large amount of information available, tended to focus on the names of prominent politicians entangled in corruption inquiries. The practice of 'naming names', moreover, was controversial and many questioned the fairness of publicly identifying civil servants who had not been proven guilty. Nevertheless, polls revealed that 83 per cent of respondents believed that the naming of charged officers would have a deterrent effect: *Newsweek* magazine carried an article about the CVC's technique, dubbing it 'e-shame'.¹⁷

Institutionalising transparency: lessons learned

The impact on corruption of e-government applications has been audited independently only in a couple of cases.¹⁸ Systematic surveys of citizens and other stakeholders could help establish linkages more clearly and provide feedback on areas for improvement.

Corruption reflects the power distance between civil servants and the public, particularly for citizens in remote areas. This gap in power can remain after the

Ecuador's first steps towards e-procurement

Ecuador's constitution guarantees that all information about the functioning of the state, with the exception of information that is restricted for national security reasons, should be made readily available to the public. For a variety of reasons, however, private and public institutions have only limited access to information in practice. For example, the Public Contracting Law states that every tender over a specified sum of money must be announced in the press, but it is often hard for citizens to locate tender announcements spread through the numerous newspapers in the country.

In an effort to improve the situation, the Latin American Corporation for Development (CLD), the Ecuadorian chapter of Transparency International, in collaboration with two groups of socially responsible entrepreneurs – People for Change and Ecuador Positivo – launched a project in 2001 to facilitate public access to information and increase transparency in public procurement. When the lack of political will on the part of government officials initially hindered the initiative, CLD and its partners adopted a more innovative approach.

The team wanted to develop a source of public information that would be widely available and employ state-of-the-art technology. The goal was to create a website that would provide both businesses and citizens with timely information on every bidding opportunity at a single, consolidated location. The system needed to be cost effective and easily accessible. The result was www.Licitenet.com, a website launched on 3 September 2001.

Licitenet.com is an Internet-based tool for the promotion of transparency in public procurement in Ecuador. It serves the dual function of making information about government contracts available to the public and to private businesses. The site also provides information on awarded contracts, the names of businesses with

winning bids, the price paid, as well as subscriber access to ongoing auctions and current contracting opportunities. Although 80 per cent of the information on the site is available to anyone who visits it, parts of it can only be viewed on payment of a fee, which allows the project to be sustainable.

By maintaining the website, CLD seeks to increase public awareness of the importance of transparency in the public tendering process and to put pressure on the government to implement e-procurement on a wider scale in Ecuador. On 18 May 2002, the National Telecommunications Council invited Licitenet.com to participate as a member of the Commission on On-line Government in the development of a national agenda for connectivity.

Licitenet.com is constantly searching for ways to provide a wider range of information to a differentiated audience. Several public institutions have recognised the benefits of the website and cooperative agreements that may lead to further e-projects have been signed with the national telecommunications council, the solicitor-general's office, the controller-general's office and the Ecuadorian association of municipalities. Licitenet.com is also consulting with the National Commission of On-line Government to explore ways to establish an official government site for e-procurement before December 2002.

This initiative encourages healthy competition, better pricing and a higher quality of offers. While no website alone is sufficient to ensure absolute transparency in government procurement, it is a valuable first step. Furthermore, it creates opportunities to influence the direction of government policy in the area of e-procurement and builds public and private sector awareness of the negative effects of corruption in government contracting.

Valeria Merino Dirani

introduction of e-government applications. It is important to supervise and monitor the performance of newly installed e-government systems until higher norms of service are instilled in civil servants. A further risk is that the impact of new systems can weaken after a change in leadership or as corrupt employees learn ways to beat the new system.

The publication of budgetary allocations and expenditure on the web, systems for tracking the status of licence applications and sharing performance data are known to increase accountability. But increasing the availability of Internet-based information does not necessarily mean that citizens will use it to demand greater accountability. The proportion of citizens who are prepared to be consistently engaged in the process of governance is relatively small. Even where there are high rates of Internet penetration, experience has shown that creating a good website or on-line portal does not guarantee its use. Extra efforts, through advertising and education, may be required to persuade citizens of its value.¹⁹

Furthermore, intermediaries are often needed to analyse the information provided by governments. The Center for Responsive Politics in the United States is one such agency.²⁰ Its website illustrates the constructive role of intermediaries in presenting information on campaign finance in a format that helps citizens take action. The Center's analysis is based on data in the public domain that is not normally presented in a form that highlights the possibility of corrupt practice. As CVC illustrated, traditional media can also play this intermediary role, channelling the information provided by the government to citizens in more direct ways, although journalists may need workshops and seminars to be made aware of the scale of information that is available on the web.

E-government can lead to transparency only if there is a legal framework that supports free access to information. National secrecy laws must be replaced by freedom of information legislation. At the same time, governments need to address the risks of increased use of Internet applications to privacy and security. Guidelines may be required to govern the release of public information that may contain personal or sensitive data.

Conclusion

E-government offers a partial solution to the multifaceted problem of corruption. It reduces discretion, thereby curbing some opportunities for arbitrary action. It increases chances of exposure by maintaining detailed data on transactions, making it possible to track and link the corrupt with their wrongful acts. By making rules simpler and more transparent, e-government emboldens citizens and businesses to question unreasonable procedures and their arbitrary application.

Combating corruption can be targeted as a specific objective of e-government. The OPEN and CVC systems in South Korea and India were intended to transform e-government into key components in broader anti-corruption strategies enabling

more effective communication and increased transparency. Service delivery improvement initiatives were implemented in notoriously corrupt departments.

Executives and senior civil servants require specialist training if they are to be made aware of how best to initiate successful projects. The first step is to identify pilot schemes in departments that have some exposure to computerisation, a large interface with the public and a legacy of corruption. The benefits of the pilot projects need to be articulated in specific terms, with transparency, corruption and poverty the underlying concerns.

In designing e-government applications that address these concerns, system designers need to identify the processes that enable corrupt behaviour. The traditional analytical methods of consulting companies are often insufficient since high levels of participation by citizens and civil servants are necessary to make an appropriate assessment: in successful projects, such analysis tends not to be outsourced. In addition, specific benefits may need to be provided to employees who will 'lose' in the reduction of bribes.²¹ Strong leadership at the political and administrative levels is essential for introducing reform.

In countries where pilot schemes have been implemented and systematic surveys have revealed a definite impact on corruption, projects have to be rolled out on a wider scale to cover more departments and more locations. Issues of weak technological infrastructure, the absence of an enabling policy framework and lack of funds will all have to be tackled for a wider impact to be felt.

No developing country is fully ready to embrace a comprehensive programme of e-government. In many areas, however, e-government applications can be developed that enable a large part of government services to be provided electronically and that deliver significant benefits in reducing corruption. Rather than wait for total readiness, governments are advised to learn by doing.

- 1 The term e-government is sometimes confused with e-governance and the two terms are often used interchangeably. E-governance is a broader concept that includes the use of information and communication technologies by government and civil society to promote greater participation of citizens in the governance of political institutions. For example, it covers the use of the Internet by politicians and political parties to elicit views from their constituencies in an efficient manner, or the publicising of views by civil society organisations that are in conflict with the ruling powers. E-government, by contrast, is concerned specifically with improving access to government functions, whether information or services. For definitions and scope of e-government see: www.archives.nysed.gov/pubs/recmgmt/egovernment/definiti.htm; Roadmap for E-government in the Developing World, Pacific Council on International Policy, April 2002, www.pacificcouncil.org; E. Tambouris, S. Gorilas and G. Boukis, 'Investigation of Electronic Government', www.egov-project.org/egovsite/tambouris_panhellenic.pdf; J. Caldwell, 'The Quest for Electronic Government: A defining vision', Company Report, IBM Corporation, 1997, www.ieg.ibm.com.
- 2 For example, Beijing's Business E-park, the computerised interstate check post in Gujarat (India), VOICE on-line delivery of municipal services in Vijaywada (India) and Philippine customs reform. See www1.worldbank.org/publicsector/egov.
- 3 Diagnostic surveys of corruption in Romania, www1.worldbank.org/publicsector/anticorrupt/RomEnglish.pdf, and a diagnostic study of corruption in Indonesia, www.partnership.or.id/data/pdf/DiagnosticStudy-eng.pdf.
- 4 Designers of ASYCUDA (Automated System for Customs Data) report that their software is in use in 80 countries for on-line processing of customs clearance. See www.asycuda.org.
- 5 See english.metro.seoul.kr/government/policies/anti/civilapplications.

- 6 Hong Bin Kang, 'Cleaning up the City Government of Seoul: A Systemic Approach', presented at Seoul Conference on Combating Corruption in the Asia-Pacific Region, December 2000.
- 7 Transparency International Korea, *Special Report: Survey of the Seoul City's OPEN System*, Newsletter, June 2001, ti.or.kr. Between 2000 and 2001 the percentage of respondents familiar with OPEN grew by 19 percentage points to 74 per cent. Nearly 90 per cent intended to use OPEN in future (up by 20 per cent), while actual users grew to 16 per cent of respondents (an increase of 5 percentage points). The proportion of satisfied users declined from 56 to 48 per cent and the proportion of dissatisfied users grew marginally to 9 per cent.
- 8 Rajeev Chawla and Subhash Bhatnagar, 'Bhoomi: Online Delivery of Land Titles in Karnataka, India', www1.worldbank.org/publicsector/egov/bhoomi_cs.htm; *Deccan Herald* (India), 8 June 2001; *Indian Express*, 14 June 2001.
- 9 In a biometric log-in, a thumb impression is captured at every log-in by an inexpensive electronic device and validated against a pre-existing stored image of the thumb.
- 10 Internet kiosks are being set up in rural areas by the department of agriculture, NGOs and the private sector, but the numbers are very small. *Hindu* (India), 3 April 2002.
- 11 One of the best-known and most comprehensive on-line procurement systems is Mexico's CompraNet. Other initiatives (including at local government level) have been implemented in Argentina, Bulgaria and the Philippines.
- 12 See www.compraschile.cl.
- 13 Claudio Orrego, with Carlos Osorio and Rodrigo Mardones, 'Chile's Government Procurement E-System', www1.worldbank.org/publicsector/egov/eprocurement_chile.htm.
- 14 www1.worldbank.org/publicsector/egov/orrego_eProcurement.pdf.
- 15 Junghun Cho, 'Paths towards Transparent Electronic Procurement System', Department of Economic and Social Affairs, United Nations (UNDESA), 2002.
- 16 For more details, see www.cvc.nic.in; also Subhash Bhatnagar, 'Central Vigilance Commission Website: A Bold Anticorruption Experiment', www1.worldbank.org/publicsector/egov/cvc_cs.htm.
- 17 *Newsweek* (US), 21 February 2000.
- 18 For example, a report by PAC, Bangalore, India, 'State of the Art as Art of the State: Public Feedback on E-governance', www.pacindia.org/default.asp?channelId=53.
- 19 Only 11 per cent of Canadians use their government's on-line portal, whereas 60 per cent have access to the Internet. To promote usage, every citizen that visits a department to transact a service is provided with training on how to use the portal.
- 20 The Center is a non-partisan, non-profit research group based in Washington, D.C. It conducts computer-based research on campaign finance issues for the news media, academics, activists and the public at large. See www.opensecrets.org.
- 21 Such benefits could be remodelled office space, less tedium in work and creating a sense of pride in the department by public appreciation of reform. See the case study on the CARD project in Andhra Pradesh, India: www1.worldbank.org/publicsector/egov/cardcs.htm.

Corporate transparency in the fight against corruption

Harriet Fletcher¹

Corporate transparency is essential to reduce the potential for illicit dealings with public officials, to promote transparency in public accounts where governments do not provide it, as well as to enhance accountability to shareholders. Addressing corporate corruption requires corporate transparency.

Businesses are naturally cautious about providing access to commercially sensitive information for fear it may help competitors. However, the risk of corruption is one among many factors that demand greater transparency from businesses – indeed, there is a growing recognition that companies have a wide impact on the environment, human rights and the stability of financial markets. Businesses have a responsibility to address this impact, and the public has a legitimate interest in being informed about it.

Businesses that wish to contribute to the fight against corruption can turn for guidance to a growing number of initiatives to set high standards of corporate transparency. There is a real opportunity for these initiatives to be taken up widely since the business case for companies to tackle corruption is being articulated more strongly than ever. A recent survey by fund managers ISIS Asset Management (formerly Friends Ivory & Sime) showed that a significant number of their investee companies consider bribery and corruption a serious business risk (see p. 298).²

Codes of conduct

One of the requirements of corporate transparency is that a company disclose whether it has a code of conduct containing specific rules designed to combat bribery, what the contents of that code are, and evaluations of internal controls and its performance in implementing the code. Doing so allows a company to be held to account if it does not meet its self-imposed standards. While many companies that have anti-bribery codes of conduct have made them public,³ the ISIS Asset Management survey revealed that many others are reluctant to disclose such information.

Voluntary codes and guidelines run the risk of non-compliance; nothing can be as effective as properly enforced legislation. But given the lack of legislation or weak enforcement in many countries, voluntary programmes are essential and companies should be applauded where they have stepped ahead of legislation. Oil multinational Shell, to name just one example, has a ‘no-bribes’ policy, backed up by

several assurance systems that apply to all Shell companies worldwide and must be signed off at the country chairman level. All incidences of bribery and corruption have to be declared and Shell publishes their number in the annual Shell Report. Shell's primer, *Dealing with Bribery and Corruption*, gives detailed guidance for staff and can be accessed by third parties on the company website.⁴

Companies have been supported in their efforts to adopt voluntary anti-bribery standards by a range of organisations: NGOs, private sector bodies such as the International Chamber of Commerce and The Conference Board, as well as inter-governmental bodies such as the World Bank and the European Bank for Reconstruction and Development (EBRD). From the private sector, the large accounting firms boast forensic accounting experts able to investigate fraud and bribery and advise on systems to prevent them, including the provision of verification services. Similar support in developing anti-bribery compliance systems is provided by law firms in many countries. Each of these firms group such services within the larger agenda of providing help to their clients in improving corporate governance.

One such initiative is the Business Principles for Countering Bribery, which brings together two years' work by private sector corporations, NGO representatives led by Transparency International, labour unions and international organisations. This product is designed to facilitate the implementation of anti-bribery policies and systems within the corporate sector, with minimal tailoring to individual company needs. Self-evaluation and external verification modules are to be developed, while the principles themselves encourage public disclosure. The initia-



Clement, *National Post*, Toronto, Canada

tive was launched only in late 2002, but already the International Federation of Inspection Agencies is considering requiring its members to adopt the principles and to submit to external verification.

Another initiative that businesses can draw on is the Global Reporting Initiative (GRI), which was established in 1997 with the aim of developing globally applicable guidelines for reporting on corporate economic, environmental and social performance. Convened by the Coalition for Environmentally Responsible Economics in partnership with the United Nations Environment Programme, it is a long-term, multistakeholder international undertaking. The draft 2002 Sustainability Reporting Guidelines explicitly list 'bribery and corruption' as a core reporting element and participating organisations are asked to describe their policies, procedures and management systems for addressing them, including how the organisation meets the requirements of the Organisation for Economic Co-operation and Development (OECD) Anti-Bribery Convention. If a company wishes to state that its report is prepared 'in accordance with' GRI guidelines it must address bribery and corruption in the report.⁵

Collective action

Voluntary action, of which codes of conduct are an example, may be most effective when businesses work together on collective initiatives. By eliminating the competitive advantage of non-compliance, cooperation reduces the cost of compliance to a single business. Publicly sharing information may be one means of enforcing such cooperation. In addition, the more transparent the collective action, the less likely is it that companies will be seen as collusive.

Several industry groups have developed sector-specific guidelines on tackling corruption and promoting access to information. These initiatives provide valuable models for sectors where corruption is common, or where it is particularly costly for a single business to step ahead of the competition by setting higher standards of integrity.

The International Federation of Consulting Engineers (FIDIC) has produced guidelines for 'business integrity management' in the consulting engineering industry that are currently being tested in five countries. The guidelines offer practical advice to members on how to implement an integrity management system. FIDIC's approach is that companies must back up claims of integrity with concrete information: 'Business integrity has to be documented for it to be managed. Documenting information should be a continuous process, rather than taking place on a single occasion, which runs the risk that important events will be missed.'⁶

The Mining, Minerals and Sustainable Development (MMSD) project, launched in April 2000, was a two-year process of research and consultation to explore challenges faced by the mining industry. Managed by the London-based International Institute for Environment and Development, the MMSD was supported by the industry, but

Company disclosure in the oil industry

Efforts to increase accountability in Angola's oil industry have led to a growing campaign that could have worldwide implications for accounting practices for resource extraction companies. The campaign originated in December 1999 with a report by the NGO Global Witness that outlined the large-scale disappearance of Angolan state oil revenues.¹ Global Witness called for 'full transparency' from foreign oil companies, which had previously kept secret their tax and other payments to Angola, accusing them of 'complicity' with corrupt state officials. 'By not publishing what they pay,' Global Witness said, 'oil companies endorse a double standard of behaviour that would be unacceptable in the North and make it impossible for ordinary Angolan citizens to call their government to account over the management of revenues.'²

These calls had an important early impact, as evidenced by a promise from BP to publish detailed information about its payments to Angola.³

Most oil company payments to Angola are hidden

The problem is as follows. Multinational companies filing reports in Britain or the United States, for example, are required only to file a single set of amalgamated accounts for their worldwide operations. These cannot be easily broken down to provide information on tax and other payments in individual countries. Under current accounting rules, therefore, it is impossible to use public information to work out how much money oil companies pay to the government of Angola.

This is important because typically 80–90 per cent of Angolan government revenues come from the oil industry, but up to 40 per cent of gross domestic product in some years has bypassed the treasury and is channelled into hidden funds.⁴ In addition to the flow of revenues

from oil extraction, one-off non-recoverable 'signature bonuses' (payments to Angola for individual 'blocks', or licence areas, that confer the right to seek and extract oil from any deposits found there) have added over US \$1.5 billion since 1993. Only a small proportion of them are acknowledged in the state budget. Angola claims the 'missing' funds have been used for legitimate state activities and that the data it has published about these flows have simply been inaccurately recorded because of poor technical capacity in the ministries.⁵ The International Monetary Fund (IMF), among others, is not convinced by the explanation.⁶

Companies give flawed justifications for secrecy

Notwithstanding BP's positive response to the campaign, other oil companies have given three reasons for not publishing such data.

First, they have said that in Angola's case the route to transparency should be through the 'diagnostic study' conducted by KPMG, under an agreement with the IMF, which uses information from corporate and official sources to build a detailed picture of the oil revenues accruing to the government.⁷ However, implementation of the study entirely depends on sustained political will from Angola's leadership, which has so far refused to publish the study's results.

Second, some companies argue that even if foreign companies published information, total government revenues could still not be calculated because oil revenues also accrue to the state oil company, Sonangol, which traditionally publishes little data. This would mean a significant gap in the calculations. But this argument, which does not shield companies from Global Witness's charge of 'complicity' with Angola's leaders, is also weakened by the fact that a far better

approximation of oil revenues could be made if all companies published the information BP promised to provide. What is more, Sonangol's share of oil from its operations is a form of state revenue, so the government could still be called to account on this.

Third, companies argue that the publication of such sensitive information would breach legitimate confidentiality agreements. It may be possible, however, to overcome the problem of confidentiality by amalgamating data from different 'blocks' to produce a single set of nationwide figures that would be impossible to unpick into its constituent parts. It has also been pointed out that while a confidentiality agreement may bind an oil company and Sonangol, taxation and other payments to the government are not covered.

Sonangol responds angrily to BP's move on transparency

BP's promise prompted a strong letter from Sonangol threatening contract termination, which was copied to other companies operating in Angola.⁸ Other companies maintained the wall of secrecy surrounding their Angolan operations lest they lose out on future billion-dollar investments in the country. Lee Raymond, head of ExxonMobil, claimed BP had 'run into deep trouble' as a result of its policy on disclosure.⁹

Just over a week later, however, BP claimed a major victory in Angola when it jumped ahead of ExxonMobil, TotalFinaElf and ChevronTexaco to win approval for its primary investment in Angola, the Greater Plutonio development in Block 18 northeast of Luanda. BP later claimed to have won backing for its policy on disclosure from the highest levels of the Angolan government.¹⁰ BP's gamble on greater transparency appears to have paid off, but no other company has yet followed its lead. It is not clear what compromises BP may have made to achieve this rapprochement.¹¹

International regulation may be the answer

Recognising that moves towards greater transparency were stymied by strong corporate competition in Angola, Global Witness is now advocating a different approach, putting the onus more on international regulators such as the Securities and Exchange Commission in the United States and Britain's Financial Services Authority. This has evolved into the Publish What You Pay (PWYP) campaign, backed by a number of NGOs and the international financier and philanthropist George Soros.¹²

PWYP now argues that instead of a voluntary approach regulators in Europe and the United States should require resource extraction companies to break down their accounts by country. This need not be complicated or expensive, since companies already keep such accounts for internal purposes, and it neatly solves various problems. By making the rules universal, such a move would level the playing field in high-stakes competitive environments and eliminate confidentiality concerns, since such contracts routinely contain clauses that say they can be overridden by regulatory requirements. Such rules would also at a stroke directly address the problem in all countries, and in the case of Angola's oil industry would capture all the major players.

These are still early days

Angola's oil revenue accounts have been rendered even more opaque by the practice of paying for foreign bank loans with future oil cargoes, which has allowed for the diversion of state funds to irregular ends.¹³ There have been no calls as yet to tailor requests for country-by-country disclosure specifically to cover the accounts of banks involved in this form of international lending.

The Angola focus of Global Witness's original campaign has rapidly grown to take on an international dimension. Activists in other oil-rich countries have

mostly concentrated on the disclosure of information about the oil industry by governments, not companies. In Kazakhstan, for example, journalists, parliamentarians and campaigners are concerned about the mechanisms governing an autonomous oil fund set up in mid-2001, whose operations are a state secret. The issue of payments from foreign multinationals is not yet high on the agenda, although public awareness of the issues surrounding the oil industry is relatively new in Kazakhstan.

Nicholas Shaxson

- 1 Global Witness, *A Crude Awakening*, December 1999.
- 2 Global Witness, *All the President's Men*, March 2002.
- 3 BP appears to have subsequently weakened its promise, raising the question of exactly *how and when* it will disclose this information. In a response to questions from the *Financial Times* website on 1 August 2002, BP said: 'We are now talking with Sonangol and the Angolan authorities about how and when we will publish details of the payments we have made.'

- 4 IMF reports on Angola 1996–2001. See www.imf.org.
- 5 Government communiqué on 11 April 2002, in response to the Global Witness publication *All the President's Men*.
- 6 See, for example, www.imf.org/external/np/ms/2002/021902.htm.
- 7 'Financial Diagnosis and Monitoring of State Petroleum Reserves', published on the official Angolan government website, www.angola.org.
- 8 Reproduced in Global Witness, *All the President's Men*.
- 9 Interview in *Financial Times* (Britain), 12 March 2002.
- 10 John Browne, group CEO of BP, speaking at Harvard University on 3 April 2002.
- 11 See *Financial Times* (Britain), 1 August 2002. It is surely no coincidence that just three days after sending its letter to Global Witness promising publication, BP (then BP Amoco) said it had recruited (as Angola country manager) José Patricio, formerly Angola's permanent representative to the United Nations and a member of the powerful MPLA Central Committee.
- 12 See www.publishwhatyoupay.org.
- 13 See Economist Intelligence Unit, *Angola Country Reports*, including 2/2002.

remained independent of it. Tackling large-scale corruption was one challenge identified and a number of recommendations emerged, including a call for mining companies to form national coalitions with industry and civil society organisations to establish national and industry-wide guidance and monitoring arrangements. MMSD encouraged individual companies and authorities to publish basic information about wealth generated from projects and about revenues received by governments, as well as how the funds are then spent.⁷ The International Council on Mining and Metals issued a declaration that broadly supported the MMSD's final report at the Global Mining Initiative conference in Toronto in May 2002 and asserted that 'accountability, transparency and credible reporting are essential'.⁸

A group of 11 major international banks, brought together by Transparency International, have signed up to a set of global anti-money laundering guidelines known as the Wolfsberg Principles. The guidelines focus on the 'know your customer' principle, under which banks are obliged to obtain full information about the real identity of each customer as well as the source of his or her funds. While the banks do not disclose the information to the public, they have agreed to comply with the anti-money laundering provisions in all jurisdictions in which they are active. It is hoped that more financial institutions will adopt similar principles, especially in financial markets with less stringent supervisory structures and where no requirement exists to report suspicious transactions to the relevant authorities.⁹

Blowing the whistle on bribery

When a company's code of conduct commits it to full public reporting, it may choose to disclose the cases of corruption in which it has been involved. But management efforts are not always sufficient to uncover corruption throughout an organisation; **corporate transparency** also needs **whistleblowers** who are brave enough to expose corruption when they come across it.

Whistleblowers in turn need a **legislative environment** that protects **them** and a corporate culture of openness, if they are to feel secure about reporting incidents of bribery and corruption. But they also need to know where to go for advice on the complex ethical dilemmas that sometimes arise.

Companies must provide helplines and establish internal procedures by which employees can report or discuss concerns anonymously. The food and beverages conglomerate Diageo has a code of conduct that highlights the existence of a free and confidential hotline which employees are encouraged to use to report corrupt practices, or when they are unsure of what action to take. There is also a compliance risk office in the company's legal department.¹⁰

Given the prevalence of corruption in Eastern Europe and the countries of the former Soviet Union, the EBRD has recently instituted a reporting hotline by which employees and outsiders can report their concerns to a specialised external body, thus ensuring their anonymity and easing whistleblowers' anxieties about reporting through internal company channels.

A major problem, however, is ensuring that hotlines are actually used. The ISIS Asset Management survey identified several whistleblower hotlines in European companies, but it was less clear that they were well advertised or utilised.¹¹ UK-based public interest consultancy Public Concern at Work (PCAW) provides impartial advice and practical training to employers and government departments.¹² It also runs a confidential helpline for employees unsure whether or how to raise concerns about corruption and other malpractices. But PCAW acknowledges that developing whistleblowing policies that have resonance in different countries and cultures is a real challenge for multinationals.

Financial reporting: to expose both private and public corruption

Post-Enron, there has been urgent interest in finding ways to tighten regulations on financial reporting and on the role of auditors (see box on p. 80). Central to Enron's collapse was its management's ability to hide huge losses off the balance sheet, with the complicity of its auditors, Arthur Andersen, which also provided consultancy services to Enron, compromising their independence. The issues involved are central to the fight against bribery.¹³

The Enron scandal provoked a debate in the U.S. and European media on the relative merits of different accounting standards, and standards have been reviewed elsewhere. It has been argued that U.S. accounting standards emphasise the ticking

Surveying transparency and disclosure in business

Transparency involves the timely disclosure of adequate information about a company's operating and financial performance and its corporate governance practices. For well-governed companies, standards of transparency are high, enabling shareholders, creditors and directors to monitor management and assess operating and financial performance.

Although the need for timely and accurate corporate reporting is global, there is no universal benchmark for evaluating levels of disclosure. Recognising the gap, Standard & Poor's, a leading provider of independent financial information and risk assessments, launched a major survey of transparency and disclosure in 1,600 companies around the world.

The purpose of Standard & Poor's *Transparency and Disclosure Survey* is to provide investors with an objective ranking of the corporate reporting practices of large companies and to help them understand the differences in reporting levels across markets and business sectors.

The survey uses the latest company annual reports and accounts, the most accessible source of information for the investor. Standard & Poor's identified 98 separate pieces of information that should be disclosed in reports and accounts when best practice is followed. The survey scores companies according to how many of these pieces of information they disclose. The 98 questions fall into three groups:

- ◆ Ownership structure and investor relations. (For example, does the annual

report identify shareholders? Does it describe shareholders' voting rights?)

- ◆ Financial transparency and information disclosure. (For example, is financial information prepared in accordance with internationally recognised accounting standards? Does the company disclose the name of its auditor? Does it disclose how much it pays the audit company both in audit fees and non-audit fees? Does it reproduce the auditor's report?)
- ◆ Board and management structure and processes. (For example, does it disclose details of directors' pay?)

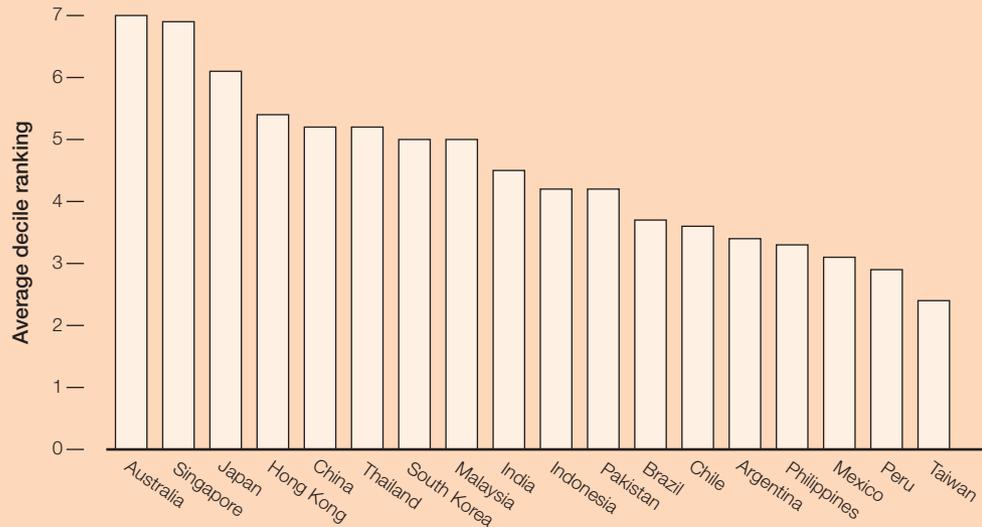
The first two phases of the survey, completed in August 2001, covered more than 350 of the largest companies in Asia and Latin America. Later surveys will cover Europe and the United States. Companies were scored according to the proportion of disclosure items they included in their latest annual report: from the first decile at the bottom (in which less than 10 per cent of items were disclosed) to the 10th decile at the top (in which more than 90 per cent of items were disclosed). The country score shown in the figure is the average decile in which companies from each country appear.

No company made it into the ninth or 10th deciles (none disclosed more than 80 per cent of items). The only countries surveyed in which some companies made it into the eighth decile were Australia and Singapore. In both countries, companies were on average in the seventh decile.

In developing Asian countries, only a handful of companies were in the seventh decile or above. Taiwanese companies are

of boxes to show corporate compliance with specific rules, and that this made possible Enron's aggressive accounting practices. Advocates of the International Accounting Standards (IAS), to which EU countries are converging, argue that the IAS emphasises substance over form, demanding a more flexible assessment of

Country decile rankings



by far the largest constituents of the bottom two deciles, with no Taiwanese company making it into any of the top six deciles. The scores of companies from other countries in developing Asia were more evenly distributed.

Companies in the Latin American region fared even worse. No companies were in the seventh decile or above. In the Latin American region, of the six highest company scores, three were from Brazil, two from Chile and one from Mexico. No one country stood out as a clear laggard, although the highest-scoring companies in Argentina and Peru only made it to the fourth decile.

From results so far, it would appear that the country dimension is an important

influence on the transparency and disclosure of firms. The listing requirements in each country are likely to be an important factor. Looking at the China-based companies in the sample, for example, three-quarters are listed on the Hong Kong Stock Exchange, and more than half have listed American Depository Receipts on the New York Stock Exchange (NYSE), both of which have relatively high disclosure standards.

The methodology employed in the survey, the questionnaire and the results are available on:
www.governance.standardandpoors.com.

Ian Byrne

whether a company's accounts give a fair view of its finances.¹⁴ Perhaps the clearest conclusion of the debate is that there are vulnerabilities in all existing standards.

The fact that standards vary from country to country may itself be a problem. Peter Wyman, deputy president of the Institute of Chartered Accountants in

England and Wales, has called for a set of global standards: 'We have global companies and global investors, but national rules and national standards – which is crazy.'¹⁵ Variation between national standards prevents a level playing field in international business. More importantly, companies wishing to hide illicit transactions may attempt to take advantage of weaker standards, wherever they are found.

Improving standards of financial reporting can also help expose public sector corruption in countries where there is little or no access to government financial information. In such countries, the disclosure of information about legitimate corporate payments to governments may be the only effective means of finding out the real level of public revenue. This can provide a useful means by which civil society can ascertain the extent to which public revenue is disappearing. Equally, companies can expose cases of extortion by public officials, particularly when companies act together. Some major companies are beginning to understand that they can become a force for good in fighting corruption in countries where they operate.

In Indonesia, for example, the U.S.-based Newmont Mining Corporation, the world's largest gold producer, issues news releases to the local media every time it makes a royalty payment to the government.¹⁶ In Angola, BP announced it would make public detailed information about the taxes and levies it pays to the government, although it has yet to publish the information. The NGO Global Witness argued that if other companies were to follow suit, it would be possible to reveal the true extent of corruption in the Angolan government. As part of the Publish What You Pay campaign, Global Witness and others are now calling for regulatory authorities to require multinational resource extraction companies to break down their accounts on a country-by-country basis (see box, p. 36).

Conclusion

Although the corporate sector needs to protect commercially sensitive information, some companies are increasingly open to different forms of disclosure. This progress has come partly in response to the reputational and legal risks of non-disclosure, and partly as a result of more enlightened attitudes to building good reputations and, ultimately, cutting costs.

A collective response by businesses in a single sector may be particularly effective, although the role of legislators and pressure groups should not be underplayed. The enabling environment for promoting transparent business transactions requires multifaceted approaches. Such approaches include: regulation and oversight; voluntary codes and guidelines; awareness-raising campaigns; training and a host of practical management systems; and internal controls, sanctions and incentive schemes to ensure that corruption is monitored and reported throughout company operations. This article has tried to highlight some of the policies, practices and initiatives to which companies can sign up if they are to ensure full disclosure and address corruption.

- 1 Harriet Fletcher is a consultant to the International Business Leaders' Forum (IBLF) on a range of issues including corruption and conflict. The IBLF has an ongoing programme to engage the private sector in practical initiatives to combat bribery and corruption. Business round tables on corruption have been held in the Czech Republic, Poland, Russia and Turkey, and are planned for Indonesia, the Philippines and possibly China and India. The IBLF has also begun work on a series of practical manuals to help companies develop and implement anti-corruption policies, which will be co-produced with various expert organisations. For further information, please contact Tiffany Butterfield (tiffany.butterfield@iblf.org) or Jonas Moberg (jonas.moberg@iblf.org).
- 2 ISIS Asset Management (formerly Friends Ivory & Sime), *The Governance of Bribery and Corruption: A Survey of Current Practice* (London: Friends Ivory & Sime, 2002).
- 3 See, for some examples, the Anti-Bribery Toolkit on the website of TI USA, www.transparency-usa.org/Toolkit.html.
- 4 Shell, *Dealing with Bribery and Corruption: A Management Primer*, 1999.
- 5 www.globalreporting.org/GRIGuidelines/2002/DraftSRG2002.pdf.
- 6 International Federation of Consulting Engineers, *Guidelines for Business Integrity Management in the Consulting Industry* (Lausanne: International Federation of Consulting Engineers, 2001).
- 7 Mining, Minerals and Sustainable Development (MMSD) project, *Breaking New Ground: Mining, Minerals and Sustainable Development* (London: Earthscan Publications, May 2002).
- 8 International Council on Mining and Minerals, *ICMM Toronto Declaration*, 15 May 2002.
- 9 www.wolfsberg-principles.com.
- 10 Diageo plc, *Code of Business Conduct* (London: Diageo, 2001).
- 11 ISIS Asset Management.
- 12 www.pcaw.co.uk.
- 13 States that sign the OECD Anti-Bribery Convention, for example, are required to ensure that their accounting and auditing laws and regulations 'prohibit the establishment of off-the-books accounts, the making of off-the-books or inadequately identified transactions, the recording of non-existent expenditures, the entry of liabilities with incorrect identification of their object, as well as the use of false documents, by companies subject to those laws and regulations, for the purpose of bribing foreign public officials or of hiding such bribery' (article 8, paragraph 1, OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, 1997). See also K. Drew, *Enron, the Foreign Corrupt Practices Act and the OECD Convention* (London: University of Greenwich/UNICORN Global Trade Unions Anti-Corruption Project, 2002).
- 14 *Financial Times* (Britain), 21 February 2002.
- 15 *Euromoney* (Britain), March 2002.
- 16 www.newmont-indonesiaoperations.com/news/info.cfm?id=52.

The media's role: covering or covering up corruption?

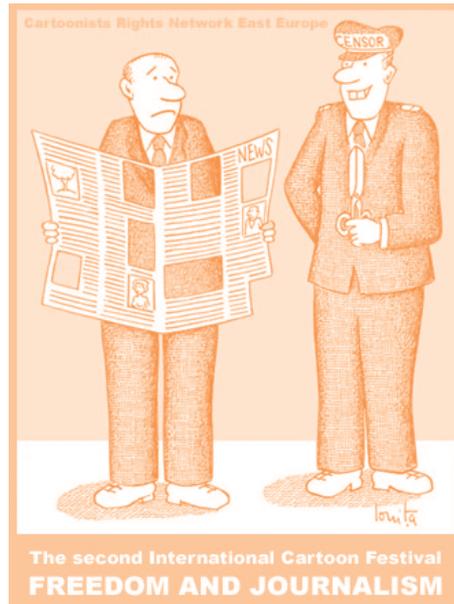
Bettina Peters

Introduction

Information allows people to scrutinise activity and is the basis for proper, informed debate on that activity. In this context, the contribution made by journalists is clear: by providing the public with timely and accurate information on the affairs of government, business and special interests, the media can shape the climate of democratic debate and help the establishment and maintenance of good governance. That the media must be able to access public information in order to play this role is today widely appreciated. Freedom of the press, including free access to information, is fundamental to open, democratic society. This view has found its way into international legal norms and, in numerous countries, the media's rights are upheld and guaranteed in freedom of information legislation.

In spite of the international recognition of press freedom, journalists and media organisations throughout the world continue to face obstacles in reporting. Obstruction is reflected in the presence of active censorship or restrictive regulations on journalistic work, limited or blocked access to official information, a legal landscape that inhibits the ability of journalists to inquire and report freely – such as the application of draconian defamation and sedition laws – and a censorious abuse of essential media services, such as broadcasting, printing facilities and distribution systems. In addition, the lack of training, poor professional standards and a dearth of investment into investigative reporting make it difficult and sometimes impossible for journalists to access, impart or disseminate accurate information.

A difficult relationship between journalism and political power is a hallmark of democratic society. To that extent, a tendency to manipulate news and shape the agenda of public debate exists in all societies. In countries where democratic culture is not well established, restrictions on media tend to be more explicit and profoundly damaging to debate or public engagement. Where the affairs of government or powerful interest groups are protected by secrecy, journalists face considerable obstacles – and physical risk – if they embark upon investigations that could lead to exposing corruption. Yet the media also face challenges within their own ranks. Civil society has been monitoring developments in ownership concentration, the role of advertising and corrupt journalistic practices that undermine the media's ability to adhere to internationally accepted standards.



Nicolae Ionita, Romania

Since the events of September 11th, new measures to block, reduce or slow down the flow of information – while increasing surveillance of access itself – have threatened to restrict media freedom. In Jordan, for instance, new amendments to the penal code subject journalists to prison terms for publishing material that ‘could breach national unity, divide the population or damage the image and reputation of the state’. In Saudi Arabia, all Internet service providers must now keep records of their users in order to track access to forbidden websites. The United States has begun withholding information deemed detrimental to ‘institutional, commercial, and personal privacy interests’. Increased surveillance of the Internet, e-mail and telephone conversations was authorised in both Britain and Canada, while new French laws effectively criminalise the encryption of electronic messages. In Germany, a new anti-terrorist law grants intelligence services the right to access stored telecommunications data and trace the origins of e-mail.¹ For additional region-specific details on advances and setbacks in the struggle for access to information, see the access to information boxes in the regional reports.

Covering corruption: a dangerous assignment

Simply by doing their jobs well, independent-minded journalists have played a central role in promoting democracy for many years. Many put their lives or freedom at risk to promote transparent and accountable governance and corporate behaviour. Of the 68 confirmed cases of murders of journalists in 2001, 15 were

Media sustainability in Southeast Europe and Eurasia

In a drive to gauge the development of sustainable independent media, the International Research and Exchanges Board (IREX)¹ evaluates characteristics of the media as well as the political and legal environment in which they operate. IREX applied its first annual Media Sustainability Index² (MSI) to 20 countries in Southeast Europe and Eurasia in May 2001. Given that the index may be applied to any country or region of the world, IREX may expand its application to other regions in the future.

The MSI asked local media professionals and international media development experts to evaluate five key aspects of media systems: the quality of journalism; the legal and regulatory environment; the plurality of news sources; the media's financial sustainability; and the development of media-related associations, NGOs and unions.

All five aspects of a media system contribute to the media's ability to play its role in combating corruption. Financially stable media are in a position to maintain editorial independence and can afford investigative reporting; free-speech NGOs can support courageous media and journalists who take on corruption; and a plurality of news sources means that citizens have access to multiple points of view and that no one source can dominate.

Two categories of the index are particularly indicative of how prepared the media are to combat corruption. One measures how well legal and social norms protect and promote free speech and access to public information, while the other considers whether journalism meets professional standards of quality (see figure). Respondents evaluated features such as how well the right to access to information is enforced and how established investigative journalism is in specific countries.

The results of the MSI indicate that media throughout the region are still

struggling to fulfil their role in combating corruption. Regional variations are apparent. Media in Central Asia and Belarus engage in little investigative reporting, face governments unfriendly to a free press and enjoy limited support or protection from the legal system. Other countries in the Commonwealth of Independent States face similar obstacles, although repression may be subtler. In Southeast Europe, by contrast, there are more positive signs. Bulgaria, Croatia and Romania have demonstrated progress towards a climate that encourages the media to play the role of watchdog. Like other countries in Southeast Europe, however, they have not consolidated these gains.³

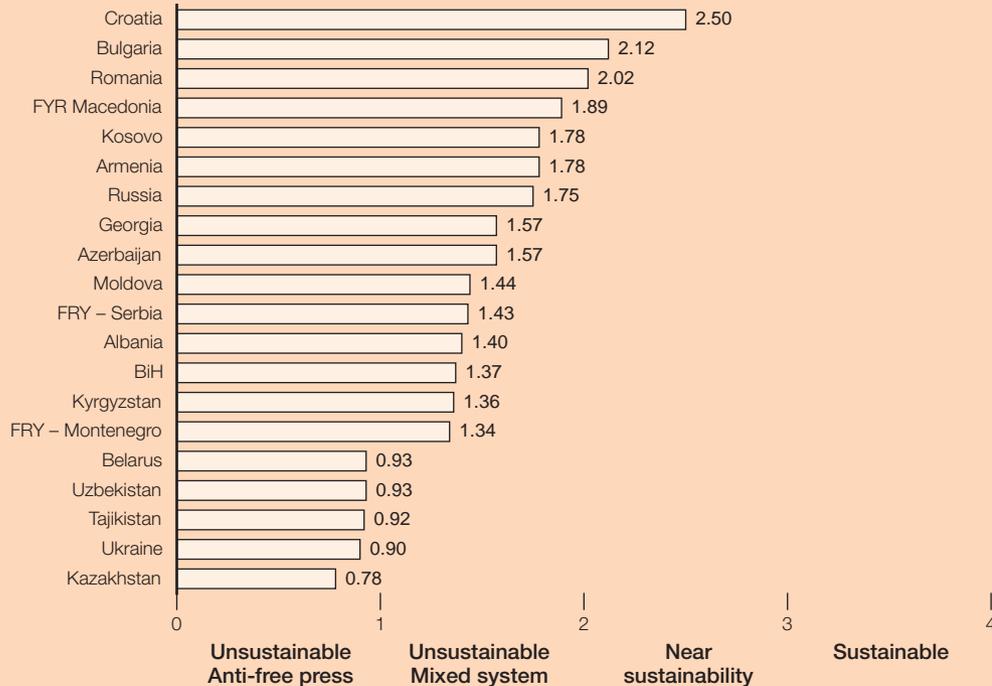
General trends are also apparent across the region. Since the fall of communism, skill levels have improved considerably, but better-quality reporting is often limited to the capitals and media are reluctant to engage in investigative reporting.

Repressive regimes continue to hold power in many states, while less repressive ones often use more subtle forms of intimidation, which lead the media to self-censorship. Murder and threats against investigative journalists and the media that support them occur throughout the region.⁴

State media remain timid and tied to the government of the day and many private media shun serious investigative reporting, either through lack of resources, lack of skills, self-censorship or owing to the political ties of owners.

While the legal framework has generally improved, journalists and media in many of the countries surveyed still face legal challenges to in-depth, investigative reporting. Libel and defamation laws do not meet generally accepted international standards. The concept of access to public information is still the exception, rather than the norm, and tax, customs and other

Professional journalism



Note

The measure of professional journalism includes factors such as whether reporting is well sourced, fair and balanced; whether journalists follow recognised and accepted ethical norms; whether they practise self-censorship; whether they cover key events and issues; and whether they offer investigative reporting.

laws are used as means of intimidation. Despite these challenges, courageous journalists are still struggling to ensure that the media serve as a corruption watchdog at regional, national and local levels.

Mark Whitehouse

- 1 Based in Washington, D.C., IREX has implemented media development and education programmes since the early 1990s.
- 2 See www.irex.org/publications-resources/msi_2001/index.htm. The MSI is funded

by the United States Agency for International Development.

- 3 Croatia has the highest scores with an average MSI of 2.44, which indicates it is nearing sustainability of a free media system but remains in danger of backsliding. Bulgaria is 2.39 and Romania 2.38. Since the 2001 MSI was completed in June 2001, Romania has witnessed both positive (the passing of freedom of information legislation) and negative developments (libel and slander were not removed from the criminal code, although penalties were reduced).
- 4 See Committee to Protect Journalists, *Attacks on the Press in 2001*, posted on www.cpj.org/attacks01/pages_att01/attacks01.html.

related to their investigative work on issues of corruption.² This is an alarmingly high number.

One victim was Parmenio Medina Pérez, producer at Costa Rica's Radio Monumental. On 7 July 2001, he was shot three times by unknown assailants just outside his house; he died upon arrival at hospital. Pérez had produced a weekly satirical radio programme called *La Patada* (The Kick), known for a hard-hitting approach to official corruption. One report accused a local Catholic radio station and its director, Minor de Jesús Calvo Aguilar, of fiscal improprieties. The Catholic Church subsequently closed the station and fraud investigators started examining Aguilar's finances. Pérez began to receive death threats shortly thereafter.³ In the meantime, a judge ruled in favour of Aguilar and ordered the station back on air.

In another case, Georgy Sanaya, a popular Georgian journalist, was found dead in his Tbilisi apartment on 26 July 2001. He had been shot in the head at close range. Sanaya had anchored *Night Courier*, a nightly political talk show on independent television station Rustavi-2 on which he interviewed Georgia's leading politicians. Rustavi-2's executive director claimed that the murder was probably intended to intimidate the station, which is known for its investigative reporting on the abuse of power.⁴ Although Sanaya did not receive any personal threats, the station was frequently the target of government harassment. The police arrested a suspect in August 2001, but released him for lack of evidence.⁵ One of the most significant results of Sanaya's murder case has been a heightened public awareness of the threat to Georgia's independent media. This case and others prompted major public demonstrations against government interference in the media, inducing President Eduard Shevardnadze to dismiss his entire cabinet in early 2002.

Killings continue. Edgar Damalerio, managing editor of the Filipino weekly newspaper *Zamboanga Scribe*, was shot dead on 13 May 2002. His colleagues are convinced that Damalerio, known for his critiques of corruption among local politicians and the police, was killed for his journalistic work. Valery Ivanov, editor of the newspaper *Tolyatinskoye Obozreniye* in Togliatti in south Russia, was killed on 29 April 2002. The newspaper was well known for its reports on organised crime and official corruption. In Bangladesh, Harunur Rashid, a reporter for the daily newspaper *Dainik Purbanchal*, was killed after writing several stories on official corruption and links between criminal syndicates and outlawed Maoist guerrilla groups. Orlando Sierra Hernández, a columnist for the Colombian newspaper *La Patria*, was shot in the head on 30 January 2002, and died two days later. His columns frequently attacked government corruption and human rights abuses by left-wing guerrillas.⁶

Silencing journalists with laws

Apart from direct physical threats against journalists, the media in many countries face legislation that prevents them from gaining access to and imparting informa-

tion. Repressive defamation laws that put the burden of proof on journalists and grant special protection to public officials exist across Eastern Europe, Africa, Asia and parts of Latin America. These laws often forbid truth as a defence in defamation cases, signalling that the reputation of public officials is deemed worthier of protection than the public's right to know. Such laws – and the concomitant threat of prison sentences – create a climate of fear that discourages investigative reporting and the exposure of corruption.

One example of severely repressive legislation is Kazakhstan's libel law, which is used to financially weaken media critical of the political and commercial oligarchy. Almaty's independent weekly *Nachnem s Ponedelnika* is known for its in-depth reporting on state officials' involvement in the oil trade and other contracts. From 1998 to 2001, the weekly was sued 17 times for defamation, chiefly by officials or company executives with close links to government.

In three cases, the paper was found guilty of slander and fined a total of 25,935,000 tenge (about US \$180,000). Since Kazakh libel law does not recognise truth as a defence, *Nachnem s Ponedelnika* was fined for harming the reputation of public officials, without due consideration of possible evidence of their involvement in bribery. Two plaintiffs subsequently dropped their suits but the 12 remaining cases are still pending in the courts.⁷ The sheer volume of cases filed suggests systematic harassment of the weekly and the abuse of privacy laws by some state officials.

Media concentration: dissuading corruption coverage

A recent World Bank analysis of media ownership structures in 97 countries found that state-owned media tend to be less effective than private media in monitoring government. 'Countries that have reduced government ownership of the media have often experienced rapid improvements in the amount and quality of coverage. For example, Mexico's partial privatisation of broadcasting in 1989 led to a sharp increase in coverage of government corruption scandals.' Compared to other regions, Latin America and the Caribbean have low levels of state ownership of the media, yet both television and the press are concentrated in the hands of only a few private owners. This highly concentrated private ownership, combined with the restrictive regulations found in many Latin American countries, tends to restrain the media.⁸

No analytical reports have identified corrupt practices in media giants. In some cases, however, private media owners themselves can have a strong influence on whether corruption is covered, especially if they pursue greater profits rather than principles of free reporting or access to information.

One such example revolves around a major deal struck in September 2001 between the Chinese government and the media giants AOL Time Warner and Rupert Murdoch's News Corporation. The deal grants both companies the right to

Caught on camera: regional Brazilian media moguls discredited

Media ownership is highly concentrated in Brazil, where congress holds the licensing authority for broadcast media. It is hardly surprising, therefore, that politicians often obtain these licences. Yet over the last year, a reinvigorated public prosecutor's office has arrested three such 'telepoliticians' on corruption charges in a trend that is precipitating the downfall of Brazil's regional oligarchies. Ironically, the moguls concerned have fallen prey to their own local media empires in the process.

Roseana Sarney, daughter of former president José Sarney, was a presidential hopeful for the 2002 election. Yet her reputation suffered irreparable damage when her own TV channel showed federal police uncovering 1.3 million reais (US \$400,000) in cash in a raid on one of her firms. Her husband and business partner ultimately admitted that the money had been earmarked to finance her campaign, in a clear violation of funding regulations. The ensuing scandal forced Sarney to drop out of the presidential race in April 2002.

Former senator Jader Barbalho is another well-known Brazilian who combines politics with media ownership. His share of the TV audience must have been surprised to see the police ringing his doorbell with a warrant for his arrest. The camera panned around his elegant apartment, zooming in on Barbalho as he struggled to hide his handcuffed wrists behind a book. Facing investigations into numerous allegations of corruption, he had already resigned as senator and president of the senate. After 13 hours in jail, however, he was a free man again, released by a court order.

The trial of Antônio Carlos Magalhães, for more than 40 years a name synonymous with power in the northeastern state of Bahia, was also exposed on his own TV station. His constituency watched as he stood before a senate inquiry, accused of violating the secrecy of electronic ballots in a senate vote over which he had presided.

In an affront to parliamentary decorum, he had allegedly obtained a list of the secret ballots of his colleagues. In anticipation of a ban from the higher assembly, he resigned as senator in May 2001.

The three telepoliticians have much in common. Their regional oligarchies command small communications empires in TV, radio and local newspapers – organs that have long promoted them while deriding their opponents. Yet the tables have started to turn. For financial reasons, the three politicians had affiliated their broadcast media with the large national networks. Since they made few programmes of their own, they ran soap operas, newscasts and other programmes produced by Brazil's top broadcasting corporations. Consequently, they found themselves showing uncut footage that has seriously harmed the reputation of their owners.

The impetus behind their downfall, however, had its origins in a key provision of the 1988 constitution that was introduced after the fall of the military dictatorship, at the beginning of Brazil's redemocratisation process. At the heart of the changing atmosphere is the public prosecutor's office, composed of attorney-generals and prosecutors whose responsibilities include monitoring and inspecting the behaviour of public office-holders. The relatively newly won independence of these prosecutors permits the office to make extraordinary contributions to curbing corruption and other arbitrariness by law-makers in Brazil. Rejuvenated with young prosecutors who must pass through a rigorous selection process, the public prosecutor's office and its 26 state offices continue to be the source of lawsuits brought against the powerful, among them Roseana Sarney, Jader Barbalho and Antônio Carlos Magalhães.

Josias de Souza

broadcast television programmes in China in exchange for beaming Chinese government-sponsored material into the United States.⁹ The arrangement was criticised by press freedom organisations, as was Murdoch's decision to remove the BBC World Service from his network after Beijing complained about BBC coverage of internal politics. The International Federation of Journalists (IFJ) argued that the landmark deal with China 'sidelines human rights and press freedom' while showing indifference to the plight of journalists and programmers in Chinese jails.¹⁰ The actions of AOL Time Warner and News Corporation sent out a message that promoting access to information – the basis for exposing corruption – was not a priority consideration in their decision-making.

Such conflicts of interest fall into sharper relief when media control and political power are combined in a single individual. One of the clearest such embodiments is Italy's prime minister Silvio Berlusconi, who commands large real estate holdings, owns several major newspapers and also controls most of Italy's private television market. As head of the government, he can now control the country's public television market since he effectively nominates the director of Radio Televisione Italiana (RAI). Berlusconi had promised to resolve the conflict between his political role and commercial interests within the first 100 days of his administration. This period has long since expired and at this writing Berlusconi had yet to install an effective firewall between his dual roles of prime minister and media mogul.

RAI and Berlusconi's media enterprises enjoy a certain editorial independence under a collective national agreement. In reality, however, journalists reporting too aggressively on the prime minister's business interests risk inconvenient transfers or the permanent loss of their jobs. Journalists have delivered confidential reports to the national press association concerning newsroom practices that discourage criticism of the government.¹¹

In the United States, where media organisations undertake major lobbying efforts to promote their business interests, not all media espouse the role of independent watchdog. Both major parties receive donations from the media, which also sponsor members of Congress who support their objectives. Between 1993 and June 2000, the media provided a total of US \$75 million to politicians.¹² It was money well spent. One of the most remarkable – and least publicised – media events in recent years was the decision in 1996 to make a free gift to broadcasters of portions of the digital spectrum developed for digital data transfer, a deal worth an estimated US \$70 billion. This exchange of donations and gifts raises critical questions about the nature of the relationship between the media and government and the media's ability to retain independence.

Mixing the message: advertising and editorial content

This independence is also compromised by advertising. Although vital to media companies' financial performance, advertising has had an increasingly pernicious

impact on editorial departments (see box, p. 53). Journalists are increasingly expected to produce material to suit sponsors and advertisers, blurring the line between advertising and editorial content. Some media companies increase revenues by passing off advertising as editorial content; others make favourable coverage of an enterprise contingent upon paid advertising.

Among many private newspapers in Africa, the relationship between journalism and advertising is more straightforward. Since advertising departments are often understaffed, reporters are expected to solicit advertising while on assignment, earning a share of the fee if successful.¹³

'Not many journalists will admit it directly,' said Gabriel Baglo, former president of Togo's independent press union, 'but what happens is that journalists go to report on a company. Because they ask them to place an ad at the same time, a deal is struck to ensure favourable coverage of the company's performance.'¹⁴ Similarly, a Tanzanian journalist reports: 'The credibility of the news coverage is rightly questioned. This is especially the case in broadcasting: virtually all radio news in private media is sponsored.'¹⁵

Corruption in the media

Corruption also exists within the structure of media organisations and in the way journalists carry out their reporting tasks. Many engage in a host of corrupt practices, ranging from 'chequebook journalism' to news tailored to suit advertising or commercial needs. Journalists' codes of conduct condemn such corrupt activities, but the reality of the profession does not mirror its aspirations, especially when underpaid – or unpaid – journalists resort to accepting payment in order to make ends meet.¹⁶

Such situations arise in many developing countries and countries in transition, where pay levels are low. While bribes may be small, they can influence the story the journalist writes or broadcasts. In a 2001 seminar in Kursk, Russia, local newspaper journalists reported that they had accepted payments from a local businessman to write favourable articles about his ventures and investments.¹⁷

In the developed world, the practice of freebies is well established. Journalists enjoy free air travel from airlines and hospitality at hotels and then write glowing travel articles. In Europe, members of media organisations often expect hotels and meals to be complimentary when they attend press conferences; they may even count on sponsors to provide gifts.

Such practices can have a direct effect on media coverage, as came to light in the wake of the Enron scandal. Unethical links between financial journalists and the energy giant resulted in uncritical coverage of the company's activities. Irwin Stelzer, a contributor to the *Weekly Standard* in the United States and the *Sunday Times* of London, who complimented Enron in November 2001 for 'leading the fight for competition', publicly disclosed his association with Enron and that of *Weekly*

Cash for editorial: unethical media practices revealed

Taking cash for editorial content and other unethical media practices are prevalent around the world, particularly in Southern and Eastern Europe and Latin America. A survey by the International Public Relations Association (IPRA) concludes that no region is immune.

The study, published in July 2002, polled 242 public relations and communications professionals in 54 countries. The respondents, mostly senior practitioners in local or international consulting firms, provided information on their perception of who ultimately determines editorial content.

Nearly two-thirds (63 per cent) of respondents in Eastern Europe believe that *zakazukha* – a Russian word referring to the acceptance of bribes by journalists in exchange for editorial content – is common in their countries. Only 13 per cent of respondents in Eastern Europe believe that editorial content is ‘usually’ or ‘always’ based on editorial judgement rather than bribery. In Southern Europe, Africa and the Middle East, 40 per cent of respondents believe that editorial content is generally influenced by bribes.

Even in regions where the media appear more transparent, the percentage of respondents who say that editorial control is influenced by third parties is considerable: between 13 and 21 per cent in Asia, Australia, North America and North/West Europe.

Asia is perceived to be home to the world’s most transparent media, with 68 per cent of respondents agreeing that editorial control is usually or always based on editorial judgement rather than bribes. North America follows with 65 per cent, Australia with 60 per cent and North/West Europe with 59 per cent.

The survey also indicated that advertising often appears disguised as editorial matter. Almost 60 per cent of Latin American respondents feel that material which appears in print as a result

of payment is in general not clearly identified as advertising or promotional material, and is disguised as editorial. Confidence is not much higher in Eastern Europe, where 52 per cent of respondents say that promotional material is generally not identified as such.

With regard to the journalistic practice of accepting complimentary gifts in exchange for favourable coverage, otherwise known as ‘freebies’, 87 per cent of respondents from Eastern Europe and 85 per cent from Southern Europe say that publications ‘seldom’ or ‘never’ refuse free travel, accommodation or products.

Seventy per cent of respondents in North America believe that publications generally have written guidelines restricting the acceptance of free samples, gifts or discounted materials from outsiders. In Africa and the Middle East, by contrast, 80 per cent of respondents believe that publications rarely or never have such guidelines.

Do editors and journalists accept bribes not to run a story? In Latin America, 41 per cent of respondents say such bribes are often accepted, while no respondents think this practice is common in Australia or North America.

The U.S.-based Institute for Public Relations is releasing a biennial international index of bribery in the media to support IPRA’s continuing Campaign for Media Transparency. Meanwhile, IPRA is encouraging media and broadcast organisations to sign up to its Charter on Media Transparency (see www.ipra.org).

Alasdair Sutherland

Standard editor William Kristol. Stelzer never disclosed how much he was paid for his work; Kristol received more than US \$100,000 for a consultancy contract for the company. 'I'm a little unhappy to have had an association with people who turned out to be not entirely honourable in other dealings,' Kristol said later.¹⁸

In an effort to curb such activities, some media groups have begun to hold journalists to ethical standards. Russia's journalism union, for example, distributes press cards only to media houses and journalists that adopt its official code of conduct, which condemns corrupt practices and provides for editorial independence.

Supporting investigative journalism and editorial independence

To promote openness in society and expose corruption, media owners, publishers, editors and journalists must resist pressures to report what is beneficial to political and private interests. They must also overcome obstacles to free reporting, especially in the absence of effective freedom of information legislation (see p. 57).

Editorial independence – the media's right to take editorial decisions according to conscience and codes of conduct – lies at the heart of promoting independent journalism. Journalists and media freedom groups need to lobby media owners and management, regardless of whether they are private or state-owned, to recognise principles of editorial independence that allow journalists to pursue stories in the public interest, including exposés of corruption.

When financially possible, editors and media owners should invest in improved coverage and stop relying on companies or taxpayers to meet their journalists' travel costs. In many cases, refusing freebies or outright bribes presents additional financial hardship for media whose resources are already limited. These media do not even have the resources to allow journalists the time to engage in the extended research or investigations required for professional coverage.

Given these circumstances, the international community cannot pass responsibility for curbing corruption on to journalists and media organisations alone. Although few programmes to support investigative journalism exist, an important component in confronting corruption, a number of specialist organisations do provide training. The Association of Investigative Journalists, the World Bank and Australia's Centre for Democratic Institutions (CDI) have developed training courses for journalists interested in covering corruption. In March 2002, the CDI ran an election reporting workshop in Papua New Guinea that included modules entitled 'covering corrupt politicians' and 'minding your back'.¹⁹

Another initiative is the Journalists Against Corruption (PFC) programme, which was established in 2000 by Probidad, an NGO in El Salvador that promotes democratisation throughout Latin America. Probidad operates a monitored e-mail system that facilitates the exchange of articles, opinions, announcements, contacts and resources among Latin American journalists who investigate corruption. Journalists identify themselves to a moderator to establish their credentials, but the

system guarantees anonymity to journalists who fear recrimination.²⁰ Probidad has not yet checked the general impact of its initiative, but more than 600 journalists have signed up to the service.²¹

A similar initiative is a website for African journalists reporting on corruption. Established by the IFJ, with funding from the European Commission, the IFJ-PA website offers free information and links to African journalists reporting on finance and corruption issues.²² Journalists sign up as members by providing references to the site's moderator.

Both the Probidad and IFJ initiatives enable journalists to post articles to other journalists or news organisations if their own editors reject them.

Conclusion

If the media are to combat corruption in the public and private sectors – as well as within the media world itself – they must be able to rely on access to information. Where freedom of information legislation is lacking or its implementation ineffectual, legal reform initiatives need to be promoted by NGOs as well as public and private interests. In countries with harsh defamation laws, legal defence funds can be instrumental in assisting journalists and news organisations targeted by punitive libel laws.

Within the media, conflict of interest legislation must be advocated to counter the concentration of media ownership and ensure the continuity of multiple sources of information. Journalists' initiatives to establish statutes of editorial independence should also be supported by media owners, governments and donor organisations. Rules on corruption in the media should be adopted by the industry, but journalists must also be paid adequate salaries. A clear distinction must also be established between editorial and advertising departments. Naming and shaming colleagues who take bribes or act as consultants to companies they cover can also go a long way towards reducing corruption. The international community, governments and civil society should step up efforts to train journalists to report and help curb corruption inside and outside their industry.

- 1 www.freedomhouse.org/pfs2002/pfs2002.pdf; see also Freedom House press release, 22 April 2002.
- 2 The International Federation of Journalists (IFJ), *List of Journalists and Media Staff Killed 2001*, Brussels, December 2001. See also www.ifj.org/hrights/killist/killoverview.html.
- 3 Information from the IFJ, the Committee to Protect Journalists (CPJ) and the Inter-American Press Association; www.freemedia.at/wpfr/costaric.htm.
- 4 Interview with CPJ.
- 5 Information from the IFJ, CPJ, World Association of Newspapers, European Journalism Centre.
- 6 www.rsf.org/rubrique.php3?id_rubrique-113.
- 7 Information from a protest by the CPJ, January 2001.
- 8 World Bank Group, *World Development Report 2002*. See news release 2002/074/S, wbln0018.worldbank.org/news/pressrelease.nsf.
- 9 The companies agreed to broadcast Chinese state-owned English-language channel CCTV-9 in the United States. BBC News, 6 September 2001.
- 10 IFJ press release, 6 September 2001.

- 11 See statements by the FNSI general secretary at their World Press Freedom conference in Florence, 3 May 2002.
- 12 Center for Public Integrity, Washington, D.C.; www.publicintegrity.org/dtaweb/home.asp.
- 13 There are no official reports on this practice, but journalists from Africa have spoken about it in many meetings and seminars, such as the Status of Journalists conferences organised by the IFJ in 1994, 1996-1998, 2000 and 2001.
- 14 Statement made during a meeting at the Maison de la Presse in Lomé, Togo, October 2000.
- 15 Reports at the IFJ conference on the Status of Journalists in Eastern Africa, November 2000.
- 16 For an overview of journalists' codes of conduct, see www.presswise.org.uk/ethics.htm.
- 17 IFJ seminar on editorial independence, Kursk, Russia, 29-30 October 2001.
- 18 Joshua Lipton, 'Enron's Helpers', *Columbia Journalism Review*, March/April 2002; www.cpj.org/year/02/2/liptonenron.asp.
- 19 www.cdi.anu.edu.au.
- 20 www.probidad.org.
- 21 www.portal-pfc.org/english/index.html.
- 22 www.ifj-pa.org.

Freedom of information legislation: progress, concerns and standards

Toby Mendel

Freedom of information (FOI) includes the public's right to access information held by public authorities and imposes an obligation on public authorities to publish key categories of information. Many recently adopted constitutions include specific guarantees of FOI, reflecting a growing acceptance of this fundamental human right. Examples include the 1994 Malawi constitution and the Thai equivalent three years later, as well as many recent European constitutions.

Experience shows that constitutional provisions are not enough to ensure the right to FOI in practice; implementing legislation is required. Countries around the world are adopting such legislation, with Bosnia-Herzegovina, Britain, Kyrgyzstan, Poland and South Africa among those to have done so since 2000. Draft laws are under consideration in Guatemala, India, Indonesia and Nigeria and numerous other countries.

The trend is not limited to states: a number of intergovernmental organisations (IGOs) have recently adopted FOI policies. The EU adopted the Regulation Regarding Public Access in May 2001 and the World Bank revised its Policy on the Disclosure of Information in September 2001.

Not surprisingly, legislation and practice vary considerably. Where laws provide a good basis for openness, attention must now focus on implementation. Some governments have responded to pressure to adopt legislation but limited the right as much as possible. An extreme case in point is the recently adopted Zimbabwean Access to Information and Privacy Act, which is more about controlling the media than securing access to information.

Areas of concern

Key issues to consider in assessing whether legislation provides for effective exercise of the right to FOI include exceptions and exclusions, secrecy laws and the right of appeal.

- ◇ **Exceptions** are the most controversial issue in most FOI laws. All FOI laws include a number of exceptions, many of which protect important social interests such as national security and personal information. If exceptions are too broad, however, they can effectively undermine the legislation. Two safeguards can help prevent this problem.

Facing obstacles in Nigeria: the ongoing struggle for access to information

When he was elected in 1999, Nigeria's President Olusegun Obasanjo promised that 'all rules and regulations designed to help honesty and transparency in dealing with government will be restored and enforced' under his administration. Civil society groups were therefore surprised when he failed to promote freedom of information legislation and they responded by launching a campaign. With the support of other NGOs, Media Rights Agenda (MRA) – an organisation that focuses on press freedom and freedom of expression in Nigeria – has been spearheading efforts to promote a draft freedom of information bill. Since its introduction in July 1999, however, the bill has made only negligible progress through parliament.

Sponsored by three members of Nigeria's lower legislative chamber, the bill seeks to provide the public with a legal right of access to government records. If passed, the bill will specify time frames within which such information – except that excluded under the law – must be released to anyone who makes a request. In particular, the bill is expected to address problem areas such as access to declarations of assets by public officers. The 1999 constitution had established a code of conduct bureau that is responsible for receiving asset declarations by officials. Yet the lack of provisions under which journalists and other members of the public may obtain information about asset declarations has severely limited the bureau's impact.

The civil society campaign in support of the freedom of information bill involved writing letters to each of the 469 members of the National Assembly and informal meetings with at least half of them, including the leadership of both legislative chambers and members of their relevant committees. MRA also distributed briefing documents on a range of relevant issues and invited legislators to seminars, conferences and workshops on freedom of information. The advocacy strategy also

involved a media campaign, which included placing advertisements and articles in newspapers and magazines to heighten public awareness of the issues.

Despite this vibrant campaign, the freedom of information bill found little support in parliament. While progress was slowed by a drawn-out political crisis between the executive and the legislature, the initial enthusiasm with which legislators received the bill waned as they became apprehensive about the consequences for their own political security. Legislators recognise that a regime of freedom of information would subject them to greater public scrutiny.

MRA's experience is symptomatic of the situation in most African countries. To build on the lessons learned by other civil society groups dealing with the issue, ARTICLE 19 and MRA, in collaboration with the Institute for Democracy in South Africa, held an African regional workshop in Abuja in September 2001. The meeting brought together the Bank Information Center, a Washington, D.C.-based World Bank watchdog with a focus on freedom of information; Partnership Africa Canada, a Toronto-based organisation that has conducted pioneering research on the role of the illegal oil and diamond trade in fuelling conflict and corruption; the Commonwealth Human Rights Initiative, based in India; and the Access to Information Programme in Bulgaria. The workshop underscored the fact that civil society organisations have an important role to play in promoting freedom of information legislation.

With less than one year before the present legislature in Nigeria reaches the end of its term in mid-2003, NGOs are recognising that, if the process of passing the freedom of information bill is not hastened, the campaign may have to start afresh.

Edetaen Ojo

First, exceptions should include a ‘harm test’. It is not legitimate, for example, to exclude *all* information relating to national security; only information that would actually *harm* national security should be covered. In practice, although harm tests are found in most recent FOI legislation, they do not apply to all exceptions.

Second, all exceptions should be subject to a public interest override. This approach provides for the release of information, even if it falls within the scope of an exception, in cases where the overall public interest is served by disclosure, for example where the benefits of disclosure outweigh the harm. The public interest override should apply, for example, where personal information regarding a civil servant exposes a ring of corruption. Governments have proved reluctant to include public interest overrides in legislation, and many FOI laws do not contain them. This issue proved divisive in Britain, and the law finally adopted contains only a limited override.

- ◇ **Exclusions** refer to bodies entirely outside the ambit of the law and under no obligation to disclose information. The bill currently before the Indian parliament, for example, excludes all intelligence and security organisations, as does the British law. In some countries, exclusions are provided for by an excessively narrow definition of public bodies. On the other hand, some laws – such as the Polish FOI act – apply to a broad range of public bodies.

In principle, all public bodies should be under a *prima facie* obligation to disclose information, subject only to the regime of exceptions.

- ◇ **Secrecy legislation** should not be permitted to extend the regime of exceptions in an FOI law, which should be sufficiently comprehensive to protect all legitimate interests. Wide-ranging secrecy laws can significantly undermine FOI legislation and should, therefore, be subordinate to it. Unfortunately, this is rarely the case in practice. A disturbing trend in European countries is the adoption of secrecy laws as a precondition for NATO membership. NATO refuses to disclose even the document that sets out its secrecy standards, though there is no reason to keep such information secret.

- ◇ **Appeals** processes enable individuals to contest any refusal to disclose information. Independent oversight is essential where public officials refuse to disclose information, especially if they are hiding corruption or other wrongdoing. Individuals in most countries have the right to appeal to the courts, but this remedy is often inaccessible and the process excessively time consuming. Many FOI laws provide for an appeal to an administrative body, but these bodies can only be effective if they are truly independent. In Japan, members of the appeals body, the Information Disclosure Review Board, are appointed by the prime minister after the approval of both houses of the legislature, a process that prevents control by any single political party.

Revealing corruption through Japan's Information Disclosure Law

Since the Information Disclosure Law came into force in Japan in April 2001, the civil society groups that campaigned for its introduction have started putting it to use. The law guarantees citizens the right to access official information held by administrative agencies and the possibility of appeal to an Information Disclosure Review Board when the government decides not to disclose certain information. The provisions have enabled civic groups to expose several cases of corruption.

One came to light when the newspaper *Asahi Shimbun* requested the records of *watashikiri* expenses for post offices. *Watashikiri* expenses, which total approximately US \$60 million each year, are allocated to pay for operational, promotional and other disbursements. However, the *watashikiri* budget is typically allocated in a lump sum that does not require strict accounting.

When details of the use of *watashikiri* expenses were published in December 2001, several examples of fraudulent accounting were discovered. Records from one post office revealed that invoices had been issued by a company that did not exist. In another case, the post offices in Kyusyu district were found to have bought promotional goods from what was effectively a corporation owned by the postmasters themselves – for more than 70 years. The corporation was estimated to have made almost US \$9 million each year.

Following these revelations, the post office's internal inspectors launched an investigation that led to the disciplining of several postmasters and officials and the abolition of the system of *watashikiri* expenses in the postal service.

The Information Disclosure Law also helped the local citizens' group Sendai Citizen Ombudsman (SCO) uncover a case

where government funds were fraudulently spent. In early 1999, an official working in the public prosecutor's office tipped off SCO that colleagues in his office were forging receipts from non-existent informers to create a hidden fund for their own use. Acting on the tip, the SCO requested access to the office's 'investigation activity expenses'.

Although the details of budget expenditures were not disclosed, the overall figures for fiscal years 1998–2000 were, along with the totals disbursed every month. The figures looked suspicious because the exact allocation for investigation activities was spent as regularly as clockwork every month – a sure indication of fraudulent accounting. One official in the prosecutor's office confessed to the wrongdoing and further admitted that some district offices had considered returning the money associated with the accounts. The justice ministry rejected this suggestion but, to avoid future misappropriations, it now publishes a handbook with guidelines for managing investigative expenses. It has also reduced the budget for such expenses.

While the Information Disclosure Law enables citizens' groups to expose corruption, the arbitrary application of the law remains an obstacle. Government officials still retain discretionary powers in deciding which information is eligible for disclosure. The Information Disclosure Law is to be reviewed by 2005. The review will provide civil society groups with an opportunity to press for loopholes to be closed. In the meantime, civil society groups need to continue to be vigilant and to campaign to ensure that the existing law is fully implemented.

Yukiko Miki

The need for standards

One reason for the varied effectiveness of FOI laws is the lack of clear, authoritative standards. The non-governmental organisation (NGO) ARTICLE 19 has taken a step towards defining FOI standards with its publication 'The Public's Right to Know: Principles on Freedom of Information Legislation'. The UN's special rapporteur on freedom of opinion and expression and the Committee of Ministers of the Council of Europe have also advanced general FOI principles, but much more needs to be done. The adoption of a declaration on FOI by the UN would go some way to addressing this problem and would help to provide an impetus for the adoption of national legislation.

Greater openness also needs to be promoted within IGOs such as the World Bank, the International Monetary Fund and the World Trade Organization, as well as regional bodies like the European and African Unions. Institutions of global governance, no less than national governments, need to be transparent. The need for corporate openness is increasingly crucial, particularly among transnational companies. Standards need to be developed for corporate transparency and corporations need to be convinced to implement them. ARTICLE 19 also proposes a global campaign involving NGOs and supportive governments around the world to promote FOI goals. Civil society needs to work together to elaborate authoritative FOI standards and to ensure that governing bodies, both national and international, respect them fully.

Middle East and North Africa

Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestinian Territories, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, Yemen

Reinoud Leenders and John Sfakianakis

Overview

The incidence of grand corruption in the Middle East and North Africa (MENA) declined in 2001–02 owing simply to reduced opportunities for ‘commissions’ as a result of an economic recession. Global slowdown, reduced investment in emerging markets and a fall in oil prices resulted in declining capital investment and a slump in construction and arms procurement.¹ With the decline in real income, however, petty corruption was on the rise. Corruption among senior state officials and politicians was still considered rampant throughout the region.

International efforts to curb corruption in the MENA region were hampered during the year by concerns about security, with ‘good governance’ conditionality rarely applied with great effect. Governments trumpeted the anti-corruption cause, but initiatives to curb corruption generally lacked sincerity. In a widespread climate of authoritarian rule, the root causes of corruption have failed to be addressed. Anti-corruption strategies are unlikely to achieve greater success in the future without the initiation of far-reaching political reform. Numerous corruption cases were brought to the public’s attention in 2001–02, but they were usually driven by a government’s need to improve its image or settle political scores, and did not signify real structural change.

Civil society anti-corruption initiatives rarely translated into tangible change owing to the low levels of civil rights, freedom of expression and political participation that are prevalent throughout the region. Nevertheless, public opinion surveys suggest increasing public concern about corruption, and several NGOs across the region have focused on the issue.

The MENA business community also indicated its concern about corruption, particularly because of its impact on foreign direct investment in the region. It is, however, often difficult to separate private sector venality from that in the public domain, given the intimate links between the family networks that hold power and the principal business interests in the region.

International and regional

Strategic and security interests have dominated the MENA countries' relations with the international community, often to the detriment of anti-corruption efforts. Following the attacks of September 11th, the United States pressed for the adoption of stricter legislation against money laundering to stem the flow of financial support from the Gulf to terrorism around the world. Prior to the attacks, only Bahrain, Israel and Lebanon had enacted legislation against money laundering, but Egypt, Iran, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE) rapidly followed suit. Nevertheless, the Financial Action Task Force (FATF) removed only Israel and Lebanon from its blacklist of countries deemed 'uncooperative' in adopting effective steps against money laundering.² Egypt remained on the FATF blacklist and, in other countries, banks were widely used to conceal the proceeds of corrupt or illicit activities.³

Donor conditionality is very rarely applied as a tool to fight corruption in the MENA region. In February 2002, donors committed more than US \$10 billion in aid to Egypt for 2002–04 but, as in the past, transparency did not feature among the conditions attached to the package.⁴ By contrast, the United States put intense pressure on the Palestinian Authority (PA) to effect deep reforms in its administration and security forces, including measures to fight corruption.⁵ Few Palestinians would argue with the need for reform in the PA, but there were suspicions that Washington's interest in corruption was dictated more by Israeli policy or the desire to remove President Yasser Arafat from office than regard for transparency and good governance.⁶

International organisations and donors launched a number of initiatives to counter corruption but they were too disparate, low-level or inadequately reinforced to make any discernible impact. EU association agreements with Algeria and Lebanon in April 2002 broadened the scope of the Euro-Mediterranean Partnership to further economic cooperation. The agreements contained generally phrased commitments to fight corruption and money laundering, but it was unclear how such measures would be enforced. Little has emerged from the anti-corruption component of ratified EU agreements with other partners in the region, notably Israel, Morocco, the PA and Tunisia.

World Bank efforts to strengthen privatisation programmes in Algeria and Lebanon have done little so far to ensure fair or transparent bidding. Similar attempts were launched more successfully in Jordan and Morocco.⁷ In collaboration with the United States Agency for International Development, the Bank helped Morocco to improve the functioning of commercial courts, but a poll by the U.S. Chamber of Commerce in Casablanca showed that 78 per cent of foreign entrepreneurs continued to believe that the Moroccan judicial system was inefficient and prone to corruption.⁸ The World Bank launched a comparable programme in Yemen aimed at strengthening the judiciary. Judicial independence has yet to be realised, although initial results included a purge of more than 20 judges on corruption charges in September 2001.⁹

An affiliate of the United Nations in the region was accused of corruption in July 2001. Indian members of the United Nations Interim Force in Lebanon (UNIFIL) peacekeeping forces allegedly took bribes to turn a blind eye to Hizbollah's seizure of three Israeli soldiers in October 2000.¹⁰ UNIFIL strongly denied the allegations.

National

Corruption continued to thrive in virtually all domains of economic, administrative and political activity across the region. The period under review saw numerous examples of increased restrictions on freedom of expression, non-transparency in government and the lack of judicial independence.

Corruption in MENA countries stems from a few key factors. First, the lack of institutional reforms accompanying economic liberalisation programmes has created new opportunities for rent seeking. The granting of private licences for providers of mobile phone networks, for example, failed to put in place impartial and effective regulators in Algeria, Lebanon, Syria and Tunisia.¹¹ This explains the wide levels of discretionary powers enjoyed by private providers and state officials, which often degenerate into corruption.

Second, the prevalence of authoritarian rule in the region constitutes a major hindrance to transparency and accountability at both state and private sector levels. State budgets are insufficiently itemised to permit close scrutiny, while important state revenues are managed in extra-budgetary funds or parallel institutions that allow for discretionary spending. Libya's oil revenues, for example, constituting 95 per cent of the nation's exports, are held in secret funds controlled exclusively by Colonel Muammar al-Qaddafi and his associates.¹² Furthermore, most MENA governments compensate for low popular support or poor legitimacy by granting opportunities for bribery to leading families or cliques to ensure political survival.

The installation of democratic institutions would help in promoting accountability but would not be sufficient to eradicate all forms of corruption. This principle is amply illustrated by Israel, which, despite strong institutions and a robust civil society, is no stranger to corruption. During 2001–02, allegations of impropriety incriminated licensing agents in the municipality of Jerusalem, involving Minister without Portfolio Sallah Tari and Minister of Labour Shlomo Benizri, the management of army veteran funds and senior officials in the Construction Workers Pension Fund.¹³ Corruption in Israel is closely associated with the thriving black markets in intellectual property rights, arms, narcotics and labour.¹⁴

Endemic corruption

The region's state banks and financial institutions repeatedly fell prey to corruption in 2001–02. In February 2002, a US \$150–168 million scam was discovered in Jordan's banking system, allegedly involving 72 prominent businessmen and public officials, including a former agriculture minister, a senator and the son of a former

Cutting through red tape in Lebanon

According to an article in the *Daily Star*, Lebanon's largest English-language newspaper, 'bribes should not be confused with official fees, [which are] usually payable on top of the bribe'.¹ The satirical and well-researched article on *baksheesh* (bribery) informed readers how much must be paid in bribes for different kinds of bureaucratic transactions. For example, a replacement driving licence requires a US \$7 bribe, car registration US \$27 and passport renewal almost US \$70. The *baksheesh* for a building permit for a residential house can cost more than US \$2,000.

Obtaining a construction permit is one of the most difficult bureaucratic procedures in post-war Lebanon. If you are a foreign investor, the Investment and Development Authority of Lebanon will take care of the mountains of paperwork at a fixed cost. But the average citizen has to rely on specialist brokers, no matter how simple the case, because obtaining a permit involves five different institutions and several departments within each. It can take up to a year to acquire a permit at prices almost double the official rate. Some stages may be undertaken for free, but the paperwork can be held up for years without money to speed up the process. Distinguishing between what is an official and unofficial fee is difficult because of the misleading instructions given by state employees.

The corruption maze turns every simple administrative procedure into a challenge.

'Because I refused to pay the bribe, the employee couldn't find my land title,' complained one victim of bureaucratic corruption. 'Now I have to get a new land title, which will cost me US \$200, and I'm still no closer to getting a building permit.'

The Lebanese Transparency Association (LTA) has now published a booklet that simplifies the procedures necessary to obtain a construction permit and features the documents, fees and average time required. Research for the booklet entailed visits to the relevant

agencies and interviews with professionals in the field, as well as citizens who had encountered difficulties. Distributed free to citizens, NGOs, municipalities, architects, engineers and lawyers, the booklet's purpose is to make transactions transparent and to empower the public by setting out its rights with regard to the administration. It also seeks to equip applicants with the tools and knowledge needed to bypass the corrupt practices of state employees. Any deviation from the official description of the transaction, detailed in the booklet, can be used by the applicant to hold the official accountable.

Research for the booklet has made it possible to identify the roots of corruption in the acquisition of construction permits. These include: citizens' ignorance of their rights; the indifference of civil servants who consider bribery a bonus for efficient work; a lack of monitoring and control; weakness of public complaint mechanisms; and the dissipation of responsibility due to the high number of public institutions involved in the acquisition of a permit. These factors all unnecessarily complicate the transaction and allow for a high level of corruption.

These conclusions, along with suggestions for improvement, were included in a report presented to several government offices, including the office of the minister of state for administrative development, the urban planning directorate, the association of architects and engineers and parliament. It is too early to determine what impact the report will have on the administration since discussions are still ongoing but, judging by the enthusiastic response LTA has received, the booklet is having a very positive effect on the corruption-weary citizens of Lebanon.

Charles D. Adwan and Mina Zapatero

1 *Daily Star* (Lebanon), 6 September 1999.

prime minister.¹⁵ In collusion with public officials, businesspeople were alleged to have obtained loans from private banks without collateral on the pretext of providing information technology services for the country's intelligence services. In Morocco, evidence emerged of corruption in the state-owned investment bank *Crédit Immobilier et Hôtelier* following the completion of a parliamentary investigation into a US \$41 million fraud in early 2001.¹⁶ The revelations, which implicated leading public officials, accorded with reports of systematic abuse of powers for self-enrichment during the reign of the late King Hassan II.¹⁷ A similar pattern of embezzlement depleted the resources of Morocco's official trade union's social insurance fund.¹⁸

State procurement is also rife with corruption opportunities. In Egypt, the national assembly is reviewing a report by the central auditing office on the management of local council services and development funds nationwide.¹⁹ It is widely reported that most of the US \$270 million allocated was misappropriated in dubious transactions and investments.²⁰

In several MENA countries, mobile phone network licences were allegedly granted under circumstances of conflict of interest, or after the payment of large kickbacks. Syria's Makhluף family, which is related to President Bashar al-Assad, was reported to have benefited from regulations giving it an unfair advantage over the business competition.²¹ Algeria's first private mobile phone network licence went to Orascom, an Egyptian company, amid allegations of bribery in the press.²² Plans to grant a licence to a third network operator in Lebanon were delayed following revelations of conflict of interest.²³

Accusations of election fraud are frequently voiced across the region, but prosecutors rarely carry out investigations. In Iran, suspicions were fuelled by the court confession of prominent businessman Shahram Jazayeri, who admitted he had given US \$700,000 to the campaign of President Mohammad Khatami during the presidential elections in June 2001.²⁴ Jazayeri had already been charged with bribing reformist parliamentarians and government figures, and of undertaking fraudulent transactions through some 50 front companies.

In Israel, the police fraud squad questioned Prime Minister Ariel Sharon and his son, Omri, on whether they had used fictitious companies to transfer US \$1.3 million in illegal donations to the Likud Party leadership elections in 1999 and prime ministerial elections two years later.²⁵ Former prime minister Ehud Barak was cleared of similar accusations in May 2002, though police pressed charges against four of his aides for channelling illegal funds into bogus charities during the 1999 elections.²⁶

The incidence of grand corruption in the MENA region appears to have decreased in 2001–02 because of the reduced opportunities for 'commissions'. Expenditure on capital investment contracted sharply in Lebanon as a result of budgetary constraints: 'commissions' in the post-war reconstruction programme traditionally exceed 20 per cent of the contract's value.²⁷ In the PA, an already

lacklustre economic performance reached catastrophic dimensions because of the damage to infrastructure caused by the Israeli army and Israel's decision to withhold revenues owed to the PA. Such factors triggered a sharp decline in investment in activities that are particularly prone to corruption, such as construction and the import of cement, fuel and luxury goods.²⁸

The incidence of petty corruption has a tendency to soar when real incomes are falling since public servants attempt to compensate for the loss in purchasing power by demanding more bribes. Independent evidence tends to confirm that petty bribery (*baksheesh*) has been rising.

The Index of Economic Freedom registered an increase in corruption by low-ranking officials in Algeria, Lebanon and Tunisia.²⁹ In Algeria, a parliamentary commission investigating large-scale rioting in the minority Berber region of Kabylia since the spring of 2001 found evidence of widespread municipal corruption.³⁰ Meanwhile, a poll by Transparency Maroc revealed that more than 80 per cent of business respondents admitting to giving *baksheesh* 'to avoid hassle' from traffic police and the gendarmerie.³¹

Government reforms?

Virtually all MENA governments acknowledge that corruption is an impediment to good governance and there has been no shortage of official promises to curb it. Indeed, leaders have been competing for coverage of their pledges to combat corruption, but the motives are varied and the promises are often mere rhetoric. Where anti-corruption campaigns involve concrete measures, they are more often than not used to eliminate business rivals or settle political scores. In Syria, trumped-up charges of tax evasion and smuggling were invoked to silence critics of the regime, including the parliamentarians Riyad Sayf and Ma'mun al-Humsi, arrested in late 2001 and sentenced to five years' imprisonment.³²

In Libya, President Muammar al-Qaddafi authorised investigations into corruption in the state-owned airline, oil-related procurement and the public transport sector, but the findings were neither made public nor did they lead to any prosecutions.³³

Official anti-corruption committees often constituted little more than talk shops. Transparency Maroc withdrew from Morocco's 'Commission for the Moralisation of Public Life' in protest at its lack of purposeful action and branded its public awareness campaigns 'banal' and 'counterproductive'.³⁴ Jordan's 'Higher Committee to Fight Corruption', established by royal decree in July 2000, was increasingly side-tracked by a similar body in the intelligence service, the 'Anti-corruption Directorate', itself the focus of corruption allegations regarding a financial scandal of early 2002.³⁵

Anti-corruption actions by judiciaries are also becoming more common across the region, and here too it is essential to question motives. The Iranian judiciary, for example, launched a campaign against corruption in December 2001 that netted

some 50 people close to members of parliament and government. Litigation by the conservative judiciary in Iran, however, is often politically motivated and directed against supporters of the reformist president.³⁶

Judiciaries in the MENA region are as much part of the problem as the solution, with judges regularly accused of accepting bribes and courts denied independent powers to act against prominent politicians and entrepreneurs. Promises of judicial reform to remedy such deficiencies amounted to little of practical value. Ambitious plans in Algeria to restore judicial efficiency were stalled in committee, while the justice ministry blamed judges themselves for the lack of progress.³⁷ Judicial reforms met similar obstacles in Morocco.

A financial scandal in Jordan in February 2002 seemed to provide a test case of the government's political will in granting the judiciary full and independent powers. King Abdullah sent a widely publicised letter instructing investigators to bring those responsible to justice,³⁸ but recent precedents give few grounds for confidence. Other corruption scandals that came to the judiciary's attention, including alleged graft at the state-owned Jordan Phosphates Mines Company, were not followed up.³⁹

Corruption and the role of political opposition

Corruption has become such a potent symbol of governments' lack of legitimacy across the MENA region that it is hardly surprising that opposition parties and political activists have adopted the fight against it as part of their credo. In response, MENA governments often employ excessively repressive measures to silence political opponents.

Opposition figures that spoke out against the corruption and nepotism of the Syrian regime faced unfair trials on charges that included 'endangering state unity' and 'trying to change the constitution by illegal means'.⁴⁰ The Palestinian member of parliament Hussam Khadr, a forthright campaigner against corruption, faced prosecution after he described the PA in a television interview as 'a bunch of thieves protected by 70,000 policemen'.⁴¹ State-owned Voice of Palestine radio responded with a scathing attack in which Khadr was accused of 'serving Israeli interests'. Faced with repressive actions, political dissent against corruption across the region is largely muzzled.

Islamist political groups, many of them banned, have attempted to combine notions of 'Islamic governance' with a broad anti-corruption stance. Rooting out corruption became a rallying cry for Bahrain's Al-Wifaq National Islamic Association, which won the overwhelming majority of votes in municipal elections of May 2002, widely seen as a dress rehearsal for parliamentary elections in October. In Kuwait, Islamist member of parliament Nasser as-San'a continued to criticise the ruling Al-Sabah family for corruption, while Palestinian Islamist and anti-corruption activist Abdul Sattar al-Qassem announced his intention to run against Arafat in the presidential election in January 2003.

Access to information in the MENA region

The struggle against corruption in the MENA region is hampered by the chronic lack of information. No country has introduced freedom of information legislation, although some governments have expressed an interest in developing forms of e-governance. Jordan is spearheading efforts to inform citizens about government regulations and administrative procedures via the Internet.

Disclosure of corporate information is equally poor. A major drawback is that business in the region is primarily based on family ownership, while more transparent shareholding of capital is still in its infancy. In Egypt, several listed companies received an official warning in September 2001 following their failure to release financial records in time.¹

Press freedom is seriously curtailed and substantial reporting on corruption scandals is extremely rare, although both Lebanon and Morocco enjoy relatively lively media. Meanwhile, the Iranian press has evolved into a battlefield for the continuing conflict between reformists and

hardliners. Scores of newspapers have been banned and many journalists harassed or imprisoned for revealing corruption.

The lion's share of the regional media is either state-owned or owned by wealthy politicians. In mid-2001, two Algerian newspapers began publishing on their own printing presses. All other dailies are dependent on state-owned printing houses which often suspend service if the government disapproves of a newspaper's editorial stance. Over the year press regulations were significantly tightened on the pretext of fighting opinions sympathetic to terrorism. Following amendments to the Algerian code, journalists face up to one year in prison and fines of up to US \$3,200 for libelling state and army officials. The new measures further discourage journalists from investigative writing on corruption.

A new Syrian press decree in September 2001 subjects all printing material and means of communication to strict controls. The law banned

Private sector

Private sector involvement in corruption in MENA countries can usually be attributed to systematic collusion between public and private actors. In fact, the very distinction between 'public' and 'private' domains is difficult to make since power is exercised through networks of families and individuals with parallel stakes in politics and business. A case in point is Saudi Arabia, where entire businesses are monopolised by princes and their affiliated partners in the private sector.

Nevertheless, a growing number of companies and entrepreneurs believe that corruption is harmful to business. A recent poll found that businesspeople throughout the region consider red tape and corruption the third-most important hurdle to their operations after high tariffs and taxes.⁴² Moroccan businesspeople surveyed by Transparency Maroc said corruption was the second-most important challenge facing them after high taxes.⁴³ Entrepreneurs polled by the World Bank in Palestine cited corruption as the second-largest constraint to growth after 'political instability and uncertainty'.⁴⁴

'propaganda publications' financed 'directly or indirectly' with foreign funding and imposed harsh sentences for libel and loosely defined offences such as 'publishing falsehoods'.² Jordan also joined the trend towards muzzling media when it adopted an unreasonably strict press law in October 2001.

Under such conditions, the role of domestic media in creating awareness of corruption has been partly taken over by satellite television, which governments find harder to manipulate. Qatar-based Al-Jazeera is an increasingly popular source of views – and facts – on issues of public interest. Other Arab satellite stations are much less vocal owing to their ownership by governments or local tycoons.³

Increasing use of the Internet to communicate anti-corruption messages is another means of circumventing government restrictions. With the exception of Israel, Lebanon and the Gulf states, only a small proportion of the region's population has Internet access, with penetration rates as low as 1 per cent in Algeria and Egypt.⁴ Several Middle Eastern sites contain information on

corruption, while others, such as www.cggl.org, run by the Campaign for Good Governance in Lebanon, are exclusively devoted to it. The Saudi government has been at pains to prevent citizens from accessing sites that criticise the royal family. As a last resort, governments act against 'virtual' critics in the same way they do against critics in the press – by arresting them. The former Jordanian member of parliament Tujan Faisal was arrested in February 2002 and charged with breaching the penal code after she posted an essay on a Texas-based website (www.arabtimes.com) in which she accused the government of corruption. She was granted a royal pardon 'on humanitarian grounds' in June 2002.

- 1 *Alam Al-Yawm* (Egypt), 21 September 2001.
- 2 Human Rights Watch, *Syria: Clampdown on Free Expression*; see www.hrw.org/press/2002/02/syria0211.htm.
- 3 Naomi Sakr, *Satellite Realms: Transnational Television, Globalisation & the Middle East* (London: 2002).
- 4 For figures on Internet use in the region and elsewhere, see International Telecommunication Union, www.itu.int/ITU-D/ict/statistics/at_glance/Internet01.pdf.

Despite this unease, business confederations and local chambers of commerce have played only a marginal role in countering corruption since government or its cronies usually control such groups. Among the notable exceptions are the **Lebanese Chamber of Commerce, Industry and Agriculture** and the Moroccan Confederation of Employers, both of which have drawn up codes **of ethics on corporate governance**.

There is evidence to suggest that the region's high levels of corruption deter foreign investors. Extremely low foreign direct investment in Lebanon was associated with entrepreneurs' perceptions of widespread corruption.⁴⁵ **International companies that operate profitably in the region frequently tap into local networks of commercial power to obtain contracts where the payment of commissions is the rule**. In 2000 the British government launched an inquiry into claims that British-American Tobacco had boosted sales through a worldwide tobacco smuggling racket. In December 2001, the British media publicised new allegations that a prominent role in the racket had been played by Easa Saleh-al-Gurg, UAE ambassador in London.⁴⁶

Civil society

Civil society anti-corruption initiatives and criticism of government corruption often meet with state repression. Tunisian human rights activist and magazine editor Sihem Ben Sedrine was arrested and detained after she spoke out against corruption on the London-based *Al-Mustaqilla* television station in July 2001. Moncef Marzouki, another Tunisian critic of human rights abuses, met a similar fate after revealing corruption in a public charity. Both were eventually released, but they face charges of defamation and threatening state unity. In Saudi Arabia, writer Abdul Mohsen Musalam was jailed in March 2002 after he published a poem in the newspaper *Al-Madina* on 10 March 2001.⁴⁷ Musalam's poem, 'The Corrupt on Earth', accused several judges of graft. Saudi Interior Minister Prince Nayef ordered the sacking of *Al-Madina's* editor-in-chief for allowing the poem to be published.

Nevertheless, corruption has increasingly become an issue of public concern. A public opinion survey conducted by Transparency Maroc revealed that 87 per cent of the population views corruption as the third most important problem in the country. A recent survey in the PA showed 95 per cent support for the dismissal of ministers accused of corruption.⁴⁸ Developments in popular culture confirm the finding, while raising awareness of its prevalence. Television dramas, pulp fiction and cartoon books increasingly feature corrupt officials frustrating the everyday life of the main characters. A sitcom aired on Syrian state television during Ramadan, *Maraya Hakaya* (Mirrors of Tales), revolved around a senior official and his cronies and satirised nepotism. Such populist forms of expression suggest that 'culturalist' accounts of corruption – explanations that hinge on the prejudice that corruption is rooted in 'Arab culture' or the region's 'mentality' – do not hold water.

Against great odds, NGOs have tried to organise these sentiments into collective action against corruption. Transparency Maroc, the region's most active anti-corruption NGO, issued a manifesto calling on political parties in Morocco to disclose their electoral campaign funds to counter vote buying. The Lebanese NGO La Fassad (No Corruption), a Transparency International chapter-in-formation, drafted a code of ethics for NGOs and prepared a thorough legal critique of the country's privatisation law. In Yemen, the NGO Forum for Civil Society is one of the most active local NGOs with a specific anti-corruption agenda. An unofficial watchdog group in Bahrain, the Bahrain Transparency Society, was established in January 2002.

- 1 World Bank press release, *Growth in Middle East Challenged by External Environment* (Washington, D.C.: 13 March 2002); *Financial Times* (Britain), 5 August 2001.
- 2 *Ha'aretz* (Israel), 21 June 2002; *Daily Star* (Lebanon), 22 June 2002.
- 3 John Sfakianakis, *Middle East Report* (US), spring 2002.
- 4 World Bank press release no. 2002/201/MENA, 6 February 2002.
- 5 See comments by U.S. National Security Advisor Condoleezza Rice in the *New York Times* (US), 26 May 2002.
- 6 See comments by Yazid Sayyigh and Henry Siegman in respectively: BBC World Service (Britain), 12 May 2002; *New York Times* (US), 19 May 2002.

- 7 IMF, *Morocco: 2001 Article IV Consultation*, June 2001; *Maroc Hebdo International* (Morocco), 1–7 February 2002; World Bank, *Privatization: The Jordanian Success Story*, (Washington, D.C.: October 2001).
- 8 American Chamber of Commerce, *A Survey of Executive Perceptions about Business and Investing in Morocco* (Casablanca: December 2001); see www.amcham-morocco.com/publications.html.
- 9 *Middle East International* (Britain), 14 September 2001.
- 10 *Jerusalem Post* (Israel), 13 July 2001.
- 11 In Algeria, the operator continues to negotiate with the ministry of post and telecommunications whereas the competent authority, Algeria Telecom, exists only on paper. See *Al-Khabar* (Algeria), 13 December 2001; *El-Watan* (Algeria), 18 January 2002.
- 12 Middle East Policy Council: *Middle East Policy* VII, no. 2, February 2000, www.mepec.org/journal/0002_takeyh.htm.
- 13 *Jerusalem Post* (Israel), 28 and 30 January 2002; *Yediot Ahronot* (Israel), 20 February 2002; *Jerusalem Post* (Israel), 3 January 2002; *Ha'aretz* (Israel), 22 March 2002.
- 14 The Heritage Foundation and the *Wall Street Journal* (US), *The Index of Economic Freedom 2002*.
- 15 *Jordan Times* (Jordan), 15 February 2002; *Ad-Dustur* (Jordan), 21 February 2002; *As-Sharq al-Awsat* (Britain), 22 February and 1 March 2002.
- 16 *Al-Hayat* (Lebanon/Britain), 17 August 2001; *l'Économiste* (Morocco), 14, 17 and 26 September 2001, 3 and 10 October 2001. For extracts of the findings of the parliamentary inquiry, see *l'Économiste* (Morocco), 19 January 2001.
- 17 Abdeslam Maghraoui, 'Political authority in crisis: Mohammed VI's Morocco', *Middle East Report*, spring 2001; *Economist* (Britain), 25 January 2001.
- 18 *As-Sharq al-Awsat* (Britain), 20 January 2002.
- 19 *Al-Ahram* (Egypt), 22 January 2002.
- 20 *Al-Ahram Weekly* (Egypt), 7–13 February 2002.
- 21 Bassam Haddad, 'Business as usual in Syria?', *Middle East Report Press Information Note* (US), no.66 (7 September 2001); *Middle East International* (Britain), 14 September 2001.
- 22 *North Africa Journal* (Britain), 21 July 2001. Other reports alleged that Algerian businessmen and officials put pressure on Orascom to allow them to share in its profits. See *Al-Khabar* (Algeria), 13 December 2001.
- 23 *Middle East International* (Britain), 17 May 2002.
- 24 Economist Intelligence Unit, *Country Report*, 15 March 2002.
- 25 *Ha'aretz* (Israel), 23 April 2002; *The Jerusalem Post* (Israel), 1 October 2001.
- 26 *Jerusalem Post* (Israel), 29 May 2002.
- 27 Reinoud Leenders, 'In Search of the State: The Politics of Corruption in Post-war Lebanon', in Barbara Roberson and Nadim Shehadi, eds, *Post-War Reconstruction in Lebanon* (London: 2002).
- 28 PA budgets currently allow for only US \$17 million per month for investment expenditure, compared to US \$54 million prior to the outbreak of the Intifadah. The World Bank, *Fifteen Months – Intifada, Closures and Palestinian Economic Crisis. An Assessment* (Washington, D.C.: March 2002). On corruption in the mentioned sectors and activities, see David Sewell, *Governance and the Business Environment in West Bank/Gaza* (World Bank Working Paper, no.23, May 2001).
- 29 The Heritage Foundation and the *Wall Street Journal* (US), *The Index of Economic Freedom 2002*.
- 30 *Le rapport préliminaire de la commission nationale d'enquête sur les événements de Kabylie*, 30 August 2001: www.kabyle.com/article.php3?id_article=315.
- 31 For the poll's results, see *l'Économiste* (Morocco), 18 January 2002; *As-Sharq al-Awsat* (Britain), 18 January 2002.
- 32 Human Rights Watch press release, *Dangerous Backlash in Syria*, New York, 7 September 2001; Human Rights Watch, *World Report 2002* (New York, 2002). For Sayf's reply to the government's corruption allegations, see Riyad Sayf, *Tajriba Riyad Sayf, Hamum fi as-Sana'a wa as-Siyasa* (Damascus, 1999).
- 33 *Akhbar Libiya* (Britain), 2 and 17 October, 11 November 2001.
- 34 Transparency Maroc, press statement, 13 December 2001.
- 35 Even by its own account, the Anti-corruption Directorate proved itself hardly effective in the fight against corruption. In January, it claimed that its work in the past year saved the state treasury only US \$5 million. See *Ad-Dustur* (Bahrain), 17 January 2002.
- 36 Human Rights Watch, *Iran: Parliamentarians Convicted* (Washington, D.C.: 4 January 2002).
- 37 *El-Watan* (Algeria), 8 September, 9 and 10 October 2001.
- 38 *Ad-Dustu* (Bahrain), 21 February 2002.
- 39 *Jordan Times* (Jordan), 6 August 2001; *Al-Hayat* (Britain), 16 December 2001.
- 40 Human Rights Watch, *World Report 2002*.
- 41 Khalid Amayreh, 'Is the PA Collapsing?', *Palestine Times* (Palestine), November 2001.
- 42 Bernard Hoekman and Patrick Messerlin, *Harnessing Trade for Development and Growth in the Middle East*, Council on Foreign Relations, Study Group on Middle East Trade Options, 2002.
- 43 *l'Économiste* (Morocco), 18 January 2002; *As-Sharq al-Awsat* (Britain), 20 January 2002.

- 44 David Sewell, *Governance and the Business Environment in West Bank/Gaza*, World Bank Working Paper, no. 23, May 2001.
- 45 A. Mansour, *The Views of Foreign Investors in Lebanon* (ESCWA, Beirut: 12–13 June 2001); *Daily Star* (Lebanon), 14 June 2001.
- 46 *Guardian* (Britain), 17 December 2001. See www.guardian.co.uk/bat.
- 47 BBC World Service, 20 March 2002.
- 48 Democracy Index, Palestinian Centre for Policy and Survey Research (Nablus), 15–19 May 2002: www.pcpsr.org/survey/polls/2002/p4a.html.

2002 Corruption Perceptions Index

Johann Graf Lambsdorff

Transparency International's annual Corruption Perceptions Index (CPI), now in its eighth year of publication, has since its inception facilitated research into the causes and consequences of corruption. This year, as in previous years, its methodology has again been improved. The CPI aggregates the perceptions of well-informed people with regard to the extent of corruption, defined as the misuse of public power for private benefit. The extent of corruption reflects the frequency of corrupt payments, the value of bribes paid and the resulting obstacle imposed on businesses.

This year's CPI used data collected between 2000 and 2002. The CPI is a composite index. Altogether 15 data sources were used in the 2002 CPI, from nine different institutions: the World Economic Forum, the World Business Environment Survey of the World Bank, the Institute of Management Development (in Lausanne), PricewaterhouseCoopers, the Political and Economic Risk Consultancy (in Hong Kong), the Economist Intelligence Unit, Columbia University, Gallup International on behalf of Transparency International, and Freedom House's *Nations in Transit*.

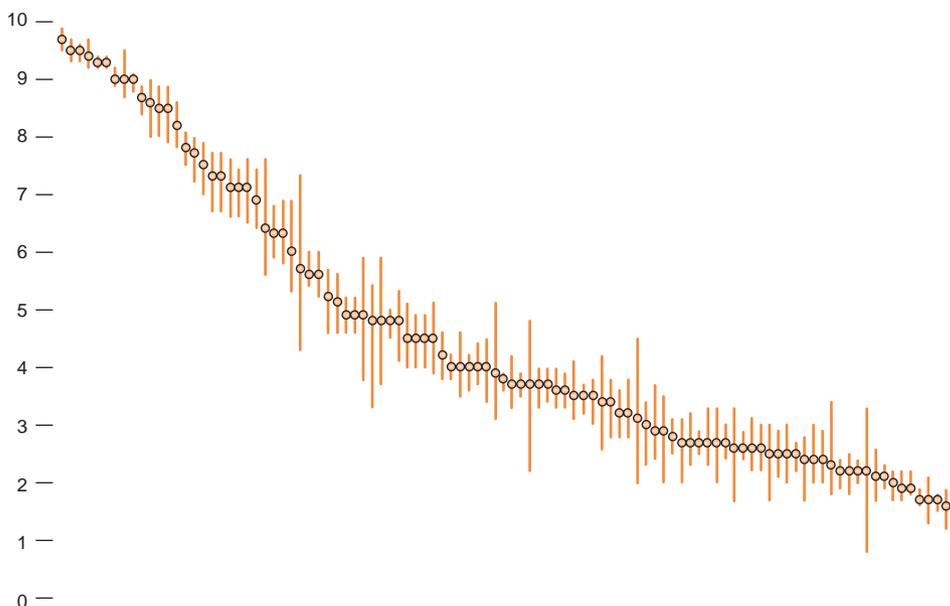
One precondition for the inclusion of a source in the index is that it must provide a ranking of nations. Another is that it must measure the overall level of corruption. Ensuring these conditions is essential to guarantee that we are not mixing apples with oranges. There exist sources that mix the level of corruption with other variables, such as xenophobia, nationalism, political instability or expected risks due to changes in corruption. Including such sources would distort the measurement of perceived levels of corruption. We take a conservative approach, and only include sources that strictly compare levels of corruption.

The strength of the CPI lies in the combination of multiple data sources in a single index, which increases the reliability of each individual score. The benefit of combining data in this manner is that erratic findings from one source can be balanced by the inclusion of at least two other sources, lowering the probability of misrepresenting a country's level of corruption.¹

The high correlation of the different sources used in the CPI indicates its overall reliability. The figure shows the 90 per cent confidence intervals for each country included in the 2002 CPI, indicating how a country's score may vary, depending on measurement precision. Most countries are measured with sufficient precision to allow a ranking of nations.

The index provides an annual snapshot of the views of decision-makers. Comparisons with the results from previous years should be based on a country's score, not its rank – a country's rank can change simply because new countries enter the

2002 CPI and 90% confidence intervals



index and others drop out. However, year-to-year comparisons of a country's score result not only from a changing perception of a country's performance, but also from a changing sample and methodology – each year different viewpoints are collected and somewhat different questions asked.

The robustness of the CPI findings is enhanced by the fact that residents' viewpoints were found to correlate well with those of expatriates. The CPI gathers perceptions that are invariant to cultural preconditions and represent a global perspective. In the past, the expatriates whose views were included in the CPI were often Western businesspeople, and the viewpoint of less developed countries seemed under-represented. For the 2002 CPI, however, Gallup International on behalf of Transparency International surveyed respondents from less-developed countries, asking them to assess the performance of public servants in industrial countries. The results from this group of expatriates correlated well with the other sources used in the 2002 CPI.

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- 1 Some technical adjustments were carried out this year to ensure that all reported values, including those for the high-low range and the confidence range, remain within the given scale from 0 to 10. This was achieved using a matching-percentiles technique for standardising the data, a beta-transformation for ensuring the year-to-year continuity of the data and a bootstrap approach to determine the confidence range.

2002 Corruption Perceptions Index

Rank	Country	2002 CPI score	Number of surveys used	Standard deviation	High-low range	90% confidence range
1	Finland	9.7	8	0.4	8.9–10.0	9.5–9.9
2	Denmark	9.5	8	0.3	8.9–9.9	9.3–9.7
	New Zealand	9.5	8	0.2	8.9–9.6	9.3–9.6
4	Iceland	9.4	6	0.4	8.8–10.0	9.2–9.7
5	Singapore	9.3	13	0.2	8.9–9.6	9.2–9.4
	Sweden	9.3	10	0.2	8.9–9.6	9.2–9.4
7	Canada	9.0	10	0.2	8.7–9.3	8.9–9.2
	Luxembourg	9.0	5	0.5	8.5–9.9	8.7–9.5
	Netherlands	9.0	9	0.3	8.5–9.3	8.8–9.1
10	United Kingdom	8.7	11	0.5	7.8–9.4	8.4–8.9
11	Australia	8.6	11	1.0	6.1–9.3	8.0–9.0
12	Norway	8.5	8	0.9	6.9–9.3	8.0–8.9
	Switzerland	8.5	9	0.9	6.8–9.4	7.9–8.9
14	Hong Kong	8.2	11	0.8	6.6–9.4	7.8–8.6
15	Austria	7.8	8	0.5	7.2–8.7	7.6–8.1
16	United States	7.7	12	0.8	5.5–8.7	7.2–8.0
17	Chile	7.5	10	0.9	5.6–8.8	7.0–7.9
18	Germany	7.3	10	1.0	5.0–8.1	6.7–7.7
	Israel	7.3	9	0.9	5.2–8.0	6.7–7.7
20	Belgium	7.1	8	0.9	5.5–8.7	6.6–7.6
	Japan	7.1	12	0.9	5.5–7.9	6.6–7.4
	Spain	7.1	10	1.0	5.2–8.9	6.5–7.6
23	Ireland	6.9	8	0.9	5.5–8.1	6.4–7.4
24	Botswana	6.4	5	1.5	5.3–8.9	5.6–7.6
25	France	6.3	10	0.9	4.8–7.8	5.9–6.8
	Portugal	6.3	9	1.0	5.5–8.0	5.8–6.9
27	Slovenia	6.0	9	1.4	4.7–8.9	5.3–6.9
28	Namibia	5.7	5	2.2	3.6–8.9	4.3–7.3
29	Estonia	5.6	8	0.6	5.2–6.6	5.4–6.0
	Taiwan	5.6	12	0.8	3.9–6.6	5.2–6.0
31	Italy	5.2	11	1.1	3.4–7.2	4.6–5.7
32	Uruguay	5.1	5	0.7	4.2–6.1	4.6–5.6
33	Hungary	4.9	11	0.5	4.0–5.6	4.6–5.2
	Malaysia	4.9	11	0.6	3.6–5.7	4.6–5.2
	Trinidad & Tobago	4.9	4	1.5	3.6–6.9	3.8–5.9
36	Belarus	4.8	3	1.3	3.3–5.8	3.3–5.4
	Lithuania	4.8	7	1.9	3.4–7.6	3.7–5.9
	South Africa	4.8	11	0.5	3.9–5.5	4.5–5.0
	Tunisia	4.8	5	0.8	3.6–5.6	4.1–5.3
40	Costa Rica	4.5	6	0.9	3.6–5.9	4.0–5.1
	Jordan	4.5	5	0.7	3.6–5.2	4.0–4.9
	Mauritius	4.5	6	0.8	3.5–5.5	4.0–4.9
	South Korea	4.5	12	1.3	2.1–7.1	3.9–5.1
44	Greece	4.2	8	0.7	3.7–5.5	3.8–4.6
45	Brazil	4.0	10	0.4	3.4–4.8	3.8–4.2
	Bulgaria	4.0	7	0.9	3.3–5.7	3.5–4.6
	Jamaica	4.0	3	0.4	3.6–4.3	3.6–4.2
	Peru	4.0	7	0.6	3.2–5.0	3.7–4.4
	Poland	4.0	11	1.1	2.6–5.5	3.4–4.5
50	Ghana	3.9	4	1.4	2.7–5.9	3.1–5.1
51	Croatia	3.8	4	0.2	3.6–4.0	3.6–3.9
52	Czech Republic	3.7	10	0.8	2.6–5.5	3.3–4.2
	Latvia	3.7	4	0.2	3.5–3.9	3.5–3.9
	Morocco	3.7	4	1.8	1.7–5.5	2.2–4.8

Rank	Country	2002 CPI score	Number of surveys used	Standard deviation	High-low range	90% confidence range
	Slovak Republic	3.7	8	0.6	3.0–4.6	3.3–4.0
	Sri Lanka	3.7	4	0.4	3.3–4.3	3.4–4.0
57	Colombia	3.6	10	0.7	2.6–4.6	3.3–4.0
	Mexico	3.6	10	0.6	2.5–4.9	3.3–3.9
59	China	3.5	11	1.0	2.0–5.6	3.1–4.1
	Dominican Rep.	3.5	4	0.4	3.0–3.9	3.2–3.7
	Ethiopia	3.5	3	0.5	3.0–4.0	3.0–3.8
62	Egypt	3.4	7	1.3	1.7–5.3	2.6–4.2
	El Salvador	3.4	6	0.8	2.0–4.2	2.8–3.8
64	Thailand	3.2	11	0.7	1.5–4.1	2.8–3.6
	Turkey	3.2	10	0.9	1.9–4.6	2.7–3.7
66	Senegal	3.1	4	1.7	1.7–5.5	2.0–4.5
67	Panama	3.0	5	0.8	1.7–3.6	2.3–3.4
68	Malawi	2.9	4	0.9	2.0–4.0	2.4–3.7
	Uzbekistan	2.9	4	1.0	2.0–4.1	2.0–3.5
70	Argentina	2.8	10	0.6	1.7–3.8	2.5–3.1
71	Côte d'Ivoire	2.7	4	0.8	2.0–3.4	2.0–3.1
	Honduras	2.7	5	0.6	2.0–3.4	2.3–3.2
	India	2.7	12	0.4	2.4–3.6	2.5–2.9
	Russia	2.7	12	1.0	1.5–5.0	2.3–3.3
	Tanzania	2.7	4	0.7	2.0–3.4	2.0–3.3
	Zimbabwe	2.7	6	0.5	2.0–3.3	2.4–3.0
77	Pakistan	2.6	3	1.2	1.7–4.0	1.7–3.3
	Philippines	2.6	11	0.6	1.7–3.6	2.4–2.9
	Romania	2.6	7	0.8	1.7–3.6	2.2–3.1
	Zambia	2.6	4	0.5	2.0–3.2	2.2–3.0
81	Albania	2.5	3	0.8	1.7–3.3	1.7–3.0
	Guatemala	2.5	6	0.6	1.7–3.5	2.1–2.9
	Nicaragua	2.5	5	0.7	1.7–3.4	2.0–3.0
	Venezuela	2.5	10	0.5	1.5–3.2	2.2–2.7
85	Georgia	2.4	3	0.7	1.7–2.9	1.7–2.8
	Ukraine	2.4	6	0.7	1.7–3.8	2.0–3.0
	Vietnam	2.4	7	0.8	1.5–3.6	2.0–2.9
88	Kazakhstan	2.3	4	1.1	1.7–3.9	1.7–2.9
89	Bolivia	2.2	6	0.4	1.7–2.9	1.9–2.5
	Cameroon	2.2	4	0.7	1.7–3.2	1.8–2.6
	Ecuador	2.2	7	0.3	1.7–2.6	2.0–2.4
	Haiti	2.2	3	1.7	0.8–4.0	0.8–3.3
93	Moldova	2.1	4	0.6	1.7–3.0	1.7–2.5
	Uganda	2.1	4	0.3	1.9–2.6	1.9–2.3
95	Azerbaijan	2.0	4	0.3	1.7–2.4	1.7–2.2
96	Indonesia	1.9	12	0.6	0.8–3.0	1.7–2.2
	Kenya	1.9	5	0.3	1.7–2.5	1.7–2.2
98	Angola	1.7	3	0.2	1.6–2.0	1.6–1.9
	Madagascar	1.7	3	0.7	1.3–2.5	1.3–2.1
	Paraguay	1.7	3	0.2	1.5–2.0	1.5–1.8
101	Nigeria	1.6	6	0.6	0.9–2.5	1.2–1.9
102	Bangladesh	1.2	5	0.7	0.3–2.0	0.7–1.6

Notes

- ¹ The '2002 CPI score' ranges between 10 (highly clean) and 0 (highly corrupt).
- ² 'Standard deviation' indicates differences in the values given by the sources. As indicated by shading, values below 0.5 indicate agreement (no shading), values between 0.5 and 0.9 indicate some agreement (pale shading), while values greater than or equal to 1 indicate disagreement (dark shading).
- ³ 'High-low range' provides the highest and lowest values given by the different sources.
- ⁴ '90 per cent confidence range' provides a range of possible values of the CPI score. This reflects how a country's score may vary, depending on measurement precision. This interval, particularly when only three sources are available, should only be regarded as a rough guide.

2002 Bribe Payers Index

Fredrik Galtung

In 2002 Transparency International published its second Bribe Payers Index (BPI) of leading exporting countries, which rates the likelihood that companies will pay bribes when they do business abroad. While numerous surveys study corruption in the public sphere, the BPI is the only major survey to track corrupt practices among international businesses.

TI commissioned one of the world's leading opinion polling companies, Gallup International, to measure the supply side of international bribery for the BPI. The questionnaire and sampling frame were developed by TI. The first BPI, published in 1999, ranked the world's 19 leading exporting economies in terms of the degree to which their companies were perceived to be paying bribes abroad. The 2002 BPI covered two additional economies, Hong Kong and Russia, but otherwise remained consistent with the first survey.¹

In the 2002 survey, interviews were conducted with 835 private sector leaders in Argentina, Brazil, Colombia, Hungary, India, Indonesia, Mexico, Morocco, Nigeria, the Philippines, Poland, Russia, South Africa, South Korea and Thailand (the same as in 1999 with the addition of Mexico). These 15 major emerging market economies account for more than 60 per cent of all imports into non-Organisation for Economic Co-operation and Development (OECD) countries. About 55 people were interviewed in each country; they were drawn from top executives at major national and international companies, chartered accountancies, foreign chambers of commerce, national and foreign commercial banks and senior partners at commercial law firms.

Within the 21 leading exporting economies, Russian and Chinese companies were perceived to bribe most frequently, and Australian, Swedish and Swiss companies least frequently (see table 1).

In a notable development, scores were found to have improved slightly since the 1999 survey: companies are marginally less likely to bribe now than three years ago. However, important exceptions to this trend were companies from Britain and the United States, which are now perceived as slightly more likely to bribe than they were in 1999.

The BPI was also intended to assess the implementation of the OECD Anti-Bribery Convention. As there has been little or no enforcement of the convention since it entered into force, except in the United States, it is perhaps too early to evaluate its impact. But, surprisingly, awareness of the convention has hardly improved in three years: only 7 per cent of all respondents expressed 'familiarity'

Table 1 **2002 Bribe Payers Index (BPI)**

Rank Economy Score (0 = high bribery; 10 = low bribery)

<i>Rank</i>	<i>Economy</i>	<i>Score (0 = high bribery; 10 = low bribery)</i>
1	Australia	8.5
2	Sweden	8.4
	Switzerland	8.4
4	Austria	8.2
5	Canada	8.1
6	Netherlands	7.8
	Belgium	7.8
8	Britain	6.9
9	Singapore	6.3
	Germany	6.3
11	Spain	5.8
12	France	5.5
13	United States	5.3
	Japan	5.3
15	Malaysia	4.3
	Hong Kong	4.3
17	Italy	4.1
18	South Korea	3.9
19	Taiwan	3.8
20	China (excluding Hong Kong)	3.5
21	Russia	3.2
	<i>Domestic companies</i>	1.9

Note

Respondents were asked: 'In the business sectors with which you are familiar, please indicate whether companies from the following countries are very likely, quite likely or unlikely to pay bribes to win or retain business in this country.' The standard error in the results was 0.2 or less.

with the convention, compared to 6 per cent in 1999. Respondents with the highest level of familiarity were the heads of bilateral chambers of commerce (13 per cent). Even among commercial lawyers, the level of awareness was only 12 per cent.

Transparency International also asked respondents to identify the business sectors in which bribery most commonly occurs. As indicated in table 2, bribery was perceived to occur most often in public works contracts and construction, followed by the arms and defence industry. On a scale of 0 to 10, where 10 indicates negligible bribery, even the cleanest business sectors – agriculture, light manufacturing and fisheries – only obtained passable scores of 5.9, indicating that international bribes are 'quite likely' to be paid in those sectors as well.

In the 2002 survey a distinction was made between the frequency and the size of bribes paid in certain sectors. Even when ranked by size, the extent of bribery was seen to be greatest in public works contracts, followed by the arms industry.

Table 2 **Bribery in different business sectors***Business sector* *Score (0 = high bribery; 10 = low bribery)*

Agriculture	5.9
Light manufacturing	5.9
Fishery	5.9
IT	5.1
Forestry	5.1
Civilian aerospace	4.9
Banking and finance	4.7
Heavy manufacturing	4.5
Pharmaceuticals/medical care	4.3
Transportation/storage	4.3
Mining	4.0
Power generation/transmission	3.7
Telecommunications	3.7
Real estate/property	3.5
Oil and gas	2.7
Arms and defence	1.9
Public works/construction	1.3

Note

Respondents were asked: 'Which are the sectors in your country of residence where senior public officials would be very likely, quite likely or unlikely to accept or extort bribes?' The standard error in the results was 0.2 or less.

Views were evenly split regarding the question of whether corruption in international business was on the increase (23 per cent indicated an increase, 27 per cent a decrease and 37 per cent said it remained the same).

The survey also asked respondents which governments they felt were most likely to engage in unfair practices – such as diplomatic or political pressure, financial and commercial pressure, tied foreign aid, or tied defence and arms deals – to give their own companies unfair business advantages. Respondents perceived the U.S. government to be the most associated with unfair practices by far, followed by the governments of France, Britain, Japan, China and Russia.

For more details on the survey, see www.transparency.org/surveys/index.html#bpi.

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- 1 In the 1999 survey Hong Kong was not distinguished from mainland China. The 2002 survey showed that Hong Kong companies are viewed more favourably than mainland Chinese companies. Only the 21 major economies were covered because (a) companies from the smaller exporters tend to have less of a global reach, although some are major players within their respective regions; and (b) the top 30 to 40 exporters would include the major exporters of oil and gas, which do not have an international profile in manufactured goods or international services.

National surveys on corruption in francophone Africa

Marie Wolkers

Transparency International (TI) developed household and private sector questionnaires and commissioned local institutes in Madagascar, Morocco and Senegal to carry out the surveys in 2001. The aim of the research – coordinated by TI national chapters – was to produce data that could shed light on the nature, causes, types and frequency of corruption in the countries surveyed. Another important goal was to design a model for national corruption surveys that could be used in other countries in order to produce consistent and comparable data at the international level. These studies combined a quantitative and qualitative approach.

The surveys were carried out by OSIPD and ECR in Madagascar, LMS and CSA-TMO in Morocco and Orgatech in Senegal. The institutes were free to choose the most appropriate methodology and to adapt TI's questionnaires to the context of each country. One-on-one interviews were conducted anonymously with heads of households and company representatives. In each country a sample of more than 1,000 individuals was interviewed for the household survey, drawn from both urban and rural areas, and between 400 and 800 representatives of the formal and informal private sector were interviewed for the company survey.

Corruption was seen to be one of the principal social problems facing all three countries. In Morocco, 87 per cent of respondents saw it as one of the country's worst problems and 94 per cent of companies viewed corruption as an important obstacle to the development of the private sector, second only to the rate of taxation. In Madagascar, 64 per cent of private sector respondents rated corruption as the principal problem they face. In Senegal, 40 per cent of company executives considered bribery necessary to obtain a public contract, while most respondents believed that vote buying is a common practice and that access to certain public services is often conditional upon 'grease payments'.

Most respondents perceived corruption to have worsened, or at least not improved, in the last few years. In Madagascar, 75 per cent of respondents said that grand corruption had increased in the previous five years and more than 60 per cent said this of petty corruption. In Morocco, a significant proportion of both households and companies said that corruption had increased in the previous three years (33 per cent and 40 per cent, respectively, for grand corruption and 41 per cent and 44 per cent for petty corruption). Nearly 90 per cent of respondents in Senegal observed that corruption is widespread and reported hardly any improvement since the recent change of government.

Proportion of interviewees seeing corruption as an important problem in different sectors

	<i>Madagascar</i>		<i>Morocco</i>		<i>Senegal</i>	
	<i>Households</i>	<i>Businesses</i>	<i>Households</i>	<i>Businesses</i>	<i>Households</i>	<i>Businesses</i>
Customs	31	87	75	95	60	64
Judiciary	76	83	69	88	36	35
Local administration	62	76	76	92	32	54
Police	n/a	n/a	82	99	50	61
Politicians	54	77	68	86	43	10
Public health	66	72	80	78	46	39
Registry and permit officials	65	84	n/a	n/a	51	48
Tax collection	42	83	60	82	33	43
Traffic police	82	94	86	97	63	72

Notes

- 1 The figures are the percentage of each group of interviewees who saw corruption in a given sector to be important or very important.
- 2 The percentages for Senegal are lower due to a higher proportion of interviewees not responding.

Lack of punishment was seen as a central reason for ongoing corruption. In Morocco, 80 per cent of households and 95 per cent of companies saw it as the main reason for corruption. More than 80 per cent of respondents in Madagascar identified personal gain as the main motive for corruption, followed by low salaries and the lack of punishment.

In comparing sectors, respondents in all three countries perceived the traffic police to be the most corrupt, while other police officers and customs officials were also seen as highly corrupt (see table). There were some differences in the perceptions of households and businesses. While business respondents in all three countries saw customs officials as among the most corrupt, households, particularly in Madagascar, viewed them as less corrupt.

The results of the three surveys will be compared and compiled in a forthcoming report. Similar surveys are planned for other francophone countries in Africa in 2003.

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Transparency and corruption within civil society organisations

Volkhart Finn Heinrich

The issue of ethical behaviour and accountability within civil society organisations (CSOs) has become a focus of attention in recent years, triggered as much by incidents of mismanagement and corruption within a small number of CSOs as by a backlash against civil society itself. Many countries have seen innovative and effective responses, such as the establishment of self-regulation frameworks and codes of conduct. Compared to other social phenomena, however, there has been a distinct shortage of information on the state of CSOs, including internal transparency and other corruption-related issues.

To fill this gap, CIVICUS developed the CIVICUS Civil Society Index to assess the state of civil society on a country-by-country basis.¹ The project provides a diagnostic tool to assess the health of civil society and develop knowledge-based strategies to strengthen civil society. By placing ownership of the implementation process and research findings in the hands of local civil societies, the index seeks to ensure an effective linkage between research, reflection and action.

A key element of the project is national workshops among civil society actors, which discuss and validate the research findings and develop action agendas for the future. In 2000–01, CIVICUS, together with its respective national partners, conducted the pilot phase of the project in 12 countries: Belarus, Canada, Croatia, Estonia, Ghana, Mexico, New Zealand, Pakistan, Romania, South Africa, Ukraine and Uruguay.

The research methodology employed a common framework for all countries, but left ample space for country-specific adaptations of the indicators used.² The data collected stemmed mainly from surveys of civil society stakeholders, supplemented by available secondary data sources. However, relying on ‘subjective’ stakeholder assessments made it difficult to compare results across countries since it is likely that respondents in different countries used different yardsticks.³ The following analysis should be read with this qualification in mind.

One dimension of the stakeholder surveys focused on the values of civil society. Three indicators in this dimension were: public accountability, financial transparency and perceptions of corruption (see table 1). Analysis of these indicators revealed three somewhat distinct types of civil society. A rather mature civil society was indicated by positive assessments of financial transparency and public accountability, coupled with low levels of corruption. This applied to CSOs in Canada and South Africa.⁴ A mixed type of civil society, prevalent in Eastern

Table 1 Survey respondents' views of transparency and corruption among CSOs (%)¹

	<i>Public availability of general information about CSOs</i>	<i>Financial transparency of CSOs</i>	<i>Perception of corruption cases among CSOs</i>
Canada	69	64	–
Croatia	39	20	58
Mexico	44	19	84
Pakistan	26	10	83
Romania	62	27	60
South Africa ²	65	46	–
Ukraine	58	26	62
Uruguay	32	11	84

Notes

- Percentage of respondents who held that, for the majority of CSOs in their country, (a) CSOs make information about their general activities publicly available; (b) CSOs make their financial statements publicly available; and (c) there are cases of corruption or self-interest in internal management. For some countries the answer scales had to be adjusted to enable cross-country comparisons.
- In South Africa, respondents were asked about their own organisation, not about CSOs in general. Care should therefore be taken in comparing South Africa with other countries in the table.

Europe and, to a lesser extent, in Mexico, was indicated by perceptions of relatively high levels of transparency and accountability but also perceived mismanagement and corruption. Here, while the influence of foreign donors may have introduced good accountability mechanisms, a donor-driven civil society with weak local roots

Table 2 Comparing corruption in civil society and in the public sector

	<i>Averaged CIVICUS civil society indicators</i>	<i>TI Corruption Perceptions Index 2001 (0 = corrupt, 10 = clean)</i>
Canada	66.5	8.9
Croatia	38.9	3.9
Mexico	48.9	3.7
Pakistan	39.6	2.3
Romania	49.9	2.8
South Africa	55.5	4.8
Ukraine	48.6	2.1
Uruguay	42.3	5.1

Notes

- The civil society column is the average of the three indicators presented in Table 1 (public availability of information, financial transparency, perception of corruption cases).
- Correlation coefficient of the two columns = 0.72.

may have provided incentives for mismanagement and corruption. The third type of civil society can be characterised as grassroots-driven, where less attention is given to accountability and corruption issues. Uruguay and Pakistan appeared to fall into this category.

When the CIVICUS indicators were compared with Transparency International's Corruption Perceptions Index, a relatively strong correlation emerged, which may indicate that similar 'corrupting' factors are at work in civil society as in the state bureaucracy (see table 2). However, the responsibility for ensuring that CSOs are accountable and behave ethically still lies with civil society itself. It is hoped that the CIVICUS Index can be used to track the progress made by civil society actors as they further develop mechanisms to ensure greater transparency and accountability and reduce corruption.

The tools and methodology of the CIVICUS Index are currently being refined and expanded. In 2003, a refined CIVICUS Index will be implemented in up to 25 countries. For this endeavour, CIVICUS is seeking the cooperation of national partner organisations.

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- 1 CIVICUS is an international movement of civil society organisations, with more than 600 members in over 100 countries, promoting stronger citizen participation and a greater role for civil society in governance and development. For more information on CIVICUS, please visit www.civicus.org.
- 2 For more information on the project approach and methodology, see Volkhart Finn Heinrich and Kumi Naidoo, 'From Impossibility to Reality: A Reflection and Position Paper on the CIVICUS Index on Civil Society Project 1999–2001', 2001, available on the CIVICUS website.
- 3 For an elaboration of this problem and of Transparency International's response to it, see Johann Graf Lambsdorff, 'The Transparency International Corruption Perceptions Index 2000 – Framework Document', 2001, available at www.transparency.org/cpi/2000/methodology.html.
- 4 Canadian stakeholders assessed the level of corruption within CSOs as very low. Owing to different question wording and answer categories, this indicator could not be included in the table. In South Africa, the question about corruption was not asked in the survey. Care should be taken in comparing South Africa since respondents there were asked about their own organisation, whereas respondents in other countries were asked about CSOs in general.

Budget transparency in Latin America

Juan Pablo Guerrero and Helena Hofbauer

As part of an international initiative of non-governmental and educational organisations that independently study the budget in their countries (the International Budget Project¹), academic and civic institutions in five Latin American countries came together in 2001 to analyse transparency in government budgets and public spending in Argentina, Brazil, Chile, Mexico and Peru.²

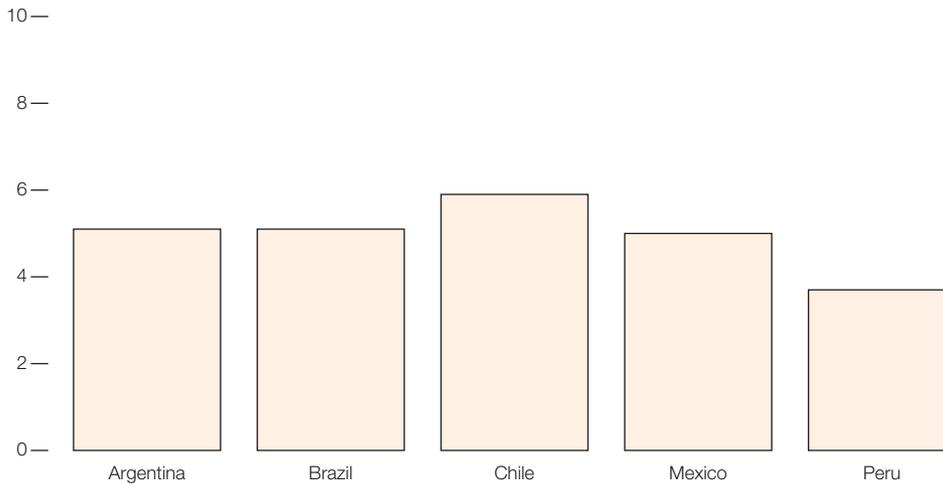
The main objective of the study was to present an Index of Budget Transparency that measured in a comparable form the degree of accessibility and usefulness of the information provided by national governments with respect to finances, revenue and expenditures. The second objective was to generate knowledge about the budget and the importance of transparency. The third objective was to identify the most opaque areas of the budget so that governments could find concrete ways to improve transparency. The study comprised two elements to achieve these multiple objectives:

- ◇ a survey of experts and key users of budget information in each country. The experts included members of the legislature (participants in budget, defence, education and health committees), journalists who write on budget issues for national newspapers or magazines, academics who have published on the budget, and NGOs specialising in budget or transparency issues. The survey included 78 questions that spanned many aspects of the budget: the participation of citizens and the legislature in the budget, transparency in budget elaboration and allocation, budget oversight and auditing, accountability during budget execution and access to budget information.
- ◇ analysis of the legal framework for the budget, prepared by an expert on budgetary issues from each country. The purpose of the analysis was to determine whether a lack of transparency was the result of weak legislation or the deficient application of existing legislation. The analysis involved answering 85 questions on different elements of the budgetary framework.

To gain an overall assessment, experts in each country were asked to score the transparency of their country's budget after completing the questionnaire. None of the five countries scored higher than 5.9 on a scale of 1 to 10, where 10 is 'very transparent', indicating a general lack of budget transparency. With a rating of 5.9, Chile's budget was considered the most transparent. Peru's was seen as the least transparent, with a rating of 3.7 (see the figure).

General index of budget transparency

0 = low, 10 = high



Only in the area of macroeconomic information did more than half the survey participants rate the transparency of their country's budget positively. Responses to detailed questions in the surveys revealed three areas in which budget transparency was particularly weak: citizen participation, accountability and supervision of federal officials (see table 1). These were classified as 'critical areas', since on average fewer than 30 per cent of experts gave positive responses to questions in these areas.

The area rated most 'critical' was citizen participation. Experts were asked whether they agreed with a number of statements including: 'Mechanisms exist, and are known by the public, to incorporate its opinion during the approval of the budget'; and 'In the event that there are substantial changes in the approved budget during its execution, the executive branch sufficiently informs the public about the changes'. Although there is a lack of citizen participation in many countries, the particularly low scores in these five requires a re-examination of the role of citizens, who finance and therefore should benefit from public spending.

The second area classified as 'critical' was accountability. Experts were asked whether they agreed with statements including: 'The purchase prices that the executive pays are public when large amounts of spending are involved'; and 'Data regarding the execution of the expenditures of whatever type of decentralised organisation are included in the reports on the execution of the budget'.

Table 1 **Three ‘critical areas’ of the budget process (% of positive responses to questions)**

	<i>Citizen participation</i>	<i>Accountability</i>	<i>Supervision of federal officials</i>
Argentina	8	25	20
Brazil	11	24	33
Chile	21	39	37
Mexico	8	24	17
Peru	6	19	26

Note

The percentages for each area indicate the average proportion of experts who ‘agreed’ or ‘totally agreed’ with a number of statements. Each statement was worded so that agreement implies high transparency, and disagreement low transparency.

Table 2 **Analysis of the legal framework (scale 0 to 1,000; 1,000 is most transparent)**

	<i>Citizen participation</i>	<i>Accountability</i>
Argentina	667	643
Brazil	167	548
Chile	571	864
Mexico	250	476
Peru	500	429

The third area that was classified as ‘critical’ was supervision of federal officials. Experts were asked whether they agreed with statements including: ‘In the event of an irregularity in the execution of the budget, it is possible to identify those that are responsible’; and ‘A functionary who misuses the budget for his or her own benefit or the benefit of others is penalised’.

The analysis of the legal framework revealed that the deficient application of legislation is a general problem. The ratings given for the transparency provisions of legal frameworks were high relative to the ratings given for the actual level of budget transparency. When the legal frameworks were rated on a scale of 0 to 1,000, where 1,000 implied that there were full provisions for transparency, Chile received the highest average score (770) and Mexico the lowest (507). Table 2 shows the ratings for two elements of the legal frameworks: citizen participation in the budget and budget accountability. Both elements of the legal framework were given relatively high ratings in Chile and Argentina. The gap between the legal framework and the actual implementation of the framework is especially notable in the case of Argentina.

The Index of Budget Transparency will be presented every year, and the 2002 survey will include a larger number of countries.

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or Helena Hofbauer, Fundar (helena@fundar.org.mx)*

- 1 www.internationalbudget.org. For more information on the Latin America study, see also www.transparencia.org.mx/Temas.htm.
- 2 Poder Ciudadano (in Argentina); El Instituto Brasileiro de Analices Sociais e Economicas (IBASE) (in Brazil); El Departamento de Economía de la Universidad de Chile (in Chile); El Centro de Investigación de la Universidad del Pacífico (in Peru); El Centro de Investigación y Docencia Económicas (CIDE); Equidad de Género: Ciudadanía, Trabajo y Familia; and Fundar: Centro de Análisis e Investigación (in Mexico). The technical assistance of Pearson S.A. de C.V. was used to develop the survey.

Corruption and trust in the New Europe and New Russia Barometers

Richard Rose

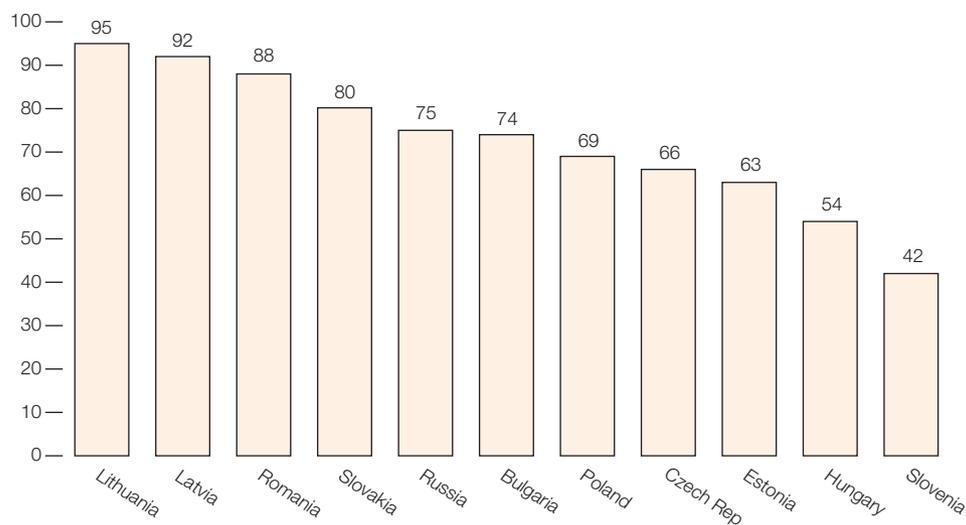
The Centre for the Study of Public Policy at the University of Strathclyde in Britain routinely carries out public opinion surveys aimed at assessing change across the former communist countries of Central and Eastern Europe, including Russia. In 2001, the centre conducted both the New Europe Barometer, a nationally representative survey in the 10 Central and East European countries negotiating membership of the European Union, and the New Russia Barometer. A total of 13,010 persons were interviewed.

The carry-over of communist practices, combined with new opportunities for wealth, make corruption the chief threat to the rule of law in post-communist countries today. When citizens were asked how widespread they think bribery and corruption are among public officials, a majority in all but one country said that 'most' or 'almost all' public officials are corrupt (see figure 1). The perception of corruption was highest in two Baltic states, Lithuania and Latvia. Corruption was not so widely perceived in Estonia or the Russian Federation. Slovenia was exceptional in that more than half its citizens rejected the idea that most officials are corrupt, while in Hungary almost half did so.

To find out how people expect to deal with public officials, the New Europe Barometer asked what people would do if they needed a government permit and, instead of getting a prompt reply, were told to be patient and wait. Only a quarter thought that officials would respond without prodding, while only a fifth thought that writing a letter or making a phone call as a reminder would be sufficient to get action. A substantial proportion thought the only way to obtain what they wanted was to go outside the law (see figure 2). One in four said they would use connections to get things done, one in eight would offer cash, and 6 per cent would simply do what they wanted without bothering to get a permit. In Latvia, Lithuania, Romania and Slovakia a majority was ready to go around the law to get things done. In Poland, the Czech Republic and Slovenia there were relatively high expectations that public officials would do what they were supposed to without the need to invoke connections. The use of connections to bypass the law is a reminder that social capital networks that are said to promote civic democracy can also be used to promote 'uncivil' corruption.

Corruption and crime, combined with the legacy of despised communist rulers, generate widespread civic distrust. The society of the communist era, in which individuals sought to insulate themselves from government through trusted face-

Figure 1 Perceptions of corruption among public officials (%)



Note

Figure indicates the proportion of interviewees who said that 'most' or 'almost all' public officials in the country are corrupt.

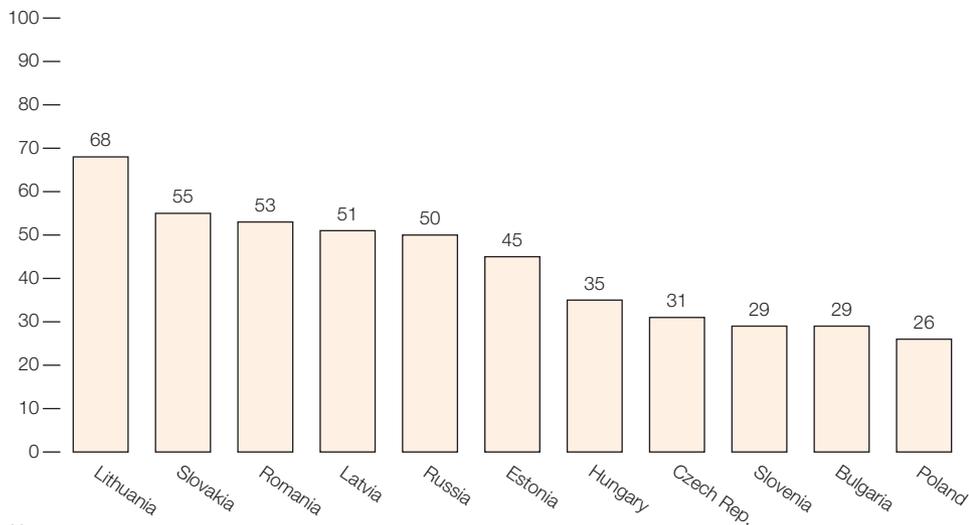
to-face relations, remains important today. Most citizens do not trust civil society institutions to act on their behalf in holding government accountable. Instead, they look to informal friendship networks to protect them from all types of political and social institutions.

When the New Europe Barometer asked whether people trusted or distrusted a dozen different institutions, ranging from the army and police to television and trade unions, only 30 per cent on average showed trust. Distrust was greater for governmental than non-governmental institutions (such as the media, churches and trade unions). Only 28 per cent trusted the police and 25 per cent trusted the courts. These figures reflect popular suspicions that the police collude with criminals, rather than fight them.

Trust in political parties was lower than in any other public institution; in Central and Eastern Europe as a whole, only one in eight trusted parties and only one in seven positively trusted their members of parliament. In Russia trust in politicians was lower still: only 7 per cent of Russians trusted parliament and 7 per cent trusted parties. It is telling that Boris Yeltsin and Vladimir Putin were both elected president by running as independents.

In contrast, 64 per cent positively trusted most people they knew. The contrast between interpersonal trust and civic distrust was especially great in the three Baltic states and in Russia (see figure 3). In every country the proportion

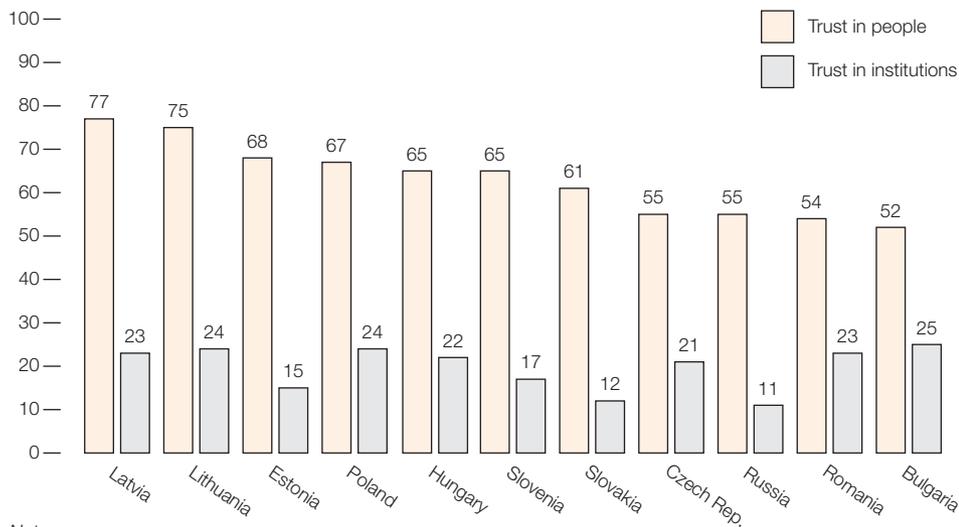
Figure 2 **Citizens willing to break the law to get things done (%)**



Note

The figure indicates the proportion of interviewees who, when asked what they would do if they needed a government permit but were told by an official to wait, said they would 'offer a tip', 'use a connection' or 'act without the permit'.

Figure 3 **Comparing trust in people with trust in institutions (%)**



Note

'Trust in people' indicates the proportion of interviewees who said they trust most people they know. Interviewees were also asked whether they trust 12 different social and political institutions – 'trust in institutions' is the average proportion of interviewees who said they did.

trusting people they knew was double or triple those trusting major institutions of society.

In such circumstances, people will readily help one another but are hesitant about trying to make distrusted democratic institutions work. Furthermore, inasmuch as citizens perceive public officials to be helping each other to obtain lucrative contracts and maintain expensive lifestyles, ordinary people are encouraged to help themselves get what they want from government. If following the rules does not work, they may well resort to cajolery, connections or cash.

For more information about the surveys, see www.cspp.strath.ac.uk.

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Public opinion of corruption in Latin America

Marta Lagos

Latinobarómetro is an annual public opinion survey carried out in 17 Latin American countries by the NGO Corporación Latinobarómetro.¹ There are approximately 1,000 respondents in each national representative sample. One of the core areas of the survey is corruption, both perceptions of its extent and people's actual experience of it.

In the 2002 survey, corruption was regarded as the most important problem in the region by 11 per cent of respondents, second only to unemployment, which was seen as the most important problem by 26 per cent.

Almost every country in the region was marked by a widespread perception of rising corruption. When asked how they thought the extent of corruption had changed during the previous 12 months, 80 per cent of respondents across Latin America as a whole said that corruption had increased (as shown in table 1, 72 per cent said it had increased 'a lot' and 8 per cent that it had increased 'a little'). In Argentina and Paraguay, 90 per cent or more of respondents said that corruption had increased 'a lot'. Only in Honduras and Chile did fewer than 60 per cent of respondents say this. The perception of change cannot, of course, be equated with the actual level of corruption. In Mexico, where a relatively small proportion stated that corruption had increased, the perception may simply reflect the fact that corruption has long been recognised as a problem.

Every year a large proportion of respondents state that corruption is increasing. Comparing responses in 2002 with those given in 2000 (see final column of table 1), only Honduras and Nicaragua saw a significant fall in the proportion of people who say that corruption is on the rise. In Honduras, only 38 per cent reported a rise in corruption in 2002, compared to 95 per cent in 2000, reflecting the impact on corruption perceptions of the change in government following the 2001 elections.

Respondents were also asked about their actual experience of corruption (see table 2). In the 2002 survey, 27 per cent reported that they or members of their families had had direct experience of corruption during the previous 12 months. In 14 of the 17 countries, the proportion that reported direct experience of corruption was between 13 per cent and 31 per cent, with the lowest proportions in Chile and Uruguay. The three striking exceptions, in which the proportion ranged between 41 per cent and 61 per cent, were Brazil, Mexico and Nicaragua.

As a third indicator of corruption, Latinobarómetro asked respondents to estimate what proportion of civil servants are corrupt (see table 3). Across Latin

Table 1 Perception of change in the level of corruption (%)

	2000 – Corruption increased ...		2002 – Corruption increased ...		Change: 2000 'increase' to 2002 'increase'
	a lot	a little	a lot	a little	
Argentina	87	5	90	3	+ 1
Bolivia	83	8	80	8	- 3
Brazil	85	5	78	6	- 6
Chile	60	15	58	13	- 4
Colombia	80	9	85	4	0
Costa Rica	89	5	83	6	- 5
Ecuador	87	5	82	9	- 1
El Salvador	72	14	74	7	- 5
Guatemala	63	13	84	5	+ 13
Honduras	91	4	27	11	- 57
Mexico	56	19	61	14	0
Nicaragua	92	2	65	5	- 24
Panama	72	11	79	10	+ 6
Paraguay	92	2	95	3	+ 4
Peru	56	18	62	10	- 2
Uruguay	62	20	63	19	0
Venezuela	54	11	73	7	+ 15
South America & Mexico	72	11	74	9	0
Central America	80	8	69	7	- 12
Latin America	75	10	72	8	- 5

Note

The question asked was: 'Do you think corruption has "increased a lot" or "a little"; "decreased a lot" or "a little"; or "remained the same" in the last 12 months?'

America as a whole, 71 per cent of civil servants were regarded as corrupt. The perception of widespread corruption in the public administration is notable, given that only about a quarter of respondents report direct experience of corruption. It is possible that the perception of corruption among civil servants reflects not just the extent of corruption, but also the degree of social and economic inequality; that civil servants have greater access to social and economic goods than the rest of the population. Even in Chile and Uruguay, where the proportion of corrupt civil servants was perceived to be lowest and where there was relatively little reported experience of corruption, as many as 50 per cent of civil servants were perceived to be corrupt.

In Argentina, which was marked by economic crisis and civil unrest during 2001–02, a greater proportion of civil servants were perceived to be corrupt (89 per cent) than in any other country in the region in 2002. Argentina also saw the largest increase in this proportion from the 2001 survey, in which only 76 per cent of civil servants were perceived to be corrupt, even though there was minimal change

Table 2 **Direct experience of corruption (%)**

Argentina	25	Mexico	59
Bolivia	20	Nicaragua	41
Brazil	61	Panama	23
Chile	13	Paraguay	22
Colombia	19	Peru	25
Costa Rica	24	Uruguay	13
Ecuador	21	Venezuela	27
El Salvador	16	South America & Mexico	27
Guatemala	31	Central America	26
Honduras	23	Latin America	27

Note

Proportion of respondents who stated that they or somebody in their family had had direct experience of corruption in the last 12 months.

Table 3 **Proportion of civil servants perceived to be corrupt (%)**

Argentina	89	Mexico	77
Bolivia	76	Nicaragua	68
Brazil	61	Panama	71
Chile	48	Paraguay	74
Colombia	78	Peru	67
Costa Rica	58	Uruguay	52
Ecuador	85	Venezuela	67
El Salvador	74	South America & Mexico	71
Guatemala	79	Central America	71
Honduras	74	Latin America	71

Note

Proportion of public employees that are perceived to be corrupt.

between 2001 and 2002 in the proportion of respondents who reported direct experience of corruption (25 per cent).

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¹ For more information, see www.latinobarometro.org.

Corruption in Balkan countries

Martin Dimov

Two independent, representative surveys of corruption in the Balkan region were conducted in February 2001 and February 2002 by the Southeast European Legal Development Initiative (SELDI).¹ The surveys were administered in seven countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Romania and Yugoslavia (with Serbia and Montenegro also examined separately). Sample sizes were greater than 1,000 for each country.

Although respondents noted a range of serious social and economic problems in their countries, including unemployment and poverty, corruption was perceived to be one of the foremost problems. Its continuing prominence suggests that the public has not yet seen tangible results from anti-corruption campaigns.

Questions on people's attitudes to corruption indicate that corruption is not tolerated in the Balkan region. This is particularly true in Bulgaria. Tolerance of corruption is somewhat greater in Serbia, Bosnia and Herzegovina and Croatia. On a scale of 0 to 10, where 0 means low tolerance, the 'acceptability in principle' index value in Bulgaria in 2002 was 1.4, whereas in each of Serbia, Bosnia and Herzegovina and Croatia it was 2.0 or more.

Across the whole region, however, in spite of a low tolerance of corruption, citizens reported engaging in corrupt behaviour. The surveys suggest that engaging in corrupt behaviour is motivated by consciously pursued gains. Reasons given tend to be individual economic or institutional interests or even practical necessity, rather than extortion by 'corruptive agents' in the public sector. The 'corruption pressure' index reveals relatively low levels of extortion by public officials (between 1.4 and 4.3 out of a maximum of 10). Comparing results in 2001 and 2002, it appears that the level of extortion has risen in Macedonia (with a 0.6 rise in the index value) and in Bosnia and Herzegovina (with a rise of 0.5).

The surveys indicate that corruption is sustained by a fairly small section of the population. In most of the countries surveyed there has been a decline in the proportion of respondents who report personal involvement in corruption (see figure 1, in which 0 is the lowest level of corruption and 10 the highest). The change is most striking in Albania, where the index value fell by almost a full point between 2001 and 2002 (from 2.8 to 2.0). Over the same time period, however, the index value doubled in Macedonia, where political instability and mounting ethnic tension may have affected people's inclination to resort to corruption.

Perceptions of the extent of corruption among public sector employees (see figure 2, in which 0 is the lowest level of corruption and 10 the highest) are much

Figure 1 Actual involvement in corrupt practices
0 = low; 10 = high

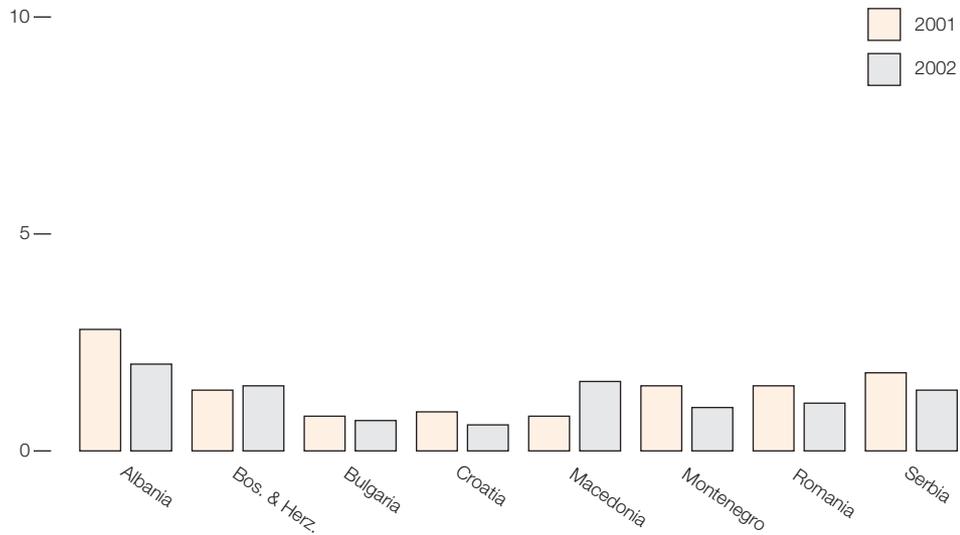
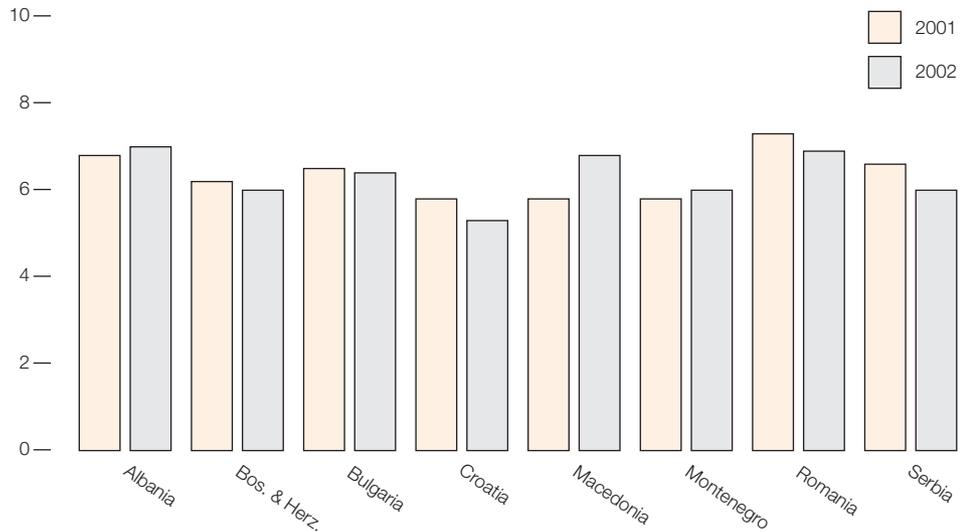


Figure 2 Perception of the extent of corruption among public sector employees
0 = low; 10 = high



Perceptions of corruption among different occupational groups (%)

	Albania 2001	Bosnia & Herz. 2001	Bulgaria 2001	Macedonia 2001	Romania 2001	Croatia 2001	Serbia 2001	Montenegro 2001
Customs officers	87	90	75	72	63	51	81	62
Lawyers	71	59	53	42	55	45	56	37
Public prosecutors	71	64	51	39	49	30	57	33
Judges	80	74	50	49	56	38	64	38
Tax officials	79	80	54	52	49	41	64	47
Investigating officers	53	51	44	30	45	28	57	33
Members of parliament	62	60	52	61	66	33	46	31
Officials in ministries	66	66	50	48	55	47	56	43
Police officers	56	66	54	46	64	47	73	51
Doctors	72	61	44	45	54	53	63	45
Ministers	68	77	55	61	58	37	55	42
Political party and coalition leaders	55	44	44	45	54	39	58	41
Businesspeople	43	39	41	34	41	41	64	50
Administrators in the judicial system	63	61	40	31	52	33	50	33
Municipal officials	69	64	42	37	48	48	60	47
Local political leaders	50	43	37	39	48	42	57	42
Municipal councillors	55	56	46	33	43	28	45	31
Bankers	24	18	32	20	45	34	49	35
University officials or professors	46	32	36	43	25	40	39	26
Representatives of NGOs	23	16	24	17	18	14	26	30
Journalists	19	15	14	17	22	23	34	36
Teachers	12	10	22	19	20	19	29	18

Note

Percentage of people saying 'almost all of them are involved' or 'most of them are involved'.

higher than people's own experience of corruption. In most countries in the region there has been a slight change in a favourable direction in people's perceptions. The exceptions are Albania, Macedonia and Montenegro, where perceptions of the rate of corruption rose in the year from 2001 to 2002.

Perceptions of the extent of corruption among different occupational groups are compared in the table. Notwithstanding some differences between countries, it appears that corruption is more common among certain occupational groups: customs officers, those engaged in law enforcement and the administration of justice (judges, prosecutors, investigators), and, with some exceptions, representatives of the executive. There was variation across the region in perceptions of corruption among doctors and police officers; in Serbia and Montenegro they were ranked among the most corrupt professional groups, whereas they tended to be placed in the middle of the ranking in the remaining countries. Among the occupations perceived to be the least corrupt in all the countries surveyed were journalists, teachers and non-governmental organisation (NGO) representatives.

- 1 SELDI was launched in 1998. It was initiated by the Center for the Study of Democracy (Bulgaria) and the International Development Law Institute (Italy). SELDI brings together various government organisations and experts from different countries of Southeast Europe. See www.seldi.net.

Controlling corruption through high wages

Rafael Di Tella and Ernesto Schargrodsky

One policy proposal to combat corruption is to increase wages in the civil service. The idea is theoretically appealing because the temptation to accept a bribe should be lower if one risks losing a high-paying job. However, the hypothesis that high wages are associated with low corruption levels has so far largely failed to find empirical support in studies that use data across countries.¹

A potential reason for this is the difficulty of isolating all the relevant forces with the data available. There may be variables that should be taken into account but for which no good country-level data can be produced. One such variable is auditing intensity (table 1 sets out the expected effects). It is expected that if there are no audit controls, civil servants will tend to be corrupt regardless of the wage they receive. In contrast, if there are intense controls civil servants will tend to be honest, even if wages are low. Studies that do not take into account differences in auditing intensity tend to reject the hypothesis that high wages reduce corruption, even if it is in fact true for countries with intermediate levels of auditing.

A policy experiment in Buenos Aires in 1996–97 allowed the link between wages and corruption to be examined in a situation where the intensity of audit controls could also be taken into account.² In August 1996, following allegations of widespread corruption under the previous administration, the newly elected city government gathered data on the prices paid by all public hospitals in the city for a number of basic supplies, such as ethyl alcohol and hydrogen peroxide. These are homogeneous inputs, so variations in prices could not be attributed to officers legitimately buying products of higher quality. Observing variation in the prices paid (an indicator of corruption), the city government embarked on an anti-corruption crackdown with close monitoring of hospital procurement.

Subsequent analysis showed that prices fell by an average of 15 per cent following the introduction of the monitoring policy. As in previous, informal accounts of

Table 1 **Expected effects**

	<i>Intensity of audit controls</i>		
	<i>Low</i>	<i>Intermediate</i>	<i>High</i>
Expected level of corruption	High	Medium	Low
Expected effect on corruption of raising wages	No change	Fall in corruption	Little change

Table 2 **Observed effects**

	<i>Intensity of audit controls</i>		
	<i>Before crackdown (low audit intensity)</i>	<i>Beginning of crackdown (high audit intensity)</i>	<i>End of crackdown (intermediate audit intensity)</i>
Prices paid for hospital inputs	100 ¹	85	90
Effect of wages on prices	0	0	-0.2 ²

Notes

1 Price index = 100 for the pre-crackdown period.

2 This means that prices fall by 0.2% for an increase of 1% in wages.

corruption crackdowns, the estimated effects of the policy fell over time as the intensity of auditing inevitably waned. After nine months, the average prices paid by procurement officers crept back up, but were still 10 per cent lower than during the pre-crackdown levels. Since the prices of these homogeneous inputs responded to the anti-corruption initiative, they can be taken as a reasonable proxy for the level of corruption.

Taking into account the change in audit intensity over time, the link between officials' wages and corruption was assessed using the prices paid for hospital inputs as the measure of corruption. Relative to the pre-crackdown period, the effect of wages on input prices was negative but insignificant during the first phase of the crackdown, when audit intensity was likely to have been at its greatest. The effect was larger (more negative) later in the crackdown, when the monitoring intensity can be expected to have been higher than in the pre-crackdown period but lower than during the initial phase. Table 2 summarises the findings. Given the volume of purchases made by these hospitals, estimates for the later stage of the crackdown suggest that anti-corruption wage policies would be cost effective even if the cost of auditing the procurement officers were implausibly large.

This analysis provides empirical evidence that 'carrots' and 'sticks' should be viewed as complementary tools in fighting corruption. The degree of audit intensity (the 'stick') is crucial for the effectiveness of anti-corruption wage policies (the 'carrot'). On the one hand, exclusive emphasis on wage raises may be misplaced, as such policies only work if there are audit policies in place. On the other, exclusive emphasis on auditing may be difficult to sustain over time.

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1 See, for example, J. Rauch and P. Evans, 'Bureaucratic Structure and Bureaucratic Performance in Less Developed Countries', *Journal of Public Economics*, no. 75/1 (2000); and D. Treisman, 'The Causes of Corruption: a Cross-national Study', *Journal of Public Economics*, no. 76/3 (2000). See also, however, C. Van Rijckeghem and B. Weder, 'Bureaucratic Corruption and the Rate of Temptation: Do Wages in the Civil Service

Affect Corruption, and by How Much?', *Journal of Development Economics*, no. 65/2 (2001), in which there is a smaller sample of countries.

- 2 The research is presented more fully in Rafael Di Tella and Ernesto Schargrotsky, 'The Role of Wages and Auditing during a Crackdown on Corruption in the City of Buenos Aires', forthcoming in *Journal of Law and Economics* (April 2003).

Wages and corruption: the case of Madagascar

Mireille Razafindrakoto and François Roubaud

The findings of successive household surveys have shown a strong negative correlation between civil servant wages and levels of petty corruption in Madagascar. The surveys were conducted as part of the MADIO (Madagascar-Dial-Instat-Orstom) project, which was designed in 1994 to analyse the island's transition from a socialist regime to a democratic market economy.

The project was implemented at Madagascar's national statistics office in partnership with the IRD,¹ a Paris-based research institution specialising in international development, and DIAL,² a centre for research on economic development. The MADIO team first attempted to measure corruption through a household survey in 1995. The survey was repeated in 1998 and a corruption 'module' has been included in the annual labour force survey since 2000.

Of the five standardised questions in the survey, four deal with objective indicators (personal experience of corruption, types of corruption, the public services involved and direct monetary cost). The fifth concerns the evolution of perceived corruption over the year.

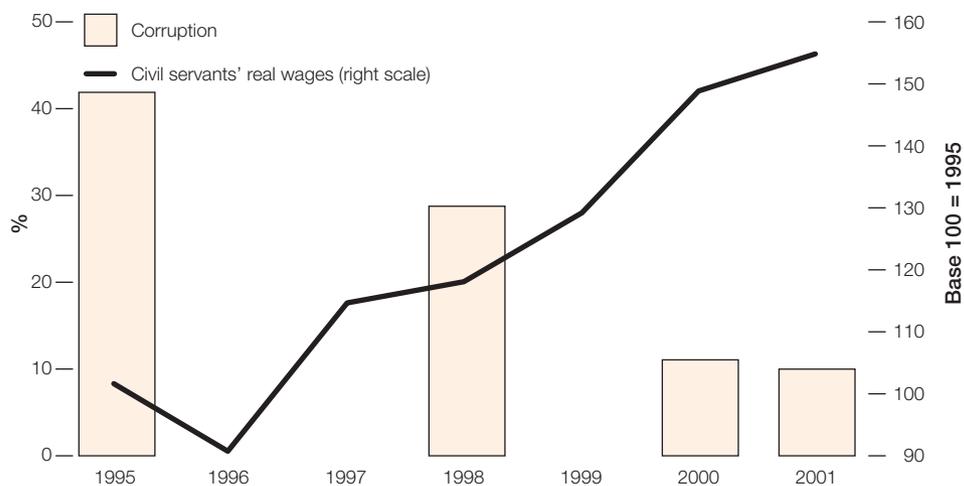
In terms of methodology, MADIO demonstrated that household surveys could be a useful tool in monitoring petty corruption and formulating policy.³ The objective measurements of corruption yield indicators that are comparable over time and more reliable than subjective ones, which are volatile and sensitive to individual perceptions.

Furthermore, since the survey employed large and representative samples of the population, the results can be disaggregated according to different categories.⁴ Disaggregation helps to demonstrate that the incidence of corruption may not be uniform among disparate social groups. Results of the 2000 survey show that 9 per cent of households in the poorest quartile of the population were victims of corruption, compared with 16 per cent among the wealthiest quartile.

Disaggregated survey results also show that corruption affects all sectors of the population: in 1998, 29 per cent of the urban population, 20 per cent of rural households and 36 per cent of industrial operators were victims. More than 90 per cent of the inhabitants surveyed – including civil servants – saw an urgent need to combat corruption.

While the role of civil servant pay has been a controversial issue in debates about the causes of corruption, empirical evidence from the surveys highlights *a strong negative correlation between the level of corruption and state employee wages*. The

Civil servants' wages and corruption levels in Madagascar, 1995–2001



Note

The corruption figures are an objective indicator, reflecting the percentage of victims of corruption during the previous year. The corruption module was not included in the survey in 1996, 1997 or 1999.

survey results show a steep and continuous decrease in the incidence of petty corruption, from 42 per cent in 1995 to 11 per cent and 10 per cent in 2000 and 2001, respectively. At the same time, wages increased by 50 per cent in real terms from 1995 to 2001 (see figure). This relationship cannot be formally tested because the time series are too short and because other factors (such as inflation rates and political stability) may also influence corruption. Nevertheless, the performance of the public administration can be argued to be largely dependent on the salaries of its employees. This result contrasts with other international findings based on cross-section regressions, which show no significant link between the perception of corruption and civil servant wages.

If confirmed on a larger sample, the new finding could have important implications for administration reform in less developed countries. It could also help explain the failure of the first generation of civil service reform, which has been characterised by severe cuts in public wages.

By the end of 2001, the MADIO surveys had been adapted and launched in the capitals of seven West African countries (Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal and Togo) by their respective national statistical offices, with the support of AFRISTAT⁵ and DIAL. In 2002–03, the survey will also be adapted to the five countries of the Andean Pact (Bolivia, Colombia, Ecuador, Peru and Venezuela).

For more information on the MADIO project, please see www.dial.prd.fr.

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- 1 Institut de recherche pour le développement.
- 2 Développement et insertion internationale.
- 3 Only petty corruption can be measured by household surveys. Other instruments (such as enterprise surveys and public finance audits) can be used to track grand corruption.
- 4 In 1995, 1,000 households were surveyed; 6,000 households were surveyed in 2000 and 2001.
- 5 Observatoire économique et statistique d'Afrique subsaharienne.

Gender and corruption

Stephen Knack and Omar Azfar

Several Latin American cities, including Lima and Mexico City, have replaced male traffic police with women in an attempt to reduce the prevalence of police stopping law-abiding motorists solely to solicit a bribe. There is strong evidence to suggest that **women are less tolerant of soliciting bribes** and that policies that increase women's role in public life reduce graft.¹

The table, based on data from the World Values Survey, summarises more than 50,000 responses from several dozen nations to questions about the acceptability of various types of behaviour that inflict costs on others, including bribery. Across a range of issues, a significantly larger percentage of women than men responded for every question that the uncooperative behaviour 'can never be justified.'

The magnitude of these differences is not dramatic, but they are statistically significant even when differences in age, education, employment status and numerous other variables are taken into account. The differences, moreover, are relatively consistent across countries. In 54 of the 61 national surveys conducted between 1981

Gender and socially cooperative attitudes

		% saying the behaviour 'can never be justified'	
		Male	Female
1	Claiming government benefits which you are not entitled to	63.7	67.9
2	Avoiding a fare on public transport	60.3	64.9
3	Cheating on taxes if you have the chance	54.4	61.5
4	Buying something you knew was stolen	72.9	79.5
5	Taking and driving away a car belonging to someone else	83.1	87.2
6	Keeping money that you have found	43.9	51.6
7	Lying in your own interests	45.1	50.9
8	Someone accepting a bribe in the course of their duties	72.4	77.3
9	Fighting with the police	52.0	57.1
10	Failing to report damage you've done accidentally to a parked vehicle	61.8	67.6
11	Throwing away litter in a public place	69.1	74.4
12	Driving under the influence of alcohol	74.2	83.4

Note

Data are pooled from 61 national surveys. Sample sizes vary between 52,107 and 83,532. All differences are significant at the .0001 level.

and 1990, women were more likely than men to say that accepting bribes could 'never be justified'.

Modest differences in attitudes towards bribery do not necessarily imply that raising women's profile in public life will affect corruption levels. This question is better addressed using cross-country data. Regression analyses using the Graft index from Kaufmann et al. (1999) showed that a larger share of women in parliament, in ministerial and sub-ministerial positions or in the labour force were each associated with significantly reduced corruption levels.² These tests controlled for a host of other factors linked in other studies to corruption, including per capita income, education, political liberties, colonial heritage and religious composition.

While the Kaufmann et al. index has the broadest cross-country coverage among existing corruption indicators, it is available only for the post-1998 period. The International Country Risk Guide corruption index³ was therefore also used to conduct stronger tests examining changes between 1982 and 1997 in corruption and in women's participation. Countries with larger increases in women's participation had significantly larger reductions in corruption over the period, controlling for income growth and changes in political liberties.

It is possible that part of the association between gender and corruption reflects reverse causality. Corruption might lower the number of women in government: if women are more averse to corrupt behaviour, as indicated by the survey data, they might be less inclined to become government officials in more corrupt countries. While some reverse causation certainly cannot be ruled out, this argument cannot explain why a higher share of women in the labour force is also associated with lower corruption.

It is also possible that these effects are transitory and that, with modernisation, convergence in sex roles and socialisation processes will reduce gender gaps in tolerance of dishonest behaviour. However, gender gaps in tolerance of bribery are not systematically larger among countries with low income or education levels.

Findings from this study provide an additional justification for policies aiming at increasing the role of women in politics and business. Proposals to reserve for women a certain number of seats in parliament or positions in the civil service are generally advocated to improve the well-being of women. However, if such proposals also reduce corruption, they may also indirectly improve men's well-being, because numerous studies link reduced corruption to better economic performance.

These results show the impact on corruption of more women in the labour force and in parliament, and do *not* necessarily imply that corruption will be reduced where individual women emerge as heads of large corporations, political parties or governments. The selection process for these top-level positions is likely to have strong homogenising effects, with little difference on average in attitudes between men and women who rise to the very top of the hierarchy. Corruption scandals involving female party or government leaders in recent years in

India, Turkey, Pakistan and the European Commission are consistent with this cautionary note.

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- 1 For more on the evidence presented here, see A. Swamy, S. Knack, Y. Lee and O. Azfar, 'Gender and Corruption', *Journal of Development Economics*, no. 64 (February 2001).
- 2 D. Kaufmann, A. Kraay and P. Zoido-Lobaton, 'Aggregating Governance Indicators', World Bank Policy Research Working Paper no. 2195, 1999.
- 3 This index reflects not only observed levels of corruption but also corruption anticipated from governments that have been in power for a long time. Although imperfect, it is the only corruption indicator with good data coverage over time.

The governance of corruption: a survey of current business practice

Karina Litvack and Robert Barrington

The current business environment is changing to reflect both stricter anti-corruption legislation and heightened expectations on the part of a range of stakeholders, including shareholders. Fund management company ISIS Asset Management (formerly Friends Ivory & Sime) carried out a study in 2001–02 to investigate how businesses are facing up to the risks posed by operating in corrupt environments, with a view to enabling shareholders to gauge the strength of internal risk controls and disclosure practices.¹

ISIS surveyed 82 companies (the ‘companies surveyed’) from its pan-European portfolios, with specific questions regarding policies and practical operational procedures. The study raised serious concerns about how companies are managing the risk of bribery and corruption.

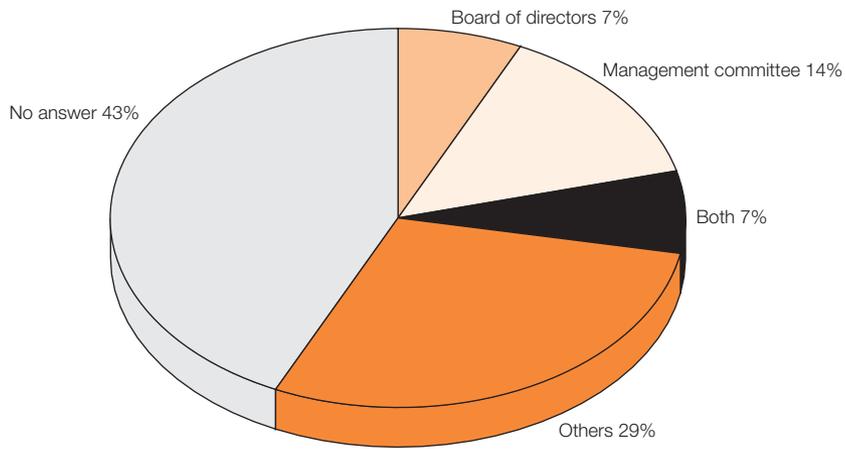
The study achieved a 67 per cent response rate (the ‘respondents’). A further 20 per cent of the companies surveyed positively declined to respond, sometimes on the grounds that it was against company policy to divulge information of this kind, while 13 per cent did not respond at all. A number of companies were unwilling to make their codes of conduct available because they considered the information commercially sensitive.

Eighty-seven per cent of respondents stated that they had a formal written policy or code of conduct on combating bribery and corruption. However, this represents only 59 per cent of the total number of companies surveyed, raising questions about the 33 per cent of non-respondents.

Closer inspection of the codes and of the practical measures taken to implement them revealed alarming deficiencies. The findings suggested that the majority of companies might be relying on the presence of a code alone to ensure sufficient protection against corruption. Moreover, awareness and understanding of codes may not reach beyond head office level.

When asked who was responsible for enforcing codes of conduct, 42 per cent of the respondents said that responsibility lay with ‘others’ beyond the board of directors or management committee, and a further 16 per cent gave no answer (see figure 1). A considerable number of companies in the ‘others’ category noted that responsibility lay with ‘individual managers’, indicating that no one department had specific responsibility for enforcing the anti-corruption code of conduct. Lack of clarity in this regard is particularly alarming, since it undermines accountability for the implementation of the policy, allowing managers to ‘pass the buck’ from department

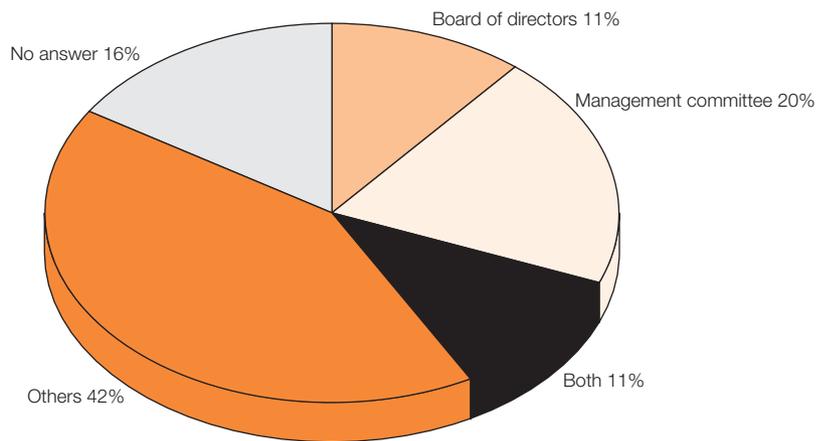
Figure 1a **Responsibility for enforcing codes of conduct (total sample)**



Note

The 'no answer' category includes both companies that had no code of conduct and companies that chose not to answer the question even though they did have a code of conduct.

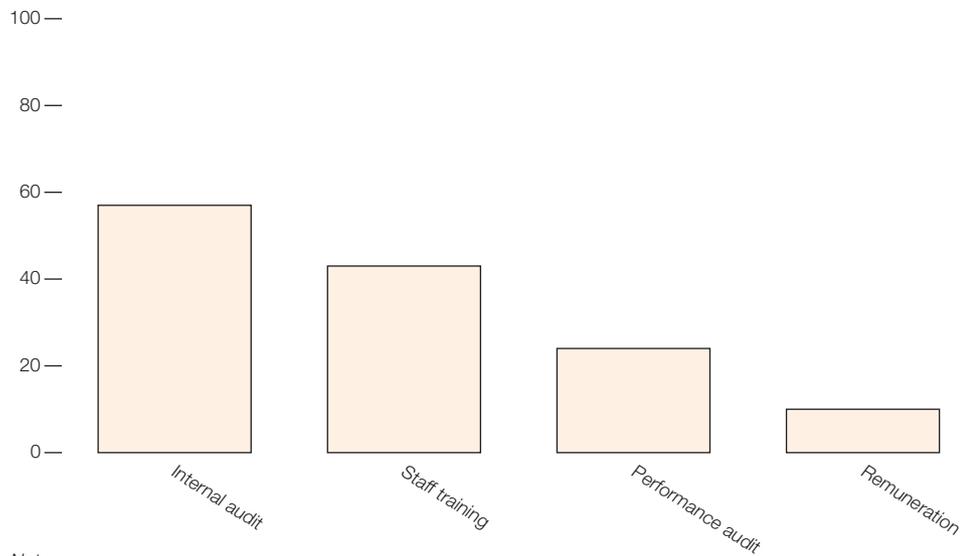
Figure 1b **Responsibility for enforcing codes of conduct (respondents only)**



Note

The 'no answer' category includes both companies that had no code of conduct and companies that chose not to answer the question even though they did have a code of conduct.

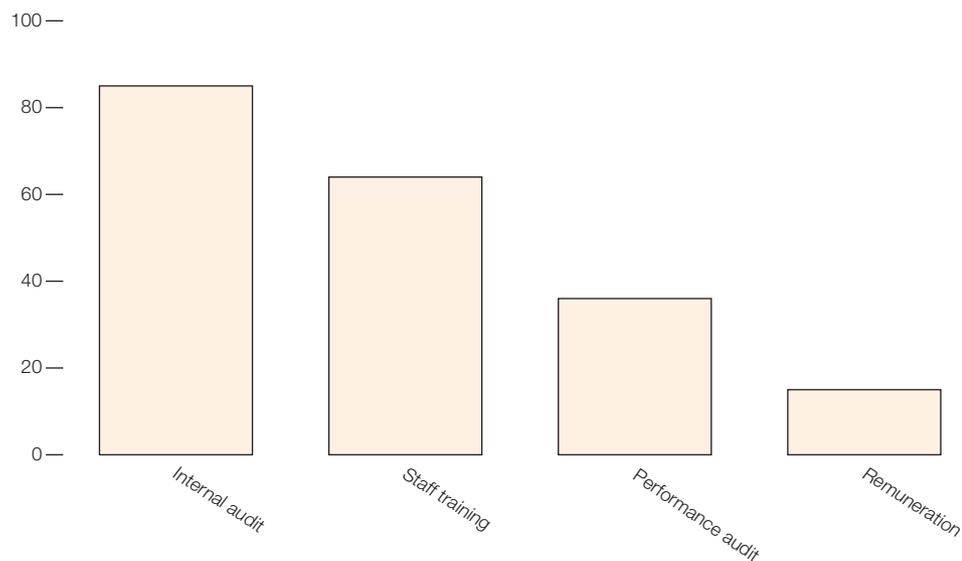
Figure 2a **Implementation of anti-corruption measures, % (total sample)**



Note

Percentage of the total sample that answered 'yes' to the question: 'Do you integrate anti-corruption measures in ...'

Figure 2b **Implementation of anti-corruption measures, % (respondents only)**



Note

Percentage of the total sample that answered 'yes' to the question: 'Do you integrate anti-corruption measures in ...'

to department and making it hard for individuals to be certain of their specific responsibilities.

Eighty-five per cent of the respondents used their internal auditing system to supervise and enforce anti-corruption policies (see figure 2). As a proportion of the entire sample of companies surveyed, this is only about half, again raising questions about the quality of implementation among non-responding companies. Staff training was cited as a method for embedding proper practice in the organisation by only 64 per cent of respondents. A mere eight companies were experimenting with performance and remuneration techniques that place corruption at the core of their management evaluation policy.

Just under half of the respondents reported having a whistleblower protection policy, and closer analysis revealed varying degrees of commitment to it. While a number of companies went to great lengths to ensure the policy had a high profile within the company and to guarantee the confidentiality of any information given, others appeared to do little more than state that whistleblowers are protected.

The survey suggested to ISIS that, as a shareholder, it needed to engage both respondents and non-respondents to help define and promote good practice. ISIS therefore launched an engagement programme with a focus on spreading good practice in the area of bribery and corruption.

A copy of the full study can be downloaded from the website: www.isisam.com/FIS/PDFs/1/Bribery_and_Corruption_130202.pdf.

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1 The study was carried out in collaboration with the Prince of Wales International Business Leaders Forum.

Governance and growth in the very long run: updated indicators, new results

Daniel Kaufmann and Aart Kraay¹

Per capita income and the quality of governance are strongly positively correlated across countries. This can be seen in the figure, which plots two measures of governance on the horizontal axis ('control of corruption' in the upper panel and the protection of property rights, or 'rule of law', in the lower) against real per capita gross domestic product (GDP) – adjusted for differences in purchasing power – on the vertical axis.

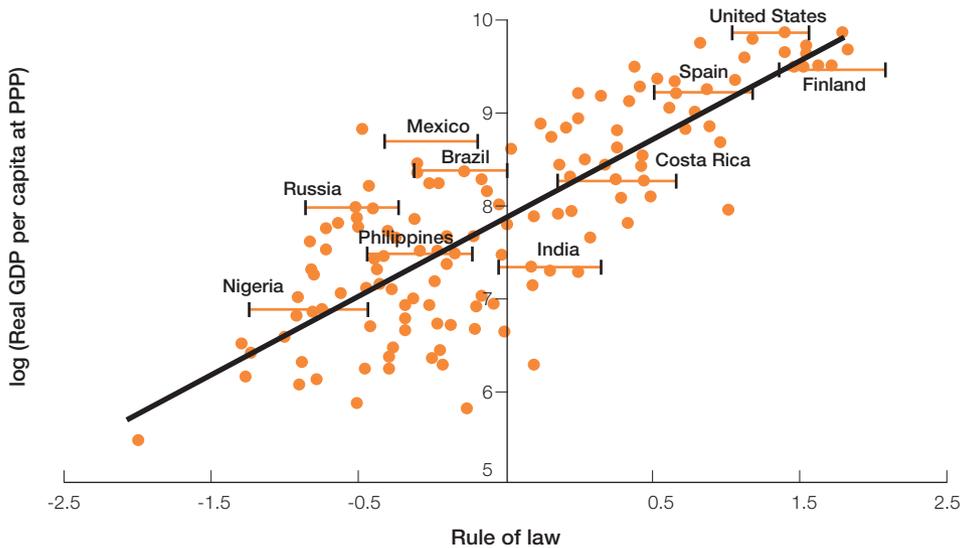
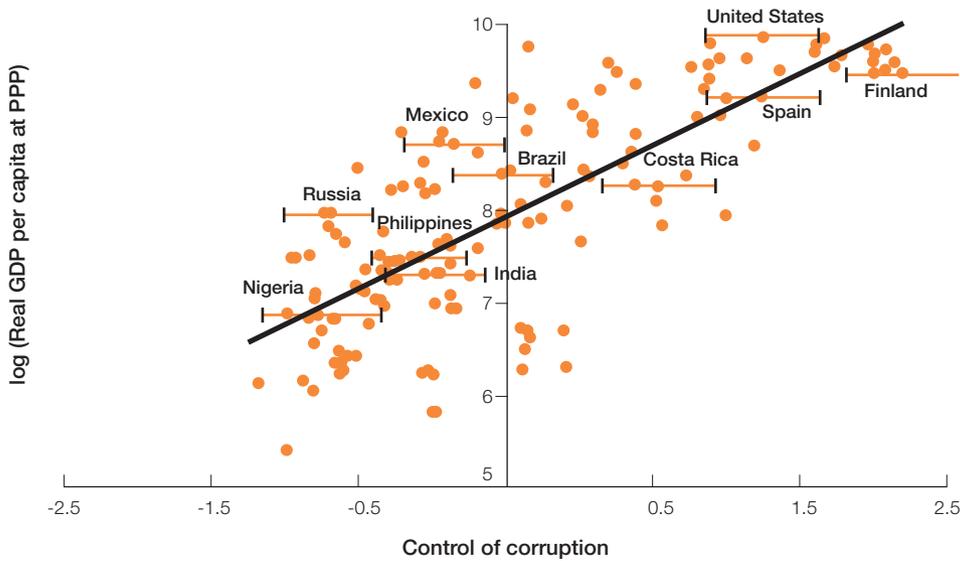
The measures of governance are two of a set of six composite governance indicators, first constructed by World Bank researchers in 1997–98 and recently updated to cover 170 countries for the period 2000–01.² These composite indicators are based on over 190 measures of perceptions of governance compiled by 17 organisations worldwide. The six dimensions are: control of corruption, rule of law, government effectiveness, voice and accountability, regulatory quality and political stability.

One of the key innovations in these governance measures is that they are accompanied by statistically sound margins of error for individual country estimates. In the figure, the margins of error for selected countries are shown as horizontal bars on either side of the countries' estimated values. An important qualification to keep in mind when using these or other measures of governance is that the margins of error are substantial. As shown in the figure, the statistically likely range of values for many pairs of countries overlap (such as Nigeria and Russia, or Spain and the United States), indicating that one should be cautious in ascribing much significance to differences in the reported estimates of governance for such pairs of countries.

What might explain the strong positive correlation between per capita income and the quality of governance? Logically there are three complementary possibilities: (1) better governance exerts a powerful effect on income; (2) higher income leads to improvements in governance; and (3) there are other factors that both make countries richer and are associated with better governance. Recent research is beginning to shed light on the first two of these possibilities.

Consider first the effect of governance on income. As recently as 200 years ago, per capita income did not differ much between countries. As a result, the wide gaps in per capita income that we see today reflect very different growth rates over the last two centuries. Recent research has attributed much of the difference in very long-run growth to deep historical differences in the quality of institutions.³

Comparing governance and per capita income worldwide



Note

The two panels plot measures of the control of corruption and the rule of law in 2000–01 (horizontal axes) against real per capita GDP in 1995 (vertical axis). The horizontal bars for selected countries indicate the statistically likely range of values for each index for those countries. The governance ratings are based on subjective assessments from a variety of sources, are subject to substantial margins of error and in no way reflect the official view of the World Bank, its executive directors or the countries they represent.

Does causation also run in the opposite direction, from income to the quality of governance? Conventional wisdom holds that it does, on the grounds that richer countries are better able to afford the costs associated with providing a competent public administration, sound rule of law and an environment in which corruption is not condoned. Yet to date, this conventional wisdom has not been subject to much empirical scrutiny. A recent study called this conventional wisdom into question.⁴ A new methodology made it possible to separate out the causal effect of per capita income on governance and evidence was found that per capita income has a negative effect on governance.⁵ However, this effect was small relative to the large positive effect of governance on per capita income, so that overall the correlation between governance and per capita income is positive, as shown in the figure.

This finding has two important implications. First, the strategy of waiting for improvements in governance to come automatically as countries become richer is unlikely to be successful. Second, there is unlikely to be a 'virtuous circle' of better governance improving income, in turn leading to a further improvement in governance, and so on. Together, these two implications point to the fundamental importance of positive and sustained interventions to improve governance in countries where it is weak.

When designing strategies to improve governance, it is important to understand the possible reasons for the negative effect of income on governance. One possible explanation is 'state capture', defined as the illicit influence of the elite in shaping the laws, policies and regulations of the state.⁶ When the institutions of the state are 'captured' in this way, entrenched elites benefit from misgovernance and can successfully resist demands for change even as incomes rise over time. In such an environment, the focus of efforts to combat corruption needs to shift from a narrow emphasis on procedures and compensation within the public administration to a broader agenda of political accountability, transparency, independence of the media and the establishment of effective mechanisms through which public opinion can be heard.

- 1 The views expressed here are the authors' and do not represent those of the World Bank, its executive directors or the countries they represent.
- 2 The updated indicators are available interactively at www.worldbank.org/wbi/governance/govdata2001.htm. For a description of the data sources and methodology, see www.worldbank.org/wbi/governance/pubs/aggindicators.htm; www.worldbank.org/wbi/governance/pubs/govmatters.htm; and www.worldbank.org/wbi/governance/pubs/govmatters2001.htm.
- 3 See, for example, Robert E. Hall and Charles Jones, 'Why Do Some Countries Produce So Much More Output per Worker than Others?', *Quarterly Journal of Economics* 114, no. 1 (1999); and Daron Acemoglu, Simon Johnson and James A. Robinson, 'The Colonial Origins of Comparative Development: An Empirical Investigation', *American Economic Review* (2001).
- 4 See Daniel Kaufmann and Aart Kraay, 'Growth without Governance', *Economia* (2002), available at www.worldbank.org/wbi/governance/pdf/growthgov.pdf.
- 5 In order to identify both directions of causation between per capita income and governance, it is necessary to find exogenous sources of variation in both variables that can be used as instrumental variables. The existing literature has used the exogenous historical determinants of governance to identify the effect of governance on per capita income. However, it is difficult to do the opposite since it is difficult to find convincing, truly

exogenous determinants of per capita income to use as instruments. Instead, this new study used information on the precision of the governance indicators, reflected in the statistically likely ranges discussed above, together with reasonable assumptions on the importance of other variables driving both income and growth, in order to isolate the effects of per capita income on growth.

- 6 Joel Hellman, Geraint Jones and Daniel Kaufmann, 'Seize the State, Seize the Day: State Capture, Corruption and Influence in Transition', *Journal of Comparative Economics* (2002), available at www.worldbank.org/wbi/governance/pubs/seizestate.htm. See also recent evidence from some Latin American countries, available at www.worldbank.org/wbi/governance/tools.htm.

'Second generation' governance indicators

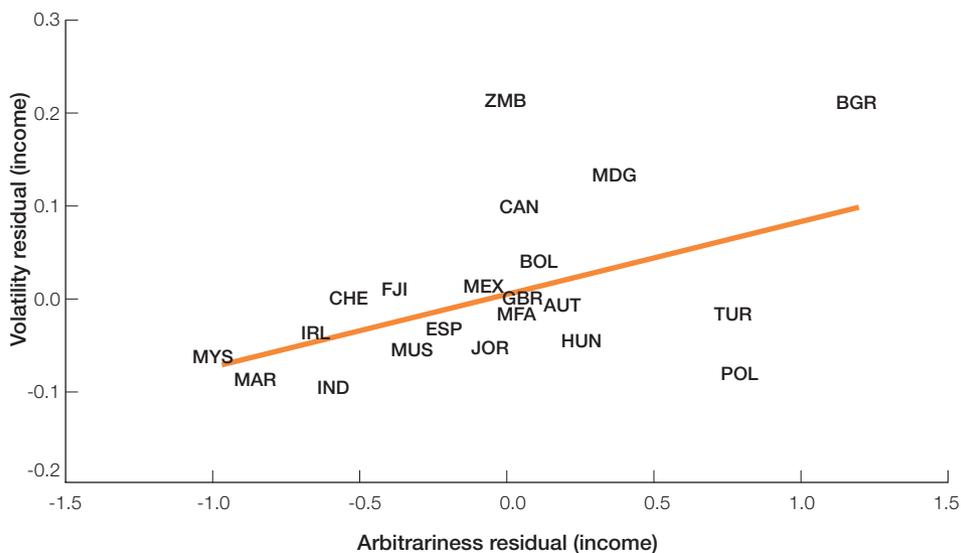
Stephen Knack, Mark Kugler and Nick Manning

So-called 'first generation' indicators of the quality of governance, such as the Freedom House measures of political and civil liberties and TI's Corruption Perceptions Index, have been invaluable in drawing attention to the importance of good governance for development. However, broad indicators such as these have limited utility in pointing to particular public sector reforms; they implicate many institutions and policies at the same time and do not naturally suggest solutions, or who should implement them. A related problem is their lack of country 'ownership' – many developing country governments object to donors' use of indicators constructed from expert or investor perceptions, which label countries as badly governed but provide little indication of what governments can do to improve their scores.

There is now a strong demand, therefore, for a set of 'second generation' governance indicators which should be: (1) more specific in measuring performance or institutional arrangements and (2) more transparently constructed. The indicators should also be available for most developing countries, with institutionalised procedures for regularly updating the data. A World Bank project, supported by the British Department for International Development and building on work by the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee, has been examining potential indicators. The project focuses primarily on identifying indicators that have already been developed for other purposes, but which meet the specified criteria. The aim is to establish a set of indicators for eventual inclusion among the United Nations (UN) Millennium Development Goals.¹

Second generation governance indicators fall into two broad categories: indicators of capacity and indicators of accountability. Capacity indicators measure the ability of governments to execute their functions efficiently (for example, the degree of budgetary volatility). Accountability indicators measure the degree to which government policy reflects the positions advocated by stakeholders (the degree of fiscal decentralisation and the level of delays in the reporting of audits to the legislature).

Some indicators (such as measures of human rights or participatory development) reflect aspects of good governance that are inherently valued. Other indicators may be of interest only to the extent that they can be linked – whether directly or indirectly – to valued development outcomes, an important one being the reduction of corruption. For the latter, the project will empirically test links between the

Figure 1 **Budgetary volatility and arbitrary decision making**

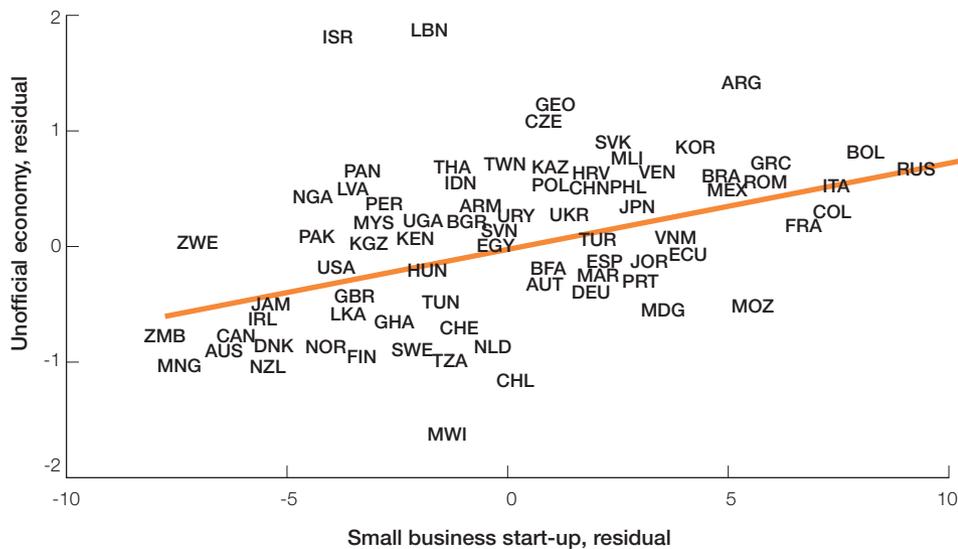
relevant governance indicator and an appropriate 'intermediate' outcome. Two illustrative examples of candidate 'second generation' indicators follow:

1 Budgetary volatility

An important aspect of the quality of government policy is its coherence and predictability. Volatile and unpredictable government policy reduces private investment and can lead officials charged with implementation not to take policy pronouncements seriously. The budget is one key arena in which government policy issues are played out: stable policy should be reflected in stable budget allocations. One proposed 'second generation' indicator is therefore budgetary volatility.

The particular measure proposed uses data on fluctuations in expenditure over a four-year period across the 14 functional classifications of the budget used in government reporting to the International Monetary Fund. If this indicator does in fact reflect an uncertain policy environment, then we would expect it to be correlated with alternative measures of unpredictable policy-making. Consistent with this expectation, figure 1 shows that budgetary volatility tends to be high in the same countries in which businesses report that government policy-making is arbitrary and unpredictable, using data from the World Bank's World Business Environment Surveys. This relationship is not simply capturing differences between rich and poor nations, as per capita income is controlled for in the figure.

Figure 2 **Levels of government regulation and levels of activity in the unofficial economy**



2 Obstacles to business start-ups

The number of procedures and fees incurred in starting new businesses varies dramatically across countries. Excessive government regulation of small businesses tends to increase the share of economic activity in the informal sector, as hypothesised by Hernando de Soto in *The Other Path*, and can enable regulators to collect bribes from potential entrants.

Djankov et al. collected data on the number of procedures that are officially required for a company to operate legally.² Data were also collected on the costs and on the minimum length of time required to complete the process (assuming no delays by government officials). Because costs and time can vary according to factors such as the size of the firm and whether it engages in international trade, information was collected for a hypothetical 'standardised firm' for which these and other firm characteristics were carefully specified, facilitating cross-country comparison.

Figure 2 shows that even when controlling for levels of gross domestic product, inflation, illiteracy and per capita income, there is a strong, positive relationship between the number of procedures required to start a new business and the level of unofficial economic activity.³

As part of the process of building consensus on a set of governance indicators, candidate indicators identified by this project are being posted on a public website

hosted by the OECD Development Assistance Committee:
www.bellanet.org/indicators/info.cfm.

Contact: Stephen Knack (sknack@worldbank.org)

- 1 The UN Millennium Development Goals are a series of commitments adopted by the member states of the UN in September 2000 to promote a broader vision of development that focuses not only on economic development, but also on human development and social progress.
- 2 Simeon Djankov, Rafael La Porta, Florencio Lopez-de-Silanes and Andrei Shleifer, 'The Regulation of Entry,' forthcoming in *Quarterly Journal of Economics*.
- 3 The measure of the level of unofficial economic activity is taken from the Heritage Foundation's Index of Economic Freedom.

World Governance Survey: a new approach to assessing governance

Julius Court and Goran Hyden

UN Secretary-General Kofi Annan has stated that 'good governance is perhaps the single most important factor in eradicating poverty and promoting development'.¹ If governance matters, so does the need for more reliable and valid data on key governance processes. The United Nations University (UNU) has begun to address this need with a World Governance Survey (WGS). A pilot phase was carried out in early 2001 and a larger round of country assessments is planned for 2003.²

In the pilot phase, governance assessments were undertaken in 16 developing and transitional societies, representing 51 per cent of the world's population (see table). In each country, a national coordinator selected a panel of experts to complete the assessment. The panel comprised persons with extensive experience of the governance realm, including parliamentarians, researchers, lawyers and civil servants; around 35 people were interviewed per country.

The project identified 30 indicators based on widely held 'principles' of good governance: participation, fairness, decency, accountability, transparency and efficiency. Respondents were asked to score each indicator on a scale from 1 to 5; the higher the score, the better. In addition, respondents were invited to provide qualitative comments.

The table shows the median indicator rating for each country for the 10 indicators that relate particularly to accountability and transparency. It also shows the total governance score for each country. The total governance scores have a very robust correlation (0.77) with the country scores in Kaufmann et al.'s aggregate governance indicators, indicating the validity of the results.³

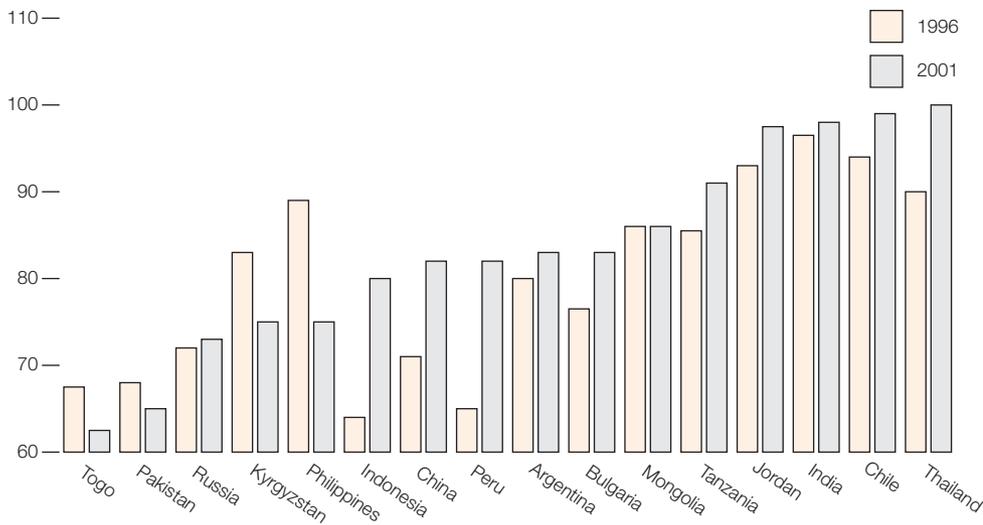
One widespread finding was the low score for the accountability of legislators. This indicator received the lowest average rating. In their qualitative comments, local experts remarked that many legislators run for office because of financial advantages, and that legislators tend to be more accountable to their parties than to the public. Qualitative comments suggest that the particularly low rating given to Togo reflects dissatisfaction with the way elections have been administered and with the lack of effectiveness of the national assembly after a long period of autocratic rule. The particularly low rating given to Pakistan was a reflection of its military rulers, a point strongly emphasised in comments.

A second finding was that civil servants are generally seen not to be accountable and that the operations of civil services are seen to lack transparency. India was an exception: qualitative comments confirmed the reputation of the civil service as the

Selected governance indicators for transition societies, 2001

	Freedom of expression	Government open to public input	Accountability of legislators	Accountability of civil servants	Transparency in the civil service	Respect for property rights	Equal application of regulations	Access to justice	Transparency in judicial process	Accountability of judicial officials	Total country governance score (min. = 30, max. = 150)
Togo	2	1	1	2	2	3	3	2	2	2	62.5
Pakistan	3	2	1	2	2	3	3	2	2	2	65.0
Russia	3	2	2	2	2	2	2	2	2	2	73.0
Kyrgyzstan	3	3	2	2	2	3	2	2	2	2	75.0
Philippines	4	2	2	2	2	3	1	2	3	3	75.0
Indonesia	4	3	2	2	2	2	2	2	2	2	80.0
China	3	2	3	2	2	3	3	3	2	3	82.0
Peru	3	3	2	3	2	3	3	2	2	2	82.0
Argentina	4	2	2	2	2	3	2	2	2	2	83.0
Bulgaria	3	2	2	2	2	3	2	3	2	2	83.0
Mongolia	3	2	3	2	3	3	3	2	3	3	86.0
Tanzania	3	3	3	3	3	3	3	3	3	3	91.0
Jordan	3	3	2	3	3	4	4	4	4	3	97.5
India	4	3	3	3	3	3	3	3	3	3	98.0
Chile	4	3	2	3	3	4	4	3	3	3	99.0
Thailand	4	4	3	3	3	3	3	4	4	4	100.0
Average	3.31	2.50	2.19	2.38	2.38	3.00	2.69	2.50	2.56	2.56	83.25

Total governance score: comparing 1996 and 2001



backbone of government in India. Local experts also held Thailand's civil service in high regard.

The ratings and comments also suggest that transactions between government and the private sector are marked by cronyism and bribery. This was highlighted as the number one problem in India. Russia and Indonesia were also rated poorly in this regard. In contrast, comments and ratings from Chile suggest that transactions between government and private sector there are relatively free from corruption.

Local experts were also critical of the quality of justice systems, observing that the rich have easier access to justice and that judges can be bribed. Court cases were seen to be processed slowly and it was felt that many poor and illiterate people fear the courts. However, there has been much judicial reform in the pilot countries. Local experts in India felt there had been a very positive impact from the reform of community justice institutions such as *Lok Adalats* (People's Courts), which allow the resolution of conflicts that are not, or cannot be, taken to court. Local experts in Chile felt that recent reforms would improve the administration of justice in the future.

Overall, there was significant variation in the total governance scores (see final column of the table). Experts in Thailand and Chile rated their countries as highest in the sample (100 and 99 out of a maximum of 150), whereas Togo and Pakistan were rated lowest (just over 60, compared to a minimum possible score of 30).

The local experts were also asked to compare the present situation with what they perceived it to have been five years previously (see figure). Assessments of Indonesia and Peru indicated particularly impressive improvements in governance, following the ouster of autocratic regimes. The Philippines' governance was seen to have declined the most, partly because the assessment took place at the time the senate was considering whether to impeach former president Joseph Estrada.

There is an urgent need for more reliable, relevant and timely cross-country data on governance issues in order to facilitate appropriate policy-making. Developing such information will be of immense local and international policy relevance. It is hoped that the WGS is a move in this direction. Indicators of political participation, democracy and human rights should eventually join the UN Millennium Development Goals and become part of the Human Development Index.

The project website contains the findings and data as well as a questionnaire: www.unu.edu/p&g/wgs.

Contact: Julius Court, ODI (j.court@odi.org.uk)

- 1 Kofi Annan, *Partnerships for Global Community: Annual Report on the Work of the Organisation* (UN, 1998).
- 2 The World Governance Survey was directed by Julius Court (Overseas Development Institute) and Goran Hyden (University of Florida). Ken Mease (University of Florida) was Senior Adviser. The project was carried out in partnership with local institutions in assessment countries, with generous support from UNU and the United Nations Development Programme.
- 3 Daniel Kaufmann, Aart Kraay and Pablo Zoido-Lobaton, 'Governance Matters II: Updated Indicators for 2000/01', World Bank Policy Research Working Paper no. 2772, 2002.

The International Crime against Businesses Survey

John van Kesteren¹

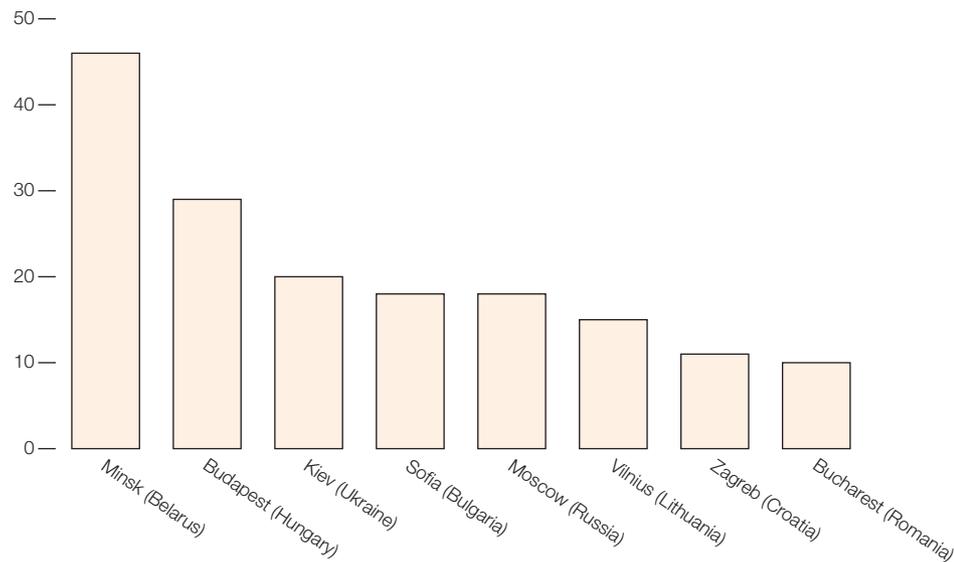
The International Crime against Businesses Survey (ICBS) involved asking business managers about their experiences of crimes and their companies' reactions to those crimes. One of the main topics of interest in the survey was corruption.

In 2000 the ICBS was carried out in eight capital cities in Central and Eastern Europe. Managers of 4,000 companies were interviewed, 500 in each city, and in such a manner as to ensure a representative sample of differently sized companies and different business sectors.

More than 50 per cent of the companies interviewed believed that corruption is a significant obstacle to business in their respective countries. This opinion was particularly widely held in Romania, Croatia and Bulgaria, where approximately two-thirds of the managers stated this. By contrast, a minority of managers in Hungary and Lithuania said that corruption was a significant obstacle to business.

Businesses were also asked about their actual experience of corruption. The figure shows the percentage of companies in each city that were requested to pay

Percentage of businesses that were asked for a bribe in 1999



Reasons given for not reporting a corruption incident to the police

Percentage of managers giving explanation

Police wouldn't have done anything/wouldn't have been interested	28
Involving the police was not appropriate/it was an internal matter	28
Lack of proof/evidence/witness	24
Not worth reporting/not serious enough	22
Police wouldn't have been able to do anything/slight chance of success	21
Not company policy	18
Lack of time/too much trouble	10
Fear of reprisals	10
Fear of negative publicity	10
Didn't bother because no insurance claim was involved	1

bribes in the year preceding the survey. The highest rates were 46 per cent in Minsk (Belarus) and 29 per cent in Budapest (Hungary). The lowest were 10 per cent and 11 per cent in Zagreb (Croatia) and Bucharest (Romania), respectively. Of those who said their companies had been asked for bribes, 40 per cent said it had happened more than five times during the year.

These findings reveal a negative, but not significant, correlation ($r=-.46$, $n=8$, n.s.) between the actual experience of corruption and the perception of corruption as an obstacle to doing business. The more frequent the experience of corruption, the less likely it is to be seen as an obstacle. One possible explanation is that where bribery is common, it is seen as the 'grease' that allows businesses to function, not as an obstacle. The correlation has to be assessed with great care, however. Since data are only available for eight cities, there is a good chance that the inverse relation may be a coincidence. Further research is needed.

In cases where actual experiences of corruption were reported, businesses were asked who had requested the bribes. Tax or revenue officials were most frequently cited by managers (mentioned by 28 per cent of managers), followed by police officers (27 per cent), inspectors (25 per cent) and customs officers (24 per cent). However, 'private-to-private' cases of corruption were mentioned by almost half the managers.

When asked which areas of business activity were most likely to be affected by corruption, more than half the managers mentioned customs, fitness certificates for vehicles, municipal authorisations, business licences and procurement of goods or services from government.

Of the 855 companies that said they had experienced corruption in the previous year, only 13 said they reported the incident to the police, less than 2 per cent of the total. Some of the reasons why are indicated in the table. Companies could give more than one answer. The most frequent explanations were that the police would have done nothing or would not have been interested, that it was an internal matter

or that the police were not the appropriate agency for reporting. Other common reasons included a general distrust of the police, insufficient proof, that the incident was not serious enough or that it was not company policy to report.

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- 1 Principal researchers were Anna Alvazzi del Frate and John van Kesteren (United Nations Interregional Crime and Justice Research Institute, Turin), plus national coordinators in each of the participating countries. Data were collected by the Gallup Organisation and its affiliates.

Electoral rules and corruption

Ugo Panizza

Is there a relationship between corruption and electoral rules and, if so, what kind of electoral rules are associated with lower levels of corruption? A study carried out at the Inter-American Development Bank (IDB) shows that such a relationship does exist and that electoral systems that limit politicians' incentive to cater to local interests tend to yield lower levels of corruption.¹

The aspect of electoral rules that was examined in this research was their degree of 'political particularism'. This is a measure of politicians' incentives to build personal support bases in particular geographical constituencies, rather than adhere to party platforms.² A high score on an index of political particularism indicates that the system is 'candidate-centred', while a low score is associated with 'party-centred' electoral systems.

The index has three components. One captures the extent to which parties can control how a candidate appears on an electoral ballot. The second measures the extent to which a candidate can benefit from the votes of other candidates belonging

Figure 1 **Political particularism and corruption**

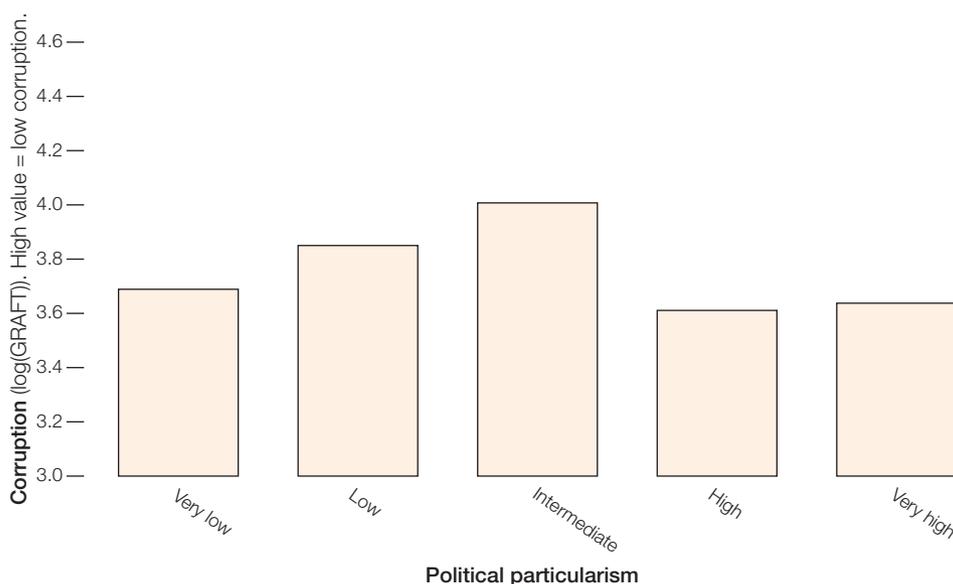
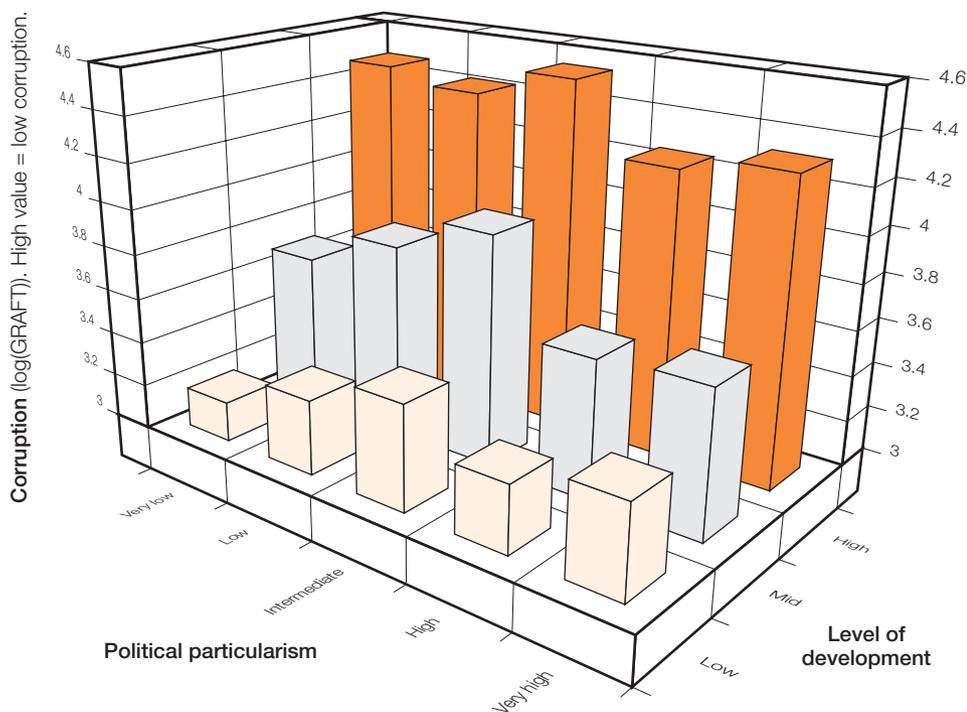


Figure 2 Particularism, development and corruption



to her party, reducing the need for candidates to build personal reputations. The third measures the limitations on the number of individual candidates that electors can support: where voters can choose only among parties, and not among individuals, legislators have less incentive to cater to their home constituency.

The index of political particularism was compared with data on corruption from Kaufmann, Kraay and Zoido-Lobaton, namely their GRAFT variable.³ The GRAFT variable is not a perfect index of corruption, for example because it also includes a component (the Political Risk Services survey) that measures political instability, which, in turn, can be affected by electoral rules. But it is an indicator that has been widely used in the literature on corruption and is highly correlated with other corruption measures. Furthermore, the results of the research were found to be robust to the use of several other indicators of government effectiveness and regulatory burden that are also correlated with corruption.

Statistical analysis found a strong, non-linear relationship between political particularism and corruption (see figure 1). The figure shows that low and interme-

diated levels of political particularism tend to be associated with lower corruption. At the same time, extreme levels of particularism (either very low or very high) are associated with higher levels of corruption.

Why might this be the case? The finding is likely to reflect a tension between the benefits of low particularism and the benefits of high particularism. Where particularism is high, there may be excessive ‘pork barrel’ policies, such as spending on special projects by legislators to benefit their constituents disproportionately. On the other hand, high particularism has a definite advantage in terms of representation and in the incentives legislators have to gather information on the preferences of their constituencies. Particularistic systems can also generate mechanisms of yardstick competition among legislators and improve the efficiency of the political process.

Figure 2 shows that this relationship is particularly strong for middle-income countries. No matter what their electoral system, poor countries tend to have high levels of corruption and rich countries low levels. It is only in middle-income countries that electoral rules play an important role in shaping good institutions and reducing corruption.

Since low-income countries tend to be characterised by relatively low levels of democracy, it is not surprising that the precise electoral rules do not seem to be important in these countries. The finding that electoral rules are not important in high-income countries is more puzzling. It may be due to the fact that countries with a longer democratic tradition have found ways to mediate different political interests that go beyond the simple electoral rules examined here.

Data on political particularism can be downloaded from the website: www.ugo.panizza.org/particular.zip.

Contact: Ugo Panizza, Research Department, IDB (ugop@iadb.org)

- 1 For the full study, see Ugo Panizza, ‘Electoral Rules, Political Systems, and Institutional Quality’, *Economics and Politics*, no. 13/3 (2001). The data set is described in Jessica Seddon, Alejandro Gaviria, Ugo Panizza and Ernesto Stein, ‘Political Particularism Around the World’, Inter-American Development Bank, Research Department, Working Paper 463, 2002.
- 2 John Carey and Matthew Shugart, *Presidents and Assemblies: Constitutional Design and Electoral Dynamics* (Cambridge: Cambridge University Press, 1992).
- 3 See Daniel Kaufmann, Aart Kraay and Pablo Zoido-Lobaton, ‘Aggregating Governance Indicators’, World Bank Policy Research Working Paper no. 2195, 1999.

Managing conflicts of interest in OECD countries

János Bertók

Ensuring that the integrity of public decision-making is not influenced by the private interests of public officials is a growing priority in preventing corruption in government. To examine how successfully that goal is being pursued, in 2001 the Public Management Service (PUMA) of the OECD surveyed the mechanisms central governments use to prevent and resolve conflicts of interest in the public service.

The objective of the survey was to select promising practices and develop guiding principles for managing conflicts of interest. The central governments of all 30 OECD countries provided answers to a survey questionnaire.

The governments reported a growing emphasis on preventive measures. More and more OECD countries are actively engaging in counselling and requesting disclosure of interest in a written form, so that potential conflict situations may be identified. Eight OECD countries oblige all civil servants to declare their financial

Figure 1 **Sources of conflict of interest**

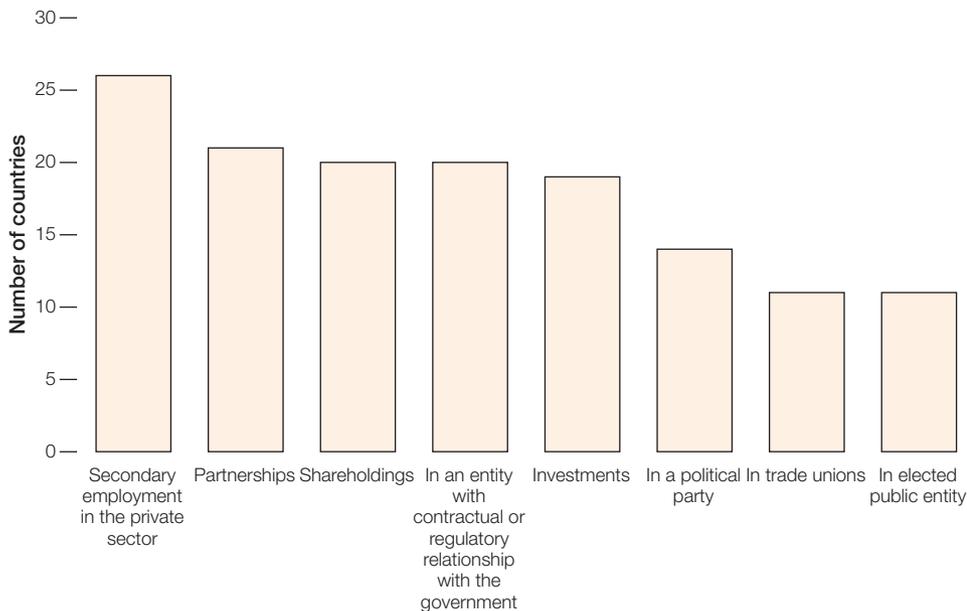
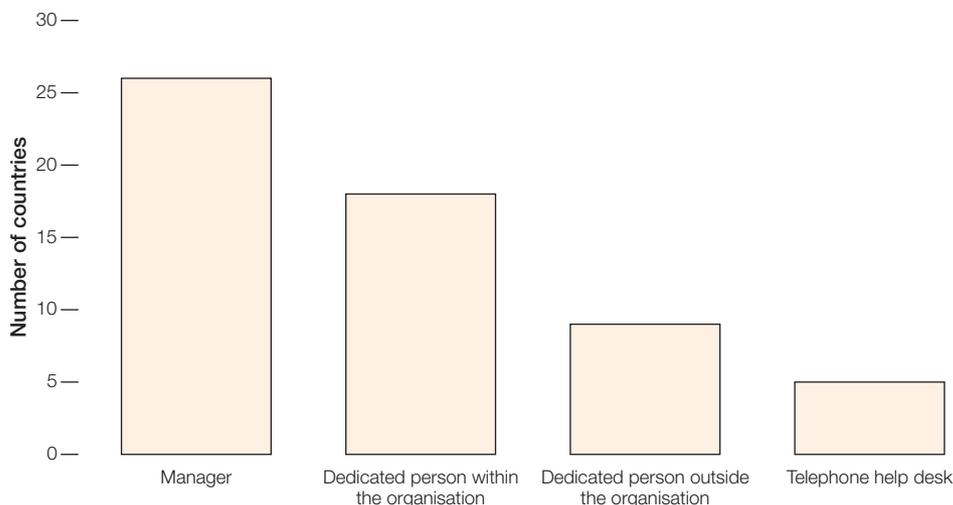


Figure 2 Who can be consulted if an official is in doubt?



interests regularly. Although the governments argued that no single instrument can be characterised as the most effective in avoiding conflicts of interest, they identified a combination of mechanisms – especially those that raise awareness and ensure transparency – as effective in several countries.

In countries that rely on individuals to disclose their private interests, governments named the following key mechanisms: the annual updating of statements on private interests (in Australia, Poland, Portugal, Spain and the United States) and training and consultation (in Australia, Hungary, Norway and South Korea). In countries that rely less on individual disclosure (for example, Austria and Germany), the maintenance of relevant legal regulations was seen to be the key.

Figure 1 indicates which sources of conflict of interest were identified as most problematic. Secondary employment in the private sector was seen to hold potential for conflicts of interest by the largest number of governments (26 out of 30). Many governments indicated that sources of conflicts of interest also include partnerships, shareholdings, investments and involvement in entities with a contractual or regulatory relationship with government.

As indicated in figure 2, public officials in most OECD countries can turn to their managers or immediate superiors when they are in doubt as to how to resolve potential conflicts of interest. In some countries, they can also turn to dedicated personnel or legal staff within the organisation, or to external organisations (such as the Public Offices Commission in Ireland, the State Services Commission in New Zealand and the Office of Government Ethics in the United States).

Managers play a key role in monitoring whether their staff comply with conflict of interest rules. In addition, an overall interest in monitoring the implementation of policies is taken by central government organisations (for example, the National Public Service Ethics Board in Japan and the Department of Civil Service in Italy) and external institutions (such as Ireland's Parliamentary Select Committee on Members' Interest, the attorney-general's office and the constitutional court in Portugal). Bodies such as these also monitor the compliance of senior public officials and parliamentarians.

Based on the results of this survey, the OECD Guidelines for Managing Conflicts of Interest have been designed to help governments to review existing solutions and to modernise mechanisms in line with good practice. The guidelines and the full survey report (due out at the end of 2002) may be viewed at the PUMA area of the OECD website at www.oecd.org/puma/ethics.

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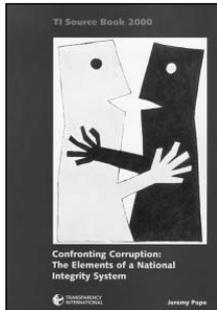
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