TACKLING CORRUPTION
AND
ESTABLISHING STANDARDS IN PUBLIC LIFE

Conference Report

2002
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Fighting corruption has become an all too essential element in ensuring – and building – sound democratic governance the world over. This is recognised by civil society groups, NGOs, parliamentarians, democracy activists, and even international agencies such as the World Bank, OECD and the UN. It is seen as a key explanation for growing voter apathy and cynicism in advanced democracies, and poor economic and political development in emerging democracies.

To focus on these issues, the British Council hosted an International Networking Event in March 2002, on *Tackling Corruption and Establishing Standards in Public Life*, held at Corpus Christi College in Oxford, drawing together expert participants and practitioners from academe, politics, civil society bodies and public life. The aims of this event included:

- generating fresh insights by creating debates around current strategies aimed at fighting global corruption;
- using the experience and knowledge of participants to share case studies which can be used as ‘models’ for discussion in workshops, and for developing general scenarios and strategies;
- building up a dossier of both reference and source material of good practice and new ideas which can be taken by participants for use in follow-up work, and examples of genuine success (and failure).

This report summarizes the main presentations and comments and discussions at the Conference. While every effort has been made to portray accurately the opinions expressed, in the interests of space and brevity, there has been some omission and paraphrasing.

Dr Paul Flather
Mansfield College
1 July 2002

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CONFERENCE SCHEDULE

SATURDAY 16 MARCH

1400  Registration of participants
onwards Junior Common Room - Corpus Christi College

1800  Drinks reception and Group Introduction
The Hall
Corpus Christi College

1915  Opening dinner and welcome
The Hall
Corpus Christi College
Paul Flather (Mansfield College, Oxford)

2030  After dinner speaker:
How can we expose corruption: thoughts from a whistleblower?
Paul van Buitenens (European Commission Officer)

SUNDAY 17 MARCH

0845  Group Photograph

0915  Introductions

0945  Why do systems produce corruption?
Mark Philp (Oriel College, Oxford) and Gurharpal Singh (Hull University)

1100  Coffee/Tea

1130  Aims and objectives of the seminar and Working Groups
Paul Flather (Mansfield College, Oxford) and Michael Pinto-Duschinsky (Brunel University/IFES)

1215  Insight – from a seminar participant

1230  Working Groups: Introductory Session
I  Empowering People (advisor: Aruna Roy)
II  Restraining Politicians (advisor: Michael Pinto-Duschinsky)
III Building Institutions with Integrity (advisor: Roland Rich)

1300  Lunch

WALKING TOUR OF OXFORD/COACH TOUR OF SURROUNDING AREA
Please meet in Junior Common Room for departure on foot
International Panel Discussion: How can we keep our politicians honest?
Chair: Lord Goodhart (UK Committee on Standards in Public Life)
Ruud Koole (Leiden University/Dutch Labour Party), Karl-Heinz Nassmacher
(Oldenburg University) Gurharpal Singh (Hull University) and Yves-Marie Doublet
(French National Assembly)

1845 Drinks Reception
Corpus Christi College

1915 Dinner
Corpus Christi College

2045 Coffee
Corpus Christi College

2100 After dinner speaker:
Money and Politics: a personal view from inside and outside
Martin Bell (Former anti-corruption MP and Former BBC international news
respondent and editor)

Monday 18 March

0900 Why is Political Finance a major source of corruption?
Ruud Koole (Leiden University/Dutch Labour Party) Roland Rich (Australian
National University) and Gene Ward (USAID)

1030 Discussion

1030 Coffee/Tea

1100 Can disclosure laws or the media control political corruption?
Chair: Laurence Cockcroft
Karl-Heinz Nassmacher (Oldenburg University) and Yves-Marie Doublet (French
National Assembly)

1300 Lunch

1400 How can we stop vote buying?
Anthony Heath (Nuffield College, Oxford), Michael Pinto-Duschinsky (Brunel
University), and Aruna Roy and Nikhil Dey (Right to Information Movement, India)

Discussion

1545 Coffee/Tea

1600 Working Groups: Session I

1700 Close

1900 Dinner – Restaurant in Oxford
TUESDAY 19 MARCH

0900 How can we keep development aid free of corruption and empower the voiceless?
Nikhil Dey and Aruna Roy (Right to Information Movement, India) and Jeremy Pope (Transparency International)

1100 Coffee/Tea

1145 Societies in Transition: special issues
Olayinka Creighton Randall (Sierra Leone), Chusnul Mar’iyah (Indonesia)
Sibalwa Mwaanga (Zambia), Vladimer Ugulava (Georgia) and Marcin Walecki (St Antony’s College, Oxford)

Discussion

1300 Working Lunch: WORKING GROUPS: Session II

1400 FREE AFTERNOON for participants – sightseeing / shopping

PRESENTERS’ SPECIAL SEMINAR: Current Debates
Methodologies for reporting, quantifying, studying, and combating corruption (separate details to be circulated)

1830 Dinner at Corpus or participants may choose to eat out!!!!!

Evening Theatre visit to The Famous Theatre or alternative programme?
Please meet in Junior Common Room for departure by foot

WEDNESDAY 20 MARCH

INTERNATIONAL VIDEO CONFERENCE LINK SESSION WITH INDIAN PARTICIPANTS –

0900 Delhi and Oxford Conferences – individual introductions:

0930 How can we create restraint and pursue enforcement?
Roland Rich (Australian National University)
N. Vittal (Chief Vigilance Commission, India)

0950 Moderated discussion

Coffee/Tea

1100 How effective are international organisations in controlling corruption?
Gurharpal Singh – presentation on Transparency International Report on South Asia, Helen Sutch (World Bank), Anita Singh (Delhi)

1125 Moderated discussion

1200 Proposed end of ‘video link’ followed by Oxford and Delhi individual conclusion sessions
1300  Lunch at British Council offices

1415  **How can we build institutions of integrity?**  
*Helen Sutch (World Bank) and Roland Rich (ANU)*

1600  **Working Groups: Session III**

1700  Close

1845  Drinks Reception  
CORPUS CHRISTI COLLEGE

1915  Closing Dinner  
CORPUS CHRISTI COLLEGE  
Hosted by Andrew Murray, Director, International Networking Events

**THURSDAY 21 MARCH**

0915  **Report back from Working Groups**

Empowering the Voiceless – Anita Brauna (Latvia)

Restraining Politicians – Chusnul Mar’iyah (Indonesia) and Shirani Alfreds (Singapore)

Building Institutions with Integrity – Nkemdiilim Izuako (Nigeria)

**Country Insights**

Nepal – Gokarna Bista

Jordan – Mohammad Thneibat

1115  Coffee/Tea

1200  **How can we use the Internet and networking as international resources?**  
*What have we learnt?*

*Paul Flather and Michael Pinto-Duschinsky* Summing Up
How can we expose corruption? Thoughts from a whistleblower

Paul van Buitenen

The Role of Integrity and responsibility in fighting corruption and Professional Wrongdoing

“The world is an evil place to live in. Not because of those who do evil, but because of those who sit back and allow evil to occur.” (Albert Einstein)

During his 22 years as a budget manager and assistant auditor in the European Commission in Brussels, Paul van Buitenen became aware of disturbing irregularities in the internal practices of the EC. Eventually, he took his concerns to the European Parliament, submitting a signed affidavit of 34 pages with some 600 pages of source material attached.

Subsequently, in December 1998, a Committee of five independent experts was created to investigate his complaints. In March 1999, they published their first report and which eventually led to the entire EU Commission resigning en bloc (though a number were reappointed under the Kinnock Plan). In September 1999, the experts confirmed in their final report that: “The events leading up to the resignation of the former Commission demonstrated the value of officials whose conscience persuades them of the need to expose wrongdoings encountered in the course of their everyday duties. They also showed up how the reaction of superiors failed to live up to their legitimate expectations. Instead of offering ethical guidance, the hierarchy put additional pressure upon one such official.”

A system with laws, conventions, rules and regulations, is necessary, but however good it may be, also insufficient in controlling corruption and professional misconduct. No matter how well an organisation attempts to reduce the risk of corruption by applying sophisticated control techniques, new codes of conduct, modern financial regulations and a thorough screening of staff, the risk of ‘irregularities’ occurring can never be eliminated. Internal and external audits, while useful, are also of limited value when attempting to put a check on serious irregularities. It is statistically quite likely that irregularities will stay unnoticed during a routine audit. Even a special audit may not uncover the indiscretions, especially if a sufficient number of staff tolerates these irregularities. Very often, suspicions of irregularities taking place are only aroused when whistleblowers drawing attention to them.

Individual personal responsibility is of paramount importance in the fight against corruption. No set of rules or disciplinary measures is as decisive in the fight against fraud and corruption. It is important that individuals do not merely follow official procedures, report the offence and then absolve themselves of all responsibility. Even at risk to their careers, individuals of integrity should seek to defend the interests of the organisation, and even those of society at large.

The experiences of other whistleblowers, notably in the Benelux countries, Germany, France and the UK, highlight the limitations of administrative organisation coupled with existing risks of irregularities, fraud and corruption.

A famous example dates from the 1970s when a whistleblower informed the EC and the US Government that a giant Swiss pharmaceutical company was breaching competition rules. The dominance of this pharmaceutical giant in certain areas of the bulk vitamin market was so great that they could temporarily raise the price of its products in times of influenza epidemics in the developing world. After many years of legal wrangling the whistleblower, was vindicated: in 1999 the US Department of Justice’s Anti-Trust division did fine the company $500,000 for conspiring to fix the price of vitamins over a nine-year period (though in reality this conspiracy had been going on since 1964).

However, this result was achieved at great cost to the whistleblower. His identity was unfortunately divulged to the Swiss company, as a result of which, he was arrested in Switzerland, put into solitary confinement, and eventually tried for industrial espionage and treason. His wife, unable to communicate with him, interrogated by the Swiss authorities, and told that her husband faced up to 20 years in prison if convicted, committed suicide. He was denied the right to attend her funeral. He was ruined financially and unable to find suitable employment anywhere, despite the fact that the European Parliament unanimously adopted a motion of support for him and that he was vindicated by a ruling of the European Court of Justice in Luxembourg.

There are many examples of cases where whistleblowers who have acted responsibly, raised the issues first internally when possible, did not seek any personal gain, and were later vindicated, but who were destroyed in the process because their allegations were not welcomed by the management.

One of the more obvious explanations for hostility exhibited towards whistleblowers is the preference of the management to deal quietly with its dirty laundry.
in-house. Often the negative response emanates from those in the lower echelons of the organisation. As Professor William Kingston of the School of Business Studies, Trinity College, Dublin, explains:

“In any bureaucracy, be it in a private or a public organisation, there will always be many who will take the line of least resistance, especially since this will do least damage to promotion prospects. Only a minority of bureaucrats would act in the public interest. The importance of ‘cover’ to bureaucrats and the persisting damage to their careers of any errors on their records means that a significant proportion of the energy in any bureaucracy is devoted to pretending that errors have not happened. This also explains the venom with which a bureaucracy turns on an individual who threatens to destroy this pretence. The great preponderance of the evidence about such whistleblowers is that their bureaucracies succeed in wrecking, not just their careers, but also their lives. The fear of this is the most powerful deterrent to whistleblowing.”

In several countries, new legislation purporting to offer protection to whistleblowers, is being promulgated. However, it is often rather disappointing, in reality not offering real protection or compensation to whistleblowers but rather attempting to contain them.

- In the Netherlands, the message from pending legislation is to play by the rules, follow the procedures and if all else fails approach a Committee that has no powers but only gives advice. A promising initiative that was launched by the Dutch workers union federation, the FNV, to initiate protective legislation, has not been accepted.

- In the UK the Public Interest Disclosure Act (PIDA) came into effect in July 1999. Although this looks very promising, its success will depend on its application and the jurisprudence that will evolve around it.

- In the United States, under the Federal False Claims Act, anyone who initiates successful action against the perpetrator within the Federal US Government is entitled to up to 30 percent of the proceeds. However, this approach has two important disadvantages: the risks for the whistleblower remain high, and the motivations of the whistleblower can be called into question.

- Sweden appears to exhibit the greatest tolerance for whistleblowers in accordance with the principle of openness embedded in Swedish law. A whistleblower can go directly to the press. Furthermore, it is even considered a criminal act if an organisation makes enquiries on the source of the journalist.

Fair and prudent legislation dealing with whistleblowing should determine whether the whistleblower acted responsibly and leave the choice to the whistleblower on how best to proceed with the complaint. It will then be up to the courts to determine whether the whistleblower acted responsibly or not. Criteria to determine this are:

- Whenever reasonably possible, the whistleblower should first seek to address the issue inside the organisation at all appropriate levels - except cases of extreme and urgent danger to the public, or involvement of the management in irregularities;

- The whistle blower must act in good faith, not filing complaints that are unnecessary or deliberately inaccurate;

- The whistleblower should not be motivated by personal gain;

- The choice made by the whistleblowers regarding the individual or body to whom the report is made, should be reasonable and in proportion with the significance of the case;

- When blowing the whistle outside the organisation concerned, the public interest should be relevant or important enough to justify such an action.

If the whistleblower meets the above criteria, they can be considered to have acted responsibly and should be entitled to their full job or salary protection and, if necessary, ex-gratia payments to compensate for possible damages incurred.

If corruption and professional misconduct is to be effectively combated, it is essential that there is a bureaucratic shift away from a policy of secrecy to a policy of true openness and transparency. Whistleblowing ought to be thought of as an important tool in a modern and open administrative culture undergirding the administrative checks and balances.
DAY TWO – MORNING SESSION

WHY DO SYSTEMS PRODUCE CORRUPTION?

MARK PHILP

There is a long tradition of thinking on the causes of corruption. In Classical thought, a number of causes are identified: power corrupts, wealth corrupts, inequality corrupts etc. Modern thinking has however, turned to causes such as poverty, monopolies, and partially democratised states to locate the causes of political corruption. On the whole it appears that classical literature revolves around an implicit model of how objective conditions and human motivations interact to produce corruption and had a clear sense of what politics and political corruption involved. Modern theorists tend to be more cautious in their commitments exhibiting the tendency to think of corruption in more individualist terms as a dereliction of formal duties by self-interested agents, arising form a mixture of individual causes and the presence of certain opportunities rather than postulating any more general idea of the corruption of politics. Dr Philp went on to discuss some of the difficulties facing modern accounts that use economic analysis and cost benefit and incentives-based accounts of corrupt behaviour pointing to their difficulty in recognising the systemic nature of corruption and the corresponding problems in tackling it.

Political corruption can be described as the situation where a public official (A), acting for personal gain, violates the norms of public office and harms the interests of the public (B) to benefit a third party (C) who rewards A for access to goods or services which C would not otherwise obtain.

Activities that meet all four criteria can be considered corrupt, although there are also many cases where only three of the four criteria are met but where the action or relationship is still commonly regarded as corrupt. For example, in a kleptocracy there may be no party 'C' deriving a benefit, yet there is a general consensus that such a regime is corrupt. Alternatively, C may have a right to the specified benefit, but the public official may level a tax on access.

The public interest component may also work in the opposite direction: a policeman may be bribed so as to induce him to act in a way that is in the public interest (for example, bribing to overlook the presence of members of a persecuted minority in the house when he is under a legal obligation to report them to the authorities for deportation). The private gain aspect is complicated by cases where the pay-off is not private but political - campaign contributions, traded political support, electoral or log-rolling deals. Equally, a public official may act to avoid certain costs rather than to incur certain benefits. Finally, there may also be a hierarchy in the goods that the official trades, which may lead to certain actions being classified as something other than corrupt. For example, while an official who trades tax exemptions is corrupt; one who trades state secrets is engaged in treason. In this case, the heavier offence (treason) overrides the lesser. However, for analytical purposes it is important to distinguish between those who commit treason corruptly (for personal gain), and those who do so because of ideological commitments. In the latter case, the first criterion for corruption is not met and the third is disputed. We should also distinguish A-led from C-led corruption, and mixed forms).

It should be noted that that this definition of corruption implies a clear set of political norms, endorsed by all, that frame the activities of public office. This is, however, implausible for many states.

According to Klitgaard 'Illicit behaviour flourishes when agents have monopoly power over clients, when agents have great discretion, and when accountability of agents to the principal is weak. A stylised equation holds:

\[ \text{CORRUPTION} = \text{MONOPOLY} + \text{DISCRETION} - \text{ACCOUNTABILITY} \]

However, there are several problems with the underlying assumptions derived from principal-agent accounts. The most basic objection being that the model simply fails to recognise that, rather than the integrity of a system (and the people in it) being a function of the absence of monopoly and discretion, his account demonstrates that the integrity of a system should be measured by how well it manages monopoly and discretion. By contrast monopoly and discretion can be seen as ineradicable features of any political system, and whether or not corruption results depends on other factors including the strength or weakness of vertical consolidation in the system.

GURHARPAL SINGH

Drawing on recent developments in South Asia, it is first worth acknowledging that South Asian states, in particular India, Pakistan and Bangladesh, regularly rank among the most corrupt countries in the world in comparative studies, with Bangladesh, for example, labelled as the worst offender in the 2001 Global Corruption Report. Yet despite this there have been few efforts to systematically analyse the causes of corruption and the limited effectiveness of anti-corruption programmes in this region.
Explanations of the causes of corruption mainly focus on three factors: lack of accountability, absence of transparency, and the embedded networks of corruption among politicians, bureaucrats and businessmen. While these explanations no doubt account for the proximate causes they sit uneasily with the idea that some of the South Asian states can be counted as the premier developing democracies.

Modern institutions endowed with promoting accountability and transparency have, by in large, failed to perform the roles assigned, or have increasingly been subverted to reflect popular opinion. These explanations become meaningful if we also understand the structure of social and political authority within these states. So, what are commonly seen as corrupt practices are, in the main, embedded in the social structure of political authority in South Asia, where patron-client relations prevail. Thus, the exercise of authority is generally viewed as delivering political favours in particularistic ways.

Anti-corruption drives in South Asia are doomed to failure because thus far they have focused narrowly on ‘public interest’ definitions of corruption, and because they have been used in particularistic ways to victimise political opponents. While greater accountability and transparency will no doubt provide more effective checks on corrupt practices, but these will be of little value unless they are framed within accepted notions of social and political authority.

The South Asian example illustrates that there are many pitfalls in trying to construct a general framework that explains why systems produce corruption. Instead, we need to focus more closely on particular regimes and the nature of social and political authority in these societies.
DAY TWO – INTERNATIONAL PANEL DISCUSSION

HOW CAN WE KEEP OUR POLITICIANS HONEST and IS THE WEST RESPONSIBLE FOR CORRUPTION?

LORD GOODHART

The Committee on Standards in Public Life (the CSPL) was set up in Britain by Prime Minister John Major in 1994, following various political scandals, including the disclosure that some MPs had been receiving payment for asking Parliamentary Questions. The CSPL is chaired by Sir Nigel Wicks with nine other members, including one nominee from each of the three main political parties, (Labour, Conservative and Liberal Democrats).

One of the most obvious forms of corruption in Britain would be direct payments made to an MP. It has always been considered 'serious misconduct' (though probably not a criminal offence) for MPs to take money for making speeches or asking questions in Parliament. British MPs are required to list any interests (financial or non-financial) that might reasonably influence their views in a Register open to public inspection. They are also required to declare any interests that are relevant to a debate in which they are speaking. These rules are enforced by the House of Commons' Committee on Standards and Privileges (not the CSPL).

The Parliamentary Commissioner for Standards investigates and reports to the Committee on Standards and Privileges on allegations of misconduct by MPs. This post has been a matter of recent controversy, as the serving Commissioner (Elizabeth Filkin) was discouraged from applying for the renewal of her contract. Some politicians maintain that she applied the rules too rigidly; others that she was doing her job too well. There has been criticism of the Committee on Standards and Privileges, on the ground that it has not been willing to take effective action on Ms. Filkin’s reports, particularly when dealing with allegations against MPs who are Ministers. The CSPL will be conducting a new enquiry into the way the House of Commons regulates its rules of conduct.

Individual corruption operates on different levels. MPs and Government Ministers in Britain are not in a strong position to confer any particular benefit as they rely on the civil service and other Ministers to promulgate policy. Individual corruption is more likely to occur at the local government level where checks on local officials are weaker, and the potential pay-offs much larger. An example of this might be the illegitimate granting of planning permission by a local authority.

Gifts made to political parties, as opposed to individuals, are also a potential source of corruption. Although more subtle, this form of corruption can be much more significant. Legislation requires that donations of more than £200 must be recorded, and donations of more than £5,000 must be disclosed to the public. Donations can only be accepted from someone registered to vote in the UK, or from a UK-registered company. However, there is still cause for concern. Recently, Prime Minister Blair was criticised for writing a letter to the Prime Minister of Romania supporting the bid of Lakshmi Mittal to buy the Romanian state steel company a few weeks after Mr. Mittal (who is a registered voter in the UK but whose company interests are not British) had given £125,000 to the Labour Party. This raised the question whether there should be limits on the amount of donations, at a level, which makes it improbable that the donation would influence Government policy or buy access to Ministers.

RUUD KOOLE

When addressing the question of how to keep politicians honest, one should first consider the prevalent political culture before examining the political system. As political culture will permeate any political system, a culture of integrity is a precursor of integrity within the system. Within the polity, it is vital to have a permanent and regular debate amongst the media, academics and politicians on political ethics. This needs to continue indefinitely as society changes and develops.

The growth of neo-liberalism in the political system has led to promulgation of the idea that governments should be reinvented to behave like businesses. However, the political system is fundamentally different to business in that it exists for the common good and not primarily to make a profit. It is vital that the political system should be judged not only on outcomes or outputs but also inputs. If the focus remains on outputs alone, there is a risk of jeopardising the integrity of the entire system. Governments should have unique and own rules and standards.

There are specific democratic mechanisms that help to keep politicians honest such as internal party democracy and the electoral system. However, the nature of the electoral system is important. Politicians that are elected on an individual basis are more vulnerable to improper financial influence. In the Netherlands, the use of the Proportional Representation List System means that politicians do not have to fight electoral campaigns personally.
Other important tools in the fight against political corruption are a robust and uncorrupted legal system, accountability and transparency, enforcement of the rules of accountability, and monitoring by an independent agency.

Turning to the question of whether the West is responsible for corruption, Western countries are obviously responsible for corruption in their own ranks, and partially responsible for corruption in the developing world. It is well known that many multinational corporations, amongst other, have exploiting and even ‘promoted’ corrupt practices in emerging democracies in order to be permitted to extract raw materials or penetrate markets.

Wealthier countries have an obligation to the international community to aid in the fight against corruption. Consumers in the developed world have power to boycott international organisations that act improperly. The independent media, international Non-Governmental Organisations and domestic opposition to corruption, are also powerful tools in the fight against corruption. For example, businesses that have their headquarters based in the Netherlands are required to have a code of conduct regulating their dealings with other countries. However, while commendable, this is very difficult to implement.

**KARL-HEINZ NASSMACHER**

The aim of the anti-corruption endeavour should not be to keep politicians honest, but to keep honest politicians in office and remove dishonest politicians from office. Politicians desire most to stay in power. Only the risk of being overthrown at the polls makes a politician responsive to demands of the public. It is important then to ensure that corrupt politicians run a real risk of losing the next election.

It appears that petty corruption including tax evasion, (cheating with car repairs paid by a compulsory insurance, faking sickness in order to take a day off etc) is rife in many European societies. This being the case, can politicians be expected to adhere to a higher code of conduct? It can be argued that politicians should be held to higher ethical standards, as they purport to be servicing of the public good and that public office brings with it special obligations and responsibilities. This being the case, then politicians convicted of corruption can be prevented by law, from standing for public office.

The inducements for dishonesty can be reduced by providing for a plurality of financial sources, which means offering various routes to raise political funds, incentives to support grassroots funding, restrictions (not necessarily limits) to ‘fat cat’ funding or money received from interest groups, some proportion of public funding; and high levels of transparency (not complete transparency) for the funding of political parties and political processes.

**GURHARPAL SINGH**

Corruption in Indian politics is endemic. Occupying public office is seen as the quickest way to financial prosperity and there is a very low risk of detection or prosecution. There are several factors to consider when attempting to address this situation.

- There is a need for a new public morality perhaps taking the form of a mass movement for morality similar to Gandhi’s campaign for independence. As this was a historical phenomenon, it is unrealistic to expect it once again in future.
- It is vital that existing legislation is implemented. There is sufficient legislation and there are adequate administrative mechanisms in place, but these are not implemented and are used in a partisan way. For example, the Electoral Commission can debar candidates with a criminal record or those facing a court case
- There is a dire need for an independent administrative structure or agency that focuses on combating corruption.
- Freedom of Information laws need to be entrenched and an ombudsman should be appointed.
- In India there is an acute need for public election funding made possible through tax regimes. Historically campaign funds were provided ‘under the table’ by businesses. Attempts should also be made to cap party expenditure.
- It is essential that systemic reform occurs in the relationship between politicians and bureaucrats. There is a need for both civil service and political reform, but political will is lacking.

**YVES-MARIE DOUBLET**

Corruption is often defined as the abuse of public power for private purposes.

The United Nations distinguishes between 3 different levels of corruption: the street level which puts the citizen face to face with the public officer; the business level which concerns the public decision makers; and the high political and financial level which involves the state apparatus itself. A distinction must be made between cases where a few politicians or political parties are corrupted and where the state itself becomes corrupted. Western countries are much more affected by the corruption of politicians and political parties, rather than the whole state apparatus.

Corruption is notoriously difficult to measure, but there are indications that levels of corruption in Western countries are on the increase. There are two reasons for this. First, the economic inducements for political
corruption are very strong and second, the response to corruption is still weak.

There is a market for political corruption. Companies in western countries face tough competition with high production costs. To capture market shares, to free themselves from regulations, the companies often resort to corruption. In a context of economic recession, this is even more likely. Politicians and political parties are more susceptible to be corrupted because of the increase in their public relations budgets, particularly before elections.

This market for corruption has 3 characteristics: Public relations expenditure, the value of which is difficult to assess, is easily subject to over billing. Faced with electoral pressures the dominant political parties in Europe will not be able to cut costs by turning to Indian or Chinese companies. For example, subcontracting and relocating are still unknown in this area. As a result, politicians and political parties in Western countries have to contend with Western firms and their relatively high production costs. Election campaigns and the inflation of campaign costs go hand in hand. Public relations firms raise their rates prior to elections.

Second, the regulations aimed at controlling political corruption on a European and International level, are recent and often inadequate. Important conventions include, the 1957 and 1995 Conventions on Extradition in the European Union, the 1996 Inter-American convention against corruption, the 1999 Penal Convention of the Council of Europe, the 2000 Convention on European Judicial Co-operation, and the 2000 Palerma Convention adopted in New York. The United Nations Convention against Corruption is in progress.

Attempts to control corruption often intersect across penal, banking, and company laws, and the police and judicial co-operation. Penal law and penal proceedings revolve around three factors: the definition of the offence, the proceedings, and the sanctions. In most Western countries there is some consensus on the definition of corruption. However, owing to different prosecutorial systems, there are many procedural differences. Some countries allow for discretionary prosecution, others not. Corruption is always difficult to prove, and politicians exploit loopholes in the proceedings.

Turning to banking law, in France and in Spain banks have to declare cash deposits over a certain amount (in France over €8 000). In both countries, banks are also required to declare their deposits in subsidiary banks located in offshore countries but adhere to these rules. Of great significance is the extreme difficulty involved in attempting to identify financial movements in these offshore banks because they are so difficult to trace. The Financial Action Task Force on Money Laundering has identified 19 countries in which it is impossible to identify the destination of any financial transaction.

Another problem is the opacity of company law and the consequences this has on legal proceedings. Dummy companies or shell corporations constitute an obstacle for the judicial co-operation. According to the UN Offshore Forum of 2000, there are 919, 000 such companies in America and in the Caribbean islands and 625 000 in Europe. Corrupt individuals can hide behind these dummy corporations and many offshore banks will not disclose information about customers of the bank.

Conclusions:

- With the free movement of capital and the removal of the borders in the European Union, political corruption has increased. National prosecutorial systems are no longer adequate. To be efficient, prosecution requires international policing and judicial co-operation system.

- Company law needs greater transparency: the European programme ‘Euroshore’, led by the Italian University of Trento, has conducted a study on company law, which highlights just how difficult it is to elicit information on parties in a limited company or in a limited liability company.

- Anti-corruption initiative should focus on improving the ability to trace the movement of capital, greater transparency in company law, more effective policing and judicial co-operation.

**DISCUSSION KEY POINTS:**

- Anti-corruption bodies should be independent in terms of being non-partisan, though not above the law. As many parties as possible should be represented in such bodies. Infractions should be punished through the usual judicial process. However, it was agreed that difficulties do arise when the Judiciary itself has been corrupted.

- In countries subject to repressive regimes, it was noted that transparency laws could be used as a weapon against Opposition parties or organisations. The optimal degree of transparency required will depend on the maturity of the democracy, and the degree of democratic entrenchment in society.
DAY TWO – AFTER DINNER SESSION

MONEY AND POLITICS: A PERSONAL VIEW FROM INSIDE AND OUTSIDE

MARTIN BELL

In 1997, Martin Bell stood as independent MP to highlight the issue of corruption winning a landslide victory against Neil Hamilton on an anti-corruption platform. In order to limit the possible influence of big contributors and avoid any appearance of impropriety, he put a £100 limit on any single contribution, but was still able to raise the £1,600 needed. By rallying people around an issue that had resonance in the community and motivating them to support a noble cause, he was able to combat the cynicism that usually handicaps efforts to secure grass roots funding.

"The most insidious form of corruption is personal, when people pursue a career in politics for what they can gain rather than for what they can give."

Although not illegal, corruption in a broader sense can include selling out to personal ambition rather than representing and serving the needs of one’s constituents, as well as sacrificing one’s ideals to prolong a career in public office. If the motivation for holding political office is impure, many will find the salary of a public official inadequate and attempt to find ways to augment it. In Britain an MP’s salary is more than adequate. Offers of bribes to British MPs are not that common, and those accepting bribes have often made tremendous efforts to solicit them. Bribe taking is, however, not the most prevalent form of corruption in the British political system.

One problem is human vulnerability to corruption, and the other is the structure of the electoral system and candidature that promotes the wrong sort of people. Nice people are often very hesitant about entering politics because of the personal cost and the perception of politics as a ‘dirty business’. If democracy is to be rescued it can only be by the ‘people’. Politics can be not only the art of the possible, but of the impossible. In life, each individual has the opportunity to make a difference and should grasp it.

Political parties are also susceptible to corruption given their tremendous financial needs. Large donors are perceived to wield improper influence, whether or not this is actually the case. In recent years, elections have been reduced to ‘smear campaigns’ where money is spent on billboard advertising trying to discredit and undermine the opposition. A limit of £17 million is put on national election campaigns. Such a large amount of money can only be obtained from donors. This tends to discredit politics and makes the ‘man in the street’ even less likely to contribute.

However, public funding is not necessarily the solution. The notion of public funding is unlikely to find support in the UK, where the public are highly conscious of the need to spend more money on schools, the National Health Service etc and are unlikely to support tax money going to funding political party campaigns. Public funding is also undemocratic in that it deters individuals from standing as independents.

It is claimed that Proportional Representation list systems reduce the financial dependence of candidates on donors, but PR also undermines the accountability of an MP to a particular constituency and offending parliamentarians cannot be voted out.

In an attempt to curb corruption, the House of Commons’ Committee on Standards and Privileges was created with 11 Committee members and one Commissioner. During the last session of Parliament, four out of the five cases brought before the Committee involved members of the current Government. A weakness in the system is that the House of Commons has the right to hire and dismiss its own regulators. The Commissioner, Elizabeth Filken, was not reappointed and there has been speculation that was because she was too effective in the pursuit of her duties.

DISCUSSION KEY POINTS:

- In countries suffering under repressive regimes the cost of political heroism may be one’s life. While jeopardising one’s life is not to be advocated, some still feel that the chance to bring change should be taken no matter what the cost.

- Freedom of speech and freedom of the press are sacrosanct. Those who enter public life often attract unwanted publicity, but that is to be expected.

- A free press needs form part of any anti-corruption strategy. In reality, journalists are often complicit in further tarnishing the reputation of politics and politicians. However, a symbiotic relationship between journalists and politicians exists. Journalists thrive on friction and scandals, which make for good stories, and politicians need media for election campaigns to put across their message.

- In certain countries like Nigeria, corruption is systemic. ‘Honest’ politicians, who would prefer to retain their integrity, can be contaminated by corrupt systems, being required to partake in corrupt activities in order to achieve legitimate political aims.
DAY THREE – MORNING SESSION I

CAN DISCLOSURE LAWS CONTROL POLITICAL CORRUPTION?

RUUD KOOLE

Corruption, loosely defined, implies improper influence on the political process. Political judgement, local circumstance, culture and tradition, all impact on what is defined as corrupt. In the European Union there is an increasing tendency towards transparency. However, is it appropriate to demand that transitional societies measure up to the standards of transparency of more mature democracies? Does the rigidity of legislation depend on a certain amount of wealth, rule of law and the existence of free media in order for disclosure laws to work? If these conditions are met, then what constitutes corruption?

Fraud and bribery are commonly considered corrupt practices. However, there are less obvious cases of corruption like buying political policy outcomes. Can donations to a political party by foreign corporations be considered corrupt? What about funding that the US Government gives to political parties abroad?

The greater the number of rules, the more likely it is that infringements will occur. Rules that do not exist cannot be broken. A complicating factor is that despite the tendency towards stricter rules on transparency of political finance, what is illegal in one country is not in another. However, transparency is essential for mature democracies as it allows citizens to make more informed choices at the election polls.

Points to be considered include:

- How does one reconcile the right to privacy with disclosure laws?
- Within what time frame should information be made available – possibly prior to elections?
- There is a huge gap between regulation on paper and effective enforcement in reality. In Western European countries are encountering difficulty in enforcing legislation as ruling political parties tend to dominate the regulatory process. In general, there tends to be reticence to submit to thorough scrutiny.
- Under authoritarian and violent circumstances, disclosure laws are not necessarily desirable as they can be used to quell opposition to the regime.

In order for disclosure laws to control political corruption:

- Legislation needs to be undergirded by political will.
- The political environment must be conducive;
- There needs to be a regular debate on democracy within the country;
- Freedom of the media is essential;
- Disclosure must be as encompassing as possible;
- Independent enforcement agencies are vital and need to be backed by legal sanction;
- Political corruption can only be limited not eradicated, but this is still worth striving for.

ROLAND RICH

Traditional notions of corruption seem to be premised on the unrealistic assumption that uncorrupted society is utopian. As it is impossible to eradicate corruption completely, a more realistic objective, such as reducing corruption to tolerable levels, is required. Each society needs to engage in ‘self-examination’ and determine achievable goals. In countries overwhelmed by abject poverty and other issues, expensive anti-corruption machinery is a luxury. Anti-corruption measures that are effective in any given setting may not be transferable to another, and anti-corruption institutions should take cognisance of the local context.

From the examination of two examples namely, Thailand and Papua New Guinea, several broad conclusions can be drawn.

Thailand’s 1997 Constitution included many innovative ideas such as compulsory voting aimed in part at increasing voting numbers to make it too expensive for politicians to buy votes effectively, an apolitical Senate to oversee key administrative functions of the State, and a requirement for politicians to disclose their assets. The National Anti-Corruption Commission administers the disclosure process and has the power to mount prosecutions for false disclosure. Penalties for false disclosures include banishment from political office for up to five years.

Two high profile cases have already been heard. In March 2000, the then Deputy Prime Minister, Sanan Kachomprasart, was stripped of his position after it was found that he falsely declared a sizeable portion of his assets to be a repayable loan. The following year, Prime Minister Thaksin Shinawatra (the richest man in Thailand) was found to have omitted hundreds of millions of dollars of his share portfolio from his declaration. Incredibly, he claimed this was an honest oversight by his wife who manages his business affairs. The Constitutional Court eventually decided by an 8-7 majority that Thaksin should not be found guilty of false disclosure and his sweeping electoral victory was confirmed.
The second example concerns the Leadership Code of Papua New Guinea administered by the Ombudsman Commission. While a worthy document, the lack of administrative resources and, therefore, the absence of follow through, have limited its value. There is now considerable public cynicism about the value of the Leadership Code because of the lack of enforcement.

These two examples raise a number of difficult issues:

- Corruption exists in all countries, but not all countries can adopt the same approach to combating it. The tactics to be employed need to be tailored to a country’s resources and capabilities. Each country needs to devise its own tactics to meet achievable objectives.

- Disclosure requirements provide a cost-effective tactic in virtually all countries. Disclosure laws require corrupt officials to lie on the public record. The role of the enforcement agency can be limited to eliciting and making available the various disclosure statements. If officials are not able to investigate the veracity of the statements, there may be others in the media, civil society or the Opposition who can investigate these.

- Disclosure laws also have the advantage of simplifying prosecution. In Australia, most prosecutions of corrupt officials are for perjury in the course of cross-examination under oath or formal disclosure statements, as this is often the crime that may be simplest to establish.

- Information is power. Disclosure should be seen as a broad concept applying to government held information. New technology including the widespread use of the Internet is allowing for the democratisation of information.

**Gene Ward**

There are several reason why political finance has become an important issue:

- Campaign costs are skyrocketing.
- Whoever invests the most money in the election campaign, usually wins the election.
- Many emerging democracies are short of money.
- Democracy has been replaced by plutocracy, in many cases, government of, by and for the rich.

Without good governance it is difficult to develop a stable and flourishing economy, as corruption tends to slow down economic growth. However, good governance cannot be achieved without curtailing corruption. Campaign and party finance is the first corrupting influence on governance and politicians. Corrupt behaviour is then transferred and replicated by others as the character of the leader/s pervades the entire organisation and potentially even society at large. Given that political corruption tends to destabilise democracy, it is essential that anti-corruption efforts do not neglect consideration of political party finance.

Key concerns with regard to campaign finance include, how to limit influence of big money on the voters’ behaviour via the media or through performing favours; how to limit influence of big money on legislators’ voting or payback behaviour; how to tweak fundraising laws to create more competitive and even-playing field; and how to create barriers to “dirty money” and incentives for “clean money” without corrupting individuals and the system.

The most popular ways of trying to curb the potentially corrupting influence of big donors are:

- Public Financing or Subsidies
- Spending Limits
- Contribution Limits
- Bans & Prohibitions
- Enforcement
- Disclosure or Transparency

Transparency is essential in the fight against corruption. Without access to the relevant financial information there can be no bans, limits or regulations to measure or audit compliance. Disclosure discourages illegal activity and promotes openness in democracy by engaging the public. In this way it helps to promote the accountability of the elected to the electorate.

However, some disclosure is not transparent. In some instances definitions of disclosure are too loose and or remain opaque. Full disclosure requires names, itemisation of expenses and easy public access. Full disclosure reveals how much money was collected, and how much was spent. It highlights the source of the money and how it was spent. By contrast, partial disclosure demands only aggregated figures and confidential disclosure as it is only seen by the government with no public access.

The benefits of disclosure are many:

- It helps to assure accountability;
- Disclosure promotes transparency and openness by keeping citizens informed;
- It enhances public trust and confidence of public officials and the election process;
- It helps to curb abuses;
- Disclosure also helps ‘follow the money’ by providing an audit trail.

USAID has undertaken a study of disclosure in 118 countries around the world. From their research it appears that most democracies require some form of campaign finance reports, some 71 of the 118 countries examined (60 percent). However, most democracies do not require politicians to reveal the sources of their money. Only 31 per cent of countries require the names of donors be revealed, so in the remaining 69 per cent of countries the sources of
political finance escape scrutiny. Most campaign finance reports do not itemise contributions or expenditures. 20 percent of governments record the names of contributors who donate large sums to the ruling and opposition parties, but do not release this information to the public.

To help anti-corruption endeavours, USAID has advocated:

- 'The Money and Politics Handbook – A guide to Increasing Transparency in Emerging Democracies.'
- Technical Assistance in the field and to regional organisations
- Disclosure programs
- Civil Society oversight
- Disclosure Legislation and regulatory strengthening
- Media Training or Oversight
- Political Party Assistance
- Coalition Building
- Enforcement and enhancement

**DISCUSSION KEY POINTS:**

- It was emphasised that the presence of political will is crucial when it comes to combating corruption and initiating political finance reforms. Many politicians are adverse to transparency and disclosure, fearing that there corruption will be exposed.

- The presence of a free and independent media that will publish corruption scandals is important, but even more crucial is that exposure is followed by legal sanction. For example, in Nigeria all civil servants and public officials are required to disclose assets. However, when irregularities arise, no action is taken and politicians are given immunity from prosecution.

- It was widely agreed that different countries should set different objectives for themselves, taking into account their own specific circumstances. Countries, such as Sierra Leone, that are still attempting to tackle systemic corruption may be years away from the promulgation of disclosure laws.
DAY THREE – MORNING SESSION 2

WHY IS POLITICAL FINANCE A MAJOR SOURCE OF POLITICAL CORRUPTION?

LAURENCE COCKROFT (CHAIR)

Political campaign finance has recently come to the fore of the international anti-corruption agenda. The end of the one-party state has created a new political landscape as well as problems in the area of political party financing. Financing politics at the level of the individual candidate is an investment that donors hope to recoup at some stage. This is problematic giving large donors undue influence on the political process. The OECD Anti-Bribery Convention presently excludes donations from political parties, though the United Nations is currently drafting its own anti-corruption convention to address some of these difficulties.

KARL-HEINZ NASSMACHER

Germany has recently been affected by a political finance scandal that involved many different forms of corruption including shady deals, bribery, kickbacks, slush funds, tax evasion, forged receipts and a party leadership ignorant of these occurrences. This paper begins with an analysis of the recent Cologne scandal, which revealed more about municipal corruption than political party finance. Critical facts of the Cologne scandal include:

- The legal threshold for the disclosure of donations to a political party is DM 20,000 (less than GBP 7,000) per donor, per year.
- DM 12,000 (GBP 4,000) is the maximum amount available for tax benefits on a joint tax return.
- Anonymous donations are illegal and have to be handed over to the general revenue fund.
- Services rendered to the Cologne SPD by craftsmen etc may have been paid for by issuing tax receipts instead of cash as frequently happens with charities and other local party sections.

There was a separate ‘slush fund’ for the SPD City Council group which may have included the difference of DM 320,000 (between the total amount declared by Ruther and the amount which he handed over to Biciste; DM 830,000/ DM 510,000) and still contained DM 180,000 although no money had been deposited there since 1993. Although the slush fund is estimated to have been a total of DM 29.4 million (c.£ 10 million) and only DM 830,000 (£275,000) had been laundered into the Cologne branch of the SPD, the scandal has been dubbed by the media as “a party finance scandal” rather than more accurately “corruption in Municipal politics.” Only 2.8 % of the kickback appears to have ended up in party coffers. At least 75 per cent of the total slush fund was pocketed by two individuals, and not by the party.

Overall, between 1991 and 1999 the average annual income of all German parties was DM 756 million, (£252 million). 31.5 per cent came from public subsidies, more than 10 per cent from assessments of office-holders (mostly at the local level – the “party tax”), and in excess of 30 percent of the total income (i.e., DM 227 million or £76 million) from regular membership dues of ordinary party members. This leaves 17.5 per cent from all kinds of donations, large or small, corporate or individual, and 8.5 percent income from “other sources”. Some of the donations are reasonably small i.e., less than DM 6,000 (£2,000) – per donor per year, making a total of some DM 73 million (£24.2 million). Thus the maximum leeway for potentially corrupt sources has been (8.5 + 7.9 per cent) 16.4 per cent of the total annual income or DM 124 million (£41 million). This includes all party income earned from interest, sale of publications, admission fees as well as all large donations, including those, which have been disclosed to the public. All kinds of graft would also be included. A realistic guess on the maximum potential for proceeds from graft may be some DM 40 million (£13 million). From these calculations it can be asserted that while quite substantial, “dirty money” is certainly not a major source of party funds in Germany.

The danger of corruption is constantly present when money flows into politics. Arms procurement, privatisation and public-private partnerships are major sources of corrupt or corrupting funds.

However, regulations can provide checks and balances. Two important elements of such regulation are effective transparency (disclosure and reporting) for party funds, and rules that provide for alternate sources of funds – partly public and partly private. While some favour bans and limits, these may only promote the search for loopholes.

While Germany has arguably been able to combat corruption effectively, further measures are still being introduced. An amendment to the law currently before parliament will limit the amount of donations in cash. Another amendment, which has been already proposed, stipulates that donations above a certain threshold should be routed through party headquarters (with professional staff) before they can be disbursed to any local party section.
All political systems are affected by economic technological advancement. Economic globalisation ignores national legal barriers and national borders, while nation states are unsuited to combating this trans-national corruption. Technological progress not only allows capital to move freely but also promotes the volatility of evidence.

Within the European Union Member States three features need to be recognised:

- Highly concentrated political power is seen in all European countries at the level of the Executive and at the local level. This concentration is even more striking when political power and media power merge.

- Political authorities still wield considerable decision-making power with high economic stakes. For example, Government supply contracts in France represent 11% of the GDP.

- The anti-corruption counter powers are generally weakness of counter-powers for example the judiciary, parliament at national level and/or of the investigative press.

However, European States have made some progress has been made in combating political corruption. Measures taken at a national level have most often focused on two main aspects: prevention and law enforcement.

- Attempts at prevention have included the passing of legislation regulating political finance, and the introduction of arrangements for the notification of corruption. However, regulations regarding on the allocation of resources to parties and to candidates do not always ensure lower levels of corruption. For example, the UK has fewer regulations regarding political finances than many of her European counterparts, but also fewer political finance scandals.

- Turning to law enforcement, there have been various initiatives in several European countries. Spain has set up a Special Attorney-General's Office for the Repression of Economic Offences related to Corruption, which is a specialised institution including several investigative law enforcement units. In France there is currently one specialist court for economic and financial offences. Also, economic and financial sections drawing in financial and tax experts were created in regional courts in 1999, to address economic and financial crime more effectively. In Italy there has been an Anti-Mafia Public Prosecutor's Office since 1991.

However, law enforcement against corruption inevitably runs into difficulty with regard to supplying evidence of the corruption agreement. In Italy, a disproportion between an individual's personal property and his declared income allows it to be presupposed that the property comes from a suspect activity and justifies its confiscation. However, in other European states such as Germany, reforms aimed at reversing the burden of proof would clash with national laws.

The second factor to be taken into account is the freedom of the judiciary from the political authorities in Spain, France and Italy. After several procedural errors and the instigation of premature investigations, today this independence is disputed in France, Italy and Spain.

Efforts to fight against corruption in Europe remain insufficient because politicians are still tempted to tone down the effects of judicial action and because corruption is increasingly international. Politicians sometimes attempt to shield themselves from prosecution for corrupt activities. Obvious interventions may take the form of amnesty while more subtle are attempts to weaken law enforcement mechanisms that could be used against them.

The European Union has taken action against laundering, criminal judicial cooperation, and the freezing of evidence and assets. Under the EuroPol Convention, laundering the product of corruption is now a crime in itself and no longer a crime ancillary to others. The European Convention on Mutual Assistance in Criminal Matters of 29 May 2000 stipulates that a Member State of the European Union may not invoke the provisions on confidentiality applicable to banking activities in order to refuse to implement a request for judicial cooperation from another Member State. The framework decision signed on in February on the freezing of assets or evidence should also prevent the loss of evidence in another Member State, and allow assets to be confiscated.

In conclusion:

- Over the last decade the debate on political finance regulations has evolved to look at the issue from a criminal viewpoint.
• Regulations on the financing of campaigns and political parties, despite all their weaknesses, have the merit of imposing a certain discipline on the political authorities.

• To be efficient, action against political corruption cannot be only national or European, but must be global.

• Public opinion is not consistently an ally in the fight against corruption.


DISCUSSION KEY POINTS:

☐ The existence of anti-corruption legislation alone is insufficient. The importance of enforcement was again reiterated.

☐ The problem of corruption and political financing is common to all democratisation processes and is relevant to both established democracies and those in transition. However, it was noted that Western countries have had many decades of experience in attempts to combat corruption, unlike newer democracies that face tougher hurdles.

☐ Funds coming from international donors and NGOs were highlighted as potentially corrupting influences. There was also concern that large donors might be able to set a ‘managed’ anti-corruption agenda in the recipient country. Donors and international NGOs can sometimes be out of touch with local realities and their interests may even be contrary to the interests of the population.

☐ A question was raised concerning whether the anti-corruption ideology can sometimes be used to mask corruption. The motivations of large multinationals joining anti-corruption efforts (such as Transparency International) came under scrutiny, and there was concern that this could be used as a smokescreen. It was pointed out that companies might provide support for a plethora of reasons including: information gathering, genuine concern about the problem and the benefits of association.

☐ The need for transparency in the NGO community was highlighted to ensure full credibility and it was argued that anti-corruption bodies should fully disclose their funding sources and should be careful to accept money from companies tainted by previous corrupt activities. Transparency International in particular came under fire for accepting money from Siemens and Enron, given its stance as a leading anti-corruption NGO. However, it was noted that companies responsible for wrongdoing in the past can conceivably have changed and amended their internal policies. There could also be some benefit to be gained by working in partnership with previous ‘offenders’ rather than alienating them. The donors would not have control over how such funding was spent.

☐ It was asserted that in some countries finding ‘clean’ money to support anti-corruption efforts is nearly impossible. It was argued that some could not choose to be selective about the sources of money channelled into anti-corruption initiatives. Some felt that the end did, indeed, justify the means.
DAY THREE – AFTERNOON SESSION

HOW CAN WE STOP VOTE-BUYING?

ANTHONY HEATH

The Rational Choice Model can be utilised as an approach to understanding vote-buying. If all moral overtones are removed, vote-buying can be seen as merely one of many forms of political campaigning. The rational political party will simply look at the cost-benefit analysis of various alternative campaign strategies.

The cost-benefit analysis of vote-buying versus legitimate campaign activity can be represented by the two equations.

Vote buying \[ U_1 = P_1 \times B_1 - C_1 - (P \times C) \]

Legitimate campaign activity \[ U_2 = P_2 \times B_2 - C_2 \]

\( U \) represents the utility of the expected outcome
\( P \) is the probability that the particular action will generate the expected benefits
\( B \) signifies the expected benefit
\( C \) represents the standard cost of election campaigning

The second \( P \) in equation 1 is the probability of being caught.

The second \( C \) is the cost of the sanction if caught.

The rational political party is concerned with the expected benefit of any particular course of action versus alternative courses of action (leaflets/telephone canvassing etc). The party will calculate the expected utility of a wide range of possible interventions. It is important to remember that different courses of action will have different probabilities of producing the intended result.

Alternative methods of campaigning may not be that effective. For instance, mail slot drops have a very low probability of success and are unlikely to motivate voters to turn up on the day and vote for the party extolled in the leaflet. In general, traditional campaign methods have very high financial costs and very low probabilities of success in light of low voter turnout levels in many countries. If conventional campaigning has a low probability of success and high costs, then vote buying may be a comparatively more effective option.

If voting is really by secret ballot, vote-buying will be less effective as there is no way to monitor how people vote, or if in fact, they vote at all. That being said, there are various ways to monitor whether or not the bribed voter has voted. In some countries a common way to ensure compliance is to issue half a bank note to the voter and promise the other half if the specified party wins. In cases such as this, vote-buying is decidedly more effective. Therefore, it is very important to consider the context in which vote buying occurs. In conditions where the voter is aware that the briber knows how voter voted, vote-buying is more probably more effective than conventional campaigning methods.

There are two ways to combat political parties engaging in vote-buying. Either the conventional legal alternatives need to be made more beneficial or make the costs of illegal activities need to be increased. Research has consistently shown that the probability of being caught has a greater deterrent effect than the severity of the penalty. Thus, the probability of detection is a crucial variable in the equation. The policy implication is to examine the conditions under which the probability of being caught is higher, such as voter literacy and higher levels of education.

MICHAEL PINTO-DUSCHINSKY

The issue of political financing in developing countries has traditionally been somewhat neglected by the academic community. Most academic conferences and networks have been dominated by First World academics and focussed primarily on First World concerns. Until recently there has also been a lack of attention paid by international organisations and also from local universities on the ground. The most interest has, in fact, been demonstrated by the local press.

Despite the lack of interest, there is great need for research in developing countries and studies particularly focussing on political financing. While the need for factual evidence is readily apparent, in the absence of available facts, the collation of perceptions is a step in the right direction. In particular, survey research would be most beneficial in the same vein as Transparency International’s Corruption Perception Index. A word of caution though: perceptions are very much dependent on the identity and interests of those responding to the survey. In most cases the choice of respondents will have a significant impact on the outcome of the survey. An argument has, and can be made, that many surveys are racist and culturally biased.

A United Nations Convention stipulates that there should be transparency in political financing. Are conventions such as these relevant only to the global elite, or do they actually have an impact with those in developing countries? The global anti-corruption agenda must be careful of being dominated by the big donors such as the IMF and the World Bank, and should be inclusive of local NGOs, business and governments of the developing world.
Anti-corruption initiatives should also take account of local circumstances. In some countries there is such distrust of political parties that instead of expecting self-disclosure by political parties, monitoring groups would rather rely on external monitoring. However, external monitoring encounters difficulties in ascertaining exactly how much money is donated to, and expended in, political campaigns. Often, there is only inadequate and inaccurate information available. In countries where television advertising constitutes a significant proportion of political campaigning, it is possible to attempt an estimate by monitoring how much air time has been bought for the purposes of political campaigning and then estimating the cost of TV adverts. However, this is a very crude indicator, as money spent on television advertising certainly does not equate to the total amount spent on political campaigning. For example, in the US, even with the extensive use of television advertising, less than 10% of political party spending goes towards this end.

In developing countries the greatest costs incurred during political campaigns are political meetings, vehicles and loudspeakers for transporting people to political rallies and polling booths, staff salaries, media and advertising and vote-buying. In particular the common practice of vote-buying makes costs of contesting an election exorbitant.

For example, in Reunion people are required to produce an identity card in order to vote. Party officials then hire out the identity cards of residents in opposition strongholds for the election period, so as to prevent these voters voting. In the Philippines, a ‘conveyor belt’ method is used. The first voter removes the voting slip from the booth depositing a blank piece of paper in the ballot box. The voter then hands over the ballot paper to the briber who crosses the party of their choice on the ballot paper and hands it to the next person in queue to deposit in the ballot box.

Civil society groups can play an important role in empowering people so that they do not fall prey to this kind of political malpractice. However, in recent years the term civil society has become somewhat obscured. Some NGOs do not if in fact represent the interests of the ‘people’, but rather government interests or the interests of foreign funders. In some instances, individuals are setting up NGOs with the sole purpose of attracting foreign funding. Foreign ambassadors are sometimes under pressure to find suitable projects to support and the aid is channelled into a less than worthy cause.

Civil society organisations are able make a significant difference, but can only form one part of the anti-corruption coalition. It is vital that political parties be brought on board as well as the media. Education is vitally important but obviously a long-term strategy that may take time to yield results. Another essential factor in the fight against corruption is the promulgation of disclosure laws and corresponding enforcement mechanisms.

**Aruna Roy and Nikhil Dey**

The “Right to Information” movement was born out of a struggle led by an organisation of poor workers and farmers, the Mazdoor Kisan Shakti Sangathan (MKSS) for minimum wages on government sponsored employment programmes in Central Rajasthan. The experience of the (MKSS) in Rajasthan, India demonstrates that when attempting to change a political system that is endemic corruption, civil society movements should think nationally (or even globally) but act locally. There is a very strong link between occurrences on a micro and macro level. What can be achieved on a local level can have effects nationally. For example, campaigning by the MKSS locally in Rajasthan resulted in the move towards a Right to Information Bill at the national level.

Because of the entrenched caste system in India and the fact that voting that occurs along family and caste lines, it is possible to buy not only individual votes but in fact an entire village. This is very common. Although the caste system is officially illegal it still has a tremendous impact on democracy.

It is commonly held that elections cannot be won without money. To contest an election in India, candidates will usually require around 50,000 Rupees (£7,500). However, grass roots support from ‘the people’ who give of their time and resources, can enable candidates to successfully mount an election campaign in the absence of large financial donations or income.

The MKSS put up two credible candidates in a recent local election with their candidates winning both seats. This was especially significant as votes were gained from across the castes, and the hold of the caste system on voting patterns was broken. This victory demonstrated how lower castes can use their superior numbers, operating through the democratic system, to overcome elites.

In order for permanent change to be brought about, a sustained social movement is required which helps people to overcome their sense of choicelessness. It is also vital to develop a local movement well suited to conditions on the ground and not to attempt simply to recreate Western-style civil society movements. It is also important to highlight that democracy should not be conceptualised solely as the right to vote but to fully utilise the democratic space.

**Discussion Key Points:**

- It is ill-advised to attempt to simply ‘export’ a Western model of democracy to the developing world. It was noted that Western style democracy requires vast sums of money that the developing world lacks. It is possible that local variations are not as finance intensive.
Literacy and voter education is essential, it was declared. Where there is no long-standing history of democratic governance, it is important to educate people in what democracy actually means.

Vote-buying is a common phenomenon in many countries. Vote buying can take the form of buying electoral votes in order to win an election or the buying of votes of parliamentarians after elections.

Violence and intimidation can be used in certain countries to “persuade” the voter, rather than to buy the voter’s vote. Superstition can also be used to put undue pressure on the voter. Democracy only has real meaning in the absence of this kind of political manipulation.
In India, the Right to Information is an issue that has been discussed in academic and legal circles ever since independence. However, in the last eight years an energetic and growing people’s movement led by organisations of the rural poor has linked the issue to the lives and livelihood of the poor and marginalised.

The “Right to Information” movement was born out of a struggle led by an organisation of poor workers and farmers, the Mazdoor Kisan Shakti Sangathan (MKSS) for minimum wages on government sponsored employment programmes in Central Rajasthan. People soon came to the realisation that evidence of the denial of their constitutional rights lay hidden in Government documents. Using basic democratic assertions of their legitimate rights to examine and make copies of records of projects carried out in their name, they managed to effectively challenge the prevalent assumptions of official secrecy.

Each year the Indian government spends 90 million Rupees (£13 million) on rural development. However, a very small percentage of this actually reaches the people for whom it was intended. A vast proportion is siphoned off by corrupt officials through a variety of devious practices. Government contractors routinely over-quote on the quantity of building materials needed for a project and merely pocket the remaining funds. Many workers are simply not paid for work done, and individuals allocated pensions or other government benefits seldom actually receive any money. Thus, the Right to Information in India translates into the Right to Life, the Right to Housing, Roads, etc. Access to documentation of government projects (such as labour lists and building vouchers) is essential in order to have evidence of irregularities.

Concentrating on specifically obtaining documents containing details of expenditure on public works, the grassroots movement in Rajasthan repeatedly emphasised the universal applicability of its demands to all spheres of democratic decision-making. As others all over India realised the potential of this powerful idea to challenge the arbitrary use of power, a coalition of many other economic, social and democratic movements began to take shape. A ‘National Campaign for the People’s Right to Information’ (NCPRI) was formed, with the twin objectives of ensuring legal entitlements through effective Right to Information legislation, and fostering grassroots use of Right to Information provisions.

The movement in Rajasthan has not only spread geographically, but has begun to effectively challenge several entrenched structures of the establishment. While fighting corruption, the notion of the public audit has been established. The battle to establish the right of every citizen not only to question, but also to participate in decision-making, has been strengthened through the “Right to Information” Campaign. The movement is now being recognised not just as an effective means to control corruption and the arbitrary exercise of power, but also as a proactive struggle for a share of governance.

Continuous and strategic use of modes like Public Hearings (Jan Sunwais) and conducting public audits, has forced the establishment to focus on institutionalising the processes. The fact that along with corruption, policy irrationalities, and new modes of direct democracy, are all now the subject of furious public debate in Rajasthan, is indicative of the ground the movement has traversed and the powerful potential it holds.

The “Right to Information” legislation has now been enacted in at least six of the 30 Indian States. The campaign has also shown several dramatic illustrations of the use of right to information provisions to control corruption, enforce accountability, challenge illegitimate concentrations of power, and create modes and platforms for direct democracy.

DISCUSSION KEY POINTS:

- The MKSS itself models the accountability and transparency, which it demands of government. The campaign is funded solely by the people, who give of their time and resources, rallying behind a cause of integrity and unquestionable ethics.

- While grassroots movements around the world may encounter difficulty in recruiting members of the middle class, it is important to ‘recruit’ them as allies, by demonstrating how they are directly affected and to hold out a hope for people that change is indeed possible. Cynicism is one of the most potent enemies of change.

- In countries suffering under oppressive and murderous regimes, activists could run the risk of losing life and limb. While under these circumstances, safety can never be guaranteed, proceeding cautiously can help to minimise the risks. The profile of the movement can be raised slowly in proportion to the level of public support.

- Coalition building is essential when attempting to initiate radical change. Amongst others, coalition partners should be sought within both the electronic
and print media. This is vital in terms of highlighting the campaign on both a national and international level.

Within the coalition itself, it is also important to establish basic ethical standards of transparency and accountability.

JEREMY POPE

The nature of international financial institutions such as the World Bank dictates that it is responsible primarily to its shareholders, the governments of member countries. As a result it may be perceived to be ignoring the will of ‘the people’ of recipient countries by dealing only with governments of the day. (This perception is premised on the observation that many that the interests of governments and the populace are often at odds and seldom one in the same). Many governments are not even required to table World Bank agreements in their Parliaments, and can thus make loan agreements at their discretion. Unfortunately, it is ‘the people’ who will bear the brunt of repayments and penalties should the government default on payment, as well as suffer the consequences of structural adjustments packages or other loan conditions. Since independence $ 40 billion has been pumped into Tanzania but people are arguably, worse off than before.

For many years, international financial institutions turned a blind eye to corruption in recipient countries deeming it improper to interfere in the domestic politics of recipient countries. However, in 1996 the head of World Bank, Mr James Wolfensohn, acknowledged that corruption impacts negatively on World Bank projects and thus can be counted as an economic issue. As a result, Wolfensohn called for a review of 18 World Bank projects by forensic accountants who found evidence of major corruption in 12 of them. Subsequently, the World Bank has taken measures to combat corruption within all of its own projects.

Given the enormous influence that they wield, bilateral donors are in a very good position to support grass roots organisations such as the MKSS. It would be most beneficial if donors would make transparency and monitoring procedures a condition for aid.

Aid donors feel the need to perpetuate a belief in the benefits of the aid industry. As a result, aid agencies will try at all costs to prevent the exposure of corruption scandals that might disrupt the flow of aid. Consequently, there exists an incentive to play down the extent or gravity of corruption scandals. Organisations such as Transparency International also do not want to disrupt flow of aid so have to be cautious about exposing particular cases of corruption.

Local Non-Governmental Organisations have a valuable role to play as monitors of projects on the ground. In many cases it has been proven that grassroots monitoring is very effective.

DISCUSSION KEY POINTS:

- The question of whether donors should give money directly to grassroots non-governmental organisations rather than to governments was widely discussed. This suggestion is based on the notion that NGOs are disinterested parties in a way that governments are not. However, some NGOs are controlled by government interests, business interests, ministerial interests, or simply do not represent the interests of any significant proportion of the population.

- In general, NGOs are also not subject to the rules of accountability and transparency that governments supposedly are. NGOs are not ultimately responsible to ‘the people’ as government is supposed to be. Government should remain responsible for meeting the basic needs of the people. This responsibility cannot be shifted to a non-representative non-accountable NGO sector.

- It would prove valuable to institute a code of conduct for NGOs requiring transparency and accountability. In some cases, local governments require disclosure (or other forms of monitoring) but many international NGOs refuse to be subject to local regulations.

- There is currently a crisis of confidence in the international aid industry. Corruption erodes confidence in integrity of the development aid process and support for aid in the donor countries is waning. One of the many reasons for this is awareness of the fact that a large portion of international aid coming from NGOs is spent on salaries for those NGO employees in the recipient country.

- There was some concern from representatives of developing countries that international aid comes with an agenda that is sometimes contrary to the best interests of the local population. Aid donors sometimes exude an air of superiority despite being ignorant of the realities on the ground. It was adamantly stressed how important it is to take cognisance of the views of the people that international donors are trying to help.

- The right to quality information is essential so that people can make informed decisions. It is important that the locus of change is local, and aid donors should support and facilitate local processes.
SIERRA LEONE
OLAYINKA CREIGHTON RANDALL

Sierra Leone won its independence in 1961 and for most of the next 30 years remained under one party rule. During this time the local government system was abolished and power became highly centralised in the hands of the political elite based in Freetown. Resistance to one-party domination and competition in the political system was not tolerated and political opponents were incarcerated on charges of treason. Journalists, police and judicial officials also bore the brunt of harsh repression, many losing their lives. In these dire circumstances corruption became endemic and eventually systemic, with bribes required to secure the most basic of government services.

In 1991 a military coup took place supported by popular disaffection and dissatisfaction with political corruption. However, the revolutionary cause became subverted and the conflict degenerated into a cruel and bitter civil war marked by barbarous atrocities. In many ways, this civil war can be seen as a direct result of corruption in government. The conflict officially came to an end on 18 January 2002. Even with the introduction of a multiparty system the political elite remains intact and rampant corruption remains, both within the Government and the NGO sector.

70 per cent of international aid that is channelled into Sierra Leone returns to the donor country in the form of salaries for NGO employees. 20 per cent finds its way into the hands of government officials and, thus, only 10 per cent actually benefits people on the ground. Aid flowing out of the European Union used to be channelled through Government coffers but there is an increasing tendency for EU donors to work more closely with local NGOs. However, in some cases, unscrupulous individuals are setting up NGOs with the sole purpose of attracting foreign funding. Another cause for concern is lack of transparency in the NGO community and a lack of accountability with regard to the spending of development funds.

Although the Government in Sierra Leone established an Anti-Corruption Commission in 2000, the political will to combat corruption is blatantly lacking. Of the 15 cases brought before the commission, not one has been successfully prosecuted. Given this obvious lack of political will, the impetus for change must emerge out of the local NGO sector. NGOs in Sierra Leone are attempting to spearhead the fight against corruption and rally the populace in support of their cause through coalition building and collaboration.

INDONESIA
CHUSNUL MAR’IYAH

Indonesia has a population of around 210 million, with about 40 million unemployed. There is tremendous social inequality and a huge gap between rich and poor. Indonesia has little democratic heritage, being under military rule until 1998. The current political regime is marked by corruption, collusion, cronyism and clientelism. The Speaker of the House of Representatives is currently in detention on charges of corruption. Opposition to the regime is not tolerated and resistance has been quelled by harsh repression. Corruption is widespread even in tertiary education institutions with the money from student fees being siphoned off by corrupt officials.

ERITREA
AHFEROM TEWOLDE GHEBREMARIAM

Situated on the Northeast coast of Africa, Eritrea is newly independent with a population of around 4 million people. Until recently corruption had not been a cause for great concern, with the focus on building a stable and sustainable democracy after independence. One of the greatest challenges though is providing appropriate compensation and employment for demobilised soldiers who fought in the war of independence. In some cases these soldiers have been rewarded with high profile public positions regardless of their qualifications or competence, apart from questions of effectiveness. They remain vulnerable to manipulation by government officials.

PERU
CARLOS ZAMORANO

Traditional Peruvian culture, derived from the Inca’s, was imbued with values of honesty and integrity. Deceit, theft and laziness, were frowned upon and there existed a tremendous cultural disincentive to engaging in devious practices. However, in the 160 years of independence subsequent to Spanish colonialism, Peru has failed to build strong democratic institutions. There has been constant interruption of the democratic process and poor functioning of the democratic system. Under the government of Fujimori, corruption became systemic and engulfed the entire political system. However, with determination and collaboration, corruption can be exposed and combated. Anti-corruption legislation has been passed with 1294 individuals convicted on corruption related charges and former President Fujimori of Peru has fled back to Japan to avoid prosecution. The main obstacles remain corruption in the judiciary and at the
local government level. The main objective of the anti-corruption agenda is ensuring the integrity and independence of the judiciary and the enforcement of existing legislation.

GEORGIA
VLADIMER UGULAVA

“In Georgia corruption is, for some, a life style.”

However, the political will to tackle corruption exists and there is recognition of the need to overhaul the entire system. In 2000 a seven-member Working Group was established to elaborate on the anti-corruption strategy of the country. Two alternative models presented themselves: the ‘Hong Kong Model’ of fighting corruption with the creation of a law enforcement agency with an emphasis on deterrence through punishment, or the ‘Sicilian Model’ of public awareness and corruption prevention through empowering people.

The Georgian anti-corruption program has included:

• Reform of the Executive
• Public sector management
• Business environment liberalisation
• Public finance management
• A review of Judicial structures
• Democratic development
• Education

The mandate of the anti-corruption unit encompasses monitoring the implementation of anti-corruption programmes (including civil monitoring schemes), analysis and policy recommendations, public education campaigns, building coalitions and fulfils the role of “ombudsman. However, the unit has no investigation or prosecutorial powers.

POLAND
MARcin WALECKI

Political parties are not private businesses, but perform a public function. Political finance has a decisive effect on the operation of democracy and its impact is likely to be greatest in times when new states or regimes are established.

Cause for concern in the area of political financing exists when sources of funding lack diversity; there is great inequality in the endowments of political parties; membership subscriptions and direct public subsidies play an insignificant role; and when there are large contributions made by wealthy individuals and corporations.

Intensive party competition has led to growing costs and increased mobilisation of necessary resources and the role of large donors has taken on new dimensions. Regulatory frameworks have attempted to prohibit certain sources and limit the amount of legal contributions. However, these tend to be fragmented and not as effective as necessary.

Public subsidies are a dominating feature of many democracies, present in more than 60 countries. However, the level of direct public funding in these countries differs considerably. The way in which these funds are distributed also varies. Funding can either be directed specifically to electoral campaigns, or utilised for the routine operation of political parties.

In conclusion:

• Regulations regarding political financing will not be effective if they fail to cover all aspects of party funding;
• Politics in Central and Eastern Europe is characterised by irregular flows of funds and relatively non-diversified financial sources;
• There is a general lack of enforcement with regard to political finance regulations;
• In a democracy political parties ideally should compete on a level playing field;
• Political finance has a decisive effect on democratic consolidation.

NEPAL
GOKARNA BISTA

Corruption is one of the major obstacles preventing good governance in Nepal. The three governments following the inception of Parliamentary Democracy in Nepal 12 years ago, have all been tarnished by allegations of rampant corruption.

Nepal is beset by violence, and is currently under a State of Emergency. The meagre resources previously allocated for development are being diverted towards defence and the maintenance of peace and order. Maoist terrorist activities have also adversely affected the country’s economy. Where government Ministers should be attending to the countries’ enormous challenges, they are rather engaging in corrupt practices, which line their own pockets. Two Government Ministers were recently forced to resign on account of their corrupt activities.

Despite the many challenges there is cause for optimism. Issues of corruption and good governance have been raised in the Parliament, and anti-corruption activists are participating in the Parliamentary Committees. The Public Accounts Committee (PAC) is directly responsible for ensuring financial discipline and has been very active in prosecuting corrupt politicians and bureaucrats. To ensure transparency, Committee meetings are always open to the press and decisions are usually arrived at through consensus. However, the PAC does not have the authority to punish those who it finds guilty. The report or directives of PAC therefore is only recommendations. The Parliamentary Committee on Ethics is another Committee to regulate the unethical behaviour of the
Parliamentarians. But it has not been active as expected. The Commission for the Investigation of the Abuse of Authority (CIAA) is also working actively to combat corruption, but like PAC, the Commission does not have authority to punish offenders. The Commission has to file a case with the courts and has, unfortunately, lost most of these cases to date. Non-governmental institutions such as Transparency International Nepal and Pro-Public, as well as the media, are actively involved in exposing and combating corruption.

Ultimately the state must take responsibility for combating corruption. It has a very important role to play, formulating and implementing effective social security policies and programs, creating job opportunities, exercising fairness in employment procedures, promulgating legislation, ensuring enforcement and punishment for those who engage in and promote corruption.

**JORDAN**  
**MOHAMMAD THNEIBAT**

When entering into the anti-corruption discourse:

"it is important to be aware of the different dynamics in each country and the context in which ‘corruption’ is taking place. For example, certain cultures have a long-standing tradition of exchanging gifts and refusing a gift is taken as an insult."

Different cultural practices need to be taken into account and, therefore, there is no single universally applicable formula for fighting corruption.

Jordan has been earnestly and consistently taking steps to curtail corruption for the last 20 years. An ambitious programme of administrative and judicial reform was instigated. A greater number of judges were recruited to relieve pressure on the judicial system, with a rise in salaries and benefits to attract strong candidates. Judicial procedures were simplified, and systems computerised, including a database of laws and regulations. Notification procedures were also simplified and privatised.

Reviews of existing ministries and government organisations were conducted. The size of government was also reduced with the number of ministries being reduced from 24 to 18. Privatisation of certain government functions also helped to reduce the size of the state. All government organisations were mandated to develop a citizen’s complaints procedure and civil service by laws and regulations facilitated complaints of employees against superiors. Civic education has also been introduced into the school curriculum, attempting to imbue the values of honesty, integrity and civic responsibility in the population from an early age.

There are two main anti-corruption institutions in Jordan:

- An Anti-Corruption Department forms part of the intelligence service. Those suspected of offences are warned that they are under surveillance, and largely as a result of the work of this department, cases of corruption have decreased by 60 per cent in the last ten years.
- The High Ministerial Committee for fighting Corruption comprised of, amongst others, representatives from the Ministry of Justice, the Ministry of Administrative Development, the General-Director of the Anti-corruption Department and various legal advisers.

Based on the Jordanian experience, there are several recommendations for anti-corruption initiatives:

- Set small achievable goals at first, thereby building the public’s confidence in the anti-corruption programme as these targets are met
- Liase with responsible members of the media community
- Focus of achieving integrity within the bureaucratic system
- Emphasise the importance of the distinction between the civil service and the political sphere
- Educate the public by instilling values of integrity and service in the public interest

**ZAMBIA**  
**SIBALWA MWANGA**

To Come

**DISCUSSION KEY POINTS:**

- A positive theme that emerged during this session is the importance of human capital. Dedicated and determined individuals can have a tremendous impact on the prevailing political norms. It was suggested that there could be an exchange programme whereby anti-corruption ‘activists’ could visit their counterparts in other countries.
Human capital and an enthusiastic civil service is a necessary but not sufficient condition, if operating in a context that is systemically corrupt. While obviously a holistic approach is optimal, where resources are extremely limited certain anti-corruption measures have to be prioritised.

This raises the important question of critical path analysis – i.e. which anti-corruption measures should be targeted first. Suggestions included reforms in the executive branch, disclosure laws, and the arrest and trial of high profile offenders.

The presence of political will is essential when attempting to combat corruption. This provokes the difficult question of how to proceed when political will is lacking.

For historical, social and cultural reasons, in some societies there are strong moral or religious inhibitions that tend to promote individual self-governance as opposed to outside regulation. Corruption is still likely to be present but less pervasive in these societies. In transitional societies, greater regulation may be required than in those with more established democratic political cultures.
DAY FIVE – MORNING SESSION

INTERNATIONAL VIDEO CONFERENCE LINK WITH INDIAN PARTICIPANTS

PAUL FLATHER

To Come

ROLAND RICH

Restraint and Enforcement – the Enron Lesson

Caution is to be recommended when an argument turns on inductive reasoning. All the more so when the argument is based on a single sample. But when that single event is so significant as to be a watershed occurrence; when the enormity of the wrong makes patently clear that systemic faults exist; and when, on reflection, the event falls into a pattern of similar events, it is time to attempt to draw conclusions. The Enron scandal has not yet snowballed into a political fiasco for the Bush Administration but it nevertheless needs to have a political impact of seismic proportions.

Five structural or systemic problems can be highlighted in the Enron case:

- Structural Conflicts of Interest
  Actors throughout the scandal including the managers, financiers and auditors were motivated in their actions by mixed interests. The Congressional investigation is looking into allegations that Wall Street firms had a vested interest in pumping up the Enron stock. Within the accounting industry, the audit function is the key to its respectability but the consulting function is its means to profitability. These two aspects of the business are intended to be kept separate, but after Enron there must be doubts about the probity of the audit function remaining uncontaminated by the accounting firms’ other pecuniary interests.

- Deceitful Personnel Practices
  In the Enron case decisions made by those in public positions were influenced by personal gain in private appointments. One example of this is the case of Wendy Gramm, chair of the Commodity Futures Trading Commission, in 1993 permitted a regulatory exemption crucial to Enron’s derivatives trading. Five weeks later she joined the Enron Board (Corn 2002).

- Deregulating Oversight of the Market
  Deregulation is intended to allow the market to work freely, to allow rewards or punishments on the basis of commercial performance, and create efficiencies that benefit the consumer. But the Enron fiasco tends to show that savings achieved from being freed of such compliance costs’ simply get ploughed into lobbying spending. Effective oversight of Enron may have come with a price tag in terms of the cost of maintaining regulatory machinery. But if that machinery had functioned correctly, it might have saved the jobs, pensions and investments of tens of thousands of people.

- Money Politics
  It is noteworthy that Enron was a massive contributor to political parties and a particularly large contributor to the 2001 Bush Campaign (Borosage 2002). The $623,000 President Bush received from Enron is more than from any other single campaign source (Meek 2002). More than 250 members of Congress from both parties - including 71 out of the 100 Senators - have dipped their hands into the $5.9m in campaign contributions Enron or its managers have handed out since 1990 (Meek 2002). The challenge posed by the Enron case is whether campaign finance reform will become a serious issue in American politics.

- Minimal Disclosure to avoid Public Exposure
  The basic fact that Enron had transformed itself from an energy company to a trader of financial products was not apparent to many employees and most investors. The fact that it had massive debt was hidden by the creation of 2,832 subsidiaries, with
almost a third located in the Cayman Islands and other tax havens (Borosage). Enron’s auditors, Arthur Andersen, had a simpler way of hiding the truth; they simply shredded thousands of documents relating to Enron.

The Enron case poses the question of whether it might be necessary to return to a classical meaning of corruption to look at an ‘infection’ in the body politic, this particular case being a symptom of a far wider problem. It is important to note that recent literature on corruption is pointing away from individual culpability as a means of explaining corruption (‘the rotten apple theory’) and looking instead to the culture of the organisation (‘the rotten barrel theory’). Enron provides considerable evidence of the impact of a corrupt corporate culture.

In conclusion, one needs to ask what lessons might be drawn from the Enron scandal regarding the impact of money politics, the benefits of disclosure rules and the difficulties of regulating transnational corporations in the era of globalisation.

N VITALL

Corruption is an all-pervasive phenomenon in India. According to Transparency International’s Corruption Perception Index 2000. India ranks at 69 out of 90 countries.

Corruption has invaded all arms of the state including the Judiciary, Executive and Legislature. Political corruption is seen as one of the most significant sources of corruption and the root of the culture of corruption in India. Some maintain that the entire political process and electoral system depends on corruption and dirty money. One idea that has been debated is the public funding of elections, but there is little support for this proposal on the grounds that unscrupulous individuals may run for election simply to lay their hands on electoral funds. The aim should be simply for greater transparency in political financing and the political process as a whole.

The Vohra Committee Report also highlighted the criminalisation of Indian politics. In attempting to achieve corruption-free government, it is necessary to ensure that lawbreakers and criminals do not become lawmakers. Equally important is the need for laws that ensure punishment of the corrupt.

The extent of corruption in any given instance depends on the values of relevant individuals, the values of organizations, and systemic factors. This raises the question of how systems can be put in place that restrain people and punish corruption?

- It is imperative to simplify relevant rules and regulations so as to reduce the potential scope of corruption. For example, archaic licensing systems that ‘encourage’ the payment of bribes by street hawkers to the police should be abolished.
- Transparency and disclosure are important tools in empowering the public. The Central Vigilance Commission publishes the names of officials convicted on charges of corruption on the Internet.
- Punishment must be timely and effective. When encountering cases of corruption the CVC recommends three avenues of recourse namely, pursuing legal action through the courts, making a complaint to the Central Vigilance Commission or approaching the media. However, the conviction rate in courts stands at only 6 per cent. Conviction rates are low, owing partly to the length of time it takes to conclude cases. Cases of corruption are also notoriously difficult to prove in the absence of hard evidence.

At present, the Central Vigilance Commission acts to expedite prosecutions through existing channels. But it is considering the possibility of setting up an independent prosecutorial office.

DISCUSSION KEY POINTS:

- There was some contention over the right to free participation in the political system and the circumstances under which this could legitimately be curtailed. There was support for restricting the participation of those with criminal records or corruption-related convictions. It was also suggested that the participation of political parties in elections could be made dependent on their compliance with political finance regulations.
- It was proposed that one simple way of curtailing political and bureaucratic corruption was to reduce the size of the state and the involvement of governments in the economic sphere. In particular, the provision of social security and welfare by the states were suggested as areas from which the state should withdraw.
- There was much discussion concerning the purported link between economic liberalisation and the globalisation of corruption. The need to regulate the global economy was highlighted in this age of increased access to technology, the free movement of capital, plentiful tax havens and international investment. It was suggested that a global civil society could perform a monitoring role, applying lessons learnt from local economic regulation to the global economy.
- The importance of the right to information, and the need for greater transparency, were again highlighted as important tools in the fight against corruption.

GURHARPAL SINGH

In the fight against corruption, many international developments have made an impact on the region of South Asia: The Afghan war, Transparency International and the Bangladesh report, as well as the ABD-OECD Anti-Corruption Convention signed by
India, Pakistan, Bangladesh and Nepal, which requires that countries provide a self-audit of developments in 12-16 months.

International and domestic pressures, especially the growing fiscal crisis in Pakistan, Nepal, and Bangladesh and, to some extent India, are compelling the respective administrations to address corruption in order to increase tax revenues.

In general, anti-corruption drives continue to be influenced by political considerations. An example from India would be the case of Tehelka.com and the Venkataswamy Commission and from Bangladesh, the White Paper on corruption tabled during the last Awami League government, is arguably, also politically motivated.

With regard to transparency and disclosure, major developments are still in the pipeline. India has made progress on the Freedom of Information Bill and the Ombudsman Bill, on both local and national levels; Pakistan, has promised a Freedom of Information Bill, while Bangladesh has seen the activation of the Ombudsman Act (1981). But provisions are somewhat constrained. Also a Freedom of Information Act has also been pledged, but not yet materialised.

The independence of anti-corruption institutions in many South Asian countries is still in doubt. In both Bangladesh and Pakistan, anti-corruption institutions have been promised, but not yet established.

Judicial review of corruption cases remains problematic, especially regarding the time taken for cases to be concluded. In India the process of prosecution is notoriously slow.

The key issue of political party funding still needs to be addressed. No substantive progress has been made in breaking the link between corrupt funds or “black money”, political parties and election expenditure. In Bangladesh, in one division, 40 millionaires contested elections in 27 of the 37 constituencies.

Key Issues to be addressed:

- How can we build the political will to engineer sustained reforms?
- Are governments in South Asia becoming more adept at developing self-monitoring anti-corruption mechanisms and will these institutions deflect more extensive debate and introspection on the subject?
- What can be done to promote greater transparency beyond freedom of information?
- Does fighting corruption require special courts/powers or radical judicial reform?
- Given that 90 per cent of corruption in South Asia has been described as administrative; what kind of civil service reform can be instituted to break the insidious link between politicians and bureaucrats?

HELEN SUTCH

The World Bank and many other international organisations are taking proactive steps towards combating global corruption. The Financial Action Task Force of the OECD and the OECD Convention on Bribery of Foreign Nationals are two such examples.

The World Bank works predominantly with the governments of sovereign states and only when invited to do so. National governments are the bank’s shareholders, and, therefore, the Bank remains primarily accountable to them for how money is spent and what results are achieved. It is acknowledged that as majority stakeholders the G8 countries have a larger say in World Bank policy than other countries, but it should also be recognised that the governments of poor or developing countries do not always represent the needs of their poor.

With regard to combating corruption, the Bank is working on issues of political accountability, asset declaration, political party financing. However, given the Bank’s mandate to remain non-political, there are limits to its involvement in these areas.

The World Bank has also developed its own diagnostic instruments, including surveys of businesses, households, public officials and service delivery, though more accurate indicators are needed. Institutional and governance reviews attempt to track irregularities from occurrences on the ground, through the administration and up to the political level. Understandably, much of this work is very politically sensitive.

It is essential to move beyond exposing corruption, to developing viable and sustainable solutions to the problem.

Thus, in India, the World Bank came out strongly in support of the state’s reform programme, but also stressed the importance of ‘Right to Information’ legislation and the necessity of effective implementation. The Bank has been working with the judiciary and investigative journalists in an attempt to ensure successful implementation.

ANITA SINGH

India is currently undergoing massive economic restructuring and direct foreign investment for the first time since Independence. The state is withdrawing from the economic sphere, and the economy is being increasingly liberalised in an attempt to encourage foreign investment.

Corruption in India still constitutes a major problem. The process of prosecution in India is very complicated
and the average citizen is unable to understand the roles of various defunct institutions.

There have been several successful prosecutions and convictions of corrupt officials, but they are often released from prison as soon as the memory of the offence fades from public consciousness.

However, the problem of endemic corruption in India needs to be placed in its historical context. The origins of the culture of corruption can be traced back to the colonial period, when a system developed of public officials ‘extracting from the state’. The majority of the population was denied access to vital resources and as a result, people found alternative methods of meeting their basic needs. This continues to be the case. It is important that the poor gain legitimate access to state resources.

It is felt by many that international institutions such as the IMF and World Bank have actually done little to improve the lot of the poor, and have neglected to appreciate the bond between people and their access to resources.

It is vitally important that people are empowered to exercise their right to information that was so hard won.

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**DISCUSSION KEY POINTS:**

- Certain participants expressed much scepticism about the role of multi-national corporations and international organisations in combating corruption, with a clear perception that they often have an agenda often at odds with the needs of local populations in recipient countries. Others, however, felt strongly that the World Bank, in particular, had played an enormously positive role in the development of their countries, while still respecting local views and customs.

- It was pointed out that the World Bank’s primary focus is on poverty reduction and as an international financial institution, is able to play a unique role that local NGOs cannot. For instance, in some cases the most significant instrument to empower the rural poor is to devalue the country’s currency. The World Bank has been able to persuade governments to take such action in a way that local NGOs have not. Thus, partnership between local and international could prove most effective.

- There is undoubtedly a role for local civil society organisations to monitor loans from the World Bank as well as particular World Bank projects. To facilitate the inclusion of beneficiaries into the monitoring system, technology that can be locally maintained is utilised. For example, in Uganda, diagnostic work revealed that only 20 percent of loans was actually reaching it’s target population. In response, and under the auspices of local monitoring, the government redirected financial flows, increasing this figure to 90 per cent.

- While poverty and the colonial heritage are two contributing factors to endemic corruption in many developing countries, it is overly simplistic to blame corruption on these alone. Controlling corruption is likely to have a positive spin-off in decreasing levels of poverty and deprivation.

- When corruption is endemic or systemic, it is vital that one adopt a holistic approach to reforms. Aspects of those reforms could include the establishment of an independent anti-corruption commission, reform of the judiciary, civil service reform, ‘clean’ procurement programmes, ‘right to information’ legislation, privatisation and the appointment of commissioners to develop integrity in public institutions. However, in developing countries with limited resources it is necessary to prioritise certain reforms, as informed by sound and in-depth research.

- There was much debate about the function and nature of the state, with some arguing for the total elimination of the state, others for a reduction in the size of the state, and others still for a reorientation of the state and ‘taking back the state.’ There are many historical reasons for distrust of the state and much corruption originates at the state level. However, when states fail, organised crime, warlords or the military, move in to fill the power vacuum, often inflicting further suffering on the population. Therefore, it is vital that the state remains and fulfils its functions with integrity.
DAY FIVE – AFTERNOON SESSION

HOW CAN WE BUILD INSTITUTIONS OF INTEGRITY?

HELEN SUTCH

World Bank thinking about institutions and development has evolved from a primarily technical and project-oriented approach in the 1960s and 1970s, with a focus on externally imposed models, formal legislation and implementation, to the current emphasis on constraining the state.

Previously the perceived need for capital investments and technical assistance resulted in a supply of excellent professional expertise to developing countries and the setting up of well-designed projects. However, the impact on development was disappointing and unsustainable, owing to the ailing environment in which projects were operating. In many cases necessary funds arrived late, were stolen or diverted, contracts were illegitimately awarded and staffing was inadequate with personnel lacking relevant expertise and skills.

In the 1980s there was a move away from project-based to systemic approaches. Law-making and decision-making processes, regulations, budgets considerations and the state of the civil service were taken into consideration, but the focus remained on the public sector alone. During the 1990s there was a further move away from technocratic to governance approaches, from questions about what is going wrong to why.

1996 saw the first explicit recognition by the World Bank of corruption by Mr Wolfensohn, the bank’s president, at the its Annual Meeting. In 1997 the World Bank launched its official anti-corruption strategy with an initial focus on administrative corruption and later on ‘state capture’ (corruption in the formation of laws and policies as opposed to corruption in their implementation). More than 100 programmes were initiated to support anti-corruption efforts in various countries.

However, despite much technical assistance, budget formulation, management and reporting remained dysfunctional in many heavily indebted poor countries (HIPCs). It was soon recognised that good governance, development, and poverty reduction are very much intertwined. This is supported by the experience of World Bank staff on the ground, as well as a wealth of research findings over past decade (as indicated in the World Development Reports of 1997 (Role of the State), 2000 (Poverty), and 2001 (Institutions) and ‘Reforming Public Institutions and Strengthening Governance: A World Bank Strategy’).

Currently within the World Bank, there is an increasing shift away from a stress on projects to a focus on systems, with upstream diagnostics and programmatic lending to match. There is recognition of the necessity for local ownership of anti-corruption initiatives, the presence of political will, freedom of information, transparency and accountability. The emphasis has shifted away from “best practice” to “good fit,” varying the approach according to the country, finding entry points and tailoring realistic reforms.

However, on a conceptual level the focus is heavily on providing disincentives for corrupt behaviour and incentives for the maintenance of integrity. Compliance relies on negative incentives and a repeated short-term calculation, considering the risks of being caught versus the potential corrupt gains. This can be contrasted with a call to integrity by professional standards and norms, which generate positive incentives over the long-term.

Several questions remain:

- Does the compliance approach produce a minimalist response to satisfying formal requirements, undermining responsibility and integrity?
- Do effective states need more authority and less transparency to establish themselves and to build institutional cultures of integrity?
- Are these issues being conceptualised correctly?
- The assumption that a formal separation of powers describes reality is sometimes misleading as the same elites or networks often control various vestiges of power, undermining the effectiveness of traditional constraints. What does this mean for our approach to institution building?

ROLAND RICH

A decade ago in Queensland, enquiries into police corruption snowballed into a judicial commission looking at all aspects of corruption in the state, all the way to the Premier’s office. Many transactions were seen to be, or suspected to be, corrupt. Even a defamation settlement in which a media baron paid out a huge amount of money to the Premier of the state was held by the Australian Broadcasting Authority to be a scheme to hide a bribe. (A deliberate defamation suit was settled ‘out of court’ with a handsome payment.) Judge Tony Fitzgerald published a report in which he said that the problem was so great that it would not be effective for him to make specific reform
recommendations. Instead, he called for a wide-ranging public debate on corruption and ethics.

The public debate led to the defeat of the incumbent corrupt government and the prosecution of a number of officials including the then Premier. It also led to the establishment of the Queensland Integrity System with many new oversight offices (including an anti-corruption commission) established, as well as new rights of appeal and of freedom to information. This is an ongoing process with the media and the public providing continuous assessment of government integrity.

In Papua New Guinea, there is also a deep problem of systemic corruption and one political response was to establish an anti-corruption commission. Unlike the Queensland example where the process was far broader and more inclusive, in PNG a ‘silver bullet’ solution was sought. Officials involved in anti-corruption work in PNG were wary of establishing a new institution. Developing countries have a history of creating new bodies but then starving them of funds and resources resulting in limited effectiveness.

In this case, the officials proposed a better approach – to cooperate across departmental lines without forming new architecture. The method was to bring together ad hoc teams of officials for specific investigations. The Police Fraud Squad, the Ombudsman’s office, the Prosecutor’s Office and the Auditor’s Office all agreed to second officers to the ad hoc team and to allow the process to be observed by Transparency International Papua New Guinea (as the civil society watchdog). The ad hoc team was called the National Anti-Corruption Agency, but its members continued to belong to their home Departments and thus no significant new resources were required. The first investigation, of the governor of Daru Province, proved to be a success.

The conclusions to be drawn are that fighting corruption is a job for the entire community. In Queensland, it took the form of public debate, election results in which the crooked politicians were voted out of office, media investigation and critical comment, public disenchantment expressed in various ways including talk-back radio and finally political and administrative action. It is a continuous and iterative process that cannot be short-circuited, nor is progress without its hiccups.

The other conclusion is that anti-corruption machinery must fit the situation of the country in question. In Queensland where community resources are large and the tax base is significant, elaborate machinery is appropriate. In Papua New Guinea it is not. Anti-corruption machinery can only work under a system of rule of law, and will fail if it does not have the support of the public, the government and the courts. In many cases, the solution might be to find ways to make existing machinery work better, by creating cooperative arrangements and bringing in civil society to act as watchdog. The ultimate enemy to any anti-corruption initiative is public cynicism.

**DISCUSSION KEY POINTS:**

- Inequality in the global economic system was again highlighted, with certain representatives arguing strongly that the World Bank had a responsibility to address this. Some felt that the World Bank had become a symbol of a non-participative, non-inclusive, approach to poverty alleviation and, in fact, exacerbates rather than ameliorates the problem. Other representatives adamantly disputed this, pointing to the very beneficial relationships between their countries and the World Bank.

- The World Bank does not attempt to combat inequality in the global system. However, it does work towards ensuring that the world trade system becomes more beneficial to the poor.

- The World Bank is not sceptical of the role of civil society organisations, recognising their potential impact as agents of change. However, it should be recognized that many NGOs in former Soviet Union countries are actually an expression of government interests.

- It is important to remember that here is no single, universally applicable, solution to the problem of corruption.
DAY SIX - WORKING GROUPS REPORT BACK

WORKING GROUP I - EMPOWERING THE VOICELESS

The group agreed that civil society has a vitally important role to play in combating corruption. Non-Governmental Organisations are better placed to empower people than public institutions like political parties. The group discussed what exactly constitutes civil society and whether or not civil society be conceptualised as an entity in itself especially in countries in transition.

The group proposed the following for NGOs and civil society bodies:

- First acknowledge and address corruption within their own ranks;
- Promote awareness of the right to information and facilitate access to information;
- Demand accountable and transparent public institutions;
- Membership and institutions should be accountable and transparent;
- The focus should remain on the common good as opposed to individual or corporate interests;
- Promote volunteerism, create linkages with other grass roots organisations and build coalitions to address broader issues.

As reported by Anita Brauna (Latvia)

DISCUSSION KEY POINTS:

- Civil society organisations can be effective in the absence of large grants from international donors by sourcing financial support from the grass roots, promoting volunteerism and building coalitions with other civil society organisations both within the country, and with comparable groups in other countries.
- How transparent particular organisations can be depends on the context and circumstances in which the organisation finds itself. Under oppressive and authoritarian regimes, transparency may be severely detrimental to the wellbeing of both the organisation and its personnel.
- To maximise their impact, civil society organisations will, at some stage, have to enter the political arena and build coalitions with organisations such as trade unions and political parties.
- Political parties require support from the electorate to remain in power, and are thus an integral expression of the democratic process. If there is permanent distrust of political parties among the population, then democracy itself is failing.
General issues highlighted with regard to restraining politicians were:

- The corruption of political party financing: This covers the issues of foreign funding, domination of the political process by large donors, vote-buying and the role of public funding.

- Non-disclosure of information and assets: Even in countries where disclosure laws exist, there may be lack of compliance, little enforcement and a general unwillingness to expose corruption given the high cost of whistle-blowing.

- Law enforcement: Many countries have a sufficient legal framework within to combat corruption, but there is often a lack of enforcement. Possible reasons for this include lack of capacity and resources, both human and technical as well as a culture of societal tolerance for corruption.

- Limits on donations to political parties or campaigns and political spending.

The group noted several key factors or institutions in the fight against corruption include:

- Adequate legislation

- Special independent investigative bodies: These may take the form of anti-corruption commissions (e.g. Sierra Leone) or units within judiciary (e.g. Peru) or separate investigative bureaus (e.g. Singapore).

- The Judiciary: In some cases separate courts are set up to hear corruption cases only and/or judges may receive special training.

- Civil Society: These organisations play an important role in enhancing human capacity through education.

- Free and independent media.

However, the group noted that there can be problems with regard to implementation of anti-corruption measures can be posed by:

- Inadequate human capacity;

- A lack of political will;

- A civil service culture of pride in upholding the system;

- Lack of resources;

- Unrealistically high expectations of public institutions;

- An unwillingness to prosecute offenders;

- Lack of law enforcement.

As reported by Chusnul Mar’iyah (Indonesia) and Shirani Alfreds (Singapore)
The group asked the following key questions:

- What is meant by integrity in public institutions?
- How should proper standards be formulated?
- How should standards be measured and compared?
- How should the working of key public institutions be assessed?
- Which external checks would be beneficial?

The group identified several factors contributing to corruption within institutions:

- Inadequate or corrupt leadership
- Weakness in system e.g. concentration of power in the hands of one person
- Insufficient checks and balances
- Lack of professionalism
- A political culture and societal tolerance towards corruption
- Denial of corruption in government circles

The group agreed several mechanisms that can contribute to the development of proper standards in public life:

- Anti-corruption legislation
- Formulation of codes of conduct
- Periodic progress reports
- Declaration of Assets
- An annual review of assets declaration linked to income tax concessions
- A shift in the burden of proof towards the accused in the case of unexplained wealth
- Internal checks as opposed to external review

The group proposed the following ways in which to assess the effectiveness of public institutions:

- Gauge the perceptions of people the institutions were created to serve
- Reports of key performance indicators
- Information dissemination/monitoring by the media
- Audits
- External monitoring of the selection/appointment process

As reported by Nkemdiilim Izuako (Nigeria)

**Discussion Key Points:**

- Lack of integrity within institutions results in the failure of the system as a whole, as institutions are unable to fulfil their mandate and meet their basic obligations.
- Societal tolerance of bribery and corruption undermines attempts to ensure integrity in institutions.
- The absence of integrity leads to a loss of moral authority by the government and the confidence of the people.
- Reform of the judiciary is paramount. If the judiciary is corrupt then no vehicle remains to bring law-breakers to justice. If governments exercise control over the judiciary they are effectively above the law and anti-corruption legislation is unlikely to be enforced.
- The role of leadership is vital. Most institutions have integrity on paper but it is the leaders that must be held determine the organisational culture.
- However, it is also essential to have strong institutions that function well regardless of particular individuals that may be incumbent at any time.
- It is important that the concepts of public service and sacrifice for the greater good be revived, drawing people of integrity into public life.
**CONCLUSIONS**

**NETWORKING, DATA SOURCES AND RESOURCES**

- A list of contact details of all speakers and participants will be distributed to facilitate international networking and to promote continued dialogue and sharing of information and resources. This could become the “Oxford Conference Network”. Participants were encouraged to utilise their existing networks, as well as to develop new ones.

- Better utilisation of the Internet as an important tool in promoting the free flow of information, was highlighted. Posting information on websites can facilitate access to information within a country and focus international attention on domestic problems. It was suggested that the British Council help set up an anti-corruption website for participants from the Oxford Conference Network to utilise.

- A list of relevant websites and Internet-based resources will also be circulated via e-mail. Suggested resources included the DFID, USAID World Bank and the World Movement for Democracy websites.

- It was proposed that the British Council should be asked, as part of its commitment to ensure positive outcomes and follow through, to compile a set of basic texts and foundational material relating to corruption and political party financing. This would be made available to interested academics and activists via British Council offices around the world.

- Several parties invited proposals for financial assistance for anti-corruption initiatives. Bids could be directed to Mr Oon Soo Khoo from the Attorney General’s Office in Singapore, Mr Gene Ward of USAID, Ms Jo Benfield from the Westminster Foundation, Ms Helen Sutch at the World Bank and Ms Lindy Cameron from the British Department for International Development who all participated in our conference.

- British Missions, Embassies and the Foreign and Commonwealth Office were also suggested as possible sources of funding.

- The importance of a network of African anti-corruption activists was reiterated. A possible link with the Open Society Institute of Southern Africa and the Open Society Institute of West Africa was suggested in order to source funding for a conference on corruption in Africa, which could link the African Network. Dr Michael Pinto-Duschinsky would take on the co-ordinating role for this.

- The formation of a specific network for Latin America was suggested with a possible meeting in Argentina, to be followed up with meetings in other Latin American countries. This would have the backing of the British Council.

**INDIVIDUAL REQUESTS FOR FURTHER INFORMATION**

- Ms Aleksandra Drecun (Secretary-General, Ministry of Finance and Economy, Serbia) and Mr Nebojsa Misic (Co-ordination Centre for Kosovo and Metohija, Yugoslavia) requested information and advice on initiating financial reforms in Serbia.

- Mr Ahferom-Tewolde Ghebremariam (Director-General, Popular Front Democracy and Justice, Eritrea) would like literature detailing the nature of various anti-corruption bodies.

- Mr Carlos Zamorano (Chief of Cabinet of Advisors, Ministry of Justice, Peru) would appreciate further information on mechanisms for reducing ministerial structures.

- Dr Chusnul Ma’riyah (Member of the Electoral Commission, Indonesia) is seeking advice on penalties for failure to comply to political party financing laws. Possible sanctions include barring political parties from contesting elections if they fail to comply, or divulge the required financial information.

- Justice Nkemdilim Izuako (Judge, The Judiciary, Anambra State, Nigeria) is in need of information and assistance in combating violence against women. Possible responses could come from Dr Pinto-Duschinsky, The British Council, DFID and USAID.
POSSIBLE COLLABORATIVE PROJECTS

The following collaborative projects were noted during the concluding sessions. It was agreed that each project would need a lead advocate, and that these would be confirmed through networking over the coming two months.

- It was proposed that a comparative study could be undertaken via the Internet on the length of time taken to conclude cases of corruption in courts.

  A co-ordinator sought

- It was suggested that another International Networking Event, supported by the British Council, could be scheduled to take place before the World Movement for Democracy Meeting in Durban, South Africa, in March next year.

  Co-ordinator: Dr Michael Pinto-Duschinsky
  pintodu@totalise.co.uk

- It was proposed to do a comparative study of Electoral Processes and Party Financing linked to existing studies already undertaken in Sweden and the US. A proposal inviting collaborators would be posted on the Internet.

  Co-ordinator: Dr Michael Pinto-Duschinsky
  pintodu@totalise.co.uk

- It was agreed to produce a popular guide based on attempts to prosecute the “Top Ten Bad Guys” in the World.

  Co-ordinator: Professor Josip Kregar
  josip.kregar@zg.tel.hr

- An analysis of the structures, strategies and achievements of various Anti-corruption Bureaus now prevalent in developing countries was proposed.

  Co-ordinator: Mr Vladimer Ugulava
  vugulava@anticorruption.ge

- The importance of civic education was noted at several points during the conference. It was proposed that ideas for promoting civic education should be shared.

  A co-ordinator is sought.

- Publication of successful examples of integrity building strategies and institutions that have been ‘cleaned up’ was proposed, in line, for example with events as outlined in Australia.

  A co-ordinator is sought.

- While it is very difficult to measure corruption, it is clearly important to do so to inform policy and ascertain trends. Many such studies are underway. It was agreed that it would be useful to conduct research in this field.

  Co-ordinator: Ms Lala Camerer
  lalacamerer@mweb.co.za

- Corrupt leaders often amass huge fortunes by illegal and ill begotten means. Despite the difficulty involved in tracking down this money, it is vital to do so as part of anti-corruption strategies.

  Co-ordinator: Ms Shirani Alfred
  shirani_alfreds@agc.gov.sg
ANNEXE I CONFERENCE PRESENTER’S BIOGRAPHIES

CONFERENCE CO-DIRECTORS

Dr Paul Flather is a Fellow of Mansfield College, Oxford, and Secretary-General of the Europaeum, an association of leading European universities. He is currently working on democratic change and political reform in India, including ways and means of combating corruption there. He is a former journalist, having worked with the BBC, Times Newspapers and the New Statesman, served as an elected Member of the Inner London Education Authority, chairing its Further and Higher Education Subcommittee, was the founding Chief Executive/Secretary General of the Central European University, and Director of external and international relations for Oxford University. He has written recent essays on the ethics of fund-raising and on the ‘good’ politician.

Dr Michael Pinto-Duschinsky Senior Research Fellow at Brunel University, a former fellow of Pembroke and Merton Colleges in Oxford, Chair of IPS Research Committee on Political Finance and Corruption, founder trustee of the Westminster Foundation on Democracy, who has written extensively on the problems of political corruption, and of public funding of political parties.

CONFERENCE PRESENTERS


Professor Ian Jones teaches management at Brasenose College. His research interest is in Business Ethics and Corporate Social Responsibility where his most recent publications have been with Michael Pollitt are ‘The role of Business Ethics in Economic Performance’ and ‘Understanding how issues in Business Ethics Develop’ forthcoming. He organises international conferences - the next one is the role of multinationals in building social capital in developing countries’ and co-authored a London Business School study in reputation risk. Ian combines this interest with consultancy, non-executive work for Traidcraft, and executive education.

Professor Ruud A. Koole is associate professor in political science at Leiden University (the Netherlands). His research concentrates on Dutch politics and on comparative political parties, including the financing of political parties. Apart from articles in journals and volumes he published various books, among which: De opkomst van de moderne kaderpartij: veranderende partijorganisatie in Nederland 1960-1990 (1992: on changing party organizations in the Netherlands 1960-1990), Politieke partijen in Nederland: ontstaan en ontwikkeling van partijen en partijstelsels (1996: on the origins and developments of the Dutch political parties and the Dutch party system), Parliamentary Party Groups in European Democracies: Political Parties Behind Closed Doors (2000, together with Knut Heidar). He is co-editor of the Political Data Yearbook, a special issue of the European Journal for Political Research. He is a member of the Board of the IPSA Research Group on Political Finance and Political Corruption. Since March 2001 he is combining a part-time position at Leiden University with the function of Chair of the Dutch Labour Party.

Professor Karl-Heinz Nassmacher is a Professor of Political Science and Director of the Institute of Comparative Politics at the Karl von Ossietzky University of Oldenburg, Germany. Born in Danzig (Gdansk) in 1941, he studied business administration, economics and political science at the University of Cologne, where he completed his M.B.A. (1965) and his Ph.D. (1967). He chaired the Research Committee "Political Finance and Political Corruption" of the IPSA 1994-2000 and presently is its secretary.

Dr Mark Philp is Head of the Department of Politics and International Relations, University of Oxford, and is a fellow of Oriel College. He has published widely on the history of political thought and on matters relating to corruption and public standards.

Mr Jeremy Pope (New Zealand/Irish) is the Executive Director of Transparency International (TI) with responsibility for research and innovation. He has had primary responsibility for developing the movement’s professional approaches and anti-corruption “tools” and for developing its field-work. He has had extensive experience in advising governments and civil society groups on anti-corruption issues, particularly in Africa and in Eastern and Central Europe. He has also served as adviser to the President of the World Bank, to the Independent Commission on Global Governance, and to the UN Global Programme Against Corruption. From 1980 – 1993 he served as Director, Legal and Constitutional Affairs Division, Commonwealth Secretariat, London.
**Professor Roland Rich** is the founding Director of the Centre for Democratic Institutions (CDI) at the Australian National University. CDI is a government-funded body established in 1998 to promote democracy in the Asia-Pacific region. CDI’s primary focus is on strengthening parliaments and judiciaries in the region. It also works on issues of countability and human rights. Among the projects CDI has undertaken are assistance to Papua New Guinea and Cambodia in drafting National Anti-Corruption Action Plans, institutional strengthening projects for the new Ombudsman offices of Indonesia and Thailand, and training for members of PNG’s National Anti-Corruption Agency and for the Office of Inspector-General of East Timor. Reports on all CDI project can be found on its website at [http://www.cdi.anu.edu.au/](http://www.cdi.anu.edu.au/)

Beginning his professional life as a lawyer with Clayton Utz and Company in Sydney, Roland Rich joined the Australian diplomatic service in 1975. He has had postings to Paris, Rangoon and Manila before being appointed Australian Ambassador to Laos (1994-97). In the Department of Foreign Affairs and Trade, he has held the positions of Director for Eastern Europe (1989-92), Legal Advisor (1992-94) and Assistant Secretary, International Organisations Branch (1997-98). He has been closely involved in United Nations work and in treaty negotiations including as a delegate to the UN Conference on the Law of the Sea, leader of the Australian delegation to maritime boundary negotiations with Indonesia and the negotiation of several Investment Promotion and Protection Agreements.


**Professor Gurharpal Singh** is the C.R.Parekh Professor in Indian Politics and Director of the Centre for Indian Studies in the Department of Politics and International Studies, University of Hull. His research interests include ethnic conflict in South Asia and political corruption. He has published on corruption in India and is currently working on this year’s South Asia section of the Global Corruption Report - 2002 (Transparency International).

**Mr Marcin Walecki** born in 1974, PhD candidate at St. Antonyís College, University of Oxford, Senior Program Officer at the National Democratic Institute Washington DC, USA. Member of the Board of the International Political Science Associationís Research Committee on Political Finance and Political Corruption. Research interests: political parties and political finance in post-communist countries.

**Mr Gene Ward** serves as the political finance specialist in the Office of Democracy, USAID, Washington, D.C. and is the lead author of "MONEY AND POLITICS HANDBOOK: A Guide to Increasing Transparency in Emerging Democracies”. He received his Ph.D. from the University of Hawaii, East-West Center in Honolulu. He served 4 terms in the Hawaii House of Representatives and ran for the US Congress. He has been an advisor and consultant to the United Nations ILO and UNIDO on entrepreneurship development, in addition to owning his own consulting firm. Gene is a Vietnam Veteran and past US Peace Corps volunteer in North Borneo.
The aim of this session was to discuss methodologies for reporting, quantifying, studying, and combating corruption. Among the questions considered were:

- Five years on, how effective are the World Bank and OECD and other anti-corruption strategies?
- Is the Corruption Perception Index an adequate substitute for a Corruption Reality Index?
- How can we improve the linkage between academic research and the practitioners?
- What new resources are available?

MICHAEL PINTO-DUSCHINSKY

While conferences tackling critical issues such as corruption and political finance have value in and of themselves, it is essential that concrete results be produced rather than gathering momentum for another conference. It is vital that a specific plan of action is developed.

Studies relating to corruption cannot always be undertaken by adopting a scientific approach. The driving question should be not how to measure, but what does one want to measure. Establishing causal relationships is undoubtedly important with regard to formulating policy recommendations, but is not always the most useful approach to the study of corruption. Relatively little case study research has been conducted in this area and there is a great need for in-depth research.

A good starting point is to undertake detailed country case studies, although these are not always suitable for purposes of comparison. It is possible to use standardised and systematic questions to make these studies more comparable. Highly localised case studies of specific incidents of corruption detailing how the system of corruption works. An example of this could be study of corruption in the provision of electricity at the State level in India. Another important set of studies could focus on ‘anti-corruption’ grass roots activism, such as the MKSS movement.

Traditionally the study of corruption has primarily been the preserve of the white, north-Western, male. It is important to include men and women from a broader geographical area, as well as more diverse ethnic backgrounds. Some headway has been made in Eastern Europe but practitioners have generally failed to include Africans in the academic discourse.

International IDEA is producing a handbook on political finance. The intention is to include guidelines on how to introduce new political finance laws, country case studies, and a study matrix of laws in different countries. While studies such as these make a valuable contribution to the field, it is important to bear in mind that legislation regulating political finance and what happens in practice are sometimes very different.

At present there is insufficient information available on how much money is actually spent on elections. IDEA has taken several potential political finance regulations such as contribution limits, spending limits or disclosure regulations etc and enquired in 110 countries whether or not these measures in place. As legislation is constantly being promulgated and amended in countries around the world, by the time the study is published it may no longer accurately reflect the current situation.

The importance of studying and tackling corruption in small countries is paramount are potential havens for international crime syndicates, a transhipment point for drugs, passports, arms etc. One of the main problems in these countries is lack of legislation.

While it is helpful that organisations such as the World Bank and Transparency International are putting pressure on governments to bring in reforms, there is insufficient research to evaluate the most beneficial starting point for these reforms. Case studies and research should precede and inform such reforms.

KARL-HEINZ NASSMACHER

Case study: Financing of Parties and Election Campaigns: How Can Levels of Spending Be Measured and Compared?

In 1979 an article in the German weekly news magazine, *Der Spiegel*, pronounced that no comparable democracy anywhere in the world spends more money (and more public money) on party activities than Germany. Professor Nassmacher set out to determine whether or not the level of political spending in Germany was exceptionally high. However, after more than 20 years of research, he determined that this is not the case as in Israel, Austria and Sweden, also most likely in Japan and Italy, party democracy is more expensive than in Germany.

As a first port of call, Nassmacher collected existing data on the total amount of political spending in 14 countries. In some countries political spending is almost exclusively money expended on electoral campaigns; in other countries mainly the routine operation of the party apparatus (not necessarily at party headquarters, but also for field organisations covering the whole country). For a reasonable comparison, figures for both routine and campaign
spending are needed. If the data for all tiers of the political system is only partially available, informed estimates will have to suffice.

- Second, as expenses by parties and candidates differ widely for election and non-election years, any comparison of the level of political expenses requires data for a whole election cycle which may be three years (Sweden up to 1998), four years (USA, Germany) or five years (Britain or Canada, though this is a legal maximum term for a parliament of variable length). Dividing the total amount for an entire election cycle, by the number of years comprising this cycle will result in an annual average.

- Third, as democracies differ widely, the data computed in preceding stages, must be adjusted for size. As area is not a relevant variable for mostly urbanised societies, the number of people belonging to a political system must be taken into account. The population figure, in some countries, however, will include foreign workers who are not entitled to vote. The number of registered voters is a comparable figure only for countries, which apply a system of compulsory registration. As the USA relies on voluntary registration, the voting age population will be closer to the total number of people entitled to vote there than any other figure.

- Fourth, dividing the annual average for political spending by the number of people entitled to vote in a democracy will produce per capita figures of party (and campaign) spending in national currency for a reasonable number of democracies. Such per capita figures may serve the purpose of cross-national comparison, assuming they can be converted into units of the same “currency”.

- Fifth, if data for the average annual per capita costs of party activity and the average hourly domestic product (or national income) per person, are available for a couple of years, it may be possible to produce time series data for the new index of political spending. The major benefit of a cluster of time series data will be the opportunity to compare not only cross-nationally but also over time. This would render different levels of political spending in groups of countries more reliable, and provoke the search for causality.

- Sixth, research in comparative political finance could then hope to advance to identify relative positions of individual countries and to elaborate causes for different levels of political spending which have been established.

**DISCUSSION KEY POINTS:**

- The cost of politics in less developed countries is higher than in more developed countries, relative to average earnings. The cost of television advertising is a major factor, but political spending is often very high even in countries where television advertising does not play a major role.

- Countries that have the highest levels of political expenditure include those in which the cost of politics is very high because of corruption (e.g. the cost of vote-buying).

- This raises the question of how to measure the cost of vote-buying. One possibility is to track the change in the number of bank notes in circulation prior to elections. Village level studies of this would prove very valuable.

- The need to utilise different research methodologies and to go about international comparative research in a more creative and innovative way was also discussed. In this vein, Global Access, a new project at the Centre for Public Integrity in Washington was highlighted. Using an indicator approach, it assesses the extent to which mechanisms exist and function within countries around the world to promote openness, transparency and government accountability.

**HELEN SUTCH**

The aim of the World Bank’s diagnostic work relating to corruption is intended to inform dialogue within the subject country, rather than be utilised for cross-country comparison. Previously, such comparisons have been erroneously exploited at one time even placing in jeopardy a particular country’s accession into the European Union.

The World Bank has several different diagnostic tools or ranges of indicators. These include:

- Governance Indicators
- The Second Generation Indicator Project
- The Investment Climate Survey
- Civil Service Surveys
- The Enterprise Survey

Important concepts utilised in studying corruption include that of ‘state capture’, which implies in built structural corruption sometimes enshrined in legal rules. This can be distinguished from administrative corruption. Countries dominated by administrative corruption should focus on economic reform and not public sector management.

The starting point for World Bank studies used to be measuring the extent of corruption. There has been a shift in recent years away from primarily quantitative analysis, towards a more qualitative approach including in-depth interviews and case studies. The significance of these case studies is different in each country and questionnaires are tailored to take account of local dynamics and factors.

**JEREMY POPE**

At various intervals during the conference, Transparency International’s Corruption Perception
Index has been subject to severe criticism. TI acknowledges that the index is imprecise and that it has come under review several times. But the decision has been taken to retain the index for the value that it does have, rather than to discard it.

The Bribe Payer’s Index can be used to complement the CPI, and provide a more balanced picture given the shortcomings of the CPI. TI is currently working with Gallup to construct a global corruption barometer, which is poised for release at the end of 2002. TI is also rolling out National Integrity Systems Surveys that will be conducted by local inhabitants of the subject country. There is a possibility that the British Department for International Development may provide financial support for the project. By providing more information about realities on the ground, TI is hoping to combat some of the negative features of the CPI.

DISCUSSION KEY POINTS:

- In some countries, corruption has become so pervasive that it has been ‘normalised’, integrated into the fabric of everyday life. Under these circumstances, the question is raised as to how corruption can be redefined in the public ‘consciousness’ as problematic.

- It was noted once again that there can be a vast discrepancy between what exists on paper and the situation on the ground. Surveys that rely primarily on legislation to assess anti-corruption measures may provide a distorted picture of reality.

- There was some concern about the cost of conducting survey research. Suggestions included utilising students to collect data or offering scholarships as an incentive for students to undertake case study papers.

- It was suggested that comparisons over time would be beneficial in order to ascertain whether or not trends in global corruption and anti-corruption efforts, could be established.
### ANNEXE III – CONFERENCE PARTICIPANTS’ CONTACT DETAILS

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