



Transparency International Canada Inc.

NEWSLETTER

Volume 5, Number 2

July 2001

CANADIAN CHAPTER NEWS

Transforming politics and resources to reduce corruption and conflict in Sub-Saharan Africa

On 24 April 2001, Major General (Rtd.) Ishola Williams, Secretary General, Transparency In Nigeria (TIN), addressed TI-Canada members and guests at York University on the need to rethink politics and resources in order to reduce corruption and conflict in sub-Saharan Africa. According to General Williams, at this time, resources in this region are in the hands of a few, who are accountable to no one. Development aid monies often find their way into western banks.

He went on to say, the free market and free trade will not lead Africans out of poverty. The societies will need to develop themselves, and they will need to have control over their own destinies. While Africa has a lot of resources, it is not using them for its own development. Consequently, it is unable to work towards sustainable development. Once resources are discovered in Africa, the land becomes that of the government. Africa's poorest, living near these resources, are moved and unable to benefit from the monies reaped from the resources.

It was his view that, in order to transform politics and resources in the region, from a mindset of poverty to prosperity, there is a need for a wholistic approach to governance, rather than the present approach limited to the public sector or split amongst public, private and civil society. In order to accomplish this, the region needs to develop a civil society that fulfills its own responsibilities in creating the foundation for good public governance. In addition, the community ownership of land and its resources must be recognized by the Constitutions of each country in the region, and community property rights over resources must be respected. Finally, African governments must move forward with regulations that can guide the activities of global companies in their countries, while at the same time ensuring that social services are affordable by the people.

Reducing corruption (the abuse of public power for private gain) and conflict (where parties have a combination of incompatible approaches and goals), he argued, requires that a correct political framework be in place. In the case of participatory or legitimate governance, the people must lead for the leaders to follow, i.e., when ethical societies lead, leaders have no alternative but to be

ethical. The administration of a state needs the wholistic approach of public governance, which consists of the public sector, the private sector and ethical civil society, starting from the community level.

He stressed that the transformation process must start with the Africans themselves, who must seek creative ways to develop new political structures with the appropriate institutions and processes that can overcome intra and inter-African challenges, including globalization. On April 25, 2001, General Williams made a similar presentation to CIDA staff, TI-Canada members and other interested parties in Ottawa.

For the full text, visit: www.transparency.ca "What's New."

PLAN TO ATTEND!!!

10th International Anti-Corruption Conference:
"Together against Corruption: Designing Strategies,
Assessing Impact, Reforming Corrupt Institutions"

7 – 11 October 2001, Prague, Czech Republic

(for more information, visit: www.10iacc.org; e-mail: info@10iacc.org)

Corruption, Money Laundering and the Role of Financial Institutions

Dr. Margaret Beare, prominent York University top criminologist and Director of The Nathanson Centre for the Study of Organized Crime and Corruption, was the lead-off speaker at a TI-Canada symposium on the role of financial institutions in the fight against bribery and corruption, held in Toronto, May 7. Dr. Beare's paper, "Critique of a Compliance-Driven Enforcement Strategy: Money Laundering and the Financial Sector," addressed the development of a language of compliance, debates over the viability of a 'social contract' between corporations and the wider society, the assigning of impossible or at least improbable responsibilities to for-profit institutions, the impact of the international community and/or the U.S. on Canadian policy making, and most specifically the current global pre-occupation with money laundering.

Richard Lee, Senior Advisor, Financial and Reports Analysis Centre of Canada (FINTRAC), provided an overview of the newly formed FINTRAC and the Proceeds of Crime (Money Laundering) Act, as they relate to lawyers, accountants, bankers, trust companies, caisses populaires, money service businesses, real estate brokers & agents, brokerage houses, and casinos.

The Act broadens the reach of the previous system and implements mandatory reporting of suspicious and certain prescribed transactions. The Principles of the Act detect and deter money laundering; provide vital tools to law enforcement; strike a balance between privacy rights and enforcement needs; and fulfill Canada's international commitments in the fight against transnational crime.

Mark Musi, Vice President, Chief Compliance and Control Officer, Citigroup Private Bank, New York, related why it was important for Citigroup to participate in the creations of the "Wolfsberg Anti-Money Laundering Principles." On 30 October 2000, following a year-long process instigated by TI, 11 of the world's largest banks, agreed to a set of global anti-money laundering guidelines for international private banks. Mr. Musi provided a look at the activities of the U. S. regulatory environment and the international private banking community and other considerations (such as peer pressure, press coverage, public opinion), which led up to the Principles, and some key aspects of the Principles (which can be found at www.transparency.org or www.wolfsberg-principles.com). The Principles are basic guidelines, and there is nothing to say that banks cannot do more, for example, in the way of due diligence on some clients.

For full presentations of Dr. Beare and Mr. Lee, visit: www.transparency.org, "What's New"

TI-Canada Fourth Annual General Meeting

TI-Canada held its Fourth AGM on May 7. Chair and President, Wesley Cragg, reported on the active and encouraging year for both TI and TI-Canada. TI continues to work on follow-through with the OECD Anti-Bribery Convention and was pleased with the decision, in December, of the *OECD Export Credit Agency Working Group* to develop and endorse an action programme to deter bribery in government-supported export credit transactions (*for details visit: www.transparency.org*). TI-Canada participated in this initiative through hearings of the Export Development Corporation. EDC has indicated they are preparing anti-corruption policies and regulations. Of particular note in 2000 was the hosting by TI-Canada of the TI Annual General Meeting, in Ottawa, in September, attended by 230 from 90 countries. At the AGM, TI adopted a framework for a code of ethics. Dr. Cragg is chairing a TI committee working on the setting out of TI's core values and guiding principles and building their application into all facets of TI's operations.

Vice Chair, Michael Davies, tabled a report concerning his participation in anti-corruption activities of the Canadian Council of International Business, the OECD Working Group on Bribery in International Business Transactions, the OAS Inter-American Convention against Corruption, the Pacific Basin Economic Council, and the WTO Agreement on Transparency in Government Procurement, among others.

National Coordinator, Bronwyn Best, reported on TI-Canada's activities in 2000, including a Toronto luncheon session, co-sponsored by the Canadian Centre for Ethics and Corporate Policy, on "Who bribes whom and how often?"; a workshop, held in Banff, on "Corruption in the International Marketplace: A focus on the Canadian energy and resources sectors"; "Corruption: What Can Be Done? A Seminar on Approaches to Attacking Corruption," in Ottawa, for the Canadian International Development Agency (CIDA) and other federal government staff; and participation by Ms. Best toward the potential establishment of a TI National Chapter in Japan.

The Financial Statements of Transparency International Canada Inc., as of December 31, 2000, were presented. Mr. Ian Marshall, Mr. P. K. Pal and Mr. David Selley were reelected to three-year terms as Directors of TI-Canada

Visit (www.transparency.ca) for all three reports and the Financial Statements

INTERNATIONAL NEWS

New index highlights worldwide corruption crisis, says Transparency International

The Corruption Perceptions Index 2001 ranks 91 countries. Almost two-thirds of the countries ranked in the new index score less than 5 out of a clean score of 10

27 June 2001 --- "There is no end in sight to the misuse of power by those in public office – and corruption levels are perceived to be as high as ever in both the developed and developing worlds," said Peter Eigen, Chairman of Transparency International, speaking today on the launch of the Corruption Perceptions Index 2001. "There is a worldwide corruption crisis. That is the clear message from the year 2001 Corruption Perceptions Index (CPI), which reflects the degree to which corruption is perceived to exist among public officials and politicians. Scores of less than 5 out of a clean score of 10 are registered by countries on every continent," he said on the publication today of the CPI by Transparency International (TI).

This year's index, published by the world's leading non-governmental organisation fighting corruption, ranks 91 countries. Some of the richest countries in the world –

Finland, Denmark, New Zealand, Iceland, Singapore and Sweden – scored 9 or higher out of a clean score of 10 in the new CPI, indicating very low levels of perceived corruption. But 55 countries – many of which are among the world's poorest – scored less than 5, suggesting high levels of perceived corruption in government and public administration. The countries with a score of 2 or less are Azerbaijan, Bolivia, Cameroon, Kenya, Indonesia, Uganda, Nigeria and Bangladesh.

The CPI, which TI first launched in 1995, is a poll of polls, this year drawing on 14 surveys from seven independent institutions. The surveys reflect the perceptions of business people, academics and country analysts. The surveys were undertaken over the past three years and no country has been included in the CPI without results from a minimum of three surveys. "This prudent approach means that we are unable to include a number of countries that probably have higher corruption levels than those included in the CPI," explained Peter Eigen. "Moreover, for some countries in the CPI, there are only three or four data sources and wide variations in the individual survey results. Small differences in ranking between countries should not be overstated."

"The new Index illustrates once more the vicious circle of poverty and corruption, where parents have to bribe underpaid teachers to secure an education for their children and underresourced health services provide a breeding ground for corruption. The world's poorest are the greatest victims of corruption," said Peter Eigen at a press conference in Paris. "Vast amounts of public funds are being wasted and stolen by corrupt officials," he continued.

TI's chairman said: "HIV AIDS is killing millions of Africans, and in many of the countries where AIDS is at its deadliest the problem is compounded by the fact that corruption levels are seen to be very high. While it is imperative that richer countries provide the fruits of medical research at an affordable price to address this human tragedy, it is also essential that corrupt governments do not steal from their own people. This is now an urgent priority if lives are to be saved."

The CPI also registers very high levels of perceived corruption in the countries in transition, in Uzbekistan, Russia, Ukraine and Azerbaijan. Peter Eigen noted: "The leaders of the countries of the former Soviet Union must do far more to establish the rule of law and transparency in government. This is crucial to their economic progress, and to the development of an open society."

While the CPI scores of most leading industrial countries are quite high, the CPI focuses on corruption involving public officials. It does not reflect secret payments to finance political campaigns, the complicity of banks in money laundering or bribery by multinational companies. Speaking in Washington DC, TI Vice Chairman Frank Vogl noted: "Corruption in the most prosperous countries in the world has many manifestations, and

Transparency International is increasing its efforts to stimulate actions to secure greater transparency in politics, business and banking. We aim to publish a new Bribe Payers Index in early 2002 to shine the spotlight on the propensity of western firms to use bribes in emerging market economies."

TI Vice Chairman Tunku Abdul Aziz stated in Malaysia: "The CPI is based on the understanding that a change in the perceived level of corruption can be measured only by a consistent shift in behaviour over a number of years. As a result, it may not give credit to new government leaders who are making determined efforts to counter years of rampant corruption in their countries. For example, in recent times we have seen new leaders take the helm in Nigeria, Mexico and the Philippines intent upon far-reaching anti-corruption programmes."

Relief from the IMF and increases in aid funding are evidence that the poor ranking of Nigeria in the CPI is recognised internationally as an inheritance that cannot be overturned in the space of one or two years," said Tunku Abdul Aziz. "The Nigerian administration has also made great strides in its quest to recover funds looted by the late dictator Sani Abacha."

Canada's Position Drops in Worldwide Corruption Index

Due to methodological differences and differences in respondents from year to year, it is not accurate to compare CPIs from one year to another. Canada has, nonetheless, dropped from a traditional 5th place in the CPI to seventh in the 2001 CPI.

While the downward trend of positions for Malawi, Bolivia, Greece and Norway, are likely due to actual changes in perceptions, rather than technical factors, no indication was given as to why Canada has dropped. One explanation may be the increase in media attention, with regard to corruption, in recent years, contributing to the increase in public awareness of conflicts of interest among politicians and government officials in Canada.

The "Canada Integrity Study," prepared for the recent *Global Forum on Fighting Corruption and Safeguarding Integrity II* (The Hague, May 28 – 31), reports of money laundering, in and through Canada, and organized crime – from drug trafficking to smuggling, illegal immigration, illegal gambling, all of which include rumours of bribes and kickbacks to public officials.

Although not alarming, there is some indication in the most recent CPI, that there are problems which need to be addressed. All sectors – public, private and civil society – have a shared responsibility for both the creation and prevention of corruption through the reforming of systems.

