



Transparency International Canada Inc. NEWSLETTER

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CANADIAN CHAPTER NEWS

Three years after the OECD Anti-Bribery Convention: How are we doing?

Rather than address yet another new topic for its yearly symposium, TI-Canada chose to follow-up on various issues explored at previous symposia, in order to see what has developed and what the prospects are for the future. Richard Lee, Assistant Director and Special Advisor, Financial Institutions and Industry Liaisons, Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), addressed the symposium, held in Toronto on April 25, with an update of FINTRAC's activities, in its first full year of operation. FINTRAC has been able to strike a balance between private rights and law enforcement, which is unique to Canada. Also unique to Canada is the broad base of reporting entities, including lawyers, accountants, bankers, trust companies, caisses populaires, money service businesses, real estate brokers and agents, brokerage houses and casinos. (For Mr. Lee's presentation, visit: www.transparency.ca; for more information on FINTRAC, visit: www.fintrac.gc.ca)

John Williams, MP, Chair, Standing Committee on Public Accounts, and Chair, House of Commons Subcommittee on Combating Corruption, spoke to the issue of parliament's role being one of holding government to account and controlling corruption. Mr. Williams is organizing the first conference, to be held in Ottawa in October, of The Global Organization of Parliamentarians Against Corruption (GOPAC), an international network of parliamentarians organized to promote good governance and fight corruption. (For more information on GOPAC, contact The Parliamentary Centre at: parlcent@parl.gc.ca)

**Ethics in Action Awards
November 2002
Toronto, Ontario**

*For further information and to make nominations,
contact: ethicctr@interlog.com*

Mr. Douglas Breithaupt, Counsel, Criminal Law Policy Section, Department of Justice, recounted the many international governmental anti-corruption activities underway, including the *OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions*, the *OAS Inter-American Convention against Corruption* and the nascent *UN Convention Against Corruption*. Canada is playing a leading role, particularly in the former two. (For further information, visit: www.dfait-maeci.gc.ca/tna-nac/2001-parlreport-e.asp, for the Second Annual Report to Parliament on the *Corruption of Foreign Public Officials' Act*; www.oas.org, follow "Fighting Corruption" and "Follow up to the Inter-American Convention against Corruption," for information on the Committee of Experts; www.dfait-maeci.gc.ca/tna-nac/social-e.asp#corporate, and www.dfait-maeci.gc.ca/internationalcrime/corruption-e.asp, for general coverage with related links.)

**Management Techniques for Ethical Governance
and Prevention of Corruption: A Seminar
August 6 – 10, 2002
Fordham University, US**

*For more information, visit:
www.fordham.edu/economics/vinot/seminar.htm*

The next speaker was Mel Massey, Assistant General Counsel, Export Development Canada (EDC), who focused on EDC's anti-corruption program, with new aspects of particular importance to Canadian business. (For Mr. Massey's presentation, visit: www.transparency.org; for further information on EDC's anti-corruption program, visit: www.edc.ca) Dr. Naresh Singh, the newly appointed Director General, Social & Governance Issues, Canadian International Development Agency (CIDA), then related the interrelationship among sustainable development, poverty eradication and anti-corruption activities. CIDA,

which recognizes the crucial importance of good governance, is a strong supporter of Transparency International and Transparency International Canada. As a private sector complement to these government reports, Michael Davies, Vice Chair, TI-Canada, presented the Business Principles for Countering Bribery, for which Transparency International is taking a leading role. The Principles, which elicited some lively discussion, are undergoing a test case and may be launched this fall.

TI-Canada welcomes three new Board Members at Fifth Annual General Meeting

On April 25, TI-Canada held its Fifth Annual General Meeting. Wesley Cragg, Chair and President, highlighted the fact that things had gone well for TI-Canada in 2001. He noted that the work of the Board, which is a voluntary one, is very much appreciated and that the National Coordinator is a significant member of the team. Dr. Cragg remarked on the number of Charter Members lost in 2001 and welcomed Alcan back into the fold for 2002. He also reported on the various activities with other National Chapters, presently underway.

Michael Davies, Vice Chair, briefly described his main activities with the Business and Industry Advisory Council to the OECD Working Group on Bribery in International Business Transactions, the International Chamber of Commerce Standing Committee on Extortion & Bribery, the Inter-American Convention Against Corruption and the Pacific Basin Economic Council, in addition to his TI activities.

National Coordinator, Bronwyn Best, reported on the membership, thanked CIDA for the second Contribution Agreement, which was launched in 2001, and reviewed the various 2001 activities which reflected TI-Canada's tripartite mandate. She encouraged all to visit the web sites: www.transparency.ca and www.transparency.org

The Financial Statements of Transparency International Canada Inc., as of December 31, 2001, were presented. Peter Harris, Partner, McCarthy Tétrault, and John McWilliams, Senior Vice President, General Counsel & Secretary, Nexen Inc., were re-elected to three-year terms as Directors of TI-Canada.

Three new TI-Canada Board Members were also elected: Peggy Cunningham is Co-Chair of the E-Commerce Research Group and Head of the proposed new MBA program for students with undergraduate business degrees, at the School of Business, Queen's University, Kingston, Ontario. Dr. Cunningham currently teaches courses in marketing ethics, marketing management, marketing strategy, services marketing, international marketing and Customer Relationship Management (CRM) in the B.Comm., M.Sc., Ph.D. and Executive training programs. Anita Davis is Vice President and General Manager, Wireless Systems Products, COM DEV International, Cambridge, Ontario, and Vice Chairman of the Board, EM International Systems Limited, Nigeria. Ms. Davis has a broad business background in high technology/telecommunications and in-depth progressive management experience, in the areas of the planning and achievement of corporate strategy with an international presence. Bob Olivero, of St. John's, Newfoundland, is the former Fellow, James G. Channing Chair in Public Policy, Memorial University of Newfoundland, and former Chair Newfoundland Public Service Commission. Mr. Olivero also served as a Senior Officer (Senior Investigator), with the United Nations Secretariat in New York, a Senior Public Servant in Newfoundland, a Senior Visiting Fellow in Public Management, University of Lesotho, Southern Africa, and as Chair of the National Committee of the Canadian University Service Overseas.

(For the full text of the three reports and the Financial Statements, all of which were sent to TI-Canada Members prior to the meeting, visit: www.transparency.ca)

"...the majority of journalists' deaths [37] in 2001 were as a result of their reporting on government corruption and crime. 'Whether the perpetrators are paramilitary groups in Colombia or corrupt officials in Thailand, the message is clear: journalists who report on illegal activities will receive a death sentence,' says [Committee to Protect Journalists]."--IFEX "Communiqué," #11-1 8 January 2001 [sic], page 2

TI-Canada participation in New York, the Caribbean and the Americas

Chair and President, Wesley Cragg, was invited to represent Transparency International at the inauguration of the Global Reporting Initiative

(GRI) in New York, April 4. The event brought together a wide range of high-level representatives from the NGO, labour and business sectors, as well as representatives of governments and international bodies. TI was one of the founders of the GRI, which is an international, multi-stakeholder effort to create a common framework for the voluntary reporting of the social, environmental and economic impact of organization-level activity. (For more information, visit: www.globalreporting.org) Dr. Cragg was also invited by TI-Canada counterpart, the Trinidad & Tobago Transparency Institute, to participate in a conference on Political Party Funding and Regulation, April 13 – 15. Recently, the government in Trinidad has faced charges of corruption because of how the political parties are currently funded and a number of public figures have suggested that Trinidad use Canadian legislation as a model for reforming their own law. Dr. Cragg reviewed Canadian practice, federal and provincial Canadian legislation and recent recommendations of the final report of the Canadian Democracy and Corporate Accountability Commission. He pointed to a key weakness in Canadian legislation, namely the lack of regulations governing the funding of campaigns for the leadership of Canadian parties. These campaigns, he pointed out, can involve the expenditure of millions of dollars. Lack of standards was in the process of becoming a controversial and damaging issue in Canada, he noted. He also discussed the proposal that funding of political parties by corporations and unions be disallowed by law and pointed to the fact that this approach to funding has been adopted by two provincial governments, Quebec and Manitoba.

New, Spanish-speaking TI-Canada Board Member, Bob Olivero, participated in a meeting, in Mexico City, May 23 – 24, of the TI National Chapters in the Americas, focused on continued TI work toward the implementation of the Inter-American Convention against Corruption. TI has been very active in ensuring there is a proper implementation component to both the OECD Anti-Bribery Convention and the Inter-American Convention against Corruption. It is playing a similar role in the early days of the UN Convention Against Corruption, to ensure the implementation component will be a significant element from the outset of the Convention. Unlike the OECD Convention, the Inter-American

Convention, while preceding the OECD Convention, did not include an implementation element. At the Summit of the Americas, in Quebec City in April 2001, this oversight was amended, and a *Committee of Experts of the Mechanism for Follow-up on the Implementation of the Inter-American Convention against Corruption and the Guidelines for the Participation of Civil Society Organizations in OAS Activities* was put in place. The Committee has met twice, most recently the week of May 20, and TI has continued to feed suggestions to the Committee, in order that it may promptly develop and implement a rigorous Follow-up Mechanism.

Internal Disclosure of Information Policy

The Treasury Board of Canada Secretariat has produced a “Policy on the Internal Disclosure of Information Concerning Wrongdoing in the Workplace,” effective 30 November 2001. In its Preamble, the Policy states that it allows “[government] employees to disclose, in good faith, information concerning wrongdoing within their organisations; to ensure that these disclosures are addressed in an appropriate and timely fashion; and to ensure that employees who disclose information are treated fairly and protected from reprisal.

For the full text, please visit: www.tbs-sct.gc.ca/Pubs_pol/hrpubs/TB_851/idicww-diicaft1_e.html

INTERNATIONAL NEWS

Canada ranks Fifth in Second Bribe Payers Index

On May 14, Transparency International released the Bribe Payers Index (BPI) 2002. This second BPI shows very high levels of bribery in developing countries by corporations from Russia, China, Taiwan and South Korea, as well as a number of leading industrial nations, all of which now have laws making corrupt payments to foreign officials a crime. “The laws are not being properly enforced. Our new survey leaves no doubt that large numbers of multinational corporations from the richest nations are pursuing a criminal course to win contracts in the leading emerging market economies of the world,” said TI Chairman Peter Eigen.

Eigen added: “Politicians and public officials from the world’s leading industrial countries are ignoring the rot in their own backyards and the criminal bribe-paying

activities of multinational firms headquartered in their countries, while increasingly focusing on the high level of corruption in developing countries. The governments of the richest nations continue to fail to recognise the rampant undermining of fair global trade by bribe-paying multinational enterprises....The meeting in the coming days of ministers at the Organisation for Economic Cooperation and Development (OECD) and then the G8 Summit provide the leaders of the industrial world with an opportunity to confront this critical situation.”

Mr. Eigen also stressed that this BPI shows that companies from Russia and China, which are increasingly exporting to other emerging market countries, are using bribes “on an exceptional and intolerable scale. The extent to which companies from Taiwan and South Korea use bribes abroad is only marginally less. The authorities of all of these countries need to do more to prevent bribery by their firms abroad.”

The BPI is based on surveys conducted in 15 emerging market economies and conducted by Gallup International Association.

The BPI shows that US multinational corporations, under the Foreign Corrupt Practices Act since 1977, have a high propensity to pay bribes to foreign government officials. The US score is 5.3, out of a best possible clean 10, and is tied with Japan. This score is worse than the scores for corporations from France, Spain, Germany, Singapore and the United Kingdom.

While the highest scores, indicating the lowest propensity to bribe abroad, were for companies from Australia, Sweden, Switzerland, Austria, Canada, the Netherlands and Belgium, Canada has dropped in position from the first BPI, released in 1999. Tied with Australia at a score of 8.1 for second place in 1999, a score that it matched again, Canada was surpassed, this time, by Australia, Switzerland and Austria. Even Sweden, in first place in 1999, was able to improve its score.

The TI Bribe Payers survey is the most comprehensive set of opinion polls on perceptions of the sources of corruption that has ever been undertaken and expands on the first TI BPI in 1999. The results provide detailed reports on the propensity of multinational corporations to bribe; the business sectors most contaminated by bribery; the extent to which executives of major corporations overseas are even aware of the landmark OECD Anti-Bribery Convention that outlawed bribery

of foreign public officials; the degree to which these firms are enforcing compliance with the Convention; and perceptions of unfair business practices apart from bribery used by firms to gain contracts.

The BPI was conducted in 15 emerging market economies: Argentina, Brazil, Colombia, Hungary, India, Indonesia, Mexico, Morocco, Nigeria, the Philippines, Poland, Russia, South Africa, South Korea and Thailand, which are among the very largest such countries involved in trade and investment with multinational firms. A total of 835 interviews were carried out between December 2001 and March 2002, principally with senior executives of domestic and foreign companies, but also with executives at chartered accountancies, binational chambers of commerce, national and foreign commercial banks and commercial law firms. The survey questions related to perceptions about multinational firms from 21 countries.

“The results reflect the views of expert business leaders, who are best positioned to have significant insights into issues of grand corruption and the bribery of government officials in developing countries,” said TI Head of Research Fredrik Galtung.

TI Advisory Council Chairman, Kamal Hossain, said, “The BPI results signal the rejection by multinational firms of the spirit of international anti-bribery conventions, while their actions lead to a huge misallocation of very scarce resources in developing countries....The data also points to very heavy bribe-paying by domestic firms in developing countries. Today’s BPI underscores the fact that we have a global problem of corporate bribe-paying that demands concerted global actions by official international organisations, civil society organisations and national governments.”

With regard to bribery in the business sectors, Mr. Hossain said, “The BPI shows that the most flagrant corruption is seen in the public works/construction and arms and defence sectors, which are plagued by endemic bribery by foreign firms. In a new study by the UK chapter of TI, it is estimated, for example, that foreign bribery is associated with tens of billions of dollars of defence deals.” Even agriculture, the sector considered least likely to involve bribery by foreign companies, scored only 5.9 against a clean score of 10, and public works/construction was deemed highly corrupt, with a score of 1.3, followed by arms and defence with 1.9, and the oil and gas sector with a score of 2.7.

Only one in five of the respondents to the Gallup International poll, across leading emerging market economies, is aware of the OECD Anti-Bribery Convention. Discouragingly, the score is the same as in the first BPI in 1999, a very low 19% of the 835 respondents, including representatives of Western multinationals, who are either very familiar with the convention or know something about it. Only 7% of all respondents said their companies had an anti-bribery compliance programme. Although the OECD Anti-Bribery Convention of 1999 was hailed as a landmark event, Eigen said, "According to the BPI data, the Convention does not seem to have made any difference, so far, to the bribery approaches of many multinational firms," said Eigen.

Eigen noted that the first TI BPI in 1999 indicated that US firms, for example, were just as prone to using bribes abroad to win business as the German firms, which, at that time, did not risk criminal prosecution for such actions and could set bribes abroad against their taxes. While there has been a marginal improvement in the German situation, compared with the first BPI, the propensity of US firms to pay bribes abroad appears to have increased. "T[he] new BPI data suggests that ignorance about the OECD Convention is widespread and that corporations clearly do not see the risks of criminal prosecution as particularly significant. This is a shocking conclusion."

At a press conference in Johannesburg, TI-Kenya Executive Director and TI Board member John Githongo, noted, "Fine words are not enough. Until people are brought before the courts, the OECD Convention will not make a difference to the developing world, where money is siphoned off from schools and hospitals and, as the BPI survey shows, essential public works projects." It would appear that the OECD Convention will not make a difference to the developed world, either, until people and organisations are brought before the courts.

With information and quotes from the TI Press Release of 14 May, "Russian, Chinese, Taiwanese and S. Korean companies widely seen using bribes in developing countries"

Council of Europe news on Corruption, money laundering, organised crime, cybercrime

At its 9th plenary meeting, 13-17 May, the GRECO (Group of States against Corruption) 9th adopted country evaluation reports from Bulgaria, Croatia, Greece and Latvia. Latvia has agreed to make its report public. It is expected that the other

three countries will soon also agree to make their reports available online at: www.greco.coe.int

All reports adopted previously by GRECO have been made public, those of Belgium, Cyprus, Estonia, Finland, France, Georgia, Germany, Iceland, Ireland, Lithuania, Luxembourg, Poland, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom. GRECO was established in May 1999 by the Council of Europe to monitor the implementation of the Council's anti-corruption instruments.

As of 17 May 2002, the Criminal Law Convention on Corruption (which requires the adoption of measures to criminalise the corruption of domestic and foreign officials, trading in influence, etc.) had been signed by Andorra, Armenia, Austria, Belgium, Finland, France, Georgia, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Malta, Moldova, Norway, Poland, Romania, Russia, Sweden, Switzerland, Turkey, Ukraine and the United Kingdom. It has been ratified by: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Hungary, Latvia, Lithuania, the Netherlands, Portugal, Slovakia, Slovenia, the former Yugoslav Republic of Macedonia. The convention will enter into force on 1st July 2002.

The Civil Law Convention on Corruption of 1999 (which requires the adoption of remedial mechanisms for victims of corruption) has been signed by Andorra, Austria, Belgium, Croatia, Cyprus, the Czech Republic, Denmark, France, Georgia, Germany, Iceland, Ireland, Italy, Lithuania, Luxembourg, Moldova, Norway, Poland, Slovakia, Slovenia, Sweden, the former Yugoslav Republic of Macedonia, Turkey, Ukraine, and the United Kingdom. It was ratified by Albania, Bosnia and Herzegovina, Bulgaria, Estonia, Finland, Greece and Romania. Conclusions of the six European Conferences of specialised services in the fight against corruption are all available at www.coe.int/T/E/Legal_affairs/Legal_cooperation/Combating_economic_crime/

On the above-mentioned homepage, further information is available with regard to activities covered by the Economic Crime Division of the Council of Europe:

1) The Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures

(PC-R-EV), which uses a mutual evaluation and peer pressure system to review the laws and member states which are not members of the Financial Action Task Force. Its aim is to harmonise legal, financial and punitive measures in these member states, relying on the relevant international standards for this purpose.

2) The Programme against corruption and organised crime in South-eastern Europe (PACO). PACO is a technical cooperation programme of the Council of Europe to support the countries of the region in the implementation of the Stability Pact Anti-corruption Initiative and the Stability Pact Initiative against Organised Crime.

3) The Group of Specialists on criminal law and criminological aspects of organised crime, which

practices employed by those Council of Europe

prepares annual reports on organised crime, analysing the characteristics, activities, resources, methods, geographical coverage, influence and trends of organised criminal groups operating in Europe. It also prepares best practices surveys, some of which are available on-line. A survey on crime analysis will soon be added.

4) The Council of Europe Convention on Cybercrime, the first ever international treaty on criminal offences committed against or with the help of computer networks such as the Internet, was opened for signature on 23 November 2001 in Budapest.

INDIVIDUAL MEMBERS (Fee Range -- \$50 to \$100) Individual members will have full participation and voting privileges at all meetings of the members.

VOLUNTARY SECTOR ORGANIZATIONS (Fee Range -- \$50 to \$500)
The designated spokesperson of an NGO has full voting and participation rights at meetings of members.

GOVERNMENT DEPARTMENTS AND AGENCIES (Fee -- \$500)
We welcome government departments and agencies as (arm's length) members, but government members will have no voting rights.

PROFESSIONAL FIRMS, BUSINESS CORPORATIONS (Fee Range -- \$1,000 to \$5,000)
The designated spokesperson of professional and business firms has full voting and participation rights at meetings of members.

CHARTER MEMBERS (Fee -- \$10,000 over two years)
The purpose of charter membership is to put the chapter on a sound financial footing in its first few years of operation. Charter members will have all the rights and privileges of other members and will have the right to sit on a Corporate Advisory Council and assist in advising the Board on policies and programs.

ALL MEMBERS will receive newsletters, information about conferences and workshops, and the right to participate in these conferences and workshops on a cost recovery basis.

C -----
APPLICATION FOR MEMBERSHIP

Name: _____

Title: _____

Organization: _____

Address: _____

Country: _____ Postal Code: _____

Telephone: _____ Fax: _____ Email: _____

Membership Category:

Individual Volunteer/NGO Government Professional/Business Charter (circle one)

Fee: Amount: _____ (Please enclose cheque, payable to “**TI-Canada**”)

The Transparency International Bribe Payers Index 2002

835 business experts in [15] leading emerging market countries were asked: *In the business sectors with which you are most familiar, please indicate how likely companies from the following countries are to pay or offer bribes to win or retain business in this country?*

A perfect score, indicating zero perceived propensity to pay bribes, is 10.0, and thus the ranking below starts with companies from countries that are seen to have a low propensity for foreign bribe paying. All the survey data indicated that domestically owned companies in the 15 countries surveyed have a very high propensity to pay bribes – higher than that of foreign firms.

<i>Rank</i>		<i>Score</i>	<i>Rank</i>		<i>Score</i>
1	Australia	8.5	12	France	5.5
2	Sweden	8.4	13	United States	5.3
	Switzerland	8.4		Japan	5.3
4	Austria	8.2	15	Malaysia	4.3
5	Canada	8.1		Hong Kong	4.3
6	Netherlands	7.8	17	Italy	4.1
	Belgium	7.8	18	South Korea	3.9
8	United Kingdom	6.9	19	Taiwan	3.8
9	Singapore	6.3	20	People’s Republic of China	3.5
	Germany	6.3	21	Russia	3.2
11	Spain	5.8		Domestic companies	1.9

Bribery in business sectors

How likely is it that senior public officials in this country would demand or accept bribes, e.g. for public tenders, regulations, licensing in the following business sectors?

The score is the mean of all the responses on a 0 to 10 basis where 0 represents very high perceived levels of corruption, and 10 represents extremely low perceived levels of corruption.

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

BPI Survey Questions on the OECD Anti-Bribery Convention
(responses in the new 2002 BPI survey compared to the first 1999 BPI report)

How familiar are you with the Convention?	2002	1999	What is your firm doing with regard to the Convention?	2002	1999
<i>Total number of survey respondents</i>	835	779	Number of respondents who knew of Convention	164	146
I am familiar with the Convention	7%	6%	Review of practices being undertaken	13%	19%
I know something about it	12%	13%	Compliance programme already exists	35%	
I have only heard about it	32%	43%	No action required, doesn't apply	30%	43%
I have not heard about it	42%	38%	No decision has been taken yet	13%	18%
Not stated	7%	-	Don't know how org. is responding	9%	12%
			Not stated	-	8%

Current perceptions of the levels of corruption and its prime causes

TI's BPI survey found that overall most of the respondents did not believe that corruption is getting significantly worse in their countries, but the BPI results on this general matter were not encouraging.

Do you perceive corruption to have got worse/better in your country over the past 5 years?	2002
Total sample of 835 respondents	%
Increased significantly	10
Increased somewhat	13
Total increased	23
Stayed the same	37
Decreased somewhat	21
Decreased significantly	6
Total decreased	27
Don't know	13

The following additional notes to the Transparency International 14 May 2002 BPI press release are available at www.transparency.org

1. Additional survey tables and comparative data from the new 2002 survey and the first, late 1999, BPI survey.
2. Background questions and answers on the BPI.