

PRESS RELEASE

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FOR PRESS: to request a review copy of the *Global Corruption Report 2006* or to view the report electronically, contact gcr@transparency.org or visit www.globalcorruptionreport.org. For interview requests please contact press@transparency.org

Regional Highlights from the Transparency International *Global Corruption Report 2006*

CORRUPTION AROUND THE WORLD IN 2004–2005

Highlights from the Global Corruption Report 2006 Country Reports

Africa and the Middle East

Algeria

Restrictions on the public's access to information, plus the threat of libel action, continued to constrain the media's ability to investigate corruption. The managing editor of the daily *Le Matin* was sentenced to two years in prison for writing a book critical of the President; the newspaper was forced out of business a month later when the state-owned printing company suddenly demanded payment of its debts.

Lack of fiscal and budget transparency and excessive use of private agreements for public procurement deals have cast doubts over US\$ 55 billion in infrastructure and other public works projects planned over the next five years.

Burkina Faso

The High Commission for the Coordination of Anti-Corruption Activities (HACLC) serves as a "bad practice" example of an anti-corruption agency created to mollify critics rather than to stamp out corrupt practices. The government failed to respond to its 2003 recommendations, and its 2004 report remained confidential, despite a commitment to make it public. Widespread graft in the judiciary, as a commission of inquiry showed in June 2004, diminishes the likelihood that corruption uncovered by the HACLC will be effectively prosecuted.

Cameroon

Five hundred civil servants were referred to a disciplinary council on charges of fraud or misappropriation amid news that 3,000 fictitious officials had been stripped from the payroll.

The government gave further evidence it is taking corruption seriously by joining the Extractive Industries Transparency Initiative (EITI). It committed to publish quarterly data on oil production, sales prices and revenue online by the end of June 2005, and to update it regularly.

Kenya

John Githongo, President Mwai Kibaki's special adviser on governance and ethics, resigned in February and his office was scaled down, two indications that corruption may no longer be on the President's list of priorities. The US and German governments suspended grants in support of anti-corruption programmes in the wake of Githongo's resignation.

Kuwait

In consultation with the World Bank, the government asked the Citizens Services and Governmental Bodies Assessment Agency (C2G), which employs 94 per cent of the labour force, to assess administrative corruption in the public sector. The report identified public contracting agencies as the most frequent area of corruption.

Morocco

Journalists took advantage of the media's new freedom to discuss corruption, unraveling complex accounts of reported corruption in state agencies and banks, and examining the business activities of senior officers.

South Africa

Five Members of Parliament were convicted in March in connection with a travel expense scandal involving over 100 MPs and seven travel agencies. Sentences ranged from R40,000 (US \$5,800) or one year of imprisonment, to R80,000 (US \$12,000) or three years in prison. Many of those convicted continue to sit as MPs, because an MP can only lose his seat if sentenced to more than 12 months' imprisonment with no option of a fine.

President Thabo Mbeki dismissed Deputy President Jacob Zuma as a result of his implication in the Schabir Shaik corruption scandal involving French company Thales.

Uganda

The new Inspector General of Government (IGG), Justice Faith Mwendha, was appointed in January, promising to reenergise an agency whose power had been trimmed by senior government officials unhappy to find their wealth and possessions published in the media and subsequently investigated by the IGG. The government had issued a White Paper in October 2004 recommending restoration of the IGG's powers to arrest and prosecute individuals involved in corruption or abuse of public office.

Americas

Bolivia

Perceived profiteering by former public officials now working for oil and gas companies triggered protests that had led to the downfall of the government of Gonzalo Sánchez de Lozada in October 2004. The government of his successor, Carlos Mesa, followed suit six months later.

Brazil

After 13 years of discussions and negotiations, Congress passed a constitutional amendment to streamline the judiciary and speed up the judicial process. But the reform stopped short of fully addressing the lack of transparency and accountability afflicting it. Although a supervisory judicial council was created, it was composed largely of judges, casting doubts over its independence.

Costa Rica

After many years as a model of relatively clean and transparent government in Central America, high-level politicians faced corruption charges in a series of scandals. Bribery schemes involved French telecoms giant Alcatel, funds from the government of Taiwan and a loan from Finland to buy medical equipment from Finnish companies.

Ecuador

A constitutional crisis that culminated with the resignation of President Lucio Gutiérrez forced the government to rethink its institutions, particularly the politicisation of the judiciary, which had left the country vulnerable to corruption. An apparent deal to drop corruption cases against former President Abdalá Bucarám and his associates in exchange for supporting Gutiérrez's unraveling coalition government was the catalyst for the protests.

Guatemala

The eighth attempt to introduce a law regulating the public's constitutional right to information held by public institutions failed, after the assigned period for the congressional commission to analyse the bill was allowed to expire without proper debate.

Nicaragua

President Enrique Bolaños' anti-corruption efforts stagnated as the two main parties in the National Assembly colluded to block prosecutions and to lobby for amnesty for anyone accused of a crime against the government in the past 20 years. This would include former President Arnaldo Alemán, currently under house arrest.

Panama

President Martín Torrijos Espino abrogated parts of a 2002 decree that had restricted official information to any interested person with a 'direct relationship to the information requested'.

Peru

The judicial system continues to dismantle former President Alberto Fujimori's corrupt network. While investigations have been initiated and some embezzled monies recovered, the government has proved unwilling to probe deeply into leads that implicate public officials. It has effectively thwarted investigative efforts by its special anti-corruption team. A new team has been named.

Asia/Pacific

Bangladesh

The long-awaited Anti-Corruption Commission was established in November 2004. But opaque selection procedures for commissioners and the rehiring of staff from the former Bureau of Anti-Corruption inhibit the Commission's impartiality. Pervasive corruption and mismanagement in the country's largest port, Chittagong, saw bribery reaching levels of 92-100 per cent.

China

The banking system suffered a string of graft allegations involving senior executives at major state banks and was subsequently weakened by high levels of bad debt and low rates of capitalisation. The China Banking Regulator Commission (CBRC) announced a crackdown on corruption and plans to undertake a range of investigative checks, including monitoring mortgage, consumer and infrastructure project loans. Between 2001 and 2005, courts convicted 27,000 bank employees of finance-related crimes.

Japan

A series of corruption and mismanagement scandals added to public concerns over a possible collapse of the Japanese pensions system. The Social Insurance Agency, affiliated with the Ministry of Health, Labour and Welfare, has been criticised for wasting pension insurance contributions on employee top-up benefits.

Malaysia

Widespread corruption in the construction sector forced the government to disband the Project Management Consultants (PMC), a group of contractors set up in the 1990s who were allowed to negotiate directly for projects, circumventing procurement regulations. Rather than speedier completion of projects - their intended purpose - the resulting projects entailed massive cost overruns and flawed construction. A front-page local newspaper story estimated that defective buildings and roads had cost taxpayers an estimated US\$ 500 million.

Nepal

In February, King Gyanendra dissolved the four-party coalition government headed by Sher Bahadur Deuba, assumed executive control and declared a state of emergency. He immediately launched a vigorous campaign against corruption and established the Royal Commission for

Corruption Control, with the power to investigate and to prosecute. Critics say it has targeted the regime's political opponents. The Commission's legality is under debate in the Supreme Court.

Papua New Guinea

A key worry ahead of the 2007 general elections is the influence of private funding on the election process; detailed reports by civil society and governmental commissions highlighted the need to reform the electoral machinery.

South Korea

In an experiment in mass activism, civil society is attempting to change attitudes on corruption by involving non-governmental organisations, business and government in a broad based anti-corruption coalition. Coalition members signed a Korean Pact on Anti-corruption and Transparency (K-PACT). Citizens from all sectors of society are encouraged to sign a 10-point Citizen's Charter against corruption.

Sri Lanka

In the wake of the December 2004 tsunami, a flood of donor aid overwhelmed financial and institutional structures, leading to administrative lapses that paved the way for corruption. In April, a local newspaper revealed that World Food Programme volunteers recruited for disaster relief were relatives of existing staff members and had no relevant expertise; they were accommodated in five-star hotels. Another case highlighted how supplies allocated to the inhabitants of Batticaloa were retained by political party officials and distributed to party supporters in Giritale, which was unaffected by the tsunami.

Europe and Central Asia

Croatia

January's presidential contest tested a new law on the financing of elections. Though improved, the legal framework includes no ceiling on electoral expenditure and crucially fails to vest an independent office with responsibility for verifying a party's declaration of funding, and for establishing sanctions for false declarations.

France

A political finance scandal hit the headlines as the Ile de France trial opened in March, the culmination of a seven-year investigation into deals to renovate or build 300 high schools, where contracts were granted to companies as payback for financing political campaigns.

Georgia

President Mikheil Saakashvili has successfully altered perceptions of corruption. However, recent polls suggest his popularity is waning and critics have accused him of assuming too much power, and of weakening both parliament and the judicial system. Government anti-corruption commitments have not yet been effectively integrated into policy design and implementation, and should continue to be carefully monitored.

Greece

The judiciary was shaken in March on reports that priest Archimandrite Jacobos Josakis had bribed three judges to obtain favourable rulings in cases involving the misappropriation of antiquities and illegal excavation. At least four judges have since been fired for alleged corruption.

Ireland

Commissions of Investigation were created to look into 'matters of significant public concern', including corruption. The Commissions will provide an alternative mechanism to the Tribunals of Inquiry, whose work has been frustrated and constrained by their archaic structures and the persistent non-cooperation of key witnesses. Whistleblower protection still remains elusive.

Kyrgyzstan

In the 'Tulip Revolution', a wave of protests swept away the authoritarian regime of President Askar Akayev after 14 years in power. The power vacuum was quickly filled by his former associates, whose alliance may prove too weak to dismantle the Akayev system and implement anti-corruption laws that have been sitting, largely unused, in the statute book. Some 120 criminal cases against companies connected with Akayev have been launched, though not a single case has directly named him.

Poland

New draft legislation would increase educational requirements for lay judges and reduce the influence of political bodies to appoint them. The judiciary has long been criticised for lengthy proceedings and perceived corruption, with corrupt lay judges believed to be available for hire; any citizen of 'impeccable character' who has lived for a year where the court presides could become one.

Romania

An 'emergency ordinance' in February waived the immunity of members of the former government in line with recommendations of the Council of Europe's Group of States against Corruption (GRECO), paving the way for prosecution of past corruption crimes. But some categories of people still benefit from immunity. Lawyers, for example, cannot be prosecuted or indicted without approval from the general prosecutor of the court of appeal where they are registered.

Slovakia

New political finance legislation was adopted in February, containing several principles that improve regulation and increase transparency of party financing. Unfortunately, weaknesses remain, notably monitoring of the law's implementation.

The country reports section of the Global Corruption Report 2006 provides detailed information on:

Algeria, Bangladesh, Bolivia, Brazil, Burkina Faso, Cameroon, China, Costa Rica, Croatia, Ecuador, Finland, France, Georgia, Greece, Guatemala, Ireland, Israel, Japan, Kazakhstan, Kenya, Kuwait, Kyrgyzstan, Malaysia, Morocco, Nepal, New Zealand, Nicaragua, Panama, Papua New Guinea, Peru, Poland, Romania, Serbia, Slovakia, South Africa, South Korea, Spain, Sri Lanka, Switzerland, Uganda, Ukraine, United Kingdom, United States of America, Vanuatu, Venezuela.

The *Global Corruption Report 2006* is published in London by Pluto Press (ISBN 0 7453 25092). The book can be ordered (£19.99 / \$29.95 plus postage and packing) through online booksellers, local bookshops or the publisher (www.plutobooks.com).

