

2006 International Business Ethics Conference

Business Ethics in the Corporate Governance Era

Domestic & International Trends in Transparency, Regulation, and Corporate Governance

Seattle University. July 6 and 7, 2006, Seattle, Washington, U.S.A.

Keynote Opening Conference Address

by Frank Vogl¹

Global Corruption: Applying Experience and Research to Meet A Mounting Crisis

Page

- 1 Introduction**
- The Costs of Corruption**
- 3 Research & Lessons from Experience**
- 4 Corporate Integrity**
- 4 An 8 Point Action Proposals for Corporate Reform**

- 1st. Substantive codes of ethics
- 2nd. Codes need to be current & comprehensive
- 3rd. Leadership
- 4th. Executive and board accountability & transparency
- 5th. Assiduous enforcement
- 6th. Highly skilled ethics officers
- 7th. Communications, training and management incentives
- 8th. Encourage whistleblowers

6 The Supply-side of Bribery – Curbing the Bribe-payers

Key measures need to include:-

- Enforcement of laws
- Closing loopholes in the law
- Encourage civil society monitoring

Page

- Integrity Pacts – coalitions for transparency in procurement
- Codes for business-public partnerships
- Pressing business to report anti-bribery actions
- Companies need to learn to say no
- Strengthen corporate philanthropy
- Increase public pressure and understanding

10 Curbing the Demand-side of Corruption

- Temporary suspension of aid funds
- Creating legal frameworks – focus now on enforcement
- Taking risks – Chad-Cameroon pipeline
- Aid agencies need to build far stronger CSO relations
- CSOs need to broaden their agenda and take the lead
- World Bank/IDA Articles may have to change

12 Placing Politics at Center Stage

13 Embedded Political Networks

14 Building Democratic Institutions

15 Aid Agency Support for CSO Political Action

16 Conclusion

16 Endnotes

Introduction

Corruption adds to global insecurity, undermines efforts to build democratic institutions, complicates the task of reducing global poverty, and erodes public trust in business and the free enterprise system. The damage wrought by corruption is often underestimated by experts in international affairs, corporate leaders and business analysts, and by the press. We need to change this by explaining the true costs of corruption, and by drawing upon research and experience to forge and to implement pragmatic approaches to curbing corruption.

In late April I received an e-mail from my friend Davendra Raj Panday in Katmandu who had just been released from prison. He wrote in part:

“Dear Frank, I have been free since this Tuesday and I have been in pretty good health and wonderful spirits all along...but the victory for democracy is only about 50%. We have to make sure that the reinstated parliament immediately passes a resolution for an election to the constituent assembly so that we can draft a new constitution ... I particularly recall our e-mail exchanges on democracy and public integrity ...Let us hope the experience of Nepal has some lessons for TI (Transparency International) policymaking. The King's dictatorship came into being on February 1, 2005 in the name of controlling corruption, among other things...The problem is, we have had the worst corruption and contempt for universal principles of accountability under the King's regime in our history. So, you see, we have to keep at it.”

Devendra Raj, a former finance minister of Nepal and a founder of Transparency International-Nepal spent more than 100 days in prison this year because he, and many others, are fighting for democracy. They believe the building of democracy is an essential component in fighting the widespread corruption that is wrecking his country.

Corruption is complicated and it takes many forms. There are inextricable overlaps between malfeasance in major multinational corporations and the plight of millions of victims of governmental corruption. Today, we see vast problems of integrity among major corporations, some of whom may well be prime suppliers of bribes, while we see corruption in scores of public offices. Effective approaches to curbing corruption must address both the suppliers of the bribes and the takers. In both cases we need to not only consider critical issues of law, regulation and policy, but also the core cultural issues that permit wrongdoing.

My focus is on grand corruption – defined as the large-scale abuse of high office. This definition is broad. In business, for example, I see abuse including the extraordinary levels of compensation that top executives have secured,² sometimes exceeding 1,000 times the annual pay of the average employee in their companies. By abuse of office I do not only consider enormous financial gains by top public officials, but also systems and conspiracies deployed by those officials to keep themselves in power and to broaden their control.

The abundant evidence of business and governmental corruption has undermined public trust in major institutions. A crisis of corruption has swept across corporations, governments, civil society organizations (CSOs), charities, sports institutions and universities. At home here in the United States, and abroad, leaders have been shamed, imprisoned and forced to resign their positions of trust, but corruption continues unabated.

The Costs of Corruption

Daily we read the headlines: Californian Congressman Cunningham pleads guilty to taking bribes; Boeing agrees to pay the Government a fine of \$615 million to end Pentagon procurement bribery investigations; the top executive of Hyundai in Korea is indicted on kickback charges; dozens of Brazilian politicians are named in a corruption scam; Kenyan ministers are seen to be involved in a corruption conspiracy; the media is censored and civil society is undermined as Kremlin leaders enrich themselves;³ and, top U.S. corporate executives take home multi-million dollar incomes, as the pensions of their employees are frozen and as their corporation's profits decline.

On June 1, 2006 *The New York Times* published a review of two new movies directed, written and produced by Belarussian Victor Dashuk. Reviewer Jeannette Catsoulis wrote that the movies⁴ graphically depict the corruption, oppression and violence pursued by Belarus's dictator, President Alexandr Lukashenko. She concluded

that the two films together “constitute one man’s tragic view of his homeland, a view that’s nothing less than a primal howl of outrage and disgust.”

Bribery involves tens of billions of dollars each year, but the costs reach far beyond monetary sums as we see so evidently from Nepal to Belarus. The damage being done covers many areas, including:

- **Corporate ethics**¹ - the scandals weaken public confidence in our free market system. Corporate corruption robs ordinary shareholders and pensioners of their savings. It leads to disrespect in the workplace. It smashes trust in corporate leadership - the 2006 Annual Trust Barometer by the Edelman public relations firm found that only 28 percent of all people surveyed believed that information from corporate chief executive officers can be viewed as being credible.⁵
- **Economic growth** – suffers as scarce resources are wasted and stolen; investment falls far short of its potential; trade is distorted; markets operate badly; and, public sector management is inefficient.⁶ The economic costs of corruption in Africa alone have been estimated at close to \$150 billion a year.⁷
- **Democratic values** – corruption undermines efforts to build democratic institutions. It is no coincidence that countries with weak democratic institutions are perceived to have very high levels of corruption (see the rankings in the Transparency International Corruption Perception Index⁸). Unsurprisingly, corruption by elites in political office encourages a populist backlash with dire consequences for democracy, as we have seen from Venezuela to the Palestine Territories.
- **Human rights** - lack of accountability and secrecy in many governments combine to encourage both corruption and human rights abuse. This is all too evident, for example, in China where, despite its economic advances, senior officials routinely exploit their offices to secure their power, and the government oppresses its people, controls civil society and censors the media and the Internet.⁹
- **Environmental Damage** – why is it that in many parts of the world, for example, protected forests are destroyed, factories are constructed that fail to meet even minimum environmental standards, and mining operations are repeatedly found to create exceptional environmental damage? The answer is corruption. The costs of bribing officials are small compared to the major commercial interests of mining corporations and logging companies and many others. The damage being done is formidable.
- **Poverty** - theft by those in power in the world’s poorest countries adds to poverty and suffering. The United Nations Millennium Development Goal of reducing global poverty by one-half by 2015 will not be attained so long as corruption continues unchecked.¹⁰ The theft of public funds in poor countries means, for example, that essential hospitals,¹¹ schools and sanitation systems are not being built. In addition, the diversion of funds from basic social needs into defense spending, which is a prime secretive area of corruption, further undermines prospects of poverty alleviation. The crisis of corruption is taking us each day further and further down the road to human misery.¹²
- **Social injustice** – corruption expands income gaps between elites and the average citizen. It strengthens the forces supporting class systems, where opportunities for a better life are increasingly confined to those already prospering in the upper class. This leads to rising crime levels, disrespect for major institutions of the state and rising social tensions.
- **Security** – the secrecy that accompanies international arms dealings provides abundant opportunities for extraordinary theft. Corruption in this area endangers our global security.¹³ This relates to money laundering that supports terrorist organizations and to arms sales. The bribery of a Pakistani scientist to sell nuclear secrets is one of many examples in this area.

¹ Americans talk about business ethics. In many countries, however, the word “ethics” raises suggestions of morality and religion and there is greater comfort in talking about corporate integrity. It is strictly in this latter sense that I use the word ethics in this paper.

Research and the Lessons from Experience

To meet the challenge of today's crisis we need to look to the research and anti-corruption projects that have been pursued over the last decade. In the early 1990s, the organizations and experts that focused on promoting anti-corruption understanding were few. Today they are many and we should celebrate this.

On U.S. corporate governance and anti-corruption issues, for example, there has been an exceptional rise in academic work in recent years; important contributions from institutions as diverse as the Corporate Library,¹⁴ Institutional Shareholder Services,¹⁵ the California Public Employees' Retirement System (CalPERS),¹⁶ and the Committee for Economic Development.¹⁷ On global corruption, for example, there has been outstanding work by the World Bank's operational executives and the experts at the World Bank Institute;¹⁸ and by some key bilateral aid agencies, such as those of the U.K., Canada, Scandinavia, Germany and the Netherlands. Pioneering work in raising awareness and in research has been pursued by a growing number of non-governmental organizations, including the ones that I have been fortunate enough to be engaged with, such as Transparency International,¹⁹ (and here a particularly important contributor is Professor Dr. Johann Graf Lambsdorff of Passau University, who created the TI Corruption Perceptions Index) the Partnership for Transparency Fund²⁰ and the Ethics Resources Center.²¹

Most importantly, we owe a debt to the women and men of courage, notably John Githongo in Kenya,²² Elena Panfilova and her bold colleagues in Transparency International-Russia, the leaders of the Orange Revolution in Ukraine, the campaigners for democracy in Nepal, John Makumbe in Zimbabwe and Rosa Inés Ospina Robledo in Colombia – who are placing their lives at risk in the name of democracy, transparency and accountability. Their work and that of many others can teach us a great deal and we need to encourage the pooling of knowledge across the many specialized areas on the corruption stage.²³ We have learned, for example that:

- The costs of corruption are higher than most people perceive.
- Corruption takes many forms. It may be tempting to seek 'one-size fits all' solutions but each country is unique and each solution has to be tailor-made.²⁴
- The operations of all organizations need to be driven by a robust integrity culture that is managed and directed on a top priority basis by their leaders. When this is absent, then the actions of governments and regulators to promote better corporate governance²⁵ is of marginal benefit.
- Sustainable reform has to be home grown. External organizations that seek to contribute to reform in individual countries have to understand that their roles are complementary and supplementary to the work of domestic leaders.
- Success in curbing public sector corruption demands, as its leading edge, vigilance on key political issues: from building democratic institutions that enhance accountability, transparency and the rule of law, to actions that uproot embedded networks of corruption that exist in most governments.

There are no short-cuts to curbing corruption. Its complex and intractable nature means that the road to victory will be long with a frustrating number of setbacks. Moreover, as Professor Michael Johnston has noted: "Too often in the policy debate, however, corruption has been seen as a generic problem. Its deeper origins, the ways it is embedded in political and economic processes, and its role as a symptom of diverse and problematical relationships between wealth and power, public and private interests, and state and society, are acknowledged but only poorly understood in depth. The institutions and norms of affluent market democracies are posited as the obvious goal of reform; as a result, reform recommendations vary little from one society to another. How rapidly changing societies *get* to a better place is reduced to recommendations for technical changes in "governance" and calls for "political will," while the very different places from which they embark on that journey seem to matter little."²⁶

Against this background I would like to focus first on the key requirements of a corporate integrity culture. Then, I will consider just one aspect of corporate integrity – the supply-side of bribery with particular emphasis on business bribery of foreign government officials. The final section of this paper looks at the other side of the coin – the demand-side of bribery as officials take and sometimes solicit payments.

Corporate Integrity

The ethics of American corporations are better than their reputation. The 2005 National Business Ethics Survey²⁷ showed that American workers have seen improvements in integrity standards in their workplaces in recent years and they view current standards as being quite high. Then, compared to 20 years ago, more U.S. companies are pursuing sound environmental programs, taking greater account of human rights and labor rights issues in their overseas workforces, and being more pro-active to end discrimination against gays and lesbians and ethnic minorities. More U.S. companies are putting more resources into compliance with ethics codes and standards than ever before.²⁸

However, many of these achievements are overshadowed by the headlines about corporate fraud, CEO crime,²⁹ greed³⁰ and lying, as well as record fines for wrongdoing.³¹ So egregious have been the scandalous actions of a number of top corporate executives that restoring public trust in business is certain to be a long-term undertaking. Further deterioration in public trust may encourage additional governmental regulation of business.

Moreover, the costs to corporations of scandals are greater than is widely perceived. In cases such as Barings and WorldCom it meant bankruptcy. In many other cases the scale of fines and litigation associated with civil suits has been very substantial; top management and the board of directors has been totally distracted from key business operations; blows to stock market confidence have hit the share price very hard and have had an impact on the company's finances; damage to relationships with many stakeholders have been severe; and, difficulties have arisen in the recruitment of excellent employees.

Due to the combination of academic research, surveys, expert reports on companies like Tyco and Fannie Mae that had major crises,³² and best practice examples, understanding of the actions needed to make corporations behave better is growing. Scholars such as Linda Klebe Trevino³³, Michael Brown, Ronald Berenbeim,³⁴ Patricia Harned,³⁵ and a number of others, have highlighted the central importance of building an integrity culture in an organization that is driven by leaders who are sensitive to stakeholder perceptions of the 'tone at the top.'

Securing sound ethical practices in business requires the establishment of a guiding framework: companies need to be driven by core values set within a corporate integrity culture (this applies to charities and sports organizations and universities, just as it does to businesses).

8 Point Action Proposals for Corporate Reform

The prime purpose of business is to make profits, but how business sets about this objective is important. At the heart of a corporate integrity culture is the notion that doing the right thing is more important than profit maximization.

Aaron Feuerstein, former chairman and president of Malden Mills in Connecticut, saw the family firm destroyed by a fire in 1995. He could have pocketed a large insurance settlement and retired. Instead, he rebuilt and he also kept a commitment to pay the approximately 3,000 displaced plant employees their complete salaries and full benefits for 90 days after the fire. "I have a responsibility to the worker," Mr. Feuerstein told *Parade Magazine* in September 1996. "I have an equal responsibility to the community. It would have been unconscionable to put 3,000 people on the streets and deliver a deathblow to the cities of Lawrence and Methuen. Maybe on paper our company is worthless to Wall Street, but I can tell you it's worth more."³⁶

At Malden Mills every employee was proud of the integrity leadership and the integrity culture that existed. It was a culture that should serve as a model. A culture based on a code of ethics that guides employee actions, promotes respect for all corporate stakeholders, and assigns top priority to honesty and fairness in dealing with all stakeholders.

Blame for some corporate scandals can be ascribed to the actions of a few rogue individuals, rather than to top management and the company as whole. Even the strongest ethical corporate culture will be challenged by rogues from time to time. Mostly, the damage they do does not threaten the corporation's existence, such as the use of bribes to win government contracts in Argentina by the managers of IBM's subsidiary there. Sometimes the

impact of a bad apple is devastating, as was evident with the illicit trading by Nicholas Leeson that led to the collapse of Barings investment bank. There will never be a watertight system to prevent rogues from doing damage, or stop arrogant CEOs from abusing their high offices. But strategies can be developed to promote a corporate integrity culture that can go a long way to both preventing abuse and strengthening an organization. The following are eight actions that can contribute to this goal:

First, companies need substantive codes of ethics.³⁷ These should be reviewed frequently with input from all employees. IBM does just this and thousands of its employees participate. At Guardsmark, all of the senior managers sign the code each year and all employees are encouraged to participate in a process of regular review and code modernization.

Second, codes need to be current and embrace a comprehensive agenda. Most corporations need to broaden the scope of their ethics code to include social responsibility issues and to ensure its practical application as it enters increasing numbers of foreign markets where traditions and cultural norms may differ. Top management should promote a code that covers a broad area from compliance, to ethical issues that can impact the corporate reputation, to social responsibility (notably the corporation's work in the communities in which it operates, and its environmental, labor rights and anti-corruption practices).

Third, building and sustaining a strong integrity culture requires leadership. CEO's set the "tone at the top." This means that the CEO needs to be seen to behave in every respect in line with the corporate ethics code. It means that the CEO is constantly aware that he holds a position of trust and that his job is to serve the corporation's stakeholders (not only shareholders, but also employees and retirees, customers, suppliers, other business partners and the broader public that the company serves with its products).³⁸

Corporations need to determine how best to check the total power of the CEO. A range of approaches can be considered, from splitting the CEO and chairman roles, to two-tier boards.³⁹ And, corporate audit and compensation committees of the board of directors should be filled by genuinely independent directors that have no ties to management. (Independent directors should be elected by more than 50 percent of a corporation's shareholders. Mutual funds and other major institutional investors should be active in voting on board members of the corporations in which they hold shares and their positions should be made public. And, in not-for-profit organizations there should be governance guidelines that make the election of board members transparent.⁴⁰ Board elections in Transparency International, for example, are contested and subject to votes by the membership.)

Fourth – a crucial component of an integrity culture - there must be a high level of public accountability by top executives and corporate directors and transparency. Broader acceptance is required by top executives and board directors that they are accountable for the corporation's ethical behavior to all corporate stakeholders.⁴¹ At Shell, for example, an annual assurance letter process requires senior managers to report to the CEO on the performance of their business or country of operation in following the company's code. The results are reported to Shell's Audit Committee of the Board of Directors. Board audit committees or special high-powered oversight groups⁴² should consistently evaluate management's performance relative to the corporate code.

All publicly listed companies should publish an annual corporate responsibility report.⁴³ These reports should include a review letter signed by the independent directors on the board, attesting to external verification of key areas of corporate practice and thereby underscoring that these are not just reports by the public relations department.⁴⁴ In an age of transparency corporations have nowhere to hide and these reports should be the leading edge of corporate public reporting. If companies disclose only partial information on an unethical development, then they can be assured that the whole story will eventually enter the public domain, either from the media or public regulators and prosecutors.

Anything short of full disclosure endangers a corporation's reputation for credibility, which, once soiled, is difficult to restore. Cover-ups are the road to disaster – smashing reputations and producing often enormous legal problems. Corporate leaders that secure reputations for taking ethical accountability seriously and who demonstrate an understanding of transparency will find that regulators and prosecutors are more lenient and more willing to resolve issues swiftly.⁴⁵ As we have seen, lingering crises in companies take a large toll on management, boards and on employees. Corporate leaders who seek to cover up scandals find that punishments levied can be more severe in the U.S. today than ever before.

Fifth, ethics code enforcement is essential. Boards of directors should fire CEOs that misbehave and ensure that such firings are not accompanied by handsome severance pay packages. Employees that are found to pursue serious unethical actions should be made an example of to underscore the importance that top management attaches to operating in line with the ethics code. At Boeing and RadioShack, to take just two examples, boards forced the resignations of CEOs for unacceptable behaviors that damaged the reputation of the companies, even though the malpractice in question did not enrich the individuals.⁴⁶

The courts and official regulatory agencies need to reinforce sound corporate behavior by imposing severe penalties on individuals and companies that are guilty of wrongdoing. The penalties need to serve as a deterrent. Lengthy prison terms imposed on some crooked business leaders may serve as a warning to business leaders consumed with greed. The U.S. Justice Department has affirmed the validity of this approach. It will no doubt seek lengthy jail terms for Kenneth Lay and Jeffrey Skillings, the former leaders of Enron who were found guilty of multiple crimes and who will be sentenced in September. Fining companies hundreds of millions of dollars to settle serious corruption cases can also serve as an effective warning to business more broadly.⁴⁷

Sixth, corporations need highly skilled ethics officers.⁴⁸ The profession of corporate ethics officer needs to win a higher profile in business and in academia. It should be seen widely as an important profession and career track, rather than just a position derived from corporate counsel or human resources' departments. The function should equate to that of the corporate general counsel in the top echelon of corporate management. Chief ethics officers should report directly to both the CEO and to the board of directors. This is the case at a few companies, but it should become the norm.

In many companies the chief ethics officer reports to the human resources or legal departments. In an independent report on the integrity failures at Fannie Mae, for example, an expert group headed by former Senator Warren Rudman noted that the decision by the company's management to place the ethics and compliance offices in a litigation section of the Legal Department "was inappropriate in that it appeared to compromise the independence of the ethics and compliance program and limited its status and visibility within the organization."⁴⁹

In a recent media report on a harassment case in Toyota North America the company's legal counsel, obviously assigning higher importance to the best short-term interests of his client, than to correcting a terrible situation, allegedly suggested to the victim of harassment that she should seek employment elsewhere.⁵⁰

Seventh, living the code calls for a combination of communications, training and incentives for performance. Corporations need to deploy effective internal communications and ethics training⁵¹ to secure buy-in by all employees and regularly measure progress. Managers need to see an impact on their personal compensation as a result of their performance relative to the corporate code, with penalties for failures and with bonuses for managing difficult and challenging situations.

Eighth, greater encouragement of whistleblowers is essential. Top management needs to encourage whistleblowing by employees when they see unethical practices.⁵² The National Business Ethics Survey in 2005 found that of employees who reported misconduct, 48% received positive feedback, while 52% did not. It also found, that of employees who reported misconduct, 22% experienced retaliation, while 78% did not.⁵³ Corporate leaders need to focus on curbing the fears of employees that their whistleblowing will damage their own careers.

These eight sets of proposals aim to provide a framework for creating and sustaining an integrity culture within corporations. Public trust in business will not be repaired unless many more corporations build integrity cultures. Further deterioration in public trust may strengthen pressures for greater governmental regulation of business, undermining the vibrancy and flexibility of the free enterprise system that is the cornerstone of U.S. economic growth and that of most countries.

The Supply-side of Bribery – Curbing the Bribe-payers.

Actions to prevent corporate bribery of government officials, or collusion with competitors to rig governmental contracts, are key areas of corporate integrity. The supply-side of corruption in the international arena should not be seen as distinct from the core issues of business ethics. Rather, how a company operates relative to the

public sector should be wholly driven by its values and integrity culture. Corporations that take their ethics codes seriously will not pay bribes, at home or abroad. They will have mechanisms in place to try and curb all forms of bribe-paying by their employees, by their partners and by intermediaries that might represent them.

For example, in 2002 Transparency International (TI) in co-operation with Social Accountability International launched the *Business Principles for Countering Bribery (BPCB)*.⁵⁴ Since then TI has been working with a variety of companies and organizations to develop key approaches to the implementation of these Principles. As TI has noted, "It is not enough for an enterprise to rely on a no-bribes policy – effective anti-bribery performance depends on an effective implementation program as well as rhetorical commitment."⁵⁵

There is mounting public attention now on corporate approaches to prevent bribery,⁵⁶ just as other areas of social responsibility are being monitored increasingly. In general, European corporate social responsibility practices appear to be ahead of those in the U.S., possibly reflecting greater political pressures on companies to accept that they have an obligation to the broad public to not only state what their values are, but to demonstrate that they are adhering to these values in all aspects of their business. For example, there is more detailed information on anti-bribery actions in Shell's 2005 Sustainability Report, than in Exxon-Mobil's 2005 Corporate Citizenship Report.

The supply-side of bribery takes many forms and can be seen in many contexts. It has permeated relationships between members of the U.S. Congress and lobbyists for corporations; it is manifest in arrangements between Russian parliamentarians and domestic business leaders; it allegedly engulfs aspects of the public honors system in the U.K.;⁵⁷ and it is bribery of public office holders by domestic companies that has a major corrosive effect in scores of developing countries.

My focus here is just on one aspect of the supply-side of bribery: illicit payments made by multinational corporations and government officials outside of the corporation's home country. This is an important part of the corporate integrity picture and one where we who are resident in major industrial countries, where most of the multinational corporations are headquartered, can strive to influence reform.

Private investment is crucial for development and the path to economic growth in most nations requires the import from business of capital and know-how. But the imports have to be clean.⁵⁸ If the relationships are based on bribes, then the outcomes for the peoples of the developing countries will be negative.

Massive bribery is pursued by multinational corporations. The Volcker Commission Report on the bribery involved in the United Nations oil-for-food program for Iraq, for example, found over \$1.7 billion in bribes paid by more than 2,000 companies in this program alone.⁵⁹ Or, just note the estimates on the scale of bribery in Africa amounting to almost 25 percent of gross national product.⁶⁰

Actions to curb the supply-side of bribery to government officials need to highlight enforcement, closing loopholes in laws, boosting the watchdog roles of civil society organizations (CSOs),² increasing transparency in transactions, and raising public understanding of what is at stake. Further, there is merit in seeking to strengthen approaches by development aid agencies to serve the poor while circumventing corrupt regimes, such as greater emphasis on business-public partnerships and expanded business-CSO engagements in humanitarian areas.

The last decade has seen an unprecedented number of significant actions around the world to enact laws to curb bribe-paying. This is a singular achievement. At the same time, the legal infrastructure for curbing money laundering has also been improved. But, now we must build on these actions and ensure enforcement.

Enforcement is critical - companies need to fear being caught and punished for bribing public officials. Business leaders need to recognize that there are serious risks in bribe-paying. This is not the case today.

² CSOs take many forms and in the context of this paper the author is using the phrase broadly to embrace organizations at the municipal, national, even international levels that see to encourage and in many cases also perform activities on a not-for-profit basis to benefit society as a whole or in part. These could include global organizations like Amnesty International fighting for human rights across the globe, or a local church seeking to enhance the well-being of the citizens of a parish.

Some encouragement can be taken by the agreement in early May at the Organization for Economic Cooperation and Development (OECD)⁶¹ on guidelines to companies seeking export credit guarantees that will now require companies to state whether any of their staff have been charged with or convicted of bribing foreign officials. Export credit agencies must now also check blacklists of companies accused of corruption compiled by the World Bank and other international financial institutions. Companies on the lists could be denied export credits. Encouragement can also be taken by an increase in international corruption investigations by U.S. authorities.

But, the overwhelming majority of the 36 countries that ratified the OECD Anti-Bribery Convention⁶², which came into force in 1999, are not enforcing it.

The U.S. government has sought to enforce anti-bribery laws, raise aid and strengthen assistance to countries making efforts to improve their governance systems. But the governments of most European countries, in contrast, are sending mixed signals to corrupt regimes in developing countries. On the one hand they are pursuing enlightened anti-corruption strategies and providing financial support to good governance programs.⁶³ On the other hand, they are failing to enforce their own laws that make it a criminal offence for companies to pay bribes to foreign officials.⁶⁴ And, in a number of countries, the authorities are doing too little to assist the governments of developing countries to secure the repatriation of funds stolen by public officials.

Not only should the law be applied, but loopholes in the laws should be closed. The OECD Anti-Bribery Convention and the national laws that flowed from it offer opportunities for abuse.

According to independent research by Theodore H. Moran (Marcus Wallenberg Professor of International Business and Finance School of Foreign Service, Georgetown University, Non-Resident Fellow, Center for Global Development) and Louis T. Wells (Herbert F. Johnson Professor of International Management, Harvard Business School), current U.S. law provides multinational corporations with opportunities to create partnerships in developing countries with no risks to the local investors, but with assured prospects of future income to them. The local partners may have close ties to top government officials. As a result of tracking cases in the power sector in Indonesia, these researchers concluded that current U.S. anti-bribery law inadequately deals with this issue.⁶⁵

Another loophole in the law relates to ‘facilitating payments.’ Surveys conducted by Gallup International for Transparency International have suggested that U.S. firms are perceived in numerous foreign countries to pay even more bribes to foreign government officials than, for example, French, British and Canadian companies.⁶⁶ It is possible that this negative view is influenced by the propensity of U.S. firms to use ‘facilitating payments’ under the Foreign Corrupt Practices Act (FCPA) which was designed to enable companies to overcome demands for small illicit payments from foreign customs, labor and other middle- and low-level government officials.

Lawyers representing U.S. business convinced the Clinton Administration to press for including clauses similar to those in the FCPA on ‘facilitating payments’ in the OECD Convention. This was a mistake and sends the wrong signal around the world about U.S. corporate ethics and the attitude of the U.S. Government in this area. These payments are bribes. The delays that foreign corporations may have in securing customs’ clearances, work permits and environmental permits in the U.S. may dwarf those that foreign companies experience in most developing countries, yet Americans would be appalled if foreign companies sought to make ‘facilitating payments’ to U.S. officials.

Civil society organizations (CSOs) can play valuable roles in strengthening enforcement. They need to develop the skills and the power to become effective watchdogs of public procurement, monitors of bidding processes, and investigators of major government contract awards that are not subject to competitive bidding.

Coalitions for transparency in procurement should be part of this CSO mandate. Experience over the last decade in a number of countries suggests that CSOs can serve as constructive catalysts and overseers of ‘integrity pacts’ where all aspects of major public procurement are independently monitored and sunshine is allowed into the process.⁶⁷ Greater support is needed from aid donor agencies to expand this model approach, which has been pioneered by Transparency International. The multilateral development banks might consider how to make ‘integrity pacts’ standard practice for major contracts.

Applying clear codes in business-public partnership is another step in the right direction. Approaches need to be developed to provide incentives for more direct engagement by private enterprise in infrastructure development in developing countries that is free of governmental red tape, kick-backs and bribes. The International Finance Corporation⁶⁸ and the European Bank for Reconstruction and Development have experience in this area that other multilateral and bilateral aid agencies should draw upon. Within this process, companies must be encouraged to accept ethics codes, such as the Equator Principles,⁶⁹ as a prerequisite for co-financing with IFC and all other aid agencies. In February 2006, the IFC released new standards for business engagement in developing countries, including new disclosure provisions that apply to both its partners and itself.

Keeping pressures on companies to report on their anti-bribery actions is another component of an effective strategy. Shareholders need to press companies to report comprehensively. Companies need to acknowledge that the time when they could just say “trust us” is over. Companies need to earn the public trust by using their social responsibility and citizenship reports to describe the anti-bribery training programs that they use with their employees and the anti-bribery agreements they secure with their foreign partners. These reports should report on abuse that has been found. A model for publicizing this latter issue might be the annual accountability report by BP, which in 2005 attracted the headline in *The Financial Times*: “BP sacked 252 for unethical behaviour.”

Strengthening payments transparency is an additional key approach. The Extractive Industries Transparency Initiative⁷⁰ has created a framework to encourage oil, gas and mining companies to disclose all aspects of their financial relations with host governments. This is a good start and EITI is in many respects an excellent model in that it enjoys strong support from governments, major corporations and civil society. It is time to consider broadening this kind of initiative⁷¹ to embrace all companies that have dealings with governments. U.K. Chancellor of the Exchequer Gordon Brown has suggested this approach.

Companies must learn to say no and to forsake business, rather than bribe officials. They should demonstrate that their ethics codes are applied and they should withdraw from countries when conditions become too difficult for those who refuse to pay bribes. Businesses, unlike aid agencies (that on a long-term basis need to find ways to continue operating in countries where regimes may be corrupt), do not have a core mission to aid the poor. For business, the critical priority has to be acting with integrity and according to its principles at all times and in all places (Moreover, corporate leaders need to acquire a still greater understanding of the corrosive impact on their own corporate cultures of continuing to pay bribes to foreign officials. Over time, for example, the corporate accounts will have to be doctored to hide the bribes.) Companies can add to the pressures on foreign corrupt governments by ceasing business operations in a country where bribery is mandated, and then going public to explain the situation.

More research in this area is vital. We need credible and regular major global surveys of perceptions of bribe-paying: bribe-paying by corporations from different countries, bribe paying in different business sectors. There is far more data on the demand-side of corruption, than on the supply-side and this tends to soften the pressure on business. We need far more engagement of business itself in supporting research in this area. The seminars and knowledge-sharing that are being promoted now by the EITI are encouraging, as are the workshops for international agents that are sponsored by TRACE⁷².

Corporate philanthropy needs to be a component of anti-bribery strategy. Public officials often target foreign companies for extortion that they believe have few defenses and will be willing to pay bribes without causing a public outcry. Companies that seek a high public profile through good works and demonstrable corporate citizenship activities may be less prone to extortion demands. In some countries the companies that are being widely seen as supporting hospitals, emergency relief, community sports activities and so forth, generate goodwill which can be useful in refusing to pay kick-backs to top politicians. One path to effective corporate philanthropy is through partnerships with CSOs, private sector sponsored foundations and donor agencies, such as initiatives now being seen on HIV/Aids in Africa.⁷³

Support by business for work pursued by the Partnership for Transparency Fund⁷⁴ is another model example. Again we can draw on experience to promote effective initiatives in the anti-corruption area. Created in 2001, the PTF provides small grants to CSOs - never more than \$25,000 - to support specific anti-corruption projects. Encouraged by PTF's track record, the Multilateral Investment Fund of the Inter-American Development Bank made a grant of \$600,000 to a partner CSO of PTF to promote projects in Latin America, with PTF pledging to

secure substantial additional funds from the private sector for this program.⁷⁵ This is a viable model of government, business and CSOs coming together in the anti-corruption area specifically. The reputational benefits to the co-sponsoring corporations can be significant and again serve to reduce some pressures on them by host governments to pay bribes.

Public understanding needs to rise and public pressure needs to increase. Corporations respond to pressure. The implementation of the above proposals will be all the greater if the general public has a sharper understanding of what is really at stake as the global corruption crisis continues. Building greater public pressure for change is difficult, but essential – pressure in the home countries of multinational corporations to secure law enforcement, to close the legal loopholes, to increase corporate accountability, and to strengthen the efforts of assistance agencies to work with business and CSOs. An approach to raising pressure rests in encouraging the media to highlight the lack of enforcement of the OECD Anti-Bribery Convention, to follow-up on the Volcker report on the U.N. oil-for-food program for Iraq, and to strengthen reporting on corporate actions to prevent foreign bribe-paying.

More generally, CSOs in the OECD countries need to be encouraged to broaden their education campaigns. By and large they have limited their awareness-raising efforts to top governmental elites, academics, aid agencies and foundations. For the public in general the corruption problems in developing countries continue to be seen widely as cultural or technical, rather than as the humanitarian tragedies that they really are. The impact of corruption needs to become as well understood as the issues of child poverty that UNICEF is concerned with; as the HIV/Aids issues in developing countries that Bono has promoted; and, on a par with the human rights issues that Amnesty International and Human Rights Watch have brought to public attention.

Curbing the Demand-side of Corruption

Many initiatives have been launched in the last few years to limit the demand-side of the corruption equation. While it is too early to gauge fully their effectiveness, institutional capacity building has been supported by CSOs and aid agencies in a host of countries. As a result government departments have been able to upgrade their auditing systems, judges have been better trained, legal systems have been reviewed, anti-corruption commissions have been established, and measures to raise media standards and enhance access to information have moved forward. In time, many of these initiatives may well contribute to better governance and reduced corruption.

The World Bank and other development assistance agencies are taking a lead with governments on reform programs, while also supporting the work of international and national non-governmental organizations, which have held anti-corruption workshops, developed effective strategies of their own and forged important partnerships. For example, a joint meeting in mid-2005 of representatives from the OECD, the Asian Development Bank and Transparency International took place in Indonesia to explore critical issues of preventing corruption in reconstruction programs after massive natural disasters (in this case the tsunami).

The degree to which official aid donors can pressure governments to reform is controversial. Sometimes donors stop lending to corrupt governments.⁷⁶ Doing this at a time when major corruption in government suddenly hits the headlines can encourage the reformers and signal that the donors are keenly aware of the rot that is being exposed. Michael Holman, the former African Editor of *The Financial Times* called on donors early this year in an opinion article to stop lending to Kenya in view of the revelations about corruption at the highest levels of Government⁷⁷ and the sorry record, as he saw it, of past aid to Kenya. However, officials from both the World Bank and the U.K. aid agency wrote letters to the newspaper taking issue with Holman's views. They worried that curbing aid would serve to punish the poor for whom aid projects are intended, while having little effect on governments.

As a temporary measure – and only as a temporary measure – suspending aid can be useful at times. It can represent an important symbolic chastisement by sensitive foreign donors of the government's malfeasance, while in democracies it can strengthen domestic pressures for regime change.

But, suspending aid indefinitely to poor countries is not an option. After all, taxpayers in rich countries expect aid to poor countries to assist the poor. If governments cannot be trusted, then aid donors need to find ways to circumvent governments to ensure that the poorest citizens of the recipient country continue to be assisted. It is never the poor who are the villains in the corruption game, they are always the victims and they should not suffer all the more because their countries have been cut-off from aid.

A key aspect of the anti-corruption agenda, which has involved the major aid agencies as well as CSOs, relates to legal frameworks. Donor agencies and other institutions are promoting significant changes in the regulatory regimes of a number of countries, from Afghanistan to Tanzania, to close loopholes, set new standards of transparency and promote greater accountability. In some cases outdated and inefficient court systems are being overhauled and major assistance to offices of public prosecutors are strengthening the rule of law. In addition, training of judges and prosecutors by specialized CSOs and international organizations, such as the International Development Law Organization in Rome⁷⁸ and the International Law Institute⁷⁹ in Washington DC, are vital if the rule of law is to be meaningful.

In a growing number of countries, however, well-intentioned efforts supported by foreign aid agencies have created veritable mountains of laws, rules and regulations to curb corruption without sufficient attention to building effective enforcement institutions. Time and again 'big fish' get caught in corruption scandals in developing countries, but few of them receive serious punishments. We need to have a better understanding of why enforcement is often so weak – this is an area for more research and for greater attention by donor agencies and CSOs.

To be sure, many reform strategies will fail, or the attainment of desired results may take much longer than originally envisaged. There is a danger that failures will deter aid agencies and CSOs from taking risks. This would be a mistake.

A few years ago the World Bank made a difficult decision to become involved in the Chad-Cameroon pipeline project.⁸⁰ The issue was whether the engagement of the Bank could make safeguard the interests of indigenous peoples and the environment and ensure that the oil revenues were used to benefit the poor. Many CSOs voiced skepticism. The Bank did recognize the risks, but it was keen to see the project get the green light. It believed that the ExxonMobil development of Chad's oil resources could play a major role in bringing hope of a brighter future to the desperately poor people of Chad.

An elaborate system was established by the Bank to prevent the oil revenues from falling into the hands of corrupt public officials. As the oil revenues started to gush, so the leaders of Chad's government pressured the Bank to change the rules so as to enable the government to directly obtain a larger amount of cash. This produced a crisis. The Bank felt bound to suspend its participation. ExxonMobil was caught in a difficult situation. The project was not working out as the Bank had hoped.

We should not blame the Bank for taking the risk that it did, or for the difficulties that have emerged. We should not use it as an excuse to give up or resort to cynicism. Rather, we should draw lessons from this case and move forward. We must continue taking stock of experience.

International aid agencies need to consider building far more substantive relationships with CSOs as they seek to aid the poor while circumventing corrupt governments.

In this area, as in all others in the field of anti-corruption and development, international aid agencies need to listen to people on the ground that know their countries well and can best determine the most effective strategies. There are limits to the value of armies of expatriates traveling to distant lands to teach local officials how to curb corruption. CSOs in the cities and the rural areas of developing countries know where the leakages are, where the crooks can be found who game the political system for their personal advantage. In an increasing number of countries CSOs are publishing survey results on corruption in diverse sectors, its costs and its consequences.

In recent years we have seen aid donor agencies and domestic CSOs working more closely together in several areas and the lessons of such experiences should set the stage for a quantum expansion of projects where CSOs can play leading roles. Areas that could be considered include:

- Tracking the enforcement of laws, rules and regulations designed to curb corruption;
- Participating in the project appraisal missions of donor agencies – with the freedom, indeed the encouragement, to voice their views publicly when they consider projects to be misguided;

- Becoming key participants in efforts by donors to monitor the progress of donor-funded projects, with particular emphasis on the possible misuse of resources;
- Monitoring competitive bidding in public procurement at the national, provincial and municipal levels;
- Developing stronger roles for themselves in monitoring private sector business conditions and particularly the relationships between business and government;
- Playing leading public roles in international discussions about corruption in their own countries;
- Forging local, national and international networks to exchange information and learn.

For example, in some countries the optimum route to providing infrastructure and technical assistance to the poor may be through business partnerships with CSOs. Monitoring these and ensuring transparency in all aspects of the operations of such partnerships may be easier than monitoring the activities of government departments. A number of major Western CSOs can draw on their experience and play greater roles in this field, such as the U.S. Chamber of Commerce's Center for International Private Enterprise (CIPE).

There is both scope and need to sharply expand direct grants to CSOs from both bilateral and multilateral aid agencies to assist the poor in very poor countries and so steer aid clear of government thieves. This may require, for example, a change in the Articles of Agreement of the International Development Association (the concessionary affiliate of the World Bank group), and similar institutions, that are currently only allowed to lend to governments, or to organizations that enjoy government guarantees.

Expanded work with CSOs to assist the very poor in middle-income developing countries is also needed, as here too the key in some countries is to find ways to bypass corrupt regimes. To secure direct funding to CSOs in these countries will require innovative approaches to debt servicing (the World Bank and others make loans not grants) and possible changes in the charters of the aid agencies. The essential consideration is that the world's poor should not be neglected because their governments are corrupt.

There are almost certainly some corrupt CSOs. But, the World Bank and other agencies are increasing the scale of their internal investigative units to discover fraud and corruption in their own projects and programs. These agencies have the skills that could be applied to funding to CSOs to ensure that funds are well spent. Other monitoring efforts may be necessary. Moreover, CSOs, like other institutions, need to be seen to be applying the approaches of accountability and transparency that they demand of others.

In sum, there is a great deal of good work now being undertaken which needs further encouragement, and there is extensive scope for innovation and new partnerships to enhance the anti-corruption effort. At the same time, the lessons of recent years, drawn from research and experience, highlight a crucial gap in current approaches to curbing the demand-side of corruption. This gap relates to politics and the establishment and development of democracy.

Placing Politics at Center Stage

The citizens of each country are not only best placed to make judgments on the best political anti-corruption strategies to pursue, but they alone can take the initiative. Speaking on National Public Radio's Morning Edition⁸¹ program on June 2, 2006, John Makumbe, chairman of Transparency International Zimbabwe, said: "All the elements outside Zimbabwe's borders can only support reform, but only the people inside the country can initiate the salvation of Zimbabwe."

There are no simple formulas that can be applied to support political reforms that curb corruption. No two countries are exactly alike. Cultural, ethnic, historic, social and economic differences make each country unique and call for tailor-made anti-corruption strategies. There is no single anti-corruption strategy that fits all countries. Every country needs to develop approaches that most effectively take unique national factors into full account.

The Carter Center, the National Democratic Institute and numerous other organizations are playing valuable roles as outside supporters of domestic CSOs in key political areas, such as election monitoring, developing political party systems and related issues. However, the overwhelming majority of funds flowing to developing countries to curb corruption are coming from aid agencies that, for the most part, tend to steer clear of politics. This needs to change. The anti-corruption debate needs to include core political issues, however challenging this may be.

The International Monetary Fund, for example, has increased its focus on corruption when reviewing approaches to fiscal policies by countries that have IMF programs, but it refrains from any public comment on the defense sector – often a major area of public spending. Politicians frequently argue that their defense spending is a matter of national security that needs to be kept secret and that cannot be touched. I do not believe it is a coincidence that many of the countries that rank low on the Transparency Corruption Perceptions Index do not publish their defense budgets. And, extensive work by researchers has repeatedly suggested that the defense sector is one of the most corrupt areas of business and government.⁸²

The World Bank, whose leaders are both acutely aware of the political issues and have indicated at times that they would like to do more with CSOs in political areas, confronts constraints. The World Bank is owned by governments, including some that oppose multi-party political systems, such as China, and thus it finds it difficult to take a high profile role in international debate in support of establishing strong democracies as the primary means to curb corruption on a sustained basis. And, the World Bank's Articles of Agreement only allow it to lend to governments, or organizations that have a government guarantee and thus it can give only modest support to CSOs.

But it is not just shareholder and legal constraints that steer the World Bank, and the regional development banks, away from politics when implementing anti-corruption strategies. Aid agency experts involved in “good governance” programs often lack training and knowledge of politics and feel more comfortable promoting their areas of specialization, from training journalists and judges to helping governments establish anti-corruption commissions, write new laws and introduce new auditing systems.

Nevertheless, the demand-side of corruption is intensely political. It is true that deregulation can reduce the opportunities of regulators to seek bribes; that freedom of information laws can enhance transparency of governmental actions; that providing officials engaged in the rule of law with decent wages and salaries can reduce their own interest in using extortion to boost their incomes; that privatized industries offer fewer corruption opportunities to officials than do monopolistic state enterprises; and that many other specific actions can all contribute to making life more difficult for corrupt officials. Many of these measures raise the risks of corrupt officials being caught. But we need to draw lessons from the events in so many countries that show how leading politicians and civil servants are adaptable, flexible and very skilled in operating embedded networks of corruption.

Embedded Political Networks of Corruption

The villains often know how to encourage aid donors to work with them and see them as partners. Reformed administrative systems in government may make life harder for the corrupt, but on their own, unaccompanied by far-reaching democratic initiatives, they will not suffice in wrecking long-established the networks of embedded corruption that pervade so many governments in developing countries and in Eastern and Central Europe, as well as in leading industrial countries.

Let us look at just a few examples:

In Thailand, a tycoon, Thaksin Shinawatra, became Prime Minister and brazenly used his position to augment his already enormous wealth.⁸³ He was driven from office by mass public protests, but in less than two months he was visibly and publicly making his move to regain power.⁸⁴

In Italy, the nation's wealthiest man, Silvio Berlusconi, used his position as Prime Minister to repeatedly undermine public prosecutors and the courts that were intent upon pursuing corruption cases in which he was allegedly the central figure.

In Peru, despite a president's claim to be fighting corruption, a conspiracy between top military men, the president and his associates systematically looted the national treasury.⁸⁵ And, after having served in the 1980s as

president of this country when corruption ran rampant, Alan Garcia returned to the political stage and successfully won a new term as his country's leader in early June, 2006.

In the United States, the scandals relating to the relationships between members of the Congress and lobbyists have highlighted the complexity and the scale of the embedded corrupt political networks that influence campaign financing and the earmarking of giant appropriations.

In Brazil, Mexico, Argentina and other countries in Latin America, the electorates have voted for anti-corruption candidates, the major multilateral development agencies have provided assistance for good governance projects and yet corruption levels are consistently reported to be very high.

In Kenya, an anti-corruption candidate was elected president and appointed the nation's most prominent corruption fighter to be Permanent Secretary for Ethics and Anti-corruption with offices both at State House and at the Ministry of Planning. Many actions were launched to reduce corruption. But, when the Permanent Secretary reported major corruption by top cabinet ministers the President ignored the information. In time, as the thefts by top officials reached huge proportions, the Permanent Secretary, fearing for his life, sought exile in the U.K. and reluctantly published a dossier on the government's corrupt practices and the lack of action by the President. At one point it looked as if Kenya was at last on the right road, but these latest developments attest to how little has really changed.⁸⁶

In Russia, major donors, both public and private, raced to assist the authorities as communism fell and transition to free markets and open government seemed possible. Huge support was given to privatizations and to creating and funding a free media and civil society organizations. Often, foreign experts who went into Russia in droves stated that they knew all about the risks of corruption and of the risks of foreign funds being stolen. They said they were building safeguards into the approaches they were advocating and assisting with. But, what happened?

First, in the 1990s we saw top Russian civil servants convert themselves into business tycoons. The oligarchs stole more money in a shorter period of time than any other group of crooks in human history. Western aid donors of all kinds stood by as the oligarchs took control of the nation's most valuable assets. A reaction was certain. Public officials, who failed to steal as much as the oligarchs, started to organize and capture the key bastions of economic and political power. Now, the media is censored, the activist civil society organizations are being monitored and threatened, and many of the people in very senior Kremlin positions have direct control of the nation's largest enterprises.

All the Western aid and expertise channeled toward the creation of a stock market, new corporate governance systems, a competitive media and a clean free market, have yielded few benefits for the Russian people. The embedded corrupt political networks have adapted and staggering sums of money have flown into the pockets of those who ran these networks. The ill-gotten gains have been on a scale rarely seen before.

Anti-corruption strategies, country by country, need to strike at both the sophisticated embedded political networks of corruption and the broader landscape of official corruption. Attacking the former requires coalitions of experts who know their national political systems very well, who know their way through the corridors of power and who know how to mobilize legislatures, media, courts, and police. The implementation of such strategies will only work if those who are spearheading it are confident of mass public support. Securing public commitment for reform has long been seen by aid experts as essential to the successful implementation of economic adjustment programs – securing widespread public commitment is just as important in the anti-corruption reform area.

Building Democratic Institutions

Sustained progress in the anti-corruption field will only emerge if government is open and subject to the scrutiny and the checks and balances that are central to a modern democracy. To believe that authoritarian governments will counter corruption over lasting periods is naïve, particularly in large countries. The temptations of high public office are too great to be resisted for long unless the risks of exposure and punishment are high.

- Only in a vibrant democracy is there likely to be impartial investigation of officials and institutions that are alleged to be corrupt. Even in the most advanced democracies, such as the United States, we see lapses. But

the test of a democratic system comes when the arrogance of power leads officials to ignore risks. Then, as the Watergate scandal demonstrated, the system itself is on trial and, fortunately, in this case the system proved stronger than the crooks. Today, we see a host of corruption scandals in the U.S., but the system will once again prove its resilience and the corrupt will be punished.

- Only in vibrant democracies do the courts have the independence and the credibility to ensure fair trials, promote justice and punish dishonest public officials. Only in a vibrant democracy can institutions that come under the control of corrupt politicians and officials (for example, parts of the U.S. Congress in recent times as key ethics rules were ignored by partnerships of powerful politicians and corrupt lobbyists⁸⁷) reassert themselves by seeking countervailing power from public opinion, the media and independent prosecutors.
- Only in vibrant democracies can parliaments play constructive roles in curbing corruption across the political spectrum. Legislators need to both police themselves when it comes to ethics and be seen to do so. The oversight role of parliaments relative to the executive branch of government needs to be enhanced in many countries. For example, proposals currently being made with regard to the U.S. Congress could well apply to parliaments across the globe. Dr. James A. Thurber, Professor and Director of the Center for Congressional and Presidential Studies at American University in Washington, DC, has proposed that: “Lobbying reform should strengthen the enforcement of existing laws and ethics rules that cover Members of Congress, staff and lobbyists. The congressional committees with jurisdiction over lobbying laws and ethics should pursue rigorous oversight over the administration of these laws and codes of ethics. Congress and its committees need to enforce existing laws and ethics or create new institutions that will do that.”⁸⁸
- Vibrant democracies support free speech, a competitive and uncensored media, programs that ensure there is sunlight on governmental transactions, accountability of politicians to the electorate, and the equitable and fair enforcement of the law with no special favor to those holding great political power. These are the necessary conditions if the demand-side of corruption is to be curbed.

Democracy is not a panacea. But building strong democratic institutions is a vital component of an anti-corruption strategy. Highly developed democracies, such as those in the U.S., U.K. and Germany, have had corruption scandals that have tested governmental institutions. The checks and balances of an open political system have proven to be robust. In less developed democracies, such as Kenya and Mexico, we continue to see serious corruption, which reminds us of the skill of corrupt officials to adapt to changing circumstances and the critical importance of assigning top priority to strengthening democratic institutions.

[Aid Agency Support for CSO Political Action](#)

In many countries there are moments in time when opportunities arise to strengthen mass public pro-democracy forces and set the base for reforms, including anti-corruption measures. The ending of the era in Kenya under former President Moi, or the recent successful protests against the King in Nepal, have given rise to such opportunities. At such times the international community should move with speed to maximize support behind the reformers. But how?

Our aid agencies need to find ways to be more responsive, more flexible and more dynamic and openly and publicly support mass political movements. Our major charitable foundations need to find ways to provide far more direct funding to such movements. International CSOs need to be far more engaged in supporting these movements, encouraging their development and promoting their causes, than they are today. I do not mean the CSOs involved with electoral systems who are already quite stretched, but those CSOs operating around the world on anti-poverty programs, human rights, corruption and justice, because building democracy in poor countries is central to achieving their global goals. To be sure, much is already being done, but there is a need for more.

The time has come when we need to ensure that strong civil society organizations, driven by their own firm integrity cultures, are equipped to play leadership roles at the center of the stage in the global fight against corruption. They need to be actively promoting the full panoply of actions and reforms that open to the public the processes of government, that enhance the enforcement of the rule of law, and that strengthen accountability by public officials.

Conclusion

Reform in corporate integrity, including the bribe-paying supply-side of international corruption, and the demand-side of the corruption equation, need to be considered together as component parts of an international effort to end today's crisis. On their own, each individual reform is unlikely to have lasting and significant impact. Taken together they can secure change.

To move forward we need a greater exchange of views between the experts who focus on corporate integrity and on governmental corruption. To contribute to this effort I established a website a few months ago called www.ethicsworld.org as a forum for posting news and research and linking readers to source materials.

Most of the proposals that I have made here reflect the research and the experiences that have come to the fore in many countries and from many institutions in recent years. We need to learn from the failures and build on the successes. We need to convince people that curbing corruption is possible, as well as essential.

We must also strive to educate broader audiences about the issues that are at stake. If we can do this, and at the same time learn from research and experience, then we can start to be cautiously optimistic about the prospects for success. What is absolutely clear is that we dare not slacken our resolve to fight corruption – great successes may be elusive for many years to come, but enormous waste, pervasive cynicism, and avoidable human tragedies abound each day as the result of corruption. This is intolerable.

Thank you.

Endnotes:

¹ Frank Vogl, President of Vogl Communications Inc. in Washington DC and Publisher of www.ethicsworld.org, is a co-founder, former Vice Chairman and current Board member of Transparency International, a Director of the Ethics Resource Center, a Director of the Partnership for Transparency Fund, and a Trustee of the Committee for Economic Development. Most of the reference endnotes in this paper include HTML website addresses that can link the reader directly to substantive source information. Many of the links are to reports, articles and news stories that can be found at www.ethicsworld.org. This website is designed as a gateway for information related to workplace ethics, corporate governance and social responsibility, and public sector governance. Frank Vogl would like to acknowledge the significant contributions to this address by Ms. Mckenzie Lock, in terms of editing, concept suggestions and the preparations of the endnotes. Ms. Lock is the editor of www.ethicsworld.org.

² Writing in Berkshire Hathaway Inc.'s annual report on February 28, 2006, Chairman Warren E. Buffett noted: "Too often, executive compensation in the U.S. is ridiculously out of line with performance. That won't change, moreover, because the deck is stacked against investors, when it comes to the CEO's pay. The upshot is that a mediocre-or-worse CEO – aided by his handpicked VP of human relations and a consultant from the ever-accommodating firm of Ratchet, Ratchet and Bingo – all too often receive gobs of money from an ill-designed compensation arrangement."

³ News stories at www.ethicsworld.org/news.php

⁴ Page B6, The New York Times, June 1, 2006. Review of two movies, both directed, written and produced by Victor Dashuk and titled: Long Knives Night, and Reporting From a Rabbit Hutch.

⁵ <http://www.edelman.com>

⁶ For a detailed and extensive analysis of the economic costs please see research by Professor Dr. Johann Graf Lambsdorff (the creator of the Transparency International Corruption Perceptions Index) of the University of Passau in Germany: "Consequences and Causes of Corruption – What do We Know from a Cross-Section of Countries" (discussion paper Nr. V-34-05) http://typo3.wiwi.uni-passau.de/fileadmin/dokumente/lehrstuehle/lambsdorff/downloads/Corr_Review.pdf

⁷ On February 16, 2006 Nigerian President Olusegan Obasanjo told an international conference that corruption costs Nigeria and other African countries about \$148bn each year, according to the African Union, 25% of Africa's GNP: February 16: <http://www.ethicsworld.com/archivednews.php>

⁸ www.transparency.org and <http://www.ethicsworld.com/publicsectorgovernance/ticp>

⁹ Google, Yahoo and Microsoft have been among U.S. enterprises to find their ethics challenged as China has forced censorship of their services. <http://www.ethicsworld.com/corporatesocialresponsibility/businessandpolitics.php>

¹⁰ William T. Loris, Director-General of the International Development Law Organization speaks out about the threats to reaching the Millennium Development Goals. <http://www.testing.ethicsworld.com/publicsectorgovernance/viewsandanalysis.php>

¹¹ For example, see the 2006 Global Corruption Report on Healthcare from Transparency International.

¹² In Transparency International's Annual Global Corruption Report, which focused on corruption in the healthcare industry, revealed that corruption in health care costs even the most developed countries, both money and lives. <http://www.ethicsworld.com/publicsectorgovernance/internationalsurveys.php#gcr>

¹³ Substantial research on corruption and the arms trade has been pursued by Transparency International's UK national chapter. <http://www.transparency.org.uk/pcoat.htm>

¹⁴ <http://www.thecorporatelibrary.com>

¹⁵ <http://www.issproxy.com/index.jsp>

¹⁶ <http://www.calpers.ca.gov/>

¹⁷ See CED's 2006 report on corporate governance: <http://www.ethicsworld.com/corporategovernance/viewsandanalysis.php>

¹⁸ For example, data collection and analysis at the World Bank Institute provides a wealth of detailed information - in May 2005 the World Bank Released "Governance Matters IV: Governance Indicators for 1996-2004." <http://www.ethicsworld.com/publicsectorgovernance/democracyandgovernmentaccountability.php#wb>

¹⁹ In addition to extensive research on global corruption (www.transparency.org) many national chapters of TI around the world have undertaken significant research. For example, in 2005 the Centre for Media Studies (CMS) in Delhi in alliance with Transparency International – India released a 2005 India Corruption Study. <http://www.ethicsworld.com/publicsectorgovernance/countrysurveys.php#q>.

²⁰ <http://partnershipfortransparency.info/>

²¹ www.ethics.org

²² "Kenyan Finance Minister Steps Down Amidst Graft Charges" www.ethicsworld.org/archivednews.php

²³ Building knowledge at one and the same time about workplace ethics, corporate governance, corporate social responsibility and public sector governance is the prime aim of www.ethicsworld.org, which was launched in late 2005.

²⁴ Tools such as the Transparency International Corruption Perceptions Index may leave the impression that all countries have very similar forms of corruption and thus they are being ranked on a common basis. The CPI has

many merits, but of course corruption in form and substance in, for example, Russia and the United States, have very little in common.

²⁵ Daniel Yankelovich argues in “Profit With Honor” that American society has a propensity to over-rely on legislation in order to make people act more ethically. However, he says that laws and regulations alone will never stop corporate scandals from happening. “Profit with Honor: The New Stage of Market Capitalism” (The Future of American Democracy Series) by Daniel Yankelovich, published May, 2006. www.publicagenda.org

²⁶ “Syndromes of Corruption: Wealth, Power, and Democracy” published in 2005 by Cambridge University Press, by Michael Johnston, the Charles A. Dana Professor of Political Science, Colgate University.

²⁷ The Ethics Resource Center’s 2005 National Business Ethics Survey www.ethics.org and <http://www.ethicsworld.com/ethicsandemployees/nbes.php>

²⁸ Dr. Wesley Cragg, Voluntary Codes Research Group and Director of the George R. Gardiner Programme in Business Ethics, Schulich School of Business, York University, work on ethics codes, globalization and CSR as well as his “Compendium of Ethics Codes” at <http://www.ethicsworld.com/corporategovernance/corporateethicscodes.php#york>

²⁹ Bernie Ebbers’ (former Worldcom CEO) prison sentence for securities fraud and conspiracy www.ethicsworld.org/news.php.

³⁰ Verizon case study on the role of compensation consultants in rising executive pay; coverage of Wachovia Vice Chairman’s \$135 million severance package; an editorial on the SEC’s Landmark Compensation Disclosure Regulations and a speech by SEC chairman Christopher Cox: <http://www.ethicsworld.org/corporategovernance/executivecompensation.php>

³¹ In May 2006, for example, Boeing agreed to a \$615 million fine and Fannie Mae agreed to a \$400 million fine. These are record payments in cases to settle charges brought by U.S. official regulators. They follow, for example, fines of more than \$1.6 billion to a number of major financial services firms to settle charges that they misled investors in the technology stock ‘bubble’ of the late 1990s and early in this decade. Many examples at <http://www.ethicsworld.com/news.php>

³² EthicsWorld Report on the Fannie Mae scandal and the “Rudman Report” (Report to the Special Review Committee of the Board of Directors of Fannie Mae) <http://www.ethicsworld.org/ethicsandemployees/managingworkplaceethics.php#fanniemaec>

³³ Landmark research by Linda Trevino and Michael Brown for the Ethics Research Centers Fellows Program on moral management and corporate culture <http://www.ethicsworld.com/ethicsandemployees/ethicsleadership.php#moralperson>

³⁴ Ronald Berembeim’s, of the Conference Board, essay “Defining the Corporate Ethics Brand” at <http://www.ethicsworld.com/ethicsandemployees/viewsandanalysis.php#def> and “Why Ethical Leaders are Different” at <http://www.ethicsworld.com/ethicsandemployees/ethicsleadership.php#bbb>

³⁵ President of the Ethics Resource Center. Links menu on EthicsWorld’s home page <http://www.ethicsworld.org>

³⁶ He won the Pace Award of the ERC’s Fellows Program in 2004. http://www.ethics.org/fellows/pace_recipients.html#af

³⁷ The Ethics Resource Center has long been an authoritative source of knowledge on ethics codes (www.ethics.org). Then also see work by Dr. Cragg as noted in endnote 15 above. <http://www.ethicsworld.com/corporategovernance/corporateethicscodes.php>

³⁸ A recent scandal involving the personal ethics of RadioShack's former CEO, David Edmondson, who resigned after questions of his personal ethics were made public, highlights the increasing pressure on Boards of Directors to ensure that the corporate code of conduct applies to the CEO and that he can serve as an outstanding ethical role model for the company. Report on the RadioShack case:

<http://www.ethicsworld.org/ethicsandemployees/ethicsleadership.php#p>.

³⁹ Mistrust and public battles between members of the Supervisory Board and the head of the Managing Board at Germany's VW in 2005 and early 2006 highlighted the problems that can exist even in a system designed to ensure that no single individual wields too much power.

<http://www.ethicsworld.com/corporategovernance/boardroomreform.php>

⁴⁰ United Way's (which itself endured an accountability scandal) President and CEO, Brian Gallagher stresses the necessity of non-profits paying attention to their governance and public accountability in a statement, "Answering the Wake-Up Call - Change is Necessary for America's Nonprofits."

<http://www.ethicsworld.org/corporategovernance/nonprofitgovernance.php#s>

Independent Sector, the leading U.S. umbrella group for non-profits, has developed a set of guidelines for non-profit accountability. <http://www.ethicsworld.org/corporategovernance/nonprofitgovernance.php#n>

⁴¹ A report by several leading UK institutions underscores the importance of boardroom accountability for good corporate citizenship and provides recommendations for boardroom reform.

<http://www.ethicsworld.org/corporategovernance/boardroomreform.php#y>

In his essay: "All the Rage: Will Independent Directors Produce Good Corporate Governance?" Peter J. Williamson of the American Enterprise Institute questions the conventional wisdom that hiring independent directors alone will prevent corporate fraud. <http://www.ethicsworld.org/corporategovernance/boardroomreform.php#all>

⁴² Shell has a board "Social Responsibility Committee" that reviews corporate policies and performance with respect to its Business Principles, health-safety-environmental standards and major issues of public concern. The Committee consists of three independent directors.

⁴³ Read the CSR reports of several top companies such as Shell, Dell, WPP, and Merck

<http://www.ethicsworld.org/corporatesocialresponsibility/corporatecsrreports.php>

⁴⁴ "The Shell Sustainability Report," for 2005, for example, contains a letter by an 'External Review Committee' of five prominent individuals associated with Transparency International, World Resources Institute, Institute for Environment and Development (Beijing), Living Earth, and the Danish Institute for Human Rights.

⁴⁵ The rewards of good corporate reputation often come in the form of prestigious and highly publicized surveys such as Fortunes Most Admired Companies, which can be viewed (along with other key surveys and articles on corporate reputation) at <http://www.ethicsworld.org/corporategovernance/corporatereputation.php>. Poor ethics and governance can also find its way into important surveys many of which are closely watched by investors. For example, see CalPERS Focus List on Poor Governance

<http://www.ethicsworld.org/corporategovernance/surveysandtrends.php#calpers>.

⁴⁶ A number of articles on the following link relate both to CEOs being forced to resign as well as to the key factors that come together to yield the profile of a model leader.

<http://www.ethicsworld.com/ethicsandemployees/ethicsleadership.php>

⁴⁷ Over the last few years, record fines have been imposed on several companies and individuals such as Boeing (\$615 million to settle bribery investigations), the Former CEO of Gemstar (\$22.3 million as a civil penalty for securities fraud), and Freddie Mac (\$3.8 million for illegal political contributions).

<http://www.ethicsworld.org/news.php>.

⁴⁸ For more information on the work of Ethics Officers, see the Ethics Officers Association, on EthicsWorld's links and meeting page, <http://www.ethicsworld.org/linksandmeetings.php>

⁴⁹ <http://www.ethicsworld.com/ethicsandemployees/managingworkplaceethics.php>

⁵⁰ "How Major Companies Respond to Top Level Sexual Harassment: A Toyota Case Study," a report on the Toyota scandal at <http://www.ethicsworld.org/ethicsandemployees/managingworkplaceethics.php#toyota>.

⁵¹ For an example of the importance of and difficulties involved in creating effective employee ethics training programs, see "Ethics at Work: Creating Virtue at an American Corporation," by Daniel Terris, Director of Brandeis University's International Center for Ethics, Justice and Public Life. With the cooperation of Lockheed Martin, Terris spent two years examining the company's employee ethics program, a program Lockheed began developing in the late 1980s—before merging with Martin Marietta, and after being caught in overseas-bribery and government-overcharging scandals spanning. <http://www.ethicsworld.com/ethicsandemployees/managingworkplaceethics.php#s>

⁵² Case studies of two health supply companies Guidant Corporation and Medtronic, reveal the consequences of and ethical dilemmas involved in whistleblowing. <http://www.ethicsworld.org/ethicsandemployees/whistleblowinghotline.php>

⁵³ Research by the Ethics Resource Center and its National Business Ethics Survey 2005 <http://www.ethicsworld.com/ethicsandemployees/whistleblowinghotline.php>

⁵⁴ Business Principles – see http://www.transparency.org/global_priorities/private_sector/business_principles

⁵⁵ TI has developed a six step implementing process for its *Business Principles for Countering Bribery*. As TI states, this starts with defining the company's anti-bribery policy; step 2 is the planning stage in which the company sets out its implementation approach and step 3 covers the detailed integration of the program into the policies and processes of the enterprise. Step 4 is the implementation phase where the program is communicated and training given so employees and business partners are made aware of their responsibilities and how they should deal with countering bribery. Finally, steps 5 and 6 describe how performance can be monitored and the review and improvement processes that are necessary.

⁵⁶ The Financial Times Stock Exchange Group, the leading UK index provider, will launch, effective, July 1, 2006, a new set of criteria to counter bribery for its FTSE4Good Index - the leading socially responsible investing (SRI) index in the UK. The criteria, which FTSE claimed in its February 22, 2006 press release is the most developed and transparent counter-bribery criteria in any CSR index. The new criteria take the Transparency International Business Principles for Countering Bribery as a starting point. Bribery is defined as "an offer or receipt of any gift, loan, fee, reward or other advantage to or from any person as an inducement to do something which is dishonest, illegal or a breach of trust in the conduct of the enterprise's business. <http://www.ethicsworld.com/corporatesocialresponsibility/standardsandprinciples.php>

⁵⁷ See study by Transparency International U.K.

⁵⁸ PricewaterHouseCooper's reveals the consequences of economic crime on companies in its Global Economic Crime Survey 2005 <http://www.ethicsworld.org/publicsectorgovernance/internationalsurveys.php#pwc>

⁵⁹ In its report the Volcker Commission, details those found to be involved in instances of bribery and blames many of the UN's management policies for their occurrence. Summary and a Wall Street Journal editorial: <http://www.ethicsworld.com/publicsectorgovernance/corruptioninvestigations.php#g>.

⁶⁰ February 17, 2006 speech by President Obasanjo of Nigeria. <http://www.ethicsworld.com/archivednews.php>

⁶¹ OECD Press release: <http://www.ethicsworld.com/publicsectorgovernance/anticorruptionconventions.php>

⁶²Thirty-six countries have ratified the OECD Anti-bribery Convention. But complying with the Convention requires unwavering support from the OECD and its Working Group on Bribery. Country monitoring and extensive follow-up ensure that all 36 countries win the fight against bribery, says the OECD. www.oecd.org

⁶³ In March 2006, the European commission completed consultation for the second phase of its Corporate Governance Plan, which aims to continue to modify and simplify EU company law. <http://www.ethicsworld.com/corporategovernance/complianceandregulation.php#v>.

⁶⁴ A March 29, 2006 UK Parliamentary report entitled, “The Other Side of the Coin: The UK and Corruption in Africa” lays partial blame on the negligence of the British government for the illicit \$150 that leaves Africa annually saying that the UK government has failed to fulfill anti-corruption pledges it made last year to the British-led Commission for Africa. <http://www.ethicsworld.com/publicsectorgovernance/viewsandanalysis.php#uk>.

⁶⁵ Papers by these scholars presented in Washington DC in March 2006. <http://www.ethicsworld.com/publicsectorgovernance/anticorruptionconventions.php>

⁶⁶ Transparency International Bribe Payers Index 2002. http://www.transparency.org/policy_research/surveys_indices/bpi/complete_report_bpi_2002

⁶⁷ Several public procurement projects have implemented the integrity pact model with much success. For example in Colombia and in India in the Karachi Water and Sewerage Board initiative. <http://www.ethicsworld.com/publicsectorgovernance/publicprocurement.php#h> for articles on these projects.

⁶⁸ The International Finance Corporation is the private lending arm of the IFC. After a long consultation phase, the IFC adopted a new set of environmental and social requirements in late February, which it currently applies to private sector projects it finances in the developing world. The new standards were adopted after extensive comment from the private sector. <http://www.ethicsworld.com/corporatesocialresponsibility/standardsandprinciples.php#if>

⁶⁹ The Equator Principles are a set of environmental and social guidelines, based on IFC’s safeguards (see previous endnote), that are now applied by 40 leading commercial financial institutions, which collectively represent some 80 percent of global project finance. <http://www.ethicsworld.com/corporatesocialresponsibility/standardsandprinciples.php#ifc>

⁷⁰ www.eitransparency.org

⁷¹ The Extractive Industries Transparency Initiative requires firms and host governments to disclose royalty and tax payments and how they are spent. Many NGOs, such as Business for Social Responsibility, have called for its expansion (<http://www.ethicsworld.com/corporatesocialresponsibility/surveysandtrends.php#e>) as has the UK’s Chancellor Gordon Brown, who recently called for the involvement of more than the current 20 countries in EITI, as well as its expansion to all businesses and industries operating in developing countries. <http://www.ethicsworld.org/news.php>. and full Gordon Brown speech in Nigeria, May 22, 2006: http://www.hm-treasury.gov.uk/newsroom_and_speeches/speeches/chancellor/exchequer/speech_chex_220506.cfm

⁷² With its main office in Washington DC, TRACE is a non-profit membership association that specializes in anti-bribery due diligence reviews and compliance training for international commercial intermediaries (sales agents and representatives, consultants, distributors, and suppliers). <http://www.ethicsworld.org/linksandmeetings.php#x>

⁷³ The philanthropic work of Volkswagen and Daimler Chrysler in HIV/AIDs prevention and treatment, and of the Gates Foundation, which recently pledged \$900 million towards TB research, are notable examples. <http://www.ethicsworld.com/corporatesocialresponsibility/philanthropy.php>.

⁷⁴ <http://partnershipfortransparency.info/>

⁷⁵ Details of the May, 2006, grant by the Multilateral Investment Fund of the Inter-American Development Bank in support of PTF-type projects. <http://www.ethicsworld.com/publicsectorgovernance/bestpracticesbyngos.php>

⁷⁶ “Dutch Suspend Almost US\$150M In Aid To Kenya” <http://www.ethicsworld.com/archivednews.php>.

⁷⁷ A summary of Mr. Holman’s editorial, “The Donors that Turn a Blind Eye to Kenyan Sleaze” and link to the full version can be seen at <http://www.ethicsworld.com/publicsectorgovernance/corruptioninvestigations.php#u>.

Also see “Kenya gets \$25m Loan From World Bank Despite Recent Corruption Row”
<http://www.ethicsworld.com/archivednews.php>

⁷⁸ <http://www.testing.ethicsworld.com/publicsectorgovernance/viewsandanalysis.php>

⁷⁹ <http://www.ili.org/>

⁸⁰ In late 2005 the World Bank suspended \$124 million in aid. The Bank acted as the government of Chad set aside a 1999 agreement by altering an oil revenue law meant to guard against corruption and safeguard funds to fight poverty. The Bank has financed part of the Chad-Cameroon oil pipeline project which involved outlays of over \$4 billion. It stressed from the outset that preventing corruption was a key goal of its approach. January 7, 2006-
<http://www.testing.ethicsworld.com/news1.php>

⁸¹ Reporter Jason Beaubien on the crisis in Zimbabwe, June 2, 2006, National Public Radio’s Morning Edition. John Makumbe is a Senior Lecturer in Political Science at the University of Zimbabwe.

⁸² Excellent research on the arms trade has been undertaken by the UK chapter of Transparency International, for example. <http://www.transparency.org.uk/pcoat.htm>

⁸³ Thailand’s Prime Minister was accused of conflict of interest in his sale of a portion of the Shin Corporation, which his family controls sparking massive protests and the dissolution on Thailand’s Parliament on February 24, 2006: <http://www.ethicsworld.org/news.php>.

⁸⁴ A report in the Wall Street Journal, headlined “Thai Premier Slowly Reasserts His Control Over Government” on May 23, 2006 (Page A6) started with the following: “BANGKOK, Thailand -- Caretaker Prime Minister Thaksin Shinawatra is gradually reasserting his control over Thailand’s government after appearing to step down seven weeks ago, adding uncertainty to the country’s already-murky political and economic future.”
http://online.wsj.com/article/SB114832000517359698.html?mod=todays_us_page_one

⁸⁵ In 2000, facing a massive corruption scandal and human rights abuse allegations, Peru’s former President Alberto Fujimori resigned from office and is now living in Chile, from which Peru is seeking his extradition.
<http://www.ethicsworld.org/news.php>

⁸⁶ The massive Kenyan Anglo-Leasing scandal has implicated several top official’s in President Mwai Kibaki’s government, who was elected amidst pledges to fight corruption. For continuing coverage of the scandal see <http://www.ethicsworld.org/news.php>. Interviews with TI-Kenya leaders and John Githongo, former anti-corruption czar who discovered the graft: <http://www.ethicsworld.org/publicsectorgovernance/viewsandanalysis.php>

⁸⁷ The U.S. Senate recently passed a weaker version of previously proposed lobbying reform bills, following a slew of corruption allegations against lawmakers, many of which have been tied to the disgraced lobbyist, Jack Abramoff. <http://www.ethicsworld.org/news.php>. A plethora of policy proposals were put forth following the scandal such as those outlined by experts at a January 26, 2006 Washington DC, Lobbying Reform Summit:
<http://www.ethicsworld.org/publicsectorgovernance/democracyandgovernmentaccountability.php#lobbying>.

Also Rick Cohen's, Executive Director of the philanthropic watchdog, the Committee for Responsive Philanthropy, analysis of political misuse of charities in his article, "How to Prevent Politicians from Misusing Charities"
<http://www.ethicsworld.com/publicsectorgovernance/viewsandanalysis.php#charities>.

⁸⁸ Testimony to the U.S. Senate Committee on Rules and Administration, February 8, 2006 by Dr. James A. Thurber, Distinguished Professor & Director, Center for Congressional and Presidential Studies American University Washington, DC.
<http://www.ethicsworld.com/publicsectorgovernance/democracyandgovernmentaccountability.php>

www.ethicsworld.org