TI Q

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Transparency International's Quarterly Newsletter

Azeri children cool off in the Caspian Sea

SPECIAL REPORT

The oil trap

By Terry Lynn Karl

"Black gold" is not all it is cracked up to be – at least for the countries that live from the export of petroleum. "Look what oil is doing to us, to the oil-exporting countries," the Venezuelan founder of the Organization of Petroleum Exporting Countries (OPEC), Juan Pablo Perez Alfonzo, told me 25 years ago. "It is the excrement of the devil." Oil is simply a black viscous liquid that can be used prudently or foolishly, and poor development outcomes are not inevitable in oil-exporting countries, but their performance over the past 30 years seems to bear out his words.

Countries that are dependent on petroleum revenues for their livelihood (with the notable exception of Norway) are among the most economically troubled, the most authoritarian, and/or the most conflict-ridden in the world. This is true across regions – in the Middle East, Asia, Africa and Latin America. Oil-exporting countries grow more slowly than non-oil rich countries over time (between 1965-1980 OPEC members experienced an average decrease in their per capita GNP of 1.3 per cent per year, while their non-oil counterparts grew by an average of 2.2 per cent per year), and they diversify their economies less easily. They have unusually high poverty rates compared with countries dependent on the export of agricultural products. Their infant mortality, malnutrition,

Continued on page 9...

FROM THE CHAIRMAN

WTO must address corruption in procurement

Experts estimate that systemic corruption can add as much as 25 per cent to the costs of government procurement, frequently resulting in inferior quality construction and unnecessary purchases. With such figures in mind, Transparency International (TI) has consistently and strongly urged the World Trade Organisation (WTO) to make trade-related cross-border corruption a major and immediate priority. The Organisation for Economic Co-operation and Development, the World Bank and other major international organisations have already done so. It is high time the WTO followed suit.

The fifth session of the WTO Ministerial Conference in Cancun this September should have marked a critical turn in the battle against corruption in government procurement. The refusal by many countries to enter into negotiations on the Transparency in Government Procurement agreement marked a missed opportunity to establish shared transparency standards.

The existing WTO Government Procurement Agreement (known as GPA) has so far proven ineffective. Few countries have adopted it, largely because it was linked with market access issues, a link since removed. Despite the setback in Cancun, TI urges the WTO to continue working towards a multilateral agreement on transparency in government procurement without reference to market access. It remains critical for countries with scarce resources to ensure that these are employed fairly and efficiently.

Corruption distorts the market, wastes scarce resources, and leads to increased poverty. With so much potential and still so much deprivation, this is an issue that cannot be ignored.

Peter Eigen, Chairman

SPECIAL REPORT

Oil and corruption

A series of articles examines possible ways out of the "oil trap". Exploring the idea of oil distribution funds in Iraq (page 11); a TI Integrity Pact for the oil sector (page 12); and corporate disclosure (page13).

pages 9-13

PEOPLE

Fighting graft on the ground

Find out what Nigeria's food and drugs administration boss, a former auditor-general from Samoa, and a social activist from India have in common.

page 15

INSIDE TI

Unravelling the corruption web

The new book by TI chairman Peter Eigen charts the first 10 years of Transparency International.

page 15

SPECIAL REPORT

The oil trap

...continued from page 1

and life expectancy at birth is worse than in non-oil/mineral dependent countries of the same income level. Their health care and their school enrolment tend to be less than in their non-resource rich counterparts; OPEC countries spend less than 4 per cent of their GNP on education compared with almost 5 per cent for the world as a whole (1997 figures). But they are more likely to spend from two to ten times more on their militaries and to be ruled by authoritarian leaders. The localities surrounding oil installations are among the most environmentally damaged and conflict-ridden in the world. Worst of all, the probability of having civil wars is higher in oil-exporting countries than in their resource-poor counterparts.

This is oil's "paradox of plenty" and it is not a pretty picture. Why does dependence on oil seem to produce such perverse development consequences? The easy answer (and the one most people living in oil-exporting countries tend to espouse) is that the oil sector is especially prone to corruption. There is plenty of evidence to support this view: in Kazakhstan, for example, an American businessman, James Griffin, is charged with orchestrating payments of more than US$1 billion from Exxon Mobil, BP Amoco and Phillips Petroleum to President Nazarbayev and other senior officials; in Equatorial Guinea, the US Justice Department has been asked to investigate how US$500 million came to be paid into a private US bank account, said to be solely under the control of the President; in Nigeria, a subsidiary of Haliburton, the oil giant once run by Vice-President Dick Cheney, admitted that it paid millions of dollars to an official in return for tax breaks; in Angola, more than US$1bn per year of oil revenues disappeared between 1996-2001 – a full one-sixth of the national income in a country where more than 70 per cent of the population lives on less than $1 per day!

The explanation for this propensity for corruption in oil-exporting countries is not hard to find. All but 4 per cent of known oil reserves lie outside advanced industrialised democracies under the control of states where the rule of law is frequently weak, administrative capacity is undermined by civil service recruitment based on patronage rather than merit, and authoritarian regimes tend to prevail. In this context, the state becomes a kind of "honey pot" to be captured by private interests and public officials. Where potential profits are staggering and transparency and accountability wanting, there are virtually no institutional restraints to combat the immense temptation for abuse. To the contrary, as Nigeria, Cameroon, Angola, and other oil-exporters demonstrate, capturing oil profits, legally through rent-seeking or illegally through corruption (and the difference is often not clear), becomes the only game in town. Furthermore, payoffs at the top of political and business institutions encourage corruption at lower levels until a large percentage of public and private sector figures become involved in a web of complicity. Because oil is so essential and so profitable, there is no other legal commodity that engenders such easy opportunities for instant wealth over such a long period of time.

No other legal commodity engenders such easy opportunities for instant wealth over such a long period of time.

The cost of corruption and widespread rent-seeking is huge. Even more important than the enormous sums that simply disappear, critical policy choices are distorted, causing lasting economic damage. Rulers seek and sign oil contracts that produce income for themselves – even if these policies lower the overall social welfare of a country. (How else can the exceptionally low take in Equatorial Guinea's share of oil contracts be explained?) They support overly large public sectors with excessive regulations that enhance the opportunity to make personal fortunes – at the expense of economic efficiency. They favour capital-intensive mega-projects in infrastructure and defence, in which payoffs are more easily hidden, over more beneficial health and education expenditures that might enhance the quality of public services over time. This policy distortion slows growth and lowers income levels. If Venezuela had Chile's less corrupt public sector, one economist estimates, its GDP growth rate would have risen by some 1.4 per cent annually. Instead, after more than three decades of corruption, much of it under a competitive party system, its per capita income has plunged to 1960 levels!

But corruption explains only part of the oil trap. Oil wealth is one of the hardest resources to utilise well. This is because states living from rents ("profits reaped", in Adam Smith's words, "by those who did not sow") are especially susceptible to policy failure. Economists attribute this to the "resource curse", referring to the inverse association between economic growth and natural resource dependence. This is explained by a combination of factors, including: 1) the especially high price volatility of petroleum (twice as volatile as other primary commodities since 1970), which harms planning, budgetary discipline and growth; 2) the long-term price deflation of petroleum compared with the cost of imported manufactured goods, which tends to promote adverse balance of payments; 3) the poor employment generation and technological diffusion of the petroleum sector; and 4) the "Dutch Disease", an economic phenomenon linked to booms that causes exchange rates to rise, but eventually results in higher costs and reduced competitiveness in the non-booming sectors. Thus, oil booms eventually produce fiscal disaster, higher-than-average debt, poverty and skewed employment opportunities, and the col-

The oil trap

...continued from page 9

lapse of productive industry and especially agriculture. This, in turn, encourages an even greater dependence on oil.

This oil trap is both initiated and sustained by poor governance. The discovery of oil and the growing dependence on petrodollars skew political and institutional development in already weak states, affecting the generation and expenditure of revenues for development. On the one hand, foreign oil companies rapidly wield disproportionate authority where governance is already fragile, creating conditions that are especially favourable to them but not to revenue enhancement for the majority of the population. On the other hand, the capacity to manage oil revenues well is compromised. Because the brake of scarcity does not appear to exist during booms, bureaucracies over-expand, public employment soars, previously existing tax systems are disbanded, and oil monies are distributed to keep public officials in power rather than to promote sustainable development. This rentier arrangement may last a long time, providing the appearance of stability. But when busts come (and they inevitably do), economies falter, social protest rises, and even the most enduring regimes (e.g., the Shah of Iran or President Mohamed Suharto in Indonesia) can suddenly collapse. Oil rents initially help any regime to consolidate and persist for an unusually long time, whether it is authoritarian or democratic, but they are no revenue basis for a state with solid foundations.

This is the crux of the oil trap. Only those countries enjoying an efficient, accountable and democratic state prior to the exploitation of oil for export (e.g. Norway) have been able to manage oil revenues well and produce better development outcomes. Sequence matters. Various proposals to mitigate the "paradox of plenty", especially in West Africa, the Caspian region and Iraq, include demands for revenue transparency by both oil companies and exporting governments ("Publish What You Pay"), revenue management schemes (like those advocated by the World Bank in Chad), special funds to mitigate price shocks (stabilisation) or to enforce savings (e.g., Norway's "future generations" fund) and, far too infrequently, reforms of the tax and civil service systems. All have merit. But the success of all of these measures depends on the prior existence of an oil state capable of protecting its patrimony, representing its people, and holding accountable its rulers. It also depends on the willingness of the world's most powerful industry to subject itself to transparency and regulation. Unfortunately, it is quicker and easier to bring oil on stream than to build the public institutions capable of controlling the consequences of its flow.

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Terry Lynn Karl

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Oil extraction in Azerbaijan: Still murky

By Sabit Bagirov

The launch last year of the NGO coalition Publish What You Pay (PWYP) and the UK government's Extractive Industries Transparency Initiative (EITI) gave reason to hope for more transparency in the extractive sector. The initiatives found broad support not just among NGOs but many governments and private-sector players as well, including both the government of Azerbaijan and oil company BP.

Azerbaijan is currently home to several massive extraction projects that will secure a robust flow of oil dollars into the country in years to come. The future of the Azeris hinges on how effectively this wealth is used. Therefore, the issue of transparency - in both the public and private sectors - has become a matter of concern for civil society, especially given the high levels of poverty and corruption.

BP is currently working to exploit the Azeri-Chirag-Gunashli oilfields and the sizeable Shah Deniz gas field in the Caspian Sea, off Azerbaijan. The first exploration contract was signed by the government of Azerbaijan with a consortium of oil firms in 1994, and extraction began on a limited scale in 1997. These oil and gas resources, with the aid of pipelines into Turkey, are expected to attract $15 billion in investments over the next 5-6 years.

The government of Azerbaijan, at the recommendation of the World Bank, instituted a state oil fund (SOFAZ) in 1999. Results of an audit carried out by Ernst & Young and all its financial details are publicly available on the fund's web site (www.oilfund.az). However, only a portion of government oil revenue goes into this fund. Part also goes directly into the state budget, and few details on these funds are available for civil society. Transparency within the state oil firm, SOCAR, also remains problematic.

The fund has been evaluated by representatives of civil society, with the support of the Open Society Institute (OSI) through its Caspian Revenue Watch initiative. Their findings and recommendations to industry stakeholders were published in the book *"Caspian oil windfalls: Who will benefit?"*

BP has also undertaken a number of measures to increase its transparency. It regularly holds press conferences and has launched a web site (www.caspiandevelopmentandexport.com) which provides operational information and copies of contracts signed with the Azeri government. Unfortunately, the contracts are published only in English and contain complex financial details with no explanatory notes, making them of little use to the public. They also date from a time when SOCAR was inexperienced and contain provisions that are very vague. All this complicates any potential analysis by local civil society.

Civic groups are engaging with BP to obtain quarterly statements, indicating, for example, petroleum taxes paid to the government. This should help track oil revenues. Azerbaijan also recently saw the launch of the Public Finance Monitoring Center, an NGO supported by the OSI that advocates the principles of the EITI. The coming months should see the establishment of a public council to monitor public finances. These projects should finally give the people of Azerbaijan the power to asses and control how public oil revenue is managed.

Sabit Bagirov is Chairman of the board of Transparency International Azerbaijan and the former head of the Azerbaijani state oil company.

The views expressed in this article are those of the author, and not those of the Open Society Institute or of Transparency International.

The case for oil revenue distribution funds in Iraq

The resource curse casts a long shadow over oil exporters in the developing world. **Thomas Palley** argues that oil revenue distribution funds may be a way to break the curse in Iraq.[1]

Saddam Hussein's Iraq is a tragic example of the natural resource curse. Iraq is exceedingly rich in oil, having proven reserves of 112 billion barrels, representing 10.8 per cent of total world proven resources. Many believe that Iraq's potential may be far greater as the country is relatively unexplored due to years of war and sanctions.[2] Yet like many other countries rich in natural resources, Iraq has failed to benefit from its oil wealth. The autocratic regime of Saddam Hussein used Iraq's oil revenues to finance domestic political suppression, military aggression, and state looting.

Directly to the people

Good governance is key to heading off the natural resource curse. However, developing efficient states with good governance takes time, whereas developing oil fields and building pipelines happens rapidly. Oil revenue distribution funds (ORDFs) that directly distribute oil revenues to citizens could be an important means of addressing this conundrum. These funds can be established quickly and with significant transparency. By side-stepping government, they reduce the space for government corruption, and have several other beneficial economic and political qualities. Such arrangements have been implemented on a modest scale in Alaska, and now hold great promise for developing countries.

ORDFs can unleash positive lasting economic and political transformation. Oil dividends would be paid directly to citizens, empowering them to lead economic growth. Citizens would have money to spend, spurring the domestic market economy.

Income distribution is highly unequal in many developing countries. This inequality is bad for growth and for democracy. The payment of a flat oil dividend to all citizens would constitute a progressive redistribution, helping to equalise the distribution of income, while serving as seed money for poorer citizens to become entrepreneurs. Since the dividend would be a regular source of income, it would also provide collateral for ordinary citizens to finance small business investment projects. This in turn would stimulate development of credit markets, which are so essential for development.

Another problem that frequently afflicts oil rich countries is economic activity skewed toward excessive government, a feature that promotes corruption. Directly paying revenues to citizens would help rectify this structural imbalance. Citizens would have an incentive to become politically engaged to protect the dividend paid by the ORDF; they would also have an incentive to ensure that state-owned oil industries operated efficiently so as to maximise the dividend.

One objection to distributing oil revenues is that it would starve developing country governments of money needed for infrastructure building. This objection is misplaced. The goal is to build lasting political and economic development, and trade-offs must always be made given scarcity of resources. Directly distributing a chunk of oil and mineral revenues to citizens may be the best development investment, yielding higher returns than infrastructure spending in terms of creating political ownership and economic dynamism.

The benefits for Iraq

Iraq stands to benefit from an oil distribution fund. In a recent *New York Times* op-ed (9 April 2003), Steve Clemons of the New America Foundation proposed that Iraq establish an Alaska-style oil fund that would pay annual dividends to the citizens of Iraq.[3] But given Iraq's current condition of economic collapse and its history of autocratic kleptocratic governance, there are strong arguments to modify this proposal. An Iraq oil revenue trust fund should directly distribute oil revenues to Iraqi citizens. Thus, rather than saving a share of revenues in a trust fund and building up the fund over time, a significant portion of oil revenues should be immediately and directly paid to Iraq's citizens. In addition, a companion fund should be established that would distribute a share of oil revenues to provincial and local governments. This second fund can ensure a fair regional distribution of revenues, thereby reducing the potential for regional grievances which can lead to civil war. This is a major concern in Iraq which is afflicted by significant regional divisions.

Finally, it is critical that any decision to implement an oil revenue distribution fund be taken by the Iraqi people, through legitimate democratic institutions. Paul Bremer, the top US administrator in Iraq, has recently expressed support for such a fund (*New York Times*, 13 July 2003). While it is appropriate for Bremer to contemplate some form of temporary distribution during the transition to constitutional democracy in Iraq, any permanent arrangement must be the decision of the Iraqi people. This is the only way an arrangement can have lasting political legitimacy.

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[1] This article is an abbreviated version of a longer paper, "Combating the Natural resource Curse with Citizen Revenue Distribution Funds: Oil and the Case of Iraq", available on the Open Society Institute website, www.osi-dc.org.

[2] See US Department of Energy Iraq Country Analysis Brief, www.eia.doe.gov/emeu/security/esar/esar.html

[3] Proposals in a related vein have also been put forward by others. For instance, *The Economist* (19 April 2003, p.10) suggests "it would be wise to pay some cash out of oil revenues to every Iraqi."

ABOUT THE AUTHOR

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A tool for cleaning up the oil sector: the TI Integrity Pact

By Michael Wiehen and Juanita Olaya

A number of initiatives to address transparency and corruption in the oil industry have been launched in the past few years. But results still fall short for an industry of such dimension. It is expected that in 2003 country oil export revenues will be approximately US$363 billion[1], or almost 33% of low income countries' GDP for 2002[2].

The industry faces very specific challenges. Oil-rich countries face a host of economic and governance issues that have the power to destabilise and undermine the private and public sector. Any strategy aimed at addressing the industry's problems needs to consider all players, including private businesses, host governments, international firms and their home countries, development banks, export credit agencies and civil society, right down to the community-level.

The TI Integrity Pact (IP) - a tool developed by Transparency International to prevent corruption in public contracting - offers good prospects to address these problems in concrete cases. The IP is an agreement between a governmental entity and all bidders for a public sector contract. It stipulates that neither side will pay, offer, demand or accept bribes, or collude with competitors to obtain or carry out the contract. Bidders must disclose all commissions and similar expenses they pay in connection with the contract. The agreement lays out sanctions to be applied if the pact is breached. These range from loss or denial of the contract, forfeiture of the bid or performance bond and liability for damages, to blacklisting bidders for future contracts, and criminal or disciplinary action against government officials. The IP allows companies to refrain from bribing in the knowledge that their competitors are bound by the same rules. Furthermore, it allows governments to reduce the high cost of corruption in procurement, privatisation and licensing.

The IP has proven to be adaptable to many legal settings and flexible in its application. An IP for the oil sector could include, for example, special information disclosure obligations for all parties, revenue management schemes, and monitoring mechanisms for the contract execution period, thereby addressing particular industry concerns.

In practice, the IP introduces transparency and access to information, enables accountability, and levels the playing field for all parties. It also facilitates civil society participation and monitoring. Overall transparency brings governments in line with public concerns, and encourages businesses to develop their projects sustainably. It also improves the effectiveness of export credit agencies and multilateral development banks by lowering the risk associated with the contracts they support.

The IP can facilitate change by engaging different stakeholders in a concrete commitment that shows results and provides for transparency without necessitating institutional or legal reform. It is also a good opportunity to put into practice tools such as the TI Business Principles for Countering Bribery[3].

However, there are challenges facing the application of the IP. In TI's experience, the IP cannot be successfully implemented without the clear and decisive political will of the host government. The commitment of international companies, their home countries and the other main stakeholders in the process is also essential. This, together with an increasingly effective civil society in the monitoring role, constitutes a prerequisite for the success of an IP.

TI national chapters, supported by the IP & Public Contracting Programme at the TI Secretariat, are beginning to actively work in the oil sector in countries such as Nigeria and Kazakhstan - where oil is abundant and stakes for the citizens are high.

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[1] US Energy Information Administration. Figures for OPEC and major Non-OPEC countries but not all producing countries. June 2003. **www.eia.doe.gov**

[2] Calculated using GDP figures in World Development Indicators database, World Bank, July 2003.

[3] See **www.transparency.org/building_coalitions/private_sector/business_principles.html**

Juanita Olaya has worked in government and as a private consultant in Colombia. Ms Olaya is a lawyer with an MA in Ecomomics and a Master's in Public Administration from the Kennedy School of Government (Harvard University). Ms Olaya is currently the Integrity Pact and Public Contracting Programme Manager at the TI Secretariat.

Michael Wiehen studied law in Germany and at Harvard. He served for more than 30 years at the World Bank, including from 1968 until his retirement in 1995 in various management positions, among them Country Director for South Eastern Europe, for South Asia and for Eastern and Southern Africa. Dr Wiehen is TI's senior adviser on the Integrity Pact and public contracting.

Oil extraction: an ethical challenge for companies

By David Murray

In mid-2000 a small group of British NGOs, led by Global Witness and including Transparency International, began to talk seriously about how to improve the situation of people in war-torn Angola by preventing hundreds of millions of dollars from the nation's oil revenues being diverted for illicit use. One immediate objective came to mind: to bring into the public domain for the first time the size of these national oil revenues in order to assist local civil society in holding their governments to account for public spending. It was clear that the government of Angola itself would not be interested in such transparency so in October of that year, along with representatives of several oil companies, we met with the UK government's then Minister for Africa, Peter Hain, to explore the possibilities for obliging companies to divulge what they paid into government coffers.

The story of how BP soon afterwards announced that it would publish all payments to the Angolan government, and how it was then threatened with expulsion, is well known. What is less well known is the continuing story of varied relationships, both constructive and obstructive, between civil society and companies in the struggle for greater openness about the vast amounts of money being paid (quite legitimately) to the governments and state companies of many of the poorest countries on earth.

The transparency campaign stepped up several gears with the launch of 'Publish What You Pay' (PWYP) in 2002, backed by George Soros and his Open Society Institute and now supported by well over 100 NGOs from around the world. By then it had been recognised that to be effective the publication of revenues should not apply only to oil, but also to other extractive industries; and not only to Angola, but generally to all resource-rich countries.

Publish What You Pay is not an anti-corporate or anti-oil campaign

The British government, as a personal initiative of Prime Minister Tony Blair, launched its Extractive Industries Transparency Initiative (EITI) later that year bringing together governments, companies and civil society. TI UK, on behalf of the global TI movement and along with other members of the PWYP coalition, has supported that process - although we still have some reservations about the potential for success of a voluntary, as distinct from mandatory, scheme and are concerned that disclosure will take place only at a highly aggregated level rather than company-by-company. At present, EITI work is proceeding on the launch of pilot transparency schemes in several countries, led by the UK Department for International Development and in close collaboration with a core group of NGOs and companies. Meanwhile PWYP continues to explore ways of achieving mandatory disclosure of payments to host governments, itemised country by country, within a corporation's published accounts.

Pro-transparency, not anti-corporate

During the past three years, relationships with companies have varied widely. Contrary to the impression created by some media reports, PWYP is not an anti-corporate or anti-oil campaign. Its ultimate aim is to improve the public sector financial management of resource-rich countries by ensuring that revenues from their extractive industries are channelled into the official state budgets for the well-being of the people and not, for example, into the funding of civil conflict or the swelling of off-shore private bank accounts. One first step is to make public the amounts of money involved. As corrupt elites are unlikely to open up their own accounts voluntarily, the publication of corporate payments would go a long way toward highlighting the scale of the problem.

From the beginning, the majority of Northern European oil companies have supported the concept. NGOs and companies, by now including mining companies, were side by side during Franco-British consultations in London leading up to the June 2003 G8 summit meeting in Evian, calling for an effective transparency scheme. More recently, at a meeting of the UK Parliament's All-Party Committee on Africa, the PWYP and Shell representatives found it quite difficult to find anything on which to disagree, apart from a minor detail regarding a possible European directive. Supportive companies have even provided briefings for campaigners regarding industry financial processes, and some have sought to convince their less enthusiastic industry colleagues that transparency would not be the end of their world.

Corporate concerns

But the picture is not entirely rosy. Outside of Northern European and Australian companies, one of the few bright spots is the Canadian gold-mining company Newmont, which has already published details of payments in Indonesia and is encouraging the development of a pilot programme in Ghana. Many of the major global oil companies, especially those based in the US, refuse to take the lead on transparency, preferring to wait until the host governments of countries where they operate demand that they do so. Firstly, they fear that without a "level playing field" they may lose out to less scrupulous competitors who take advantage of any resulting quarrel with a corrupt government; secondly, they argue that they cannot call for renegotiation of the confidentiality clauses in their existing contracts as this would open the way for the governments and national oil corporations to call for the renegotiation of other contractual terms, which they are not prepared to risk.

A way has to be found through the impasse of contractual secrecy. Limits need to be placed on the legality of secrecy clauses in future contracts. Home-country regulation and legislation is needed in order to defuse existing secrecy clauses which will hide the revenue flows of many years to come. Above all, more companies need to be convinced of their moral obligation, in the interests of the suffering poor in their countries of operation, to show ethical leadership over revenue transparency.

David Murray is Deputy Chairman of Transparency International UK, and leads TI's involvement in Publish What You Pay and the Extractive Industries Transparency Initiative.

People

At the opening ceremony of the 11th International Anti-Corruption Conference in Seoul, Korea on 25 May, three anti-corruption heroes from around the globe were honoured with the TI Integrity Awards 2003 for their outstanding effort in fighting corruption.

Nigeria's 'Iron Lady': Dora Akunyili

"Corruption in the health sector is murder," says Dora Akunyili. As the director-general of the National Agency for Food and Drugs Administration in Nigeria, Dr Akunyili speaks from experience. Under her leadership, the agency has cracked down on the distribution of dangerous counterfeit drugs. She also speaks from the heart: she dedicated the award to all those who have died as a result of drug counterfeiting.

An auditor with a conscience: Sua Rimoni Ah Chong

Sua Rimoni Ah Chong paid a high price for standing up to corrupt ministers. Chong lost his job as Samoa's Controller and Chief Auditor after his 1994 annual report to parliament implicated six out of 13 ministers in improper activities and payments. Receiving the award in Seoul, Chong said it would send a clear message to his government that "there was no place for corruption in society", and would encourage other Samoans to stand up against graft.

The 'fast-track' to anti-corruption: Anna Hazare

Anna Hazare has spoken out courageously against corruption in local government and the forest industry in his home state of Maharashtra, India. After the social activist was sentenced to a three-month prison sentence, more than 125,000 people travelled to his village in protest, forcing the authorities to release him. This August, Hazare announced a 'fast-unto-death' and demanded an investigation into several state ministers. Nine days into his hunger strike, the government finally conceded most of Hazare's demands.

For more about the awards, see: **www.transparency.org/integrityawards**

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Inside TI

Highlights in brief

"Over the past decade Transparency International has made a great contribution to the fight against corruption," said Goh Kun, Prime Minister of the Republic of Korea, and formerly both mayor of Seoul and chairman of TI Korea, on the eve of TI's tenth **ANNUAL GENERAL MEETING** in Seoul in May. More than 150 delegates from some 50 countries were in Seoul for this year's AGM, which elected four new members to TI's international board of directors: Nancy Zucker Boswell (USA), Jermyn Brooks (UK), Huguette Labelle (Canada) and Inese Voika (Latvia). They have taken the seats of outgoing board members Fritz Heimann, Peter Rooke, Michael Wiehen, and Luis Moreno Ocampo. For more information about TI's 12-member board, see www.transparency.org/about_ti/board

Corruption was on the agenda at the **WORLD ECONOMIC FORUM** Extraordinary Annual Meeting in Jordan in June. TI Secretariat Programme Officer Arwa Hassan, who attended the meeting, reported that the session on corruption dealt mainly with government and civil service issues, with little mention of civil society, an independent judiciary, or protection of whistleblowers. The role of civil society was not taken as seriously as it could have been at the meeting overall. However, the meeting was effective in turning the spotlight on the Arab world in a context that did not revolve entirely around conflict.

Jeremy Pope, Director of the TI Centre for Innovation and Research, will be leaving the TI Secretariat in October. He will be continuing to work in the fight against corruption in a new organisation. Jeremy served as TI's founding Managing Director, and has made a major contribution to TI over the past decade. Fredrik Galtung, TI's Head of Research and one of the very first TI staff members, has decided also to leave the TI Secretariat. He will be joining Jeremy Pope in their own organisation. We wish them both well in their future efforts promoting good governance around the world.

Das Netz der Korruption (The corruption web), the new book by Peter Eigen, was published in Germany in August by Campus. The book charts Eigen's ten-year adventure in turning an idea into a global movement. (301 pp; ISBN 3-593-37188-X; www.campus.de)

Inside TI continued

Congratulations to Manzoor Hasan, former Executive Director of TI Bangladesh and

currently Director for Asia-Pacific at the TI-Secretariat, who was awarded an OBE (Officer of the Order of the British Empire) in the Queen's Birthday Honours List. Manzoor was recognised for his public service in fighting corruption in Bangladesh and collected the award at Buckingham Palace in June.

"Corruption hits hardest at the poorest in society," said Mary Robinson in June, speaking at Berlin's Free University as part of TI's 10th anniversary lecture series. The

former UN High Commissioner for Human Rights called on the human rights and anti-corruption communities to join forces.

TI launched the **Rapport mondial sur la corruption 2003**, a French translation of the *Global Corruption Report 2003*, in Paris in July. The book was published by Karthala and is available online at **www.globalcorruptionreport.org.**

CORISweb (www.corisweb.org) - TI's new web portal - was launched at the 11th IACC in Seoul. The Corruption Online Research and Information System (CORIS) now provides easy access to more than 15,000 corruption and governance resources and more than 300 individuals have signed up as content contributors. By registering with CORISweb you can receive regular updates on topics or countries of your choice and add material to the databases online. For more information, contact Lene Møller Jensen (lenemo@transparency.org) or Kristina Spaar (kspaar@transparency.org) at the TI Secretariat.

Calendar

• 6-9 October 2003, Yaounde, Cameroon
Workshop on Combating Corruption
A meeting organised by TI in collaboration with the AU Commission, the World Bank Institute and the Global Coalition for Africa. This workshop will be followed by TI's All Africa meeting on 9-11 October also in Yaounde. For more information, contact Chantal Uwimana (**cuwimana@transparency.org**).

• 7 October 2003, London, UK and worldwide
Launch of Transparency International's *Corruption Perceptions Index 2003*.
www.transparency.org

• 3-7 November, Mexico City, Mexico
Fifth Global Forum on Reinventing Government
A forum aimed at underscoring themes of importance to democratic processes.
www.unpan.org/globalforums.asp

• 9-11 December 2003 Merida, Mexico
United Nations Office on Drugs and Crime (UNODC), Ministerial Signing Conference of the UN Convention Against Corruption.
http://www.unodc.org/unodc/es/press_release_2003-08-11_1.html

Quote unquote

Highlights from the 11th IACC in Seoul, Korea...

"Trust is hard to earn but easy to lose."
- David Walker, Comptroller of the United States General Accounting Office

"Corruption will not be eliminated in our lifetime. You have to change systems and only then will things change."
- Anna Hazare, Indian social activist and winner of a TI Integrity Award 2003

"Some say that corruption is a reality: a part of life we cannot change. That is nonsense. Reality is what we make of it."
- Sua Rimoni Ah Chong, former Controller of Samoa, and winner of a TI Integrity Award 2003

Oil links

www.oil.com
News portal devoted to the petrochemical industry.

www.csis.org/energy/030512_findings.pdf
Caspian Revenue Watch report "*Caspian windfalls: Who will benefit?*"

www.eurasianet.org/policy_forum/crw.shtml
The Open Society Institute's Caspian Revenue Watch (CRW).

www.iraqrevenuewatch.org
The Open Society Institute's Iraq Revenue Watch.

www.publishwhatyoupay.org
NGO coalition Publish What You Pay.

www.dfid.gov.uk/News/News/files/eiti_intro_a.htm
The UK government's Extractive Industries Transparency Initiative (EITI).