



CONTROLLING CORRUPTION:

A Parliamentarian's Handbook

Second Edition

**Prepared by
The Parliamentary Centre, Canada
In Partnership with the World Bank Institute
and support from the
Canadian International Development Agency**

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*Parliamentary Centre
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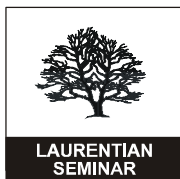
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INTRODUCTION



The Parliamentary Centre of Canada and the World Bank Institute (WBI) launched the Laurentian Seminar in 1997 to facilitate global dialogue and consensus building on the role of parliament in promoting good governance. Specifically, the Seminar seeks to develop practical and effective parliamentary action plans to improve the quality of governance.

The 1998 Laurentian Seminar, ***“Parliament and Good Governance: The Challenge of Controlling Corruption”***, was held in Kingston, Canada, from July 27-August 1, 1998, and was attended by forty-one participants and observers from twenty-two countries representing all regions of the world. Supported by a team of facilitators from the Parliamentary Centre and WBI, participants at the 1998 Seminar turned their attention, collective experiences, and knowledge to the issue of corruption, and the role that parliaments and parliamentarians can play in controlling it. Discussion was wide-ranging and touched on many interrelated themes, including the institutions of governance, the importance of the rule of law, the relationships that parliaments have with the executive branch and civil society, and the importance of ensuring the integrity of parliaments and parliamentarians themselves.

Discussion of the issue continued in early 1999 with three regional seminars in Africa, South Asia and South East Asia. A major finding emerging from these seminars was that corruption cannot be understood, let alone controlled, on a national basis only. Increasingly, governments must address issues like corruption on a regional or global basis through dialogue and negotiation. This fundamental point immediately raised the question of where parliaments fit within a globalized policy-making environment. Can parliaments and parliamentarians be effective players in tackling problems like corruption or will globalization further marginalize representative institutions?

These important issues became the focus of the 1999 Laurentian Seminar entitled “The Challenge of Globalized Corruption” and a subsequent regional meeting in Eastern Europe.

This handbook (2nd edition) is the primary output of the 1998-2000 Seminars on the theme of corruption. It is hoped that such handbooks will form a valuable part of the reference collections of parliaments and parliamentarians around the world. The aim of this publication is to provide an accessible, practical reference tool to parliamentarians, members of civil society and other interested individuals on the issue of globalized corruption and the role of parliaments and parliamentarians in controlling it.

Chapter 1 of the handbook begins with an overview of good governance, and a discussion of the role of parliaments in contributing to it. This serves as the framework for the Laurentian Seminar’s approach to the issue of corruption. Chapter 2 provides an overview of corruption, defining it as a concept, and then discussing its forms and causes, as well as its political, economic, and social consequences. This is followed in Chapter 3 by a description of National Integrity Systems and the elements required in anti-corruption efforts for them to produce sustainable results. Arising from this discussion, Chapter 4 focuses on the specific roles and contributions that parliaments can and should make in efforts to control corruption. Special attention is given to the accountability function of parliaments, and the specific means available to hold governments accountable. Finally, Chapter 5 looks at the importance of parliamentary networks in controlling globalized corruption, and discusses strategies to establish effective regional and global parliamentary networks.

Regional perspectives on efforts to control corruption are presented in the Appendices. These reflect the conclusions drawn and recommendations made by parliamentarians who participated in regional seminars and in action planning at the 1999 Laurentian Seminar.

CHAPTER 1 - PARLIAMENTS AND GOOD GOVERNANCE

The Ecology of Governance



We are living through a revolution in governance. In all corners of the world, governments, leaders and peoples are grappling with issues of authority, legitimacy and power. Among the most significant aspects of this governance revolution are the following:

- Growing demands for democracy, human rights and public participation in decision-making.
- Global pressures to enhance state effectiveness while downsizing the state.
- Loss of governing capacity in many countries.
- Diminished national policy-making leverage in the face of globalization.
- World-wide debate about the appropriate balance between the state, civil society and the marketplace.

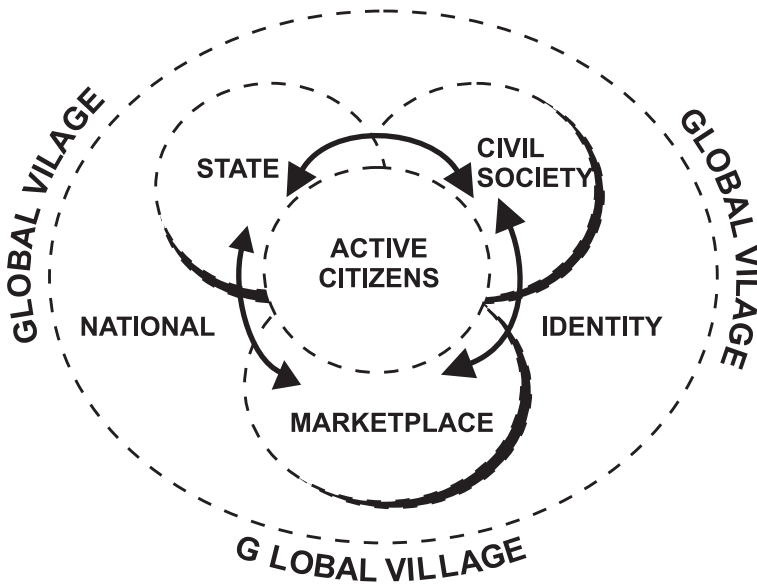
As a result of these pressures, state institutions are being compelled to adapt to changing realities. The executive, judicial and legislative branches of government are all being challenged to redefine their roles and to improve performance.

This handbook rests on the proposition that parliament should be a vital democratic institution serving as a bridge between state and society by carrying out its legislative, oversight and representative functions in ways that strengthen the good governance values of accountability, transparency and participation (see Figure 1: The Ecology of Governance).

We use the term ‘ecology’ to underline the fact that governance is comprised of a complex web of institutions with active citizens at the centre. The ecological perspective helps us to recognize the importance of relations between parliaments and other institutions

of the state, as well as with civil society, the marketplace and, above all, with individual citizens. Furthermore, globalization means that to these “national” components of governance there must be added the increasingly powerful transnational components (e.g. multi-national corporations and international financial institutions).

Figure 1: The Ecology of Governance



The above diagram illustrates the key governance principles of accountability, transparency and participation and the role of parliament in good governance.

- **Accountability** flourishes when a healthy balance of power exists between state, civil society, the marketplace and the global village, with no one institutional sphere being in absolute control. The same principle of balance applies within the state to relations between the executive, legislative and judicial branches, and

between levels of government from the national to the local. In this model, extreme imbalances of power are seen as dangerous if not fatal for good governance.

- **Transparency** requires that information about governance be readily available and that the dialogue between citizens and their institutions be open and continuous. Transparency is important in its own right and as a precondition of accountability: knowledge is power.
- **Participation** is the vital criterion for citizenship and another precondition for effective accountability. Participation should provide a fair opportunity for all citizens to participate in governance, regardless of economic class, gender or ethnicity. It also means that citizens have an obligation to participate actively in shaping the future of the nation.

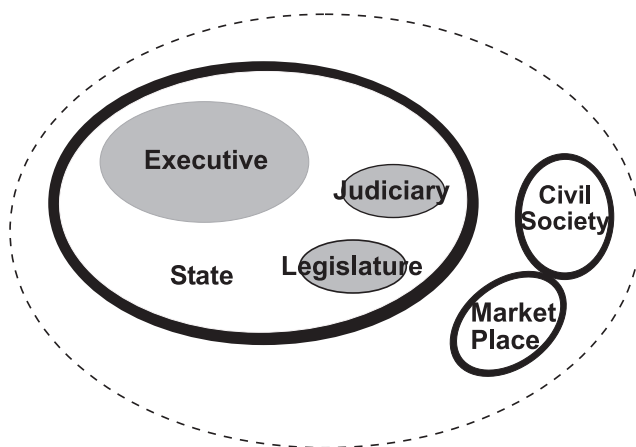
This model proposes that all parliamentarians have a common responsibility to promote systems of good governance centered on active citizenship. Parliaments are seen to have a common mission to serve as enabling environments for the development of democratic governance, hence to strengthen accountability, transparency and participation.

Participants in the Laurentian Seminar overwhelmingly supported the ecology of governance as a succinct statement of governance ideals. They stressed the importance of an appropriate balance of power between governance institutions, and transparency in relations between the state and citizens. Many also emphasized that the reality in their countries is a long way from this ideal model. What they described might be termed “the unbalanced ecology of governance”.

The Unbalanced Ecology of Governance

The diagram of “The Unbalanced Ecology of Governance” was produced at the African regional seminar in Uganda. It describes a common African reality, but also struck a chord with parliamentarians at seminars in South Asia and South East Asia.

Figure 2: The Unbalanced Ecology of Governance



The unbalanced ecology has the following key characteristics:

- ***State Centered, Executive Dominated.*** As the above diagram illustrates, state institutions are large and powerful in relationship to those of civil society and the marketplace, both of which are relatively small and underdeveloped. Within the state, the executive dominates both the legislature and the judiciary and central institutions dominate regional and local government.
- ***Governance is closed and exclusive.*** As shown by the thick dark lines delineating state, civil society and the market sectors, the unbalanced model is closed and is hierarchical, not transparent and participatory. Information is guarded jealously and participation is neither encouraged nor welcomed. It is for the executive to know and to act, largely unencumbered by other institutions or citizens.
- ***Parliamentarians are marginalized.*** MPs are denied the means (information, staff, offices and so on) that would allow them to play an effective role in governance. Instead, government and opposition parties mount rhetorical battles in parliament and Members of Parliament become glorified

municipal councilors, spending much of their time seeking favors for their constituents.

Unbalanced systems such as the one described above are breeding grounds for corruption. The following governance defects were cited repeatedly as contributing to corruption:

- ***Lack of independent judiciary.*** Many parliamentarians saw the weakness of the judiciary as the single gravest flaw in their countries' governance systems. Instead of an independent judiciary enforcing the rule of law, judges and courts are often under the thumb of the executive and susceptible to bribery. The resulting lack of public confidence in the courts contributes to an atmosphere of lawlessness that facilitates corruption and poses grave dangers to the stability of society.
- ***Over-centralized government.*** Executive dominance manifests itself in two ways: first, in relations with other branches of government, particularly the judiciary and parliament; and second, in relations between the central government and other levels of government, particularly at the local level. Many parliamentarians saw it as being especially important to devolve power and resources outwards and downwards, though it was acknowledged that this could result in short term increases in corruption where local accountability systems are weak.
- ***Top down political parties.*** There were numerous references to closed, leader dominated political parties that subvert standards of accountability, transparency and participation in their own operations. Elections and the ensuing confrontation between parties in parliament are often narrowly focused battles for the spoils of office rather than struggles over competing policy agendas. Consequently, elections often feature "goons, guns and gold".
- ***The watchdogs are chained.*** Specialized watchdog agencies like Auditors General and Ombudsmen are one of the established means of strengthening accountability to reduce corruption.

Participants warned that the proliferation of such agencies was creating public confusion and turf battles over who does what. Additionally, it was reported that many of these bodies are unable to do their jobs because they are under the political and budgetary control of the executive branch.

- ***Civil society and media are weak.*** The weaknesses in state institutions are often compounded by the weakness of civil society and the media. Instead of vigorous, independent spheres of influence able to hold government accountable, civil society organizations are often dependent on or closely allied with government. Like watchdog agencies, media is often dependent on if not under the direct control of the executive.

Parliaments & Globalization

What makes the recent changes in the international economic and social environment so striking that they have been termed as *globalization*? In essence, one can observe the expansion of unregulated financial markets, global communications and informational integration, major movement toward economic liberalization and reduced state intervention, and the development of new enterprises operating beyond national boundaries. The effects of these global phenomena have been far-reaching for the international economy as a whole, and especially for developing countries. For example, many developing countries have seen international trade pressures become more important in shaping their economic choices, not to mention major interventions into macroeconomic and structural policy areas on the part of the IMF and the World Bank. Global information systems have also created a better informed electorate, with the result that parliament's role as a forum for reasoned deliberation has been undermined by constant bombardment of information and demands for fast reaction.

Parliaments are positioned in the middle of a broad power spectrum where the nation-state used to be seen as particularly powerful, and where accumulations of power now seem to be drifting outward to

global sources of leverage and inward to smaller units of localized government authorities. The reality at the global level is that much of the dynamic of change is outside the control of any political institution. In this new context, the notion of “*parliament as a bridge*” may make parliamentarians crucial catalysts in helping local civil society groups interact with new local governments and identify new, emerging opportunities that local communities can take advantage of within the changing globalized economic context. The role of the MP in the era of globalization must also include: safeguarding essential services, ensuring parliamentary scrutiny in the disposal of public enterprises, and tapping into new information flows for the benefit of constituents.

Parliamentary Leadership is Possible

Despite much talk of their decline, parliaments remain a vital institutional bridge between state and society. Parliaments play a critical role in good governance by ensuring that state institutions are accountable, open and participatory in their decision-making. As the governance revolution accelerates, these parliamentary “services” will become more, not less, important to the political, economic and social health of societies.

The strength of parliaments certainly varies considerably between countries and between different political systems. The relative strength of the legislative branch in the American Congressional system is greater than those in Westminster-based parliamentary systems, for example. As was mentioned in the previous section, some countries also have a history of the executive subjugating parliament. Globalization could reinforce the tendency towards executive dominance.

How do we apply the principles of good governance to the challenge of controlling corruption? It is clear that among measures to control corruption, efforts to improve the quality of governance are essential. Only through good governance can countries create and maintain the institutions and practices necessary to control corruption at the national and global levels.

The World Bank Institute has developed an approach to controlling corruption that focuses on strengthening institutions rather than blaming individuals. This approach recognizes that without building institutional capacity, even well intentioned and well designed policies can lead to disappointing results and even greater corruption. This approach also reflects an understanding that fighting corruption is a means to achieving broader goals of more effective and accountable government.

Throughout the seminars, parliamentarians reported examples of practical measures being taken to strengthen parliaments as institutions of good governance. However, additional work is needed. We would note the following in particular:

- ***Constitutional Reviews.*** A surprisingly large number of countries have carried out constitutional reviews as part of comprehensive efforts to strengthen governance institutions. Many of these reviews feature attempts to rebalance power between the executive and the legislature and to ensure an independent judiciary and watchdog institutions. By and large these exercises do not aim to enfeeble the executive because it is recognized that countries in transition need strong leadership. At the same time, good governance demands accountability, which means that a strong executive needs to be held to account by an effective parliament. To that end, parliamentarians should stand up to the intimidating power of the executive and seek to improve the quality of governance by ensuring that no one set of interest totally dominates the national interest.
- ***The Budget Process.*** Slowly but surely, some parliaments are beginning to strengthen their handling of the budget process by having key committees conduct public consultations in advance of the budget and monitor implementation *post facto*. However, there are still major obstacles to parliamentary effectiveness, including the executive's lack of cooperation, inexperience of many MPs when it comes to the complexities of national finances and the weak state of parliamentary research and information services.

- ***Oversight Committees.*** Many parliaments have given high priority to strengthening their committee systems as instruments of accountability. Among standing committees, particular attention is being paid to oversight committees such as public accounts and anti-corruption committees. The proliferation of these committees seems to reflect the growing political importance of the anti-corruption agenda and the gradual emergence of consensus across party lines. In some countries, it has taken considerable courage on the part of parliamentarians to push for the establishment of these committees.
- ***Parliamentary Codes of Ethics.*** Corruption charges are still a preferred type of ammunition in political wars, though some parliaments are beginning to make progress in developing codes of conduct that are enforced fairly and without regard for party. A particularly difficult and contentious part of parliamentary ethics concerns the financing and conduct of elections. Parliamentarians acknowledged that, even where election expenses regulations exist, they are routinely violated. This seriously compromises the credibility of parliamentarians as champions in the fight against corruption. MPs must therefore lead by example, ensuring their own personal integrity and that of their parliament. They should also use the stature and authority of their office to raise public awareness about governance issues, including corruption.
- ***Strengthened relations with civil society.*** Only very gradually is the romance between parliament and civil society beginning to warm up. In fact, there is considerable wariness and lack of knowledge of the other on both sides. Nonetheless, some parliaments are showing considerable imagination in building dialogue with civil society organizations. One parliament, for example, carries out parliamentary workshops with civil society groups prior to the introduction of major pieces of legislation. Some of the most innovative civil society organizations are

developing new tools to strengthen accountability, for example report card methodology and service delivery surveys to generate citizen feedback on level of satisfaction with public services.

- ***Parliamentary Networks.*** The Africa regional seminar in Uganda saw the launch of the African Parliamentarians Network Against Corruption (APNAC) which is becoming an effective tool for networking among African parliaments. This model of inter-parliamentary communications could well be applied in other parts of the world because it has the merit of broadening the parliamentary information base while encouraging best practices. However, the underdeveloped state of information technology, or lack of access to it, is sometimes a major obstacle to networking. At least one parliament has tackled this head on by giving lap top computers to all newly elected MPs.

KEY POINTS

- Parliament should be a vital democratic institution serving as a bridge between state and society by carrying out its legislative, oversight and representative functions in ways that strengthen the good governance values of accountability, transparency and participation.
- Parliaments often fail to serve as effective institutions of accountability because of highly centralized, executive dominated systems of governance with weak parliamentary, judicial and local governmental institutions.
- The forces of globalization may push parliaments to the sidelines unless parliaments begin looking outward, anticipating and influencing these forces.
- Parliamentary leadership is possible in the fight against globalized corruption.
- Many parliaments are working to reinforce their institutions by strengthening such critical operations as the budget cycle and oversight committees, while establishing parliamentary codes of ethics, developing relations with civil society, introducing constitutional reforms, and building international parliamentary networks.

CHAPTER 2 - CORRUPTION: CAUSES AND CONSEQUENCES

Corruption: A Definition



In its simplest terms, corruption may be defined as the abuse of public position for personal gain or for the benefit of an individual or group to whom one owes allegiance. Corruption occurs when a public official accepts, solicits, or extorts a payment, or when private agents offer a payment to circumvent the law for competitive or personal advantage.

Corruption is a two-way process, involving members of both the public and private sector, who are engaged in illegal, illegitimate and unethical actions that diminish a country's economic prospects and degrade its social and political institutions. Corruption is a symptom of weakness in political, social, legal and economic systems. An effective litmus test to assist in determining the difference between corrupt and non-corrupt actions is whether activities are carried out in an open, transparent, and accountable manner. Even where corruption is widespread, its practitioners strive to keep it hidden from public view. Corruption is not new, nor is it confined to any particular part of the world. On the contrary, corruption is a global phenomenon, although its severity varies from country to country.

Participants in the 1999 Laurentian Seminar stressed that corruption is a worldwide problem and not unique to the countries of the developing world. They were critical of the viewpoint that the "West" was morally superior and supposedly corruption-free whereas the developing world was riddled with corruption. This was challenged factually, with parliamentarians citing recent examples of corruption scandals in the Olympics and the European Commission.

Forms of Corruption

Corruption takes a variety of forms, including bribery, nepotism, patronage, theft of state assets, evasion of taxes, diversion of revenues and electoral fraud. *Bribery* refers to payments used by

private agents, or sought by officials, in return for the supplying of favours such as government contracts, benefits, lower taxes, licenses or legal outcomes. The theft of state assets by officials charged with their stewardship is also corruption, as is the manipulation or violation of electoral laws regarding campaign finances and voting.

Many observers make a distinction between “grease” corruption—payments made to or sought by public officials for performing their legal duties—and payments made or sought for illegal actions. Some also differentiate between corruption that has its origins at the national level, and those forms of corruption that originate in the international arena. Distinctions are also made between “petty” corruption, which is practiced by officials who may be grossly underpaid, and “grand” corruption, involving senior officials who obtain large benefits for themselves.

Questions may be raised about these distinctions. For example, there may be nothing petty about ‘petty’ corruption. Indeed, in countries stricken by endemic petty corruption, the consequences for a country’s political, social and economic life can be severe. Further, such distinctions may obscure the complex web of connecting forces behind corruption. For example, there is often a strong linkage between domestic and international sources of corruption, particularly in countries where corruption has become entrenched within national institutions.

Corruption: The Causes

In general, it can be said that corruption flourishes where the institutions of governance are weak, where a government’s policy and regulatory regime provide scope for it, and where oversight institutions (e.g. parliament, judiciary, civil society) are marginalized or have become corrupted themselves. It is particularly likely to occur in the interaction between the public and private spheres. However, it must be stressed that the causes of corruption are highly contextual, rooted in a country’s political development, legal development, social history, bureaucratic traditions, economic conditions and policies. This is not to say that corruption is culturally

relative. Few countries consciously set out to encourage corruption. Nonetheless, the sources of corruption, and therefore the subsequent efforts needed to combat it, tend to vary not only between countries, but also between institutions within countries.

Certain characteristics of developing and transitional countries lend themselves to the emergence of corruption. Such societies may suffer from a power vacuum arising from struggles over the control of the state's institutions, or may have a weak to non-existent tradition of the rule of law. They may possess a system of government that has traditionally been dominated by the executive or the military. Such countries may also possess an underdeveloped civil society that has minimal interaction with other institutional actors; an underdeveloped, ineffective judicial system; and the absence of effective political competition.

Listed below are some of the conditions and policies that facilitate the emergence of corruption. It should be noted that the relative weight of these factors will be dependent on the historical, social, and political context of specific countries.

Political Factors - Corruption levels are linked to the strength of civil liberties, particularly the level of press freedom, the ability of individuals to form non-governmental organizations, and the level of structured, active political competition. Of particular importance is the strength of civil society and the independence of the media. For corruption to be controlled, citizens must have the ability to learn about their government's activities and take action accordingly. Countries where civil liberties have been suppressed because of conflict may be particularly susceptible to corruption.

The manner in which the political and electoral processes are organized can be a major source of corruption. If based primarily on patron-client relationships and the distribution of patronage, political parties may become major sources of corruption. This condition is often accompanied by weak campaign finance laws, with a low level of disclosure demanded of campaign contributors and political candidates.

Legal Factors - A major factor that is linked to corruption levels is the quality of a country's legal system, particularly the probability of being caught and punished meaningfully for engaging in corrupt practices. These factors are in turn linked closely to the existence of effective anti-corruption laws, such as those pertaining to conflicts of interest and election campaign financing. Finally, effective laws depend on the credibility and ability of the police and judiciary to act against corrupt practices. In situations where these conditions are not met, corruption is liable to spread rapidly.

Recent Research on Anti-Corruption

- Dr. Daniel Kaufmann of the World Bank presented participants in the 1998 Laurentian Seminar with data regarding corruption.
- The data reveals that there are significant regional differences, attributable to a variety of social, economic and political factors. Further, there are significant differences within regions and between countries. The data also shows that the level of development or income per capita is not necessarily the most important determinant in the level of corruption. Related to these findings is the conclusion that corruption levels do not remain constant over time.

Bureaucratic Factors - In settings with higher regulatory and state-bureaucratic interventions in the economy, the incidence of corruption tends to be higher. Where government imposes a large number of rules and regulations, there is greater opportunity for public officials to exploit or subvert them. This is particularly the case where public officials have unaccountable control over the provision of a public service or the application of regulations and fees. Bureaucratic corruption has been described as a function of the size of the rewards and penalties under an official's control, the

discretion of the official in their allocation, and the accountability of officials for decisions and actions taken. As discretion increases and accountability declines, the potential for corruption grows.

Further, where the wages of public servants are low or there exists a large disparity between public and private sector wages, public servants may be more tempted to engage in corrupt practices. Related to such factors is the extent and effectiveness of auditing and monitoring systems within government. Corruption is more likely to occur when the likelihood of its being detected, and the expected cost of its detection, are relatively low.

Economic Factors - Corruption is more likely to proliferate in countries where governments create monopolistic economic settings. State power, coupled with insider information, creates opportunities for public officials to promote their own interests, or those of their allies. This set of factors is linked closely to bureaucratic factors, in that a government's economic policies, if developed, implemented and monitored in a manner that is not participative, transparent and accountable, can become the subject of abuse. Examples of such policies include trade restrictions, subsidies and tax breaks. All countries employ variations of such policies, but in cases where the quality of governance is in question, such policies will offer greater opportunities for corruption to emerge and become entrenched.

Transnational Factors - Corruption has strong transnational dimensions. Some countries that are perceived today to be "hopelessly corrupt" had systemic corruption introduced during their colonial periods. The former communist states of Eastern Europe and the Soviet Union had corruption emerge as the result of the institutions of communist rule. The power vacuum created by the subsequent collapse of these regimes has been filled in some cases by old power structures practicing rampant corruption.

Despite the achievement of independence, many countries in transition have been described as suffering from a "new colonialism" of corruption, which transnational forces have played a role in fostering. It must be acknowledged that corruption involves two-

way traffic—the briber and the bribed—both of whom are responsible. Until recently, industrialized countries have generally failed to apply penalties to businesses that engage in corrupt practices abroad. Many in the business community see corruption as merely another expense to be taken into account by those wishing to compete in the global marketplace. Some countries have even permitted tax deductions for the expense of paying bribes! This latter issue is now being addressed in a number of initiatives, for example, through the Organization for Economic Co-operation and Development (OECD) Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions.

There is evidence that corruption is sometimes linked to public sector lending and aid flows. In countries suffering from poor governance, aid flows may not be overseen or accounted for properly, permitting their diversion to inappropriate projects and their embezzlement. The World Bank and the regional development banks now devote considerable attention to curbing corruption, but this was not always the case. For years, the international financial institutions (IFIs) turned a blind eye to corruption. Furthermore, some operating methods of these institutions undermine the very principles of accountability and transparency they have pledged to uphold. Specifically, many of the loan agreements between governments and the IFIs escape parliamentary scrutiny prior to being signed. This means that large parts of national budgets, sometimes amounting to 30 or 40 percent of the total, are exempted from parliamentary scrutiny. Any examination of corruption, therefore, must take into account the programs of IFIs and international aid agencies.

Corruption: The Consequences

There is a growing consensus that endemic corruption has severe negative consequences for the quality of governance and efforts to attain sustainable development. Distortions and inefficiencies may grow into systems of corruption such as “crony capitalism”. Corruption is a form of public theft. Funds are diverted from the

national treasury, and often siphoned out-of-country, denying the opportunity to put them to productive public use. The highest-bribe bidding system is often associated with sub-standard quality. Competition between bidders becomes based less on product quality than on honour among thieves. Given the illegal nature of the transactions, there exists no legal recourse. Instead of acting as “grease”, corruption may serve as a kind of “sand” in the gears of public policy decision-making.

Political Consequences - Corruption is insidious, attacking the quality of governance and national stability by undermining the legitimacy of the political process. Corruption is essentially a form of extortion that marginalizes ordinary citizens. It fosters contempt for the public service and leads to cynicism about politics.

Corruption distorts decision-making, resulting in the wrong projects, prices and contractors, substandard delivery, and the promotion of corruption at lower levels. It shifts the provision of services away from those who need them. The condoning (actively or passively) of such practices encourages a lack of accountability and, in time, may contribute to a general breakdown of the rule of law. Once a pattern of successful payoffs is institutionalized, corrupt officials have an incentive to raise the asking prices and search for new and better ways to obtain payments. Thus, corruption becomes entrenched, proving resistant to efforts at controlling it. Corruption feeds on itself, creating a widening spiral of illegal payoffs until state structures are completely undermined and years of development are reversed.

In terms of a country’s political life, personal and group patronage become linked to the provision of services. Elections become less about having a credible choice in who governs, and more of an exercise in patron-client relationships, featuring the buying and selling of votes. Political parties serve not as vehicles for political expression and participation, but as alliances influencing government services in return for votes and payments for their clients. Politicians become patrons committed to delivering direct benefits to their

constituents, or allies, in return for personal services, votes and other considerations. The bureaucracy may become captive to political parties and become similarly infested with corruption. Political parties arrange employment and promotions for their supporters, both throughout the public service and in “friendly” businesses in the private sector.

The result is that election campaigns are expensive. Candidates and parties rely on funding from wealthy individuals, corporations or unions. This leads to access to elected officials and party leaders being linked to donations. Information about the amount and sources of election donations and campaign expenditures is not disclosed, nor is information about the incomes and wealth of senior elected and non-elected officials.

Economic Consequences - One of the most visible consequences of corruption is its impact on a country’s economic development. Corruption compromises the achievement of sustainable development objectives. Bribing and rent-seeking result in additional business costs, a burden to small entrepreneurs, and the misallocation of a country’s human capital and talent. The continuous attention demanded of business by corrupt officials also threatens economic productivity. Competition becomes focussed on the highest bribe, thereby denying the public the advantages of a competitive marketplace. The poor bear the heaviest burden in such situations, reinforcing extreme gaps between rich and poor.

The poor lack the means to participate effectively in public processes and benefits that have been corrupted. Where a program meant to benefit them is administered corruptly, the poorest applicants are unlikely to secure the public service. The distortion of government priorities associated with corruption depresses spending on services such as health and education, with serious impacts on the country’s well-being.

Corruption also results in the diversion of international aid funds. This often results in inappropriate capital projects that do not reach

intended recipients, while adding to the country's debt burden. Where corruption is especially high, donor countries and organizations are increasingly inclined to reduce assistance or cut it off entirely, further compromising the achievement of legitimate development objectives.

Corruption results in tax evasion, and significant losses of revenue for the state. Combined with wasteful public expenditures, this can lead to a lower quality of infrastructure and public service in the short term, and adverse budgetary and monetary consequences in the long term. Corruption is likely to distort expenditures and government priorities, so that "feeding the system" becomes a higher priority than the public good. Aside from the obvious social impacts, such spending habits will have serious effects on a country's economic health in the long term.

Studies indicate that countries perceived to be corrupt attract less investment. A 1996 survey revealed that where corruption levels are higher, the costs of capital and investing are higher. Corruption slows direct foreign investment because it is perceived as a form of taxation. In turn, the investment that does take place may be economically misdirected by the corrupt interests of the powerful.

Social Consequences - All of the political and economic consequences discussed above have significant social impacts. The "culture of corruption" results in the demoralization of a country's population, leading to a lack of confidence in the state and its institutions, and, in extreme situations, the collapse of the state itself.

Corruption violates the public trust and erodes social capital. It undermines laws and regulations meant to serve productive social objectives such as protection of the environment. Allowed to expand unchecked, corruption erodes political legitimacy to the point where citizens see little point in following the rules. In such unstable situations, the best qualified people may leave for other countries where their qualifications will be recognized.

KEY POINTS

- Corruption is the abuse of public position for personal gain or for the gain of an individual or group to whom one owes allegiance.
- It is a two-way process involving the public and private sectors.
- It tends to flourish particularly where the quality of governance is weak, and where the institutions of accountability (e.g. parliaments) are marginalized.
- Corruption has a significant transnational component, ranging from the introduction of corrupt practices during a colonial era to a “new colonialism” fostered by the interests of transnational corporations, the indifference of industrialized nations and the actions and inaction of international financial institutions.
- Distinctions between types of corruption may obscure the common web of underlying factors.
- Corruption undermines good governance, distorting policy, leading to poorer public services and infrastructure, reduced spending on health and education, and serious budgetary problems.
- It distorts the political process, substituting patron-client relationships for policy-focussed political competition.
- The cost of corruption weighs heavily on entrepreneurs and results in the misallocation of a country’s human and economic resources. It acts as a deterrent to foreign investment.
- Endemic corruption creates a “culture of corruption” that undermines public confidence in state institutions.
- Corruption furthers the social and economic marginalization of the poor.
- Corruption diverts international aid away from its intended targets, reducing its effectiveness. Systemic corruption increasingly prompts donors to cut aid levels, further undermining development efforts.

CHAPTER 3 - CONTROLLING CORRUPTION: THE VALUE OF AN INTEGRATED APPROACH



Some observers of corruption and attempts to control it have adopted a fatalistic attitude, suggesting that little can be done. Supporters of this view argue that there has been little success in past anti-corruption drives and that, at best, the effort to combat corruption is a complex, long-term process. This view is correct insofar as it stresses the complexity and long-term nature of combatting corruption. As was discussed at the Laurentian Seminar, corruption is not a monolithic force that can be addressed by one-dimensional solution, nor can it be controlled on a national basis alone. Attempts to combat it must be continual, involving a constant maintenance of the institutions and systems of good governance nationally, regionally and globally.

A Multi-Dimensional Holistic Approach

An approach to controlling corruption that takes these realities into account has been developed by the World Bank Institute. This approach involves three processes:

- Undertaking a comprehensive diagnosis of the incidence, causes and consequences of corruption on a national basis.
- Instituting reforms of a country's political, legal, administrative and economic systems. The opportunities for corruption may be reduced through efforts to improve a country's system of governance and strengthen the institutions of good governance.
- Engaging civil society, including NGOs and the media, in raising public awareness about corruption and monitoring progress in controlling corruption.

Since corruption tends to be the result of systemic problems, the primary emphasis is on changing systems, rather than on blaming individuals. This approach recognizes that without building institutional capacity, even well intended and well-designed policies

can lead to poor outcomes and perhaps even greater corruption. Reformers must undertake a realistic assessment of the sources of corruption. The approach stresses the effects of economic policies on corruption, while underscoring that other factors also play a role. It acknowledges that the political will to combat corruption must be reinforced by basic incentives that motivate political and economic participation over the long term. Perhaps most importantly, this approach reflects an understanding that combatting corruption is a means to achieving the broader goal of more effective, transparent and accountable governance.

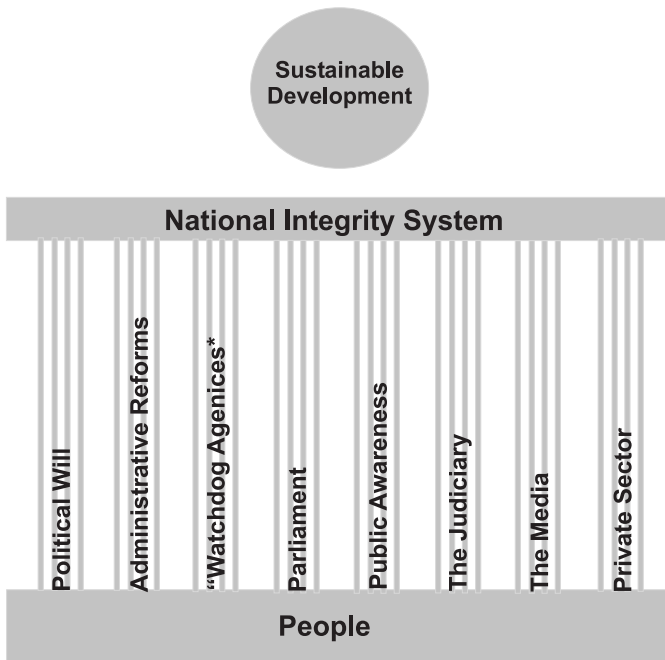
Each country faces its own historical, political and social context, so that the specific strategies employed by countries will vary. Recognizing the need for a multi-dimensional approach, Transparency International has developed a diagram that highlights the need for political commitment, institutional reform and civil society involvement. The worldwide policy responses to corruption typically involves one or more of the following pillars (See Figure 3).

- Political will
- Administrative reforms
- Watchdog agencies and other deterrence measures
- Parliament
- The Judiciary
- The Media
- Civil Society
- The private sector and international business

The “pillars of integrity” are embedded in economic reforms which may be considered a pre-requisite for successful anti-corruption strategies. The pillars are also interdependent. If one pillar weakens, an increased burden is thrown onto the others. If many pillars weaken, the system risks collapse at the expense of sustainable development.

Political Will - It is important to acknowledge the crucial role played by political will. With regard to corruption, political will may be defined as the “demonstrated credible intent of actors to attack the perceived causes or effects of corruption at a systemic level”. The nature of corruption is such that it can combine with other problems to undermine the very political will that is needed to combat it. Where corruption is most endemic, political will is often weakest and most fragmented. Political will involves the recognition that a healthy system of governance is essential to national well-being. The concept also implies that key leaders recognize the need to work together constructively.

Figure 3



* Anti-corruption agencies, Ombudsman, Auditor General
Source : Adapted from Langseth, k Pope and Stapenhurst, 1997

The sustainability of anti-corruption initiatives are undermined when political will is weak. It is pointless to propose reforms unless they are backed by a solid political commitment. The presence of even

the most determined reformers in senior leadership positions will mean little if they and their reforms lack the political backing or space to act. Without political will, anti-corruption advocates will always be attacking the system from the outside, relying on appeals that are incapable of generating the sustained support necessary to combat corruption. Further, efforts to build political will against corruption must ensure transparency and accountability, lest reform movements and their supporters be used as cover for the continued abuse of power.

Even when the political will to control corruption does exist, anti-corruption advocates still face major obstacles in carrying out effective reform. There may be a lack of moral authority to enforce laws and punish the corrupt, and public cynicism about law enforcers. Overly ambitious promises and unrealistic expectations may result in the loss of public confidence and support. This suggests that reforms will need to be preceded by efforts to engage and motivate the population. Such efforts must begin with a clear commitment by political leaders to combat corruption wherever it occurs, and to submit themselves to scrutiny as a means of establishing their personal credibility.

Political Reform - Political reform refers to establishing a system of checks and balances to prevent the arbitrary exercise of power. This includes an effective, transparent electoral system as well as an accountable decision-making system. This is essential to building the political will and popular support for anti-corruption reforms, particularly important where old, corrupt regimes are deeply entrenched. Open political processes create opportunities to win or lose governing power through political competition. In such circumstances, demands for reform and for policies addressing the deeper problems typically underlying corruption will be made more compelling to governments and oppositions alike.

Building a system of governance in which no one institutional actor enjoys overwhelming power will assist in controlling corruption. This involves establishing and strengthening independent sources

of power, such as strong and active legislative branch, an independent legal system, and a healthy civil society. The institution-building reforms needed to help structure political competition are also likely to reinforce the political will of anti-corruption advocates, once they have attained a share of power. For example a judiciary independent of political interference serves to protect reformers from undue pressure.

At the electoral level, reforms must be adopted to ensure active public participation in a democratic process. Transparency in the electoral process is essential, involving public disclosure of contributions and spending by candidates. As will be illustrated in the next chapter, taking the necessary steps to reform parliamentary practices and procedures can also contribute towards greater accountability and transparency, thereby reducing corruption levels.

Institutional reform is a litmus test for the success of anti-corruption initiatives. Without such reforms anti-corruption progress can easily be reversed. Political reforms institutionalize anti-corruption forces in political competition, and link them to lasting rewards.

Administrative Reform - Corruption in the public service must be faced from the onset and dealt with as an integral part of the reform process. Administrative reform must involve a clarification and streamlining of regulations and laws to reduce unaccountable official discretion, and make decision-making more transparent. The traditional view is that decentralization of administration will lead to a decrease in corruption. There is increasing evidence, however, that decentralization in and of itself does not guarantee reduced corruption. Indeed, decentralized control mechanisms can permit greater opportunities for corruption.

Any attempt at administrative reform should have three essential goals: establishing a strong capacity for the formulation and co-ordination of policy; creating efficient, effective and transparent delivery systems; and ensuring a motivated, professional and accountable staff.

An important first step towards building a more effective public sector involves establishing the credibility of government policies and regulations. This requires establishing and implementing budgets, making the flow of resources predictable, instituting accountability for the use of financial resources, and curbing patronage in personnel decisions.

There also needs to be a pay structure and merit-based recruitment and promotion systems that reward public servants for honest, professional work. Admittedly, such reforms are expensive and difficult to achieve, and may even be beyond the capacity of many poorer countries. Yet corruption is also very costly, both in economic and political terms. Civil service reform can not be avoided in any credible, sustainable anti-corruption effort.

Judicial and Legal Reform - Absolutely essential to any country hoping to meet with long-term, sustainable success in controlling corruption is an effective, independent, and accountable judicial and law enforcement system. A strong consensus emerged from discussions at the 1998 Laurentian Seminar that good governance involves the establishment and maintenance of the rule of law. This cannot be achieved where the law enforcement community and judiciary are ineffective, incompetent or corrupt themselves.

Where the judiciary is subservient to the executive or legislative branches of government, corruption is apt to infest the legal system of a country. Actions to ensure this does not occur include the establishment of high standards for police and prosecutors. Judges must be appointed, and be seen to be appointed, solely for reasons of judicial competence. Judges must also be paid fairly and protected against civil damage claims arising from the legitimate exercise of their judicial functions. Similarly, police officers must be paid an adequate wage and their actions monitored to reduce the temptation to become involved in corrupt practices. While remaining accountable for their actions, they too must not be allowed to be subservient to the executive or legislative branches, or else they too can become agents of corruption.

Deterrence - Linked closely to the issue of legal reform is the question of deterrence. Effective anti-corruption legislation is essential to reduce the inclination of individuals to engage in corrupt practices. Most countries have both common law and statutory provisions dealing with corruption within their own borders. Deterrence strategies reduce corruption by ensuring that the perceived and actual costs of corruption outweigh the benefits. If the probability of being caught is low, penalties must be large and geared to the calculations of corrupt individuals. Anti-corruption laws, however well written, will prove ineffective in the absence of strong, visible law enforcement.

There are a variety of approaches in this regard:

- ***Anti-Corruption Commissions or Inspector-Generals*** - Independent of the government, these bodies have the power to investigate corruption and bring cases to trial, and may report to either the chief executive or the legislature. This approach has been adopted and has met with some success in countries such as Singapore and Uganda.
- ***Ombudsman*** - Ombudsmen solicit citizen complaints about corruption and can refer cases to prosecutors and police.
- ***Watchdog Units*** - Units within institutions (e.g. government ministries) to continuously monitor procedures to root out and prevent corruption.
- ***Whistleblower Statutes*** - *This is legislation to protect and reward public servants who report malfeasance.*

A country determined to stamp out corruption through deterrence and enforcement measures may waste valuable resources trying to achieve perfection when something short of that could be achieved more affordably. Further, failure to take into consideration the political, economic and social context within which an anti-corruption deterrence program occurs has the potential to worsen the problem, and itself become the source of corruption. For example, increasing the punishment for corruption may merely serve to increase the

average size of bribes. Relying solely on deterrence efforts may also lead to repression and the abuse of power by law enforcement agents, thus reinforcing public cynicism about the law.

Civil Society - Citizens groups are an essential check on the arbitrary use of government power. The general population must have the opportunity to organize and the ability to obtain information about their government's activities. Anti-corruption initiatives will not succeed without public support, and will founder if the "culture of corruption" remains unchallenged. Unfortunately, many governments fail to build alliances with groups in civil society and the private sector that are equipped to assist .

Civil society organizations can play an integral role in anti-corruption initiatives through public awareness campaigns and by monitoring government activities. The forging of creative partnerships between government and civil society can also be extremely useful. As an example, work of this kind is carried out by Transparency International (TI) and its more than seventy national branches, which are dedicated to increasing government accountability and curbing both international and national corruption. TI brings together members of civil society, business and government to work in coalitions to control corruption.

Media - Effective anti-corruption efforts require a genuinely free press able to play its role as a public watchdog. This requires laws to ensure that the press and public are able to debate the issues of the day in an environment free from harassment and intimidation. Where this is the case, civil society and the media will be able to collaborate in efforts to expose corrupt practices, and bring political pressure to bear.

Economic Reform - Since much corruption relates to government interventions in the economy, neo-liberal economic policies have been touted as a potential solution. It is argued that measures to reduce controls on foreign trade, remove entry barriers and regulations from private industry and to privatize of state firms will

discretionary power of officials, liberalization will produce quick results in reducing corruption.

Transparency International Bangladesh

Transparency International (Bangladesh) seeks to generate public pressure for change through a number of means:

- Country-wide distribution of newsletters in English and Bengali to report corruption.
- Organization of essay and cartoon competitions to involve the younger generation. 60% of Bangladesh's population is under 18 years of age.
- Provide information to journalists to make their articles more effective. An annual cash award and fellowship has been established to enhance journalistic training.
- Survey of corruption, covering the sectors of education, health, judiciary, police, land administration, municipal service sector, and transportation. One survey reported the public perception that corruption is worst in Bangladesh's justice system.
- Seminars on corruption to discuss the roles of civil society, parliament, watchdog agencies and the media.
- Long-term plans to establish committees of concerned citizens in every parliamentary constituency as a means of creating the necessary political will to fight corruption.

It is by no means certain that such market-oriented reforms will always reduce corruption. In fact, some have argued that liberalization has significantly increased corruption in transition economies. For example, market reforms have frequently been

blamed for increased corruption in the countries of Eastern Europe and the former Soviet Union. This is explained by the absence of a rule of law tradition, a weak civil society and the retention of the Soviet-era administrative apparatus and *nomenklatura*. In short, the regime may have changed but the structures that facilitated corruption remain firmly in place.

It is important to be wary of ideological agendas that may exploit legitimate concerns about corruption. The goal of reducing official discretion may be used to eliminate public programs with strong social and economic value. Important government programs should be reformed so that they effectively provide public services without corruption. To sum up, economic reform does not necessarily entail the elimination of government programs or regulations.

The view that corruption can only be brought under control when a country is highly developed economically should also be challenged. There is some correlation between a country's level of development and the degree of administrative and bureaucratic corruption, but there are also large variations in the incidence of corruption among countries at similar stages of development. The determinants of corruption in developing countries are many and complex. The quality of governance institutions, respect for civil liberties and economic policies, all appear to play a role.

Where government intervenes in the economy, it should do so in a manner reflective of the principles of good governance. Interventions should be open, participative and accountable, so as to minimize corrupt practices. Further, parliaments and civil society groups should monitor the impact of the interventions. In this way, resources and efforts can be targeted where they yield the greatest benefits.

Business - The private sector has a crucial role to play in controlling corruption given that corruption commonly occurs at the intersection of the state and marketplace. Business should be encouraged to form domestic and international anti-corruption associations to promote the belief that corrupt practices amount to professional misconduct.

Business might adopt Codes of Conduct and compliance procedures that discourage bribery, or a No-Bribery Pledge which commits participating firms to a bribe-free tendering process.

Corporate initiatives should also include the appointment to corporate boards of directors who are truly independent and given explicit authority to monitor internal practices. Compliance with non-corrupt practices needs to be monitored, assessed and enforced, so that individuals within corporate structures resist temptations to indulge in corrupt practices. Policies should be adopted regarding business agents that would discourage practices such as the provision of slush funds. Finally, business should actively co-operate with host governments in the observance of the letter and spirit of local laws.

Until recently, governments have been reluctant to outlaw overseas bribery, claiming that they risk subjecting their businesses to more stringent standards than apply to their foreign competitors. This is changing, however, with initiatives to end such practices being promoted by the OECD.

Controlling Corruption: The Global Dimension

Just as National Integrity Systems are essential to combatting corruption at the national level, a coordinated approach must also be used to combat globalized corruption. First and foremost, there must be an increased understanding by legislators, the executive and civil society of the complexities of globalization and corruption. This should include expanded access to research and information on these issues, as well as global measurement instruments that are credible and include as many players in the corruption 'game' as possible. The desire was expressed by a number of parliamentarians to work with TI to improve the Corruption Perception Index so that it encourages developed countries to assume responsibility for their role in globalized corruption. One participant stressed that 'knowledge *is* power' in underscoring the importance of parliamentarians understanding the global dimensions of corruption. Regional and international institutions and mechanisms are also required, namely:

- developing an international code of conduct for political officials, banks, the private sector and other actors in society;
- creating and strengthening inter-parliamentary unions;
- improving co-ordination between policy makers and investigators, particularly in establishing systems or conventions that shed light on offshore accounts held by elected officials under investigation;
- ensuring conformity of anti-corruption laws and regulations to other countries in the region;
- drafting regional conventions on anti-corruption.

International Financial Institutions

In this era of globalization, international financial institutions play a significant role in controlling corruption. IFIs (as well as bilateral aid agencies) must recognize the tremendous impact that their policies and actions can have on anti-corruption efforts. These institutions should respect the principles they advocate with respect to corruption, and need to be co-operative partners in the establishment of National Integrity Systems. This should include careful monitoring of the administration of aid flows and project results, respect of local laws, and suspension of aid to corrupt regimes.

The World Bank has reaffirmed its commitment to tackling corruption with its four pronged policy against corruption:

- i) a commitment to World Bank projects free of corruption;
- ii) to share information with its partner countries;
- iii) to take corruption into account in assistance programs;
- iv) by supporting international efforts to curb corruption.

In sum, those fighting corruption, particularly legislators, need to become aware of and monitor the operations and activities of IFIs.

KEY POINTS

- Controlling corruption is a long-term endeavour that requires the comprehensive approach of a National Integrity System. Reforms should strengthen the institutions and mechanisms of governance to reduce the opportunities for corruption and implement measures to reduce the inclination to engage in corruption.
- Political will is essential to the success of any anti-corruption initiative.
- Political reforms should include measures to strengthen the rule of law, the role of civil society, build the capacity of parliament, and establish an open, transparent, competitive electoral process.
- Administrative reforms should reduce the opportunities and incentives for corrupt behaviour within the public service. A balance must be struck between strengthening rules and regulations on the one hand and improving the quality of public service on the other
- Economic reforms to reduce the opportunities for corruption must be carried out in a way that takes into account the political and social context. Economic reforms should not be used as a cover for an agenda that indiscriminately attacks government services.
- Deterrence and enforcement measures are valuable tools to fight corruption. However, initiatives that rely too much on punishment are unlikely to be successful in the long run, and may even be counter-productive.
- Domestic and international business has an essential role to play in controlling corruption by reducing the demand for public corruption.
- Aid agencies and international financial institutions must be aware of the impact of their policies and actions with regard to corruption. They must be co-operative partners with

governments, parliaments and local organizations striving to control corruption.

- Those fighting corruption must strive to understand the global dimensions of corruption in general, and the operations and activities of IFIs in particular.

CHAPTER 4 - PARLIAMENTS: TOOLS AND TASKS FOR THE SOLUTION



Parliaments and parliamentarians have a crucial role to play in setting an example of integrity, and in striving to hold government accountable for its actions. Parliaments are a key component of any National Integrity System. What are the roles and responsibilities of parliaments in this process? How can parliaments and parliamentarians contribute to controlling globalized corruption?

Building the Political Will to Combat Corruption

As mentioned earlier, political will is one of the most crucial elements of any National Integrity System. Parliaments can pass anti-corruption legislation, but it will be largely useless if the political will to use the legislation does not exist. How is a parliament able to convince the government and other institutional actors of the need to combat corruption and ensure the political will to ensure success?

Parliamentarians should first demonstrate their own commitment to combat corruption by ensuring their personal integrity and that of Parliament. Parliamentarians should work to enact legislation on campaign finance reform, including public declarations of contributions and expenditures during election campaigns. They should also establish codes of conduct, make wealth declarations and establish follow-up provisions to ensure that they are not seen as using their position to engage in corrupt practices. Pay levels should be transparent and effective conflict-of-interest guidelines should be implemented. Mechanisms such as recall might also be enacted to further ensure accountability.

The question of parliamentary immunity also needs to be addressed. Parliamentarians should not be subject to prosecution for things said or done in parliamentary debates or committee meetings. Indeed, the principle of parliamentary privilege is essential if parliaments are to be effective in holding the government accountable. Beyond this,

however, parliamentarians should be subject to prosecution like any other citizen if they are involved in criminal activities.

It should be remembered that there is nothing corrupt about parliamentarians working for the benefit of their constituencies. That is one of their responsibilities. The problem arises when parliamentarians accept illicit payments for doing their jobs. If they are to be effective in controlling corruption, parliamentarians must first set a good example.

As far as possible, parliamentarians need to act together across party lines on the anti-corruption agenda. This is difficult, given the political pressures that surround the issue of corruption. Nevertheless, failure to use this approach risks the issue becoming politicized and being used by both government and opposition benches to discredit the other side. In these circumstances, the effort to build political will is blocked, anti-corruption efforts are weakened, and public cynicism reinforced.

Parliamentarians can use their stature as public figures to condemn corrupt practices, attracting popular support for efforts to combat corruption, and fighting corrupt practices in their constituencies. In this way, parliamentarians can demonstrate their commitment to constituents and the principles of good governance, rather than unwavering loyalty to party and faction.

Parliamentarians must also build alliances with civil society, an essential partner in convincing political leaders of the need for effective anti-corruption initiatives. Correspondingly, civil society organizations should partner with an independent media to pressure government to co-operate with the supporters of reform.

Civil society needs an anti-corruption minded parliament and parliamentarians if it is to play a vital role in reforming government. All parliamentarians, regardless of party affiliation, should ensure that the laws they pass respect civil liberties. Legislative measures such as freedom-of-information and whistle-blower statutes should also be supported. Ultimately, parliamentarians have the responsibility to

expose and denounce corruption, educate the public, ensure that civil society has the tools to be effective, and work in partnership with civil society to ensure transparency and accountability.

Ensuring Accountability

Accountability has been described as the “fundamental prerequisite for preventing the abuse of power and for ensuring that power is directed towards the achievement of broadly accepted national goals with the greatest possible degrees of efficiency, effectiveness, probity and prudence”. The aim of accountability is to inform citizens about the “why” and the “how” of policy processes and choices, so that they are able to judge and respond to government actions.

Parliamentary democracy calls leaders and rulers to account. Open and accountable government is essential, given that corruption thrives in secrecy. Parliaments need to be concerned with how laws are developed, implemented and administered, because with secrecy comes the potential for corruption and maladministration.

Parliamentary accountability is at the heart of ministerial responsibility. These responsibilities include: political accountability for policies and other political acts and decisions; administrative accountability for the management and administration of public programs and services; and financial accountability for the expenditure of public funds. One of the strengths of parliamentary government is that it locates responsibility in a small, identifiable group—the Cabinet—which is held directly accountable by parliament. It is through this accountability function that parliament is best able to help control corruption.

Parliamentary Tools

There are a variety of tools that parliaments have at their disposal to control corruption. These form part of the system of accountability by which the government and its actions are judged. The ultimate accountability is exercised by the electorate when it supports or rejects a government in an election.

If a government becomes corrupt and parliamentarians are effective in holding it to account, the government will pay a price in loss of support and, ultimately, loss of power. The development and consolidation of vocal political parties and parliamentarians competing in parliament for public support is perhaps a surer safeguard against corruption than even the most elaborate anti-corruption legislation.

In seeking to control corruption, parliaments must come to terms with the size and scope of modern government. Parliamentarians must also contend with the increasingly complex issues that globalization has introduced into policy-making. The variety of policies, rapid policy changes and the confusing multiplicity of objectives that policies seek to accomplish compound these fundamental difficulties. In an ideally accountable political system, those in authority would state the specific goals of the initiatives, the performance standards, the outcomes as compared to expectations, what has been learned and how it has been applied. In practice, it is rarely possible for systems of accountability to be as precise or methodical as that. To ensure proper accountability, parliaments must ensure that effective checks and balances are in place and encourage an attentive citizenry. Parliamentarians must also increase and facilitate their access to information through independent and reliable parliamentary research and information services, if they are to begin to understand the complex policy issues of the day.

Accountability differs from direct control. A good audit system combined with a watchful, active parliament, rather than a host of direct controls and regulations, will help ensure accountability. Parliamentarians should work for the development of systems that disclose the objectives and results of programs and ensure proper budgeting, management and accountability in the financial system.

This would include a legislative framework that defines a government's intentions and regulates the powers and authority of the executive. It would also include strong and active committees, including Finance and Public Account Committees, able to scrutinize

agreements with IFIs, monitor the implementation of anti-corruption legislation by the executive, and ensure that the implementation of policies such as privatization is done in a transparent manner. All committees should have investigatory powers permitting them access to government accounts, records and other documentation to ensure accountability in government expenditures and the administration of programs and services. Committee meetings should be open to the public and media so as to achieve the fullest possible exposure. Parliaments should work to ensure that governments respond to and act upon the recommendations of committees.

Complementing and reinforcing the work of parliamentary committees are the independent watchdog institutions, such as Auditors-General and ombudsmen, that report to parliament. Parliaments should develop co-operative relations with these institutions. Without an independent audit or anti-corruption authority, parliamentarians may be unable to effectively investigate the government's finances. Conversely, the findings of anti-corruption authorities may provoke less government response without parliamentary scrutiny and media coverage. To ensure the effectiveness of auditing institutions, parliamentarians must effectively follow-up by examining reports on government expenditures and programs. Parliamentarians should also request watchdog institutions to investigate situations where corruption or maladministration is suspected.

A variety of parliamentary committees have begun to appear to ensure governmental accountability. For example, a number of African parliaments have "Committees on Assurances" to hold ministers accountable for statements and promises they have made to parliament. Such committees can be useful in exposing incidents of corruption. Generally, the committee system should be used to oversee the administration of government departments.

Finance committees should ensure that governments present, in a timely fashion, annual comprehensive budgets. These should include

disclosure of the amounts to be spent on each department and program, in addition to reporting on the monies collected and spent.

**The Philippines Senate “*Blue Ribbon*”
Committee on Public Accountability
and Investigations**

- The Senate “*Blue Ribbon*” Committee has been in existence since May 18, 1950, with the exception of the 14 years of martial law. Today, the Committee is widely perceived as the most powerful committee in the Senate in terms of its power to investigate ‘in aid of legislation’, a power guaranteed by the constitution.
- As interpreted in jurisprudence, the power of the Committee to investigate includes not only the power to inquire into matters that may need corrective legislation, but to investigate official corruption, crime or wrongdoing. It may compel the attendance of persons either as witnesses or as subjects of a investigation, themselves and to testify and produce documents before the committee. The Committee’s recommendations are debated on the floor of the Senate and sent to appropriate authorities for action.
- Committee deliberations are open to the public and to coverage by print, radio and television media. Information is also disseminated on the Committee Chair’s website, www.nenepimentel.org.

Failure to present budgets in this way permits corruption and maladministration in government departments to go unchecked.

The following questions, among others should be posed during the course of parliamentary debates about the government’s budget:

- Who benefits and why?
- How will they benefit?

-
- What would be their immediate benefits?
 - What will their benefits be in the future?
 - Who will bear the costs, risks and why?
 - What costs and risks will there be immediately?
 - What costs and benefits will there be in the future?
 - Who would be accountable to whom, and for what will they be accountable?

Parliament and the Budget Process

- The complex role of parliaments in the budget process is the most important tool available to legislators who are seeking to counter corruption in a systematic and ongoing manner.
- The budget process sets spending and revenue patterns of all sectors of government, results in the implementation of broad economic choices and priorities, affects income distribution and social change within countries, and impacts on overall level of economic activity.
- Parliamentarians need to think of the entire budget cycle and make each part of it accountable to parliament.
- To ensure an effective parliamentary role in the budget cycle, parliamentarians must engage in annual debate on the government's goals.
- A Finance Committee will often take the lead role in the budgetary cycle, but all parliamentary committees play a role in examining and debating the budget. This involves public hearings to receive evidence from the public as well as meetings with ministers and officials.

In addition to the measures discussed above, parliamentarians should use parliamentary debates (e.g. question periods, member's statements, speeches) to highlight incidents of corruption and the necessity of reform. This will help build political will among the political leadership and the public at large. Parliament should also work to enact laws that allow for open, transparent procurement policies, permit the striking of corrupt firms off professional registers, and permit the confiscation of assets obtained through corruption.

Parliamentarians should also partner with like-minded colleagues, non-governmental organizations and intergovernmental organizations abroad to exchange information and promote reform on the international and intergovernmental stage. This could include lobbying the government to sign international conventions and treaties to control corruption. Regional and global parliamentary networking can be an effective strategy to fight globalized corruption. The development of effective parliamentary networks will be discussed in detail in the following chapter.

Parliaments should apply the good governance principles of accountability and transparency to international institutions that operate within their countries. They should insist on knowing more about the negotiations between IFIs and the Executive and in turn monitor the grant and loan process much more closely. Some parliaments have gone so far as to restrict borrowing by the executive without approval by parliament.

Parliamentary Action Planning

When confronted with an important policy concern, parliamentarians are often tempted to “do something”, to take action prior to undertaking a proper study of the issue. Such efforts can lead to failure, setbacks, and frustration for the reform-minded parliamentarians and their supporters. Parliamentarians therefore need to be aware of the value of planning prior to taking action.

Action planning provides a framework for parliamentary decision-making. It provides a sense of direction and eliminates

the need to revisit issues repeatedly. The development of a parliamentary action plan should involve the following steps:

- In-depth analysis of the policy issue.
- Identification of the actors who are likely to have influence.
- Building a team of allies.
- Definition of the goals and determination of the objectives.
- Assessment of available resources (e.g. time, people, money).
- Conversion of the plan into a manageable project, based on available resources.
- Evaluation of results.
- Preparation of interim recommendations to which government should respond.

Parliamentarians will find parliamentary action plans most valuable in the work of committees. Parliamentary committees should regularly attempt to develop clear action plans supported by all parties. To ensure effective collaboration with civil society, committees need to conduct public hearings to ensure the widest possible participation. Committees also need to maintain regular communication with government. Leadership is key to the effectiveness of committees. Committees must be led by a chair who understands how to make them work cooperatively and effectively. Effective committees often work in the areas where government has not yet formulated policy. Committees need to work by consensus, setting high goals, but making progress one small step at a time.

Parliamentary Action Items

Following extensive deliberations at the 1999 Laurentian Seminar, participants identified a list of parliamentary action items from which parliamentarians can draw in their efforts to control corruption. Consistent with the previous section, parliamentarians

should build these actions into a comprehensive plan to achieve maximum results:

Balance of Power

1. Propose constitutional reform to ensure a better balance of power between executive, legislative and judicial institutions.
2. Reform political parties to improve recruitment practices, allow more free votes and greater democratization in decision-making.
3. Work to establish financial independence of parliament vis-à-vis the executive.
4. Elect parliamentary officers and committee chairs on an open, non-partisan basis.
5. Provide competent, professional staff for members and parliamentary committees. Avoid cronyism in staffing.
6. Develop non-partisanship in committee work.
7. Strengthen the office of the Speaker and committee membership with longer, more stable terms of appointment.
8. Change rules of procedure to ensure that parliament can exercise its constitutional powers.

Parliament and Globalization

1. Conduct research and education activities to better understand globalization and its effects.
2. Strengthen parliaments and executives in the face of globalization.
3. Develop a widely participatory national development plan that considers globalization issues.
4. Create a joint civil society, parliamentary, executive study group working towards a national policy on globalization.
5. Develop programs to strengthen citizenship and national identity.

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6. Ensure transparency in policy areas related to globalization (e.g. privatization).
 7. Build links with international civil society and parliamentary groups.
 8. Develop parliament's capacity to utilize the Internet.
 9. Establish an international network of parliamentary public accounts committees.

Globalized Corruption

1. Promote international parliamentary co-operation to share information for the establishment of an international code of conduct for business transactions.
2. Develop an international watchdog agency to monitor compliance with an international code of conduct.
3. Work with Transparency International (TI) to improve and make the corruption perception index fairer. Develop survey mechanisms that evaluate the corruption fighting commitment of developed countries.
4. Draft a convention to require banks to disclose information on accounts held by persons being investigated for corrupt practices.
5. Ensure regional uniformity and reciprocity in anti-corruption laws and regulations.
6. Network with organizations such as TI to expose recipients of illegal money.
7. To ensure transparency, make open to the public all committee meetings concerned with investigating corruption.
8. Organize a national commission, with participation by religious groups, NGOs, business, MPs and the executive, to formulate a national definition of corruption.
9. Establish a permanent, anti-corruption committee in parliament.

10. Adopt whistleblower legislation.

Parliament and IFIs

1. Parliament should be involved in all major aspects of the interaction between their countries and the IFIs.
2. Parliament should review all international agreements prior to signature by the executive.
3. Parliament should be represented as an observer in international negotiations between the executive and IFIs.
4. All international loan agreements should be submitted to parliament for approval with sufficient time for satisfactory consideration.
5. The quantity and quality of information regarding international agreements should be improved (e.g. translate draft agreements into local languages; publish proposed agreements in newspapers; prepare list of consultants for use in IFI agreements).
6. Develop a national interactive website containing project and other information to monitor current IFI loans, projects and agreements.
7. Institute regular parliamentary meetings with the executive to review policy regarding IFIs.
8. Ensure that IFIs take into consideration country-specific, socio-economic and cultural factors when negotiating agreements.
9. IFIs should assist in strengthening the capacity of parliamentary committees to scrutinize IFI agreements.
10. IFIs should establish special parliamentary relations units.
11. The World Bank should invest significant amounts in programs to strengthen parliaments (e.g. strengthening parliamentary research in matters related to the IFIs).

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12. Parliamentary committees should ensure that their own reports and studies go to the appropriate IFIs.
 13. All oversight bodies should report to parliament, not the executive.

KEY POINTS

- Parliaments are an integral part of the development of National Integrity Systems.
- Parliamentarians must fight against corruption by first setting a good personal example. They should be role models who uphold the integrity of parliament.
- Parliamentarians need to convince their party leaders of the need for reform. They should cooperate across party lines.
- Parliamentarians can help mobilize the population against corrupt practices.
- Parliaments and civil society should work in partnership to combat corruption and hold governments accountable.
- Parliament can make a major contribution in anti-corruption efforts by exercising its accountability function, such as through the Finance and Public Accounts Committees.
- Parliaments and supreme audit institutions like Auditors-General need to work co-operatively in fighting corruption. They must ensure effective follow-up so that their work produces concrete results.
- Parliaments should work for a budgetary system that will ensure government adequately accounts for its programs and policies.
- Parliamentarians should partner with like-minded colleagues, non-governmental organizations and intergovernmental organizations to address the transnational dimensions of corruption.
- Parliaments should seek to develop action plans setting out shared objectives and practical measures to control corruption.

CHAPTER 5 - BUILDING EFFECTIVE PARLIAMENTARY NETWORKS

Participants in the Laurentian Seminar saw parliamentary networking as an important lever in fighting corruption. By sharing information and lessons learned on efforts to combat corruption, parliamentarians could draw ideas from neighbouring countries and avoid the pitfalls that others had experienced. This was emphasized even more strongly in the context of globalization, where the need to share information and co-operate across borders has increased in many ways. Corruption is no longer a purely national matter. The information and tools required to stem bribery in international business transactions and the drug trade are only available through regional and international co-operation. Policies of the World Trade Organization (WTO) and regional trading blocks also have an important bearing on policy-making at the national level, and it will take a consolidated effort if these organizations are to be monitored effectively and held accountable for their actions.

Traditional Forms of Networking

Governments have long been networking with one another, and parliaments are only “babes in the woods” in comparison. Despite this fact, such associations as the Inter-Parliamentary Union, the Commonwealth Parliamentary Union and La Francophonie have been in operation for many years, providing an opportunity for MPs to gather and discuss matters of common interest. Over the years, these “mainstream” associations have also provided important technical assistance to many young parliaments, for instance by sending experienced parliamentary staff to assist newer legislatures in organizing their legislative support services.

Other types of associations have emerged over the years to serve an array of purposes. For example, oversight bodies such as the OSCE Parliamentary Assembly were established to parallel ministerial meetings of the OSCE. There has also been discussion among parliamentarians of many countries about the creation of

similar assemblies to monitor the United Nations, the World Bank and the WTO. Bilateral subject-based caucuses have also been created. The Canada-US Steel Caucus is an example of such a group that meets regularly to discuss the manufacturing and sale of steel, a major component in the economies of both these countries. Regional legislative bodies also exist, notably the European Parliament in Strasbourg. Now directly elected, the European Parliament began as a regional assembly of national MPs.

In most of these cases, networking has been on an institutional basis, that is that members are representatives of their national parliaments. New networks of parliamentarians are now appearing to move away from the 'official' participation of parliaments in mainstream associations, towards issue-based collaboration among reform-oriented MPs.

Building Effective Parliamentary Networks

Establishing an international parliamentary network is fairly simple. The challenge lies in rendering it active, effective and sustainable. To that end, the following criteria are proposed as key elements in building effective parliamentary networks. Although these elements may not guarantee success, their absence may ultimately spell failure.

Focus - Networks must avoid becoming one mile deep and ten miles wide. Deepening information exchange and analysis in one area will serve MPs far better than a superficial exchange of information that could otherwise be accessed (e.g. through the Internet).

Practicality - MPs need practical, concrete ideas to bring to their work. Networks must avoid functioning exclusively at the theoretical level and promote exchanges that get down to real life matters.

Leadership - Any network, especially one at the embryonic stage, will need a strong leader to make things happen. Without such leadership, the network is likely to die out after a few initial exchanges. As the network gains momentum, a modest secretariat should also be established to support the leadership and serve as a node for communication and information sharing among members.

Buy-in and Support - A parliamentary network is most effective when its members are truly committed to actively participating. This participation may be hindered if higher parliamentary authorities are uninformed or opposed to such a grouping. Conversely, a supportive parliament could provide valuable resources to the network. As such, members should seek support within their parliament for participation in a parliamentary network.

Subject-Based - A network is likely to draw more interest if it focuses on a particular subject, such as corruption. That way, membership can also be better targeted.

Results-Driven - Members of a parliamentary network should not settle for activities as an end in themselves, but should seek to measure the impact the network has had on their work and, where applicable, on the issue at hand.

Regional - Global networks can be quite useful in discussing broad themes, but where the true value of networking lies is at the regional level, where the context is similar and where the countries' policies have the greatest impact on one another.

Intranets - Parliamentarians should network *within* their parliaments, forming caucuses around specific themes. Committees should also be used as a basis for networking, for instance by having the Chairs of committees meet to discuss cross-cutting issues. *Intranets* provide a forum within parliaments to disseminate knowledge gained through regional and global networking. These may also provide the critical mass required to enable change at the national level.

Demand vs Supply-Driven - Participants should take an active role in shaping the activities of the network to ensure these are reflective of their needs. Networks should avoid being driven by outside agendas, such as those of international aid agencies, and consequently should not undertake activities merely to satisfy an external partner.

Information Technology - Modern parliamentary networks must make good use of information and communication technologies

(ICTs) to stretch scarce resources. A primary objective of any network should be to facilitate access to such technologies as e-mail and the Internet by their members, as well as provide training on how to use them. The use of ICTs will not only facilitate communications among network members, but will also enable members to access the information they need in their daily work. Networks should also establish their own web-sites to raise awareness about their existence and inform others on their purpose and activities.

Partnerships - New networks should build partnerships with civil society organizations and existing networks such as Transparency International to avoid duplicating efforts, build allies, and learn from the experience of others.

Resources - Funding should be sought from various sources to support the activities of the network in its initial stages of development. Such sources of funding could include donor agencies or in-kind contributions on the part of parliaments (e.g. office space or space on their web-page). A primary objective should also be the development of a sustainable, self-sufficient funding scheme. But above all, the networks will require investments in time on the part of its members to share information, participate in activities, follow-up and report on progress.

Practical Internet Links

Parliamentarians and others active in the fight against corruption will find the following links useful in accessing information on IFI loans, anti-corruption policies and projects.

<http://www.undp.org/hdro/report.html>

<http://www.int-idea.se>

<http://www.aceproject.org/main/english/default.htm>

<http://www.transparency.de/>

<http://www.oecd.org//daf/nocorruption/20nov1e.htm>

<http://www.imf.org/external/pubind.htm>

<http://www.imf.org/external/np/loi/111298.htm>

<http://www.ipu.org/>

<http://www.parlcent.parl.gc.ca>

<http://www.worldbank.org/wbi/governance>

<http://www.apnac.org>

KEY POINTS

- Parliamentary networking is an important lever in fighting globalized corruption.
- There are many forms of parliamentary networks and associations.
- New networks of parliamentarians are now emerging to promote issue-based collaboration among reform oriented MPs.
- Building active, effective and sustainable networks is a challenge.
- Chances of success are increased by applying certain criteria, such as focus, practicality and leadership.
- The use of information technologies will become an essential tool in sustaining parliamentary networks, by facilitating communication and stretching scarce resources.

APPENDIX I: AFRICAN PERSPECTIVES ON CORRUPTION

Efforts to curb corruption in Southern Africa have increased for a variety of reasons, including a wave of political liberalization that has strengthened civil society; a growing recognition that corruption compounds economic and political difficulties in many countries; and pressure brought to bear by international donors and investors.

The ***Regional Seminar on Parliament and Good Governance: Towards a New Agenda for Controlling Corruption in Africa*** was held in Kampala, Uganda, February 1-5, 1999. The Seminar was jointly organized by the Parliament of Uganda and the Parliamentary Centre, in partnership with the World Bank Institute and with support from the British Department for International Development. The Seminar drew some 30 parliamentarians from 10 African countries with demonstrated interest in strengthening parliamentary accountability. After five days of discussion and action planning, participants felt it imperative that they build on their experience at the Seminar by maintaining contact with each other and by reaching out to parliamentarians and civil society organizations throughout Africa. Accordingly, they established the African Parliamentarians Network Against Corruption (APNAC) to strengthen the commitment and capacity of African parliamentarians to fight corruption by:

- Building the commitment and capacity of parliaments to exercise accountability, with particular relation to financial matters;
- Sharing information on lessons learned and best practices;
- Undertaking projects to control corruption;
- Co-operating with organizations in civil society with shared objectives.

APNAC was created along the model of Transparency International, with the aim of establishing national chapters in participating parliaments. Such chapters are already active in Tanzania, Uganda,

Kenya, Ghana and South Africa. A coordinating committee formed of representatives from all African regions was created, led by the Chair of the Public Accounts Committee in Uganda. A Uganda-based secretariat has since been established to support the network. Its first assignment was to develop a website for the network (www.apnac.org) on which a newsletter is published regularly. As its first official activity, the network organized a workshop at the 9th International Anti-Corruption Conference in Durban, South Africa, entitled “The Role of Parliamentarians in Curbing Corruption”. Key challenges for the network remain facilitating communication among members through increased access to e-mail and the Internet, and developing a sustainable source of funding.

Among the best practices observed in Africa, we would note the following:

Constitutional reviews are being undertaken in a number of African countries, emphasizing the involvement of civil society and public education. Parliaments are establishing and strengthening oversight committees such as Public Accounts Committees and select Anti-Corruption Committees. Watchdog agencies are also being developed, for instance the Anti-Corruption Bureau in **Malawi**. In **Uganda and Ghana**, the work of the Auditor-General and the Public Accounts Committee has been updated so that their review of government accounts is current. In **Uganda**, an Appointments Committee has the power to review (and reject) executive appointments.

With the aim of strengthening parliament as an institution of good governance, the Gauteng Provincial Legislature of **South Africa** established the Office of Public Participation. This Office campaigns to increase awareness by the public of their role in the policy-making process. In **Zimbabwe**, the organization by the Speaker of pre-budget seminars increased public input into the budget process. The Speaker also established a parliamentary reform commission to coordinate efforts to strengthen the legislature.

In **Tanzania**, the government’s anti-corruption initiative was launched in partnership with civil society and the World Bank, staging

a number of awareness workshops for journalists, lawyers, educators, religious leaders and NGO representatives. The government, as well as strengthening parliament and judiciary, also launched an overhaul and revitalization of the public service. It has also acknowledged the need to ensure that enforcement mechanisms are permitted to operate independently and professionally.

Unlike many other countries in Africa, **Botswana** has not been plagued by systemic corruption. The resulting political confidence has attracted foreign investors and contributed to economic stability. While patronage is prevalent in the political system, corruption is not. The creation of a competent, efficient civil service was a priority during the early independence period. Private business people are not required to bribe government officials to carry on normal business activities. Civil servants are paid adequate wages, so that the temptation to solicit bribes to supplement their incomes is reduced.

When there have been incidents of corruption, the government has generally carried out thorough investigations. Until recently, however, penalties arising from such investigations were minor. Key players were often merely moved (without demotion) to other government posts. This may be changing. In 1994, the Directorate on Corruption and Economic Crime was established on the model of a Hong Kong agency. The Directorate is under Presidential jurisdiction, but is operationally independent. It has been mandated to investigate and prosecute offenders and mount public awareness campaigns. Although hampered by a slow court system, it boasts a solid conviction rate.

APPENDIX II: RECOMMENDATIONS FROM SOUTH ASIA

In **India**, corruption is widely perceived as a malaise afflicting not only the government bureaucracy, but the body politic as a whole. Corruption predates independence, and has become entrenched with political corruption being linked closely to corruption in the bureaucracy. A major difficulty in India is that many of the deterrence and enforcement mechanisms have become ineffective or, worse.

India employs a statutory audit to help ensure financial accountability in government. The Comptroller and Auditor General's (CAG) autonomous functioning is safeguarded in statute. Formal audit reports prepared by the CAG are tabled in Parliament and the state legislatures, and are public documents. The CAG's work has broadened to a "value for money" audit. However, the CAG faced criticism in recent years for failure to detect or act upon a scandal in the state of Bihar. The scandal in Bihar also highlighted the failure of the Public Accounts Committee of the Bihar legislature to take action on the reports of the CAG.

To combat corruption at the bureaucratic level, civil servants have been made subject to "Conduct Rules". In 1964, the Central Vigilance Commission (CVC) was mandated to "undertake an inquiry into transactions in which a public servant was suspected or alleged to have acted for an improper purpose or in a corrupt manner". An autonomous body, CVC reports are tabled in the Indian Parliament. In addition to the CVC, India's Central Bureau of Investigation (CBI) is mandated to investigate cases of alleged corruption and carry out prosecution where necessary. However, a number of scandals have led to the population's perception of the CBI as being corrupt itself. Confronted with official inaction, a number of activist groups have employed "public interest litigation" to prompt the courts to order executive action in corruption cases.

In March 1999, parliamentarians and representatives of civil society from Bangladesh, India, Nepal, Pakistan and Sri Lanka attended the

Regional Seminar on Parliament and Good Governance: Towards a New Agenda for Strengthening Accountability in South Asia, held in Dhaka. The Seminar was jointly organized by Transparency International (Bangladesh) and the Parliamentary Centre, in partnership with the World Bank Institute and with support from the Netherlands Ministry of Foreign Affairs. At the conclusion of the Seminar, participants agreed on the critical importance of strengthening parliaments throughout South Asia as institutions of accountability and good governance. Towards that objective, participants adopted the following concrete recommendations for further consideration. They also drafted a code of conduct (boxed) to serve as model for parliaments in the region.

Strengthen Parliament

Strong Parliamentary Leadership

- Parliament has a lead role to play in raising issues and putting them on the national agenda. Strong supporting institutions remain essential to ensuring the effective implementation of its recommendations.
- Draft a code of conduct for MPs in each parliament, in consultation with other governance actors such as civil society and the private sector.
- Create a committee for accountability to build consensus on strengthening parliament across party lines.
- The Speaker should be impartial in conducting the business of parliament, ensuring fair and balanced access to the media. This is essential for effective parliamentary debate.

Institutional Capacity Building

- Re-think traditional institutional models by: identifying the problem areas; re-thinking what is required; assessing current capacity; designing and remodeling institutions; and strengthening links among these institutions.

- Separate the parliamentary secretariat from the public service and ensure its political neutrality. Recruit and/or train parliamentary staff in relevant fields.
- Establish a research support unit within the parliament, which is responsive to the needs of MPs. Share research facilities among both houses in a bicameral legislature.
- Make use of outside research facilities (e.g. policy/research institutes).
- Provide intra-regional training for MPs (particularly on financial matters) to strengthen their understanding of and participation in national policy-making.
- Make use of modern technology to share information among countries in the region and seek advice/input into means of addressing issues as they arise.

Procedure

- Align rules and procedures to current and future capacity needs by challenging irrelevant and outdated provisions.
- Ensure fair, effective use of powers: (e.g. Orders of the Day, motions of adjournment, resolutions and vote of thanks).
- Provide orientation to new MPs regarding parliamentary practices and proceedings.
- Establish a televised 'question hour', where the Prime Minister and other ministers are subject to direct daily questioning.
- Discuss and debate corruption issues more frequently in the parliament.
- Identify means of increasing attendance in the Parliament (e.g. by imposing penalties).
- Establish a longer parliamentary schedule, particularly to undertake more committee work.

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- Reform procedures to ensure fair treatment of all MPs in time allocation

Committees

- Gradually make committee meetings more open and transparent (e.g. open deliberations, issuing press releases on committee meetings, and individual interviews with MPs immediately following committee sessions).
- Insist that all legislation be sent to committees prior to debate in the parliament.
- Provide for all standing committees to perform an audit function vis-à-vis individual government departments.
- Elect strong chairs who can build consensus across party lines (oversight committees should be chaired by opposition members).
- Involve civil society in committee activity.
- Establish active petition committees that make the public aware of their function to receive grievances.

The Role of Individual MPs

- Televisé parliament so the people can better understand the national role of MPs.
- Provide training programs for MPs so they better understand and can exercise their responsibilities.
- Strengthen individual MPs' accountability by requiring that candidates provide important information prior to nomination, including the declaration of assets and any previous criminal record. Once individuals are elected to parliament, the process should allow for dismissal if it is proven that MPs had falsified their declaration.
- Provide adequate support to MPs, including staff and offices.

- Strengthen local government institutions to free MPs from many local responsibilities.
- Strengthen the role of individual MPs in relations with their party.

Draft Code of Conduct for MPs

- i) A member should not try to secure business from the government for a firm, company or organization with which s/he is directly or indirectly concerned.
- ii) A member should not give certificates, which are not based on facts.
- iii) A member should not make a profit out of a government residence allotted to him/her by subletting the premises.
- iv) A member should not unduly influence government officers of the ministers in a case in which s/he is interested financially either directly or indirectly.
- v) A member should not receive remuneration of any kind for any work that s/he desires or proposes to do from a person or organization on whose behalf the work is to be done by the member.
- vi) A member should not proceed to take action on behalf of his constituents on some baseless facts.
- vii) A member should not endorse incorrect certificates on bills claiming amounts due to him/her.
- viii) A member should not write recommendatory letters or speak to government officials for employment or business contacts for any of his/her relations.

The Budget Process

- Involve parliamentarians in a more comprehensive way in the budget planning process (e.g. committees, debate, and monitoring/oversight).
- Set out budget policies and priorities at least 2 months in advance of the budget speech to allow full debate before the new fiscal year.
- Establish consultative committees comprised of MPs and chaired by the Ministers of respective departments, to allow continuous input into the budget.
- Establish and/or strengthen the Finance/Budget Committee so that it may play a major role in the budget process.
- Insist that audits be done in a timely manner (e.g. within 6 months of the end of the fiscal year) and that Public Accounts and similar oversight committees play a more proactive role (e.g. review accounts from no further back than 1 year prior to the current fiscal year).
- Involve the upper house in a bicameral legislature to a greater extent (e.g. review budget and submit recommendations to the lower house).
- Reduce discretionary powers of the executive as regards modifications to the budget and insist that parliament approve any modifications, including supplementary budgets, prior to expenditures taking place.
- Discourage excessive delegation of authority and use of ordinances, and approve tax bills prior to their implementation.
- Money bills should be certified by the speaker of the lower house, in consultation with the chair of the upper house.
- Provide training to MPs regarding financial issues and the budget process.

- Support the decentralization to local government of the budget process.
- Encourage the opposition leader to formulate proposals for amend the budget in cooperation with smaller opposition parties.
- Demystify the budget by gradually reducing secrecy and increasing transparency.
- Review the official secrets act to abolish unnecessary provisions and provide more access to information (e.g. defence accounts).
- Define national security more narrowly to ensure parliamentary accountability in defence budgets (e.g. salaries, administrative expenses, perks).
- Reduce the number and scale of ‘miscellaneous’ line items in the budget.
- Build links with civil society organizations in the budget process.
- Provide the public and media with more access to information, including briefings on the budget.
- Simplify budget documents in language and form for greater access and understanding.
- Hold public hearings of the Finance/Budget committee to receive evidence from Chambers of Commerce and other groups affected by the budget.

Strengthen Civil Society

- Allow free access to information.
- Civil society organizations should involve themselves in the work of parliamentary committees and in the work of parliaments generally.
- Strengthen and broaden the education system to contribute to increased citizen involvement, emphasizing both rights and obligations of citizens.

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- Media and civil society organizations should develop a code of conduct regulating their own activities
 - Empower organizations outside the state (e.g. local councils, NGOs, unions, consumers, and citizens' groups/associations).

Reform of the Electoral System

- Periodic review of the electoral system, based on the principle of one person, one vote, without discrimination on the basis of colour, creed, religion, sex or cast.

Cost Reduction

- Reduce transportation costs by increasing the number of polling stations.
- Provide state funding of candidates.
- Regulate types of expenditures (e.g. large cloth banners).
- Update ceiling on expenses to be more realistic.

Stronger Election Monitoring/Management

- Periodically revise constituency boundaries with public participation and oversight by the electoral commission.
- Ensure that the electoral commission is organized and operated independently of the executive, including with financial autonomy.
- Establish an electoral code of conduct effectively enforced by the Electoral Commission.
- Insist on impartiality of election observers.
- Strengthen reporting of election expenses, including disclosure of sources of contributions.
- Make use of electronic voting technology and voter identification cards.
- Ensure police and other officials are neutral.

- Conduct transparent, periodic revisions of the electoral rolls, with public hearings and opportunity to object.

Reform of Political Parties

- Encourage the democratization of political parties and require greater transparency in party decision-making and financing.
- Require a periodical, secret ballot vote for party leadership, such votes to be overseen by the independent electoral commission.
- Strengthen party organization at the grass roots level and encourage the development of a bottom-up nomination process.

Establish an Anti-Corruption Agency

- Establish an independent commission mandated to ensure accountability and control corruption. The commission should report annually to Parliament and maintain strong links with civil society, notably the media.
- Ensure adequate funding to guarantee effective operation of the commission.
- Provide for ongoing monitoring by an independent agency of individuals in senior government positions (e.g. civil servants, army officers, Members of Parliament, executive, and judges), including annual declaration of assets.

Key Requirements

Independence

- Transparent and bipartisan appointment of the individuals and/or commissioners heading these agencies (e.g. selection committee formed of government and opposition members of parliament, as well as member of the executive and judiciary).
- High level of qualification required to head the commission (e.g. high court judge).
- Tenure guaranteed by the constitution.

Scope/Span

- Mandate should cover all state institutions, including the executive, parliament, judiciary, bureaucracy and military.
- All levels of public activity should be covered through branches at district and local levels.

Process

- Careful judicial-like investigation to avoid publicity that would discredit process
- Public trial, with a bench appointed on a bipartisan basis
- Allow for appeal to the highest court, with the bench also selected on a bipartisan basis
- Ensure that civil society and private sector have ongoing input into the program and activities of the commission.

Strengthen Watchdog Bodies and the Judiciary

Separate Accounts from Audit Functions

- Balance reward and punishment by providing illustrations of what works well.
- Strengthen relationships among auditors in the public and private sectors.
- Ensure relevance, usefulness and timeliness of reports.
- Modernize the AG function to speed-up the preparation and dissemination of reports.
- Strengthen the legal system and judiciary to ensure effective implementation of the laws passed by parliament.

Make IFIs and Donor Agencies Accountable

- Aid projects should be subject to independent audit and the results published.

- Consultant fees should be kept to a reasonable amount (e.g. not exceeding 10% of a total project's budget).
- Insist that loans are spent for the intended purpose.
- Insist on an open and participatory budget-making process.
- Lobby 'northern' countries for the establishment of laws and regulations discouraging money laundering from 'southern' countries.

APPENDIX III: ASIA-PACIFIC PERSPECTIVES ON CORRUPTION

Hong Kong and Singapore show that success at combatting systemic corruption is possible. Their experience also points to the difficulties of sustaining anti-corruption policies, and the necessity of a long-term commitment.

Corruption was endemic in **Hong Kong** in the 1960s. Following a number of high-profile scandals, the Governor established the Independent Commission Against Corruption (ICAC) in 1974. The Governor recognized that both credible enforcement and a change in public attitudes were necessary. The commitment to reform was signalled by the appointment of an individual of unquestioned integrity to head ICAC, and by an initial policy of investigating and prosecuting what were referred to as the “big tigers”. ICAC was designed to report only to the Governor, and functioned independently of the police force which had a reputation for corruption. ICAC officials were paid more than other public servants and were not transferred to other departments, nor to the offices of any senior officers who were subject to investigation. ICAC was granted the power to investigate and prosecute corruption cases and engage in a campaign of public education.

ICAC has since been adopted as a model for anti-corruption agencies in Botswana, Malawi, Malaysia, Singapore, and New South Wales, Australia. It should be acknowledged, however, that such a model does have limitations. For example, the Commission reports only to the executive, not the legislative branch. Without effective oversight, the Commission could conceivably become a tool of repression, or a source of corruption. Further, concentrating anti-corruption efforts on deterrence and enforcement measures may result in the neglect of essential structural reforms.

Singapore responded to endemic corruption by strengthening the powers of the Corrupt Practices Investigations Bureau (CPIB), and placing it under the direct control of the Prime Minister’s Office. Unlike Hong Kong, CPIB is not subject to effective checks on its

powers and has been accused of heavy-handedness in its activities. CPIB requires that ministries review their work practices with the aim of reducing the opportunities for corrupt behaviour. Strategies include rotation of officers and increased supervision. Singapore has also reduced incentives to corruption by keeping civil servants' wages and working conditions comparable to those of the business sector.

Southeast Asia has been struggling to recover from an economic and developmental crisis that began in 1997. While most countries in the region have made public pronouncements declaring that corruption issues will be addressed as part of their post-crisis recovery efforts, few have taken concrete meaningful action.

Indonesia has recently developed an Ombudsman Commission, an anti-corruption commission, a code of ethics for parliamentarians and is presently considering other measures to tackle corruption. **Thailand's** new constitution is, in effect, an anti-corruption constitution that holds great hope for the country. Thailand has developed a new National Counter Corruption Commission that has already taken on several high profile cases, a promising access to information law, an Ombudsman Office, as well as other initiatives that demonstrate a promising level of political commitment. **Malaysia** has also developed a range of institutions to address corruption issues.

The Parliamentary Centre and The King Prajadhipok Institute of Bangkok organized a ***Regional Seminar on Parliamentary Methods to Control Corruption*** in April 1999 for Southeast Asian parliamentarians and civil society representatives. In June of 2000 the Seminar was followed-up with ***national level workshops*** in Thailand, Indonesia, and Cambodia, with the parliamentarians' handbook on controlling corruption being translated into each national language.

The regional seminar and follow-up workshops produced a number of recommendations for fighting corruption in the region.

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- The mandates for all institutions, government departments, and other anti-corruption bodies must be clear, comprehensive, and non-overlapping.
 - National institutions should be developed to fight corruption and coordinate the work of other institutions, government departments and anti-corruption bodies.
 - While efforts at the national (federal) level are very important, regional and local anti-corruption initiatives are key to the success of anti-corruption strategies. This is particularly important in countries attempting to decentralize power (e.g. Thailand and Indonesia).
 - Efforts to eliminate patronage appointments along party, ethnic, and family lines will have long-run spinoff benefits in other anti-corruption initiatives.
 - Money politics within political parties must be addressed as a primary starting point in a national anti-corruption plan.
 - Transparency and standardized procedures in government practices (e.g. procurement, appointments) are key elements of a national anti-corruption plan.
 - Access to information is a fundamental element of an anti-corruption strategy.
 - The media must be better trained on corruption issues and more responsible in its reporting of corruption.
 - Parliamentarians involved with national budgets need better training on the development, analysis, and implementation of national budgets. They also need trained parliamentary staff to support them.
 - ‘Free votes’ must be allowed so that parliamentarians are not always tied to their party’s position.

The national, regional, and local budget processes need to be year-long activities.

- Civil society groups must be involved in all aspects of anti-corruption initiatives, through public hearings, parliamentary committee testimony, and as sources of information on corruption.
- A strong code of ethics for parliamentarians is needed.
- Parliamentarians and government officials must declare their assets before and after assuming office and be held accountable for any suspicious accumulation of wealth. Investigation of possible corruption should be allowed to begin based upon any suspicious presence of wealth and not have to wait for sufficient evidence of actual corrupt practices that could have led to the accumulation of this wealth;
- Public education is needed that begins early in the school system.
- ‘Whistle-blower’ protection is needed.

APPENDIX IV: FIGHTING CORRUPTION IN EASTERN EUROPE AND THE FORMER USSR

In the countries of the former Soviet Union, corruption has become so endemic that it is discouraging domestic and foreign investment and stalling economic growth. Corruption is also undermining the institutions of governance and threatening emerging civil societies.

As noted earlier, corruption is rooted in the Soviet era and the legacy of its institutions. Although the former Soviet republics achieved independence, many failed to remove the Soviet-era *nomenklatura* and their administrative system which controlled the distribution and use of state property. With the 1991 collapse of the Soviet Union and the sudden disappearance of the communist power structure, there was enormous scope for fraud, corruption and self-aggrandizement. Few controls on corrupt behaviour existed, and few if any institutions existed capable of monitoring and eradicating it.

To aggravate matters, there has been little public outcry about corruption because the Soviet era prevented the development of civil society, rule of law and accountable government. The general population is fatalistic about and resigned to corrupt practices by its governing elites. In many of the former Soviet republics, comprehensive solutions remain stymied by bureaucratic control over the political process and by an absence of political will. The post-Soviet *nomenklatura* is little interested in meaningful reform, given that it is the chief beneficiary of the existing lax environment.

Post-communist parliaments, meanwhile, play a rather limited role in monitoring this corruption. While already quite weak in parliamentary systems—because of executive domination over the legislative branch—the concept of checks and balances is only in its embryonic stages and is still seen as alien to Eastern Europe. As a result of the underdeveloped system of checks and balances, the post-communist parliaments that emerged in the region in the early and mid-1990's have focussed on developing anti-corruption legislation, but have been weaker in overseeing both how laws are implemented by the Executive

branch, and the financial irregularities that result from their implementation.

MPs from post-communist countries with parliamentary systems have pointed out on numerous occasions that performing an effective oversight function is difficult if not impossible because in situations where majority governments exist, the legislature is controlled by the ruling party and government-dominated committees are very unlikely to oversee the government expenditures in any effective way. The same can also be said about monitoring of corruption in government. In countries with parliamentary systems such as Bulgaria, a number of factors ensure the ongoing subordination of government-member-dominated committees to the government. One such factor is the 100% party-list proportional representation electoral system. Since members of the National Assembly are placed on a list whose hierarchy is determined by the party leadership, little incentive exists for governing party committee members to exercise oversight over the government. In semi-presidential systems such as Ukraine, oversight attempts are still regarded as outright hostile by the executive branch.

In addition, parliaments tend to lack the resources required to perform the oversight role effectively. Specialized research capacity to examine or investigate government misappropriation or corruption within the executive branch often comes from outside agencies, as is the case in Latvia and Lithuania. Given the specialized functions associated with performing oversight roles, parliamentarians often lack the time required to perform such tasks.

The absence of a robust civil society continues to be an important impediment to the motivation of parliaments in Eastern Europe to strengthen their oversight role. While oversight requires parliamentarians to pressure the executive branch, this function is unlikely to be performed until public pressure increases for parliamentarians to hold the executive branch accountable for its actions.

Strengthening Independent Oversight Agencies

- The strengthening of accounting chambers can greatly enhance parliament's oversight capacity. Accounting chambers and their link to parliament can be strengthened by ensuring that a sound legal framework along with regulations exist in order to help the institution remain independent from government.
- Working with parliamentary budget or public accounts committees to ensure that the accounting chamber's report is given due consideration by the appropriate committee is another such example. The Russian Accounting Chamber (AC) is the principal institution responsible for auditing state expenditures in Russia. The AC produces a large number of substantial and well-researched reports each year—some 1500 since its inception. However, these reports have had a limited impact because the reports of the AC had to compete for the attention of the Duma Budget and Taxation committee, which had other priorities.

A *regional seminar for Central and Eastern European parliamentarians* was held in May 2000 in Helsinki, to discuss the issue of corruption in a regional setting. The Seminar was jointly organized by the Parliament of Finland, the World Bank Institute and the Parliamentary Centre of Canada and drew parliamentarians from Latvia, Estonia, Ukraine, Lithuania, Bulgaria, and Romania. Many participants in the seminar suggested that parliament's inherent weakness and lack of capacity for performing oversight functions lead them to conclude that "no substantial impact (would be achieved) anytime soon". A number of alternatives were raised:

- The development or strengthening of external agencies that report to parliament, such as accounting chambers (supreme audit institutions, see box below).
- Stronger links between parliaments and civil society, including strengthening civil society organizations that monitor corruption so that such information can be provided to parliamentarians. In Bulgaria for example, Coalition 2000 serves develops methodology to monitor both corruption and public perceptions about corruption in government;
- The ongoing development of normative instruments for regulating both corrupt and immoral (but not necessary illegal) behaviour. Such norms are not readily available. Codes of conduct and systems of asset declaration are such relevant examples. The sharing of experience about how such norms are developed in writing in some developed democracies could be helpful.

APPENDIX V: STRENGTHENING PARLIAMENTARY ACCOUNTABILITY IN THE MIDDLE EAST

With the peace process initiative beginning in 1992 in Madrid, there has been considerable speculation and discussion of the prospects of liberalization and democratization in the Middle East. Important experiments in opening up political space and liberalizing the economy have been witnessed in a number of countries in the region, such as Egypt, Jordan, Kuwait, Turkey and Yemen.

A cursory look at the Arab Middle East will show great public interest in democratization and the construction of civil societies. The need to revitalize the institutions of civil society, loosen the grip of governments on their peoples, and democratize political processes has been newly emphasized in the media, at universities and other public forums. Hence, governments in the Middle East face persistent and continuous challenges and pressures from the wider society to democratize state institutions. Increasingly, the public is demanding greater accountability and transparency of their governments and their operations. Weak institutions, strong centralization of decision-making, mismanagement of resources, conflict, and war are among the many reasons behind the slow economic growth, increasing poverty, dwindling of resources and mounting resentment of citizens.

Participants in the Laurentian Seminar identified the following key issues and priorities for the development of their parliaments and of parliamentary accountability in the region.

Issues as Regards Parliamentary Accountability

- Combating corruption in global transactions and business.
- Strengthening parliamentary accountability.
- Understanding globalization and its impact on the work of parliament.

Priorities for Parliamentary Development

- Building awareness that there is global action to combat corruption, namely the work of the World Bank and other IFIs.
- Raising awareness of the work of Transparency International, with the hope strengthening its presence in the region.
- Introducing information technology and training MPs on how to use it.
- Establishing anti-corruption committees.
- Widening the scope of parliament, looking outward regionally and internationally.

APPENDIX VI: THE LATIN AMERICAN EXPERIENCE

Latin Americans are increasingly treating corruption as unacceptable. Protracted economic crises and neo-liberal reforms have burdened the middle class, reducing their willingness to accept corruption. This shift has also been facilitated by democratization, which has permitted the population to voice its concerns openly, and has freed the media from governmental control, making it easier for investigative journalists to uncover corruption.

The increased number of corruption scandals are an important sign that the standards for assessing politicians and state officials have risen, and that citizens have the opportunity to publicly insist on a stricter separation of private and public business. Fewer Latin Americans are simply dismissing corruption charges. Instead, there is a greater premium on equality before the law.

Privatization has been a common feature of economic reforms in Latin America but it has not always led to a reduction in corruption. Some privatizations have increased corruption levels, particularly where the firm maintains a close relationship with the state. For example, the privatization of the telephone companies in **Argentina** and the electrical utility in **Chile** produced monopoly rents for the winners of both processes. A weak regulatory framework further hampered the process. These examples suggest the importance of designing the privatization process to ensure the widest level of participation, a transparent tendering process, and a credible regulatory framework.

In **Colombia**, the tendency for past governments to attach little importance to financial management and oversight contributed to a general lack of knowledge about the country's economic status and contributed to the misuse of public funds. To help remedy the situation, the Office of the Accountant-General of the Nation was established in 1991, and quickly produced significant results. Government-wide standards and procedures were developed for use by those persons charged with generating, implementing and

analysing financial information. The Office of the Accountant-General also supports other institutions in fighting corruption. A National System of Control has been proposed to link together the offices of Comptroller-Generals and Attorney-Generals at the national and sub-national levels. The system will regularly monitor the efficient use of public resources.

In **Peru**, efforts to combat corruption have concentrated on breaking the link between drug traffickers and financial institutions since money-laundering is believed to be a major cause of corruption in Latin America. In December 1996, Peru enacted a new banking law to enhance oversight of the financial sector. The legislation strengthens the power of the Superintendent of Banks and Insurance Companies, who is mandated to safeguard the soundness and transparency of the banking and financial sectors. Under provisions of the 1993 constitution, the Superintendent was granted the power to prevent unqualified persons and companies from operating financial institutions. The new law explicitly includes anyone who may be connected with drug trafficking, regardless of previous conviction. The Superintendent is personally immune from any legal action brought by individuals or companies.

The new legislation also obliges Peruvian banks to apply the international principal of “know your customer” as a prevention mechanism against money laundering. The Attorney-General has been granted access to banking information, and the failure of banks to report suspicious activities has been deemed a legal offence. This latter measure compels the boards of banks to become part of the accountability process. The legislation also allows the Peruvian government to share information on its financial sector with other national jurisdictions.

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