



TRANSPARENCY INTERNATIONAL CANADA INC. NEWSLETTER

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TI-Canada Celebrates 10 Years

Launched in 1996, TI-Canada celebrates its 10th Anniversary, this year, with a Symposium and Ninth Annual General Meeting on Friday, May 26, 2006, at N109, SSB, York University. The Symposium will take the format of a speech, "Transparency International: New Perspectives," by newly elected Transparency International Chair, Dr. Huguette Labelle, Chancellor, University of Ottawa, and a former President of the Canadian International Development Agency, who will address the prospects and priorities for the Transparency International Secretariat and the international Transparency International movement. This will be followed by an extended discussion, including a retrospective by outgoing TI-Canada Chair and President, Dr. Wesley Cragg, of what TI-Canada has accomplished in its first 10 years, as well as an invitation to members to engage the Board regarding where TI-Canada might go from here. This discussion will be followed by the Ninth Annual General Meeting.

Come hear the state of the art on anti-corruption in Canada and beyond. To register, please complete the Registration Form, enclosed or found at: www.transparency.ca. For further information, contact ti-can@transparency.ca or tel. 416-488-3939.

TI-Canada hosts former Kenyan watchdog

On January 19, TI-Canada members and guests

had the pleasure of hearing John Githongo, former Executive Director of TI-Kenya and

Come celebrate TI-Canada's

10th Anniversary

12:00 noon, Friday, May 26, 2006

"Transparency International: New Perspectives"

**Luncheon Speaker: Dr. Huguette Labelle,
Chair, Transparency International,
followed by Ninth Annual General Meeting
N109, SSB, York University, Toronto, ON**

(see article for further information; for registration, see attached Registration Form, contact: ti-can@transparency.ca, Tel. 416-488-3939, or visit: www.transparency.ca)

former Permanent Secretary on Ethics and Governance to the President of Kenya, speak on the topic of "Who pays for democracy in Africa: Examining Politics and Corruption."

Mr. Githongo addressed the nature of political change in Africa since 1990, the anti-corruption activities of African government since 1997, and lessons learned about corruption in Africa.

With regard to the first topic, Mr. Githongo noted that Africa now has presidents with limited terms, some of whom have even retired. Thirty-one countries have multi-party elections, and twenty have heads of states who have taken

off their military fatigues and have been democratically elected.

For his second topic, Mr. Githongo related the seven pillars of anti-corruption in African government: leadership – the fight against corruption must start at the top; institutional reform of the judicial, executive and legislative branches of government; legislation to facilitate implementation of legal reforms; independent media; engagement of the private sector; the signing of international conventions; transitional justice systems – moving from the past to the future.

Finally, Mr. Githongo revealed what lessons have been learned, including: task forces or commissions will assist to bring past activities to light, but only if instituted early in a government's reign; elites corrupted during the Cold War have survived multi-party democracy; embedded corruption is embodied in key political players, key corporate players, key bureaucrats and key officials in the service sector; these embedded networks are most generous donors to political parties in Africa today and are found in three key sectors – extractive industry, communications, security; the international service sector (lawyers, accountants, bankers) is critical to the architecture of grand corruption in these three key sectors; the perception of corruption is almost as powerful as real corruption; there is conspicuous consumption on behalf of politicians and senior public servants, through ill-gotten gains.

Mr. Githongo resigned his post, while on a trip to the U.K., in early 2005, when he realized his corruption findings were getting too close to sources of power and his life had been threatened. Soon after his presentation to TI-Canada, Mr. Githongo's detailed report on findings of graft in the Government of Kenya, mostly involving a multimillion dollar "Anglo Leasing" corruption scam involving large government contracts for a company which

existed in name only, became public and is available online. As a result, several Ministers have resigned, including the Minister of Finance, pending investigation.

--written with assistance from Christopher M. Brown, Foreign Affairs Canada

Integrity in the Public Sector

Along with ethicscentre CA, TI-Canada hosted a members' breakfast session, February 9th, on "Integrity in the Public Sector." Speakers Mr. John Campion, Partner, Fasken Martineau and Counsel representing VIA Rail Canada at the Gomery Inquiry, and Dr. Wesley Cragg, Chair and President of TI-Canada and the George R. Gardiner Professor of Business Ethics, Schulich School of Business, York University, addressed the issues of what can be learned from the Gomery Inquiry, such as how the reports and process will contribute to building sound ethical standards throughout the public sector, including civil service, Parliament, the Executive and political parties, whether or not it is ethical to pursue a laudable goal in a questionable way, the balance between rules and integrity, the role of moral leadership and how to develop ethical culture.

The session was moderated by Dr. Mimi Marrocco, Director of Continuing Education, University of St. Michael's College, University of Toronto.

New Anti-Corruption Website

Last fall, a new business ethics, governance and anti-corruption site for news, analysis and best practices was launched at www.ethicsworld.org. Published out of Washington, D.C., by Frank Vogl, Transparency International Board Member, the Ethics World site brings together critical news and perspectives from around the world, in one accessible location. In so doing, it links experts on workplace ethics, corporate governance,

social responsibility, transparency and accountability. It is designed as a resource for ethics and anti-corruption professionals, academics and journalists.

At the end of the year, Ethics World predicted the top 30 corruption stories for 2006. Canada came in with one at No. 10, which has certainly come true: “A prime issue in the current election campaign is corruption – the legacy of years past is haunting Prime Minister Martin.”

Corporate Governance Group

TI-Canada member, Davis & Company, has introduced its International Corporate Governance Group, in its Toronto office. The Group provides expert advice to domestic and international clients, to ensure compliance with Canada’s anti-corruption laws and ethical codes, and has developed its own anti-corruption tool, the “Davis Anti-Bribery Threat Assessment.”

In its first bulletin on bribery, corruption and international corporate governance, “Risks & Threats,” Vol. 1, No. 1, International Corporate Governance Group Chair, James M. Klotz, writes about what a company can do to “avoid the risk of payoffs on its behalf to foreign government officials{.}” The answers are threefold. Senior management needs a robust employee training program to properly educate employees about what is or is not a bribe....Secondly, when engaging an agent in a foreign country, it is not enough simply to demand that the agent not pay bribes. Real due diligence must be performed to ensure that the agent is of good repute, does not employ government officials, nor is married to a government official....Finally, there are some countries where business cannot be done without paying bribes to corrupt local officials. Business with those countries should be avoided as the Canadian anti-corruption legislation [*Corruption of Foreign Public*

Officials Act] carries with it a criminal penalty of up to five years in jail. In the U.S., business executives go to prison on a fairly frequent basis for breaches of the U.S. version of Canada’s anti-corruption law, the *Foreign Corruption Practices Act*.

With no significant prosecutions yet in Canada, most executives believe that there is little risk that Canada's law will affect them. However, the landscape in Canada is about to change dramatically. Since last year, U.S. lawyers are now on the alert for evidence of out-of-the-ordinary agent agreements or payments to agents. Evidence of such payments from the past may now be put in the spotlight, with the result that lucrative acquisitions of Canadian companies may fall through and criminal charges may be laid.

--for further information, contact James M. Klotz at: 416-941-5401; jmklotz@davis.ca

Canada called upon to ratify UN Convention against Corruption

On 14 October 2005, the UN Convention against Corruption entered into force. The following is a press release issued by TI Chair, Dr. Huguette Labelle:

Berlin, 15 December 2005 --- Today 38 nations are joining together in an historic alliance to conquer corruption.

There is promise on the horizon that through this landmark achievement, all member states of the United Nations will eventually marry their strengths in a common bond against bribery, extortion and malfeasance. Because of its broad reach across continents, the United Nations Convention Against Corruption has the potential to address an important channel of international corruption: bribe payments by crooked companies, and extortion by corrupt officials.

But the Convention's promise is tinged with doubt. Three out of every four countries that have signed the Convention have yet to ratify it. That means that 102 countries clearly recognise the Convention's value, yet will not be bound by its terms as it enters into force. Until they are, the promise of the Millennium Development Goals will remain unfulfilled.

The Group of Eight countries committed at their Summit at Gleneagles in July to promptly ratify the Convention, yet only France has done so. Leaders of Canada, Germany, Italy, Japan, Russia, the United Kingdom and the United States should follow France's example and complete the ratification process.

Ratification isn't about getting credit for signing an agreement. It's about making it come alive. Every country in the world should take the pledge: We will not let criminals hide within our borders or pass their stolen money through our banks. We will not let corruption happen here.

This is a matter of urgency. Many countries are in the process of ratifying the Convention. But until all nations are bound by the Convention's terms, like water through the cracks, criminals will find ways to breach the dike.

--TI press release, Berlin, 15 October 2005

New TI publication on corruption in education

On the occasion of International Anti-Corruption Day, 9 December 2005, TI announced the online launch of *Stealing the Future – Corruption in the Classroom*. This 85 page booklet documents projects carried out by TI chapters in Argentina, Bosnia and Herzegovina, Brazil, Georgia, Mexico, Nepal, Nicaragua, Niger, Sierra Leone and Zambia in 2004 and 2005.

Stealing the Future provides small-scale assessments of the extent and forms of corruption in schools, universities and in education administration, and gives examples of hands-on tools of how to prevent corruption in education. Through public opinion polls, household surveys and tracking of expenditures at the local level, the studies present a panorama of experiences that is intended to stimulate debate within and outside TI. Education is a human right, and corruption in education has a devastating effect on individuals' attitudes and prospects in life as well as on the well-being of nations.

-- *The PDF version of Stealing the Future can be downloaded at:*

http://www.transparency.org/global_priorities/education/corruption_education

Launch of TI 2006 Global Corruption Report

Theft, bribery and extortion rob millions of proper healthcare, says *Global Corruption Report 2006*
Counterfeit drugs kill thousands each year and accelerate spread of drug-resistant diseases

1 February 2006, Berlin / London –

Corruption in the health sector deprives those most in need of essential medical care and helps spawn drug-resistant strains of deadly diseases, says Transparency International's *Global Corruption Report 2006*....

For the millions of poor held hostage by unethical providers, stamping out corruption in health care is a matter of life and death. "Corruption in health care costs more than money. When an infant dies during an operation because an adrenalin injection to restart her heart was actually just water -- how do you put a price on that?" said Huguette Labelle, Chair of Transparency International.

“The price of corruption in health care is paid in human suffering.”

Haemorrhaging health systems

The report shines a powerful light on the global US \$3 trillion health sector, exposing a maze of complex and opaque systems that are a fertile field for corruption. While the majority of people employed in the sector perform their functions with diligence and integrity, there is evidence of bribery and fraud across the breadth of health services, from petty thievery and extortion to massive distortions of health policy and funding fed by payoffs to officials....

“Corruption eats away at the public’s trust in the medical community. People have a right to expect that the drugs they depend on are real. They have a right to think that doctors place a patient’s interests above profits. And most of all, they have a right to believe that the health care industry is there to cure, not to kill,” said David Nussbaum, Chief Executive of Transparency International.

Aggressive marketing techniques buy physicians’ support for specific drugs, leading to a high rate of prescriptions that are not always based on patient need....Corruption underpins a lucrative counterfeit drugs trade...and has hampered the success of global efforts to reign in the HIV/AIDS pandemic....

Transparency International recommendations

The cure for corruption in the health care industry starts with transparency.

- Donor and recipient governments should grant easy access to information on key aspects of health-related projects, budgets and policies. Budget information should be available on the internet and subject to independent audits.

- Adopt and enforce codes of conduct for health workers and private sector companies and provide ongoing anti-corruption training.

- Incorporate conflict-of-interest rules in drug regulation and physician licensing procedures.

- Public health policies and projects should be independently monitored, both at the national and international level, and their reports should be open to public scrutiny.

- Procurement processes should be competitive, open and transparent, and comply with Transparency International’s Minimum Standards for Transparency and Public Contracting. Rules on conflicts of interest must be enforced and companies that engage in corruption debarred from future bidding. No-bribe pledges such as TI’s Integrity Pact should be adopted to level the playing field for all bidders.

- Rigorous prosecution will send the message that corruption in health care will not be tolerated. To facilitate this, there must be robust whistleblower protection for both government employees and private sector health, pharmaceutical and biotech employees.

State of corruption worldwide

The *Global Corruption Report 2006* also presents reports on the state of corruption and governance in 45 countries around the world, including troubling evidence of financial irregularities in post-tsunami relief operations. The report’s final section surveys the cutting edge in corruption research.

--For full press release visit:
www.transparency.org/news_room/in_focus/gcr_2006

The Global Corruption Report 2006 is published in London by Pluto Press (ISBN 0 7453 25092). The book can be ordered through the publisher (www.plutobooks.com).

