

Peter Eigen

Removing a Roadblock to Development

Transparency International Mobilizes Coalitions Against Corruption

It is estimated that as much as U.S. \$1 trillion is paid in bribes worldwide each year.¹ This amount is 40 times the costs estimated by the United Nations for a global campaign to stop the spread of HIV/AIDS, ten times total annual development assistance spending, and nearly the GDP of the entire African continent. Yet even \$1 trillion is a dramatic underestimate of the social and human cost of corruption. Corruption—the abuse of entrusted power for private gain—is a roadblock to human development. It distorts competitive markets, leads to the misallocation of resources, and disproportionately burdens the world's poorest and most vulnerable. Human development is impeded whenever public contracts are awarded according to the size of the kickback instead of the size of the public benefit, whenever parents have to bribe teachers to educate their children, or whenever a mother is forced to watch her daughter die because she does not have the resources to bribe the hospital staff to provide care. Corruption makes a mockery of rights, breeds cultures of secrecy, deprives the neediest of vital public services, deepens poverty, and undermines hope.

Yet, despite the evident corrosive impacts of corruption on development, until recently, there was no organized effort to combat either of its most harmful manifestations: the cross-border corruption that so frequently plagues large-scale public projects in poor countries, and the equally devastating small-scale corruption that mercilessly aggravates the daily obstacles faced by many of the world's most disadvantaged citizens. In fact, only a decade ago, overseas bribery was legally permissible in most countries (the only exception was the United States, where in 1977, responding to the revelations about bribes to foreign public officials, which

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emerged from the Congressional hearings on the Watergate Affair, President Jimmy Carter led the passage of the Foreign Corrupt Practices Act). As a consequence, corporations were accustomed to bribery as a routine business practice when operating overseas. Many even received generous tax write-offs at home for their corrupt expenditures abroad.

Corruption persisted because no single business or national government had an adequate incentive to solve the global coordination problem required for its elimination. The leading international organizations that could have taken a leadership role in the fight against corruption—the World Bank and the United

Nations in particular—long were inhibited from doing so by diplomatic concerns and potential implication of their members. Impetus to act was blunted by a false presumption that the responsibility for corruption rested mainly at the doorsteps of governments in poor countries. As such, corruption was considered to be an internal “political” matter, beyond the purview of international organizations. The will and commitment to confront corrupt elements within member countries was absent.

In the early 1990s, increasingly aware and intolerant of this state of affairs, I joined

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other colleagues from around the world to found Transparency International (TI), a global not-for-profit, non-governmental organization devoted to combating corruption. In the decades since it was founded, a sea-change in attitudes and legislation with regard to corruption has occurred. In a dramatic policy shift, former World Bank President James Wolfensohn declared war on the “cancer of corruption” in 1996, correctly arguing that corruption is first and foremost an economic issue and therefore a legitimate concern of the World Bank Group. The World Bank has since engaged in a comprehensive fight against corruption, both internally and in the countries it works with. At the March 2002 U.N. Conference on Financing for Development in Monterrey, Mexico, a succession of ministers from donor countries joined World Bank and International Monetary Fund (IMF) officials in a common judgment: that wherever corruption reigns, development aspirations will remain unattainable.

Since then, we have seen the adoption of the United Nation Convention against Corruption (UNCAC) in 2003; today 116 states have ratified it. We have

also seen the emergence of voluntary initiatives like the Global Compact, which provides a conceptual framework for global corporate citizenship, and the Extractive Industries Transparency Initiative (EITI), which seeks to use transparency as the key to unlock the potential of resource wealth for some of the world's most troubled and poverty-stricken countries. The World Bank, thus inspired, even launched a more ambitious, broader initiative this past April, dubbed EITI++. Similarly, the G8 has made the fight against corruption a central priority in recent years, and around the world, governments have been increasingly coming to power on anti-corruption platforms. Of course, actions still lag behind rhetoric, but we have seen a fundamental shift in dialogue and values.

While corruption is still sadly prevalent in much of the world, an overwhelming consensus exists today that corruption is the most serious impediment to economic and social development, as well as to peace and security. Goals in the battle against corruption that seemed to be unreachable only a decade ago have now been reached. The fight against corruption on a global scale is far from over, but it is a battle that has begun in earnest.

THE CORROSIVE IMPACT OF CORRUPTION

Like the founders of many other civil society organizations, I traveled a long road personally and professionally before committing myself to social action. Despite the fact that I grew up in the Germany of the 1940s, until my early twenties I was quite non-political—indeed, I was blissfully disengaged from the global realities of societal conflict and inequality. I began to develop an awareness of the severity of the world's inequities in the course of a backpacking trip through Latin America in 1963. During those travels I met different groups of people. Some of them were rather comfortable members of the elite who, very friendly to me, invited me to stay in their houses. Among these, there were some who, despite their own comfortable circumstances, decried the injustice of their own societies. At other times, sitting, for twenty-four hours at a stretch in small, over-crowded buses, I had ample opportunity to reflect on my past blindness to the societal inequities that suddenly seemed so evident.

I became more and more concerned politically. After completing my doctoral studies at Frankfurt University and further research on economic policy at Georgetown University, I received and accepted an offer from the legal department of the World Bank. The work was exhilarating. Opportunities to help the world's poorest countries develop seemed abundant.

At one point I was asked by President Nyerere of Tanzania to go to Botswana to help his colleague, President Seretse Khama. At the time, Botswana was like a country under siege—surrounded by racist countries (South Africa, "South West Africa," and Rhodesia in particular) that threatened it with commercial and political domination. My charge was to assist the government of Botswana in developing a legal system for the nation and to negotiate on the government's behalf with big mining investors. I accepted the challenge, negotiating a leave of absence from

the World Bank for a few years, and securing funding by the Ford Foundation.

What followed was one of the most exciting opportunities for learning for which I could have wished. I committed myself fully to my work and, in the process, came to identify myself with the government of Botswana. The government was moderate and democratic. We developed certain systems of taxing mining investors that were considered by the global experts at the time to be rather radical. We just stood up to this. We were a group of Third World fighters trying to introduce new systems to ensure the fairness of investment agreements in Africa.

In Botswana I had the rare opportunity to live deeply what I considered to be the fight for justice. To succeed, I worked to build coalitions and networks to help us. I brought in development professionals from the United Nations, and lawyers from New York and Canada. Together with brilliant young people from Botswana, we held weeklong work sessions to go through every clause of contracts to make sure that we had captured the state-of-the-art.

When my assignment in Botswana came to a close I was happy to go back to the World Bank. The appeal of the Bank was that it combined the strength and the resources of the rich countries with an explicit mandate to help poor countries to develop, in human and economic terms.

If you were working on a smaller country you had great latitude to act in the service of the Bank's mission. However, over time, I came to recognize some significant constraints in that freedom of action. In particular, when I moved on to countries that were more important to the powerful shareholders of the World Bank, I became aware of interests operating at the Bank which were not quite as open or as charitable as would have been suggested by the Bank's mandate. For instance, when I was a Bank manager for the Chile program, I was prohibited from using Bank funds to rehabilitate the copper sector. The reason for the obstruction was simply that a revitalized copper industry in Chile would have challenged the viability of big copper producers in the United States. From the standpoint of comparative advantage, which we were preaching to everybody, supporting Chile's copper industry was the most reasonable thing to do. Political expediency drove the Bank to disregard its principles in such cases, failing to work fully in the interests of development within the countries served.

What began for me as a minor discomfort with the incentives and modes of operation within the World Bank gradually developed into a significant aggravation. In particular, I became increasingly aware of, and frustrated with, the manner in which corruption was interfering with decision-making. In one case, in the Ivory Coast, we were involved in a telecommunications project. The lowest evaluated bid for this project was \$16 million, but the government gave the contract to a French company asking \$26 million. I talked to the responsible officials. In the course of that conversation, it became very clear to me that corruption had played a role.

When I became director of the World Bank office in Nairobi, the corrosive impact of corruption became more obvious. In the country at that time there were

a number of huge projects on the table that were generating great interest from prospective suppliers in the North. A consequence of the very scale of these projects—many had price tags of 300, 500, and 600 million dollars—was that they lent themselves naturally to equally huge kickbacks—payments of 10, 20, or 30 million dollars to government officials with bank accounts in Lichtenstein and Switzerland. A particularly infamous example of such a project was the so-called Turkwell Dam, a big power project in the far west of the country, planned for construction in a beautiful place where a river comes out of a mountainous area. We on the World Bank staff recognized that the project had no economic merit: quite simply, no market existed for the electricity the plant would generate. Furthermore, construction of the plant would have disastrous consequences for the local ecology and would undermine the livelihood of the Turkana and the Samburu people (the nomadic tribes living in the region). So we rejected the proposal, much to the chagrin of the Minister of Energy and the country's President.

However, for the government ministers and private companies who stood to benefit, the proposed project was too enticing to abandon—its detriment to the country notwithstanding. Consequently, to our great disappointment, the project was very quickly carried through with funding from commercial banks and export financing agencies in the North, which had been mobilized by the suppliers. The consequences were as we had foreseen. The Turkana people and the Samburu lost their livelihood because their cattle could not survive during the dry seasons; subsequent studies have demonstrated that many of these people are now destitute in the slums. Currently, the dam is silting up quickly. The water level at Lake Turkana has fallen. For instance, there are a fish factory and port, built with Norwegian assistance, that are now about 20 kilometers from the original shoreline because the water level has fallen so much. The dam is a total calamity, ecologically, social-

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ly, macro-economically. The debt burden created by the loans incurred may be with Kenyans for generations. All the while, the few who directly benefited from project through contracts are the suppliers and decision-makers. The project has turned out to be the very definition of overdesign and waste.

Of course, the Turkwell Dam project was no exception. In Nigeria, three or four cases of similar scale and history exist—projects that cost hundreds of millions of dollars but that never generate one penny for the people. As a direct consequence, Nigeria, which should be among the most prosperous countries in Africa, remains mired in poverty. Likewise, the Democratic Republic of the Congo, Angola, and Zimbabwe—all countries endowed with magnificent resource wealth—have received nothing but the bitter dividend of interminable civil war and unrelenting poverty. Due to corruption and the violence it engenders, such potential bread baskets of Africa are turned instead into basket cases.

I shared my concerns about the pervasiveness of corruption and its corrosive impact with senior management at World Bank. The conversation was one in which most managers were unwilling to engage. Issues of corruption were dismissed as internal political matters with which we, the staff, were categorically prohibited under the Bank charter from systematically addressing.

For a time, I accepted this compromise. I accepted that the World Bank could not deal with everything that was wrong in the world. I said yes, this is the reality. It is ugly. It is destructive. But it is something which is simply not the business of the World Bank.

But this was a compromise with which I was not comfortable. My wife Jutta, a physician who spent her career working with disadvantaged people wherever we lived, did not hesitate to challenge me. The pressure peaked during our time in Kenya, where she worked for a non-governmental organization, leaving every morning at seven and returning at seven at night. She would say, “Look I have seen 80 patients today. What have you done?” In the area in which she worked, about 85 percent of her young patients were HIV-positive. Her clear sense of moral purpose was an important factor in my inability to settle into a permanent accommodation with the compromises required of me in my position with the Bank.

After a time I had had enough. I was moved to act. Together with some African friends I developed a concept for attacking corruption. I presented this at a retreat in Swaziland of World Bank representatives from all over Africa. I presented it to thirty country directors and the Bank’s Vice President for Africa. Everybody there was very excited by my proposals. They said, “Why don’t we simply start a task force which will develop a systematic approach on how we deal with corruption in Africa.” We appeared to be on our way.

But a week later I received a memorandum from our legal department stating that the activity I had initiated was totally off limits. It was too political. It was not permitted under the Charter of the Bank.

Rather than abandoning the initiative, our group decided to pursue it as private citizens. We were undeterred.

But making the initiative a private one, advanced on our own time, would not

turn out to be a viable solution. On my next home leave to Washington, a couple of weeks later, I was summoned to the office of then World Bank President Barber Conable. My presumption was that the reason for the meeting was social—I expected that President Conable simply wanted to thank me for having hosted him during his many visits to Nairobi. But upon arrival at Conable's office I quickly found that I had been mistaken. Conable's secretary handed me a memo from the President, which stated that I was prohibited from pursuing the anti-corruption initiative while a director of the Bank.

At that point it was clear that I had to leave the Bank. The decision was not a heroic one at all. Really, it was very practical. At that point I had earned most of my pension. I didn't need any more money. My wife was very happy that I was, for the first time since my work in Botswana, going to have the opportunity to focus 100 percent on doing what I felt to be the right thing.

That was the beginning of Transparency International.

THE FOUNDING OF TRANSPARENCY INTERNATIONAL

During the abortive attempt to create an anti-corruption strategy within the World Bank, I had made many excellent contacts both within and outside the Bank. The idea had lit a candle in the minds of quite a number of people. I received letters, telexes, visits from interested colleagues, phone calls from people who had heard about the initiative. Building on these contacts, I convened a number of different meetings with overlapping groups of 20 or 30 people.

Among those who had expressed interest, there was a core group of ten or so people, who were very closely connected with us from the very beginning. They all had different skills. One was skillful in public relations. Another had been the deputy inspector general of USAID; he was like a policeman, attuned to any the clues that would indicate corruption. We had a business person intimately familiar with the motivations of large corporations. Others wanted to participate while remaining in the background; one of these was Robert McNamara. What all these people shared was that each was in their own way suffering from the fact that their own work was handicapped by the corruption they encountered on a regular basis.

In our preparation of the launch conference for the organization we determined would be called Transparency International, we had developed three key insights, which are still the guiding principals of the organization today:

- **First** of all, we knew that we could not investigate individual cases, to expose them as Amnesty International was doing. The reason was that, because corruption is so complex and is so technical, we needed to engage people who were directly exposed to or peripherally involved in corrupt practices to work with us and in joint programs. That was probably the most important shift from what I had initially conceived when I left Kenya.
- **Second**, we realized that we would have to deal with corruption by mobilizing the knowledge, enthusiasm, courage, and credibility of committed people in each of the localities in which we intended to work. We wouldn't be able to

operate like the Catholic Church or the World Bank, preaching and dictating from the center. Therefore, we began very early on to initiate the creation of what we call national chapters, which are autonomous non-governmental organizations incorporated in their countries of operation, bound loosely in a global network, with basic governance criteria for its members.

- **Third**, we recognized that criminal law is a relatively blunt weapon against corruption. Consequently, we sought to develop a holistic approach, seeking to identify the different elements of the so-called “integrity system,” which has to be in place in order to protect society against corruption. This includes a legal dimension, laws, institutions, and guidelines, but it also includes the media, civil society, and the different branches of government. It covers very technical matters, like how to select contractors under international competitive bidding; how much transparency to enforce in a legislative body; to what extent politicians and office holders can be forced to disclose their assets and liabilities; and how to deal with conflicts of interest in a society. The approach became a mosaic of many different elements, which together created a holistic system of integrity.

We initially had the sense that we would focus mainly on development projects, on large transactions. But we also had the idea that our national chapters should define their own agenda and that they should decide what their priorities are. As a consequence, we were very quickly caught in a dilemma. Some of the chapters said, “We are not really interested in these big international transactions. We don’t care whether our President gets another million dollars in some bank account in Europe. What we care about is whether a policeman, for instance, extorts money from the poor and the powerless in our slums. Or whether a teacher extorts money from the parents of his students, in order to let them come to school or give them a certain grade.” And therefore we began to look at the corruption within countries, as well as international corruption.

The challenge of confronting domestic corruption was not only one we faced in developing countries. The German chapter, for instance, insisted from the outset that if we wanted to carry the anti-corruption message into the world from the North, we would have to clean up our side of the street first. At that point we came to a really frightening realization: the establishment in Germany was not really against corruption as long as it took place outside the country. To get around this indifference, we went to the media, and began expose the mechanisms of corruption. Thus, while political and business leaders continued to view our attempt to eradicate corruption as idealistic and naïve, they did everything to avoid a conflict with us. Paradoxically, many of the governments in the South—in particular a new generation of more enlightened leaders who recognized the self-destructive impacts of corruption—were much more committed to change. For instance, I attended a conference of the global coalition for Africa in The Hague at which the then-President of Ethiopia rose and addressed the ministers of development of the North, including the German minister of development. His message was: “We are trying to do our damndest to clean up our homes and we are working with

Transparency International on this. But please, our brothers in the North, stop your own exporters from bribing our elites and undermining our economic management.”

Thus as we developed further and began to build our network of national chapters, we came to realize the importance of distinguishing between different types of corruption, from petty corruption at the local level to grand scale corruption at the international level. Each of these types of corruption is abhorrent in its own way, but the response to each has to be different.

Petty corruption at the community level takes many forms. Civil service in many countries in Africa, for instance, is terribly bloated, there's no budget for proper pay or for rewarding good performance. Therefore, many governments simply rely on the fact that these civil servants will supplement their incomes by extorting money. When public servants do, predictably, turn to bribery, they naturally target the most vulnerable people, the poorest, because they are the least able to object. As a direct consequence, in some

countries whole generations of young people are being lost because their parents cannot afford the bribes that are being demanded by school officials or by teachers. This sort of petty corruption has to be addressed through awareness building, through campaigns, but also through the development of anti-corruption tools and their deployment by civil society. In some countries, for instance, we have helped puppet players to go into the villages and perform pieces for the villagers in order demonstrate to them their rights and obligations. In some Indian villages we have helped implement report card systems that rate the performance of local civil servants, which the people are asked to complete. In Argentina we have supported campaigns where school children stood in front of the entrance of municipal buildings and asked passers-by if they had been asked for money, and if so, how much. If then the mayor objects and throws them out, the groups go to the media. We are also working with cartoonists in different places, who are very powerful in shaping the awareness of people. We work to make sure that this corruption aware-

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ness enters into the curriculum of schools as well—if possible, at a very early stage. Students need to understand integrity as an important value of their culture, of their society.

At the other end of the scale is grand corruption—large scale bribery that crosses borders. A vast disproportion exists between the salary that civil servants, bureaucrats, or even politicians earn and the huge amounts of money that are at play in large procurement contracts—often hundreds of millions of dollars. Now there is a state of the art in preventing corruption in such transactions, which, at this point, has been mainly developed by the World Bank. If and when careful ground rules are followed—by putting in place monitoring processes, giving access to civil society, and making the entire process open to the media—procurement can be very clean and very effective. But unfortunately, many situations, for instance, directly following natural catastrophes or in other contexts in which there is a sense of urgency, negotiations can take place behind closed doors and huge sums of money can end up in the wrong pockets. (We have seen this in connection with the procurement of the supplies and reconstruction of Iraq, for instance, even though the United States normally has a very strict procurement system.) What is needed, as a consequence, is the development of a zero-tolerance philosophy, linked to credible monitoring and severe sanctions for non-compliance.

A GLOBAL CAMPAIGN AGAINST CORRUPTION TAKES FORM

The Breakthrough

The first real breakthrough for Transparency International came when we finally managed to get a dialogue going with the business leadership in Germany. Over a period of two years we arranged meetings at the Aspen Institute in Berlin and worked to the point where they acknowledged that what they were doing was not simply adapting to conditions outside their control, but rather blatant bribery, blatant perversion of economic decision-making. At the last meeting we held with them they went so far as to say, “Yes we have to try to stop it. But how can we stop when our competitors bribe and get all the contracts?” So it was a dilemma, in which they were caught; a true sort of “prisoner’s dilemma,” where the company or the exporting country that behaves better than the other is punished for their good behavior. I find this quite interesting because this kind of prisoner’s dilemma is not only found in the fight against corruption. It also exists in other areas of failed global governance—for example, human rights violations, child labor, exploitation of women, slavery, violation of labor standards, and destruction of the environment. Very often, it is more expensive—in the short run at least—to produce with a higher standard of social responsibility.

Our exit route from this dilemma was an attempt to help them find a way to avoid corruption without losing contracts. We had a couple of ideas regarding how we could do this. One very simple way I proposed was that we find and identify competitive situations, say for certain major contracts where very few companies had the capability to bid. This is true in civil works contracts financed by the World

Bank, where sometimes you have five, or perhaps eight, global companies pre-qualified to participate. It is also true in the privatization of public utilities, telecommunications companies, and in the area of minerals, extractive industries and petroleum development. We offered to bring the competitors together and induce an agreement to stop bribing, backed up by a system of monitoring and a system of sanctions.

When the business people met with us again and heard this proposal, they quickly got on board. “If you are able to stop our competitors from bribing, we are going to support you,” they said, “because we want to get away from corruption. We understand that corruption is not only destroying the host country, which is afflicted by this cancer, but it’s also destroying the companies that are allowing this kind of behavior.” The companies signed an open letter to the German government, in which they demanded that the Kohl government—which had been resisting any attempt to outlaw international corruption—participate in the negotiation of a convention that was being prepared with our help, under the auspices of the Organization for Economic Co-operation and Development (OECD).

The OECD Convention signified a quantum leap in the efforts to fight corruption. For the first time, exporting countries signed a binding convention, in which they promised to change their own laws to prohibit their exporters from bribing abroad. The convention entered into force in 1999. It was a tremendous step. Also, at the time, the German government abolished the tax deductibility of foreign bribes—a particularly scandalous feature of its tax system. From that moment on, at least on paper, the system had changed, and the days of transnational corruption as a business practice were suddenly numbered.

The U.N. Global Compact and Convention Against Corruption

Soon thereafter, another opportunity to promote change in international commitments came in the course of the negotiations at the United Nations on a global compact for corporate social responsibility in the fields of human rights, the environment, and labor conditions. In addition to the nine principles that had initially been agreed on, we lobbied for the inclusion of a tenth principle—the principle of transparency and anti-corruption.

In every meeting that I was invited to in New York and elsewhere, I took the opportunity to emphasize that, without fighting corruption, the nine other UN principles would be useless. I made such of a nuisance of myself with everyone involved, including Kofi Annan himself, that the Secretary-General eventually promised that he would support the addition of a 10th principle—which he called jokingly the Peter Principle. (See Text Box 1 on page 8 of this issue for a list of the 10 principles.) So for us it was a reason to celebrate when the 10th principle was added in June 2004, in particular because it came together with the passage of a UN Convention Against Corruption. The UN Convention obliges the States Parties (i.e. participating countries) to implement a wide and detailed range of anti-corruption measures affecting their laws, institutions, and practices. These measures aim to promote the prevention, detection, and sanctioning of corrup-

Text Box 1. Transparency International's Tools

Transparency International seeks to change attitudes through diagnostic and awareness-raising tools, in addition to targeted advocacy.

National Integrity System (NIS) Studies

The NIS studies provide a holistic analysis of the strength and weaknesses of the institutions that support an environment of accountability and integrity. The detailed studies look at the features and functions of the executive office, the media, anti-corruption bodies, civil society, the judiciary, and other institutions, and provide a starting point for national anti-corruption reform efforts.

Corruption Indices

TI's Corruption Perceptions Index (CPI) is a so-called "poll of polls." which draws together respondent data from surveys of experts carried out by development banks, risk analysts, and others to provide a reliable measure of the perceived level of corruption in a country's public sector. In 2007, the CPI ranked 179 countries.

The TI Bribe Payers Index (BPI) is in some ways the complement to the CPI and looks at the propensity of companies from the world's leading export markets to bribe public officials when doing business overseas. While looking at a smaller set of countries, the report still finds troubling disparities, for example, between the behavior of companies doing business nearer to home in Europe and abroad in developing markets.

Transparency International's Global Corruption Barometer (GCB) looks at corruption perceptions and experiences of ordinary people. Covering 60 countries in 2007, it delves into which institutions (police, religious bodies, judiciary etc.) are most likely to demand bribes as well as how citizens see levels of corruption developing in the near future.

Sectoral Studies

Transparency International also publishes numerous reports looking at how corruption afflicts individual sectors (health, construction, education, extractives) and what can be done to combat it.

tion, as well as the cooperation between States Parties on these matters. The U.N. Convention is unique not only in its global geographical coverage, but also in the extensiveness and detail of its provisions.

The Corruption Perceptions Index

In addition to changing national and international legal systems, Transparency International has also worked to build awareness of the prevalence and adverse impacts of corruption. In this second part of our work, our most effective tool has

Text Box 2. A Parallel Effort: The Extractive Industries Transparency Initiative

The Extractive Industries Transparency Initiative (EITI) is a process by which government revenues generated by extractive industries – such as tax, profit oil, and royalties – are published in independently verified reports. These reports are based on information about payments made by companies, and revenues received by governments. The objective of publishing these reports is to improve transparency in countries rich in oil, gas and mineral resources. The EITI is a multi-stakeholder initiative. Although it is government-led, the private sector and civil society organisations both play significant roles in how the initiative is implemented. The EITI, which was launched in 2002, represents a globally developed initiative that promotes revenue transparency at a local level. 23 countries on four continents currently implement the EITI. Several dozen major oil, gas and mining companies have endorsed the initiative. An active civil society movement is engaged in promoting the EITI.

been our annual Corruption Perceptions Index (CPI), a ranking of countries by the level of perceived corruption in the public sector.

When a summer intern by the name of Johan Graf Lambsdorff initially came to me with the idea for a corruption index, I was against the idea. I really thought it was dumb and naïve to try to come up with a ranking for such a complex phenomenon. But Lambsdorff had already done some work on the index and was undeterred. Shortly thereafter, he showed the draft index to a journalist at *Der Spiegel* under the strict understanding that the information was confidential and off-the-record. The list at the time was very short—including only 54 countries. To our tremendous surprise we awoke to the Monday edition of *Der Spiegel* to find that the list had been printed with the subtitle, “Source: Transparency International.”

The leak was a fortuitous one for Transparency International. Over the past decade, the Corruption Perceptions Index has served as a wake-up call to the world each year that the fight against corruption is far from over. Lambsdorff let the animal escape before it had matured. But he succeeded in helping us turn it into a reliable, useful vehicle for our work.

Business Principles

Early on, some private enterprises and their associations actively supported the anti-corruption agenda. This is particularly true of the International Chamber of Commerce (ICC), which tried to introduce international rules against corruption as early as 1977, but at the time did not meet with success. Now they have embraced the help of civil society in creating a corruption-free international marketplace.

In response to the need for common anti-bribery standards in the corporate world, Transparency International joined forces with Social Accountability International to develop a practical tool for companies to counter bribery, togeth-

er with business and other stakeholders. The result, the Business Principles for Countering Bribery, provides a practical framework for implementing a no-bribes policy and dealing with the many challenges businesses face domestically and abroad during implementation.

Since completion in 2002, the Business Principles have become recognized as a no-bribes standard for industry. They are seen as valuable “content” for the anti-corruption principle of the United Nations Global Compact, as a starting point for the implementation of a no-bribes policy by industry sectors, and as a potential

pre-qualification requirement for bidders on internationally funded projects. Transparency International and industry representatives are holding discussions to this end with the World Bank, other development banks, and export credit agencies.

The principles have also provided the basis for creating sectoral no-bribes programs for leading companies in the engineering and construction, energy, minerals and mining industries in the context of the World Economic Forum

We sadly still live in a world where people die unnecessarily as the result of corruption in the medical sector, and where children are robbed of an education because families cannot afford the bribes to get their children into schools....

We will fail to prevent such scandals unless we sustain a broad campaign against corruption.

(WEF) in Davos. By the end of the WEF meeting in January 2005, 63 companies had signed a public anti-corruption commitment, up from 21 companies who signed the initiative in Davos in 2004. The Partnering Against Corruption Initiative (PACI), supported by Transparency International, the WEF, and the Basel Institute on Governance, is a commitment based on principles derived from the Transparency International Business Principles.

Over the coming years, the legitimacy and credibility of such codes will be severely tested, but companies must be aware that the success of these codes is crucial to effective risk and reputation management. Reputation management will increasingly focus on corruption, as the risks of prosecution and blacklisting threaten a company’s activities in international markets and as public awareness of the evil of corruption grows. The recent three-year debarment from World Bank projects of the Canadian engineering consulting firm, Acres International, and the German firm Lahmeyer, after their convictions in Lesotho, is a stark warning to those who think that bribery is a low-risk activity.

THE NEXT STEPS

Our common cause is to improve the lives of ordinary people. It is about contributing to a world in which the poor are not shackled by exploitation and can enjoy the rights they are due. We sadly still live in a world where people die unnecessarily as the result of corruption in the medical sector, and where children are robbed of an education because families cannot afford the bribes to get their children into schools, and where citizens slowly lose faith in the institutions meant to serve them because they see those same institutions held ransom by private interests.

We will fail to prevent such scandals unless we sustain a broad campaign against corruption. We must use all our energy to wage this fight if we are to realize a more humane world, one that enables people to reach their full potential and that allows participation and the greatest opportunities for all.

Corruption is a pervasive disease. The Transparency International Corruption Perception Index shows that corruption is still a severe problem in almost all developing countries. Moreover, the Transparency International Global Corruption Barometer in 2007 showed that over half of all respondents from around the world believe that corruption will get worse over the next three years.

In an era of globalization, the most influential players are governments, businesses and civil society. Since the inception of Transparency International, my focus has been very much on the third pillar of this magical triangle of global governance, civil society.

The potential power of civil society is underestimated by government, business, and civil society itself. But it is a crucial player where the reputation of business is tainted and governments lack the capacity to tackle corruption. Of course, civil society has its own obligations in terms of transparency and governance, and through initiatives like the Accountability Charter for International Advocacy NGOs, we are aggressively addressing this. But with the interrelated thicket of problems confronting the world today, where governance and corruption remain a massive obstacle, the role of civil society as honest broker, and bringing business and government to the table as a knowledge bank and as a force for restoring people's hope for change is indispensable.

In the fight against corruption, only the first few chapters have been written. Like all great sagas, there have been great hopes, bold starts, and some disappointments, but the energy and determination set free by the global anti-corruption movement, from progressive CEOs to government reformers to civil society activists, gives us every reason to hope that children born today in countries rich and poor will live to see a day when corruption no longer affects the everyday lives of people, or saps the economic lifeblood of nations. This is our vision and we continue to work for it to become reality.

1. World Bank Institute, 2007. *Worldwide Governance Indicator: 1996-2006*. Washington, DC: World Bank Group < <http://www.govindicators.org> >.