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[Global Corruption Report, 2004] Introduction

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1 Introduction

Robin Hodess[1]

What is political corruption?

Political corruption is the abuse of entrusted power by political leaders for private gain, with the objective of increasing power or wealth.[2] Political corruption need not involve money changing hands; it may take the form of 'trading in influence' or granting favours that poison politics and threaten democracy.

Political corruption involves a wide range of crimes and illicit acts committed by political leaders before, during and after leaving office. It is distinct from petty or bureaucratic corruption in so far as it is perpetrated by political leaders or elected officials who have been vested with public authority and who bear the responsibility of representing the public interest. There is also a supply side to political corruption – the bribes paid to politicians – that must be addressed.

Political corruption is an obstacle to transparency in public life. In established democracies, the loss of faith in politics and lack of trust in politicians and parties challenge democratic values, a trend that has deepened with the exposure of corruption in the past decade.[3] In transition and developing states, political corruption threatens the very viability of democracy, as it makes the newer institutions of democracy vulnerable.

Political corruption is a primary focus of Transparency International's work. Indeed, one reason for selecting political corruption as the theme of this year's *Global Corruption Report* is the priority of this issue in TI's network of national chapters around the world, many of which hold political corruption to be a major concern in their country and have made political corruption a focus of their advocacy efforts.

The impact of political corruption

The revelation of political corruption often sends shockwaves through a society. Yet, despite strong demands for justice, prominent world leaders who are suspected of corruption prove difficult to prosecute or convict. Many leaders are out of office or dead before their crimes come to light. TI has put together a list of alleged embezzlers from Sani Abacha to Mohamed Suharto (see Table 1.1, page 13), showing estimates of the money they allegedly stole as compared with per capita income. This list is a powerful reminder of just how massive and devastating the scale of abuse can be.

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The general public around the world has taken note of political corruption. TI's Global Corruption Barometer (see 'Global Corruption Barometer 2003', Chapter 11, page 288), a new instrument that assesses the general public's experiences of and attitudes towards corruption, finds that if citizens could wave a magic wand to eliminate corruption from just one institution, more would choose to clean up political parties than any other institution. For parties, which play a crucial role in public life in any democracy, the message is clear: there must be absolute probity of party members and officials, and parties themselves must clean up their internal practices.

Business people also sense the effects of political corruption. A survey by the World Economic Forum shows that business people believe that legal donations have a high impact on politics, that bribery does feature as a regular means of achieving policy goals in about 20 per cent of countries surveyed, and that illegal political contributions are standard practice in nearly half of all countries surveyed (see Box 2.4, 'Political corruption: a global comparison', page 30).

Political corruption points to a lack of transparency, but also to related concerns about equity and justice: corruption feeds the wrongs that deny human rights and prevent human needs from being met. Former UN High Commissioner for Human Rights Mary Robinson argues that corruption hinders participation in political life and proper access to justice (see box 'Corruption and human rights', page 7).

Focus of the report

This year's *Global Corruption Report* focuses on corruption in the political process, and on the insidious impact of corrupt politics on public life in societies across the globe. It addresses the following areas in the context of political corruption:

- the regulation of political finance
- the disclosure of money flows in politics and the enforcement of political finance laws
- elections – specifically vote buying
- the private sector – with a focus on the arms and oil sectors, and
- tackling the abuse of office – including reducing conflicts of interest, limiting recourse to immunity, pursuing extradition and repatriating stolen wealth.

The report also evaluates various mechanisms that can curb corruption in politics, from citizen action to the creation of new international norms and standards, such as Transparency International's Standards on Political Finance and Favours (see below).

By focusing on the above topics, the *Global Corruption Report* addresses particular weak spots in political life: the abuse of money in the political system by candidates and political officials; the lack of transparency about money flows in politics; the potential of the private sector to purchase influence, distorting both the marketplace and the fair representation of the public interest; the corruption of the electoral process; and the ways the legal system can affect the ability of states to pursue justice in major corruption crimes.

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Box 1.1: Where did the money go?

Table 1.1 illustrates the scale of the problem of alleged political corruption through estimates of the funds allegedly embezzled by some of the most notorious leaders of the last 20 years. To put the figures in context, the right-hand column gives the GDP per capita of each country.

The 10 leaders in the table are not necessarily the 10 most corrupt leaders of the period and the estimates of funds allegedly embezzled are extremely approximate. The table is drawn from respected and widely available sources. In general, very little is known about the amounts allegedly embezzled by many leaders.

Table 1.1

Head of government		Estimates of funds allegedly embezzled	GDP per capita (2001)
Mohamed Suharto	President of Indonesia, 1967–98	US $ 15 to 35 billion	US $ 695
Ferdinand Marcos	President of Philippines, 1972–86	US $ 5 to 10 billion	US $ 912
Mobutu Sese Seko	President of Zaire, 1965–97	US $ 5 billion	US $ 99
Sani Abacha	President of Nigeria, 1993–98	US $ 2 to 5 billion	US $ 319
Slobodan Milosevic	President of Serbia/Yugoslavia, 1989–2000	US $ 1 billion	n/a
Jean-Claude Duvalier	President of Haiti, 1971–86	US $ 300 to 800 million	US $ 460
Alberto Fujimori	President of Peru, 1990–2000	US $ 600 million	US $ 2,051
Pavlo Lazarenko	Prime Minister of Ukraine, 1996–97	US $ 114 to 200 million	US $ 766
Arnoldo Alemán	President of Nicaragua, 1997–2002	US $ 100 million	US $ 490
Joseph Estrada	President of Philippines, 1998–2001	US $ 78 to 80 million	US $ 912

Sources:
GDP figures: UN *Human Development Report 2003* (New York: Oxford University Press, 2003); IMF Country Report No. 02/269 (2002).
Suharto: *Time Asia*, 24 May 1999; Inter Press, 24 June 2003.
Marcos: CNN, February 1998; *Time Asia*, 24 May 1999; UN Office on Drugs and Crime (UNODC), *Anti-Corruption Toolkit*, version 5, available at www.unodc.org/unodc/en/corruption_toolkit.html
Mobutu: UN General Assembly, 'Global Study on the Transfer of Funds of Illicit Origin, Especially Funds Derived from Acts of Corruption', November 2002; *Time Asia*, 24 May 1999.
Abacha: UNODC, *Anti-Corruption Toolkit*; BBC News (Britain), 4 September 2000; see also 'Repatriation of looted state assets', Chapter 6, page 100.
Milosevic: Associated Press, 2 December 2000.
Duvalier: Robert Heinl, Nancy Heinl and Michael Heinl, *Written in Blood: The Story of the Haitian People 1492–1995* (Lanham: University Press of America, 1996); *Time Asia*, 24 May 1999; UNODC, *Anti-Corruption Toolkit*; *L'Humanité* (France), 11 May 1999.
Fujimori: Office of the Special State Attorney for the Montesinos/Fujimori case, Peru.
Lazarenko: *Financial Times* (Britain), 14 May 2003; *Chicago Tribune* (United States), 9 June 2003.
Alemán: BBC News (Britain), 10 September 2002.
Estrada: CNN, 22 April 2001; Inter Press, 24 June 2003.

We chose these areas for a number of reasons. First, the prominence we give to **political finance** (whether campaign finance or political party finance) reflects the fact that often political corruption starts here, with financing. There is a great deal of concern about the cost of elections in both new and established democracies as well

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as about the influence of private money on political outcomes and the lack of public information on the real sources of political funding.

In looking at corrupt forms of political finance, we demystify the topic (see Table 2.1, 'Major types of political finance-related corruption', page 20) and expose the legal and systemic obstacles to cleaning up political finance. Our report presents the pros and cons of bans, limits, disclosure rules and public funding as remedies to corruption in political finance – and provides evidence from a number of countries where these measures are in place.

We then feature one remedy to corrupt political finance – **disclosure** – that is central to the philosophy and approach of Transparency International. Disclosure of the flow of money in politics, whether financing parties or candidates or spent on elections or on public contracting, is critical. Political finance needs to be accounted for and, above all, clean. There is very little justification for anything but maximum transparency about political funds. This emphasis on disclosure tends to be a point of consensus for politicians and activists alike. Yet the reality of disclosure rules, and their enforcement, tells a different story – one in which there are numerous ways to limit disclosure.

Enforcement is the linchpin of a successful political finance regime: even the best laws are valuable only if they are enforced. In nearly every country, enforcement has proved perhaps the most difficult element to realise in a framework designed to stop political corruption. Effective enforcement requires appropriate powers of investigation on the part of the agencies involved, an independent and competent judiciary as well as the necessary political will. We include reports that look at enforcement in practice, via various types of sanctions, providing a sense of what works and why.

In addition to evaluating rules for candidates, parties and governments, we also assess what role the **private sector** plays in political corruption. We feature experts on the arms and oil sectors who evaluate recent revelations of political corruption with an eye to what made corruption possible. We endeavour to analyse current reforms of business practices, particularly those pursued as a result of civil society efforts.

Political corruption is not limited to political finance. We use this special section to consider a form of political corruption that affects the election process the world over: **vote buying**. Our contributors assess why and how vote buying occurs and how it changes not only elections and their outcomes, but also the relationship between elected officials and voters. As a number of other institutions are dedicated to the assessment of practices such as the rigging of ballots, we decided to focus on vote buying, a corrupt political practice that has received less systematic analysis.[4]

To complete this special section, we sought to capture how **justice** is often difficult to pursue. Contributors reflect on the use (and abuse) of immunity and laws on conflict of interest, obstacles to repatriation and the cumbersome process of returning stolen public assets. In all of the above, contributions focus on the legal hurdles faced by prosecutors and populations in many alleged crimes of political corruption. They also detail the way forces of change are emerging at both the international and national levels.

Throughout the section on political corruption, we feature Transparency International's 2003 Integrity Awards winners. Many of these individuals – some of whom paid for their integrity with their lives – demonstrate that it is possible to fight the system,

to stand up to political corruption and to demand an end to the damage it causes to all people.



'Corruption. Moral decay. Political parties. Opportunism.'
Rac, Panama

Transparency International: shining a spotlight on political corruption

Political corruption can elicit a number of responses. One is voter apathy, accompanied by public disillusionment with democracy and its capacity to limit corruption. Another response, the one we at Transparency International aim to capture in our report, is the ignition of citizen action – and, in some cases, positive government and private sector measures.

How can society address the issue of political corruption? One answer, which builds on an idea presented in the *Global Corruption Report 2001*, is to set standards of probity in political finance.[5] This volume introduces Transparency International's own Standards on Political Finance and Favours (see Box 1.2, page 16), which can serve as benchmarks for policy-makers and activists, to be adapted to national (or local) settings. They provide a normative framework. TI's Standards go further than many of those currently available, as they include civil society's critical role in monitoring political transparency.[6]

Political leaders, elected by the public and vested with the power to shape public life, owe it to citizens to set better standards regarding their use of money, and their conduct, both in and out of office.

Transparency International will continue to speak out against political corruption – and will remain resolute in its commitment to greater transparency in the political process. TI's Standards on Political Finance and Favours are one aspect of our global advocacy efforts, which also include the following aims:

• The ratification and enforcement of the UN Convention against Corruption.
TI will monitor the ratification and enforcement of the convention, encouraging each signatory to adopt and apply national legislation that complies with the convention. The convention requires ratification by 30 countries before coming into effect.

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Box 1.2: Transparency International's Standards on Political Finance and Favours

The TI Standards on Political Finance and Favours are based on the values of integrity, equity, transparency and accountability. They arise out of concern about the influence of money and favours in politics, which undermines democratic processes and the rule of law. They are presented against the background of an international commitment to countering corruption expressed in the UN Convention against Corruption, at this writing due to be adopted in December 2003, and they are anchored in the global recognition of human rights endorsed in the Universal Declaration and related conventions.

1. **Curbing influence peddling and conflicts of interest**
   Donations to political parties, candidates and elected officials should not be a means to gain personal or policy favours or buy access to politicians or civil servants. Parties and candidates must themselves practise transparency and demonstrate commitment to ethical standards in public life. Governments must implement adequate conflict of interest legislation, including laws that regulate the circumstances under which an elected official may hold a position in the private sector or a state-owned company.

2. **Transparency through disclosure and publication**
   Political parties, candidates and politicians should disclose assets, income and expenditure to an independent agency. Such information should be presented in a timely fashion, on an annual basis, but particularly before and after elections. It should list donors and the amount of their donations, including in-kind contributions and loans, and should also list destinations of expenditure. The information should, subject to consideration of demonstrable security risks to donors or recipients, be made publicly available in a timely manner so that the public can take account of it prior to elections.

   Furthermore, publicly held companies should be required to list all donations to political parties in any country in their annual reports to shareholders and consideration should be given to requiring shareholder approval for such donations.

3. **Effectiveness in the enforcement and supervision of regulatory measures**
   Public oversight bodies must effectively supervise the observance of regulatory laws and measures. To this end, they must be endowed with the necessary resources, skills, independence and powers of investigation. Together with independent courts, they must ensure that offenders be held accountable and that they be duly sanctioned. The funding of political parties with illegal sources should be criminalised.

4. **Diversity of income and spending limits**
   Careful consideration should be given to the benefits of state funding of parties and candidates and to the encouragement of citizens' participation through small donations and membership fees. Consideration should also be given to limiting corporate and foreign support, as well as large individual donations.

   To control the demand for political financing, mechanisms such as spending limits and subsidised access to the media should be considered.

5. **Fairness and integrity in access to the media**
   Candidates and parties should have fair access to the media. Standards for achieving balanced media coverage and media integrity must be established, applied and maintained. The media should play an independent and critical role, both in election campaigns and in the broader political process. Instruments such as conflict of interest legislation should be used to prevent political control of public and private media from creating a bias in the coverage of politics.

6. **Civil society participation**
   Civil society should actively participate in promoting adequate legislation in the field of political finance and in the monitoring of political finance and its impact on political representation. The legal framework, both regulatory and institutional, must enable civil society organisations, in conjunction with independent media, to undertake such activities. This framework should also provide access to information, the opportunity for civil society input on pending legislation, and legal remedies, among other measures.

TI is particularly concerned that the convention's provisions on asset recovery be realised. Stolen wealth must be returned to its rightful owners. This aim dovetails with TI's campaign to trace laundered money, launched at Nyanga in March 2001.[7]

In addition to setting standards for its signatories to stop bribery, the UN itself must be vigilant, targeting unfair practices (such as vote buying) within the UN system.

• The strengthening of the OECD Anti-Bribery Convention.
Not only must the Anti-Bribery Convention be better enforced, but it must also be amended to include a ban on bribery of foreign political parties and their officials (see 'Will the OECD Convention stop foreign bribery?', Chapter 7, page 128).

• The establishment of political corruption on the donor agenda.
International financial institutions and bilateral donor agencies must consider more carefully political corruption in countries to which they lend or grant money, yet establish sensitive evaluation criteria regarding corruption levels (see 'Governance, corruption and the Millennium Challenge Account', Chapter 7, page 135). Recipients of international aid need incentives to improve their records on transparency and enforcement of political finance rules, conflict of interest legislation and the granting of immunity.

• The enhancement of legislation at the national level on political funding, disclosure and conflict of interest, and the strengthening of institutions in the area of enforcement.
TI will promote better legislation as well as its enforcement at both national and international levels, in the hope that stonger and more comprehensive legal regimes against political corruption will have a direct impact on the achievement of justice. Transparency International demands that civil society actors around the world be

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provided the access to information and legal recourse that would enable them to play a constructive role in the monitoring of political finance.

Political corruption is an abuse of the political system, of trust and of the principles that make democratic society work. We hope this volume enlivens the policy debate about political corruption, inspires action and results in positive change. Much remains to be done to stop political corruption. Through the strength of its network of national chapters, Transparency International intends to play an active role in constructing the road ahead.

Notes

1. Robin Hodess edits the *Global Corruption Report*.
2. The difficulty of defining political corruption has occupied scholars for decades, starting perhaps with Arnold Heidenheimer's seminal text, *Political Corruption: Readings in Comparative Analysis* (New York: Holt, Rinehart & Winston, 1970), which offers public office-centred, public interest-centred and market definitions. The definition above is necessary to set a framework for this report, and necessarily reductive, so as to provide a point of departure for the material to follow.
3. Corruption has always existed – but a recent wave of exposure has created a sense that corruption has increased. Paul Heywood (ed.), *Political Corruption* (Oxford: Blackwell, 1997).
4. Several organisations (the OSCE, NDI, IFES, Electoral Reform International Services, or ERIS, and The Carter Center) have established substantial expertise in election monitoring around the globe, often working in conjunction with in-country partners.
5. Keith Ewing, 'Corruption in Party Finance: The Case for Global Standards', *Global Corruption Report 2001* (Berlin: Transparency International, 2001).
6. Existing standards focus more on regulatory control and less on public monitoring. Good examples of standards include the Council of Europe's Committee of Ministers recommendation (2003–04) on common rules against corruption in the funding of political parties and electoral campaigns, adopted on 8 April 2003, and The Carter Center's 'Principles for Political Financing', www.cartercenter.org/documents/1487.pdf
7. See www.transparency.org/pressreleases_archive/2001/2001.03.13.nyanga_declaration.html