Kennedy School of Government
Case Program

C15-02-1658.0

High Road or Low?
Transparency International and the Corruption Perceptions Index

By mid-1995, the non-profit Transparency International (TI) was struggling. It had been founded in May 1993 to combat corruption in international business transactions. Since then, TI had assembled an active board of directors, a prestigious advisory council and a small staff. It had embarked on a variety of enterprises to further its mission—publishing, meeting with governments interested in TI's approach, lobbying international organizations to strengthen sanctions against bribery.

But its efforts seemed scattershot and uncoordinated. There was no strategic plan guiding where the organization was headed, or how it would measure success. Its efforts had won the non-governmental organization (NGO) small triumphs, and favorable press. But Transparency International was far from being a household word. Most worrying, over its two years in existence funding had actually decreased rather than increased.

Unlike most NGOs, TI was not a grassroots organization. Its members were professionals, the elite from the worlds of development, international aid and politics. TI had from its birth sworn off fingering corrupt individuals as counter-productive and potentially dangerous. It chose instead to take the high road, building on its global professional contacts to build coalitions with business and government partners to mount comprehensive campaigns against corruption.

In mid-1995, however, TI had the chance to try a new instrument, one more reminiscent of traditional NGO tactics. A young German academic interning at TI had developed an index which tried to measure global corruption—not in absolute terms, but in terms of the business community's perception of the corruption in any given country. TI had to decide whether or not to adopt the index.

This case was written by Kirsten Lundberg for Sanjeev Khagram, Assistant Professor of Public Policy, John F. Kennedy School of Government, Harvard University. (0802)

Publishing it would, TI's managers predicted, grab public attention and put the organization on the map. But there could be costs. It would necessarily be an inexact instrument, leaving TI vulnerable to accusations of political scandal-mongering and methodological inaccuracy. It would go against the grain of TI's usual caution. It might even alienate those very groups with which TI sought to build coalitions. Would the index advance TI's mission, or undercut it?

Genesis of an Idea

The decision would fall, ultimately, to two men: TI founder and Chairman of the Board Peter Eigen, and Managing Director Jeremy Pope. Eigen had spent his career at the World Bank, but in 1991 took early retirement in disgust when the Bank refused to endorse his efforts to formulate a Bank policy against corruption.[1] Pope had helped Eigen create TI and, in January 1994, took on the top staff position.

Eigen's interest in corruption grew out of a 1990 World Bank meeting in Swaziland, at which participants debated an appeal from African intellectuals disillusioned, says Eigen, with Bank willingness "to turn a blind eye to everything which had to do with ... important aspects of policy, such as democracy, human rights, participatory decision making and corruption."[2] The meeting expressed frustration over World Bank projects compromised in many countries by rampant corruption. Participants appointed Eigen to develop an anti-corruption agenda for the Bank, but Bank lawyers at headquarters in Washington, DC, objected. The Bank's charter, they argued, forbade involvement in politics, and corruption was a political problem. Bank President Barber Conable summoned Eigen to tell him he must drop the issue, either on behalf of the Bank or on his own time.

But Eigen had been inspired by the possibilities raised in the Swaziland meeting. For years, his wife Jutta—a doctor—had disparaged his work as futile, given the kind of corruption which she witnessed daily in medical clinics. "Finally, I realized she was right," Eigen said later. "I used to think nothing could be done about it, but I also knew that corruption was destroying everything we were trying to do in Africa."[3] Eigen quit the Bank and moved back to his wife's hometown of Berlin. He was determined to found an organization to publicize and hopefully reverse the

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1 The official name is the International Bank for Reconstruction and Development. It is one component of the World Bank Group, which also includes the International Finance Corporation, the International Development Association, the Multilateral Investment Guarantee Agency and the International Center for the Settlement of Investment Disputes. Eigen's final job with the Bank had been as director of the Regional Mission for Eastern Africa (based in Kenya).

2 Author's interview with Peter Eigen, Berlin, March 4, 2002. All further quotes from Eigen, unless otherwise attributed, are from this interview.

3 Stevie Cameron, "Dreaming of a world without corruption," *Maclean's*, April 8, 1996, p. 36.

corrosive effects of international corruption on the economies and civil fabric of the developing world.

Corruption—a History

Corruption was nothing new. So-called "petty corruption"—payoffs for services to often woefully underpaid public and private officials—had an ancient and worldwide history. But by the 1990s, the scale of bribes to top government officials to influence large public works projects had reached startling proportions.

Part of the increase was not new, but newly visible. As the Cold War ended, corrupt regimes whose vices had been deliberately ignored in the overriding interest of the superpower rivalry were finally open to investigation. There were also new opportunities for corruption. In the former Soviet Union and Eastern Europe, the move to privatize vast state-owned enterprises in the name of establishing capitalism opened the door to extensive fraud by the outgoing elite. Even technology aided an upsurge of corruption: the growth of the Internet plus the increasing ease of electronic money transfers made monitoring illicit transactions ever more difficult. One World Bank estimate put the cost of bribery among transnational corporations alone at $80 billion a year.[4]

In developing countries, bribes added untold costs to public projects. Typically, public officials accepted bribes from private contractors to channel public funds (often aid monies) toward the project of the contractors' choice. Thus unnecessary but high-status airports, hotels and convention centers were built in countries lacking decent roads, education and basic healthcare. The system reached into the highest levels of government: pay-offs to presidents were simply more expensive than those to ministers. One estimate put the amount African leaders had stashed in Swiss bank accounts at $20 billion.[5]

Western businesses tacitly supported this system in order to win contracts; industrialized countries were the source of most of the bribes driving international business corruption. Only the United States had taken substantive steps to curb bribery—in 1977, the US passed the Foreign Corrupt Practices Act (FCPA, amended in 1988). But no country had followed suit.[6] How much this hobbled US companies was a matter of debate. US businesses complained that they were losing contracts because the law denied them a "level playing field"; competitors retorted that US

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4 Fredrik Galtung, "A Global Network to Curb Corruption: The Experience of Transparency International," in *The Third Force*, ed. Ann M. Florini (Washington, DC: Carnegie Endowment for International Peace and Japan Center for International Exchange, 2000), pp. 17-47.

5 "Clean, not laundered," *The Economist*, May 8, 1993, p. 78.

6 The International Chamber of Commerce in 1977 elaborated a set of Rules of Conduct against extortion and bribery, but there was no enforcement mechanism and they were honored largely in the breach.

companies still bribed, but through intermediaries.[7] Regardless of the truth of that charge, many countries in fact allowed bribes to be deducted from taxes as a legitimate business expense.[8] One study reported that German corporations alone declared some DM 600 million ($400 million) a year in bribes on their tax returns.[9]

Little publicity. This state of affairs was only dimly understood by the public in both North and South because all parties to corruption had an interest in keeping it quiet.[10] The subject was considered taboo at the World Bank, which feared stirring up a political hornets' nest among its members, many of whom were among the offenders on both sides of the bribery equation. Corruption even had its supporters, who argued that in numerous countries, giving and receiving bribes was an integral part of the local culture, and that any Western challenge to the practice was presumptuous. This ignored the fact that most countries had laws on their books forbidding bribes. But those laws were honored in the breach; often the judiciary was as corrupt as the political establishment.

But the time was propitious for opening public eyes to the extent of global corruption. In the late 1980s, public revulsion against corrupt rulers in the Philippines, Bangladesh and Brazil had forced those regimes from power. In the early 1990s, new leaders in the former East bloc pledged to foster democracy and, as part of that effort, embraced anti-corruption platforms. Meanwhile, bribery scandals in Italy, Japan, Belgium, Spain and France during 1992 and 1993 revealed that northern countries had no special claim to virtue.

Eigen hoped to take advantage of these developments to tackle international business corruption wholesale. His vision was audacious: to expose and reduce corruption in international business transactions, thereby improving the economic potential of developing countries and the effectiveness of aid to them. But it was one thing to have a vision and another to start a new venture.

Creating an Entity

For two years, Eigen traveled widely, meeting with businessmen, journalists, politicians and academics around the world. He found some willing to lend money, others happy to join his effort. They were all highly-educated professionals, seasoned veterans of international aid,

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7 The US Treasury estimated US corporations lost $30 billion a year in contracts because of refusal to bribe. See: Galtung, "A Global Network."

8 Austria, Belgium, France, Germany, Iceland, Ireland, Luxembourg, the Netherlands, Portugal, New Zealand and Switzerland all permitted the deduction from taxes of bribes; Denmark and Sweden allowed the same if bribes were "customary" in the recipient's country.

9 Carolyn Hotchkiss, "The Sleeping Dog Stirs: New Signs of Life in Efforts to End Corruption in International Business," *Journal of Public Policy & Marketing*, Spring 1998, p. 108. Note: This study uses the exchange rate of DM 1.5 to the dollar unless an actual dollar equivalent has been computed by the report quoted.

10 Like TI, this study uses the terms "North" and "South" as shorthand for industrialized and developing countries.

commerce and development. They were almost all men. Several of them had, like Eigen, World Bank experience. "Hardly any of us," says one of them wryly, "had any experience in civil society."[11]

No one was quite sure what the new organization should look like. Over four working group meetings in 1992, vague ideas became firmer. Eigen's first thought had been to create an organization, called the International Business Monitor, to scrutinize international business transactions and expose wrongdoers. He was discouraged by arguments—from, among others, former Amnesty International Secretary-General Ian Martin—that exposing dirty business deals was a bad idea that would land everyone involved in debt or in jail.

Instead, the group resolved to challenge what founder George Moody-Stuart termed "grand corruption" by building coalitions among business, the private sector and civil society. They would emphasize not the moral, but the economic, social and political costs of corruption, enlisting the self-interest of governments and corporations in making business transactions open and honest. They would examine not only bribe-takers in the South, but bribe-givers in the North.

The organizers christened their new creation Transparency International—a title which caused considerable confusion as "transparency" was then a little-known term of economic art.[12] TI would be gradualist and pragmatic. As US supporter Michael Hershman put it, TI would be "independent, realistic and non-radical. It will be active, effective and respectable."[13] The group also resolved that the infant organization would remain financially independent, although temptation was close at hand. The Dutch government in 1992 offered to provide funding for six staff members and rental of office space if the new organization could be known as Dutch-supported. But TI turned down the offer, preferring to seek a variety of sponsors.

By the end of 1992, an interim Board of Directors and an Advisory Council had formed. Advisors included such illustrious figures as then-former Nigerian President Olusegun Obasanjo, Nobel prizewinner and Costa Rican former President Oscar Arias, and Kamal Hossain, former Bangladesh foreign minister and minister of justice. The group settled on Berlin as TI headquarters, despite strong support for basing TI in the developing world, because the German capital hosted few NGOs, Germany was Europe's strongest economy, and bribery was legal there—making it a good symbolic choice for basing the campaign to end such practices. Plus, Eigen's wife had a house

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11 Author's interview with Hansjörg Elshorst, Berlin, March 5, 2002. Any further quotes from Elshorst, unless otherwise attributed, are from this interview. At the time, Elshort was managing director of the German Agency for Technical Cooperation (GTZ). He became a member of TI's first Advisory Council and, in 1998, TI's managing director.

12 Quips Pope: "People used to ask if we sold ladies' underwear!"

13 Speech by Michael J. Hershman, November 4, 1992, to the International Consortium on Governmental Financial Management, Silver Spring, Maryland.

in Berlin which was already TI's first office. Staying in Berlin would be convenient for Eigen, who planned to work for TI one day a week, devoting the other four to consulting.[14]

The Framework

On February 9, 1993, in a document-signing ceremony at The Hague, Transparency International formally incorporated as a German non-profit *eingetragener Verein*, which gave it tax-exempt status.[15] German law requires at least seven members to form a Verein. The 11 TI founders were preponderantly American and British, although three came from the South.[16] TI was now officially a non-governmental organization. NGOs defy a single definition, but they are non-profit, and include charities and community-based organizations. Many represent societal interests, such as protecting the environment, defending human rights, or combating poverty.

The launch. The next step was making sure the world noticed TI's creation. Just three months later, on May 4-6, 1993, TI hosted a formal launch at the Villa Borsig in Berlin. It was a high-profile event. Some 70 individuals from around the world attended, including Nigeria's Obasanjo, former World Bank President and US Secretary of Defense Robert McNamara, Algerian Prime Minister H.E. Belaïd Abdesselam and Bolivian Foreign Minister Ronald MacLean Abaroa. Representatives came from governments in the South, the international development community, and transnational corporations.

So-called Active Members, chiefly the founders of TI, elected a nine-member Board of Directors—all unpaid.[17] The board had to approve all major TI decisions. Eigen was chairman and, temporarily, managing director responsible for day-to-day operations. Thanks to his World Bank pension, Eigen also was able to offer his services *gratis*. The two vice-chairs were American Frank Vogl (president of Vogl Communications) and Kamal Hossain of Bangladesh, a respected jurist who had held several ministerial posts. The board, with these three as an "executive committee," comprised the decision-making leadership. A 22-member Advisory Council, also of unpaid volunteers, was chaired by Ecuadoran Vice President Alberto Dahik.[18]

Organizationally, TI would comprise a small secretariat in Berlin, plus National Chapters in those countries which expressed interest. The chapters—meant to be models of cooperation among government, business and civil society—would promote TI's mission. All members would

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14 This plan was never realized, as TI consumed all Eigen's time.

15 Unfortunately, the lawyer retained by TI failed to properly constitute the group as a charity, so it was prevented from allowing donors to deduct contributions from taxes.

16 They were Eigen (Germany), Frank Vogl (US), Laurence Cockcroft (UK), Joe M. Githongo (Kenya), Fritz Heimann (US), Michael Hershman (US), Kamal Hossain (Bangladesh), Dolores Espanol (Philippines), George Moody-Stuart (UK), Gerry Parfitt (UK), Jeremy Pope (New Zealand), and Hansjörg Elshorst (Germany).

17 "Active member" was a term under German law which meant voting member. For a list of the first board of directors, see Exhibit 1.

18 For a list of the first Advisory Council, see Exhibit 2.

attend annual meetings. The chapters themselves would not have votes, although many of the national chairpersons were Active Members with votes or on the Advisory Council.[19]

At the launch, TI announced its strategies. It would advertise the existence of corruption, using the media to achieve global awareness of the problem. It would formulate Standards of Conduct which it hoped to persuade voluntary coalitions to accept, country by country or project by project. It would establish "islands of integrity," pilot projects which others could emulate. It would offer developing nation governments a range of services, from strengthening procurement systems to establishing anti-corruption investigative agencies. It would provide advice and support to start-up National Chapters.

But first TI needed a base.

Setting up Shop

Finding usable office space and hiring staff were early priorities. For the two years (1991-1993) that TI was in formation, it had operated out of Eigen's kitchen with a telephone and a fax machine. After the launch, it moved into a small office at the Technical University of Berlin. Eigen hired TI's first staff member, a young Norwegian named Fredrik Galtung, in February 1993 to coordinate the May launch. He and Eigen shared a single computer. "Fredrik would type something on it, then turn the screen to me. And I would say, yes I like it, or no," remembers Eigen. In mid-1993, TI rented a second room to accommodate an office manager, only to move again on November 25 out of the Technical University to commercial space on Hardenbergplatz.

Pope joins. On January 1, 1994, TI hired its first senior staff member. New Zealander Pope, who had been involved with TI since before its inception, joined as managing director.[20] Pope says he joined TI because he believed he could be effective. "It wasn't that I saw Peter [Eigen] as having the answers, because I didn't. It struck me he was very passionate, but really didn't know much about countering corruption," says Pope.

> Peter would always say, 'Corruption is not a moral problem, it's a technical problem. It's just a question of sort of tweaking the system.' He was anxious to depoliticize things. I knew we didn't have any magic answers.

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19 The membership issue was tricky. Under German law, it was nearly impossible to get rid of a *Verein* member, so granting membership had to be done carefully. TI thought the law did not allow conditional membership, such as that of a National Chapter chair, where the person might change but the membership would be permanent. It took years and considerable legal advice to resolve this to allow National Chapters to vote.

20 Pope had been Legal and Constitutional Affairs Division Director of the Commonwealth Secretariat and Legal Advisor to the Commonwealth Secretary General. He would serve as TI managing director until 1998, when he moved to London to take charge of TI's Centre for Knowledge, Innovation and Research.

Pope from the start focused less on business and more on the corruption plaguing the daily lives of millions. "The reason why I became involved was it was blindingly obvious to me that you can't fight corruption in international business transactions without fighting corruption in general," says Pope. "I would never, ever have become involved in TI if I thought that that was the only concern … I was much more worried about the children who can't get an education or what happens in the health clinics in the rural areas."

At first it was quiet, remembers Pope: "I had nothing to do … You'd sit in this tiny office, the phone doesn't ring and if you're lucky you get a fax." TI staff could watch elephants out the window of the office, which was next to the Berlin zoo. An early flurry of requests for assistance in starting chapters—generated by press coverage of TI's launch—had died down. The staff kept busy collecting global press on corruption for a central database, preparing speeches, and looking for funding. They also prepared for TI's first annual meeting.

First Annual Meeting

The meeting changed the course of the infant organization, particularly its understanding of the relationship between the Berlin Secretariat and the National Chapters. It was held in Quito, Ecuador, from February 28-March 1, 1994. Young Ecuadoran lawyer Valeria Merino Dirani played a pivotal role. Dirani, after hearing Ecuadoran Vice President Dahik refer to a TI Ecuador chapter, challenged him to specify who was in the chapter. When he listed the members, recalls Pope, she responded: "That's not a National Chapter, that's a collection of your friends! That's not Ecuadoran civil society." In response, the Ecuador chapter was disbanded and pledges made to reconstitute it with wider representation.

Dirani also objected to TI's narrow focus on business corruption, arguing strenuously that TI had better address ordinary corruption, or it would lose all credibility. As the TI annual report subsequently recounted, Dirani said:

> We strongly believe that unless we are able to promote a complete revision of existing procedures to address public complaints regarding corruption, we will be faced with an obstacle often attributed to NGOs: lack of credibility and capacity to deliver.[21]

Within hours, says then-Advisory Council member Hansjörg Elshorst, "on the spur of the moment, we overthrew our well-established, careful strategy." National Chapters, the members decided, would enjoy nearly complete autonomy. They would define their own agendas and decide how best to pursue them. As the annual report put it: "For the people of their country to

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21 Transparency International 1995 Annual Report, p. 100.

regard a National Chapter as relevant, it would have to develop a distinct and relevant national agenda, in addition to work on countering international illicit payments." Chapters would draw members from a cross-section of society. Moreover, they would be self-financing—meaning the Secretariat would not be responsible for financial oversight.

There were only two rules: all chapters had to refrain from investigating individual cases, as that would undermine TI's coalition-building efforts; and all had to be politically non-partisan. The board of directors had authority to accept or reject a candidate chapter. The board could, over what might be a lengthy approval period, check references of chapter leaders, examine funding sources, observe activities and openness of communications. Thanks to the annual meeting, said the June 1993 TI newsletter, National Chapters were "emerging as the driving force behind the movement, with TI's Berlin office servicing their needs, as well as being responsible for executing the international campaign."

Despite this reassuring tone, the founders worried about what they had unleashed. Six or seven of them took a vacation to the Galapagos Islands after the Quito meeting. Walking among the animals, recalls Elshorst, "we were pulling our hair."

> How, we wondered, can we avoid that these activists on the national level will soon be so radical or so unruly that they will ruin us before we are strong enough to withstand whatever pressure that comes? It was a risky thing because we couldn't control it anymore from that moment on.

TI was evolving. Thanks to the annual meeting, the Secretariat had a clearer understanding of what would play in the developing world. Now it needed a track record. Even more urgently, however, it needed funding.

Chasing the Dollars

Eigen recognized from the start that TI had to be as transparent in its own transactions as it expected others to be. As he wrote:

> TI is … aware that its success over time will depend on its independence. It will seek ties to all parties engaged in international business transactions, but it will seek special relationships with none. It will make no secret of the

> sources of its funds, the affiliations of its directors and the approaches it uses to select and recruit consultants.[22]

TI's goal was to receive one-third of its funding each from government, corporations and private donors. It planned to put a cap on contributions from any single source to avoid undue influence. It also hoped to charge a fee for some services. At its launch, it announced an immediate goal of $1 million a year in contributions. It identified five target groups: foundations, governments/official institutions, corporations, private voluntary organizations, and individuals. This goal, however, proved elusive. Private contributors proved particularly difficult to attract.

GTZ Support. For the early funding it did get, TI had to thank the fiscal creativity of a few supporters. TI Advisory Council member Elshorst, for example, provided critical financial backing during the two years of TI's gestation (1991-1993). As a managing director of the German GTZ agency, Elshorst had experienced the debilitating effects of corruption on projects in Indonesia, and was eager to contribute to the fledgling anti-corruption movement. But the German government, he recalls, "strictly forbid me to put development money into that … Even profits from this work we were not allowed to put in there because corruption was something that gave German companies an edge over the Americans."[23]

But GTZ had two arms—development, and private consulting. Elshorst says, "I just put my other hat on, the hat of an international consultant, and took the profits from that business." When his supervisors threatened to fire him, Elshorst said he would take his story to the press.[24] He kept his job, and contributed just short of DM 100,000 ($66,600)—the legal limit he could dispose of without board approval.

Meanwhile, other small donations came in. In Britain, the Joseph Rowntree Charitable Trust and the Nuffield Foundation contributed £20,000 ($30,000) each in early 1993 to the start-up.[25] The Global Coalition for Africa, which had already helped fund Eigen's early travel to present his idea in international forums, pledged $50,000; and the UN Center of Transnational Corporations also offered some support. Many contributions were targeted at specific projects. The German government, for example, through the Foundation for International Development (DSE), funded the May 1993 launch conference. A few early pledges of support for operating expenses (always a more difficult category to fund) came from the government of Ecuador, the Netherlands Ministry of Economic Cooperation, the Boeing Company (US), Crown Agents (UK), Coopers &

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22 Peter Eigen, "Transparency International," article for *European Association of Development Research and Training Institutes* (EADI) General Conference, Berlin, September 15-18, 1993. Written September 10, 1993.

23 Tax write-offs were disproportionately advantageous to European firms, due to their high corporate tax rates.

24 Elshorst's personal assistant was also threatened with dismissal.

25 Information from author's interview with TI-UK Chairman Laurence Cockcroft, London, March 8, 2002.

Lybrand (UK), Innovative Technologies (Switzerland), and the Unions des Groupements d'Achats Publiques (France).[26] General Electric (US) provided $25,000 a year for three years.[27]

But it was not enough to cover the Secretariat's administrative expenses of salaries, travel, communications and rent, even though those were low. Eigen had pledged to "keep core operating expenses to an absolute minimum," and in 1993 expenses were less than $100,000.[28] "Initially," says Eigen, "we really lived from hand to mouth." Salaried staff, remembers Pope, accepted that they would be paid only if there was money.

World Bank Denies. A particular disappointment was the failure of the World Bank to give TI a grant in early 1994. Eigen had assured Pope before he came on as managing director that funding would be no problem, because the Bank would be providing a grant of some $200,000. Eigen knew that a majority of the Bank's vice presidents supported the project. The Bank's grants committee, however, turned it down. When the sympathetic vice presidents appealed directly to Bank President Louis Preston to revisit the committee recommendation, remembers Pope, Preston wrote an angry letter in reply accusing them of violating corporate discipline. The loss of that grant, recalls Pope, "came as a complete shock … It was a huge blow for us."

TI cast its fundraising net wider. In early 1994, Eigen approached George Soros and his Open Society Institute (OSI) during a conference in Budapest.[29] But, says Pope, the Institute kept changing the rules for making applications. After several unsuccessful iterations and days spent preparing fruitless proposals, exclaims Pope, "I said to Peter [Eigen], forget this thing—this is complete nonsense."

A mid-1994 appeal to the Ford Foundation proved more rewarding. TI Advisory Council member Oscar Arias had urged Eigen to approach the Ford Foundation for funding, not only for the money but for the vote of confidence which funding from Ford would represent to the lending community at large. So in spring 1994 Eigen, a former Ford grantee himself, and later Pope and TI-US Chairman Fritz Heimann, visited Ford, which agreed starting in September 1994 to fund an effort to write down TI's anti-corruption strategy (essentially creating TI's intellectual property). Pope undertook that project.

Notwithstanding Ford's vote of confidence, for all of 1994 TI raised only $592,000. Its expenses were $569,000. In order to reduce rental costs by some 70 percent, the office moved in December 1994 to a new location on Heylstrasse.[30]

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26 Eigen, "Transparency International," EADI paper.

27 Transparency International, *Securing Corporate Support for Transparency International, The 10 Most Frequently Asked Questions by US Corporate Sponsors*, Berlin, 1994.

28 Eigen, "Transparency International," EADI paper.

29 TI Annual Report 1995, p. 91.

30 Rent dropped from $119,000 (or 20 percent of all expenditures) in 1994 to $37,000 (6.5 percent) in 1995.

Matters did not improve in 1995, despite an approach to USAID. At first, things looked hopeful. A funding application from TI crossed the desk of Lawrence Garber, a Clinton appointee who had worked with Pope in Ethiopia and elsewhere. Garber urged the Agency to fund the TI project. Two visits from USAID officials to scrutinize TI's financial system and its books were so confusing, however, that as of mid-1995 Pope and office manager Van Ham were convinced not a dollar would be forthcoming.

At that point, it looked as though TI would raise even less for 1995 than the year before. Expenses, fortunately, were holding steady, even though the number of staff had grown to cope with the workload.[31] Every last dollar counted. At one point, remembers Elshorst, Eigen had a pledge of DM1,000 from a German entrepreneur who was, reports said, mortally ill in the hospital. Eigen went to visit him—and to check that the contribution would be made.

Even as TI's leadership was struggling for funds, the staff were laboring to find the right mix of activities for TI to make an impact and make a difference.

1994-1995: What do we do?

At the May 1993 launch conference, Nigerian leader General Obasanjo had noted that "it was not clear what activities TI would actually be doing."[32] That took some time to clarify. One direction, however, was clear from the start. To raise public awareness of corruption, TI needed the media. As Pope told Eigen in TI's early days, "NGOs die to get their name in the newspaper. If you're not in the media, you're nowhere."

In this it was remarkably successful, thanks in large part to the press contacts of Board Vice Chair Vogl, who had previously been a spokesman for the World Bank. As early as 1992, TI's organizational meeting in London was covered by the *New York Times*. When TI incorporated in February 1993, media coverage was so instantaneous that when Eigen later that day picked up a rental car in Frankfurt, the BBC was reporting on the new international organization as he switched on the radio. "It was very, very strange," laughs Eigen. TI's May 1993 launch was likewise well covered. The *Financial Times* reported that "TI may be optimistic, but it is certainly not naïve."[33] The *Economist* was more circumspect, commenting that "Mr. Eigen's faith in self-regulation is heroic, to say the least."[34] A Spanish newspaper ran a cartoon of TI as a latter-day Don Quixote.

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31 For Income and Expenditure statements from 1994 and 1995, see Exhibit 3.

32 *Accountability and Transparency in International Economic Development; The Launching of Transparency International in Berlin, May 1993* (Berlin: German Foundation for International Development and Transparency International, 1994), p. 47.

33 Michael Holman, "New group targets the roots of corruption," *Financial Times*, May 5, 1993, p. 4.

34 *The Economist*, May 8, 1993.

TI Board members and staff also wrote articles and letters to the editor. They submitted papers to conferences, professional publications and reports. They made speeches. TI started publishing its own products. In March 1994, TI inaugurated a quarterly newsletter, which provided updates on the activities of National Chapters, board members, and the Secretariat; and reported on the anti-corruption efforts of international organizations. It collected samples of world press corruption coverage, and provided a calendar of conferences TI had hosted or attended. In 1994, the newsletter circulated to some 2,400 readers in 120 countries, while in 1995 that grew to 4,500 copies in 140 countries. In May 1994, TI created a 4-page handout, *Introducing TI*, for general distribution.

One 1994 publication which garnered considerable media attention was *The Good Business Guide to Bribery: Grand Corruption in Third World Development,* written by TI's UK Chairman George Moody-Stuart.[35] Drawing on his 30 years' experience as a consultant to the sugar industry in East Africa, the South Pacific and Caribbean, Moody-Stuart described with vivid anecdotes the conversation of corruption. In one instance, a permanent secretary involved in negotiations on a project referred to the cost of educating his son at a US college. "Could you help with the bills?" he asked bluntly.[36] The booklet also provided a tongue-in-cheek guide to the costs of bribing government officials of ascending seniority. Other TI titles included *Should Foreign Bribery be a Crime?* by Board member Heimann, and *Accountability and Transparency in International Economic Development*.

TI also assembled a database of articles and other publications on corruption, as well as an index of newspaper articles. In 1994, it created an email network, known as the TI Forum, linking experts on corruption worldwide. In 1995, it established a presence on the Web. But while publishing contributed to TI's goal of raising public awareness, there was a whole other arena to which TI had pledged its efforts. TI wanted to be pro-active, to help contribute to solutions—not just point out shortcomings. So TI also cast about for a way to build the coalitions it had so grandly advocated from the start.

Integrity Systems

The idea TI hit upon was to help nations build up what it eventually called a "national integrity system." This system, broadly defined, included a country's laws, institutions and practices. TI proposed to analyze and improve integrity systems in three stages:

1) Meet with senior government officials to explain TI goals;

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35 His brother Mark Moody-Stuart, interestingly, was CEO of Shell Oil.

36 Rosie Waterhouse, "The good business guide to bribery," *The Independent* (London), March 27, 1994, p. 10. See also: Michael Holman: "Survey of World Economy and Finance," *Financial Times*, September 30, 1994, p. XVIII.

2) Include in later discussions other leading civic figures such as journalists, academics, and religious leaders; and

3) Produce a diagnostic report of the country and a tentative plan of action.

As a first step, TI published a Standards of Conduct code to distribute to clients. The code covered categories such as bribery, kickbacks and subcontracts, agents and consultants, and financial disclosure.[37]

As of its 1993 launch, countries which had tentatively invited TI teams included Benin, Algeria, Botswana, Uganda, Zimbabwe, Namibia, Senegal, Ecuador, Bolivia, Nepal, Bangladesh and the Philippines. As TI Vice Chair Hossain put it:

> Democracy is fragile. If not protected, corruption may destroy it. Bangladesh needs technical assistance and a coherent strategy.[38]

TI started off gradually in the fall of 1993, says Eigen, "by having a checklist of the laws and institutions which are most pertinent for corruption in a society." On a 1993 visit to Ecuador, for example, "I went over these points with the vice president of Ecuador and asked 'How independent is your judiciary? How is your procurement system? Do you have freedom of the press?' and so forth."

With the funding from the Ford Foundation, this list evolved in 1994 into a National Integrity Blueprint (NIB), an analytical tool for strengthening integrity systems, including a nation's procurement practices, public financial management, administrative practices, auditing, bookkeeping, judiciary, public information and education. Then-Managing Director Pope says he modeled the NIB on the reform effort of an Australian official in the state of Queensland. As Pope analyzed the reforms, "I realized that what he had done was identify, without realizing it, the Queensland integrity system," says Pope. "Then I had the realization that of course every country has one of these things." During 1995, TI re-christened the NIB the *TI Source Book on National Integrity Systems*.[39]

Designing a blueprint and implementing it were, however, two different things. During 1994, TI conducted assessment missions to Benin, Russia, Bangladesh, Ecuador, Mali, South Africa and Uganda.[40] The May visit to Benin "was a first, and we learned as we went along, but it never really led to very much," says Galtung. The July 1994 mission to Moscow was followed by a second visit a year later, but corruption at that time was rampant in the former Soviet Union; hopes

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37 For a copy of the Standards of Conduct, see Exhibit 4.

38 *Accountability and Transparency*, p. 50.

39 Transparency International Annual Report 1996, p. 13. The Source Book was first published in mid-1996. The Ford Foundation provided the funding that allowed TI to write it.

40 TI 1995 Annual Report, frontispiece.

of stemming it soon were slight. Missions in 1995 went to Argentina, Colombia, Malawi, Tanzania and back to Uganda.

Reforming entire integrity systems, however, would take years or decades. So TI simultaneously pursued a more promising short-term solution: "islands of integrity"—individual projects that could provide role models for bribery-free transactions.

Islands of Integrity

This concept first surfaced at the 1992 organizational meeting in London. "Everybody thought we were crazy," says Elshorst.

> Corruption wasn't even a negative thing. People thought that it was necessary, and the governments and the companies, both in the North and the South, supported it … [But] we took a different approach from the normal civil society, which normally is against something and lines up alliances of others who are also against … Our main strategy was to try to find change-minded people in the sectors of society that are involved in corruption, to sit together, and work out solutions together.

TI knew that, as things stood, no company would willingly give up bribery if as a result the contract went to less-scrupulous competitors. TI would have to convince a significant number of firms to adopt new standards *simultaneously*, or none of them would. In an "island of integrity," participants would sign an anti-bribery pledge (a model devised by TI supporter McNamara). Pope liked the concept but hated the term, recalling that "it took me about two years to persuade Peter [Eigen] that it was much easier to sign an integrity pledge than to sign an anti-bribery pledge. One is about loving your wife; the other is about stopping beating her." In 1993 and 1994, Ecuador provided TI with its first testing ground for this model.

Ecuador Project. At the invitation of TI Advisory Council Chair and Vice President Dahik, TI dispatched two missions (June 15-18 and October 1993, funded by the Inter-American Development Bank) to assess the potential for a proposed refinery project in Ecuador as a pilot "island." TI found circumstances favorable, and in April 1994, the Ecuador government announced in a letter to procurement officials that companies bidding on the refinery project had to commit in writing to no corruption. Participants, including CEOs of bidder firms, were asked to sign an Anti-Bribery Pact (ABP), whose credibility the government undertook to safeguard. Four bidders emerged for the refinery project; one bid for $160 million was accepted.[41] There were no reports of

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41 The bidders were Kellog-Bufete, Industrial Técnicas Reunidas-Eurocontrol, Raytheon-Tenenge, and Sumitomo-Chiyoda. They all signed voluntarily. Source: TI 1995 Annual Report, p. 27.

bribery.[42] On the other hand, TI was reluctant to send journalists to Ecuador to report on the project because, due to lack of funds, TI was never able to evaluate it properly.

Unfortunately, no other "island" projects immediately followed the Ecuador example. Among other obstacles, the World Bank refused to adopt the anti-bribery pledge, arguing to TI's bewilderment that it would be anti-competitive to require corporations to sign it. It also opposed the "islands of integrity" concept, and successfully blocked its introduction for Bank-financed projects. TI staff still had plenty to do, however. Along with their other efforts, TI wanted to persuade the international community to tackle corruption seriously.

Multilateral Efforts.

Early on, TI had considered pushing for a global convention against international bribery, but this was quickly given up as hopeless. Anti-bribery conventions already existed, both in national and international legislation, and had proven toothless. Instead TI-Berlin, as well as the newly-forming National Chapters in member countries, began to lobby the Paris-based OECD to impose restraints on international corruption. Importantly, so did the Clinton Administration's Secretary of State Warren Christopher and Assistant Secretary of State for Economics and Business Affairs Dan Tarullo. These efforts yielded fruit as early as May 1994, when the OECD recommended that member countries take a coordinated approach against nationals' bribery of foreign officials. The resolution urged members to "take effective measures to deter, prevent and combat the bribery of foreign public officials in connection with international business transactions." A working group was assigned to translate six clusters of recommendations into what might eventually become a treaty.

TI also had an impact in the Americas. In December 1994, 35 democratically-elected heads of state from North and South America were scheduled to meet in Miami for what was billed as the Summit of the Americas, with President Bill Clinton as host. TI Advisory Board Chair Dahik succeeded, as vice president of Ecuador, in putting corruption on the agenda. In an official communiqué during the conference, participants agreed that corruption was a problem and required concerted action at the national and international levels. It was the first time leaders from North and South had joined in laying the groundwork for a regional convention on corruption.

Meanwhile at the World Bank, whose leadership had been so reluctant to formulate a policy on corruption, interest at lower levels continue to grow. Lunchtime seminars on the topic attracted standing-room-only crowds. Petter Langseth, a staff member of the Economic Development Institute (EDI) within the Bank, became a firm believer in TI's efforts. Among other

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42 Unfortunately for TI, Vice President Dahik was forced to resign in late 1995 on corruption charges and fled to Costa Rica. Ironically, the piece of legislation for which he had been caught was an anti-bribery law. From this, says Galtung, TI learned "that we shouldn't have active politicians too closely connected to a National Chapter."

cooperative efforts, EDI in early 1995 conducted focus groups on successive drafts of TI's evolving Source Book, and together with TI ran workshops for investigative journalists in Tanzania, Uganda and Jordan.

By 1995, Tanzania and Uganda happened to have National Chapters. Such workshops could be helpful to newly-formed National Chapters, as could other services the TI Secretariat offered. Increasingly, however, chapters organized in response to specific needs in each country with Berlin at a loss to define just what a TI chapter looked like. In part, this was by design, in part by default.

National Chapters Grow

Certainly the number of chapters was growing. At its start, TI had kept its aspirations limited, hoping for some 15 chapters.[43] During 1993 and 1994, TI formally accredited five chapters: Denmark, Ecuador, Germany, the UK and US. But a further 36 were in formation as of the end of 1994. During 1995, an additional 21 chapters were firmly established, while 20 continued their efforts to organize.

Thanks to the decisions taken at the first Annual Meeting that chapters should be autonomous, their character varied enormously. Some chapters were led by private sector interests; others saw political leaders, churchmen, or journalists take charge; while in several countries existing anti-corruption NGOs converted to TI chapters. In the US, for example, business interests quickly adopted TI-US, giving it stable membership and financial support. In France, by contrast, the TI chapter was small and elite—barely 20 people, most of whom knew one another as members of a club for social responsibility. The Argentine chapter—formed from an existing NGO—most closely resembled that of other mass-movement NGOs like Amnesty International or Greenpeace, with grassroots support and a membership of thousands.

As a rule, TI chapters comprised the elite—academics, politicians, lawyers, doctors, and journalists. In Belgium, the TI Chapter chairman was Baron Jean Godeaux, former president of the central bank. In Malawi, Anglican Bishop the Right Reverend Bvumbwe headed the chapter. Says Elshorst, TI chapter members were predominantly "well-established bourgeois, former politicians, lawyers, bishops and so forth." TI was an organization of "insiders" more likely to promote top-down change than bottom-up street protests.

There were a few false starts, as TI learned the ropes. In Ghana, for example, a teacher in a countryside village had heard about TI on a radio broadcast by *Deutsche Welle*. Inspired, he declared himself and a group of friends TI-Ghana. Officials in Berlin had to inform him regretfully that chapters had to be accredited and there could be only one per country.

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43 *TI History*, from the TI website. See: http://www.transparency.org/about_ti/history.html.

National Chapter activities included national integrity workshops, national integrity surveys, training programs for investigative journalists, and campaigns for politicians to sign anti-corruption pledges. Differences emerged between northern and southern chapters. The northern chapters were more likely to focus on transnational corruption, while those in the South were concerned with fighting national and local corruption.

But despite the encouraging growth in national chapters, despite the renewed international attention to corruption, despite all its papers and op-ed pieces and speeches, Transparency International by mid-1995 had not yet achieved the kind of standing and recognition it needed to be as effective as possible. At that juncture, a potential means to fame fell into TI's hands.

To CPI or Not?

TI had considered, as far back as the organizational meetings of 1992, publishing a report which would track corruption country by country around the world. It had not yet, however, found a responsible and credible way of doing this apart from publishing anecdotal evidence. But in the summer of 1994, Johann Graf Lambsdorff came as a volunteer to TI.

A candidate for a PhD in economics from Göttingen University, Lambsdorff was designing a survey on corruption which pulled together the results of a number of polls: a poll of polls. The survey measured not absolute levels of corruption (which would be impossible to capture), but the perception of international business leaders, risk analysts and business journalists about the level of corruption in a number of countries.

Lambsdorff included 41 countries in his initial effort, which he called a corruption perceptions index (CPI). For a country to be included at all, he had to be able to locate at least two polls including that country. Lambsdorff then standardized the scores on a scale of zero to 10, with zero as completely corrupt and 10 as perfectly clean. The seven polls Lambsdorff used were: three from the World Competitive Report for the Institute for Management Development in Lausanne (1992-1994); three from the Political & Economic Risk Consultancy Ltd., Hong Kong (1992-1994); and a 1980 survey from Business International, New York. For each country, he gave a score, the number of surveys used, and the degree of variance among the seven original surveys. In his draft survey, New Zealand placed first with a rank of 9.55, Germany ranked 13th with 8.14, Argentina 24th with 5.24, India 35th with 2.78 and Indonesia dead last at 1.94.[44]

Lambsdorff tried to interest TI in his work but, remembers Eigen, "I always said this is too much, too fancy, and much too theoretical and forget it. I didn't support him very much." Pope was also skeptical. He recalls:

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44 For a copy of the original CPI, see Exhibit 5.

> I couldn't tell how robust it was going to be. There had been no peer review, and it clearly wasn't ready for the outside world. There was no reason for us to have any confidence in it.

Director of Research Galtung, whom Lambsdorff consulted as he developed the CPI, remembers lengthy conversations about its pros and cons. At first glance, the cons stood out: "When Jeremy [Pope] and I saw it," says Galtung, "the explosive nature of the index was immediately apparent."[45] But it was also highly intriguing. Eigen and Pope agreed to consider whether or not TI would like to adopt the index. In the meantime, Galtung cautioned Lambsdorff to keep the index confidential until Eigen and Pope had reached a decision.

Eigen and Pope could have taken this decision to the board, but that would have been unusual. Eigen, as chairman of the board, and Pope as managing director, made most of TI's management decisions, which the board then endorsed. The advantages, they reasoned, of publishing the corruption perception index were several. It would catapult TI into international visibility. While it could anger states ranked low, it might also inspire them to take measures to improve their ranking the next time around. It would be relatively cheap to produce, taking advantage as it did of existing polls. It would give journalists a useful tool for discussing corruption levels around the world. Most important of all, it could provide an opening for those who wanted to undertake corruption reform to do so.

On the other hand, even a cursory look at the CPI would invite criticism that its methodology was questionable. For one thing, the methodology across the surveys varied; some might doubt whether combining them was valid. For another, the meaning of "corruption" for various respondents' could vary widely, depending on their cultural differences. Then there was the issue of comparability. The index was envisioned as multiyear; yet if it in future years included additional surveys (as available), that would make it hard to compare one year to the next.

Pope and Eigen had also to consider political consequences. The index's very title included the word perception—acknowledgement that there was nothing absolute about the measurements. Nonetheless, governments and the media could be counted on to ignore nuance and focus respectively on the headline impact, or headline value, of the rankings. Some governments might argue that a low ranking would negatively influence lending decisions by international aid donors, making a bad situation worse. Several countries were not included at all because too few or no polls ranked them. Inevitably, some observers were sure to misinterpret this, and assume a country was missing because it was too corrupt even to include. Most telling of all, the index said nothing about those who provided the bribes—thereby potentially reinforcing the idea that corruption is a problem primarily for poor countries.

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45 Galtung email to author on March 14, 2002.

Publishing the index might also be dangerous. It was possible that publication would make impossible the work of National Chapters in individual countries, as governments took out their anger at low rankings on local TI representatives. It was even conceivable that the lives of local activists could be at risk.

Eigen and Pope had to weigh whether the index supported the TI mission, or undermined it. What effect might the index have on TI's efforts to build coalitions? What about its pledge not to identify culprits—were countries an acceptable target where individuals were not? How about funding ramifications? Might any contributor pull out because of this? Moreover, the index smacked of the kind of NGO TI emphatically was not. It had a mass appeal, grassroots quality to it which TI had thus far rejected in favor of insider approaches to civic, corporate and government leaders in pursuit of a rational, self-interested solution to corruption.

As it was, before they could come to a reasoned judgment, Pope and Eigen found the decision thrust into their hands with no time to reflect. Lambsdorff, it turned out, had talked to a reporter from the German news magazine *Der Spiegel* investigating corruption at the Opel car manufacturer. The reporter asked Lambsdorff whether any general measurement of corruption existed, and Lambsdorff gave him a copy of his draft survey—but with strict instructions that it was "not for publication." The following week, in the July issue of *Der Spiegel*, the index accompanied in a box an article on corruption at Opel.[46] It listed TI, together with Göttingen University, as the sponsor of the index.

"Jeremy Pope and I had to decide," remembers Eigen, "whether we would disown it and say this is only a work in progress, or whether we should go with it and say yes, this is one of our tools. We had to decide within half an hour or so because lots of people were calling us at the time."

46 "Kultur der Korruption," *Der Spiegel*, July 1995, pp. 22-29..

Exhibit 1

For Further Information Please Contact the Board of Directors

Peter Eigen
Chairman
Transparency International
Hardenbergplatz 2
D-10623 Berlin, Germany
Tel.: 49-30-261 6015
Fax.: 49-30-262 8583

Kamal Hossain
Vice Chairman,
Transparency International
Chamber Building
122-124 Motijheel
Dhaka 100, Bangladesh
Tel.: 880-2-864 966
Fax.: 880-2-863 409

Theo Frank
Presidential Commission on
Corruption
Judges Chambers, High Court
Private Bag 14179
Windhoek, Namibia
Tel.: 264-61-381 25
Fax.: 264-61-221 686

Laurence Cockcroft
Transparency International-UK
P.O. Box 3378
London N5 2TP, UK
Tel.: 44-71-226 6166
Fax.: 44-71-859 0335

Michael Hershman
The Fairfax Group, Ltd.
3141 Fairview Park Drive, Suite 850
Falls Church, VA 22042, USA
Tel.: 1-703-207 0600
Fax.: 1-703-560 1319

Frank Vogl
Vice Chairman,
Transparency International
Vogl Communications, Inc.
1100 New Hampshire Ave, NW
Washington, DC 20037-1501
Tel.: 1-202-331 8183
Fax.: 1-202-331 8187

Joe Githongo
Githongo & Associates, Ltd.
Electricity Avenue, 14th floor
P.O. Box 47089
Nairobi, Kenya
Tel.: 254-22-8206
Fax.: 254-22-331 068

Gerry Parfitt
Coopers & Lybrand
Harman House
1, George Street
Uxbridge UB8 1QQ, UK
Tel.: 44-895-273 333
Fax.: 44-895-256 413

Dolores Espanol
36, Filriters Avenue
Sterlinglife Homes
Pamplona, Las Piñas, Philippines
Tel.: 63-2-587 535
Fax.: 63-2-819 7205

Exhibit 2

ADVISORY COUNCIL

Name	Affiliation	Nationality
Oscar Arias Sánchez	Former President Nobel Laureate Director, Fundación Oscar Arias para la Paz y el Desarollo Humano	Costa Rica
Paul Batchelor	Chairman, Coopers & Lybrand's International Management Consulting Practice	United Kingdom
Alberto Dahik (Chairman)	Vice President	Ecuador
Boubakar Diaby-Ouattara	Executive Secretary, Global Coalition for Africa	Ivory Coast
Ugo Draetta	Vice President and Senior Counsel, General Electric	Italy
Hansjörg Elshorst	Managing Director, German Agency for Technical Cooperation-GTZ	Germany
Dieter Frisch	Former Director General for Development, Commission for the European Communities	Germany
Johan Galtung	Peace Researcher Alternative Nobel Laureate	Norway
Roy Herberger	President, Thunderbird - American Graduate School of International Management	USA
Gerhard Kienbaum	Former Minister of Economics Senior Partner & Chairman, Kienbaum & Associates	Germany
Alexander Ray Love	Chairman, Development Assistance Committee Organisation for Economic Co-Operation and Development	USA

Exhibit 3

Statement of Income and Expenditure for Calendar Year 1994

	DM	US$[1]	Percent
INCOME			
Donations	490,410	326,940	55,3
Project-based Contributions	319,810	213,207	36,0
Income from Publications	4,828	3,219	0,5
Income from Subletting Office Space	71,880	47,920	8,1
Interest	443	295	
TOTAL INCOME	887,371	591,581	100
EXPENDITURE			
Rent[2]	177,942	118,628	20,8
Commission for Real-Estate Agent	11,500	7,667	1,3
Office Equipment	25,272	16,848	2,9
Maintenance/ Electricity	20,700	13,800	2,4
Printing & Stationery	29,768	19,845	3,5
Insurance/ Legal Support	4,123	2,749	0,5
Financial Transactions	3,020	2,013	0,4
Communications (mail, phone, fax)	73,170	48,780	8,6
Travel & Subsistence	153,263	102,175	17,9
Salaries/ Honoraria	326,218	217,412	38,2
Honoraria for External Consultants	29,118	19,412	3,4
TOTAL EXPENSES	**853,994**	**569,329**	**100**
TOTAL CARRIED FORWARD	**33,377**	**22,251**	

Exhibit 3 (con't.)

TRANSPARENCY INTERNATIONAL

STATEMENT OF INCOME AND EXPENDITURE FOR THE CALENDAR YEAR 1995

1995	DM	US$	Percent
Income			
Donations/ Reimbursements[1]	591.296,05	422.354,32	72,51
Project-based Contributions	201.081,08	143.629,34	24,66
Publications/Honoraria	22.752,08	16.251,49	2,79
Interest	288,05	205,75	0,04
Total Income	**815.417,94**	**582.441,39**	**100,00**
Expenditure			
Rent	52.446,46	37.461,76	6,48
Office Equipment	17.888,89	12.777,78	2,21
Maintenance/Cleaning/Electricity	20.438,00	14.598,57	2,52
Printing/Stationery	57.408,40	41.006,00	7,09
Insurance/Legal Support	6.867,80	4.905,57	0,85
Financial Transactions	2.905,93	2.075,66	0,36
Communications (mail/phone/fax)	74.557,55	53.255,39	9,20
Travel & Subsistance	101.008,27	72.148,76	12,47
Milan Conference	46.990,34	33.564,53	5,80
Repayment of remaining project budgets	9.101,82	6.501,30	1,12
Salaries/Honoraria (incl. Social taxes)	384.555,78	274.682,70	47,48
Honoraria for External Consultants	32.439,13	23.170,81	4,00
others	3.365,99	2.404,28	0,42
Total Expenses	**809.974,36**	**578.553,11**	**100,00**
Balance[2]	**5.443,58**	**3.888,27**	

[1] For details of donors, see page 141.
[2] USAID payments for September - December 1995 (48.451 US$) were transferred to TI-accounts in 1996.

1994	DM	Percent
Donations	490.418	55
Project income/Honoraria	324.597	37
Income from subletting	71.880	8
Interest	443	0
Total income	**887.338**	**100**
Expenditure		
	177.942	21
	25.272	3
	20.700	2
	29.668	3
	4.123	0
	3.020	0
	73.170	9
	153.263	18
	326.218	38
	29.118	3
	11.500	1
Total Expenses	**853.994**	**100**
	33.344	

Exhibit 4

STANDARDS OF CONDUCT

Introduction

Transparency International's Standards of Conduct reflect the conviction that large-scale corruption subverts economic and social development. Corruption undermines respect for public institutions, damages the fabric of societies and subverts attempts to improve the quality of government. On the economic front, large-scale corruption, in particular, drives up costs, distorts priorities and causes misallocations of resources.

TI is a coalition of governments, private sector participants and international aid and financing agencies, designed to counter corruption in international business transactions. These Standards apply to the coalition partners and take account of past initiatives by such organizations as the International Chamber of Commerce and the United Nations. The Standards are concerned with grand corruption and, when combined with the following Coalition Agenda, aim to be a living document that evolves as circumstances require.

Supporters of these Standards share the belief that effective international cooperation is necessary to promote transparency and accountability in international business transactions and that broader support for these Standards is an important objective. Pragmatism dictates that the Standards be introduced in a phased manner, starting with those countries where governments have publicly stated their support for the Standards and for actions that lead to their implementation.

The Standards

Article I: Respect for laws and standards

All parties to international business transactions should respect and conform to all relevant laws and regulations and to observe the letter and spirit of these Standards.

Article II: Improper inducements

1 No party to an international business transaction should request, demand, offer or make a gift in any form, or extend any other advantage to or for the benefit of any public official or as he or she may direct (and whether directly or indirectly) as an inducement for action or inaction by the official.

2 All parties should take measures reasonably within their power to ensure that no part of any payment made in connection with an international business transaction is received directly or indirectly by or for the benefit of a public official with decision-making responsibility or influence, or of their relatives or business associates.

Exhibit 4 (con't.)

3 All parties should take measures reasonably within their power to ensure that subcontracts and purchase orders relating to an international business transaction are not used as a device to channel payments or other benefits directly or indirectly to or for the personal benefit of public officials with decision-making responsibility or influence, or of their relatives or business associates.

Article III: Agents and consultants

1 All parties should take measures reasonably within their power to ensure that any commission or remuneration paid to any agent, consultant or other intermediary represents no more than appropriate compensation for legitimate services; and that no part of any such payment is passed on by an agent, consultant or other intermediary as an improper inducement in contravention of these Standards.

2 All parties should take appropriate measures to ensure that agents, consultants and other intermediaries are not employed to gain any improper influence in connection with obtaining or retaining any business.

Article IV: Financial disclosure

All parties should maintain accounting systems in accordance with best international accounting practice under which all financial transactions are properly and fairly recorded in appropriate books of account available for inspection by boards of directors, auditors and other authorized persons. In this context there should be no "off the books" or secret accounts, or any documents issued which do not properly and fairly record the transactions to which they relate.

Article V: Political contributions

Contributions to political parties or committees or to individual politicians (or to other persons or entities at their direction) should only be made or solicited in accordance with the applicable national law, and all requirements for public disclosure of such contributions should be complied with fully and promptly. Even where permitted, they should not be made in circumstances where, given their magnitude or timing, they could reasonably be construed as exercising undue influence aimed at securing a special advantage with respect to an international business transaction.

Article VI: Definitions

These standards should be construed widely and in accordance with their spirit. In particular the expression "all parties" includes national governments; national and international agencies involved in international lending and aid-granting activities; corporations and other enterprises involved in international business transactions of all kinds; agents, marketing consultants, and other consultants, individuals or firms providing services or goods in connection with international business transactions.

Exhibit 5

Country	Score	Surveys	Variance
1 New Zealand	9.55	4	0.07
2 Denmark	9.32	4	0.01
3 Singapore	9.26	7	0.21
4 Finland	9.12	4	0.07
5 Canada	8.87	4	0.44
6 Sweden	8.87	4	0.11
7 Australia	8.80	4	0.54
8 Switzerland	8.76	4	0.52
9 The Netherlands	8.69	4	0.63
10 Norway	8.61	4	0.78
11 Ireland	8.57	4	0.61
12 United Kingdom	8.57	4	0.17
13 Germany	8.14	4	0.63
14 Chile	7.94	3	0.97
15 USA	7.79	4	1.67
16 Austria	7.13	4	0.36
17 Hong Kong	7.12	7	0.48
18 France	7.00	4	3.32
19 Belgium/Luxembourg	6.85	4	3.08
20 Japan	6.72	7	2.73
21 South Africa	5.62	4	2.35
22 Portugal	5.56	4	0.66
23 Malaysia	5.28	7	0.36
24 Argentina	5.24	2	5.86
25 Taiwan	5.08	7	1.03
26 Spain	4.35	4	2.57
27 South Korea	4.29	7	1.29
28 Hungary	4.12	3	0.69
29 Turkey	4.10	4	1.33
30 Greece	4.04	4	1.65
31 Colombia	3.44	2	1.12
32 Mexico	3.18	4	0.06
33 Italy	2.99	4	6.92
34 Thailand	2.79	7	1.69
35 India	2.78	5	1.63
36 Philippines	2.77	5	1.13
37 Brazil	2.70	4	3.11
38 Venezuela	2.66	4	3.18
39 Pakistan	2.25	4	1.62
40 China	2.16	4	0.08
41 Indonesia	1.94	7	0.26