



**The Central Roles of Civil Society  
in Combating Corruption in the Era of Globalization**

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*"Corruption is one of the greatest challenges of the contemporary world. It undermines good government, fundamentally distorts public policy, leads to the misallocation of resources, harms the private sector and private sector development and particularly hurts the poor. Controlling it is only possible with the co-operation of a wide range of stakeholders in the integrity system, including most importantly the state, civil society, and the private sector... TI recognizes the shared responsibility of actors in all the regions for corruption, and its emphasis is on prevention and on reforming systems, not on exposing individual cases; TI considers that the movement against corruption is global and transcends social, political, economic and cultural systems... TI is politically non-partisan; and TI recognizes that there are strong practical as well as ethical reasons for containing corruption."*

**Excerpt from Transparency International's Mission Statement**

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## Introduction

Ladies and gentlemen, it is a privilege to be asked to participate in this conference on corruption with its particular focus on Latin America.

President Carter signed the Foreign Corrupt Practices Act into law a generation ago and it has made a profound difference to the ways American corporations have operated ever since. Just a few weeks ago the internationalization of this landmark piece of legislation came into force. The OECD Anti-Corruption Convention was inspired by President Carter's early work and it was realized with the insistent pressure of civil society.

President Carter put the plight of the poor of the world at center stage in the international policies of his administration in Washington. Ever since, he has never held back in decrying corruption. We applaud President Carter and we thank him, and the Carter Center, for their support of Transparency International. We thank them for hosting this event and for their commitment to fight corruption – the abuse of public office for private gain.

Our common cause is about improving the lives of people. It is about contributing to a world where the poor are not imprisoned by exploitation and can enjoy the rights they are due. After all, we live in a world where a woman in Uganda is forced to watch her daughter die as she has no money with which to bribe the hospital staff; where a child in Tanzania is beaten by his teacher for failing to bring him “tips”; and where hemophiliacs are dying of AIDS in Japan after tainted and untreated blood had been released by corrupt officials in their ministry of health.

We will fail to prevent such scandals unless we attack corruption. We must use every fiber of our energy to wage this fight if we are to contribute to a more humane world that enables civilization to reach its potential and that permits democracy to provide opportunities for all.

Corruption is a pervasive disease. The Transparency International Corruption Perception Index shows that corruption is seen to be a major problem in almost all developing countries, including those in Latin America. Moreover, as highlighted in a recent *Wall Street Journal* survey of the region, almost 90% of Latin Americans see the corruption problem getting worse.

In an era of globalization the most influential players are governments, business and civil society. Today, I want to focus on the third pillar in this magic triangle of global governance - on civil society. I wish to leave no doubt that Transparency International's highest priority is strengthening its national chapters and contributing to the humanitarian and anti-corruption endeavors of civil society worldwide.

The potential power of civil society is underestimated by government, by business and often by civil society organizations themselves. Today, I want to start by highlighting the growing influence of these organizations, then talk about how they can be still better structured to lead. Finally, I want to suggest some of the areas where, if effectively structured, civil society coalitions can turn the tide on the rising waves of corruption that are sweeping over so many countries.

## **Civil Society Leadership**

Participants in this meeting come from countries that now, in contrast to a generation ago, are open, multi-party democracies. These are countries that are now open to freedom of association, open to public policy debate, open to foreign investment and commerce. These are young and fragile democracies that have created an environment where like-minded individuals can come together to establish civil society organizations to publicize injustices, to press for reforms, and to contribute to healthier societies.

And, civil society organizations are growing, not just in Latin America, but across the globe. They are growing in terms of membership, while becoming more structured, more articulate and more effective.

New communications technologies are enabling civil society organizations to network across national borders, so strengthening their knowledge and their influence. These are new realities. They facilitate the creation and growth of organizations like Transparency International. In just a handful of years TI has become widely known and we now have accredited national chapters, and chapters in formation, in over 70 countries.

Just as the forces of democratization and globalization have created new realities in civil society organizational development, so they have had an equally profound impact on government and business.

Business faces mounting competitive pressures and the winners are becoming increasingly global and powerful. The world's 100 largest transnational corporations have more than \$2 trillion in annual sales. Many of these enterprises have annual revenues that dwarf the GDPs of most sovereign nations. The headquarters of these companies may still be rooted in one nation, but their stakeholders now reside in dozens of nations. They are changing the character and culture of these corporations, while enhancing their global accountability.

National governments struggle to cope with the unleashed pressures of democracy and its rising pressure groups and free media and opposition politicians. National governments increasingly recognize their limitations in an era of globalization and so strive to build their own transnational networks through the United Nations and in the European Union, NAFTA, Mercosur, APEC and others.

Of the triple forces for increased globalization -- government, business and civil society organizations -- only the latter considers itself to have the mandate to put the enhancement of the human condition above all other priorities. Government, particularly democratically elected government, has the legitimacy to deal with the overarching issues of the common good, but it often lacks the global reach. In contrast, business has the means to operate globally, but lacks the mandate to attach top priority to serving the humanitarian cause.

Only civil society organizations have the public mandates and the global potential to both declare the improvement of peoples' lives as the paramount priority, and to do something meaningful about it.

Ladies and gentlemen, only civil society organizations can provide the impetus, the force and the leadership to wage the global fight against corruption. Its efforts can set the framework for actions by government and business that leads to new international conventions and national laws and regulations that make bribery and kick-backs less pervasive and intrusive. Civil society alone can provide leadership in monitoring progress by government and business in the implementation of such new conventions and national regimes. And only empowered civil society organizations will be trusted by the public at large to report objectively on the progress being made.

### **Organizing Civil Society**

But can civil society rise to this leadership challenge?

To succeed it will be important for civil society organizations to work at building their own structures and sharpening their own skills. As we have recognized in TI, we all have a great deal to learn. Many good national organizations can become still more international; many single-issue organizations can become more professional and more technically competent; and many civil society groups can demonstrate still greater willingness to work with other organizations to attain their powerful global potential.

In Latin America, for example, it is often the case that the potential of civil society organizations is restrained and even undermined by narrow agendas and exclusive memberships. Often we find organizations whose strategies are defined by confrontation, when better results might evolve from cooperation. Transparency International is determined to become more effective in Latin America. I urge that civil society organizations, which share our values and our passions, help us to move ahead with coalition building.

In some areas, civil society organizations can be even more effective players by embracing a coalition culture. This is an approach that brings relevant actors together under one umbrella from government and business, from organized labor and the churches, from academia and the professions, and from the diversity of non-governmental associations. If civil society organizations can mature to embrace this inclusive coalition-building strategy, then the influence on government and business will be formidable.

Let me hasten to say that Transparency International will be a dedicated partner. In some campaigns we will gladly play supplementary and complimentary roles relative to other civil society organizations. (We will join them in their coalitions.) In other areas we may have the comparative advantage and then we will want to encourage other groups to join our coalition - and we will listen to them and learn from them and together lead the anti-corruption fight.

## **Civil Society's Agenda in Fighting Corruption**

Civil society has particularly crucial roles to play in the area that is our central topic today. It is in fighting corruption where the other two pillars of global governance are notably handicapped in dealing alone with the issue. Governments are often part of the problem and lack credibility even when promoting anti-corruption strategies. Similarly, business is often as much the perpetrator of corrupt practices, as it is the victim.

In addition, civil society organizations are challenged in the international marketplace by abundant corruption that flourishes in a legal and institutional vacuum. Only very recently have international conventions relating to corruption started to emerge; only recently have official international institutions started to create anti-corruption programs; only recently have civil society organizations started to make efforts to ensure the vacuum is filled.

Against this background it is clear that the cause of curbing corruption on a global basis is a natural arena for civil society action. It is an arena that is filling fast with the angry calls of citizens across the world for leadership to combat corruption in the public and the private sectors.

To maximize this potential the anti-corruption agendas of civil society must be empowered by knowledge and public support. They feed off each other. The greater the research, so the more convinced the public becomes of the need for action. The greater the public support, so the greater is the influence of civil society organizations.

Awareness raising, therefore, has been a TI priority from the start. Our efforts strive to deepen public awareness of the abundance of corrupt practices, to strengthen understanding of the damage caused by corruption, and to secure realistic expectations of what can be done to curb corruption.

The TI Corruption Perceptions Index is a useful tool in highlighting the pervasiveness of corruption. It has attracted world attention. When taken together with indicators on freedom of expression, flows of foreign investment and levels of human development, our Index highlights how crucial curbing corruption is to building democracy and contributing to economic growth.

The Index is constantly under review. We are studying new approaches to enhance our work in the survey area. Moreover, national surveys, undertaken by some of our chapters, have been additional key tools that increase the foundations of knowledge from which pragmatic anti-corruption work can spring.

In general, our national chapters everywhere define their own agendas related to the most pressing corruption issues in their countries. Our comprehensive Integrity System Source Book is a work in progress that is evolving as a key tool in assisting the individual chapters. The Latin American adaptation, for example, is becoming an effective checklist for determining the strengths and weaknesses of laws and institutions in individual countries.

From the base of knowledge and public support we must forge coalitions that bring together the Transparency International movement with organizations whose agendas overlap with our own. Permit me to highlight just a few critical areas for such cooperation as they emerge from our chapters in Latin America:

### **Press Freedom**

Data from the International Federation of Journalists suggests that 15 reporters were killed in the course of their work in Latin America last year. Others were imprisoned, some were forced to leave the countries where they worked, others were intimidated to stop investigations.

The barriers to freedom of information are so often so numerous that they serve only to enable corrupt officials to steal public finance. We must work with the freedom of information organizations and the media. Access to information is a public right and a deterrent to corruption. We dare spare no effort to work for conditions that enable a free press to investigate corruption.

### **Independent Judiciary**

Then, many Latin American countries have multitudes of anti-corruption laws, but they also have judges appointed and beholden to politicians who are selective about the enforcement of these laws. What good are these laws when crooked politicians know they will not be applied?

We need to bring the jurists of integrity and their associations under the umbrella. We need to combine our efforts for independent judiciaries, for strong public prosecutors and for clean police forces. Only by a coalition approach can we really make a difference here.

### **Governance and Auditing**

In many areas of public life it sometimes seems as if there are two sets of books, which bare little relationship to one another. Government departments, agencies and parastatal enterprises should be independently audited and decent and honest officials who can blow the whistle on corruption should be afforded meaningful protection. There are many civil society organizations that relate to such issues, from organized labor to professional associations.

These organizations need to come together and pool their expertise. They need to make common cause with the anti-corruption effort, so that the public is far better informed about abuse and the actions needed to secure change. Only by instituting comprehensive systems of financial accountability in government, with protection for honest and decent officials who seek change, can we attain transparency in many dark corners of the public sector.

### **The Environment**

Latin America is the most forested region in the world, but it is cutting down trees at the fastest rate in the world. As it loses 60,000 square kilometers of forest each year, so the ecological damage to the region, indeed to the planet, multiplies. There are powerful

environmental organizations across the region, networked internationally. We can learn a lot from them, and they can make common cause with us. After all, every country in Latin America has environmental laws. But in many parts of the continent there are poor, underpaid and ill-equipped environmental officials. Some may be easily bribed to forget about enforcement. Corruption is a key enemy of ecological protection.

## **Public Procurement**

Billions of dollars are misappropriated each year in the process of public sector contracting. Open competitive bidding processes get subverted by officials who seek bribes and by corporations that know who to bribe and know that their payments can simply be added to the overall cost of the contract.

Many corporations can say no. They turn their backs on the prospect of major deals because they refuse to pay bribes. Many firms bribe under duress - seeing their rivals paying bribes and considering it necessary for their competitive position to participate in bribery.

Transparency International is pioneering an "Integrity Pact" approach that seeks to use major contracts as models under which all participants, from the international lenders to the bidders to the governments granting the contracts, all agree on mutual non-bribery pledges that carry heavy sanctions for violations. The task of civil society organizations is to monitor the process together with the other parties in the Integrity Pact.

Government, business and international financial agencies, have responded favorably to this idea of cleaning-up public contracting for the public good. There is a natural coalition of interests here and TI, looking for partners everywhere, is determined to make a difference on this front.

## **Conclusion**

Ladies and gentlemen, the agenda is a long one and the scale of corruption to be challenged is monumental. Civil society can make an enormous difference. As more organizations understand the vital need to curb corruption in the quest for building stronger and more human societies, so the anti-corruption movement will expand. As civil society organizations strengthen their approaches, work more closely together and strive constructively to work with business and government, so their leadership effectiveness will rise.

At Transparency International we are dedicated to work with others under a large umbrella to listen and learn and gain in strength. Our influence will come from our openness to partnership and our restraint in seeking open confrontation. It will come from the mounting public anger over corruption and the public support for anti-corruption initiatives. And, it will come because our cause is right.

Thank you.

**Endnotes:**

***Background on Transparency International in Latin America and the Caribbean:***

1. **Chapters.** Transparency International has a growing number of national chapters in Latin America and the Caribbean:

**National Chapters**

Argentina  
Colombia  
Ecuador  
Jamaica  
Panama  
Paraguay  
Trinidad & Tobago  
Uruguay  
Venezuela

**National Chapters in Formation**

Bolivia  
Brazil  
Chile  
Costa Rica  
Dominican Republic  
El Salvador  
Guatemala  
Honduras  
Mexico  
Nicaragua  
Peru

2. **Activities.** TI's chapters are engaged in a wide array of activities and the following are some examples:

- assisting in diagnosis, preparation and eventual monitoring of an anti-corruption and privatization program in Ecuador;
- facilitating public hearings for major public works in Argentina;
- civic education in Venezuela;
- monitoring of Congress in Guatemala;
- monitoring selection of judges in Dominican Republic;
- costs monitoring of political campaigns in Argentina; and
- monitoring of a major privatization in Panama.

Transparency International sees initiatives like these having mounting impact.

3. **Integrity Pacts.** In response to the "prisoners' dilemma" perceived by bidders for major public procurement contracts, who fear that their competitors set contracts through bribery, TI has developed the idea of Integrity Pacts. The approach is to secure agreement by all participants -- the government, the funders, the bidders - - to agree to full integrity and transparency. These Pacts have the following main features:

- a formal no-bribery commitment by all bidders, as part of their signed tender documents;
- a corresponding commitment of the government to prevent extortion and the acceptance of bribes by its officials;
- disclosure of all the payments to agents and other third parties;



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- disclosure of all the payments to agents and other third parties;
- sanctions against bidders who violate their no-bribery commitment, for example, blacklisting, loss of bid securities, liquidated damages); and
- involvement of civil society in monitoring the bid evaluation, the award decision process and the implementation of the contract.

Examples of various forms of Integrity Pacts have ranged from a refinery rehabilitation project in Ecuador (1994), to privatization of telecommunications in Panama (1996), to procurement by the provincial government of Mendoza in Argentina (1997). An integrity agreement is shaping up on a public works project involving contracts of possibly more than \$650 million on the Buenos Aires metro. We are just starting down this road, but we anticipate progress and positive results.

## **Examples of Applying the Integrity Pact**

### **Monitoring of Privatization in Panama**

This project involved the monitoring of the privatization process of 49% of Panama's telephone company, Intel S.A., by TI-Panama between September 1996 and May 1997. The Panamanian government invited the participation of TI-Panama to ensure a transparent and accountable environment for the bidding process and to secure public confidence. The invitation was accepted on the condition that all documentation would be made available to the chapter, which could revise, assess and criticize it, and that TI representatives could attend all Intel Board meetings. TI-Panama published reports in the national press on a weekly basis to inform the public of the different phases of the process. The most important result of the project was that all stakeholders agreed that the privatization was accomplished in a fair and transparent environment. Even the losing company stated its agreement with the process. Although it was impossible to fully introduce the TI Integrity Pact since TI-Panama only joined the process at the second bidding stage, a no-corruption clause was introduced which was accepted by both competitors.

### **Public Hearings in Argentina**

The City Government of Buenos Aires and the TI Chapter in Argentina, Poder Ciudadano, agreed to promote a more transparent flow of information between the government and civil society in a public tender concerning the design and the construction of the underground project "Linea H." As a result, petitioning construction companies have had to submit bidding documents with a full resume of previous work done, which testifies to their judicial, financial, and technical capacities to realize the project. The City Government scheduled three public hearings (project design, prequalification, and bidding process) that enabled citizens to express their views. Poder Ciudadano designed and monitored the process and produced guidelines, and it brought local and international experts to testify at the public hearings.

Transparency International