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**ANTI-CORRUPTION EFFORTS AND AFRICAN
ECONOMIC DEVELOPMENT**

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BEFORE THE
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THURSDAY, SEPTEMBER 21, 2000

U.S. SENATE,
SUBCOMMITTEE ON AFRICAN AFFAIRS,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 3:00 p.m. in Room SD-419, Dirksen Senate Office Building, Hon. Russell D. Feingold presiding.

Present: Senator Feingold.

Senator FEINGOLD I am not opening this session with a gavel for two reasons—one is, I am not in the majority; but the other reason is, this was originally scheduled as a hearing, but because of procedural reasons it is necessary for us to do this in the format of a roundtable today, so I hope people in the room can hear just as well, and we apologize for that, but given all the efforts of everyone to come we certainly did not want to delay this. In fact, Senator Frist, who of course, intends to be here, simply cannot get here right now, and hopes to get here as soon as possible. I want to thank Senator Frist for convening this roundtable meeting today on a topic of great interest to me. Senator Frist and I have been able to work together on a number of important issues over the past year on this subcommittee, from Zimbabwe to Sierra Leone, from Rwanda to the AIDS crisis, and the Subcommittee on Africa has benefitted greatly from Senator Frist's leadership and enthusiasm for African issues. I truly appreciate his efforts, and I know that it was difficult, given all the things that are going on right now, for him to make it possible for us to do this, but he did it anyway, and I am extremely grateful for that, and I will repeat that when he comes.

I also want to thank all of the participants for being here today, and in a few moments will ask each of you to speak for approximately 5 minutes, or up to 5 minutes with your remarks, and then we will get into more of a discussion.

This roundtable focuses on anticorruption efforts in Africa, and I want to clarify at the outset that the purpose of this meeting is not to paint an entire continent with one broad brush, nor to engage in a round of Africa-bashing, wherein scores of countries are blanketly accused of being corrupt, mismanaged, hopeless places. Let us make no mistake, corruption is not just an African problem. It is a global problem. I believe it is a problem right here in the United States, as I think I have made fairly clear.

This meeting is in part an acknowledgement of the fact that corruption issues have been moving into the public sphere in Africa. In Kenya, in July, a raucous argument erupted in parliament when ruling party MP's joined with some opposition members to strike a list of corrupt politicians from a select committee report. These forces prevailed, but the fact that the so-called list of shame ever existed, the very fact that this led to real debate, seems to me to be a positive sign.

In Nigeria, President Obasanjo has made fighting corruption one of his top priorities. Last year, the U.S. worked with 11 African countries to develop a set of principles to fight corruption. Corruption is being discussed openly today, and the continent is better for it.

I hope to explore three broad questions at this meeting. First, what is the relationship between fighting corruption and pursuing U.S. interests on the continent? I believe that corruption stands in the way of virtually all of our United States policy goals in Africa. It diverts resources from desperately needed basic health and education services. It acts as a deterrent to trade and investment, undermines the accountability that is at the core of democratization. It allows the few to benefit from violent conflict, while the many suffer. I hope that the participants will help to draw out these relationships in their remarks.

Second, I hope to explore the efforts currently underway to combat corruption on the continent. When I was in Uganda last December, the minister of ethics and integrity spoke to me of her desperate need for trained auditors and investigators. Since that time, I have been pleased to learn that the Office of the Inspector General at USAID plans to train approximately 60 people from Uganda's Supreme Audit Institution, NGOs and USAID personnel to improve their auditing skills.

It seems to me that this is an area where U.S. expertise and experience can be shared to the benefit of both of our countries, but it will also take the efforts of African Governments themselves, of NGOs, the independent press, and the international financial institutions to combat corruption effectively. I hope that we can begin to examine the efforts already underway in the meeting today.

Finally, I hope that we can begin to determine through this roundtable discussion the extent to which the United States is a part of the problem in Africa. For every bribe taken, there is a bribe paid. This country ranked in the middle of Transparency International's 1999 bribe payer's index, which suggests to me that there is room for improvement in U.S. business practices.

I feel particularly connected to this, because one of my predecessors in the United States Senate, William Proxmire of Wisconsin, wrote the Foreign Corrupt Practices Act. Press reports have suggested that the U.S. banks were involved in the Abacha regime's program of grand scale embezzlement. I think it is only reasonable to ask ourselves, in the context of this meeting, to examine these issues.

So having had a chance to give some brief remarks at the beginning and, of course, when Senator Frist comes he will offer his opening remarks, we can now move on to hear from each of you,

and we will begin with Mr. Witney W. Schneidman, the Deputy Assistant Secretary of State for African Affairs.

STATEMENT OF MR. WITNEY W. SCHNEIDMAN, DEPUTY ASSISTANT SECRETARY OF STATE FOR AFRICAN AFFAIRS

Mr. SCHNEIDMAN. Senator Feingold, I would like to thank you and Senator Frist very much for providing this opportunity to participate in this roundtable. I am glad that we are continuing to move forward to examine what is a very important subject.

President Clinton, Vice President Gore, and Secretary Albright have placed a high priority within the administration's foreign policy on fighting corruption and bribery, and promoting good governance and strengthening the rule of law in Africa and globally. Your committee's continued leadership on African issues is critical to our effort to help the nations in Africa develop a future of peace, prosperity, and freedom. This afternoon, in the few minutes available, I would like to touch on some of the issues that are contained in my more developed text, and we look forward to working with you in this committee on these issues to share ideas and to develop solutions to these challenges.

Now, it is well-known that corruption is a significant obstacle to economic development and the improvement of living conditions throughout Africa, as it is in other regions of the world, as you just noted. Given poverty's pervasiveness in Africa, efforts by officials to extract bribes, or the willingness of businessmen to offer bribes, or the willingness of officials and business representatives to engage in corrupt practices, it is a clarion call for action.

We also need to move against the illicit trade by corrupt officials, rebels, and criminals in oil, diamonds, and other precious minerals. Increasingly, these ill-gotten profits are used to fuel the conflicts which we are working so hard to end. We are encouraged that African Governments, leaders of the media, civil society, and private sector have shown a new willingness to confront these difficult problems. With respect to issues of governance, African leaders have come to recognize that corruption, opaque practices, and a lack of accountability weaken democratic values, sap economic growth and key development, and undermine new investment activities. Although much work remains ahead, this administration has implemented various innovative strategies to support and stimulate African efforts to combat corruption. Under President Clinton's partnership for economic growth and opportunity, and his international crime control strategy for example, we are developing key tools in the fight against corruption in an effort to accelerate Africa's integration into the global economy, which is one of our key foreign policy objectives in Africa.

Senator, at every opportunity, U.S. officials underscore the importance of promoting good governance and fighting corruption as a means of strengthening the rule of law, improving the investment climate, and enhancing social equity. During his two trips to Africa, President Clinton repeatedly raised the importance of good governance in fighting corruption. So have the numerous members of the President's cabinet who have traveled to Africa over the last several years. We advanced our dialogue on corruption at every turn, such as at the U.S.-Africa Ministerial in March 1999, when

more than 150 ministers of finance, trade, and foreign affairs came to Washington for 3 days of discussions.

Most recently, we have raised the importance of staying vigilant to routing out corruption through demarches both here and in African capitals as we discussed with our African counterparts eligibility criteria of the African Growth and Opportunity Act.

As a result, today, in addition to the State Department and USAID, virtually every Government agency, from Justice to the Treasury Department, from the Office of Government Ethics to the Commerce Department, is implementing creative new initiatives to strengthen our partnership with Africa and in fortifying democratic institutions on the continent to promote better governance and halt corruption.

Now, the administration is encouraged by many indications that governance as well as corruption have become a more salient issue in Africa. As you noted, African leaders are more willing to speak out on the issue. Namibia, Botswana Uganda have set exemplary standards on promoting public integrity and the rule of law. A newly assertive press in many African countries has not flinched from attacking poorly managed institutions and allegedly corrupt individuals. Laudable efforts are underway to strengthen customs services. The Governments of Benin, Ethiopia, Malawi, Mali, Uganda, and Tanzania agreed to introduce no-bribery clauses in public contracts.

As you are aware, sir, the United States cooperates with many nations to combat all forms of corruption and to help our businesses operate throughout the world on as level a playing field as possible. For example, under the first-ever international crime control strategy in United States history, released by President Clinton in May 1998, we have broadened our efforts to provide systematic and comprehensive support and assistance to enable other nations to act against corruption and organized crime.

In Washington in February 1999, implementing one initiative, the international crime control strategy, Vice President Gore hosted the first global forum on fighting corruption. Over 500 participants from 90 nations attended, which included participation by 15 African countries and the Global Coalition who is represented here today.

Several days prior to this forum, Senator, I had the personal honor to cohost with Ambassador Amadu Udubdala, who is the executive secretary of the GCA, a day-long meeting at which representatives at the ministerial level from 11 African countries adopted 25 principles that we are hopeful will soon form the basis of an African anticorruption convention. We have shared these principles with all of our embassies in Africa, and have encouraged them to make these principles an important part of our bilateral dialogue.

More recently, we asked all of our ambassadors to raise with their host Governments, as well as with leaders of the private sector, civil society, and the media, what steps they are taking to combat corruption, develop an African anticorruption convention, and what they are doing to prepare for the second global forum to be held in May 2001 in the Netherlands, cohosted by the Netherlands and the United States.

It is important to note that through the efforts of the Global Coalition on Africa, that Africa is keeping pace with other regions in the world who have combined efforts to fight corruption. The important work undertaken by GCA compliments our anticorruption and transparency efforts in other regions, including the OECD Antibribery Convention, the Inter-American Convention Against Corruption, and Transparency International of the Asian Pacific Economic Cooperation Forum.

Moreover the General Assembly of the United Nations this fall is expected to approve procedures for the negotiation of a new international instrument against corruption.

Now, I would just like briefly to touch on several of our bilateral programs. Under the auspices of the U.S.-Africa Bilateral Commission, the United States and South Africa have adopted a joint action plan designed to improve the transparency and predictability of South African Government processes and procedures affecting foreign investment, including ethics, licensing, procurement, and judicial enforcement. Working through the U.S.-South Africa Justice and Anticrime Cooperation Committee, which is part of the BNC, both Governments together will focus on crime prevention, upholding integrity among justice and security officials, anticorruption and Government transparency measures, including police accountability.

In Nigeria, the United States has taken a keen interest in supporting the development of the rule of law, and the Secretary of State has identified Nigeria as one of four democracies deserving of particular attention this year. We have developed the U.S.-Nigeria Joint Economic Partnership Committee to support Nigeria's economic reform efforts, and I think we are all very encouraged by President Obasanjo's strong commitment to rooting out corruption and the steps that he has taken from day 1, when he became president 15 months ago, and we can go into the law later.

In Kenya, as you noted, there are two important anticorruption bills now pending in the country's parliament. The draft code of ethics would require financial disclosure for top civil servants, while the economics crime bill would strengthen the powers of arrest and prosecution for the nascent Kenyan anticorruption authority. Approval and implementation of this legislation is crucial to keep Kenya on track with its IMF program, and to keep its economic reforms on track. The economic crimes bill has been gazetted, and parliament is expected to take up both bills when it returns in October.

In Angola, a country that we have been reading about in the Washington Post over the last couple of days—I think there is another picture to put forward. We have made it clear to the Government that, aside from the ongoing civil war, a lack of transparency poses a serious impediment to greater involvement by U.S. firms in the nonoil sectors of the economy. On numerous occasions and, in particular, at our meetings of the U.S.-Angola Bilateral Consultative Commission, we have urged the Government to work with the IMF and to take measures to stop the widespread graft and corruption.

Senator, we were encouraged when, earlier this year, the Angolan Government concluded a stock monitoring program with the

IMF that has as one of its key components an audit of the oil accounts. Over the last month, the Angolan Government awarded a contract to the international consulting firm, KPMG, that will begin to conduct the audit, or diagnostic, as it is referred to, of the oil sector. We are very hopeful that the Government will continue to make progress in this most important area.

Now, let me conclude on a more positive note. Monday, July 24, the U.S. and Botswana Government inaugurated our newest International Law Enforcement Academy in Gaborone, Botswana. As in other ILEA's, we will be providing over time a range of courses for law enforcement professionals throughout southern Africa that will focus on modern law enforcement investigative practices and management techniques. Such training has multiple objectives, including reforming the civil and criminal codes and revamping procedures to enable investigators, prosecutors, and judges alike to address criminal activity in an environment respectful of civil rights and ethnic minorities. This last point is a particular challenge in a region where tensions between ethnic groups have defined political, economic, and social structures for centuries.

I would like to thank the members of this committee for this opportunity to participate in this roundtable this afternoon, and to discuss the issues of corruption and our anticorruption efforts in Africa. As I have tried to put forward, the threats of corruption and bribery in this region are serious impediments to social, economic, and political development.

The United States seeks to address these threats through bilateral and multilateral cooperation and through direct training and technical assistance. Lasting reform can only be built on a solid foundation of the rule of law. It means enlisting Government, the media, civil society, nongovernmental organizations, and the business community in joining together to fight the culture that permits corruption to exist and flourish.

Senator Feingold, I want to thank you and Senator Frist and others for your concern and leadership on advancing America's interests in Africa. We look forward again to working with you and finding solutions to these difficult issues and challenges, and I look forward to our discussion and answering any questions you might have.

Thank you very much.

[The prepared statement of Mr. Schneidman follows:]

PREPARED STATEMENT OF WHITNEY W. SCHNEIDMAN

Mr. Chairman, Members of the Committee:

Thank you for providing this opportunity to testify before this Committee and to address the impact of corruption and bribery in Africa. President Clinton, Vice President Gore and Secretary Albright have placed a high priority within the Administration's foreign policy on fighting corruption and promoting good governance and strengthening the rule of law in Africa and globally.

This Committee's continued leadership in African issues is critical to our effort to help the nations in Africa develop a future of peace, prosperity and freedom. This morning, I would like to discuss the Administration's initiatives and programs in combating corruption in Africa. We look forward to working with you on these issues, to share ideas, and to develop solutions to these challenges.

WHY ANTI-CORRUPTION IS VITAL IN AFRICA?

Corruption in Africa is of particular concern because it undermines the emerging political and economic institutions in these countries and threatens the ongoing political and economic reforms in the region. It corrodes democratic institutions, weakens the rule of law, and undermines the confidence of people in democracy.

Corruption, as illustrated by the illicit trade of national resources, is also theft from a nation. It robs citizens in Africa of their future and has a debilitating impact on their quality of life. As a consequence, poorly managed resources, embezzlement, and corruption result in fewer funds allocated to government programs in education, healthcare, housing, physical infrastructure (such as, water and sanitary systems, roads) and other social services.

Effective responses to the challenges of corruption must come from each individual government. A nation's ability to confront and surmount corruption and organized crime depends on political will. Policy encouragement and material support offered by other nations can be invaluable, but they cannot substitute for the determination and capability of each nation to act within its own borders.

Corruption flourishes behind closed doors and where bureaucratic control is unchecked. Transparency and accountability, by opening up government to the bright light of public view, reduce the opportunity for corrupt acts by public officials. Transparency complements strong law enforcement by using management and policy reforms. It also complements democratic principles such as freedom of speech and a free media, freedom of information, open procurement and contracting measures, public access to decision-making, and public education as ways to replace a culture of corruption with a culture of integrity.

PROMOTING ANTI-CORRUPTION AND GOOD GOVERNANCE IN AFRICA

The problems facing Africa today are enormous. Persistent conflict, HIV/AIDS, poverty, and environmental degradation are some of the greatest threats to Africa's security, stability, and prosperity.

Corruption is another obstacle to Africa's economic and political development. It takes many forms. The illicit trades by corrupt officials, rebels and criminals in oil, diamonds and other precious minerals and resources, are part and parcel of corruption.

Notwithstanding these challenges, many African governments and private sector leaders have shown a new willingness to confront these difficult issues. With respect to issues of governance, African leaders have come to recognize that corruption, opaque practices and a lack of accountability weaken democratic values, sap economic growth, impede development, increase vulnerability to financial crises, and undermine new investment activities.

Corruption problems are not unique to Africa. Corruption played a large role in the recent Asian financial crisis. Wherever it occurs, corruption hinders the rule of law, impedes economic growth and slows entry into the global marketplace.

Although much work remains ahead, the Administration has implemented various innovative strategies for minimizing corruption in Africa. Under the President's Partnership for Economic Growth and Opportunity and International Crime Control Strategy, we are accelerating Africa's integration into the global economy and developing key tools in the fight against corruption.

The President and many members of his cabinet have traveled to Africa on numerous occasions. At every opportunity, U.S. officials have underscored the importance of promoting good governance and fighting corruption as a means of strengthening the rule of law, improving the investment climate, democratization, conflict resolution and social equity. We have also advanced our dialogue on anti-corruption with African countries through discussions at the U.S.-African Ministerial (March 1999), two meetings of the U.S.-SADC Forum (1999, 2000), and most recently through demarches both here and in African capitals as we discuss with our African counterparts, the eligibility criteria of the Africa Growth and Opportunity Act.

As a result, today, in addition to the State Department and USAID, virtually every government agency—from Justice to the Treasury Department, from the Office of Government Ethics (OGE) to the Commerce Department is implementing creative new initiatives to strengthen our partnership with Africa and in fortifying its democratic institutions to promote better governance and halt corruption.

THE ADMINISTRATION'S ANTI-CORRUPTION EFFORTS IN AFRICA

The Administration is encouraged by the many indications that African leaders and civil society have taken up the campaign for good governance and against corruption. Namibia, Botswana, and Uganda have set exemplary standards on pro-

moting public integrity and the rule of law. A newly assertive press in many African countries has not flinched from attacking poorly managed institutions and allegedly corrupt individuals. Laudable efforts are underway to strengthen customs services. The governments of Benin, Ethiopia, Malawi, Mali, Uganda and Tanzania have agreed to introduce no-bribery clauses in public contracts. World Bank President Wolfensohn has received letters from several African heads of state requesting World Bank assistance to establish or strengthen anti-corruption programs.

The United States has been active in this area through our bilateral efforts, the multilateral development banks, the Global Coalition for Africa (GCA), and non-governmental and civil society organizations such as Transparency International.

The United States cooperates with other nations to combat all forms of corruption and to help our international businesses operate without the baneful effects of corruption. Under the first-ever *International Crime Control Strategy* in United States history, released by President Clinton in May 1998, we have broadened our efforts to provide systematic and comprehensive support and assistance to enable other nations to act against corruption and organized crime. In global and regional diplomatic processes, we are seeking to define comprehensive, objective statements of practices governments should employ to control and combat corruption and organized crime. We are working to increase the public commitment of governments and political leaders to adopt and implement such practices.

In Washington in February 1999, Vice President Gore hosted and chaired the First Global Forum on Fighting Corruption, one of the initiatives contained in the *International Crime Control Strategy*. Over five hundred participants from ninety nations attended, this included participation by 15 African countries and the Global Coalition for Africa (GCA). Participants extensively discussed a comprehensive set of principles and practices that are effective to promote public integrity and to combat official corruption. In their final Declaration, the participants called for governments to adopt practices appropriate to each nation's particular circumstances and requirements and to assist each other in fighting corruption.

GLOBAL COALITION FOR AFRICA (GCA)

Since the Global Forum, the State Department has continued to develop and coordinate the Vice President's comprehensive international initiative against corruption in Africa and elsewhere. We have also worked with other governmental partners to encourage the political will to establish or improve their institutional capacities to define and implement national regimes based on the "Guiding Principles for Fight Corruption and Safeguarding Integrity among Justice and Security Officials."

As a part of the follow-up to President Clinton's trips to Africa, and on the margins of the Vice President's Global Forum on official corruption, I co-chaired several meetings between the GCA and the United States to discuss collaboration between African countries to address corruption. Countries invited included those visited by President Clinton and countries that had participated in a Maputo Conference in 1997 to develop effective anti-corruption mechanisms: Benin, Botswana, Ethiopia, Ghana, Malawi, Mali, Mozambique, Senegal, South Africa, Tanzania, and Uganda.

As a result of this meeting, Ministers and senior policy makers from these 11 African countries, along with senior officials from some donor countries and organizations, adopted 25 anti-corruption principles to facilitate greater cooperation among regional or sub-regional groups of African countries. These African countries also agreed to adopt anti-corruption principles that would encourage implementation of common standards at the national level, as well as joint action between and among countries. These principles could also form the basis of more formal cooperative frameworks at the sub-regional or regional levels.

The important work undertaken by the GCA complements our anti-corruption and transparency efforts in other regions. These efforts include the Organization on Economic Cooperation for Development (OECD) Anti-bribery Convention, which obliges major exporting countries to make it a criminal offense for individuals or enterprises to bribe officials of foreign governments to secure or retain business; the Inter-American Convention Against Corruption; the Council of Europe Criminal Law Convention Against Corruption; the U.S. initiative against corruption in the Organization for Security and Cooperation in Europe (OSCE); the Stability Pact Anti-corruption Initiative; and the transparency initiative of the Asia-Pacific Economic Cooperation (APEC) forum. The General Assembly of the United Nations in the fall of 2000 is expected to approve procedures for the negotiation of a new international instrument against corruption.

At the 9th International Anti-corruption Conference (IACC) held last fall in Durban, South Africa, the State Department and USAID sponsored a workshop to further build awareness and support for the GCA regional anti-corruption initiative for

Africa, as an important element of our international strategy against corruption. The United States urged that the countries concerned also consider an appropriate mechanism for mutual evaluation of implementation of such commitments (such as currently exists in the OECD Anti-Bribery Convention), to assist governments in implementing effective practices. The GCA and the 11 African countries are expected later this year to approve at Summit level in Abuja, Nigeria, a declaration of anti-corruption principles agreed to in 1999.

GOOD GOVERNANCE IN AFRICA

On a parallel track, the Administration continues to promote policy dialogue through increased consultations with the OECD Development Assistance Committee (DAC), UN Economic Commission for Africa (ECA), the World Bank, the IMF, and the African Development Bank (AFDB) on transparency and accountability, governance, and anti-corruption issues and programs in Africa. The Administration has worked closely with African regional economic groupings including the Economic Community of West African States (ECOWAS) and West African Economic and Monetary Union. (UEMOA).

As an example of this approach, the Administration supported the recent "Good Governance and Sustainable Development in Africa" initiative organized by the Federal Republic of Nigeria, the West African Economic Association (WAEA), the African Development Bank (AFDB), the Organization of African Unity (OAU), the World Bank, UNDP, GCA, and other international organizations.

The initiative's goals are to bring together African and international anti-corruption practitioners and experts, scholars, civil society representatives, and decision-makers from governments and international donors to discuss the state of governance in Africa and to establish a mechanism to monitor the progress of good governance (integrity, transparency, efficiency and accountability) in Africa. Although this initiative is still in its infancy, it will serve to complement the anti-corruption efforts by the GCA and other African organizations.

U.S. BILATERAL PROGRAMS

With respect to our anti-corruption and rule of law programs, our approach is consistent in all the African states. We consider anti-corruption and good governance to be related and mutually reinforcing goals. The cornerstone of our policy is to build, through training and technical assistance, strong and democratic institutions to combat the problem of corruption.

Our Anti-Crime Training and Technical Assistance Program (ACTTA) uses Foreign Assistance Act monies to support U.S.-African law enforcement cooperation in addressing international organized crime, financial crimes, narcotics trafficking, trafficking in persons, and border security. Fighting corruption is a significant goal of these programs. United States federal agencies receiving funding to implement training and technical assistance include the Federal Bureau of Investigation (FBI), the Drug Enforcement Administration (DEA), the International Criminal Investigative Training Assistance Program (DOJ/ICITAP), the Office of Overseas Prosecutorial Development, Assistance and Training (DOJ/OPDAT), the Secret Service, the Internal Revenue Service (IRS), the Customs Service, the Bureau of Alcohol, Tobacco and Firearms (ATF), the Financial Crimes Enforcement Network (FinCEN), the Department of State, Bureau of Diplomatic Security (DS), the Coast Guard, the Federal Law Enforcement Training Center (FLETC), and the Office of Government Ethics (OGE).

I would like at this time to address several particular countries in which this Committee may have a specific interest on the implementation of the Administration's regional training and technical assistance programs for fighting corruption and improving governance in Africa.

SOUTH AFRICA

Since 1994, we have engaged the South Africans on a wide range of issues in the U.S.-South Africa Law Enforcement Working Group. Under the auspices of the U.S.-South Africa Bi-national Commission (BNC), the United States and South Africa have adopted a joint action plan designed to improve the transparency and predictability of South African government processes and procedures affecting foreign investment, including ethics, licensing, procurement and judicial enforcement. Encouraging the establishment of a culture of transparency and good governance in South Africa is a key objective.

Under the U.S.-Africa Justice and Anti-Crime Cooperation Committee (JACC), both countries are cooperating on a broad range of law enforcement issues, especially crime prevention, upholding integrity among justice and security officials,

anti-corruption and government transparency measures (including police accountability), and government-community relations concerning crimes. Most recently, U.S. Attorney General Reno met with South African Minister of Justice Naduna to discuss further cooperation on joint law enforcement and crime issues including corruption.

Through USAID's Administration of Justice Project, the United States will have provided \$16.4 million (from 1994–2001) in total support to the South African Justice Department in such areas as policy/regulatory reform, institutional development and human rights education. USAID is presently planning a new six-year \$15 million program that will continue to support South Africa's criminal justice program with an emphasis on improving management of justice institutions; improving case processing and court efficiency, including prosecutorial and judicial training; and NGO implementation of selected crime prevention strategies. The U.S. Department of Justice, through OPDAT, will continue to consult with South Africa's National Directorate of Public Prosecutions (NDPP) on formulating a program of criminal justice assistance in the prosecutorial sector that will complement our anti-corruption efforts.

The U.S. Office of Government Ethics (OGE) has also engaged in formal exchanges of professional expertise between their office and their counterpart institution in South Africa. In 1997, a senior official from OGE was detailed to the South African parliament to help develop a financial assets declaration system. In 1998, OGE provided consultation to the Guanteng legislature on development of a Code of Conduct and financial regulations. Since 1999, OGE has engaged in meetings and provided consultation and training for the South African Public Service Commission (PSC), as they begin to implement an Ethics Code, financial disclosure and training for the South African public service. Both parties have scheduled a formal consulting visit by commissioners and staff of the PSC to Washington in October, 2000.

NIGERIA

The United States has a keen interest in supporting the development of the rule of law in Nigeria. The Secretary of State has identified Nigeria as one of four democracies in transition deserving of particular attention this year. We also developed the Joint Economic Partnership Committee to support Nigeria's economic reform efforts.

Given that official corruption is widespread in Nigeria, the task of reformers in Nigeria remains daunting. However, President Obasanjo has demonstrated the political will and commitment to overcome these obstacles. Obasanjo's overall anti-corruption strategy includes implementing anti-money laundering law, revamping criminal procedure code, and reforming the police.

In June 2000, Nigeria's congress passed and President Obasanjo signed into law, comprehensive anti-corruption legislation. The State Department is funding a legal advisor and Assistant U.S. Attorney with experience in anti-corruption investigations, to advise the Government of Nigeria on steps to implement this legislation. The State Department also partially funded a diagnostic study of corruption in Nigeria that will be used by the World Bank and other international financial institutions in designing their programs of assistance.

KENYA

Two important anti-corruption bills are now pending in Kenya's Parliament. The draft Code of Ethics would require financial disclosure for top civil servants, while the Economic Crimes Bill (ECB) would strengthen the powers of arrest and prosecution for the nascent Kenyan Anti-Corruption Authority. Approval and implementation of this legislation is crucial to keep Kenya on track with its IMF program and its economic reform program. Parliament is expected to take up both bills when it returns in October.

ANGOLA

We have made clear to the Government of Angola that a lack of transparency poses a serious impediment to greater U.S. investment in the non-oil sectors of the economy. We have encouraged the government to work with the IMF and to take measures to stop the widespread corruption. The Government of Angola has begun to recognize that corruption is a fundamental issue that must be addressed directly in the context of a broader program of economic and political reform. We continue to support efforts by the International Monetary Fund and the World Bank to press the Government in Luanda to take a series of measures designed to improve transparency, increase fiscal accountability, and review government management of the oil and diamond sectors.

BOTSWANA INTERNATIONAL LAW ENFORCEMENT ACADEMY (ILEA)

On Monday, July 24, the United States and Botswana inaugurated our newest anticrime academy in Gaborone. As in other ILEAs in Budapest and Bangkok, we will be providing over time a range of courses focusing on modern law enforcement investigative practices and management techniques for countries in southern Africa. Such training, which will be conducted both at ILEA and offsite, has multiple objectives. These include strengthening law enforcement efforts to confront transnational organized crime, reforming the civil and criminal codes, and revamping procedures to enable investigators, prosecutors and judges alike to address criminal activity in an environment respectful of civil rights and ethnic minorities. This last point is a particular challenge in a region where tensions between ethnic groups have defined political, economic and social structures for centuries.

CIVIL SOCIETY

The State Department also sponsors professional exchange programs such as the International Visitor Program in which anti-corruption has been one of the topics discussed among officials in government, law enforcement, media, academia, and non-governmental organizations.

U.S. business associations and non-governmental organizations, such as Transparency International, the-Corporate Council for Africa, the African Business Roundtable, and the American Chambers of Commerce in Africa, are playing an important role in helping the U.S. government combat anti-corruption and the rule of law in Africa. In May, the Department of State published a brochure, "Fighting Global Corruption: Business Risk Management" that helps raise awareness of Foreign Corrupt Practices Act (FCPA) issues and our global anti-corruption efforts in Africa and other regions of the world.

UNITED NATIONS

In April 1999, the UN Crime Commission recommended that the UN Convention against Transnational Organized Crime, to be completed by the fall of 2000, include a provision to criminalize acts of corruption involving domestic public officials and transnational organized crime. On January 21 of this year, pursuant to a General Assembly resolution approving the Crime Commission's December 1999 recommendations, the Ad Hoc Committee negotiating the crime convention concluded that it would be desirable for the UN to develop a comprehensive global instrument against corruption. The Netherlands has indicated that its principal goal for the Second Global Forum is to build support for such an instrument.

GLOBAL FORUM II

As a follow-up to the Vice President's Global Forum on Fighting Corruption, the United States is co-sponsoring Global Forum II, which will be held at The Hague in May 2001. The Netherlands has indicated its intention to invite all the nations of the world. Major topics of Global Forum II are expected to be a potential UN global anti-corruption instrument, ways to build regional cooperation through mutual evaluation mechanisms, and ways to improve inclusion of civil society and business in government efforts to reinforce the rule of law. The United States is encouraging the Africans to participate fully in the Global Forum process, in UN discussions on a possible global international instrument on fighting corruption, and in various other fora. The GCA is a member of the Organizing Committee for this important governmental forum.

WORLD BANK AND IFIS

Within the World Bank, the African Development Bank and the IMF, the United States has taken the lead in curtailing economic support to governments which are unwilling to take action against corruption. The United States also continues to encourage the World Bank and recipient African countries to consider more explicitly in policy dialogue, country assistance strategies, allocation of resources, and the design of projects.

The State Department, through INL funding, provided substantial assistance to the World Bank Institute for three anti-corruption diagnostic surveys in Africa. These surveys will provide a basis for development of national anti-corruption capacities in Nigeria, Mali, and Malawi. We plan to continue this cooperation with the World Bank and to continue funding future diagnostics for other African countries.

SUMMARY AND CONCLUSION

I would like to thank the members of this Committee for this opportunity to discuss with you the issues of corruption and our anti-corruption efforts in Africa.

As I have set forth this morning, the threats of corruption and bribery are serious impediments to social, economic and political development.

The United States seeks to address these threats through bilateral and multilateral cooperation and through direct training and technical assistance. Lasting reform can only be built on a solid foundation of rule of law. It means enlisting government, civil society, NGOs and the business community in joining together to fight the culture that permits corruption to exist and flourish.

Mr. Chairman, I thank you and this Committee for its concerns and leadership on advancing America's interest in Africa. We look forward to working with you and this Committee to find solutions to these difficult challenges.

I would be happy to answer any questions you might have. Thank you.

Senator FEINGOLD. I thank you very much, Mr. Schneidman, for your comments, and now we will turn to Ms. Vivian Lowery-Derryck, the Assistant Administrator Africa for USAID. Ms. Lowery-Derryck.

STATEMENT OF MS. VIVIAN LOWERY-DERRYCK, ASSISTANT ADMINISTRATOR AFRICA, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Ms. LOWERY-DERRYCK. Thank you very much, Senator Feingold, and thank you and Senator Frist for convening this roundtable and for the invitation to discuss AID's anti-corruption efforts in Africa.

Along with other donors, we view corruption as a major impediment to sustainable development in Africa, as you earlier said, but the good news is that African civil society organizations and citizens and Governments are more and more willing to acknowledge corruption as a development issue and take appropriate action. My fuller remarks have been submitted for the record, but in this discussion I am going to focus on corruption as a development challenge, and USAID's efforts to foster accountability, transparency, and good governance, because all of those three reduce the incidence of corruption on the continent, but two observations before I turn to corruption as the development challenge.

First of all, progress in tackling corruption is a long-term undertaking, and that progress requires patience and persistence and a willingness to stay the course with our African partners, and secondly, as you noted earlier, Senator, we should also remember that corruption is a universal problem, and the United States ranks now fourteenth on Transparency International's latest index.

It is a universal problem, but it is more acutely felt in the developing world, and particularly in Africa, but we believe that corruption, probably with HIV/AIDS is one of the most dramatic and acute development challenges facing the continent.

In broad terms, corruption is the abuse of public office for private gain, and I say that because we continue to say that to people when we are trying to think up definitions for corruption, but it undermines the foundation of sustainable development in virtually all developing countries. Economically, corruption leads to the inefficient allocation of resources, it raises the cost of investment, it decreases investor confidence, it promotes inequalities and inefficiencies in the private sector, it raises the cost and decreases the quality of public sector projects and services, so I think I am beginning to answer your first question.

Politically, corruption contributes to a loss of confidence in the Government, and a general noncompliance with laws. Corruption undermines the legitimacy of elected officials and democratic values. It also diminishes the effectiveness of public policy and impairs the power of public institutions.

These consequences fall so very heavily on African countries because they are already burdened by poverty, debt, disease, illiteracy, and political and economic instability, and where corruption undermines the rule of law, public safety standards, environmental protection policies, criminal codes, and basic legal contracts are not enforced.

Senator Feingold, corruption basically undermines a fundamental goal for us at USAID, which is poverty alleviation, and corruption is particularly egregious, because the burden of corruption is disproportionately borne by the poorest and most vulnerable in virtually any population.

The cost of corruptions are even further magnified in conflict situations. I think that that was your second point. In countries that are in turmoil, like Sierra Leone, Angola, Congo, large sums of money are amassed through arms sales, diamond smuggling, and drug trafficking, and a demand for money laundering services thrives in these environments as public institutions are overwhelmed and regulatory insight is severely compromised. Furthermore, violent conflict is even more likely to erupt in countries plagued by endemic corruption.

Corruption also becomes a national security issue when it threatens the success of our interventions to combat HIV/AIDS and to prevent violent conflict. The valuable investments of USAID programs in African countries are at risk if corruption both as a development issue and as a trigger for violent conflict is not fully addressed.

The United States Government, including USAID, has been in the forefront of the movement to bring international attention to the high cost of corruption and to galvanize the public and private sector and developing countries alike to give the issue the serious attention that it merits. The USAID's administrator, Brady Anderson, just today opened the Anticorruption Summit 2000, which is being cochaired by USAID's Office of the Inspector General. These meetings, which are attended by representatives of 10 African countries, will focus on financial accountability and its connections to corruption.

Increasingly, donors and Africans themselves are openly discussing corruption, rather than cloaking it in terminology, and USAID is convinced that with the advent of this new openness and willingness to confront corruption issues on the part of our African partners, civil society can have a significant affect on a Government's willingness to enact and sustain anticorruption reforms.

Now, USAID is capitalizing on this favorable environment by tackling the issue more directly and by forging partnerships with other U.S. Government agencies with bilateral and multilateral donors as well as with African Governments and regional institutions. Let me just describe a few ways of how we are addressing the corruption issue.

USAID is addressing this by first demanding that its own programs are transparently administered. Since its inception, the agency has administered numerous checks and balances to ensure that our funds are used for their intended purposes. In other words, we are modeling for anticorruption.

For instance, our audits are routinely conducted by our Inspector General's Office. For well over a decade, as part of its development assistance strategy for Africa, USAID has championed accountability and good governance practices. From our past experiences in the global and regional fight against corruption, we have learned several lessons, and I will just cite four.

First of all, that Government regulation and enforcement activities alone are insufficient anticorruption strategies.

Secondly, achievements of anticorruption reform programs, economic and social, are vulnerable to nondemocratic regime changes and to the conflicts that are so often generated by these changes.

Third, that civil society must be engaged as a critic of existing corruption and as a watchdog against emerging corruption.

And lastly, that donors have to work together against the culture of corruption and coordinate anticorruption efforts.

Based on what we have learned in the past, USAID has developed a two-track response to the problems of corruption in Africa, first of all changing the enabling environment and, secondly, mobilizing public support.

USAID's democracy and governance and economic growth sectors both include the anticorruption measures as part of their larger program activities, and this is true in bilateral missions as well as through our regional initiatives. Our democracy and governance programs emphasize transparency and accountability, and those are really our watch-words, transparency and accountability, and they do this through increased local government and citizen participation in decisionmaking, more effective and independent legislatures and judiciaries, and enhanced civilian control over the military and policy forces.

USAID programs have trained judges and court administrators to prevent tampering with records and reduced delays in hearing cases. We have worked with national assemblies to create ethics committees and codes of conduct for public officials, we have supported the media in developing skills in investigative journalism and, again, we think of the case of Angola that we have been reading about in the papers for the past 2 days.

USAID also provides technical assistance and training to audit institutions in order to increase fiscal accountability and to improve capacity to detect and prosecute for misappropriation of funds. In the enabling environment, in addition, since its inception in 1997 the Africa Bureau's leading economic growth activity and presidential initiative, the Africa trade and investment policy program, as we call it, ATRIPP, has concentrated heavily on regulatory reform that will reduce the opportunities for solicitation of bribes for private businesses.

Major goals of the program include removal of regulatory red tape, improvements in the commercial laws and processes, establishment of transparent procompetitive regulatory bodies, and re-

form of the tax and customs systems that currently give too much discretion to individual officials.

We are also very clear on a couple of specific anticorruption programs. All of our Africa programs are coordinated with other donors and organizations working in this arena, and we have been collaborating closely, for example, with Transparency International, the Global Coalition on Africa, and the World Bank as well, in an effort to curb corruption.

USAID and its partners work in some of the most challenging development environments, including countries with longstanding, endemic corruption problems. For instance, Nigeria, one of the most important transitional democracies in which USAID works, recently dropped to the last position in Transparency International's corruption index that was released on September 13, just literally last week.

But despite this ranking, however, we think that there are positive prospects that now exist to improve Governments and the investment climate by fighting corrupt practices in the public and the private sector. President Obasanjo has taken some bold moves, including the anticorruption bill, which signals his strong commitment to deal with one of Nigeria's most difficult development problems.

We put a top priority on anticorruption measures in our Nigeria program. At the Joint Economic Partnership Commission we were very careful to talk about this in ways that make our point, but make it in a positive way, and we have pledged that we will stay the course to help President Obasanjo build on his commitment to transparency and accountability in the country.

Examples of USAID's corruption activities in Nigeria include the fact that the mission is working to increase the transparency of Government institutions, particularly focusing on the national assembly and six State assemblies. USAID is partnering with local Nigerian institutions to establish the foundation for a fair and competitive electoral system, including the development of a code of conduct for political parties, which we think is particularly important.

At the local level, USAID is supporting the work of Transparency International to develop an anticorruption training manual for community groups, and at the request of President Obasanjo, USAID provided funding for a conference that led to establishment of the Nigerian Anticorruption Commission.

In addition to its Nigeria program, USAID supports a wide spectrum of anticorruption measures in many other African countries, and I will speak to some of those if we have time when we get to the discussion. I just note that Kenya is one of them that I would focus on.

So in conclusion, Senator Feingold, we continue to make strides to reduce corruption in Africa, although decreases in corruption are difficult to quantify. You know, it is not easy to count the number of bribes that were not taken or solicited, and spectacular results are not quickly available in this area. We think a lot about how do we measure this, and it really is difficult, because the optimism and the good news is in what did not occur.

However, since USAID began addressing systemic corruption several years ago, there has been progress on many fronts, including the degree to which citizens and Governments are aware and engaged in fighting the corruption, the number of elected officials exposed to ethics training, and the depth and breadth of regulatory and judicial reforms in several countries.

We should be heartened by these successes, yet we can only help support efforts that Africans themselves wish to undertake, and I think that we again go back to the example of Nigeria, because it is that presidential leadership that really does make a difference. The change must come from within, and not be externally imposed. Corruption is a critical issue that requires diligent attention by African Governments and donor partners to forestall its debilitating impact. We in the Africa Bureau will continue to work with other donors and with our African partners as well as multilateral and regional organizations to ensure that the successes achieved thus far are sustained and expanded.

Again, I thank you for really pursuing this issue, because we know that reducing corruption is a long-term process, as is the promotion of democracy and good governance, but we are increasingly required to make difficult decisions regarding program funding due to reductions in democracy and economic growth resources, and if we are going to be able to collaborate with the larger donor community and support our United States private sector's involvement in emerging African economies and protect our ongoing assistance programs and support Africans in their quest for sustainable development, the administration's requested resources need to be heeded. We have and we can and we will make positive differences, but the support of the Congress is absolutely necessary.

I thank you, Senator Feingold.

[The prepared statement of Ms. Lowery-Derryck follows:]

PREPARED STATEMENT OF VIVIAN LOWERY-DENYCK

INTRODUCTION

Good afternoon, Mr. Chairman, I would like to thank the Committee for this invitation to testify on USAID anti-corruption efforts in Africa. We, along with other members of the donor community, view corruption as a major impediment to sustainable development in Africa. African civil society organizations, citizens, and governments themselves are also more and more willing to acknowledge corruption as a development issue—and one not merely a factor in trade relations.

With the Subcommittee's concurrence, I will address how corruption is a development challenge and how USAID is directing programs to help foster accountability, transparency and good governance, thereby reducing the occurrence of corruption in Africa. We must realize, however, that progress in this area requires patience, persistence and a willingness to stay the course with our African partners.

CORRUPTION AS A DEVELOPMENT CHALLENGE

In broad terms, corruption is the abuse of public office for private gain. It arises both in political and bureaucratic office and can be petty or grand, organized or disorganized. Systemic corruption in Africa typically occurs in the management of public companies, in public markets, in fiscal administration, in customs, in the justice system, and often within the military. There is also widespread petty corruption in the civil service, which most directly affects the public by forcing them to pay for government services that would otherwise be free. Whereas corruption in the private sector undermines economic growth, but may not affect political development, public corruption has a destabilizing effect on both political and economic systems.

Corruption undermines the foundations of sustainable development in all developing countries. Economically, corruption leads to the inefficient allocation of re-

sources, raises the cost of investment, decreases investor confidence, promotes inequalities and inefficiencies in the private sector, raises the cost and decreases the quality of public-sector projects and services. The political consequences of widespread corruption, while less quantifiable, are no less real and are just as damaging. Corruption contributes to a loss of confidence in the government and a general non-compliance with laws, undermines the legitimacy of elected officials and democratic values, diminishes the effectiveness of public policy, and impairs the power of public institutions. Indeed, political fallout from corruption creates a vicious cycle of corruption, instability, weak institutions, and more corruption.

The economic and political costs imposed by corruption fall heavily on African countries, already burdened by poverty, debt, disease, high rates of illiteracy and political and economic instability. Moreover, in those countries experiencing widespread, systemic corruption, the burden is disproportionately borne by the poorest and most vulnerable of the population. Citizens are denied access to basic public services and suffer from the non-enforcement of the rule of law, including public safety standards, environmental protection policies and even criminal codes. Corruption also directly contributes to the lack of public infrastructure, investment, education opportunities, and jobs that sustain the cycle of poverty endured by so many on the African continent.

These high costs of corruption, which Africans can ill afford in any event, are even further magnified in conflict situations. In cases of cross-border conflict or failed states, already weak state institutions are overwhelmed and regulatory oversight is severely compromised. The rule of law often is significantly, if not completely, undermined. Opportunities for corruption at all levels abound and often go undetected and unpunished. In countries in turmoil, like Sierra Leone, Angola, and the Democratic Republic of the Congo, large sums of money are amassed through arms sales, diamond smuggling, and drug trafficking. A demand for money laundering services especially thrives in such environments. Furthermore, violent conflict is more likely to erupt in countries plagued by endemic corruption in which public dissatisfaction increases as the availability of services declines. The valuable investments of USAID programs in African countries, including our newly expanded initiatives to combat HIV/AIDS, are at risk if corruption—both as a development issue and a trigger for violent conflict—is not fully addressed.

The United States government, including USAID, has been at the forefront of the movement to bring international attention to the high costs of corruption and to galvanize the public and private sectors—in developed and developing countries alike—to give the issue the serious attention it merits. In February 1999, Vice President Gore underscored the importance of fighting corruption when participants from 90 governments attended the First Global Forum on Fighting Corruption here in Washington and began an intense effort to examine the causes of corruption and the practices that are effective to prevent or combat it. These important efforts have continued with the planning for a Second Global Forum to be held next May in the Netherlands. Importantly, World Bank President Wolfensohn noted during last October's Ninth International Anti-Corruption conference in Durban, South Africa that it was just a few years ago that donors limited their discussions to improving transparency and accountability. Now donors and Africans themselves openly discuss corruption rather than cloaking it in terminology. As I will describe, USAID capitalizes on this favorable environment for fighting corruption by incorporating anti-corruption activities into our programs and forging partnerships with other U.S. government agencies, bilateral and multilateral donors as well as African governments and regional institutions.

HOW USAID ADDRESSES CORRUPTION

USAID addresses corruption by first ensuring that its own programs are transparently administered. The Agency has demanded accountability within its development programs since its inception. Within USAID, we have instituted numerous checks and balances to ensure our funds are used for their intended purpose and audits are routinely conducted by our Inspector General's Office.

As a part of its development assistance strategy for Africa, USAID has championed good governance practices for well over a decade. As corruption has become a more visible issue in development and is being more openly discussed, USAID has been able to tackle the issue more directly. We are convinced that, with the advent of this new openness and willingness to confront corruption issues on the part of our African partners, civil society can have a significant effect on a government's will to enact and sustain anti-corruption reforms.

We have learned several critical lessons from our past experiences in the global and regional fight against corruption. We have learned that:

- Government regulation and enforcement activities alone are insufficient anti-corruption strategies.
- Corruption is a universal problem, but each country's corruption challenge is shaped by its own particular circumstances and requires a tailored approach to successfully combat.
- Achievements of anti-corruption reform programs—economic and social—are vulnerable to non-democratic regime changes and to the conflicts that are often generated by those changes.
- Civil society must be engaged as a critic of existing corruption and as a watchdog against emergent corruption.
- Donors must work together against the “culture of corruption” and coordinate our anti-corruption efforts.

Based on what we have learned in the past, USAID has developed a two-track response to the problem of corruption in Africa, as well as other regions:

— *Firstly*, we work to change the environment in which the public and private sectors interact. Our programs are designed to minimize opportunities for corruption and to change the incentive structures that often encourage corrupt behavior. Corruption is likely to flourish where public officials have wide authority, little accountability, and work within a distorted incentive framework. USAID's responses to corruption seek to address this imbalance by:

- Supporting legal and regulatory reform to reduce a government's involvement in areas better handled by the private sector;
- Streamlining government procedures to reduce the opportunities for corruption;
- Improving accountability mechanisms; and
- Introducing incentives that will encourage officials to act in the public interest.

— *Secondly*, we support efforts to mobilize public support for change. We recognize that an empowered citizenry is the best safeguard against corrupt officials at all levels, and the best guarantee of the sustainability of our programs. Therefore, we work with civil society and the private sector to raise awareness about the problems that corruption poses to development and to society in general. USAID missions promote active engagement by all sectors of the public in:

- Monitoring government activities;
- Advocating changes in attitudes and practices;
- Raising awareness about the costs of corruption;
- Decreasing tolerance for corrupt behavior and changing the expected norms of ethical behavior; and
- Raising public awareness about their rights and entitlements as citizens.

USAID ANTI-CORRUPTION RESOURCES

USAID's democracy and governance and economic growth sectors both include anti-corruption measures as part of their larger program activities in bilateral missions as well as through regional initiatives.

Our democracy and governance programs emphasize the transparency and accountability of governments through increased local government and citizen participation in decision making, more effective and independent legislatures and judiciaries, and enhanced civilian control over the military and police forces. USAID programs have trained judges and court administrators to prevent tampering with records and reduce delays in hearing cases; worked with national assemblies to create ethics committees and codes of conduct for public officials, and supported the media in developing skills in investigative journalism. USAID also provides technical assistance and training to audit institutions to increase fiscal accountability and improve capacity to detect and prosecute the misappropriation of funds.

Additionally, since its inception in 1997, the Africa Bureau's leading economic growth activity, the President's Initiative, Africa Trade and Investment Program (ATRIP), has concentrated heavily on regulatory reforms that will reduce the opportunities for the solicitation of bribes from private businesses. Major goals of the program include: removal of regulatory red tape, improvements in the commercial laws and processes, establishment of transparent, pro-competitive regulatory bodies, and reform of the tax and customs systems that currently give too much discretion to individual officials.

Calculating actual dollar figures that go towards fighting corruption specifically is difficult since initiatives to improve transparency and accountability crosscut many of our programs. Governance activities in Africa that are specifically labeled

and tracked as anti-corruption totaled \$833,000 in FY 1999 bilateral assistance. That figure has nearly tripled in FY 2000. The number of countries with specific anti-corruption objectives in the democracy and governance sector has also increased from four to seven in a one-year period. On the economic growth side, USAID has funded more than 25 ATRIP activities, both bilateral and regional, that are expected to reduce opportunities for corruption in Africa. Total funding for this set of ATRIP activities reached \$10.3 million in FY 1999 and approximately \$15.8 million in FY 2000. However, we believe that freedom of speech, independent media, freedom of association, and free and transparent elections combine to lessen the impact of corruption in Africa. Therefore, when adding in all Africa Bureau regional programs and bilateral activities designed to improve accountability, transparency, and good governance more generally, the total USAID funds invested in fighting corruption in Africa is well into the tens of millions.

AFRICA ANTI-CORRUPTION PROGRAMS

I would like to highlight just a few of the many activities our overseas missions are implementing either through international non-governmental organizations, U.S.-based technical assistance or other implementing mechanisms. First, however, I believe it is important to note that all of our Africa programs are coordinated with other donors and organizations working in the anti-corruption arena. No one organization or institution can shoulder all the responsibility for fighting corruption. Nor can anyone take all the credit for the many improvements made over the past few years in the quality of governance region-wide. USAID has been working closely, for example, with Transparency International, the Global Coalition on Africa, and the World Bank in the effort to curb corruption on the African continent. In addition, through the Consultative Group mechanism, we maintain a dialogue with other bilateral donors and African host countries on issues of importance to development, including corruption. Consultative group meetings provide a forum for frank discussion of the issues related to transparency and accountability, and enable the donors to engage host country governments in the issues of corruption affecting their development and the effectiveness of international aid. It has resulted in stronger anti-corruption efforts in a number of countries.

USAID and its partners work in some of the most challenging development environments including countries with long-standing, endemic corruption problems. For instance, Nigeria, one of the Clinton Administration's top four priority countries, recently dropped to the last position in Transparency International's Corruption Index, released September 13, 2000. Despite this ranking, however, positive prospects now exist to improve governance and the investment climate by fighting corrupt practices in the public and private sector. Nigeria's President Obasanjo has taken some bold moves including introducing the Anti-Corruption Bill which signals a strong commitment to deal with one of Nigeria's most difficult development problems. USAID puts top priority on anti-corruption measures in its Nigeria program and will stay the course to help President Obasanjo build a broad commitment to transparency and accountability in his country.

Examples of USAID anti-corruption activities in Nigeria include the following:

- The USAID mission in Nigeria is working to increase the transparency of government institutions, particularly focusing on the National Assembly and six state assemblies (one in each of Nigeria's geopolitical zones).
- USAID is partnering with local Nigerian institutions to establish the foundation for a fair and competitive electoral system, including the development of a code of conduct for political parties.
- At the local level, the USAID mission in Nigeria is supporting the work of Transparency International to develop a manual that will be used to train communities in the roles that they can play in fighting corruption.
- At the request of President Obasanjo, USAID-funded the International Republican Institute (IRI) to sponsor a conference for 150 future cabinet ministers and senior administration officials last year which produced key initiatives, such as the establishment of the Anti-Corruption Commission.

In addition to its Nigeria program, USAID supports a wide spectrum of anti-corruption measures in many other African countries. The kind of corruption targeted, as well as the results vary widely. The following are provided as illustrative examples of USAID-supported work in fighting corruption in Africa:

BENIN: The USAID mission in Benin has provided technical and institutional support to the country's Supreme Audit Institutions, both at the Chamber of Accounts of the Supreme Court and the Inspector General Office of the Ministry of

Finance. As a result of their increased capabilities, the Supreme Audit Institutions have started, for the first time, to audit electoral campaign expenses and have developed a manual for transparent financial and procurement operations. In addition, the Transparency International chapter, supported by USAID, conducted an extensive anti-corruption awareness campaign during the parliamentary elections in March 1999. This included televised sketches, radio and television ads, comic strips in local newspapers, and a poster campaign.

MOZAMBIQUE: The ATRIP program supported the Confederation of Mozambique's Business Associations in its efforts to reduce red tape and to provide an effective forum for the private sector to examine policy issues. This activity resulted in the passage of a new industrial law and revisions in the industrial and commercial licensing regulations that greatly simplified the registration process, and the transfer to a single agency of all responsibility for import and export controls. The Confederation has also worked to prominently display the new commercial and industrial licensing requirements to promote transparency and awareness of the rules for both government and business. These reforms will greatly reduce bureaucratic delays caused by bribe seeking.

In addition, with USAID support, NDI conducted a civic education program throughout Mozambique designed to raise awareness about the rights and responsibilities of citizens in a democracy. Many participants soon put their newly acquired democratic skills into action and tried to make improvements within their communities. In Sofala province, for example, participants wrote a letter to the District Office of Education complaining about the disappearance of funds the community had pooled for the construction of a school. The school administration was forced to pay the money back, and this encouraged the community to provide additional funds, which enabled the school to be built.

MALI: The USAID mission in Mali was involved in organizing for regional workshops on "illicit taxes" that the custom and police levy from livestock exporters in Sikasso, Segou, Mopti, and Koulikoro. The workshops provided opportunities for livestock exporters and government officials to interact and jointly develop a plan for eliminating illegal taxes. As a result of these workshops, livestock exporters decided to create border livestock markets that will tremendously cut down the opportunity for local officials to demand unwarranted payments that negatively affect export revenues.

KENYA: In the past, when emergency food aid was required in Kenya, there were two parallel emergency food programs—the Government of Kenya (GOK) system and the UN's World Food Program (WFP) and their implementing partners. The GOK system used to be highly corrupt with high losses and little or no impact, as the food aid went to too many districts and too many people due to political reasons. However, as a result of a USAID-funded workshop facilitated by the Famine Early Warning System (FEWS) project staff, augmented by additional USAID and British-funded analyses, the GOK has made some dramatic changes in its emergency aid program by moving towards a more transparent and efficient community-based distribution system. The new system allows for district and divisional level decisions to be made locally, and PVOs have a much larger role in the allocation of all emergency food.

Targeting of households can now be done based on need rather than on political factors; while improved and transparent accounting procedures make unauthorized diversions harder. Kenya's remote Turkana District, the area hardest hit by the country's recent drought, demonstrates the improvements for the poorest households brought about by a new community-based food aid targeting system. During a recent visit to the region, observers noted that poor households were receiving a monthly distribution of up to twenty-two pounds of corn, dramatically more than the two pounds they received previously. The new targeting system provides a more accountable and transparent distribution mechanism to ensure that food aid goes to those most in need.

CONCLUSION

We continue to make strides to reduce corruption in Africa, although decreases in corruption are difficult to quantify. It is not easy to count the number of bribes not taken, or solicited. Spectacular results are not quickly available. However, since USAID began addressing systemic corruption several years ago, there has been progress on many fronts, including the degree to which citizens and governments are aware and engaged in fighting the corruption, the number of elected officials exposed to ethics training, and the depth and breadth of regulatory and judicial reforms in several countries. We should be heartened by those successes. Yet, we can

only help support efforts that Africans themselves wish to undertake. The change must come from within and not be externally imposed. Corruption is a critical issue that requires diligent attention by African governments and donor partners to forestall its debilitating impact. We in the Africa Bureau will continue to work with other donors and with our African partners, as well as with multilateral and regional organizations, to ensure that the successes achieved thus far are sustained and expanded.

Lastly, we all know that reducing corruption is a long-term process, as is the promotion of democracy and good governance. However, we are increasingly required to make difficult decisions regarding program funding due to reductions in democracy and economic growth resources. If we are to collaborate with the larger donor community in mutually supportive capacities, support our US private sector in emerging African economies, protect our on-going assistance programs, and support Africans in their quest for sustainable development, the Administration's requested resources are needed. We have, we can, and we will make a positive difference but the support of the Congress is absolutely necessary.

Thank you.

Senator FEINGOLD. Thank you, Ms. Lowery-Derryck. As we turn to Simon Taylor, director of Global Witness, let me just reiterate the 5-minute target, if we could, so we have some time to have some back-and-forth.

STATEMENT OF MR. SIMON TAYLOR, DIRECTOR, GLOBAL WITNESS, LONDON, ENGLAND

Mr. TAYLOR. Good afternoon. As an NGO based in London it is quite a privilege to come and do this, so I would like to start by saying thank you very much for having us. I will just very briefly tell you about Global Witness. We are a London-based investigative campaigning organization that looks at the link between natural resources, the role of natural resources and the funding of conflict. My expertise in the African context is Angola, and so that is what I am going to focus my discussion on. I hope that is okay.

I do not want to paint an utterly bleak picture of Angola, but I think I would be interested in having more of a debate about just how far the reforms have come in Angola. Whilst we see, certainly, the start of the IMF staff monitoring program as a very positive move, we also see that the program itself, from our perspective, is quite flawed in that it does not quite go as far as it could have done. Especially given the fact, I think, that many of the objective commentators in discussions with the IMF prior to the agreement, in addition to the availability of public information, raised exactly what was going wrong in Angola vis-a-vis corruption—information was well available quite a long time prior to the finalization of the agreement.

But I think from our perspective, whilst we see the staff monitor program as a positive move forward, we think, well, it was almost like aiming here instead of here, so that they have not quite obtained what they could have done. I will come back to that.

I will just very briefly run through where we see the key problems in Angola. I think we have a situation where there is literally top-down corruption that is endemic the whole way through the structure of society, mainly I think because once you get below the top levels there is actually no other way to function. It is the only way to live.

There is no alternative access to revenue to survive unless you have become part of the system, so to varying degrees, depending on where you are on the ladder of the structure, the hierarchy of

society, you have corruption, but at the top end you have control over virtually everything. Everything, as they would say in Luanda, is an “eschema,” a scam.

So everything from—we have noted rotten container loads of beef being imported from Lisbon, to weapons that do not roll off container ships, that have to be literally dragged off, the sole purpose of their acquisition seemingly to acquire the commission attached with having made the deal in the first place.

We have mentioned briefly Angola is a major conflict zone. Some people here may be aware that we have been looking at the issue of conflict diamonds, and it was our work through this report, which we published in December 1998, which kind of, together with other moves by the U.N. Sanctions Committee precipitated a lot of the coverage and moves to deal with the conflict diamond issue.

And for us the other side of the coin is the fact that although you have got a war which is clearly draining the revenue base for the country, for development and so on, it is the massive scale of corruption, perpetrated by top-level people, particularly within the presidency and other areas, which is also siphoning off a vast proportion of the wealth.

And I think the most serious aspect of it is what we would define, I think, as the de facto privatization of the war, which took place around 1997–1998. I would like to be more candid, if you like, but it is a bit hard because naming people might stand me up for a little bit of grief when I go home, not the least of which might be in a courtroom, or worse, I might add.

But the bottom line is that in 1993 Luanda was in difficulty in the conduct of the war. The war was going very badly. There was not the revenue to fight it. There was not the weapons supply and so on, and basically what happened is an SOS call went out in the direction of France, and certain individuals in France provided contacts with certain other individuals, which I will not name now, who saw to it that introductions were made with certain banks who provided oil-backed loans.

The same individuals also provided the connections for the “lifting of the oil,” as it is known, to pay back the loans and also provided the weaponry, and these individuals basically monopolized the weapons supply to Luanda, whether directly themselves or at least on the basis of orchestrating others to do it.

This carried on until about 1997, and the deals they did went through an Angolan parastatal company, a State company, and there were obviously kickbacks of quite some magnitude. What happened in 1997–1998? Top people in the presidency removed the contract from the parastatal and gave it to a private enterprise which is basically owned by these same individuals, so what we have seen is an escalation of the kick-back process to kick-backs plus profits, because they own the very structure that is being deployed.

Some of the other areas that I think are of concern—and this really brings us to the oil companies, and the role of the oil companies. In 1999, in July of 1999, three oil blocks were finalized. These are respectively blocks 31, 32, and 33. 31 went to BP-Amoco, 32 to ELF, which is now TotalFina ELF, and 33 to Exxon, and within

the equity structures of Blocks 32 and 33 are some very strange partners, which we believe are basically payments in kind for services rendered, the services being the provision of weaponry and financing and so on. They certainly do not appear to be companies that the international oil industry is familiar with as ultra deep water oil-drillers.

I think the more disturbing aspect of the three blocks was that some \$870 million was paid over in signature bonuses, of which we reckon at least \$400 to \$500 million disappeared straight into the presidency for deployment through this structure I described before, and has simply not been accounted for. It has disappeared. I think the picture of all of this is that a significant proportion of everything that is wrong with what is going on in Angola is that it takes place off-shore.

So what we have in the Angolan staff monitoring program of the IMF is a very positive step. It is miles ahead of where we would have been, say, last year. But the bottom line is that it has no retrospective analysis of what took place in 1998 and 1999, and as far as we are concerned these represent some of the most corrupt years in terms of practices. And also it is only looking at money from companies to Government, no subsequent deployment of that revenue, so some of the key areas of where it then disappears are simply not going to be looked at at all. It is great that the companies are now being hired. I think that is very good that we are moving forward, but are they going to find out all the convoluted pathways of money through, for example, the Cayman Islands, through all sorts of different structures you might imagine, where that stuff is going, and I seriously doubt it.

So if the end objective is to bring transparency to the country, such that oil revenue provides some sort of revenue for the development of the country and is actually going to the people of the country, at least a bit, which it currently clearly is not, then we need something more, and I think we need at the very least some form of retrospective analysis of what went on before, for the simple reason that we need to get to the bottom of the structures that have been created, which will continue to be created unless such an analysis is brought to bear.

So somehow we need to go and readdress this side, and I think that is something that the committee might be able to help with, to go the administration, if that is at all possible, to readdress this problem.

There is another strategy which we have been working on for a while, and which seems to be bearing some fruit, and that is to do with the role of the companies themselves and what they can do. It is very clear that in Angola there is no transparency from the companies themselves.

Whereas you and I can go to our respective tax offices and find out what our companies pay to our Governments from tax revenue for the activity they do, Angolans cannot do that, so it is impossible to work out exactly how much is coming in to the State coffers in the first place. If you want to hold your Government to account, you have to know how big the pie is in the first place, and so I think that leads us to a fundamental point that the companies could do, and that is to follow the best practice they would have

to do in any developed country, and that is to publish what they pay to the Angolan Government in their annual accounts.

With that regard, we have now got an agreement from the Foreign Office in London for Peter Hain, Minister of State for Africa, to host a meeting on October 12, at which the London representatives of the various oil companies in Angola—because the focus will be Angola—will be attending together with some NGOs, and obviously the Foreign Office itself, and the purpose of that meeting is to examine this whole issue of what the companies could do to live up to what one might quite legitimately, I think, expect of them in any developed society.

The purpose of that meeting hopefully will be to lead to a third meeting—a second meeting, really, in this context, at which we would hope that the U.K. Government might start to involve the U.S. Government and other Governments, together with the head office senior representatives of the companies, so another thing I would really like to ask, if that is at all possible, is if the committee, together with the administration, could help to deliver the top executives of the companies from this end to that second meeting, which should be scheduled hopefully towards the end of October.

So I think if we can get to that stage, we can see a scenario where the companies could basically publish what they pay in all the countries they operate in, then you would see a situation where you would de-Angolanize. It would cease to be a problem for them, and I think what I am suggesting is the companies could literally have their cake and eat it, if you like.

This should be an utterly painless process, where there is no come-back to them because they all do it, and if they do it everywhere, no one country can blame them, and I think what would be true of Angola in terms of providing this basic information for civil society to finally ask the question and hold the Government to account would actually be very beneficial in places like Gabon and Cameroon, and Nigeria—Nigeria is improving and so on, but a whole host of other places.

So that is the kind of strategy that is coming, and I would very much like to ask for your assistance. Thank you very much.

[The prepared statement of Simon Taylor follows:]

PREPARED STATEMENT OF SIMON TAYLOR

INTRODUCTION—BACKGROUND TO GLOBAL WITNESS

Global Witness is a not-for-profit London based NGO, which focuses on the role of natural resources in the funding of conflict. Global Witness was established in 1993, by myself and 2 others—Chairman Gooch and Patrick Alley.

Although this hearing is aimed at corruption and the continent of Africa, my discussion will focus on Angola. Despite this quite narrow focus, the importance of Angola to the region, both strategically and because of its potential economic weight, and the sheer scale of corruption—perhaps one of the worst examples of corrupt government in Africa (if not globally), with no accountability to its people—all conspire to make Angola an ideal focus.

There are always two sides to corruption—the corrupted and the corrupter, and many of the corrupters in Angola are the very same individuals and companies which have operated in a similar fashion in countries such as Gabon, Congo-Brazzaville, Cameroon, and Nigeria, etc. Angola also provides upwards of 8 percent of US oil imports (set to rise massively over the next few years), and so it is of immense strategic value to the United States. In addition, it is important that these

issues, though of course relating to Angola, are not considered solely as Angolan problems. This is due to the fact that the war economy is intimately connected to corrupt deals, which in turn likely play a significant role in the capacity for Angolan military involvement in the Democratic Republic of Congo (DRC).

Global Witness has considerable information relating to the role of certain key individuals and companies in this situation. However, due to safety and legal considerations, it is difficult to be as candid as I would desire. Having said that, I am very keen to provide additional detailed information to key interested parties in private, outside of the context of this Hearing. For this hearing, I will attempt to be as candid as possible within these constraints.

CORRUPTION AND LACK OF TRANSPARENCY AND THE DE FACTO PRIVATISATION OF THE
WAR IN ANGOLA

In December 1998, Global Witness published the report *A Rough Trade*, focusing on the role of the international diamond trade in the financing of UNITA's war in Angola. As many of you will know, this report with its key finding that UNITA generated a conservative US\$3.7 billion between 1992 and 1998, and subsequent press coverage was a major precipitator of significant International Community focus on the issue of "conflict diamonds." International attention and focus on this issue then received a major boost through the very pro-active involvement of both the US and UK Governments, which in turn took on a greater urgency following the events of earlier this year in Sierra Leone itself. I have of course not referred to the activities of various individuals within the US Congress and other NGOs.

In December 1999, Global Witness published *A Crude Awakening*, which sought to examine the other side of the Angolan conflict; the role of massive corruption on the government side, and the effect of a considerable lack of transparency on behalf of the oil companies operating in Angola, and lastly the role of the international banking industry which has provided numerous loans, against future oil extraction. In the latter case, the resultant monies being subject the same lack of transparency, and being passed through opaque channels, resulting in funds being siphoned off through secret arms deals. It is the corruption aspect of the Angolan tragedy that I wish to address here today—and it is this issue which is significantly affected by US and other countries' foreign policy to Angola.

In late 1997, or early 1998 (the exact timing is not clear), the contract for arms (and other procurement efforts) was removed from an Angolan parastatal company and given to a private company—company X. This decision was made by certain top level officials in the Presidency, known as Futungo.

Company X is connected to certain individuals who have been instrumental in the provision of oil-backed loans. These same individuals also organised the "lifting" of the oil (in order to pay back the loans) by a very well known oil trading company which was notorious during the 1980's as a leading oil sanctions buster to Apartheid South Africa. These same individuals, who have been the quasi-monopoly weapons suppliers to Angola since around 1993/1994, also provided weapons through this new supply structure.

WHAT ARE THE IMPLICATIONS OF THIS NEW ARRANGEMENT?

This new method of supply has resulted in a number of changes. Whereas, the suppliers referred to above previously benefited from large kick-backs sometimes amounting to 30–40 percent and which were shared with top-level officials, the margin of profit has escalated. This is because whilst previously they profited from the kick-backs alone, they now benefit from both these kickbacks and the profits generated from their joint ownership with Angolan officials of Company X.

This removal of the contract from the Angolan parastatal to Company X represents a *de-facto* privatisation of the current phase of Angola's civil war. This is because every item from bombs and bullets to clothing and food generates money for those who are involved in Company X. If, as most objective commentators once again recognise, there is no military solution to the current conflict in Angola, then the current scenario represents a serious conflict of interest, given that those who should be seeking a peaceful outcome to the war, are in fact making money from its very continuation.

It is clear that frequently supplies of weapons and other commodities purchased through these individuals, both prior to and after the involvement of Company X, were not always up to the job. There have been many occasions where weapons including tanks and other heavy weaponry were literally dragged off the supply ships, because they were unable to be driven off under their own power. This purchase of inadequate military equipment has made up a significant percentage of overall supply in recent years, and is consistent with imports of other commodities, such

as rotting meat from Portugal, which appear to have been obtained for the commission alone.

The mid-1999 successes of the Angolan Armed Forces in part relate to the fact that these and other suppliers finally delivered weaponry (involving the same kick-backs) of sufficient quality and quantity to do the job.

Whilst it is obvious that the war in Angola has been a massive drain on the State's finances, and hence capacity for development, it is also very clear that corruption has taken a vast percentage of potential State income, of which in recent years, over 90 percent of been derived from oil. Given that oil (in fact all state natural resources) is enshrined in Angola's Constitution as belonging to the people of Angola, it is very difficult to see where any benefit has been derived by Angolans from their resource. This is clearly illustrated by Angola's free-fall from position 73 (out of 172 countries assessed) in the UN's Human Development Index (HDI), when daily production was 482,000 barrels, to position 160 by 1999, when production had reached 770,000 barrels per day. It should be noted that the volume of oil production in Angola has since increased, with no appreciable change to the country's HDI position.

The capital, Luanda, is a vastly over-populated (due to the influx of war refugees) sprawl, which some describe as the second most expensive city in the world. It is a city of utter squalor, mixed with a smattering of very expensive boutiques, available only to the elites. Whilst hordes of children sift through the garbage, the elites sometimes drive past in their limousines. Many of the other major towns in the countryside resemble Dresden after World War II.

WHAT IS THE VALUE OF OIL TO THE ANGOLAN ECONOMY?

Angola is sub-Saharan Africa's second largest oil producer, following Nigeria, with recent discoveries suggesting it soon become the largest. Oil revenue makes up over 90 percent of state income. One might presume that for such a significant sector, it might be relatively easy to determine the actual dollar value of this resource to the economy—this of course would not be difficult in any developed country. But in the Angolan case, as for many developing countries where resource revenue is siphoned off to benefit an elite class, the lack of transparency makes this task almost impossible.

Global Witness conducted investigations in an attempt to uncover raw data to calculate the dollar contribution of oil to the Angolan economy. The results, not only demonstrate the difficulty of such a task, but also clearly indicate the difference between the access provided to civil society in developed countries regarding transparency of tax contributions of major business' to developed country economies, and the lot meted out to Angolans. I will return to this theme later.

From the best available data, Global Witness calculations indicate that Angola generated between US\$1.8 billion and US\$3.0 billion annually for the period 1990–1999. Clearly there is considerable variation year on some of which is reflected in global oil price fluctuations, but a significant source of this variation is due to the lack of available and accurate data. In other words, this estimate is not one that should be considered as particularly accurate. In contrast, by late 1999, analysts were predicting an annual income from oil of US\$2.9 to US\$3.2 billion for the years 2003 through to 2010, with other forecasts suggesting that the industry is set to invest some US\$ 18 billion over the next four years in Angola.

Global Witness has also made its own calculations of estimated income from oil in Angola over the period 2000 through to 2006. This forecast is based on analysts' predictions for oil volume extraction compared to two different, but conservative estimates of global oil price—of US\$ 12 and US\$ 18 per barrel. Given these current forecasts, we estimate that Angola will receive between US\$1.4 billion and US\$2.7 billion respectively over the next six years. It is worth pointing out that for much of 1999 and this year, the global price of oil has hovered nearer to the US\$30 per barrel level (now over US\$32). Clearly, it is unrealistic to suggest that this price will be maintained in the long term, but it is worth noting that these high levels and therefore higher than estimated income levels have been maintained for a significant proportion of the period we are looking at.

THE ROLE OF CIVIL SOCIETY IN ANGOLA

Angola's growing civil society is gradually escalating its opposition to the war, and is also seriously questioning the scale of corruption that is governing the country. However, NGOs and the press in Angola are facing an enormous up-hill battle against seemingly impossible odds. Those that have dared to challenge the current situation, and who have publicly voiced their concern over corruption by state officials have been ruthlessly dealt with—perhaps the best known case is that of Rafael

Marques who has been tried for “defaming” President dos Santos because he accused him of corruption. His case should in no way be considered in isolation, and the response has been to pursue such cases on a criminal basis, rather than through the civil courts. Although there is a growing independent press in Angola, they are severely limited in their capacity to cover contentious issues—Folho 8, which attempted to cover the launch of Global Witness’ *Crude Awakening* report in December 1999, found its printer threatened, which then refused to print the first four pages of the paper—the banner headline front page leads with the launch of the report, but inside, the reader is treated to four pages of blank columns interspersed with photographs of oil rigs.

It is very clear that in addition to the almost complete lack of available data concerning the true value of oil production to the Angolan State, it is also not possible for Angolans to question any of the decisions of the state, as to its conduct of the war, or the economy. Despite the constraints placed on a state at war, this situation is clearly unacceptable, especially given the implications for the Angolan people and the vast benefit being generated by the elite few through the continuation of current practices, at the expense of the population. There is no accountability of government in Angola today.

THE ROLE OF OIL COMPANIES IN ANGOLA

Currently, there is no significant transparency by the oil companies in Angola. In stark contrast to the availability of tax and royalty data to the general public in developed countries, through the standard process of filing annual accounts by companies, such data is not available in Angola. Given that Angolans have no recourse to the data that they would require to at least begin the process of holding their government to account for its use of this resource, this situation of lack of oil company transparency is also clearly unacceptable.

In July 1999, the three oil companies BP-Amoco, Elf (now TotalFinaElf) and Exxon, finalised their agreements with government for the three ultra-deep water oil blocks, respectively Blocks 31, 32 and 33. The three companies paid a total of US\$ 870 million dollars in signature bonuses, of which Global Witness estimates that between US\$4-500 million was “disappeared” through the Presidency.

Global Witness believes, due to the lack of oil company transparency, that the companies are complicit in the plunder of Angola by the country’s elite. This is not to say that the companies are directly involved in the paying of bribes, though some clearly are. But, it is saying that the companies are playing the key role in the provision of over 90 percent of Angola’s State income, and given that it is this income which is being stolen, they cannot absolve themselves from that relationship and responsibility without taking every step to ensure that it is as hard as possible to siphon off such revenue. It is therefore clear that the companies can only escape from such a charge through all the companies collectively publishing all payments they make to government, just as they would be required to do so in any developed country.

THE ROLE OF THE BANKING

The international banking sector has played a key role in the provision of short-term, high interest loans, which have severely exacerbated the effect of oil price fluctuations on Angola’s economy, and which have significantly increased the national debt.

Many of these loans have been negotiated in secret, and the resultant monies have been utilised through the same opaque system as oil derived state income. The value of the loans which have been provided against future oil extraction have been so vast that by 1998/1999, Angola actually derived little physical income from then volumes of oil production, because the vast bulk of this revenue was needed to service the expanding debt. Of course, the conduct of the war, required continued funding, and so new loans have continued to be negotiated, greatly assisted by the high oil price; many of the negotiations involving the same individuals already referred to above, who are intimately involved in the supply of weapons to Angola.

The Angolan parastatal oil company Sonangol is one of the main routes of loan repayment, often involving the direct selling of oil, with resultant revenues being directed through off-shore accounts. One of the implications of such a significant proportion of state revenue being directed via off-shore financial systems, is the development of a set of parallel financial systems within the Angolan economy. This simply adds to the lack of state transparency, providing ample opportunity for further misappropriation. It has also allowed for Sonangol to discount its tax liability to treasury, with the result that a large proportion of the Angolan economy being run through a set of foreign bank accounts—this set of off-shore parallel finances

being controlled by the various elites within Angola, with the vast bulk by the Presidential clique.

Given not only the scale of the loans which have been provided, but also the level of secrecy surrounding their negotiation and the subsequent control which is being exercised by the elite over the off-shore repayment structures, there is clear complicity of those international banks which are involved, in the plundering of Angolan state revenue. As for the oil companies, the international banks should publish full details of existing and any new loans that are made available, and they should insist that full transparency concerning future loans be a condition of agreeing further financing. Given the risk of providing loans to Angola, it would also be in the interest of banks considering loans to Angola, to insist on a radical change in the level of transparency exercised by Angolan State institutions.

THE ROLE OF THE IMF AND THE WORLD BANK

For some time the IMF has been trying to restart a programme in Angola. It came close to an agreement with the government in 1998, when the international oil price fell below US\$10 per barrel. This was because Angola was close to defaulting on its international debts due to the low oil price. The Government was becoming desperate to secure new and preferential rate loans, which would only become available through an IMF agreement. In early 1999, the government did make some positive changes to the state financial systems, by posting Aginaldo Jaime as the new head of the National bank of Angola (BNA). This was a significant improvement, because the BNA had been a major partner in the system of state robbery, and Mr. Jaime is well respected in the international community.

However, despite the improvements that Mr. Jaime continues to implement to operation of the bank and various other structural changes, there are still significant improvements required. These concern not only the fact that a vast percentage of Angola's economy (as already described) takes place entirely off-shore, but also the role of both Sonangol and the role of the Presidency in the deployment of state revenue.

In April 2000, the IMF finalised its *Staff Monitoring Programme* (SMP) agreement with the Angolan Government. This agreement is a positive step forward that Global Witness welcomes as a useful first stage towards improving transparency in Angola. However there are serious flaws in what is being proposed. These include:

1. There is no provision for any significant retrospective analysis of the oil accounts and subsequent expenditure for the period 1998 to the present day—perhaps the worst period for massive corrupt arms deals, involving both oil and loan revenue, in Angola's history.
2. The agreement appears to be only contemplating an analysis (from July 2000 onwards) of oil revenue to government—as far as the treasury—with no analysis of subsequent expenditure.
3. This analysis (known as the oil diagnostic) was originally intended to run until the end of 2000—for six months only. This now appears to be extended until late 2001. However, there appears to be no consideration as to what happens after that.
4. Given that a vast proportion of plundered revenue has been siphoned off through a convoluted system of off-shore companies and accounts, it is extremely doubtful if the team hired to do the oil diagnostic will be able to deal with this problem; meaning that the structures which have served the purpose of state robbery so well, will likely remain in place.

The World Bank had pulled all of its country staff in 1999, leaving a token office representation in Luanda. The Bank is now tasked to hire the international accountancy company which will undertake the "oil diagnostic," according to the IMF's SMP agreement. To date, the company of choice has not been finalised, though we understand this is imminent. It seems likely that once the diagnostic team is in place, that the Bank will resume its activities in Angola.

It is imperative that international pressure is brought to bear to ensure that the IMF's SMP programme is truly a programme worth having. Global Witness appreciates that there is a balance to be drawn between having the programme, and pushing too hard and losing it all—however, if the price of having the programme is such that it will not deliver transparency, that it remains severely compromised as described above, then it seems likely that the IMF's programme will be insufficient for the job required.

This is of major concern, because if the Angolan Government does perform according to what is required of this flawed programme, leaving significant areas of corrupt activities in place, which the diagnostics team is simply going to miss, then

the logical next step is a likely resumption of international aid. Whilst in the long run, Angola does desperately need international assistance, Global Witness believes that such an outcome will send the wrong message and will allow for a continuation of current practices.

THE ROLE OF THE US AND THE INTERNATIONAL COMMUNITY

It is very hard to be precise about the role of the US in the continuation of current corrupt practices in Angola. On the one hand the US Government has played a very valid role in pushing the “conflict diamond” issue to date. Here congratulations are certainly due. This is of course another area where corruption is also an issue.

However, it is very difficult to escape from a perspective of the US, although it has gone on the record stating on various occasions that this is an issue which needs remedy, that the issue of corruption on the Angolan Government side also relates to oil—and of course, unlike diamonds which are a non-essential commodity, oil is the “untouchable” item. There is a very strong perception amongst the NGO community and beyond, that the US and other governments with oil interests in Angola (especially France which fits into a category all of its own), because of the nature of oil, will make all the necessary “token” noises about corruption, how bad it is, etc., but in the end will do nothing, because it does not want to upset the elite in Luanda, which may have repercussions for US oil companies. The US-Angola chamber of Commerce, which could be seen ostensibly as a positive vehicle, may in fact be contributing to the impression that the primary concern appears to be business interests regardless of other factors.

Despite having had the opportunity to brief IMF officials directly involved in the SMP negotiations with Angola as to some of the essential areas which desperately need addressing, and having similarly done so with the other key oil interest countries, all of whom have significant influence at the IMF Board, we have been left with an SMP agreement which is flawed, as described above. To what extent if any, US and other countries’ policies, or their lack, may have led to this situation is not clear.

WHAT NEXT—SOLUTIONS TO THE CURRENT SITUATION

Regardless of what may or may not have been undertaken by the various governments involved in the past, there is an area which I have briefly focussed on which has not yet been tried out. This involves all the major oil companies which are present in Angola and which, I hope, can also include a significant involvement from the US Government, together with the initial moves which are being made by the UK Government, and which will hopefully also involve other governments as the strategy moves forward.

As I have already described above, there is clear complicity of the oil companies in Angola in the looting of state assets. Many of the companies are clearly and genuinely concerned about this situation, I think both in terms of the implications for the Angolan people, but also because it does not make sound business sense to be operating in an utterly corrupt environment. There are others, unfortunately who are directly involved in this problem, and I would like to provide more detail in private.

However, there is strategy being put together by the UK Government right now and which is in its first stages. Minister of State Peter Ham MP, who is Minister for Africa at the Foreign & Commonwealth Office in London, is hosting a meeting of oil companies and some key NGOs with both experience in this issue (including Global Witness) and those who are working in the development field in Angola. The purpose of the meeting is for a full and frank discussion about the issue of corruption in Angola and to explore ways forward for the companies to be able to help by becoming more transparent in their operations in Angola. This meeting has been confirmed as taking place on October 12th.

In terms of the oil companies, the meeting is intended to include London based executives of all the majors—so this will we hope include Exxon, Chevron and Texaco. It is also intended that this meeting should lead to a second meeting within a few weeks, at which there should be participation from head office executives of the companies, together with the US government, and other governments if possible.

Global Witness strongly believes that this strategy represents a genuinely positive way forward for the companies. Whilst it is clear that no one company alone wishes to incur the wrath of the Angolan government by publishing its payments of taxes and royalties to the Angolan Government (and neither would that be desirable, because such a move would only produce a fraction of the data required), if all the

companies were to do so, there is not much the Angolan government could do in response.

Things could be made even easier for the companies if they were to adopt such a strategy for all their countries of operation, as this would “de-Angolanize” the issue—the companies could easily explain their move as part of a global move to reform accountancy practice to adopt highest standards in order to act as “responsible global citizens” regarding issues of corruption and lack of transparency. If such a move was adopted, no one country could blame a company for its actions, since these would take place internationally. It is certainly clear that a similar move would be of immense value in countries such as Nigeria, Gabon, Cameroon, Congo-B, and the DRC, to name just those in Africa.

I hope this is a strategy which appeals to the sub-Committee and that Global Witness might be able to ask for your assistance, together with that of the US government to take this forward. Angola desperately needs a radical change, and although this will not cure the ills, such a move would provide the necessary data (at no cost to the companies), which would at least allow Angolans to start the process of holding their government to account for its actions. In addition, I strongly believe that genuine transparency on behalf of the companies, together with a real focus on this issue from the international community would be a major help to the IMF in its efforts through the SMP and any subsequent agreements.

Thank you for your time and consideration.

Senator FEINGOLD. I thank you, Mr. Taylor, and I think it is very appropriate to focus on Angola. If it is not Exhibit A, it is Exhibit B in terms of this concern. The first country I ever visited in Africa was Angola in 1994, and I was appalled, but what really appalled me is to return there in December 1999 and to see that—

Mr. TAYLOR. It is unbelievable.

Senator FEINGOLD. Unbelievably to me, things seemed worse.

Mr. TAYLOR. They are.

Senator FEINGOLD. And I think it was helpful to hear that.

Mr. TAYLOR. Thank you.

Senator FEINGOLD. Let me now turn to Ms. Aileen Marshall, the senior advisor of the Global Coalition for Africa.

**STATEMENT OF MS. AILEEN MARSHALL, SENIOR ADVISOR,
GLOBAL COALITION FOR AFRICA, WASHINGTON, D.C.**

Ms. MARSHALL. Thank you very much, Mr. Senator, and thank you very much for scheduling this meeting and allowing me to come and join you in this discussion. In the interests of time, I am going to try to make abbreviated comments.

Both African countries and the international community should be concerned about corruption, because a peaceful and prosperous Africa is to the benefit of us all, and to the extent that corruption threatens stability and economic progress, it impedes the development of the continent. And lack of development will mean that African countries, instead of becoming real partners in an increasingly integrated global economy, will remain marginalized and dependent on development assistance.

Others have already indicated some of the consequences of corruption, but I think it is very important to note that efforts to reduce poverty and improve the well-being of African populations simply will not be successful unless corruption is addressed. But it is not only the direct negative effects of corruption which are cause for concern, but corruption can also lead to or worsen other problems, including crime and conflict, which have also been mentioned.

Because of the poverty and the weakness of their institutions, African countries are particularly susceptible to the activities of orga-

nized crime syndicates, be it Colombian drug cartels or the Russian mafia, and while international crime is increasingly sophisticated and well-financed, most African countries lack either the resources or the capacity or the technology to combat it.

It has already been mentioned that in countries like Sierra Leone, Congo, Angola, corruption has helped to fuel and perpetuate conflict. There can obviously be no development or progress where there is conflict, and war has devastated some of the potentially richest countries on the continent.

But there have been tremendous changes in Africa over the past few years as far as corruption is concerned, as other people have mentioned. Whereas once it was regarded as taboo, it is now openly discussed. Throughout the continent, the economic and social costs of corruption are being recognized, and people are speaking out against it.

The press is uncovering and reporting corrupt business deals. Questions are being asked in parliaments. A multiplicity of civil society organizations dealing with corruption have been created. In some cases, ministers and senior civil servants have been censured or dismissed because of corrupt practices. All of this would have been unthinkable just a few years ago.

A good many African Governments are making a genuine effort to counter corruption, and some lessons have been learned. I think chief among these is that corruption in Africa, like elsewhere, is a complex problem that requires a variety of actions to be undertaken and political will is a fundamental necessity. And that political will has to be encouraged.

It has also become clear that purely legal solutions are of limited effectiveness, as we mentioned, and that Government actions alone are insufficient. Effective coalitions between Governments, civil society, and the private sector are needed, and anticorruption efforts must have some demonstrable impact if public confidence is to be sustained.

The primary responsibility for addressing corruption obviously lies with individual countries, but collaboration and cooperation between and among countries is also important. Mr. Senator, you yourself mentioned the principles to combat corruption, which Mr. Schneidman also mentioned, and progress in implementing these principles will be discussed at the forthcoming GCA policy forum in Abuja in October, where other countries will also be invited to adopt them. Some countries, including Nigeria, have already expressed an interest in doing so.

We in the GCA are very grateful for the assistance the United States Government has provided to this initiative of developing principles and possibly an anticorruption convention. All of the African countries involved were very much encouraged by the active interest and support of both the State Department and USAID.

As other speakers have indicated, the United States is already supporting African efforts to address corruption, and over the long term this assistance will make a difference. I think specific support for reforms in public procurement, taxation, and customs could be very useful. These are areas identified by most African countries as major sources of corruption.

This sort of assistance is obviously important and should be continued, but another type of support is also needed, and that is the moral encouragement to those forces within African countries which are committed to fighting corruption. I think the U.S. should take a public stance against corruption and ensure it is part of its policy dialogue with African Governments. The United States should also actively encourage the continuation of political and economic reform. Corruption cannot thrive in open, competitive societies, where there are multiple power bases.

Support for African anticorruption initiatives is necessary, but we also have to recognize that corruption in African countries is not merely a domestic issue, and I would just like very briefly to suggest some areas where international cooperation is needed.

Forceful action is obviously needed to sever the links between organized crime, corruption, and other activities such as drug trafficking. Corruption and conflict, as has already been noted, converge in the arms and diamond industries, and much greater transparency and accountability is essential. But sustained progress on issues such as these is beyond the control of individual countries and demands international collaboration. International business transactions that are a source of corrupt practices also require attention, and the private sector really has got to become a partner in the fight against corruption.

Action at the global level is also needed with regard to money laundering. The United States has taken a leadership role in promoting changes within the international banking system, but current provisions need to be strengthened and expanded, and individual banks must be required to exercise due diligence and fully comply with regulations.

It is important that OECD countries ratify and implement the provisions of the recent anticorruption convention, but pressure should also be brought to bear on countries in Asia and the former Soviet Union to increase their vigilance with regard to corruption in Africa. To the extent that individuals and companies based in these countries engage in corrupt practices in their dealings with Africa, the anticorruption efforts put in place by individual African countries will be undermined.

Mr. Senator, to conclude, combatting corruption in African countries is not easy, and there are no quick fixes. It requires political will and constant effort. It also requires the encouragement and support of the international community. To date, the United States has actively provided this encouragement and support, and we in the GCA hope that it will continue to do so. We also hope that the United States will work to promote greater international collaboration and action to counter corruption.

Once again, thank you very much for allowing me to join you.

[The prepared statement of Ms. Marshall follows:]

PREPARED STATEMENT OF AILEEN MARSHALL

Mr. Chairman, members of the Subcommittee, I appreciate the opportunity to appear before you today to discuss anti-corruption efforts and African economic development. I congratulate you on scheduling this session and for devoting time to an issue that is of concern to Africans and friends of Africa alike.

Before commenting specifically on anti-corruption initiatives I would like to emphasize that corruption is no worse in Africa than in other parts of the world. Nor

is the situation the same throughout the continent. While at one extreme there is a country like the former Zaire where wholesale corruption threatened the political and social fabric of society, there is also the example of Botswana, noted for its record of sound governance and lack of corruption. However, African countries simply cannot bear the costs of corruption, which, left unaddressed, threatens to undermine the very real gains that many countries have made in recent years as a result of political and economic reforms. It is for these reasons that combating corruption has become a development imperative for the continent.

CORRUPTION IN AFRICA

Both African countries and the international community should be concerned about corruption because a peaceful and prosperous Africa is to the benefit of us all. To the extent that corruption threatens stability and economic progress, it is an impediment to the development of the continent. And lack of development will mean that African countries, instead of becoming real partners in an increasingly integrated global economy, will remain marginalized and dependent on development assistance.

Corruption in Africa, as elsewhere, damages the political, social, and economic systems of countries. It erodes the legitimacy of governments, undermines the effective functioning of institutions, slows economic progress, impedes the development of the private sector, and limits the ability of people to get ahead as a result of their own endeavors. Moreover, efforts to reduce poverty and improve the wellbeing of African populations will not be successful unless corruption is addressed.

But it is not only the direct negative effects of corruption that are cause for concern. Corruption can also lead to, or worsen, other problems. I would just like to mention two—crime and conflict. Entrenched corruption undermines law and order, and thus facilitates a rise in criminal activity. Because of their poverty and the weakness of their institutions, African countries are particularly susceptible to the activities of organized crime syndicates, be it Colombian drug cartels or the Russian mafia. And while international crime is increasingly sophisticated and well financed, most African countries lack the capacity and technology to effectively combat it.

In countries like Sierra Leone, the Democratic Republic of Congo, and Angola, corruption has also helped to fuel and perpetuate conflict. There can obviously be no development or progress where there is conflict, and war has devastated some of the potentially richest countries on the continent. Although the burden has to be borne principally by the countries themselves, conflict in Africa has also imposed a cost on the international community. Resources that could otherwise have been devoted to development have been diverted to providing emergency assistance, peacekeeping, and post-conflict reconstruction.

In short, Mr. Chairman, combating corruption is essential for the economic development and political progress of the continent. Most African countries are in transition—from authoritarianism to multiparty democracy, and from command to market-based economies. They are societies in flux, where one set of norms has broken down, but another has not yet been fully institutionalized. They need the assistance and support of the international community to sustain the process of transition, and to ensure that the opportunities it provides are acted upon.

AFRICAN ANTI-CORRUPTION INITIATIVES

There have been tremendous changes in Africa over the past few years as far as corruption is concerned. Whereas once it was regarded as taboo, it is now openly discussed. Throughout the continent, the economic and social costs of corruption are being recognized, and people are speaking out against it. The press is uncovering and reporting corrupt business deals. Questions are being asked in parliaments. A multiplicity of civil society organizations dealing with corruption have been created. In some countries, national anti-corruption coalitions have been formed, corruption diagnostic surveys undertaken, and anti-corruption action plans formulated. In some cases also, ministers and senior civil servants have been censured or dismissed because of corrupt practices, and there has been a marked increase in the number of corruption cases brought before the courts. All these would have been unthinkable only a few years ago.

There are obviously some governments that are not at all interested in seriously combating corruption. But there are also a good many that are making a genuine effort. Most of them have adopted a combination of legislation, public awareness and investigation. Several have established specialized anti-corruption agencies. Although these efforts are relatively recent, some lessons have been learned. Chief among these is that corruption in African countries—like elsewhere—is a complex problem that requires a variety of actions to be taken, and that combating corrup-

tion takes time and sustained effort. It is also evident that political will is a fundamental necessity, and needs to be encouraged in most countries.

It has become clear that purely legal solutions are of limited effectiveness, particularly in countries where the independence of the judiciary is not yet fully established and where legal institutions are weak. Similarly, specific anti-corruption bodies can be useful, but they need to have sufficient independence, resources and authority to successfully perform their functions. It is increasingly recognized that government actions alone are insufficient, and that effective coalitions between governments, civil society and the private sector are needed. It is also important that anti-corruption efforts have a demonstrable impact, if public confidence is to be sustained.

The primary responsibility for addressing corruption obviously lies with individual countries. But collaboration and cooperation between and among countries is also important. In February 1999, eleven African countries—Benin, Botswana, Ethiopia, Ghana, Malawi, Mali, Mozambique, Senegal, South Africa, Tanzania, and Uganda—met under the auspices of the GCA and agreed to adopt a set of Principles to combat corruption. The Principles are intended to support the efforts of individual countries. But if implemented by sufficient countries, they could also form the basis of a regional anti-corruption convention, similar to that adopted by the OAS.

We in the GCA are grateful for the assistance the United States Government has provided to this initiative. All of the African countries involved in the process were very much encouraged by the active interest and support of both the State Department and USAID. Progress in implementing the Principles will be discussed at the forthcoming GCA Policy Forum in Abuja, in October 2000, where other countries will also be invited to adopt them. Some, including Nigeria, have already expressed an interest in doing so.

PROACTIVE MEASURES TO SUPPORT AFRICAN ANTI-CORRUPTION INITIATIVES

The United States is already supporting African efforts to address corruption, as other speakers have indicated. Over the long-term, the assistance of USAID and other development partners to strengthen institutions of state and civil society, streamline government procedures and build effective legal systems will make a difference. Specific support for reforms in public procurement, taxation, and customs could also be very useful, as these are areas identified by most African countries as major sources of corruption.

Mr. Chairman, the sort of assistance that is already being provided is obviously important and should be continued, or even expanded. But another type of support is also needed. This is the moral encouragement to those forces within African countries that are committed to fighting corruption. The United States and other donor governments and agencies should take a public stance against corruption and ensure that it is part of their policy dialogue with African governments. They should also actively encourage the continuation of political and economic reforms. Corruption cannot thrive in open societies and competitive economies where there are multiple centers of power.

Support for African anti-corruption initiatives is necessary, but we also have to recognize that corruption in African countries is not merely a domestic issue, and that measures are required at the international level. Forceful action is needed to sever the links between organized crime, corruption and other activities such as drug trafficking. Corruption and conflict in Africa converge in arms and diamond trading, and much greater transparency and accountability is essential in both industries. Sustained progress on issues such as these is beyond the control of individual countries, and demands international collaboration.

International business transactions that are a source of corrupt practices also require attention. Major investment in Africa is largely concentrated in a few countries with substantial mineral or oil deposits. These are countries where corruption presents a significant problem. But less visible business transactions in other countries can also encourage corruption. The private sector has to become a partner in the fight against corruption. Companies should be encouraged to exercise good corporate governance and promote transparency in their interactions with governments and individual officials.

Action at the global level is also needed with regard to the illicit transfer of funds to western financial institutions. The United States has taken a leadership role in promoting changes within the international banking system to help prevent money laundering. But current provisions need to be strengthened and expanded, and individual banks must be required to exercise due diligence and fully comply with international regulations. Pressure could also be brought to bear on financial institutions

for the effective and timely recovery of funds found to have been obtained as a result of corruption.

It is important that OECD countries ratify and forcefully implement the provisions of the Convention on Combating the Bribery of Foreign Public Officials in International Business Transactions. At the same time, sanctions such as black-listing of companies that engage in corrupt practices could be an effective deterrent, provided they are enforced by sufficient countries. But pressure should also be brought to bear on countries in Asia and the former Soviet Union to increase their vigilance with regard to corruption in Africa. To the extent that individuals and companies based in these countries engage in corrupt practices in their dealings with Africa, the anti-corruption efforts put in place by individual African countries will be undermined.

To conclude, combating corruption in African countries is not easy and there are no quick fixes. It requires political will and constant effort. It also requires the encouragement and support of the international community. To date, the United States has actively provided this encouragement and support, and we in the GCA hope that it will continue to do so. We also hope that the United States will work to promote greater international collaboration and action to counter corruption.

Mr. Chairman, once again I congratulate you on raising this important issue, and thank you for allowing me to contribute to your deliberations.

Senator FEINGOLD. Thank you very much, Ms. Marshall, and finally, we will turn to Mr. Miguel Schloss, the executive director of Transparency International. Mr. Schloss.

STATEMENT OF MR. MIGUEL SCHLOSS, EXECUTIVE DIRECTOR, TRANSPARENCY INTERNATIONAL, WASHINGTON, D.C.

Mr. SCHLOSS. Thank you very much, Mr. Chairman. First and foremost, I want to thank you and compliment the chairman of the subcommittee for calling this roundtable. In a way, having an international civil society NGO testify in the U.S. Congress is emblematic of how far this world is globalizing, how small it is becoming and, very importantly, the open and important role that this very country can play in the destiny of entire continents like Africa.

I am not going to go fully through my statement. I will leave it here on the record. It also will have an attachment of a brief report which we have prepared in the context of a very valuable grant we have received from USAID on activities we have undertaken in Africa in selected countries. Nor am I going to repeat any of the very well-made points, in fact, very articulately, by those who spoke before me.

I would like to address four questions, if I may. First, why Africa, second, then what should be done, thirdly, why now, and finally, what next?

Why Africa? Africa has enormous unexploited and unexplored potential in resources, in processing and manufacturing, and considerable growth potential. The continent has barely tapped the potential of its people and, in Transparency International, we have no question whatsoever that with sage policies, adequate human and financial resources, improved delivery of technical assistance, and market access, the continent can unlock its potential, no question whatsoever. But, very important, giving people a stake in this development can help reduce regional conflicts that one day could spill over beyond this region's confines.

I do not need to go into why Africa finds itself in the current state of economic development. Many of the points have already been made on the underinvestment that has taken place in the human and physical infrastructure, the policy context, but I would

like to stress one point, just to bring somewhat of a different angle to what has been said in some ways by those who spoke before me. Perhaps more fundamentally, the marginalization, both locally and internationally, of Africa is one of the causes of the problems which has resulted in assistance programs to Governments that oftentimes hardly represented the people they were supposed to serve.

All this has resulted in programs for which there has been weak demand, fledgling civil society organizations that have had limited possibilities to demand transparent and accountable administrations, the buildup of vested interest that used public office for private benefit, and the consequent debt overhang and high levels of corruption. According to our index, year after year the continent ranks last in our corruption perception index. I do not need to go into the economic consequences of it. They have been stated very clearly by those who spoke before me.

Then, what should be done? Of course, as you yourself pointed out, the whole continent is not engulfed in these types of problems. There are countries, like Mauritius, Botswana, Namibia, have done quite well and are developing at an astonishing pace. I would say Mauritius is becoming a Singapore very rapidly. Despite quotas in textiles and so on, they find a way. By the same token, countries like Nigeria are at present making a credible effort to redress the policy environment and deal with the corroding scourge of corruption.

What should be learned from these experiences? First, development has to come from within, and foreign and post conditionality is more often than not a poor substitute for efforts that have to be home-grown from both leadership of the country and its people.

Second, under the wrong conditions, foreign assistance can in fact bankrupt misguided Governments, and there are times where very hard decisions and wrenching judgments have to be made between continuing such assistance, at the risk of perpetrating inefficient or ineffective or corrupt administration, or walking away to facilitate the creation of conditions within the countries themselves for more fundamental reforms. Of course, one has to always keep a minimum basic support for institutional reforms so that when that moment comes, the countries are ready to deal with the problems that they have.

What I am trying to say is that, all in all, much greater attention is needed on buildup of civil society, supporting it, buildup of oversight mechanisms with proper civil society representation, including independent legislatures and, I must say, it will be very good for the U.S. Congress and Senate to have regular exchanges with their counterparts in the countries concerned, a free press, access to information, enhanced financial management, auditing, and disclosure practices. As the old proverb states, the Sun is the best disinfectant.

And last but not least, remove the incentives for corruption, particularly those coming from unchecked and unwarranted discretionary powers of public officials, monopolistic practices, either public or private, and measures of this type.

In sum, Africa can develop. It can do it with economic policies that have proven successful in other parts of the world, but the reform agenda must also deal with the resource allocation arrange-

ments through greater empowerment of civil society, shifting the decisionmaking and monitoring authority so that the intended beneficiaries which hitherto have tended to be excluded can take proper role in holding accountable their authorities for results.

No amount of technocratic solutions, or no amount of money can substitute for a society that demands what it needs. Above all, leveling the playing field for civil society will be a key ingredient to combat the pervasive and wasteful effects of corruption.

Why now? I think we have two very big factors why it should be done now. One, with the cold war behind us, Africa no longer has to be one of the ideological battlegrounds where so-called strategic allies receive foreign assistance regardless of their record of governance or economic performance.

Second, similarly, with the OECD convention to combat bribery of foreign officials, the supply side of corruption can also be tackled by capital-providing countries. On both counts, however, serious efforts are needed to move from words to deeds, but the basic conditions are in place to do so.

At Transparency International, we do our share, and we have the various programs throughout the continent that are aimed at putting and supporting the buildup of civil society, adapting approaches that exist elsewhere to the local institutional and cultural conditions based on home-grown strategies among the people themselves.

We have a major program starting now in Francophone Africa. We are supporting very heavily Governments that want to move forward like Nigeria, and so on. In time, we would hope that this should set the foundation for a stronger, locally grounded TI presence in the continent, and the basis for a better-focused assistance as well.

What next, and here I sum up the three final points. We would like to encourage the donor community, and that includes the United States, first to mainstream and raise the issue of corruption higher on the policy agenda dialogues with the countries in all the things that are done, foreign assistance, trade, *et cetera*. This is not something like a ghetto that you can treat on its own, but you have to deal with it across the board.

Second, bring to the forefront, to the development of civil society and its representative organizations to bring about accountable administration. There is nothing—and you should know this better than I—that helps more than having a review of what authorities do so that we see that they are being checked. We have done a number of experiments in other continents that show clearly that when such monitoring exists the performance changes very significantly, and measurably.

And last but not least, be more selective in supporting countries. Do not help those that cannot help themselves, and be more responsive, conversely, to those who address these issues. These issues, which are at the core of nation-building, as several of my colleagues have said over here, are not simple. If they were, we would not be talking about them today.

Thank you very much.

[The prepared statement of Mr. Schloss follows:]

PREPARED STATEMENT OF MIGUEL SCHLOSS

I want to thank and compliment the Chairman of this subcommittee for calling this hearing. In a way, having an international civil society NGO testify in the U.S. Congress is emblematic of how far globalization has come, and the open and important role this country can play in the destiny of entire continents like Africa.

I am an Executive Director of Transparency International (TI), an NGO formed in 1993 to combat corruption around the world. TI's headquarters are in Berlin, Germany, and we now have a network of national chapters in over 75 countries, including in 20 Africa. I have attached to my written statement a report on TI activities in Africa, which are supported by a grant from USAID. I would like to take this opportunity to thank USAID for its support to Transparency International and other civil society organizations.

WHY AFRICA?

Africa has enormous unexploited and unexplored potential—in resources and in processing and manufacturing—and considerable growth potential. The continent has barely tapped the potential of its people, and with sage policies, adequate human and financial resources, improved delivery of technical assistance and market access, the continent can unlock this potential. Giving people a stake in this development can help reduce regional conflicts that one day could spill over beyond this region's confines.

But developing the region requires an understanding of where it stands at present. It will come as no surprise to this subcommittee that the region has:

- The greatest backlog of under investment in human and physical infrastructure;
- A large, though in some cases diminishing, burden of policy distortions, including oversized and oftentimes unmanageable public sectors, which have tended to “crowd out” private initiative; and
- But, perhaps more fundamentally, the marginalization both locally and internationally of Africans, resulting from assistance programs to governments that oftentimes hardly represented the people they were supposed to serve.

All this has resulted in public programs for which there has been weak demand, fledgling civil society organizations that have had limited possibilities to demand transparent and accountable administrations, the build-up of vested interests that used public office for private benefit, and the consequent debt overhang and high levels of corruption (the highest of all continents according to TI's Corruption Perception Index).

I do not need to stress to this subcommittee the pernicious effects of corruption. Suffice it to say that survey after survey, the evidence shows that corruption increases the cost of public works, and reduces the level of public services, maintenance expenditures and surpluses to invest in social services—all the key ingredients of long term and sustained economic growth. Not surprisingly, Africa is beset by economic problems, and whatever progress one can observe is fragile and halting.

THEN, WHAT SHOULD BE DONE?

It would be wrong to assume that the whole continent is engulfed in these types of problems. There are countries, like Mauritius and Botswana that have done quite well, and are developing at an astonishing pace. By the same token, countries like Nigeria are at present making a credible effort to redress the policy environment, and deal with the corroding scourge of corruption. What should be learned from these experiences is that:

- Development has to come from within, and foreign imposed conditionality is, more often than not, a poor substitute for efforts that have to be home grown, from both the leadership of the countries and its people; and
- Under the wrong conditions, foreign assistance can in fact bankroll misguided governments, and there are times where hard and wrenching judgments have to be made between continuing such assistance at the risk of perpetuating corrupt or ineffective administrations, or walking away to facilitate the creation of conditions within the countries themselves for more fundamental reforms. Minimum support may of course be needed on a sustained basis, to assist in developing basic institutional reforms, in preparation for the times when more fundamental reforms become feasible.

On both counts, what is clear is that Africa can develop, but that much greater attention is needed in supporting civil society organizations, such as those that have helped this country to prosper and flourish—*i.e.* professional organizations, cham-

bers of commerce, NGOs, to help shape and articulate opinion, build alliances, provide technology, and monitor public administrations.

By the same token, much greater attention is needed on build up of oversight mechanisms, with proper civil society representation—*i.e.* independent legislatures, ombudsmen’s offices, a free press, access to information, enhanced financial management, auditing and disclosure practices. As the old proverb states: “the sun is the best disinfectant.” And last, but not least, remove incentives for corruption, particularly unchecked or unwarranted discretionary powers of public officials, monopolistic practices, either public or private, and the like.

In sum, Africa can develop. It can do so with economic policies that have proven successful in other parts of the world. But the reform agenda must also deal with resource allocation arrangements through greater empowerment of civil society and assignment of responsibilities—shifting the decision-making and monitoring authority so that intended beneficiaries, which hitherto have tended to be excluded can take a proper role in holding authorities accountable for results. No amount of technocratic solutions can substitute for a society that demands what it needs.

Above all, leveling the playing field for civil society will be a key ingredient to combat the pervasive and wasteful effects of corruption.

WHY NOW?

With the Cold War behind us, Africa no longer has to be one of the ideological battlegrounds where “strategic allies” receive foreign assistance, regardless of their record of governance or economic performance.

Similarly, with the OECD Convention to Combat Bribery of Foreign Officials, the supply side of corruption can also be tackled by capital providing countries.

On both counts serious efforts are needed to move from words to deeds, but the basic conditions are in place to do so.

We, in Transparency International will do our share in the continent—as we are doing elsewhere. As our presence is particularly weak in Francophone Africa, we have just started a major effort to link National Chapters and contacts with various professional and other associations to adapt and tailor best practices and tools from other continents into the institutional and cultural context of this region.

Similarly, in Anglophone Africa, greater efforts are being focused on awareness raising and, in the case of Nigeria, on the adoption of codes of conduct and other practices adapted from other parts of the world to create a more responsive and effective government.

In time, we would hope, this should set the foundation for a stronger, locally grounded TI presence in the continent, and the basis for better-focused assistance to Africa.

WHAT NEXT?

To sum up, we would like to encourage all donors to:

- bring to the forefront the development of civil society and its representative organizations, to bring about accountable administrations; and
- be more selective in supporting countries and more responsive to those who address these issues.

These issues, which are at the core of nation building, are not simple. If they were, we would not be talking about them today.

ADDITIONAL MATERIAL SUBMITTED BY MR. SCHLOSS

SPECIAL INTEGRITY IMPROVEMENT PROGRAM (SIP)

USAID GRANT # AEP-5466-G-00-5028-00

PROGRESS REPORT

DECEMBER 1999

BENEN

1. Achievements to date:

As planned and as previously reported, members of TI-Benin co-organized and actively participated in a Forum for the Mobilization of Civil Society Against Corruption in 1998.

The main priority of the Chapter in the period has been to strengthen its institutional capacity in order to function effectively as a competent and operational organization. In 1999, with the assistance of a grant of \$100,000 from USAID, Benin, the Chapter was able to set up an office with a staff of four and adequate equipment. Two members of the chapter were trained in the meetings on developing integrated country strategies organized by the World Bank Institute. Two other members of the chapter participated in the TI-S organized capacity-building workshop in Accra, Ghana in May 1999. TI-Benin also finalized a detailed plan of action and budget for the period 1998-2000, with a major focus on awareness raising and advocacy activities.

As part of this strategy, the Chapter conducted an anti-corruption awareness-raising campaign during the parliamentary elections in March 1999. This included televised sketches, radio and television ads, comic strips in local newspapers and a poster campaign. Members of TI-Benin also participated and facilitated various anti-corruption workshops in Benin, Ghana, Mali. A TI-Benin member was a panelist in the workshop on Corruption and the environment at the 9th IACC.

The main achievement in the period has been the Chapter's active involvement in the extensive consultation process that took place to review existing legislation on public procurements. From early 1999, members of the Chapter participated with government representatives in a committee whose work led to the adoption by the government in June, 1999 of a decree introducing a code of ethics for public procurement that integrates a comprehensive integrity pact into the existing legislation.

2. Targeted Achievements for 2000:

- Continue to strengthen the capacity of the Chapter through training, elaboration of a manual of procedures, etc.;
- Develop and implement a media strategy including production of TV spots, organization of a seminar on investigative journalism, production of a play on corruption;
- Conduct various awareness activities such as publication, translation into 4 national languages and dissemination of a volume of anti-corruption texts, organization of a national anti-corruption day, implementation of an awareness program in schools, organization of a competition on the fight against corruption, publication of a trimestrial bulletin, etc.; and
- Collaborate with the government anti-corruption office and lobby for implementation of the recommendations of the anti-corruption office, promote respect for the GCA principles, contribute to the Commission on the misappropriation of public funds.
- Participate in conducting a survey on corruption in the country.

GHANA

1. Achievements to date:

As described in the previous TI-S report to USAID in early 1999, TI-S supported in 1998 the work of an influential group of Ghanaians who prepared a National Integrity Workshop which took place 20-21 October, 1998. That workshop produced an action plan which included the strengthening of networking and collaboration among civil society organizations in Ghana as one of its objectives.

A core group of key stakeholders began to meet after the National Integrity Workshop to discuss next steps in setting up a anti-corruption coalition. The Centre for

Democracy and Development (COD), headed by one of the group's convenors, E. Gyimah-Boadi, served as secretariat for the organizing committee. The process of setting up formal structures was delayed by other demands on the time of important members. E. Gyimah-Boadi, for example, is much in demand as a consultant on issues relating to governance in Africa (e.g. to the African Development Bank) and as a contributor to fora such as the World Bank meetings on integrated country strategies. Emile Short, Commissioner for Human Rights and Administrative Justice, another convenor of the group has extensive demands on his time both in his function as Commissioner and as a participant in international discussions on governance issues.

The formation of the group was also slowed down by efforts to arrange with an earlier TI contact that he withdraw his registration of the Transparency International name in Ghana. Nonetheless, the organizational work has now sufficiently progressed that the group in Ghana has launched their organization, to be called the Ghana Integrity Initiative (GII), on 6 December 1999. The launch was the occasion for a public meeting, which highlighted the corruption problem in Ghana and initiatives to combat it; Mr. Emile Short is Interim Chair. DANIDA-Ghana has funded the launch.

Yaw Asamoah, a lawyer, is interim General Secretary operating from the CDD and probably will continue to function as paid executive after the Chapter is launched. Members of the GII have also been engaged in several anti-corruption activities during 1999. In May 1999, several members of the group attended a TI-S-organized capacity building workshop hosted in Accra by the Centre for Democracy and Development. Four members of the group made important contributions as speakers at the 9th International Anti-Corruption Conference in Durban, South Africa, 10–15 October, 1999 and the group also sent a representative to the TI Annual General Meeting prior to the Conference.

Recently, in November, members of the group were involved in the organization of an anti-corruption demonstration in Accra.

2. Targeted Achievements for 2000:

- The launch will unveil the GII strategy, which will focus on public awareness-raising; and
- The General Secretary will continue to work from CDD for the foreseeable future.

MOZAMBIQUE

The Context

Mozambique is a difficult, yet successful case of transformation and nation building. Coming out from independence and a bloody civil war, the country has demobilized and disarmed some 80,000 troops, and is at present going through the long road towards democratization, stabilization, and economic adjustment.

After flirting with Marxist policies, the government had in 1994 multiparty elections and initiated rapid liberalization. As a result, the Mozambicans seem to have got a hold of their affairs, and succeeding in generating high rate economic growth rates, with rapidly declining inflation for the past two years. Not surprisingly, though, the country is heavily dependent on external assistance—financially, institutionally, and in every other respect.

There is hardly any tradition, let alone institutions or sufficient numbers of people who could easily manage the many initiatives and advice that is being showered on the country. The obverse of this is that the country is falling prey to massive corruption—from issues of land distribution to the absence of a professional judicial system. It is only a question of time that the environment in civil society, will be such that conditions will be ripe for building up a coalition against corruption. Such moment has not yet arrived, but as soon as it does, a proper coalition could be formed and supported.

1. Achievements to date:

A TI-mission visited the country in March 1999, contacts have been established with both members of the government and representatives of civil society. This two-fold approach seems to be of crucial importance, since there still appears to exist a widespread ambivalence of talking on the issue openly, organizing civil society or taking more forthright actions, for fear of government cooption of such movement, reprisals, and the like. In that sense the fact that TI was engaging the Administration in discussions on anti-corruption efforts, including the formation of a civil society group to address the issue, is giving legitimacy to the latter. This has been in-

strumental in the formation of an informal “founding group” of four people, headed by the former Chairman of the first Election Commission and currently Chancellor of Mozambique’s Eduardo Mondlane University. The group has agreed that, in light of the Government’s preparedness to cautiously accept a civil society group in this field, and their concerns with growing corruption in the country, they would help work towards the establishment of a wider group that may in time develop into a Chapter.

2. *Targeted Achievements for 2000:*

Working in Mozambique is the equivalent of “starting from the scratch,” which is why the whole process will require considerable time, support and follow up. At this stage the founding group is still at the very beginning of a process of defining future programmes and bringing in other people. Once the group is more openly formed, even in a fledgling fashion, the stage will be set for a more engaged civil society input into the subject, and thus the carrying out of more active work in the field.

ATTACHMENT I

BENIN

Civil Society

Civil society is organizing itself slowly and steadily on key issues such as election monitoring. The active civil society groups include religious, business and professional organizations, and youth groups.

In September 1997, a group of civil society organizations met to establish the basis for greater collaboration in combating corruption. They included Transparency International-Benin, Nouvelle Ethique (New Ethics), l’Association des Femmes Juristes du Benin (Association of Women Jurists of Benin), Association de lutte contre le racisme, l’ethnocentrisme, le regionalisme (ALCRER—Association for the fight against racism, ethnocentricity and regionalism), le Centre Africa-Ogbota (CAO), and l’Association “Franchir le Cap.” These organizations initiated, in collaboration with the President’s Office for the Moralization of Public Life (Cellule de la Moralisation de la Vie Publique), the preparation of the National Forum for the Mobilization of Civil Society Against Corruption (FONAC), which took place on 26–28 March 1998. This Forum brought together some 240 participants representing about 70 civil society organizations and about 50 government representatives. Through working groups focusing on different themes, the Forum developed an action plan for combating corruption in Benin, and formulated the framework for an umbrella anti-corruption organization. At subsequent meetings, an organization was established with TI-Benin member, Maximilien Sossour-Gloh, as president. According to information received by us, this organization is considered to be under the control of the government. A rival organization has now been established by TI-Benin member Lucien Agbota, founder of Nouvelle Ethique, and a group of businessmen called Savoir-Agir. Agbota is believed to have political ambitions.

Two socio-economic factors appear to limit the ability to mobilize civil society in Benin, which is one of the poorest countries in the world. The first is the high level of illiteracy. Among the 5 million population, the rate of literacy is 26 percent, with only 16 percent of the women being literate. While the small, better educated, elitist Francophone population in the cities, especially Cotonou, is served by a press that is articulate, relatively free, and occasionally irresponsible, the majority of the population is less well served by radio which is generally state-controlled and often not in their native language. The second is that traditional hierarchal structures are interwoven with the modern state. In the villages, the local patronage system means that rural people do not have a habit of questioning their superiors and often do not identify with structures beyond the local level. Under the system, as it has developed, the “clients” have no automatic claim to state services but must secure them by payment.

Anti-Corruption Activists

TI-Benin is a small (about 12–15 members) group of respected individuals from different segments of society. The President is the highly regarded Archbishop of Cotonou, who played a prominent role in the transition to democracy in 1990. It also includes three prominent lawyers, including a former Minister, a sociologist, a cardiologist, a prominent journalist, a businessman, a government employee and representatives of a number of NGOs including GERDES and Nouvelle Ethique. The

group is very cautious about expanding, given the danger of attracting the wrong sort of people.

TI-Benin has a reasonably good working relationship with the Government. The President of TI-Benin, the Archbishop of Cotonou, has some access and influence due to his stature and to the fact that in his personal capacity he supported the election campaign of the current President Kerekou. The President established the "Cellule" (see above), and has expressed a wish for more action by TI-Benin. At the international level, TI-Chairman Peter Eigen was a member of a mission to Benin in September 1997 which was received by President Kerekou and which introduced to him the TI Integrity Pact concept for government procurement which the President subsequently endorsed for procurement in Benin. In January 1999, a team of TI Senior Advisers visited Benin to assist the government with the implementation of the Integrity Pact.

Political Will

In June 1998, prior to a change in the composition of the government, the declared political commitment of the President to fight corruption was seriously questioned by many. While the President himself was credited with wishing to see some change, the question was posed why he surrounded himself with corrupt Ministers. How much the situation has now changed remains to be seen, but the Industries Minister M. Pierre John Igue is said by some to be a potential ally in the fight against corruption, while the woman heading the Ports and Customs from early 1998 is also said to have a commitment to cleaning up the massive corruption within her domain.

The donor community is exerting heavy pressure for progress in combating corruption. For example, the World Bank, USAID and UNDP are supporting anti-corruption programs, and meet regularly under the chairmanship of the Swiss to discuss governance issues. USAID has given support to the Chamber of Audit (an audit body) and to the Office of the Inspector General in the Ministry of Finance, while the World Bank is supporting administrative reform and the strengthening of the Cellule de la Moralisation de la Vie Publique.

Nature of Corruption

Corruption in Benin is said to be so pervasive as to have become a socially accepted norm. There is said to be considerable social pressure on members of the civil service to engage in corruption. Corruption includes both the high level and petty varieties. Some of the areas most affected are the port and customs services, but other areas of activity involving government expenditures and government licensing and policing are involved, as well as the judiciary.

Previous Anti-Corruption Activities

Combating corruption has been on the political agenda in Benin since the movement for democratization in 1990. It has been addressed in a number of national conferences on reform of the public sector and the judiciary, and in a workshop on good governance which was held as part of the National Economic Conference in December 1996. It was then that President Kerekou signed a decree creating the Cellule de la Moralisation de la Vie Publique which reports directly to the President. The Cellule, a type of anti-corruption bureau with a potentially broad mandate has just recently increased its two-person staff to seven. The World Bank is providing assistance to the Cellule to help increase its effectiveness. Another recent development is the effort to reform the judiciary, including revival of the office of the Inspecteur General Judiciaire. Measures have also been introduced to revive the public accounting and auditing functions, including the appointment of the Chambre des Comptes under the Supreme Court and the increased staffing of the office of the Inspecteur General des Finances. Civil service reforms are also in progress. A new Procurement Code in the form of an Ordinance was signed by the President on 31 January, 1996. Draft decrees for its implementation have still not been made effective, and the Code is, therefore, not in force.

The government played an important role in co-organizing the Anti-Corruption Forum in March 1998. In the same month, a new head of the Port of Cotonou was appointed in order to clean up the endemic corruption there. This new appointee has convened a roundtable with business, NGO and government representatives to discuss how to deal with the corruption problem. However, existing anti-corruption penal legislation and disciplinary measures for government employees not appear to be enforced.

1997–2001 Integrity Improvement Programme

The Integrity Improvement Programme for Benin is still in the process of development. In February 1998, we received the broad outlines of a plan of action for 1998–2001, with an attached budget of approximately US\$200,000. It envisaged:

1. TI–Benin participation in the Forum in March 1998—DONE.
2. Awareness-raising activities, including: (a) conferences; (b) television programmes; (c) training of TI–Benin members and others in conducting research on sensitive sectors; (d) television ads and banners; and (e) creation of videos or using theatre groups for awareness-raising campaigns throughout Benin.
3. Lobbying activities:
 - (a) re: Parliament—to initiate new laws on corruption, create a code of conduct, and encourage parliamentary commissions of inquiry;
 - (b) re: Executive—to obtain government support for the TI–Integrity Pact concept, to pressure for the introduction of anti-corruption instruments, and to make the control structures more functional;
 - (c) re: Judiciary—to review the question of the reserve obligation, to persuade judges to act on certain corruption dossiers, to institute an effective mechanism of control of the assets of persons entering and leaving government employment;
 - (d) re: Political Parties—to secure a commitment to the use of anti-corruption instruments, including the Integrity Pact, in their manifestos;
 - (e) re: All Citizens—to organize public telephone lines to facilitate citizens recourse, and to encourage the media to introduce programmes to enable citizens to denounce acts of corruption.
4. Publications:
 - (a) dissemination of texts on the law of corruption;
 - (b) periodic reporting of the results of investigations and of the activities of TI–Benin;
 - (c) a national anti-corruption index.
5. Institutional Support for TI–Benin, including renting headquarters in short-term and constructing headquarters in medium-term, and recruiting personnel.

The budget submitted by TI–Benin was heavily weighted towards institutional support and gave little indication of estimates of expenditure for particular projects. The TI–Secretariat’s policy at the time was not to provide institutional support, while not opposing it if it was offered in the form of add-ons from USAID–Benin. TI–Benin, however, indicated that its highest priority was institutional support, followed by awareness-raising.

In March 1998, two TI–Secretariat representatives visited Benin and met with TI–Benin and USAID–Benin to discuss the integrity improvement programme. It was agreed that TI–Benin would prepare a document prioritizing and detailing the proposed projects, describing their goals, and indicating both costs and time-frames. This was not forthcoming, and that unfortunately held up the development of a TI programme for Benin. Meanwhile, USAID–Benin submitted its own programme for Benin, incorporating its own add-ons to the global grant. That proposal, sent to headquarters in April 1998, was formally submitted to TI–S for its approval in December 1998. By then, USAID–Benin was interested in decommissioning the money it had sent to Washington for the add-on’s, and this was agreed to by TI–S on the understanding that the money would go directly to TI–Benin through the local USAID office. In January 1999, TI–S transferred US\$10,000 from the global grant to TI–Benin for use during the period January–April 1999 for awareness-raising activities. TI–Benin has been encouraged to use part of this amount to commission a consultant to prepare the supplementary document which has been requested by TI–S. It has also been agreed that at the end of April 1999, TI–S would review the question of Benin’s inclusion in the USAID global programme.

The difficulties of four-way communications (USAID)/TI–S/USAID–Benin/TI–Benin) across three continents and two languages have meant that problems associated with TI–S’s request for clarification and elaboration have only recently been ironed out. TI–S requested more information from TI–Benin out of a desire to be a responsible fiduciary, but the request appears to have raised with TI–Benin unpleasant memories of colonialism and World Bank conditionality. USAID–Benin also apparently failed to see the need for more information, and may have been frustrated by the resulting delay in the disbursement of the add-on funds which they had made available.

Civil Society

Since the return to constitutional rule (The Fourth Republic), civil society has emerged as a major player in economic and social fields. It is also gaining visibility in the political sphere. However, it is subject to severe impediments. Economically, it is handicapped, especially due to the weakness of the private and non-state sectors from which it could secure an independent financial base, and is therefore susceptible to governmental co-optation. Politically, it is inhibited by a combination of governmental co-optation and repression. The prevailing political culture inhibits anti-state and anti-hegemony civil society activism, and compels many to adopt positions of defensive political neutrality. Culturally, it suffers from ethnic, regional and religious fragmentation, and sometimes considerable parochialism. Consequently, many CSQs are not active in the civic area.

The press exhibits features of extreme irresponsibility, immaturity, docility, and self-censorship. The state media is better endowed and has a national reach. The independent media (with a few but notable exceptions) is aggressive but materially and professionally inept. Anti-corruption activity in general, and investigative journalism in particular, are severely constrained by the active application of criminal defamation laws and an anti-press judicial temperament. Over 50 prosecutions against independent media editors and publishers are now pending. Most of the complainants are government functionaries, and the complaints relate to newspaper reports arising out of journalistic investigations.

Anti-Corruption Activists

Identifiable activists in the anti-corruption field include the Commission on Human Rights and Administrative Justice (Chairman: Emile Short), which is constitutionally mandated to uphold ethics in public life and which conducted high profile investigations into allegations of corruption against senior members of the government in 1995–1996; the Catholic Church, which has been active in voicing opinion against corruption. In late 1997 it issued a Pastoral Letter against the phenomenon; in July 1998 it declared a Moral Crusade against corruption at a Bishops Conference in Koforidua and later that month representatives of the Catholic Church met with the Head of State to discuss and mobilize opinion against corruption in the country; and the Christian Council which, in collaboration with Islamic organizations, has formed an Inter-Faith Group to work towards the elimination of corruption. The efforts of the Catholic Church are relatively broad-based, are cross-gender, and cross-ethnicity. However, there has so far been only a token involvement of the Islamic community and of the Charismatic churches in these anti-corruption activities.

Of the personalities in government, the Head of State, FLT. LT. J.J. Rawlings has always expressed abhorrence of corruption. This appears to be genuine. He believes quite strongly that opposition to corruption is his principal political legacy to Ghana, despite all appearances to the contrary. But he has also demonstrated considerable inconsistency and ambivalence in this area. He has protected persons in his government against whom serious allegations of corruption have been made, and he has demonstrated downright hostility towards persons from outside his inner political circle, and especially opposition figures, who have made allegations of corruption against members of his government. Vice-President John Atta-Mills, is generally considered to be clean and has publicly declared his commitment to combat corruption. However, he is not a forceful personality and his base within the ruling party is rather weak. The Minister for Local Government, Kwamena Ahwoi, appears to be interested in combating corruption. He had been one of the principal figures involved in the extra-anti-corruption measures of the early PNDC years, i.e. the Citizens Vetting Commission, the National Investigations Commission, and Operation Hawk which, in the early 1980s, exposed embezzlement in second cycle institutions. In recent years, his interest in combating corruption has been confined mainly to the district Assemblies and especially their use of the Common Fund. Ahwoi's interest in combating corruption has, however, been widely perceived as a partisan ploy to undermine other factions within the NDC, and to promote the agenda of a faction dominated by the members of the Fanti tribe of which he is a leading figure. On the other hand, he was very supportive of the CHRAJ initiative to hold an integrity workshop, and was instrumental in persuading the executive branch/Attorney General to nominate two representatives for the planning group for the workshop (Mrs. Betty Mould-Iddrisu, Head of the International Law Division of the Attorney-General's Office and wife of the long-serving Minister of Defence, and Sarfo Sampong, senior public prosecutor in the Attorney-General's Office).

The likely members of the Board of TI-Ghana in formation are:

- Emile Short, Chairman of the Commission on Human Rights and Administrative Justice.
- Dr. E. Gyimah-Boadi, Associate Professor at the University of Ghana and Regional Coordinator of the Regional Office of the Center for Democracy and Development (CDD), an NGO dedicated to the promotion of transparency, accountability, good governance and civil society support in Ghana and the West Africa sub-region. He is the coordinator of TI activities in Ghana and was secretary of the planning group of the Integrity workshop.
- Dr. S.K.B. Asante.
- Dr. Angela Ofori-Atta, lecturer in clinical psychology at the University of Ghana Medical School.
- Audrey Gadzekpo, a journalist.
- Justice F. Apaloo, former Chief Justice of Ghana and Kenya.
- Rev. Dr. Charles Palmer-Buckle, Catholic Bishop of Koforidua and an outspoken commentator on national economic issues, especially anti-corruption issues.
- Mauvi Wahab Adam, Head of the Ahmadiya Muslim Movement.
- Ms. Nana A. Apt, Professor of Social Policy at Legon.
- Kwasi Abeasi, Director-General of the Private Enterprise Foundation; a widely respected person who was active in mooted the issue of corruption at the National Economic Forum in September 1997.
- Prof. Kasim Kasanga, of the University of Science and Technology (Land Management), a young, well-respected representative of the Northern Regions.
- Ms. Alima Mahma, another representative of the Northern Regions.

In addition to these persons, others active in combating corruption include William Nyarko, the young and dynamic chief investigative journalist for *The Chronicle* (an independent newspaper) who received the Ghana Journalist Association Award for the Best Investigative Journalist in 1998; and Yaw Asamoah, a young lawyer with the General Law Group involved with anti-corruption work under the auspices of the Africa Leadership Forum.

Relations with Government

TI-Ghana is still in formation.

Political Will

The Government's will to combat corruption can best be described as ambivalent. On the one hand, it appears to be willing to admit that there is a problem with public sector corruption and to express a desire to combat it. On the other hand, it suffers a great deal of cognitive dissonance and often exhibits a denial in this matter. It tends to see corruption as something which was rampant under regimes that preceded the PNDC and NDC, and which, if even occurring now, is much smaller in scale than in the past. At the same time, it has expressed official support for anti-corruption initiatives, including the Integrity Workshop. On the whole, the Government's response to allegations of corruption appear to be far stronger when such allegations are made by external agencies such as the Control Risk Report.

Nature of Corruption

The nature of corruption in the country is largely disorganized, and takes the form of kick-backs, inflated costs for official projects, graft, bribery, nepotism, extra legal fees, illegal exemptions, insider-trading, conflict of interest, and especially improper tendering and corrupt execution of government contracts. To a substantial extent, grand corruption is linked to the financing of the ruling party and its political machine. The involvement of the military is indirect and may be inferred from the fact that it allows only a partial audit of its books. There is also a pervasive practice of corruption in the society at large, mainly due to grossly inadequate official wages, and cultural practices such as lavish outlays for marriages, funerals and other extraneous social activities.

Previous Anti-Corruption Activities

Activities carried out by previous governments include:

- Commissions of Inquiry into allegations of bribery and corruption since 1954; after the 1966 coup; and after other coups.
- Public inquiries, such as the one which examined the affairs of R.T. Briscoe Company (dealers in German automobiles).
- Populist outbursts against industry and senior management.

- Anti-profiteering measures against traders.
- The so-called “House Cleaning Exercise,” including the establishment of the Citizens Vetting Committee.
- The National Investigations Committee.
- The One-Man-One-House and other confiscatory exercises led by J.J. Rawlings in 1979 and in the early 1980s.
- Sporadic anti-corruption initiatives in the mid and late 1980s targeted at specific institutions such as the banking sector and secondary schools (Operation Hawk).

It must be noted that many of these efforts were conducted in defiance of due process, and were widely perceived as political witch-hunting. The trials of persons accused of corruption were often held before extra-legal public tribunals, and punishments included executions and confiscation of property. No person considered to be closely allied to the PNDC regime was ever tried or punished in that manner.

There is no history of civil society based anti-corruption activity in Ghana, except perhaps in the form of church sermons against the practice. However, since 1993, the independent media has been extremely active in this respect; in particular, *The Ghanaian Chronicle*, *The Dispatch*, *The Public Agenda*, and *The Independent*. More recently, the Public Enterprises Foundation has raised the issue nationally, and other civil society organizations are beginning to take a greater interest in the subject. TI-Ghana will be the first formal civil society organization initiative in the area of combating corruption.

1997–2001 Integrity Improvement Programme

Following two preparatory missions undertaken by TI Resource Person, Neville Linton, and Programme Officer responsible for Ghana, Gillian Dell, it was agreed that Emile Short, Chairman of the Commission on Human Rights and Administrative Justice (CHRAJ) and Prof. E. Gyimah-Boadi, Regional Director of the Center for Democracy and Development (CDD) be the convenors of TI-Ghana.

National Integrity Workshop

The programme commenced with the National Integrity Workshop on 20–21 October 1998. TI-S contributed US\$19,637 from the USAID global grant towards the expenses of the workshop which was organized by CHRAJ in collaboration with CDD, with support from USAID and DANIDA. Under the theme *Toward a Collective Plan of Action for the Creation of a National Integrity System*, the workshop brought together over 150 representatives from government, the private sector, and civil society. The government offices represented included the President’s Office, the Attorney-General’s Office, the National Commission on Civic Education, the Bureau of National Investigations, and the Customs, Excise and Preventive Service. Civil society representatives included the Ghana Bar, Journalists Associations, the Private Enterprise Foundation, the National Union of Ghana Students, several women’s organizations, and Christian and Muslim religious institutions. The keynote address was delivered by the Vice President of Ghana, Prof. Atta Mills, and the closing address by the Minister for the Interior, Nii Adamafo. Non-Ghanaian speakers included Bertrand de Speville, former Head of the Independent Commission Against Corruption, Hong Kong; Adolf Hirschfeld, Assistant Director of Corruption and Economic Crime, Botswana; and Nibal Jayawickrama, Executive Director, Transparency International, Berlin.

A major component of the workshop was the small group sessions in which aspects of the problem and the impact of corruption on specific sectors (such as land administration, customs, excise and prevention, education, and health) were examined. The results of a nation-wide survey on Public Perceptions of Corruption in the Delivery of Health Care and Education Services were presented. The role of the media, civil society, private sector, and public agencies in combating corruption was also analyzed.

In addition to expressing an interest in forming a national chapter of TI, participants at the workshop adopted an action plan which included:

- Revamping and actively enforcing codes of conduct for professional bodies;
- Concerted awareness raising by relevant public agencies and civil society organizations;
- The institution of annual integrity awards;
- Strengthening networking and collaboration among civil society organizations and nongovernmental organizations dedicated to fighting corruption;

- Fostering greater transparency in governmental processes, especially the public procurement process;
- Campaigning for the enactment of a Freedom of Information Act and the repeal of criminal defamation and other laws that impede access to information;
- Creation of mechanisms to promote “whistleblowers.”

As an awareness-raising measure and as a mechanism for bringing together many segments of Ghanaian society interested in combating corruption, the workshop was a significant success. During the workshop and in the days immediately preceding it, considerable time and space was devoted by the media to the subject of corruption. At the workshop itself, discussions were free, lively and vibrant. However, at a critical evaluation conducted some weeks later, it was noted that there had been insufficient time for in-depth discussion; that discussions would have been stronger if the papers had been circulated in advance; that a combination of named invitations as well as institutional ones would have induced a stronger response rate; that more people and institutions should be brought into the integrity process and future workshops; that chairs for working groups must be pre-selected to facilitate meaningful discussion; and that the absence of the police, military and regular security agencies was a matter for regret.

Formation of TI-Ghana

The preliminary steps towards the formation of TI-Ghana were taken immediately after the national integrity workshop. The potential candidates for the Board have been approached, and a 100 percent acceptance rate recorded. The Center for Democracy and Development will serve as the secretariat for the national chapter, and it is hoped to employ an executive director. An informal meeting of the Board is scheduled for January 1999 when a three-year plan for integrity in Ghana is expected to be discussed. A problem has arisen in regard to the registration of TI-Ghana as an NGO. Two registrations in the names of *TI-Ghana* and *TI* already exist, having been made on 4 March 1997 and 12 September 1997, by individuals in Accra and Barekum. These have been made without any reference to, or authority from, TI-S. Efforts are being made to have these registrations withdrawn.

BANGLADESH

Civil Society

The NGO component of civil society in Bangladesh is quite active, focusing mainly on poverty alleviation, rural development, relief and disaster management, gender issues and human rights. More than 15,000 NGOs are currently operating in Bangladesh. Among them, more than 1,200 NGOs are reported to be directly involved in development activities and about 900 are operating with assistance from foreign donors. Besides, the business community has of late become quite vocal.

Anti-Corruption Activists

Anti-corruption activists in Bangladesh are still mostly male, belonging to professions such as law, teaching, business, and journalism. However, some watchdog groups willing to network with TI-Bangladesh on integrity issues are women's organizations. Ethnically, they are Bengalee; religion wise, they are mostly Muslims. Politically, TI-Bangladesh adheres to the principle of being independent and non partisan in its approaches.

FRANCOPHONE AFRICA

Consultation with TI contacts and National Chapters in Francophone Africa indicated three constraints to more effective NCs in these countries: insufficient outreach to relevant professional and civil society associations in the region; lack of materials on corruption in the French language; and low resonance of the operational strategies contained in the TI Source Book and other documents for the political, legal and administrative structures in Francophone African countries.

Based on these consultations, an operational work program has been developed to establish more systematic contact with relevant professional and civil society organizations and involve them in analyzing the nature and causes of corruption and in adapting the TI Source Book to the Francophone African context. Specifically, the proposed program of activities would focus on three areas:

- Improvement of the general awareness of the issues and enhance professional contacts in Francophone Africa, through corruption surveys and increased outreach;

- Compilation of best practices and preparation and dissemination of materials especially adapted to the Francophone African context, through translation and discussion workshops; and
- Expanded activity of TI NCs and national contact points in Francophone Africa, through discussion workshops to adapt and disseminate the TI Source Book and follow-up missions to countries interested in expanding their fight against corruption.

Senator FEINGOLD. I thank you, and first let me say I will never forget Ambassador Holbrooke and I met with President dos Santos in his office in Angola. The main purpose of the meeting was to discuss the conflict in Congo, but I did choose to use my brief time to ask him a bit about corruption in Angola.

I will never forget him citing the rating that they had received that year by Transparency International. I do not think he will be brandishing this year's rating, but it was quite an interesting thing to see the impact that an organization like yours and the others represented here today have, and it was very enlightening for me.

Secondly, I wanted to tell you that I certainly take to heart your suggestion that legislators, especially at the Federal level, but perhaps even at the State level, can do a lot by, when they go to one of these countries, not just meet with the President and the Cabinet ministers, but seek out our colleagues, compatriots in those countries.

We did this in Mali and with some of the SADAC countries, and then when some of the new Nigerian legislators came here, I believe it was on defense issues, these are very, not only productive but inspiring meetings in some ways, for me as well as for the legislators, and in addition I would mention—you referenced a meeting with a civil society group. I remember one of the only bright moments I felt in Angola was an opportunity to meet with some of those groups. I think that is all very helpful.

Let me just ask one question. Senator Frist is still not able to be here, but I assure you it is for a very, very compelling reason that he is stuck. We are in a very difficult time of year here, but let me indicate that I will now direct questions at different individuals, but unlike a hearing, I think we can be a little more free to comment, so I hope people will feel free to chime in and respond, so we will not get into heavy duty debates, but I would like to hear some exchange.

So let me begin by asking Mr. Schneidman, what is your reaction to Mr. Taylor's proposal that the United States Government should encourage the major oil companies to disclose the taxes and royalties they pay to Governments around the world?

Mr. SCHNEIDMAN. Well, Senator Feingold, I think that the issue of transparency and accountability and fighting corruption can never be sought enough, and I think in this regard we should engage our friends in the private sector and in the oil companies to do as much as they can to increase transparency and accountability to the degree that they can. I do not think we should limit it just to the private sector.

Mr. Taylor brought up the issue on the staff monitoring program, and I think it is not just in Angola, but I think this issue of making more public what an IMF program is all about, or a World Bank program, what these are all about in all countries in sub-Saharan Africa is a very important thing to do, because I think once civil

society, once the different stakeholders in society understand what the Governments have committed to, they can better understand why they may be taking on some hardships, what the short-term pain is for the long-term gain, as it were.

So I think these steps are to be commended, and I think this is something we have tried to do through our bilateral consultative commission, because the U.S. private sector is very much a part of this, and we meet together with the Angolan Government and we discuss issues of transparency, and we have discussed the issues of the payments by the oil companies to the Government with the Government and with the private sector, and what has happened to that money.

To be candid, the answers are not yet satisfactory to us, but it is an issue that we will continue to dig away at because we feel that it is essential to do so.

Senator FEINGOLD. Could you say a little bit more about how the State Department has been working with the major American corporations involved in Angola to combat corruption and to ensure that these companies are not shaken down for bribes as a part of doing business in Angola? What is the actual process you go through?

Mr. SCHNEIDMAN. Well, most fundamentally we have to rely on these companies to comply with the Foreign Corrupt Practices Act, and to the best of our knowledge they are doing so.

As Mr. Taylor pointed out, the problem is not so much their dealings with the Angolan Government. It is what happens to that money when it is paid to the Angolan Government, where does it go, and clearly it does go for illicit purposes.

We referenced the oil audit in the staff monitoring program. That is important, but I think we have to recognize that this is just a first step, a significant step but a first step. There is still the diamond sector and the lack of transparency there, and the interface between payments for diamonds and the purchase of arms. It is totally opaque, and if Angola's going to take its place as a full member of the international community, that opacity is going to have to be rectified.

We have taken some interesting developments with our oil companies through our BCC on the issue of HIV/AIDS, and U.S. companies have agreed to put up several million dollars over the next 2 or 3 years to help the Angolan Government address the issue of HIV/AIDS, and at our last meeting in Luanda in May we were able to compel the Angolan Government to seed the money that the U.S. companies had put up. It is not much. We are talking, like, \$1, \$3, \$4, \$5 million. From our point of view it is a start, and we are going to have another meeting in October and we are going to continue this dialogue.

Senator FEINGOLD. Where does that money go?

Mr. SCHNEIDMAN. We have not yet received a full proposal from the corporales on how they are actually going to spend it, but the Angolan Government made it clear to us that they do not yet have a full accounting of the infection rate in Angola.

Senator FEINGOLD. Is the money spent directly by the corporations, or is it given to the Government?

Mr. SCHNEIDMAN. It will be spent directly by the corporations to NGOs.

Senator FEINGOLD. Mr. Schloss, do you want to respond to that?

Mr. SCHLOSS. If I may just add on the issue, let me just make two points. Hydrocarbons trade is by far the largest item in the balance of payments, of all the sub-Saharan African countries, be it in the import or the export side, and it is either the first or the second item in the fiscal revenues, so we are talking about big money, big resources for all of the countries.

Some 5 years ago some colleagues of mine have done a survey about what happens at each of the stages from point of production, refinery, transportation, and distribution of the hydrocarbons in all of the sub-Saharan African countries. To get that information, what was very important was to get all the oil industry, not only the American but all of it together. Only then, at least as far as I could see, were they prepared to provide the information for us to make these price comparisons.

At the time, what these surveys indicated was that Africa was losing something on the order of \$1.5 billion a year on account of how hydrocarbons were traded, which at the time was higher than the total gross disbursements of the whole World Bank Group put together to that same continent, so we are talking about very large resources, and certainly this is an area that merits careful review.

Senator FEINGOLD. All right. If there are no other comments on that, I guess I would like to focus, Mr. Schneidman, on if countries in Africa require their Government officials to disclose their assets, and does the United States Government encourage this kind of asset declaration?

Mr. SCHNEIDMAN. We certainly do. I am not aware that this practice is continent-wide, but for instance, when I was with the Government of Cameroon, which does not do very well on the TI index, I brought this issue up in the context of talking about the African Growth and Opportunity Act. They assured me that Government officials were required to make these kinds of facts known, and we will follow that up through our embassy to see if that is happening.

But I think one of the issues that we have been discussing with the Global Coalition on Africa in the context of the principles and thinking about an anticorruption convention is the issue of peer review, where African countries would get together to assess each other and to establish models and levels of transparency, because at the end of the day it is going to be the Africans themselves that are accountable to themselves and to their own people, and we will continue to be as helpful as we can in that respect, but we cannot do it for them.

Senator FEINGOLD. Does anyone else know the extent of the practice of requiring this kind of disclosure? Ms. Marshall.

Ms. MARSHALL. Quite a few countries have legislation which requires the disclosure. The problem is that it is not usually complied with, and that is something that within the GCA we have been trying to push—you have already got a law saying that you should do this, it should be done and, more importantly, it should be public and publicly available.

There has been some movement on this, but still it is really very few countries that actually do it and do it properly.

Senator FEINGOLD. Is there an example or two? I mean, you are talking about annual disclosures like we have here?

Ms. MARSHALL. Yes.

Senator FEINGOLD. Are there any that do that and have it public?

Ms. MARSHALL. South Africa has started, and Botswana. Uganda is supposed to, and I do believe they actually do it, but it is not usually made public. Other countries like Kenya, which again are supposed to, really are not doing it yet, but I think this is something that, you know, in the policy dialogue, this could be encouraged.

Some countries, like South Africa, in fact have gone further than many western countries, and parliament is also expected to submit this disclosure.

Senator FEINGOLD. Yes, Ms. Derryck.

Ms. LOWERY-DERRYCK. Thank you, Senator. I think also that countries can be encouraged to make sure that they fulfill their own obligations by regional programs that can reinforce one and another. There is the East and Southern African Antimony Laundering Group, for instance, and it helps if countries see that their neighbors or others are beginning to comply and be absolutely free and open in publishing this kind of information, so I think that that is something that we should support as well.

Senator FEINGOLD. Good. Perhaps, Mr. Schneidman, you could say a bit about the anticorruption bill recently enacted in Nigeria. You alluded to it. Would you say a little bit about it, and the difficulties that you see in implementing that?

Mr. SCHNEIDMAN. Well, I think it is important to remember that Nigeria is been through 20 years of military rule, where there has been no accountability whatsoever, and I think this is a situation where corruption has become endemic, and President Obasanjo from the first day, when he canceled some oil contracts that had been concluded by his predecessor, showed a willingness and a determination to fight corruption.

But this bill is generally very comprehensive. It is designed to put in place a money laundering regime. It is designed to reform the criminal code. It is designed to reform the police, among others. Our Justice Department is providing an attorney to advise the Government of Nigeria on the implementation of this, but we should have no illusion that it is going to be easy, or that it is going to happen overnight.

I think it is quite instructive that we all see President Obasanjo as a genuine reformer, but this year Nigeria ranks lower than Angola on the corruption perception index of Transparency International. It is a very complex issue, and one that has to be tackled in a number of ways.

One other thing that we did when President Clinton was in Nigeria, President Clinton announced that we are going to establish in our embassy a position that will help to address the issue of corruption and corporate governance in the delta region, and this is where we are going to seek to bring together representatives from the oil companies, representatives from civil society, representa-

tives from the Nigerian Government, representatives from State governments, in an effort to stimulate the kind of dialogue that will lead to more progress and upliftment of living conditions there.

Senator FEINGOLD. Thank you. Let me turn to Ms. Derryck. The answer that Ms. Marshall gave me about disclosure made me think about the role of a free press. When she says that they require these reports but they are not public, obviously that is a little bit alien to somebody who is asked instantaneously to turn over to the press these filings. Could you comment a bit on the role of a free press in combatting corruption, and how does USAID work to make this connection in its democracy and governance program?

Ms. LOWERY-DERRYCK. Yes, Senator. Our programs really focus, as I said, on changing the environment and building institutions and working with civil society, and clearly one of the institutions that we think is particularly important is the free press.

For instance, in Angola, to go back to that example, we have worked with the radio stations and have tried to support journalists because we believe that this is the way that you get the information out. We are concerned about transparency, and there is no better way than to have this information that is available to journalists.

We also encourage free press in countries like Uganda, and particularly when there was a discussion, there were the hearings in parliament on corruption issues, to see those, the reports of the results of those meetings in the paper every day was really a very, very effective way to encourage public dialogue and to build civil society support for this, and the fact that the journalists were not arrested, and there is no consequence, had consequence to that action, also helps to reinforce the fact that this is an area with which we can deal, that it is important and appropriate, and that there is support, even tacit support within Government and certainly within the broader civil society.

Senator FEINGOLD. Thank you. Yes, Mr. Taylor.

Mr. TAYLOR. Just, I hope to bring a copy of a December, I think 8th, copy of Foya Oyta, which is one of the supposedly free press in Angola that was produced in response to this, but I could not find it. I do not know if you were in Luanda when that came out, but what we deliberately did was to target press coverage through Lisbon, because we knew that various Lisbon-produced newspapers would end up on the plane to Luanda whether they liked it or not, bearing in mind it might open a bit of space up for the Angolan press to run with it.

Foya Oyta produced a beautiful front page saying, Witness accuses the Government of blah, blah, blah, blah, and you opened up the front, and the first four pages were blank columns with oil rig photographs, and I have never seen anything like that in my life, and it really brought it home to me that there is no accountability for anything that is being decided by the top end. If the top end does not want it to come out, it does not come out, end of story.

And we have also seen what has happened to, amongst others, Raphael Marquez and people like that, so I think it is a serious problem that I am very happy to hear AID is working on, but it is a long way off getting to the point where I think civil society can really challenge Government to live up to what it should be doing.

Senator FEINGOLD. I thank you for saying that, and I know that Mr. Schneidman needs to leave in a few minutes, so let me just say I think Mr. Taylor's idea about public oil industry disclosure is a very good one, and I would encourage you to work to get the administration to take it seriously, and I will do the same.

Mr. SCHNEIDMAN. We certainly will, and Mr. Taylor and I have met before, and I am sure we will meet again, and we can talk about how we can do this together.

Senator FEINGOLD. Thank you. Let me turn to Mr. Schloss again. I understand that the World Bank is working on a black list of corporations that have been involved in bribery and corruption incidents in developing countries. Firms on the list will be banned from contracting for AID projects sponsored by the bank and other organizations.

My question is about other organizations. As I understand it, currently it is not difficult for firms barred from participating in bank contracts to evade that restriction by covering themselves with the umbrella of other development banks. Will firms banned from participating in the World Bank's projects also be banned from the regional development banks? How would that work?

Mr. SCHLOSS. Certainly the World Bank is much more advanced than all the other organizations in every respect in terms of the issue of combatting corruption, particularly in a project that it, itself finances. It has a high-level committee which goes through the—what is the term called? They don't call it bans, but there is a list of growing companies that now can no longer, because they have been discovered associated with corruption on the World Bank projects, that they can no longer bid for projects financed by the World Bank. I think this is a very good step. It sends a very clear signal.

It is, of course, a number of rather smaller type firms that are so far on this list, but it is a growing one, and I certainly feel that it would be very desirable that this practice be extended to the other multilateral development banks and, more broadly, even to the bilateral community, but this is a list that operates, only so far as I know, in the World Bank.

Senator FEINGOLD. Thank you. Let me look at this issue in another way. In Rwanda and elsewhere I understand that charges of corruption appear to be exchanged between political opponents regularly, regardless of their veracity. Is there a danger that as corruption becomes a more common part of political discourse in Africa, efforts to condemn it will be used chiefly as a political weapon? How can the manipulation of this issue be avoided?

Mr. SCHLOSS. Ideally, and this is what I have been trying to convey with such difficulty, one should depoliticize the issue to make it more technical, to provide hard data.

I would say, for instance, the listing of companies in the World Bank is not done very lightly. There has to be some pretty serious evidence for that to happen, and this is not decided at a lower level. This is decided at a very senior level, because this is something that is a step that has consequences for the rest of the life of that enterprise as far as the World Bank is concerned.

I would say that the more one moves in the direction of having greater disclosure, providing evidence put together, *et cetera*, in the

mechanisms that build in the country, the better. In other words, a simple accusation should not be enough. Still a certain amount of burden of proof rather than benefit of doubt should be on those who say there has been corruption.

For instance, there has been a wider use of—and I say this only as illustration—of integrity packs as a way of providing contracts, where the different contending parties to a contract look at each other and see the evidence and bring it up, and once it is brought up and it is there to be seen, then it is acted upon. Those mechanisms help.

I think this needs to be institutionalized. It cannot be done simply by accusing. There have to be mechanisms to do that.

Senator FEINGOLD. Let me ask both you, Mr. Schloss, and Ms. Marshall if there is any momentum-building in Africa to develop a convention similar to the OAS Inter-American Convention Against Corruption. I have been interested in the convention's attempt to capture behavior on both sides of the bribery question.

Ms. MARSHALL. Yes, as was mentioned earlier, these anticorruption principles which African countries themselves developed last year were an attempt to put in place some sort of collaboration, collaborative mechanisms which could form the basis of a convention, and there are a number of countries that are seeking to join that, to broaden the number that are involved, but of course beyond that they have got to work on harmonizing legislation and that kind of thing to make them really work.

But in addition, within SADC there are discussions to have SADC-wide agreement, which would be like a sort of regional convention. That also could help build momentum, and the OAU itself is interested in working on the convention. They have just started—they have just hired some people to start putting together something in draft. There is going to be an experts meeting on that, hopefully in the first quarter of next year.

The real issue is pulling all of these things together to get something that is workable, that is implementable. If you get something that is too complicated it is never going to work, and we are going to get back into the situation of people signing it but not doing anything about it, so the idea—and this is what we were trying to come up with in principles, was things that would benefit the countries themselves and would—the collaboration with each other would help to support what they were doing already, and I think this is the way to go.

But there is certainly tremendous interest in Africa on the part of Governments and also on the part of civil society. A lot of civil society organizations, a lot of the TI chapters are very interested in trying to get this, because they see it as a legal mechanism that they can use.

Senator FEINGOLD. I would be interested in whatever I can do or this subcommittee can do to encourage that kind of direction.

Ms. MARSHALL. Thank you. That would be very, very helpful.

Senator FEINGOLD. Do you want to comment at all, Mr. Schloss?

Mr. SCHLOSS. Just a broad point. If one observes different conventions that deal with a subject, I would say there are at least in my mind three things that have to stand out. First, how focused and implementable the convention is. If I look, for instance, at the

OAS convention as against the OECD, the OECD very focused on one particular subject, whereas the OAS, which covers the whole waterfront—clearly the more focused, the better the chances that this can be implemented.

Second, monetary. There has to be some way of determining who is performing in what way, and some element of peer pressure as a result, and last but not least, targets. There has to be some teeth to it in order for that to be commended.

I am afraid that in questions of conventions there have been many words, many papers, and perhaps these three principles are so vital that anything that can be done in this direction would be extremely helpful.

Senator FEINGOLD. I have one more question for Mr. Taylor, and then, unless Senator Frist is able to come, if any of you would like to make brief concluding remarks I would welcome that.

Mr. Taylor, in May of this year the World Resources Institute and the World Wildlife Fund released a report finding that in Cameroon, Gabon, Congo, the Central African Republic, and Equatorial Guinea, multinational companies have paid bribes to circumvent environmental regulations and gain access to forest areas for logging that are protected by local regulations. In some cases the logging took place in parks, where donor countries have invested significant resources in protection.

What can be done to ensure that corrupt practices do not undermine efforts at environmental protection in Africa?

Mr. TAYLOR. You have raised a very—an interesting example, which brings me back to sort of my earlier stage at Global Witness, where we were looking at logging in—we still are, in fact—in Cambodia, and where we are now—well, as of December last year, the independent monitor of Cambodia's forestry reform process.

And the reason I wanted to raise that is not so much to flag what we have been doing, but the principle of there being an independent monitor came out of the donor process, so with legislatures backing that up through the annual World Bank Consultative Group process for Cambodia, and basically it was made as a condition of resumption of assistance that there would be—because the Government basically had agreed to these reforms taking place, that they would implement the various reforms, and the donor said great, but you told us that for 5 years in a row and we want to see performance, so we insist on there being an independent monitor.

Now, it took quite a long time for that to go past the stage of simply hiring a large commercial organization with huge overheads, and then a couple of ambassadors said, why don't you do it, to us, and we had not really kind of thought about it in that context, but then we said, why not.

So we are (a) committed, because that is what we were doing anyway, (b) we knew more about it than anyone else because we had been everywhere, and (c) we were much cheaper than anyone else, so it made sort of commercial sense, apart from anything else, to go in that direction.

Now, we are on the cusp right now of DIFID in London, the equivalent of AID—I think that is right, isn't it? Yes—putting forward, together with some other donors, some assistance which has

been tied to overall assistance to Cameroon, that there should be an independent monitor of Cameroon's forestry reform process.

Now, it strikes us that certainly in our limited experience as the monitor since December last year that being able to be the official monitor, and a monitor that is not going to bury anything, so if there is dirt to be found we will find it and it will come out, has moved the concept of forestry reform forward far quicker and far further than any other process than we have seen to date.

And so my answer to what you asked was that, I think actually the principle of independent monitoring, just like looking at the standards by which companies adhere to things like the U.S. Foreign Corrupt Practices Act, for example, or other things like that, is that the monitoring principle, there should be an independent monitor, is, I think, extremely valid and very valuable, and I would encourage that that should be examined as a way to mitigate against this kind of thing, and if companies are caught out, they should go, end of story, out the door.

I mean, it brings me to another issue. You raised the issue of a black list. We for some time in the Cambodian context thought about creating a list of companies, the idea being to make it absolutely internationally unacceptable if businesses, if you repeatedly catch them out doing things.

There are a number of big international timber companies that come from various countries in Southeast Asia who have the worst practices, and they are responsible for some of the worst misdemeanors in forestry in protected parks and so on, and nothing ever happens to them, ever. They never get fined, they never get kicked out, they never get penalized.

So I think through a willingness of donors to put pressure on Governments who are in receipt of international assistance as a condition—you know, if they have a monitor, and the monitor catches people out and it is—you know, it is absolutely blatant, then some action should be taken, and I think that is somewhere where donors could have a big impact.

Senator FEINGOLD. Thank you. Anyone like to respond to anything, or other any other remark? Yes, Ms Derryck.

Ms. LOWERY-DERRYCK. Thank you. I think I just want to emphasize a couple of points. We are talking about usually countries with weak institutions and weak civil societies, and there are two aspects of civil society that we are concerned with.

One is the role of women. Because they have not had the opportunity accorded to some to be involved in some of the more egregious aspects of corruption, and because they are very often willing to speak out against it, then this is a way that civil society can be harnessed, and so we are supported of women's efforts.

And secondly, the petty corruption that we see in many countries is really endemic, and we have talked largely today about a grand corruption, but the petty corruption really does insidiously erode confidence in Government and in institutions, and I think that we have to be careful to make sure that some of our activities really do focus on the smaller aspects of corruption.

Those are my two points. Thank you, Mr. Chairman.

Mr. SCHNEIDMAN. Senator Feingold, I would just like to thank you for holding this roundtable. It is an issue, I think we have tried

to convey, of great importance to us, and there is no question that it is really at the key of socioeconomic development in Africa, and certainly our ability to work together as Government agencies and NGOs is vital, and just two points.

I think, first, we have to keep a proper perspective, because I think what we see in Africa, as has been stressed, is more openness to reporting corruption, so on the one hand it makes some countries appear more corrupt, and I think we have to be able to separate out what is being reported and what is coming out in the sunshine from what is really happening.

And second, just to go back to a point that my colleague, Vivian Derryck, concluded her remarks on, and that is the resources that we as the executive branch need to do what we are able to do and work with Congress, and there is no question that we depend upon you for those resources, and I hope in that context and in many other contexts we can continue to have a very close relationship on this issue, so we can make sure that we are doing the most that we can do in forging new partnerships, be it with our private sector, addressing the environmental issues that Mr. Taylor just addressed.

It is clear we have got a very big agenda. We cannot do it by ourselves, and we look forward to working with you on it.

Senator FEINGOLD. Well, I thank you. Yes, Mr. Taylor.

Mr. TAYLOR. I am sorry. I do not want to hog this thing, but there is one thing that I had not raised so much, but more at a tangent in the course of what I was saying before, and that is the role of organized crime. I briefly hinted at the privatization of the war, that—well, it is not just the role of organized crime.

There is a very large European company, which I shall not name, who is intimately involved and connected with individuals who have been monopolizing this main weapons supply and who are part of the process of, on the one hand, acquisition of equity stake within the resources, and the real key thing, key aspect of this is, somebody needs to do something about the activity of this very big company, because it is, as far as I am concerned, totally unacceptable, and it pales—it is extraordinary what they have been doing. I would like to elaborate on that in private.

But the other characters who I have been alluded to are very well-connected to, shall we say, Russian oligarchs and other well-connected individuals in that part of the world, and because of the activities that I know that they have been involved in in terms of weapons supply not just to Angola but to Zimbabwe, being used in DRC, to Uganda, being used in the top end of the DRC, possibly with connections to people who have been named who are suppliers to UNITAS.

So that means that they are supplying both sides in the Angola conflict, also to Ethiopia we think, probably the main suppliers to the Bosnian Serbs, and we have also heard, also supplied helicopters to SLORC in Burma, as a condition of another company getting a deal with that regime.

The end point I am trying to make here is that I think what these people represent on the one hand is an attempt by those same oligarchs who ripped off, at the last count I heard, some \$130 billion out of Russia in the mid-nineties, to do exactly the same

thing in Central and Southern Africa, and these people are using the banking facilities provided by countries like South Africa, they are using our banking facilities in London, here, the Cayman Islands, off-shore accounting structures and convoluted companies and so on.

Somebody desperately needs to start looking seriously at the activities of the off-shore banking centers around the world and penalizing them for lack of transparency in terms of who they are dealing with, and I think to actively pursue what some of these people are doing, because if the IMF thing does not deliver what I do not think it will deliver, and if none of this changes, the structures that are being created will stay in place, and what we will all wake up to in a few years time, when Angola's oil production peaks, when the country will desperately need all it can to rebuild, we will find that these people own basically everything, and I think that is a pretty sad outcome after 30 years of killing each other.

So if I could urge the committee to perhaps think about how it might look into that—I would also be considering that. I do not know what rapport we can have and come back to you on that, but if that is an area you could think about it would be very valuable I think.

Senator FEINGOLD. Well, let me just thank all of you very much for providing this opportunity for me and the other committee members. We will look at this information. The comments were good.

There were some specific ideas that I think will be helpful, and the perspective of making sure we do not look at this just as some kind of a failure of African Governments or African peoples, especially your comments, Mr. Taylor, when we talk about the companies, the international syndicates and others that have so much to do with this, are a critical part of this, and we have to make sure as a committee and as a Senate that we think of it in those terms.

But when we turned to the individual African countries, I was struck by Mr. Schneidman's remark and the remarks of Ms. Marshall about how at first, when a country gets involved in this business, it might make them look bad. It reminds me of how Uganda decided to get out in front on the AIDS issue. I had the impression for a while, because I was not well-informed, that Uganda was the place for AIDS, and it turned out that Uganda was willing to discuss this, be open about it, and as a result is relatively speaking a leader in reducing the AIDS problem in Africa.

I think the same thing applies here. It is probably going to be painful at first to have the disclosure of this kind of information, but I think when one country in Africa starts succeeding in this regard, and sees the investment and other things that come as a result of it, the peer pressure and even the desire to emulate those other countries will be a very valuable thing.

I do think this issue is starting to come of age. In terms of the Senate's look at it, there was some discussion of this, too brief, I think, but some of it in the context of our debate on the African Growth and Opportunity Act.

So I look forward to reviewing your comments and your ideas and I again want to especially thank Dr. Frist for making this hearing possible. It was extremely difficult to schedule at this

point, and I am very glad we could get it done this year so we can take advantage of some of your good ideas.

Thank you very much.

[Whereupon, the public meeting ended.]

