



Transparency International New Zealand

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Members' Update

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Transparency International is a not-for-profit, non-government organisation, which aims to counter corruption in international and national business transactions and government decision making.

Transparency International is politically non-partisan and does not undertake direct investigation of alleged corruption or expose individual cases.

There are over 90 National Chapters of TI worldwide. Each chapter is an autonomous body supported by a global Secretariat based in Berlin

Parliament Transparency

A recent Editorial in the DomPost (13 October 2008) drew attention to the lack of respect Members of Parliament were demonstrating towards the Parliamentary institution. The editorial reflect similar comments expressed by a number of TI Members at our AGM.

The Editorial drew on comments from retiring MPs, Mark Blumsky and Margaret Wilson. Mr Blumsky criticised the Speaker's interpretation that during daily question time, ministers must only address, rather than answer, questions put to them. Ms Wilson reflected on MPs' unwillingness to be covered by the Official Information Act.

The Editorial concluded by saying;

"What neither she nor Mr Blumsky referred to, however, is MPs' and ministers' general scorn for the House. Quite apart from the bear-pit qualities of question time, there is also their lack of respect for the institution.....How can MPs expect the public to respect them and what they do when they, themselves, treat the institution with such contempt?"

TI Bribe Payers Index

The just released 2008 biennial TI [Bribe Payers Index](#) (BPI) survey has Belgium and Canada sharing top ranking, indicating that Belgian and Canadian firms are seen as least likely to bribe when operating abroad. The 22 countries included in the survey were responsible in 2006 for 75 per cent of global exports of goods and services and outflows of foreign direct investment. New Zealand is not included in the survey of 22 leading international and regional exporting countries and Australia comes in at a disappointing 8th position.

Russia ranked last on the survey with a score of 5.9, just below China (6.5), Mexico (6.6) and India (6.8).

The BPI shows public works and construction companies to be the most corruption-prone when dealing with the public sector, and most likely to exert undue influence on the policies, decisions and practices of governments. The least likely were companies in agriculture, fisheries and light manufacturing.

TI (France) lodges civil party petition in stolen assets case

Berlin/Paris, 02 December 2008 TRANSPARENCE-INTERNATIONAL (France) and the SHERPA association have announced that they have lodged a civil complaint in regard to the real estate properties acquired in France by the ruling families of Congo-Brazzaville, Gabon, and Equatorial Guinea. TI France reports that the large volume of real estate obtained by these ruling families makes it unlikely that the properties could have been acquired from their own official salaries and they are subject to serious presumptions of misappropriation of public assets.

The civil party petition, offers plaintiffs a possibility to overcome the decision of the Public prosecutor, who, in spite of the very conclusive results of the police investigation carried out in 2007, decided to dismiss the case. If the plaintiffs are ruled admissible, an investigating judge will automatically resume and extend the initial police investigation. In such case, this magistrate will have to determine how the patrimonies were acquired, as well as the origins of the funds in numerous bank accounts. The judge will also have to draw all the consequences of the role played by various intermediaries in those transactions.

Transparency International (TI) Chair Huguette Labelle has stated that TI strongly support TI-France and Sherpa's initiative.

Sherpa, as well as some TI chapters, are considering the possibility to initiate similar actions in other countries.

Members' Update Background Note

Sherpa is a French network of jurists dedicated to promote corporate social responsibility. Sherpa was created in 2001 and is currently directed by French Lawyer William Bourdon.



Local Body Transparency

Local Body transparency is a subject that impacts on us all. Transparency International (New Zealand) feels it is an area where substantial improvement is required and we, therefore, felt it timely to draw attention to recent comments from the Office of the Auditor General.

Results of the 2006-07 Audits

The following are the concluding remarks of the OAG;

“Meeting the requirements of the Act and NZ IFRS dominated 2006/07. Many local authorities met the various requirements, including “living with the LTCCP”.

However, we remain concerned that some local authorities are not dealing well with meeting the Act’s requirements. Their inability to meet normal accountability requirements, combined with newly elected local authorities and the move into the next phase of LTCCP planning, means that these local authorities are already “on the back foot” in meeting the challenges of 2008/09.”

Results of the 2006-07 Audits Part 4: The Right Debate;

“A common challenge for local authorities when they prepared their 2006-2016 Long- Term Council Community Plans (LTCCPs) was disclosing the right debate.”

“The right debate is about providing information that is relevant to the stakeholder, and being transparent. This requires a local authority to assess what the important issues are, what options – including the option adopted in the consultation document – are open to the community, and what all the implications associated with the issues are.”

The Office of the Auditor General goes on to comment that “...until the LTCCP reflects these matters transparently and plainly for the reader, it is arguable that the statutory principles on which the LTCCP is based are not being met.”

“... We look forward to improved disclosures from all councils, because communities need to have confidence that the information they are consulted about is complete and relevant”.

Reference: <http://www.oag.govt.nz/local-govt/2006-07>

Procurement Guidelines

Recent concerns in regard to Health Board and Local Body procurement prompt us to draw attention to the Office of the Auditor General’s *Procurement Guidance for Public Entities*. The guidance is available at

<http://www.oag.govt.nz/2008/procurement-guide/>

Board Members

As mentioned in last month’s Members’ Update, over the next 2 months we will profile Board Members who have been involved for a longer period - Gerald McGhie, David Macdonald, Murray Petrie, Claire Johnstone, Hugh Templeton, Trevor Roberts, and Rodger Spiller.

Gerald McGhie (Chair)

Gerald has been a member of Transparency International (New Zealand Chapter) for five years. He has attended a number of Transparency meetings particularly relating to Pacific issues. He is also a member of the Trust Board of the Pacific Cooperation Foundation Board, an organisation which has a broad brief to promote Pacific–New Zealand issues.

As a member of the Ministry of Foreign Affairs and Trade for 38 years Gerald gained experience of New Zealand business practice as well as public sector operation.

He has been Chair of Transparency International (New Zealand) since 2006.

David Macdonald

David is currently Adjunct Professor, School of Accounting & Commercial Law, Victoria University of Wellington. He qualified with a Commerce degree in 1963 and worked for more than 20 years for Deloitte and was a partner in the company. He was Auditor-General of New Zealand from 1995-2002. He is a Member of audit committees of Ministry of Transport [Chairman] and Statistics New Zealand and is Chairman of an Advisory Panel looking at Provider Remuneration under the Legal Aid Scheme. He has been a member of the Institute of Chartered Accountants of New Zealand [ICANZ] - FCA (conferred 1985) and is a Member of the Disciplinary Tribunal of ICANZ. David was awarded the Queen’s Service Order (QSO) in 2004.

Murray Petrie

Murray Petrie is Director of the *Economics and Strategy Group Ltd*, a consulting company based in Wellington. *ESG* specializes in public financial management, governance, and public policy analysis. Murray is a member of the International Monetary Fund’s Panel of Fiscal Experts, and has worked extensively for the IMF on fiscal transparency. He also advises international NGOs on budget transparency. Earlier in his career he worked for the Ministry of Foreign Affairs and the Treasury.

Claire Johnstone (Dep Chair)

Claire is a foundation Board member of TINZ and has a management background in both the public and private sectors. She is currently the General Manager Corporate for the Ministry of Transport. Prior to joining the Ministry her experience included General Manager for Industry New Zealand, CEO for the Wellington Chamber of Commerce and CEO of the Whanganui Economic Development Corporation. She holds a Masters in Public Policy from Victoria University, is a Winston Churchill Scholar and is an accredited member of the Institute of Management Consultants.



Transparency International Secretariat Working Papers

There are always a range of Policy and Research issues being considered within the global Transparency International community. In the Members' Update we will provide a brief summary of papers that are open for comment and discussions. In most cases a discussion draft document is available for review and comment. If you are interested in making comment on any issue please email us (admin@transparencynz.org.nz) and we will send you the appropriate paper.

This month we highlight the following working papers;

Corporate Governance as a Framework for Countering Corruption - A draft Policy Paper.

Executive Summary:

- Corporate governance frameworks offer an internal system of checks and balances to prevent company abuses before they begin, helping to stem the supply of private sector corruption.
- Good corporate governance standards support the integrity and accountability of companies and encourage sound management practices. To function effectively, they require transparency in corporate structures and key policies, which act as deterrents to corrupt practices.
- Transparency International (TI) views strong corporate governance structures as an essential element in reducing corruption and responding to abuses when they are discovered.
- The following paper focuses on the linkages between good corporate governance, corruption and anti-bribery programmes. Clear recommendations to promote transparency, accountability and integrity standards in business are set out as actions that countries, companies and citizens can promote.
- TI calls on countries to adopt and improve corporate governance rules and regulations. International norms — such as those set out by the Organisation for Economic Co-operation and Development (OECD) and the UN Convention against Corruption (UNCAC) — can help to orient the design of effective national corporate governance standards.
- TI supports *companies, countries* and *citizens* in their continued efforts to strengthen corporate governance structures as part of their ongoing commitment to promote transparency and integrity as forces in the fight against corruption in the business world.

Ensuring effective Monitoring of the UN Convention Against corruption - A draft policy position.

The UN Convention against Corruption (UNCAC) provides a comprehensive global framework for promoting accountability and transparency. Adopted in 2003, it represents an international consensus on the need for collective action against corruption. The convention's eight chapters establish country obligations and standards for how to prevent and punish corruption, set up mechanisms for international cooperation, offer technical assistance and address asset recovery. The UNCAC has been signed by 140 countries and ratified (or acceded to) by more than 104 governments. This rapid progress has raised high expectations that the UNCAC will soon begin to function as the leading global instrument for combating corruption at the national and international level.

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World Economic Forum—Global CEOs

Launched by CEOs from leading global corporations at the World Economic Forum Annual Meeting 2004 in Davos, PACI helps to consolidate industry efforts on the issue and shape the evolving regulatory framework. By becoming a PACI signatory, a company commits to a zero-tolerance policy towards bribery and corruption and agrees to put in place an internal anti-corruption programme that reflects the PACI Principles for Countering Bribery.

Members' Update Background note on PACI (Partnering Against Corruption Initiative)

PACI is a multistakeholder initiative which works with a number of organizations including:

[The Basel Institute on Governance](#)

[The International Chamber of Commerce](#) (ICC)

[The Organisation for Economic Co-operation and Development](#) (OECD)

[Transparency International](#) (TI).

[The United Nations Global Compact](#) (GC)

The Multilateral Development Banks and selected International Financial Institutions.

PACI is also partnering with the [American Chamber of Commerce in Romania](#) and the [Ethos Institute](#) of Business and Social Responsibility/ the Business Pact for Integrity and Against Corruption.



News from New Zealand

Global News

NZ Trade & Enterprise comments on trading with China

From NZTE website on [preparing to do business with China](#)

There's a lot more corruption in China than in New Zealand, however, don't think that corruption is generally accepted in China and be aware that the vast majority of people you will deal with in China are not corrupt.

That said, it's always best to be on your guard.

A more positive subject, and one where New Zealand companies operating in China can lead the way, is corporate social responsibility. The long-term benefits to be derived from this, including goodwill and more, simply can't be ignored.

Key learnings

- Corruption is the exception in China.
- Always be on your guard against corruption. Doing due diligence provides good protection.
- Enforcing a 'China friendly' code of ethics can protect your business's reputation.
- "Leave some salt on the table" - look at implementing a Corporate Social Responsibility programme.

Examples of corruption you may come up against include:

- outright requests - usually through agents
- contracts are agreed, then an amount is added that you are expected to pay in cash
- requests for, and giving, expensive gifts
- misuse of funds or inside information
- ignoring labour and environmental rules.

There are also well known problems concerning intellectual property (IP) violations. For more information on how to protect your IP, see [Protecting your intellectual property](#).

The frequency and seriousness of corruption varies according to the business sector, region and type of business. In general the situation is improving with the government engaged in a corruption crackdown.

At an operational level you are most likely to run into nepotism or patronage, conflict of interest and excessive exchange of gifts and favours.

Before entering into any contracts or relationships you should also do due diligence.

Tips for Dealing with Corruption

- stick to best practice
- if you come into contact with corruption, don't get involved
- understand as much as possible about China
- if you are sub-contracting manufacturing seriously consider including a code of conduct in your agreement
- have an unhitching strategy in case things go wrong.

Report from World Economic Forum website:
www.weforum.org

Global CEOs launch first-ever anti-corruption campaign on YouTube

Geneva, Switzerland, 8 December 2008 – The World Economic Forum's Partnering Against Corruption Initiative (PACI) launches the first-ever anti-corruption campaign on YouTube.

With US\$ 1 trillion lost in bribes and other forms of corruption around the world each year, CEOs of leading global companies, including **Alan L. Boeckmann**, President and Chief Executive Officer, Fluor Corporation, USA; **Richard O'Brien**, President and Chief Executive Officer, Newmont Mining Corporation, USA; **Samuel A. DiPiazza Jr**, Chief Executive Officer, PricewaterhouseCoopers International, USA; and **Peter Bakker**, Chief Executive Officer, TNT, Netherlands, have come together for Anti-Corruption Day to further engage the general public in a [CEO Appeal on YouTube](#). All of the CEOs are members of the PACI board and PACI signatories.

The general public is invited to submit "breakthrough ideas" on how best to fight corruption in the world on YouTube. The best ideas will be shown to participants at the upcoming World Economic Forum Annual Meeting 2009 in Davos-Klosters in January. Participants will be encouraged to reply directly to questions from the wider public with the aim of opening a global conversation on how best to fight corruption today.

PACI is the only global anti-corruption initiative that systematically surveys how and to what extent global companies – across industries and regions – are fighting corruption. The results of the "[Highlighting Achievers](#)" survey, released today, show that private sector players are stepping up to the plate to fight corruption.

"The survey results and the CEO appeal indicate that leading companies are indeed serious in their commitment to fight corruption," said Richard Samans, Managing Director at World Economic Forum and Board Member of the Forum's Partnering Against Corruption Initiative (PACI). "Now it is time for governments, NGOs and other relevant players to recognize companies demonstrating anti-corruption leadership and to incentivize more companies to follow their lead." The [survey](#) reveals that, today, all of the companies surveyed have anti-corruption programmes in place, which include measures such as whistle-blowing mechanisms, compared to 90% last year. Of the surveyed companies, 20% put an anti-corruption programme in place after signing PACI. In addition, PACI's Highlighting Achievers survey indicates that 77% of the surveyed companies now screen their business partners' anti-corruption measures before doing business with them.

PACI is a global anti-corruption initiative driven by the private sector, bringing together companies from multiple industries throughout the world to fight bribery and corruption.

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