

# GOVERNANCE WORLD WATCH

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**Division for Public Economics and Public Administration  
Department of Economic and Social Affairs**

Compiled by Information and Networking Unit February 2001



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# Public Policies & Public Economics

## AFRICA

### NEW GOVERNMENT IN EQUATORIAL GUINEA

The new Prime Minister of the West African state of Equatorial Guinea, Candido Muatetema Rivas, has formed a new government, after the removal of his predecessor. President Teodoro Obiang Nguema appointed Mr. Rivas following the resignation of the previous prime minister, Angel Serafin Seriche Dougan, who was blamed for creating a constitutional crisis. Mr. Dougan's government was accused by President Nguema of failing to respect the opinion of the majority of the people or the country's interests.

*From BBC, 27 February 2001*

## ASIA/PACIFIC

### KOREAN GOVERNMENT TO ACCELERATE REFORM DRIVE

The government will wrap up its reform drive for financial, corporate, public and labor sectors by the end of this month. The government expressed during a meeting held at Chong Wa Dae, the presidential office, Tuesday morning its intention to provide basic frameworks for restructuring that will come into play whenever required, along with normal functions of a market system. Regarding corporate reform, financial institutions will establish their own corporate credit risk rating system that will be enforced whenever nonviable companies need to be closed. Creditor banks will have a free hand to work out the credit risk rating criteria and methods while financial regulatory agencies will verify compliance. Regulatory agencies will also mete out disciplinary action against lukewarm support by the financial institutions following credit assessments. Regarding financial reform, Seoul Guarantee Insurance Co. will be given funding support to honor its payment guarantees for corporate bonds held by trust-investment companies and banks. Hyundai Investment Trust & Securities will be encouraged to step up a deal to induce foreign capital from AIG as part of its effort to normalize management. Twenty mutual credit and finance companies now in operation and 21 credit cooperatives now under supervision will be consolidated through the transfer of contracts and liquidation. Three insolvent life insurers, Hyundai, Samshin and Hanil, will be put on the sale block. If no buyers emerge, they will be liquidated this month through the transfer of contracts. The government will press ahead with privatization efforts for five public entities: Korea Telecom (KSE: 30200), Korea Electric Power Corp. (KSE:15760), Korea Tobacco & Ginseng Corp. (KSE:33780), Korea District Heating Corp. and Korea Gas Corp. (36460). The government will also submit the tobacco law revision bill again this month. The bill, which would speed up privatization of the old state-run tobacco monopoly, failed earlier due to opposition by tobacco growers. The government will take steps to address lax management of some public entities as pointed out by the Board of Audit and Inspection.

*From [Asia Pulse via Yahoo](#), 6 February 2001*

### CHINA APPOINTS HONG KONG REGULATOR TO HELP SUPERVISE ITS FINANCIAL MARKETS

China's securities watchdog has chosen a senior regulator from Hong Kong to serve as vice chairwoman in an effort to improve supervision of the country's financial markets. Laura Cha will take the post at the China Securities Regulatory Commission in March, after she ends her term as the No. 2 official at Hong Kong's Securities and Futures Commission, according to a person with knowledge of the appointment. Ms. Cha, a U.S.-trained lawyer who has spent more than a decade at the Hong Kong securities commission, will join the CSRC at a pivotal time. Having presided over a run-up in the markets for most of last year, the commission launched a crackdown in December on fraud and share-price manipulation. That campaign has hurt investor sentiment, but has sparked hope among analysts that the markets' deficiencies may be addressed. Ms. Cha's appointment, market participants say, could help bolster the reform effort. 'Laura Cha has a very good professional reputation in Hong Kong,' said Fang Xinghai, a senior executive at Galaxy Securities Co. Ltd., China's biggest brokerage. 'Many people at the CSRC are still learning about regulation, they don't know it very well yet. So having an expert come in is good.' However, Mr. Fang and others say the transition from Hong Kong to Beijing is certain to be a challenge for Ms. Cha. Created just eight years ago, the CSRC is as much a Chinese government ministry as it is a market regulator. It is subject to political pressures not present in Hong Kong, which is home to one of Asia's biggest and most developed markets. While the move to Beijing will almost certainly require a steep salary cut for the 50-year-old Ms. Cha, her responsibility is likely to remain the same. In Hong Kong, she has primarily handled corporate-finance issues since joining the securities commission in 1991, and she is expected to use that experience at the CSRC to help supervise the finances of China's listed companies, according to the person familiar with her appointment. Such oversight is sorely needed. Almost all of China's nearly 1,100 publicly traded companies are controlled by the government, which has largely ignored widespread flaws while using the stock markets as a source of easy money for state coffers. Little has been done to improve dismal corporate-disclosure practices at those companies. Tough decisions, like delisting money-losing firms, have been avoided, while editorials in state-run media and liquidity-boosting policy changes have encouraged speculative trading among the country's 58 million investors. The

markets' problems became even clearer last year, when the key indexes for both of China's stock exchanges soared almost 50% without comparable improvement in corporate performance. The government appears to have recognized some of the markets' problems, although its commitment to fixing them is unclear. Backed by Premier Zhu Rongji, the CSRC late last year launched probes into some of the markets' most egregious offenders, known as 'arch manipulators.' The investigation has since spread to several brokerages and led to at least two arrests. China's stock markets, the world's best performers last year, lost more than 7% of their value since word of the campaign surfaced in January, highlighting how much trading behavior is tied to perceptions of government support. Share prices rose on Friday after an encouraging article by the government's official news agency appeared in financial newspapers. One thing that China's financial industry is taking initiative on is bringing in outsiders to help professionalize its ranks. Ms. Cha's appointment is the most dramatic example of that trend. At the CSRC, Ms. Cha will join three vice chairmen, including Gao Xiqing, a lawyer trained at Duke University who helped set up the markets a decade ago. She will also join Anthony Neoh, another former Hong Kong regulator who joined the CSRC two years ago as its chief advisor. Ms. Cha will answer to Chairman Zhou Xiaochuan, who took the helm early last year after spearheading reforms at one of China's four big state-owned commercial banks. A CSRC spokesman declined to comment on Ms. Cha's appointment. A spokeswoman at the Hong Kong securities commission said Ms. Cha will leave after the end of February, but declined to confirm or deny the move to the CSRC. However, people at both institutions said she spent much of last week at the CSRC's headquarters in Beijing preparing for her transition.

From [Work.com](#), 13 February 2001

## THAI GOVERNMENT GIVES GO AHEAD FOR TELECOMS MERGER PLAN

Thailand's state privatisation committee has announced that it plans to go ahead with the merger and subsequent partial privatisation of the country's two operators, the Communications Authority of Thailand (CAT) and the Telephone Organization of Thailand (TOT). Under the arrangement, which was first approved by the government in 1997, the two operators will be merged and then divided into four operating units; the first will be a finance ministry-owned as yet unnamed holding company and the other three will consist of TOT Co Ltd, CAT Telecommunications Co Ltd and CAT Postal Co Ltd. The government plans to seek strategic partners to take up to 25% in each; further shares will be offered one to two years later and by 2005 CAT is expected to be listed on the Thai stock exchange, by which date the government's holding in each unit should have been reduced to around 26%. A government spokesman said that the merger of the two agencies should be completed by June 2001. According to the Wall Street Journal, the committee decided to stay with its original telecoms strategy, rather than adopt other options, including a merger plan proposed by TOT, to avoid further delays in the privatisation process. It is hoped that a swift resolution to the privatisation of CAT and TOT will ensure their competitiveness when Thailand fully liberalises its telecoms market in 2006. Under the terms of the telecoms policy document, the government also intends to establish a new regulatory body, the National Telecommunications Commission (NTC). More information on CAT, TOT and Thailand's telephony market can be found in CIT Publications' [Datafile of Asia-Pacific Telecommunications](#).

From [CIT Publications](#), 12 February 2001

## EUROPE

### SMALL HIGH-TECH FIRMS SHOULD BYPASS BANKS

Small high-technology businesses should seek funding from venture capitalists and business angels, rather than banks, according to a new research published yesterday by the Bank of England. The report, entitled Financing of Technology-Based Small Firms, was launched last night in Edinburgh by Alastair Clark, executive director of financial stability at the Bank. It said that companies within the high-tech sector had a number of unique characteristics which affected their ability to raise external finance. Among these was a lack of tangible assets and track record, the need for long-term investment, and growth potential which relies on necessarily unpredictable success in the exploitation of new science or technology. While banks do lend to such companies, many businesses are better suited to equity finance, the report said. The UK private equity market is the largest and the most developed in Europe, and invested nearly £8 billion in 1999. Just over £1 billion went to high-technology companies, but only £235 million was allocated to start-up and early stage technology funds. Despite the perceived climate of disillusionment towards the sector, the report stated that technology firms did not face "difficulties... any greater than for small firms in general", to secure funding. "The dotcom crash has brought a welcome dose of reality to the market place. Part of the process must now be to educate institutional investors to discriminate within the sector," said Clark. However the report adds that for smaller firms seeking seed capital or first round funding, the chance of raising formal venture capital finance under £500,000 was "fairly limited". This has been caused by the increase in size of venture capital funds and the lack of expertise within institutions to determine the qualities within technology-based start-ups. The shift by venture capitalists to later-stage deals has seen an increase in medium fund size from an average £18 million between 1980 and 1990 to £34 million in 1990-1995. In addition, only five per cent of VC funding is used for start-up and early-stage finance, compared with 20 per cent in expansion capital and as much as 75 per cent in MBOs/MBIs. This trend has been fuelled by findings that show early-stage and technology funds falling short of targets related to risk, while returns on later-stage exceeding expectations. "We will see the rise in importance of an intermediary layer of individuals and companies who can offer specialised due diligence for larger VCs in order to fill the gap," said Clark. The report adds that investigations found that business angels supply up to 60 per cent or £500 million of start-up investments. If accurate, it would place the market on a par with the level of

venture capital investment. Chris Gorman, a business angel and chief entrepreneur at Reality said he agreed with most of the report's finding but added: "Currently in Scotland there are very few angels and incubator companies. But there had not been a better time in 25 years to secure funding." Commenting on why business angels were more keen to invest at a start-up stage than an institutional investor he added: "Fund managers have to dot every 'I' and cross every 'T'. Angels on the other hand tend to play things by feel and are prepared to take a bigger gamble. We invest with a view that one in three companies will probably fail. But it just takes one star performer to make the investment worthwhile." He advised entrepreneurs who were seeking relatively small amounts of money to contact support organisations in both the private and public sectors.

*From [Scotsman Online](#), by Andrew Murray-Watson, 6 February 2001*

## **ITC GIVES TV STATIONS GREATER SELF-REGULATION**

The Independent Television Commission is to reform its annual performance reviews of terrestrial television stations in a move towards greater self-regulation. The decision, outlined by Patricia Hodgson, ITC chief executive, in a speech on Monday night to the European Media Forum, represents a significant move towards the lighter-touch regulation she promised when she took over the job last year. Licensees will be asked to volunteer a rolling annual statement of how they plan to deliver their remit and to report on their own performance at the end of the year. This will be accompanied by audience research and quantitative analysis of the sector. The ITC wants to identify measurable benchmarks for a channel's performance, such as hours of new programming, regional production and spending on original production. Ms Hodgson said: "The companies are running a business and they've got to be reasonably free to run their own businesses. "How do you combine that with genuine accountability? By having a much more rigorous, fact-based annual report, so creating objective pressure on the companies to deliver what they've said they will deliver." In the past, terrestrial broadcasters have resented what they saw as the subjective nature of the annual performance reviews, based on monitoring each station's output across all programme categories by ITC officials. Introduced in 1994 as a way of testing how the stations were meeting programme promises set out in their licences, they have frequently proved embarrassing for the stations. Two years ago the ITC performance review, commenting on Channel 5's entertainment programmes, said: "The overriding impression remains that entertainment shows suffer from low budgets and low quality." Creative Business [www.itc.org.uk](http://www.itc.org.uk)

*From [Financial Times](#), by Steve Clarke, 13 February 2001*

## **RUSSIAN ANALYSTS WORRY OVER INTERNET REGULATIONS**

The Internet has been one of the last frontiers unconquered by Russia's galling government regulations, but that may soon change. During its spring session, the State Duma is gearing up to consider as many as 15 bills to regulate the Internet, said a Duma official. "We need to manage our online relationships," said Yury Travkin, a consultant to the Duma's commission on information policy, in a telephone interview. "It is important for Russia to regulate its Internet if it wants to be serious about entering into the WTO [World Trade Organization]." While Travkin declined to list all the pending bills because committees are still massaging the drafts into shape, he said the package will most likely contain provisions banning commercial spam, or junk e-mail, protecting intellectual property, preventing copyright infringement, securing online payments and addressing the legitimacy of digital signatures. A bill that is likely to draw fire from defendants of free speech stipulates that all Internet publications need to register with the Communications Ministry if they want to be considered members of the mass media. Dmitry Itskovich, who runs the news and information site Polit.ru, said in a telephone interview that this bill had raised more fears than many online news organizations felt were justified. Many of the organizations had already voluntarily registered with the ministry not only in order to qualify for tax breaks available to the media, but also to be officially recognized, he said. "I don't think online publications should be treated any differently than other media," Itskovich added. Other bills seem more likely to kill, rather than foster, the virtual domains deputies wish to regulate. Segodnya newspaper reported that the Duma's economic policy committee has recommended that only officially registered, self-employed business people be able to shop in Internet stores. From a legal perspective, the proposed regulations will assist Russian companies blazing the trails of electronic commerce, said Timofei Kotenev, an e-commerce specialist at law firm Lovells. "This will create one legal base and give a green light to the development of online commerce on Russia," said Kotenev, adding that since the Internet knows no national boundaries, the Duma should be sure the bills are written according to international standards. While he welcomes the government's involvement as long as it facilitates the growth of the Internet, Kotenev warns some regulations may go too far. For instance, he said, under the proposed bills, companies that want to use digital signatures for legally-binding contracts will have to register with the Federal Communications and Information Agency - a move that could lead to privacy abuses. Adversaries of government control over the World Wide Web can easily justify their apprehensions. The Federal Security Service, or FSB, already monitors e-mails and other Internet communications through a program named SORM, or System for Operational-Investigative Activities. The FSB claims the program helps catch cyber criminals, terrorists, and spies. SORM requires security services to obtain a warrant prior to looking at electronic transmissions, but critics argue the FSB can simply ignore the rules. Ignoring existing rules is precisely the problem, according to Tom Adshead, an Internet and telecom analyst at Troika Dialog. "There are a bunch of existing laws that are totally ignored, so all they have to do is apply them to the Internet and use the legal system to enforce them." Adshead said the main stumbling blocks to the widespread acceptance of the Internet in Russia is not the lack of applicable laws. "What's holding the growth of the Internet here is the fact that people don't have the money to buy computers, and I don't see that changing any time soon," he said. The number of computer users in Russia doubled last year to an estimated 3 million, which is still less than 2 percent of the population, Adshead said. IDC, formerly International Data Corporation, forecasts there will be a total of 9.4 million Internet users in Russia by 2004.

*From [St. Petersburg Times](#), by Natasha Shanetskaya, 12 February 2001*

## ROMANIAN GOVERNMENT TO REVEAL POLICIES AT FORUM

Romania's top decision-makers meet the business and banking community face-to-face this Tuesday for the first time after their assumption of power, and high on the list of priorities will be incentives and reform. Discussions during BBW's upcoming INTERNATIONAL INVESTMENT FORUM at the Athenee Palace Hilton will revolve around ways to improve the investment climate in major fields, from banking and IT to construction and infrastructure, as well as experts offering advice to companies on dealing with tax and legal issues. Lively discussions will also focus on the sensitive issue of minority shareholders rights. With a new law on promoting direct investments in the pipeline, and a special 'Investors' Code' being hammered out, the new Government seems to be on the right track towards fulfilling its promises. Tax incentives, guarantees of property rights and fair treatment from the authorities in relation to state companies are elements in the new law, expected to be finalized by the Ministry for Development and Prognosis within two weeks. Tough negotiations with the IMF last week brought home to the new cabinet the challenges in convincing international lenders to allow a broader budget deficit and grant tax breaks to investors. BBW partners for the Investment Forum include Libra Bank, Intrarom, Global Finance, Alcatel, CA-IB, Ericsson, Altheimer & Gray, Diekat, Romcar and the Athenee Palace Hilton. Ismail Hakki Tuyun, vice-president of Libra Bank, said: "This event organized by Bucharest Business Week is very important for helping maintain an international way of doing business in Romania and adds to understanding of international economic mechanisms." Participants have warned that the post-election 'grace period' is over and Romania needs to show its commitment. "Improvement of the investment climate is one of the most important challenges," said Florin Pogonaru, president of CA-IB Romania, a speaker. "Strengthening the connection to the financial world is the key to the success and this International Investment Forum organized by BBW represents a wise initiative organised at the right moment, aimed at conveying a coherent official approach to investors." Ladislau Randjak, country manager of Global Finance, another speaker at the Forum, said: "It is very important to meet the new government and see how committed they are. A first good sign was their decision to abrogate a bad law as Ordinance 229 was." IT and telecommunications will also be in the spotlight Tuesday. Emil Visloguzov, Alcatel sales manager, who will speak during a special IT session, told BBW: "The Forum is an excellent opportunity both for investors and the Government: the former need a confirmation of the future policy of the governors while the latter have the chance to hear the problems of investors. The telecom industry is challenging this year as markets have become more insecure and dynamic. This Forum is important as it brings together bankers, investment funds and operators, who can find solutions together." Mihai Gherman, Intrarom deputy general manager, who will talk about latest developments in his field, added: "This meeting represents a very good chance for the business community to express their ideas and proposals in front of the new Government team. As for the IT&C industry, we're waiting for a real change of economic priorities towards the high tech industry as well as an opening of the local software market."

*From [Bucharest Business Week](#), by Luminita Holban, 23 February 2001*

## THE AMERICAS

### TAYLOR ADVOCATED KILLING IMF

In a sign that the Bush administration may take a dimmer view of international bailouts than its predecessor, an interview transcript shows that the leading candidate for the Treasury Department's top international job once advocated terminating the International Monetary Fund. John Taylor, a Stanford University economist, said in a television program filmed on Dec. 15, 1998, that the IMF "should be abolished." He also harshly criticized several of its most important recent rescues of developing countries, including the 1995 bailout of Mexico. Taylor has been identified by congressional and administration sources as Treasury Secretary Paul H. O'Neill's first choice to become undersecretary for international affairs. The holder of that post has traditionally exercised enormous influence over the policies followed by the 183-nation IMF and its sister institution, the World Bank, because the United States is the dominant shareholder in both organizations. Taylor did not return a phone call seeking comment yesterday. At the time his likely nomination was reported by The Washington Post on Saturday, Taylor was widely regarded as a middle-of-the-road choice between two Republican Party factions that differ over the wisdom of bailing out countries in financial crises. His views on international issues are little known among his professional colleagues, in part because his most important scholarly work has been in monetary policy. But his comments in the 1998 TV program "Uncommon Knowledge" suggest that he is considerably closer than was previously recognized to the hard-line conservative view that the international community should stand aside when crises hit in emerging markets. "It should be abolished, I agree," Taylor said of the IMF, according to a transcript on the Web site of Stanford's conservative Hoover Institution, where Taylor is a senior fellow. "And I'd like to do it slowly in a way that takes some of the talents there and use it in a more effective way." Taylor said the \$50 billion bailout of Mexico, which was organized in early 1995 by the IMF and the Clinton administration's Treasury Department, saved rich foreign investors from losses on their Mexican bonds but didn't do the country's economy any good. The result was that lenders and investors poured money even more recklessly into Asian countries that later suffered crises, he suggested. The investors "were bailed out, and that was good for them and made the crisis a little less severe at the time," Taylor said. But "the next series of crises were worse than anybody ever imagined, partly I think because as a [result of] the success of the Mexican operation it looked good then but it demonstrated the potential of the IMF to bail out countries who are making these policy mistakes." Asked what would have happened if the IMF had allowed Mexico to default on its debts, Taylor said: "More people would've lost money at the time than they did in fact. But I believe the recovery of the economy would've been much like it was." It isn't known whether Taylor would take more moderate views as a Treasury official; nor is it clear whether other, more moderate policymakers would prevail in internal debate. O'Neill heaped praise upon the Mexican

bailout during his Senate confirmation hearing, and foreign policy heavyweights such as Secretary of State Colin Powell are likely to insist on helping strategically important countries that land in economic crises. But the transcript of Taylor's comments, which were first reported by Bloomberg News yesterday, indicates that he could be a powerful advocate of changing the IMF's approach, both generally and specifically. He also faulted the IMF for its "insistence that [crisis-stricken] countries move to very tight monetary policies," which he said "made the situation worse."

*From Washington Post, by Paul Blustein, 8 February 2001*

## **CSSA URGE GOVERNMENT FOR TAX BENEFITS IN IT TRAINING**

Following a call upon the government [last month](#) from the Institute for the Management of Information Systems (IMIS), the Industry trade body, [Computing Services and Software Association](#) (CSSA) are also urging the government to introduce tax benefits for companies and their employees to invest in IT training. Tim Conway, who spoke at the Learning Technologies show at Olympia stated that there is currently a chronic underinvestment in IT Training considering the amount of new IT incentives being introduced all the time. Conway stated that a collaborative effort is required to link the government with industry in order to tackle the forthcoming IT skills shortage effectively. There are very few tax incentives in existence to encourage individuals and companies to invest in lifelong learning that would be of benefit to both in the long run.

*From [TrainingZONE](#), 12 February 2001*

## **'ETHICS BOWL' TAKES A HIGH-TECH TURN – TEAMS FROM 15 VIRGINIA COLLEGES TACKLE INFORMATION AGE DILEMMAS IN COMPETITION**

To combat theft, a storekeeper installs secret security cameras in the employee lounge and restrooms, and ends up videotaping workers stealing, having extramarital affairs and bad-mouthing the boss. A helpful university Web site featuring student evaluations of their professors turns venomous with anonymous accusations that certain teachers use drugs and trade grades for sex. A state turnpike agency gives police investigators access to its computer records of drivers' tollbooth visits, as logged by prepaid smart cards. As these examples illustrate, technological advances can be accompanied by a Pandora's box of ethical dilemmas faced by businesses, government, institutions and individuals. The cases were among the torn-from-the-headlines object lessons dissected yesterday in an "Ethics Bowl" competition sponsored by the Virginia Foundation for Independent Colleges and held at Marymount University in Arlington. It was won by Washington and Lee University, with Mary Baldwin College coming in second. Last year, at the first Ethics Bowl, student teams debated general topics such as whether the military should force a soldier to take an anthrax vaccine, or whether a journalist should report on a politician's checkered past. This year, teams from 15 Virginia colleges and universities focused on technology, related issues of privacy and plagiarism, and the technology gap. "Technology makes it much harder to lead an ethical life," said Roger Mudd, the veteran newsman who emceed the event. Even in a nonjudgmental era, there is a right way to conduct oneself, Mudd said. But "it gets tougher and tougher as there are more and more layers you have to cut through." The debates were conducted in four rounds. Questions about the moral issues raised in various scenarios were posed by judges that included professors, lawyers, bankers and technology executives. Each team of three to five students had a few minutes to huddle and determine its position before responding. And each team had to defend its position in subsequent questioning. All the colleges represented at the Ethics Bowl offer courses on ethics, either separately or as part of a broader class. "It's important to teach the responsible use of technology to children from kindergarten on through," said Marymount President Eymard Gallagher. "Parents teach their children it's wrong to throw a baseball through the window, but they don't always think to teach them it's wrong to get into a Web site and damage it." Many of the teachers said that while the ethical dilemmas are the same ones that have plagued humanity through the ages, technology has made it easier to cheat, deceive and invade people's privacy. Term papers are widely available online for plagiarism. Information collected on our browsing habits, spending patterns, even the programs we listen to on our car radios, can be sold to marketers without our knowledge. Photographs never lie, except when they're digitally altered. Even the purveyors of technology can find themselves overwhelmed by the wide-ranging ethical ramifications of their goods. "The fact it pervades so many aspects of life makes it more difficult to stay focused on the ethical principles of running your business and living your life," said Barry Brigman, president of Viasystems Technologies, a Richmond company that manufactures electronic equipment. "It's spread globally, and you are interactive with so many more people than in the past." Some ethicists contend the guideposts haven't changed, however. "Within the field [of ethics], there is debate about whether ethics cases involving technology are so special they deserve different treatment," said Steven Emmanuel, a philosophy instructor at Virginia Wesleyan College. "All ethical situations are so very similar. They involve issues of trust, loyalty and honesty." Some of the students said they have grown up with the temptations and moral ambiguities of having the information age at their fingertips. "It's not as dramatic as the issues faced by the World War II generation or the Vietnam generation," said Matt Cobis, 21, a philosophy student at Virginia Wesleyan who plans to join the Peace Corps. "It's just different now. In the information age, you can get whatever you want, whenever you want it. The easy way out gets easier every day," Cobis said. "It's easier to be dishonest than it was 20, even 10 years ago. It's easier to validate your dishonesty. It's easier to change and manipulate the facts. You have to take things you read and see with a grain or two of salt." Several students said the ease with which they can get information only makes it harder to know what's the right thing to do. "We knew more about a spot on [Monica Lewinsky's] dress than anyone knew about voting irregularities in Cook County [Illinois] in 1960," said Michael Worrell, 22, a political science student at Emory & Henry College who hopes to become a prosecutor and run for public office. "The new wealth of information makes decisions much more difficult."

*From [Washington Post](#), by Carol Morello, 13 February 2001*

## HOW SO. CAROLINA GOVERNMENT COULD HELP HIGH TECH

While South Carolina's efforts to foster high tech have been criticized, there are some things the state could do. According to the Charleston-based Center for Technological Innovation, incentives that would aid S.C. technology companies include: Allow technology companies to sell their job tax credits to other firms. (Technology companies often lose money in their early years, so they can't use the tax credit.) Provide technology companies headquartered in South Carolina a 10 percent tax credit for equity investments they attract. The credit could offset up to half of the company's state income taxes. Provide a 25 percent match of research dollars received by state institutions for private-sector contracts. Give companies a tax credit for tuition they pay for employees to pursue selected technology-related bachelor's and graduate degrees. Give investors a 40 percent tax credit for putting money in state-based technology start-ups. The credit could offset up to half of an investor's state income taxes. Create a technology worker credit that gives senior managers and engineers at technology companies a 3 percent personal income tax credit. Forgive state-funded student loans to individuals who remain in the state after graduation and work for a qualifying technology company.

From [philly.com](http://philly.com), 20 February 2001

## GLOBAL

### FINANCING FOR DEVELOPMENT COMMITTEE CONCLUDES DEBATE WITH GENERAL AGREEMENT ON NEED FOR GOOD GOVERNANCE

The Preparatory Committee for the High-Level International Intergovernmental Event on Financing for Development concluded its two-day general debate with consensus emerging on a number of issues, especially on how developing countries should be helped to improve their economies and to share the benefits of globalization. With the recommendations of the Secretary-General's report on development financing providing a backdrop for the Committee's discussions, there was general agreement on the need for institution-building, including good governance, pro-growth policies and the creation of liberalized investment and trade regimes, as well as the opening of markets for exports of developing countries. Noting that official development assistance (ODA) was declining, developing countries urged the industrialized nations to match national efforts by reaching the United Nations target of 0.7 per cent of gross national product for their ODA contributions. There was also agreement on the need for more equitable foreign direct investment to the developing countries. There was general understanding that building a sound national framework for development was key, and that developing countries could undertake that responsibility themselves. Some said, however, that while sound domestic policies could spur development, it was essential that those measures be complemented by similar efforts at the global level. While the need for maintaining macroeconomic policies was agreed, some developing countries called for more realistic consideration of the issue which addressed deepening poverty, falling commodity prices and low savings. A number of developing countries, while not challenging the legitimacy of the Bretton Woods institutions, called for transparency in their decision-making processes and accountability. Some also called for participation in the governance of international financial institutions. One developed nation, however, said the mandates of the Bretton Woods institutions and the World Trade Organization (WTO) should be fully respected and not undermined. At its meeting this afternoon, the representative of Norway underscored the importance of sensitizing a broader set of public and private actors on financing for development. The development impact of investments must be discussed with the private sector, he said. The High-level Event should further strengthen the emerging consensus that the decisive factor behind a sustainable development process was tangible policy implementation. The Preparatory Committee should work towards a meaningful outcome of the High-level Event, focusing on priority areas where progress could be made, international consensus could be reached, and the political will to move forward could be strengthened, the representative of Canada said. Also making statements this afternoon were the representatives of Nigeria and Nepal. At the conclusion of its general debate, the Committee broke into an informal interactive dialogue on "mobilizing domestic financial resources", one of the six priority themes in the Secretary-General's report. The remaining themes, which would be taken up at subsequent meetings during this session, include: mobilizing international resources for development, including foreign direct investment and other private flows; enhancing trade for financing development; increasing international cooperation for development; confronting external debt challenges; and addressing systemic issues. The Preparatory Committee will meet again at a time to be announced in the Journal Committee Work Programme. The Preparatory Committee for the High-Level International Intergovernmental Event on Financing for Development met this afternoon to conclude its general debate and review of the inputs to the substantive preparatory process and the High-level Event scheduled for early next year. Following that, the Committee was expected to hold an interactive debate on mobilizing domestic financial resources. (For details about the work of the Preparatory Committee, see Press Release DEV/2285 of 12 February 2001.) Statements - Before hearing the concluding statements of the Committee's general debate, Committee Co-Chairman, Asda Jayanama (Thailand), addressed concerns expressed yesterday by the representative of Saint Lucia on the participation of representatives of the United Nations Conference on Trade and Development (UNCTAD) in the preparatory process. Out of courtesy, representatives from non-United Nations institutions such as the International Monetary Fund (IMF) and the World Bank had been seated on the podium. And, in light of the broad, Organization-wide cooperation in assembling the Secretary-General's report on development financing, the Secretary-General himself represented relevant United Nations agencies on the podium. The absence of representatives from UNCTAD or any other institutional actors did not mean that they would not or could not be allowed to participate in the process. He stressed his readiness to hear the interventions of any interested institutional actors at any time. Sonia Leonce (Saint Lucia) said her delegation viewed UNCTAD as having relevance to the development financing

process equal to that of the Bretton Woods institutions. In fact, those financial stakeholders themselves were most often seen as being United Nations agencies. She reiterated her delegation's request that representatives of UNCTAD be allowed to address the Committee. She did not understand nor appreciate the Secretariat's differentiation in institutional stakeholders. The Co-CHAIRMAN reiterated that he would give the floor to any institutional stakeholders wishing to participate in the preparatory process. Austin Peter Osio (Nigeria) said the demands of the developing countries for equitable participation in the decision-making processes of the Bretton Woods institutions should be met. The cancellation of external debts, which African States at their regional consultation had suggested, should be considered expeditiously, as had also been urged by the Millennium Summit. Cancellation of the debts, as well as those of heavily indebted middle income countries, would enable those countries to assume primary responsibility for undertaking development projects on behalf of their peoples. An urgent solution should be found to redress the ever-falling price of commodities of developing countries, especially those in Africa. Nigeria agreed with the Secretary-General's recommendation that technology transfer would also enhance capacity-building and efforts at diversification of the economies of developing countries. That would, in turn, remove their supply-side constraints and facilitate production for the global market. His delegation supported efforts that would reverse the trend in the uneven flow of foreign direct investment. Africa, in particular, needed such an investment which should be increased and evenly distributed. He hoped the current Preparatory Committee session would foster the requisite political will of the international community, on which the successful implementation of the outcomes depended. He was confident that the Committee would come up with a tangible document by its next session in May. Jim Crowe (Canada) stressed several fundamental elements that his delegation believed were essential if the development financing process was to be successful. First, there should be a central focus on the basic objective of development. The complex factors that affect development must be approached coherently for development efforts to be effective. Secondly, there must be close cooperation among all relevant United Nations bodies and other international organizations, in particular the IMF, the World Bank and the World Trade Organization (WTO). Regional development banks should also participate fully in the process. There was also a need for close cooperation at the national level among all relevant domestic and international ministries, in both developed and developing countries, he said. Those issues had been debated at length in many other forums. But in order for the current process to be a success, the Committee must avoid "cobbling together" the outcomes of other meetings that had addressed those issues. It must try to draw on those past discussions to identify ways in which synergies could be utilized to produce new and effective means to generate resources for development. He said the financing for development process provided an opportunity for a real dialogue on interrelated issues. Areas of potential progress due to a convergence of views included strengthening international financial architecture, promoting greater cooperation between multilateral donors and integrating trade into national development and poverty reduction plans. He also believed the Committee should work towards a meaningful outcome of the Event, focusing on a few priority areas where concrete progress could be made; international consensus could be reached; and the political will to move forward could be strengthened. Durga Bhattacharya (Nepal) said that while money moved across continents at the click of a button, some countries were still attempting to manoeuvre around strict and inequitable trade policies that hindered the movement of their exports. The outright fragmentation of socio-economic standards caused by globalization had proved debilitating for much of the developing world. It was a sad fact that global conferences of the 1990s had led many in the international community to believe that the tide of globalization would "lift every boat". The truth, however, was that while some boats had been lifted high on waves of technological advancements and economic prosperity, many others had been lost at sea. This stark reality made it critical for the Committee to avoid selling dreams that would be hard to fulfil. Members should use lessons of the past to create comprehensive measures to generate financing for development. Debt relief was one way to ensure such resources could be mobilized. It was also important to address inequities in international trade schemes. Only a level playing field would lift developing countries from the mire of inequality and ensure they could participate in world markets. Trond Folke Lindberg (Norway) said the final Event must result in a concrete and effective follow-up mechanism that would preserve and further develop the working relationships between the Bretton Woods institutions, the World Trade Organization (WTO) and the United Nations. Noting that the preparatory process had given rise to new, comprehensive consultative processes at capitals, he underscored the importance of sensitizing a broader set of public and private actors on financing for development. The development impact of investments must be discussed with the private sector. There was a widely shared understanding that building a sound national framework was the key to development, he said. He added that such policies could only be developed by the developing countries themselves. The High-level Event should further strengthen the emerging consensus that the decisive factor behind a sustainable development process was tangible policy implementation. The growing consensus on ultimate goals and developing policies must be met with increasing, not declining, official development assistance (ODA). He urged developed countries to reach the United Nations goal of 0.7 per cent of their gross national product (GNP) for ODA. In the same vein, he urged creditor countries to forgive debt under the Heavily Indebted Poor Countries mechanism without compromising the aid budget. He also urged that additional financing be provided for the global public initiatives, such as the international environment agenda in preparation for Rio+10 (Review Conference on the 1992 United Nations Conference on Environment and Development held in Rio de Janeiro, Brazil). Norway also looked forward to the forthcoming report of the Secretary-General on a currency transaction tax.

From [UNHCHR](#), 14 February 2001

## GOVERNMENTS AGREE: GLOBAL WARMING IMPACT SERIOUS



Geneva, Switzerland - The poorest and least adaptable parts of the world will suffer most from climate change over the next 100 years, the UN Intergovernmental Panel on Climate Change (IPCC) said today in a major report on the impacts of increased global temperatures. Global warming is bringing changes in weather patterns, water resources, the cycling of the seasons, ecosystems, and extreme climate events. The effects of these climate changes are detailed in an objective assessment of the most up to date, peer reviewed scientific research available. Ripples on a dune in Gran Desierto, Mexico (Photo by Peter Kresan courtesy [U.S. Geological Survey](#)) - The report was unanimously accepted here today by more than 160 delegates from 100 governments who met from February 13 to 16 to consider the new information on how global warming could impact civilization and the natural environment. The full report, which runs some 1,000 pages, represents nearly three years of work by 426 authors from around the world. The report went through extensive review by 440 governments and experts.

Governments should already factor these new conditions into their long term investment and planning decisions," said Klaus Toepfer, executive director of United Nations Environment Programme (UNEP), who is a former German minister of the environment. Last month's report by Working Group I of the IPCC confirmed the increasingly strong evidence for humanity's influence on the global climate. It projected that the globally averaged temperature of the air above the Earth's surface would rise by 1.4 to 5.8 degrees Celsius over the next 100 years. Global warming is produced by the burning of fossil fuels - oil, gas and coal - which emit gases into the atmosphere that form a heat trapping layer keeping the Sun's warmth from being dispersed back out into space. The shrinking of glaciers, thawing of permafrost, later freezing and earlier breakup of ice on lakes and rivers are some of the changes scientists have documented. Shifts in the ranges of animals and plants, and the earlier flowering of trees, emergence of insects and egg laying in birds are other indicators of the warming global climate. In North America, sea level rise would result in more coastal erosion and flooding, loss of coastal wetlands and a greater risk of storm surges, particularly in Florida and along the Atlantic seaboard. Most coral reefs could disappear within 30 to 50 years by warming oceans, the scientists predict. Three-quarters



of the world's largest mangrove forest, the Sundarbans in India and Bangladesh, could be flooded by a sea level rise of 18 inches, an event that would drive the Bengal tiger into extinction. "Climate change is a stress that will be superimposed over expected population and other environmental stresses," said Professor G.O.P. Obasi, secretary general of the World Meteorological Organization (WMO), which, together with UNEP established the Intergovernmental Panel on Climate Change in 1988. The impacts are expected to fall "disproportionately on the poor," the report says, because most less developed regions are vulnerable due to a "larger share of their economies being in climate sensitive areas" such as agriculture. Furthermore, their capacity to adapt to change is low. "Life as we know it today on the planet will be forced to respond to the shift to a warmer world. We have to use mitigation and adaptation

strategies to face the changes while not forgetting to improve our knowledge basis. Every natural and socio-economic system appears to be vulnerable to climate change. However, it is the least developed countries that are the most vulnerable," Professor Obasi said. Flooding in Charlotte, North Carolina in 1997 (Photo courtesy Mecklenburg County Stormwater Services and U.S. Geological Survey) - Projected adverse effects of climate change include a widespread increase in risk of flooding, with tens of millions of people potentially affected. There will be reductions in crop yields in tropical and sub-tropical regions and decreased water availability in water scarce regions. The authors predict greater mortality due to heat stress, and higher exposures to vector and water borne diseases. Toepfer said, "The scientists have shown us a compelling snapshot of what the Earth - which already faces so many other social and environmental pressures - will probably look like later in the 21st century." "In addition to minimizing global warming through cuts in greenhouse gas emissions, we need to understand the powerful changes our industrial economy has set into motion and anticipate them. We must start helping vulnerable species and ecosystems adapt to new climate conditions," he said. The report concludes that our future ability to satisfy human needs will be affected - both positively and negatively. One beneficial side effect is that mid-latitude regions such as Europe will enjoy increased agricultural productivity for temperature changes of a few degrees, though this will reverse as the atmosphere gets hotter. The global timber supply will increase and winter mortality will decrease outside tropical areas, the IPCC scientists predict. But the overall balance of effects is clear. "More people are projected to be harmed than benefited by climate change, even for global mean temperature increases of less than a few degrees Celsius," the report concludes. "The new IPCC report has powerful implications for how we deal with poverty and sustainable development over the coming decades," said Michael Zammit Cutajar, executive secretary of the United Nations



Framework Convention on Climate Change, the international agreement by which governments address global warming. "No country can afford to ignore the coming transformation of its natural and human environment. The poor and the vulnerable are at greatest risk. This report is a timely reminder that we need to pay more attention to the costs of inaction, and that the costs of action to cut emissions are just part of the climate change equation." said Cutajar. "This should once and for all put to rest the debate over whether global warming is real," said Jennifer Morgan, director of WWF's climate change campaign. "Governments have accepted that global warming is happening and is getting worse." Greenhouse gases are emitted into the atmosphere by fossil fueled power plants like this one in Ohio. (Photo courtesy [Ohio Environmental Council](#)) - "The next step in the United States is for President [George W.] Bush to support the Kyoto Protocol and propose a wiser and more climate friendly

national energy strategy. Oil is not the answer to America's energy crisis. It is the problem." Friends of the Earth International called on European governments to stand firm and force U.S. President George W. Bush to agree an effective international deal on cutting emissions. The UN climate talks are due to resume in July. Frances Maguire, climate policy coordinator for Friends of the Earth International said, "This report shows that climate change will be a disaster for the world in general and for the poorest countries in particular. This catastrophe was made in the rich countries of the North. Governments in industrial countries must agree radical cuts in our use of coal, oil and gas, and big increases in the use of renewable power. If we don't act now it may be too late." "Three months ago, world talks on cutting emissions floundered because the U.S. would not match the European commitment to cut emissions. Europe must stand firm when talks resume in July and force the U.S. to act responsibly," Maguire said.

*From CNN, 20 February 2001*

## PREPARATIONS CONTINUE FOR HIGH-LEVEL UN MEETING ON FINANCING FOR DEVELOPMENT

Preparations for a major United Nations forum on financing development work entered a new important stage today, as the UN panel laying the groundwork for the upcoming event opened its session in New York to address the broad development concerns expressed by world leaders at the [Millennium Summit](#) last September. "You bear a heavy share of responsibility for the world's success or failure in fulfilling the Millennium goals," Secretary-General Kofi Annan [said](#) this morning at the second session of the body, formally known as the Preparatory Committee for the High-Level Intergovernmental Event on Financing for Development. "We have agreement on the nature of the challenge, and we have clearly identified targets by which to measure our progress in eradicating abject poverty," Mr. Annan said, referring to the Summit's pledge to cut poverty rates in half by 2015. "What is lacking is agreement on the means by which we are going to do it." The Secretary-General said one of the essential tasks for the preparatory process was to reach agreement on the main policies to be applied, covering both public and private resources. "The more successful developing countries are the ones that have been able to mobilize private investment, both from abroad and among their own people," he said. The second objective, Mr. Annan said, is to catch the attention of political leaders and financial authorities: "Development is far too important to be left to specialized ministries or agencies. It must mobilize the energies of governments and societies as a whole." Also addressing the Committee [this morning](#), General Assembly President Harri Holkeri of Finland pointed to the need to improve complementarity between different forms of development financing. "I have made personal efforts to convince colleagues and partners within and outside the United Nations of the necessity of achieving horizontal coherence and thinking both nationally and internationally," he said. "To me, this process represents an important link between the domestic and international levels of thinking and decision-making." In addition to exploring the obstacles developing countries face in mobilizing resources to finance sustained development, during its two-week session the preparatory panel will also begin to prepare the outcome document for the [High-level Event](#), now scheduled for the first quarter of 2002. The Event is designed to set an agenda on national, international and systemic issues relating to financing for development, in order to meet the imperatives of eradicating poverty and fulfilling the social and humanitarian goals set by a series of global conferences of the 1990s.

*From [United Nations](#) Newswire, 13 February 2001*

# Governance Systems and Institutions

## AFRICA

### NIGERIA LOSES BILLIONS TO CORRUPTION, NEGLIGENCE

Details released Friday by a government economic watchdog revealed that the Nigerian government lost 8.379 billion naira in duty exemptions granted by officials of the country's Customs Service between January and June 2000. (110 naira=1USD). According to the report by the National Economic Intelligence Committee (NEIC), 15 billion naira was still outstanding as "unmerited Value Added Tax (VAT) and withholding Tax" from both federal and State governments, Ministries and government agencies as at 30 June 2000. The report, presented to the media by NEIC Chairman Ibrahim Ayagi in Abuja, also noted that the 13.312 billion naira collected as special levies in 1999 from solid minerals and other internally-generated revenue and the seven-percent special allocation from the federation account, were not highlighted in the 2001 budget. Other disclosures concern the Ministry of Finance Incorporated (MOFI), whose levies on total investment of 75.94 billion naira involving 68 companies were reportedly paid by only five companies. Ayagi said the five companies paid 123.15 million in 1998 while seven companies paid 6.854 billion naira in 1999, leaving an outstanding 23,872 billion naira yet to be remitted. In addition, the NEIC boss said 61 of the 86 companies in which MOFI had investments have never held their Annual General Meeting. On Nigeria's vital oil sector, NEIC said 167.88 million US dollars from crude oil and gas sales were yet to be paid into federal coffers, just as the 10.756 billion naira collected by the Federal Inland Revenue Services and Nigerian Customs were yet to be remitted to the Central Bank of Nigeria as at September 2000. It also said that while the State-owned oil company, Nigerian National Petroleum Corporation (NNPC), had paid about 30 percent of the contract cost for the rehabilitation of the Atlas Cove Jetty, a major re-distribution point for petroleum products located near Lagos, without any contract agreement, only 20 percent of the work had been carried out. The report warned that the jetty platform was hanging and could collapse anytime as the supporting iron pillars were badly corroded and eroded, and that there was no automatic loading arm on the jetty which also lacked functional fire fighting equipment. A burst pipe at the jetty recently caused an inferno, resulting in the deaths of at least 15 local villagers scooping fuel from the scene. On the Aluminium Smelting Company of Nigeria (ALSCON), NEIC said the company's staffing system was biased in favour of expatriates doing jobs which Nigerians were qualified to do, and urged the government to redress the situation. The government recently approved 150 million dollars to rejuvenate ALSCON. The Committee, which also said the windfall from oil revenue after the world oil price shot up last year, stood at 2.8167 billion dollars, called on the federal government to use the proceeds to offset part of Nigeria's external debt, put at 28 billion dollars. Oil accounts for about 90 percent of Nigeria's foreign exchange earnings.

*From [AllAfrica.com](http://AllAfrica.com), 10 February 2001*

### OBASANJO SAYS ANTI-CORRUPTION BATTLE SLOW

[Panafrican News Agency](http://Panafrican News Agency) - Admitting that his anti-corruption battle has not made the necessary impact, Nigeria's President Olusegun Obasanjo has vowed to continue the cleansing process to ensure the success of his government's efforts to move the country forward. Obasanjo, who has made the fight against corruption the centrepiece of his administration, was speaking this weekend at a retreat for members of his cabinet in the northern town of Jos. The retreat is one of the innovations introduced by the administration since assumption of office about two years ago to provide an avenue for senior government officials to interact in an informal atmosphere and learn more about government's policies, thereby ensuring better implementation of such policies. "It may well be the case that there are many ministers and senior government officials that are not corrupt, but the public perception is regrettably otherwise," the President said. Acknowledging the views expressed in certain quarters that Obasanjo was fighting corruption as a lone ranger, he said the public had not got the impression that ministers and permanent secretaries were in the forefront in fighting against the menace. "Let it be clear on every street in our cities and in all our villages that the credibility of our administration is uncompromisable at all times," he said. He said that in spite of the shortcomings, he was committed to the fight against corruption. "I do not accept 'business as usual'. I am committed to change and intend to set it. You are either with me or you are with 'business as usual'," the president said. Explaining why the fight must be fought and won, Obasanjo said all the current efforts to move Nigeria forward would add to nothing "for as long as our system remains corruption-ridden". "Our vision of great Nigeria will be mere pipe dreams for as long as the dominant attitude of the functionaries assumes the need to be corrupt in order to survive," he said. An international organisation committed to the fight against corruption, Transparency International, has labelled Nigeria the most corrupt nation in the world. The fight against corruption has dominated previous retreats and there are indications that it will continue to be a major issue in similar gatherings in future.

*From [AllAfrica.com](http://AllAfrica.com), 26 February 2001*

## ASIA/PACIFIC

### SHENZHEN RETRIEVES 281 MILLION YUAN THROUGH ANTI-CORRUPTION EFFORT

Authorities in Shenzhen, the fast growing southern China city neighboring Hong Kong, handled 168 corruption cases involving 190 officials in the year 2000 and retrieved some 281 million yuan (US\$33.86 million) of embezzled funds or money used as bribes. As the country's earliest economic zone, the city has tightened the discipline inspection of officials. Among the officials that were removed from their posts last year were a former deputy mayor, a former customs director and a land resources official. Zhang Gaoli, secretary of the Shenzhen City Committee of the Communist Party of China (CPC), recently asked the committee's commission for discipline inspection to make full use of its supervision function, and differentiate mistakes from corruption.

*From China Daily, 31 January 2001*

### OUTRAGE OVER CORRUPTION RATTLES LEADERS ACROSS ASIA

It was not a rigged election, a crackdown on political opponents or any sort of dictatorial behavior that drew hundreds of thousands of Filipino protesters to the streets of Manila earlier this month to demand the resignation of President Joseph Estrada. It was bank statements, ledger books and canceled checks that suggested Estrada had accumulated vast wealth from bribes. "We're fed up with corruption," one demonstrator growled. "We don't want our politicians to behave this way anymore." Across Asia, where kickbacks and backroom deals have long been part of the political landscape, a tide of public anger has been rising against government officials suspected of graft. Fighting corruption has emerged as a top issue almost everywhere on the continent, raising the prospect that other leaders will be forced to step down. Here in Indonesia, thousands of protesters stormed the parliament building grounds Monday to demand President Abdurrahman Wahid resign over allegations that he had illegally accepted \$2 million from the sultan of Brunei and that people allegedly acting on his behalf stole \$4.1 million from a government agency. In Thailand, the public has overwhelmingly supported tough provisions in a new constitution to crack down on money in politics. The billionaire tycoon likely to become the next prime minister, Thaksin Shinawatra, could be forced from office and banned from politics for five years if a constitutional court decides that he concealed his assets illegally. In China, a growing campaign against venality has resulted in the imprisonment and execution of scores of government officials. Last month, top leaders took the highly unusual step of replacing Justice Minister Gao Changli and expelling three members of parliament, reportedly for involvement in graft-related crimes. In Japan, Economics Minister Fukushima Nukaga resigned last week after accusations he had accepted kickbacks from a small-business organization. That scandal and others have contributed to a growing cynicism that has pushed the popularity of Prime Minister Yoshiro Mori's governing Liberal Democratic Party to historic lows. Even in Vietnam, peasants have staged public protests -- long deemed taboo in one of the world's last Communist countries -- to accuse local officials of corrupt practices. Instead of ignoring or arresting the demonstrators, the government took the unusual step of dispatching high-level "inspection teams" to look into the grievances. "What happened in Manila is part of a change in Asia," said Agus Purnomo, secretary general of the Indonesia chapter of Transparency International, a global anti-corruption watchdog group. "There is much less tolerance for corruption, cronyism and nepotism than there was even a few years ago." Analysts say one reason for the new attitude stems from the financial crisis of 1997 and 1998 that caused millions of people to lose their jobs and slip into poverty after banks and businesses declared bankruptcy. Despite fundamental economic problems, many of those companies had received clean bills of financial health from regulators after paying bribes or kickbacks. "If you look back to the pre-crisis days, the feeling was, 'Yeah, there's corruption. We don't really approve of it, but the economy is going along so well, why upset things?'" said Bruce Gale, an independent political risk consultant based in Singapore. "You don't get that feeling now. People are saying that a lot of the corruption we had in the past was responsible for a lot of the abuses that exacerbated the financial crisis and now we should be more critical of them." An increasingly rapid flow of information also has contributed to the protests against corruption. In Indonesia, where press restrictions were lifted after the downfall of President Suharto in 1998, newspapers have trumpeted graft allegations involving Wahid. The same phenomenon has occurred in the Philippines since Ferdinand Marcos's ouster in 1986. In China and Vietnam, which still have stiff controls on the media, stories involving corruption now are allowed. New technology also is playing a key role in channeling public anger. In Malaysia, people use Internet chat rooms to vent about graft allegations involving Prime Minister Mahathir Mohamad, and in the Philippines e-mail messages sent over mobile phones were instrumental in drawing people to anti-Estrada protests. "The monopoly in information that once prevailed is no longer there," said Sarwar Lateef, a senior adviser at the World Bank's office in Jakarta. "People are aware of everything that's going on. The press is openly discussing these things. People are sharing information over the Internet. There's a degree of sophistication that never existed before." By most accounts, there is a lot to fulminate about. The Asian Development Bank estimated that as much as one-third of public investment across the continent is squandered on graft. Several Asian countries were ranked among the worst in a Transparency International survey of business executives' perceptions of bribery in 90 countries. At the root of the problem, say analysts, are low government salaries that encourage everyone from senior ministers to clerks to accept bribes and kickbacks. The situation is exacerbated by profitable links between government officials and state-owned businesses. In a speech last month, Wei Jianxing, the Chinese Communist Party's top anti-corruption watchdog, said the government punished more than 130,000 officials last year for corruption-related offenses, most notably Cheng Kejie, vice chairman of the National People's Congress, who was executed after being convicted of accepting bribes. In Indonesia, Wahid's government has secured only one corruption conviction since taking office in 1999, despite repeated promises to clean up the country's political system and target Suharto and his family for allegedly accumulating a multibillion-dollar fortune. The one person convicted, Suharto's son Tommy, is not in jail; he has been on the run for more than two

months. That record, coupled with two scandals involving Wahid, have led thousands of protesters to call for his resignation. Lawmakers are scheduled to decide Thursday whether to begin procedures that could result in impeachment and create new instability in the world's fourth most populous country. A legislative commission, which has investigated the scandals, submitted a report to legislators this week asserting that Wahid acted improperly. The commission said the president probably had a role in the theft of \$4.1 million from a food distribution agency and that he made false statements about his acceptance of \$2 million from the sultan of Brunei. "All the information about the two cases is not true," Wahid said on national television today. "I am not involved." Wahid's argument that corruption cases are being used as political weapons has become increasingly common around the region. In China, political analysts say several officials were charged with graft simply to remove them from their jobs. In the Philippines, many leaders of the protest movement against Estrada have long been his political opponents. Even so, analysts and officials say Estrada's ouster will intensify efforts to combat high-level graft in the same way the 1986 "people power" revolution toppled Marcos. Just a few hours after Estrada stepped down on Jan. 20, 3,000 protesters gathered in the Malaysian capital, Kuala Lumpur, to call for their president to follow suit. And in Indonesia, Wahid's opponents have been talking of trying to stage the same sort of mass demonstrations that rocked the Philippines. Correspondents Clay Chandler in Hong Kong, Philip P. Pan in Beijing and Doug Struck in Tokyo contributed to this report.

*From Washington (DC) Post, by Rajiv Chandrasekaran, 31 January 2001*

## JAPAN PM UNDER FIRE OVER SCANDALS

Japan's Prime Minister Yoshiro Mori came under continuing pressure in parliament on Monday over scandals that have involved lavish lifestyles as well as a cash-for-influence deal. In the opening of the fresh parliamentary session, opposition parties attacked Mr. Mori's Liberal Democratic Party and called for key figures implicated in the scandals to testify before parliament. With polls suggesting he is Japan's most unpopular premier ever, Mr. Mori has faced a succession of scandals. In the latest one, LDP members allegedly received dubious payments from an industrial business lobby group, KSD, which wished to win influence. The foreign ministry also recently admitted to corruption on the part of one of its senior officials. The official allegedly embezzled up to \$2.6m of public money to fund an extravagant lifestyle, including the purchase of several race horses, which he named after his girlfriend. Budget debate threat - Opposition lawmakers threatened to boycott debate on the budget for the next fiscal year unless LDP politicians testify on their ties to KSD.



Mori has been beset with scandals

"We are not pursuing these scandals as simple party strategy," Yukio Hatoyama, leader of the opposition Democratic Party of Japan, told parliament. "We do so because the failure to win trust from the people will lead to the death of democracy, even if you people cling on and survive," he said, pointing to senior LDP policymakers. Mr. Mori reiterated an apology but hit back at critics. "Investigations by judicial authorities are going on and I believe the truth will be revealed." Cracks in coalition - The scandal has caused cracks to appear in the coalition, with opposition leaders criticising Mr. Mori's "disappointing" attitude. "He should have started with apologies, even by prostrating himself," Tetsuzo Fuyushiba of Komeito - a junior coalition party - told a television talk show on Sunday. The KSD scandal has already forced Economics Minister Fukushima Nukaga to resign - the third cabinet minister to step down in disgrace since Mr. Mori took over in April. Foreign Minister Yohei Kono has also paid back part of his salary in atonement over the scandal involving his official, Katsutoshi Matsuo, who allegedly siphoned off millions on dollars of public funds during the 1990s when he was in charge of logistics for foreign trips. The political fallout from the scandal has upset the government's plans to use the new session of parliament to reassure the public that it is in control ahead of Upper House elections in July.



Economics Minister Fukushima Nukaga has already resigned

*From BBC, 5 February 2001*

## CHINA ANTI-CORRUPTION PLAN HAS TO BE CARRIED OUT WITHOUT FAIL

The Fifth Plenary Session of the Central Commission for Discipline Inspection has worked out a clear, concrete plan for the anti-corruption work this year, the essence of the plenary session is being conscientiously implemented by Party committees at various levels. To firmly carry out anti-corruption tasks set at the meeting, it is first necessary to conscientiously study the document and have a thorough grasp of its spirit. At the Fifth Plenary Session of the Central Commission for Discipline Inspection, General Secretary [Jiang Zemin](#) made an important speech, in which he scientifically reviewed and summed up the important understanding and experiences formed in the practice of our Party's anti-corruption struggle; he profoundly expounded our Party's ruling position and the influence it brought about; made a brilliant exposition on the historical law that the will of the people decides the rise or fall of a political party and a regime; and stressed that while continuing to provide a temporary solution to the problem, it is necessary to intensify efforts to get to the root of the problem, thereby preventing and controlling corruption from its fountainhead. The Fifth Plenary Session of the Central Commission for Discipline Inspection was rich in content. For example, with respect to honesty and self-discipline, it put forward moral standards from six aspects for leading cadres to promote clean and honest government on the

basis of observing existing stipulations to suit the basic rules of the socialist market economy; To control corruption from its fountainhead, the meeting called for reform of the administrative systems, such as examination and approval, finance, cadre and personnel, and blocking corruption-generating loopholes in systems relating to the management of power, money and personnel. These key areas of work and measures are current outstanding problems concerning improvement of the Party's style of work and the promotion of a clean and honest government, these highly purposeful problems are of common concern to the masses. Only by assiduously studying the document, understanding it profoundly, having a thorough grasp of its spirit, clearly knowing the task and carrying it out firmly, is it possible to grasp the key points, give an impetus to generalities and promote the development of various fields of work. The key to carrying it out firmly lies in the Party committees and governments at various levels, the heads of work units, in particular, should enhance their sense of responsibility and intensify their awareness of liability. Whether or not one carries out the tasks is an expression of whether or not one puts emphasis on political awareness. Party and government chiefs at all levels should, displaying a high sense of political responsibility, conscientiously carry out the responsibility system for improvement of the Party style of work and promotion of clean and honest government and regard this as a political discipline, so as to further create a situation in which Party committees exercise unified leadership, Party and government make joint efforts for management, departments each shoulder their respective responsibilities, and the whole Party takes a hand in fighting corruption. Leading Party and government officials assume general responsibility for the improvement of the Party style of work and promotion of clean and honest government within the scope of their respective responsibilities, if they take a perfunctory, negligent attitude toward the anti-corruption work within the range of their respective responsibilities, with the result that problems arise one after another, thus causing very bad influence, then these leading cadres will be investigated and affixed responsibility, and they must never be indulged in their dereliction of duty. To firmly implement the tasks, it is necessary to earnestly improve the style of work, and guard against formalism and bureaucracy. At present, some regions and departments, which develop a superficial style of work, often just hold another meeting to transmit the work arranged at a meeting without hooking it up with their local realities, they practice formalism, do things as a mere formality, and so on and so forth, this style of work inevitably bungles matters. It is necessary to firmly correct this kind of formalist and bureaucratic style of work, implement the Party Central Committee's anti-corruption tasks one by one. To do this, it is necessary to set clear requirements in light of realities and to strengthen supervision and inspection. If a situation of failure to implement these tasks is discovered, then it is necessary to make conscientious analysis to see where is the cause of the problem, then timely measures should be adopted to ensure attainment of the objective of these tasks. To carry out the tasks, it is essential to carry forward the spirit of reform and innovation, and carry out the work creatively. The situations in various regions and departments are different and the main problems they face are not completely the same. This state of affairs calls for a combination of the Party Central Committee's plan with the realities of the concerned region and department, accurately finding out the connecting point, creatively carrying out work and achieving substantial results. Implementation of the tasks also includes the need to carry out the anti-corruption work already arranged in recent years. Over the past few years, the Party Central Committee has made a series of important decisions and arrangements concerning the struggle against corruption. Some regions and departments, however, have failed to properly carry them out, as a result, some corruption phenomena have not been brought under effective control. The arrangements for the anti-corruption work this year represent the new requirements set forth in light of the new situation, as well as the deepening and extension of the anti-corruption work over the past few years. Such being the case, while successfully carrying out this year's anti-corruption work, we must pay attention to maintaining the consistency and continuity of the work and thereby fulfilling the various tasks set forth previously.

*From China-Peoples' Daily Online, 10 February 2001*

## **INDIAN GOVERNMENT TO ACT AGAINST CORRUPT BUILDERS**

India's Urban Development Minister Jagmohan is promising to eliminate corrupt architects and builders blamed for the collapse of thousands of modern buildings in the Gujarat earthquake. Shoddy building has been blamed for contributing to the high death toll in the huge quake on January the 26th. Mr. Jagmohan says he will present a bill to parliament which will make the construction industry conform to professional standards. He says the proposed law will only permit duly-registered and licensed engineers to prepare and submit plans to authorities. Government sources say Mr. Jagmohan decided to take on the powerful construction lobby after most state administrations did not respond to his orders to change local municipal laws and continued flouting existing laws. The quake measuring 7.9 on the Richter Scale razed more than 100,000 houses and killed at least 30,000 people. It also toppled 13 high-rise blocks, damaged 40 more and left huge fissures in 800 modern residential complexes in Ahmedabad.

*From [ABC Online](#), 9 February 2001*

## **SEOUL PREPARING TO MEASURE CORRUPTION INDEX OF AGENCIES**

Starting the second half of this year, the government will record corruption indices for each state agency and its staff as part of efforts to reduce corruption in officialdom, a government official said. "For that purpose, the government is now developing a database system," the official said. "The first survey of each agency's corruption levels will be conducted during the second half." It will mark the first time the government has collected statistics on corruption in government agencies, although some nongovernmental organizations have presented related data. The government decided to disclose corruption indices of government agencies and officials on a regular basis every year so they could be reflected in the government's anti-corruption measures, the official added. The Office for Government Policy Coordination and the National Statistical Office have been working on the development of a program involving a data base on government officials punished for various corrupt activities. In addition, the public's perception regarding the "cleanness" of each government agency will also be surveyed, the official said. "The corruption

index will show to what degree government agencies and officials are vulnerable to corruption," he said. "Therefore, it will do much to reduce corrupt practices among government employees."

From [Korea Herald](#), 18 February 2001

## VIET NAM: OFFICIAL CORRUPTION TERMED WIDESPREAD

Hanoi, Vietnam -- An internal inspection by Vietnam's Communist Party found that 69,000 party members--more than 40 percent of those reviewed --were guilty of corruption over the past five years, official media reported Wednesday. The findings, released at a two-day national conference of party inspectors, came as the party experiences unprecedented internal debate. Leaders have admitted that a campaign against corruption has failed, and a leadership shake-up is expected at a key party congress next month. The review found that senior government officials were among those found guilty of corruption and that the main problems were embezzlement and financial mismanagement.

From [Chicago Tribune](#), 15 February 2001

## CHINA FIGHTS CORRUPTION WITH SLOGANS

Open a newspaper or turn on a television in China in recent years and chances are you'd be bombarded with references to the "Three Stresses" and the "Three Represents." Now Chinese media-watchers are about to be fed a steady diet of "Five Kinds of Spirit" and "Rule by Virtue." President Jiang Zemin, who is also general secretary of the Chinese Communist Party, unveiled these gems of "important thinking" at, appropriately enough, the National Meeting of Directors of Propaganda Departments last month in Beijing. As with previous such campaigns, most Chinese will be too busy trading stocks or buying apartments to memorize exactly what the five kinds of spirit are. Such slogans serve primarily as a touchstone for Communist Party members, a way of reaffirming their loyalty to Mr. Jiang. However, it would be a mistake to dismiss the campaigns as having no effect on policy. The mind-numbing details can be very important because of the way the Chinese political system works. Forget what the campaign seems to be affirming; the real story is the points of view it excludes from mainstream discourse. For example, the "Three Represents" campaign was successful in silencing left-wing ideologues within the party who thought the state should hang on to the commanding heights of the economy. Mr. Jiang is blatantly padding his ideological resume ahead of a Party Congress next year; he is scheduled to retire from most of his top positions and clearly wants to remain the power behind the throne. But since it is early days in this new campaign, it is difficult to say who it is directed against. Here's one early guess: The general secretary is trying to head off those who want to circumscribe the party's power with the rule of law. It is perhaps not coincidental that Mr. Jiang has the number five and the party's spirit on his mind. About a year ago, when Hu Changqing, former vice governor of Jiangxi province, was under arrest for corruption, Mr. Jiang reportedly made a pun on Mr. Hu's surname, which also means "reckless." Mr. Hu, he said, was guilty of "five hus": reckless bribe-taking, misuse of power, lying, womanizing and entertaining. For this crime, the Politburo gave him a bullet in the back of the head. This particular corruption case is worth remembering since it's more indicative of what's going on than others where the amounts of money involved were bigger. That's because Mr. Hu's calculated corruption showed that the rot within the party has gone deeper than many thought. He had little confidence in the party's survival and so made a rational decision to steal as much money as possible to stash abroad. Mr. Hu was caught when an e-mail to his son in America was intercepted by graft busters: "Do well in your studies and don't leave the U.S. Dad is making a lot of money now and I shall join you soon." The party has publicized stories showing how temptations of the flesh have led upright officials astray. For instance, Cheng Kejie, vice chairman of the National People's Congress, was supposedly corrupted by his mistress, Li Ping. Last year he became the highest-ranking official to receive the death penalty, and Ms. Li is serving a life sentence. Although she participated in the bribery scheme, it's significant that a high-profile exhibition on corruption mentioned her and the luxuries she enjoyed. The implication was that Mr. Cheng had to embezzle and take bribes in order to give her the lifestyle she demanded; concupiscence was his downfall. Justice Minister Gao Changli and several others are said to have fallen victim to the same disease. This is a good story for the masses, as it preserves the reputation of the Communist Party. Every bureaucracy is susceptible to the occasional bad apple, and if it's simply a matter of resisting feminine wiles, surely there are plenty of upright officials left. The way to fight this kind of rot is with an old-fashioned rectification campaign that stresses the revolutionary spirit of "simple living and selfless dedication." That's exactly what Mr. Jiang seems to have in mind. His other new slogan, "Rule by Virtue," harks back to the ideas of Confucius. When the emperor was virtuous, his officials followed his example and the government ran smoothly. The idea of the top man leading by example has powerful appeal in China, as does a return to Confucian values. But such a campaign cannot be effective if the rot has gone as deep as former Vice Governor Hu's case suggests. If officials are convinced that the party can't stay in power much longer, they will accept almost any risk in order to grab the loot with two hands. No mistress is needed to egg them on. It's clear that the only way to control the rapacity of corrupt officials is to give the judiciary independence and power to discipline the party. However, Mr. Jiang said in his January speech that "rule by virtue" is just as valuable as "rule by law" as a tool to fight corruption. The Chinese term for "rule by law" is sometimes erroneously translated as "rule of law," but its meaning is completely different. While a few academics are pushing for the Western ideal of an independent branch of government, the general secretary wants more effective and consistent use of the legal system to govern the country. "Rule of virtuous party officials by way of law" is a close approximation of what he is getting at, showing that Mr. Jiang won't grant autonomy to the judges. Why won't he do so? There's a popular saying to the effect that if the party isn't brought under control the country will die, but if the party is controlled, then it will die. The underlying idea is that the web of officialdom is held in place only by lines of patronage and opportunities for self-enrichment. Take that away and the whole system collapses. Mr. Jiang has evidently decided that he can't reform the party, so he'll just have to tread water with show trials and talk of virtue and hope the public doesn't revolt. With the number of corrupt officials under investigation growing at

over 10% a year, threatening the regime's legitimacy, Mr. Jiang is pursuing a risky strategy. China is rapidly approaching a crisis point when the late Mr. Hu's prediction about the end of party rule could come true.

*From [Dow Jones via Yahoo](#), by Hugo Restall, 27 February 2001*

## **CHINA EXECUTES SEVEN IN CORRUPTION SCANDAL**

China has executed seven people for their role in the country's largest ever corruption scandal. The official news agency said that those executed include a man who evaded seven-million dollars in taxes by smuggling cigarettes. The list does not include the most senior figures among the fourteen people sentenced to death in November in the first verdicts over the scandal. The case centres on the Yuanhua group, which smuggled cars, luxury goods, cigarettes and oil into Xiamen city in the southeastern province of Fujian, cheating the state of about four billion dollars and bribing a network of government and party officials to keep quiet. The alleged mastermind of the scheme, Lai Changxing, has been arrested in Canada and is fighting a request for his extradition. President Jiang Zemin has vowed to stamp out corruption, but correspondents say that revelations about the case threaten to undermine the credibility of the Communist party.

*From BBC, 23 February 2001*

## **CHINA'S CUSTOMS TO IMPLEMENT NEW ANTI-CORRUPTION MEASURES**

China will step up the auditing of directors of customs nationwide, starting March 1, as a way to curb corruption among customs officials, the General Administration of Customs announced Thursday. All directors of customs will have to pass auditing before they leave their post, whether the director will get promoted, transferred to new position, retire, resign or get fired, according to a press release issued by the administration. The new measures are aimed at strengthening supervision and management of customs directors, and preventing corruption from its roots, an official of the administration said. Key auditing areas will cover general administrating, fees and tax collection and handover, use of power in application granting, handling of smuggling cases and confiscated goods, management of customs finance, among others. The official said all directors will have to receive auditing from a superior level before they leave their current position. If necessary, a superior auditing department can do a surprise audit. "The new measures will be a kind of restriction to customs directors," said the official. "They will be under pressure to seriously carry out their duty according to law, and run the customs in a clean manner."

*From China-People's Daily, 23 February 2001*

# **EUROPE**

## **HUNGARY PREMIER PLEDGES ACTION ON CORRUPTION ALLEGATIONS AGAINST A PARTNER**

Hungarian Prime Minister Viktor Orban stepped in Wednesday to sort out the ballooning allegations of corruption against the Independent Smallholders' Party, a member of his three-party ruling coalition. Orban, who had previously dismissed the populist party's troubles as its own business, said fresh allegations of bribery and corruption, this time concerning the son of the Smallholders' leader, would have serious consequences. "The affair must have serious legal consequences. If the allegations are true then for those involved, and if they are untrue then for those who published them," said Orban in an interview broadcast on state radio. The prime minister spoke after the mass-circulation Nepszava newspaper published in print and online this week extracts from an alleged conversation involving Attila Torgyan, son of Smallholders' Party chief Jozsef Torgyan, which concerned bribes. And Orban was to meet Torgyan senior, also his agricultural minister, for the first time since the stories began to break in September. "It would be wrong if I failed to ask him a couple of important questions," said Orban, adding that the meeting had been arranged at Torgyan's request. The Independent Smallholders' Party has been hit by a series of corruption allegations, including charges that the party chief himself had built a series of luxury mansions in Budapest at a cost far beyond his legal means. A number of senior officials have quit the party's parliamentary group in protest at Torgyan's leadership style and the damage caused to the party's reputation as a result of the allegations. Both Attila Torgyan, a lawyer, and his father, dismissed the corruption charges and threatened to sue the newspaper, Nepszava, over the report and an audio recording that was put on its internet site.

*From Hungary Today, 31 January 2001*

## **ADB COMPLETES GOVERNANCE STUDIES IN FOUR ASIAN COUNTRIES**

The Asian Development Bank said Tuesday it completed governance assessments of four countries, in line with its new policy of linking its concessional assistance to country performance. ADB has concluded studies in Cambodia, Laos, Thailand and Vietnam and is close to completing assessments in three other countries, Bangladesh, Nepal and Pakistan, said Clay Wescott, senior public administration specialist for ADB in a statement. "The quality of governance is critical to poverty reduction," said the statement. "Good governance ensures the transparent use of public funds, encourages growth of the private sector, promotes effective delivery of public services and helps establish the rule of law," it said. ADB said from next year, the bank will be using governance assessments to rate country performance, which will determine ADB's allocation of concessional loan funds. The governance assessment examines the strength of a government's commitment to good governance, including sound macroeconomic and

financial management, pro-poor economic policies, effective delivery of public services, and enforcement of property rights. The ADB didn't give details on the results of the assessments in the four countries.

From [Dow Jones via Yahoo](#), 6 February 2001

## A CORRUPTION-BUSTER SHAKES TURKEY UP FROM A NEW PULPIT – THE PRESIDENCY

Ten months ago most Turks thought their prime minister, Bulent Ecevit, was doing a good job. His coalition government was stable by recent Turkish standards. It seemed to be winning the fight against corruption and inflation, twin curses of the economy. Even membership of the European Union at last seemed within reach. And hardly anybody had heard of a judge called Ahmet Necdet Sezer. Now Sezer is president and Ecevit is in trouble. Their feud has triggered an economic crisis that has shattered confidence in Ecevit's government and made many Turks look to the president for rescue. Although Sezer's powers are largely ceremonial, many see him as the only leader who shares their goal of a clean and stable country ready to join the EU -- and the only one ready to tackle corruption no matter how high up the system he finds it. Much may hinge on the outcome of this battle between Ecevit, the 75-year-old poet and politician, and Sezer, the obscure 59-year-old judge suddenly catapulted to savior-like stature. It could influence Turkey's chances of becoming the first Islamic country to join the EU; its stability as a pro-Western bulwark against Islamic militancy; even its democratic system, chronically prone to coups d'etat in times of crisis. "The simple truth of the matter today is that Turks have no trust left in their administrators, or their politicians," wrote columnist Semih Idiz. "In fact, the only person seemingly inspiring any hope, much to the chagrin of the government, is President Sezer." The clash at a Cabinet meeting a week ago took on supercharged symbolism when Sezer tossed a copy of the constitution at a government minister and had it thrown back at him, according to those present. Sezer's blunt action was seen as his way of saying corruption will only end when everyone accepts the supremacy of the law -- Cabinet included. Fear of corruption has hobbled Turkey's IMF-backed attempt to stabilize its economy. Ecevit's government has done more to combat corruption than most of its predecessors. Businessmen and civil servants have been arrested in inquiries. But the government seems to have shied away from pursuing allegations of corruption in its own ranks. In January the coalition parties used their majority in parliament to clear Energy Minister Cumhur Ersumer of charges related to energy tenders. Persistent rumors link two of Ecevit's three deputy prime ministers with corruption allegations. Enraged at Sezer's attack on the government, Ecevit stormed out of the meeting, and that lit the fuse. Shares fell sharply and overnight interest rates shot from about 40 percent to 7,000 percent. Early Thursday, Turkey was forced to abandon exchange rate controls, a pillar of its IMF-backed stability program, and float its currency. Millions of Turks saw their savings and salaries shrink in value by more than a third against the dollar. Markets calmed Monday as Ecevit and Sezer held a meeting that ended with no signs of the earlier discord. But in the bleak post-crisis landscape, Turks see their cherished goals of economic stability and EU membership slipping out of reach, and some are demanding more radical surgery. Sezer is the loudest advocate of political reform and the rule of law, and has several times vetoed government legislation that he believes violates the constitution. The president has his critics. He was chief of the Constitutional Court before his surprise elevation to the presidency last May and some say he remains a legalist, unfamiliar with the give-and-take of politics. But in a country where compromise has often meant putting patronage and profit ahead of principle, Sezer strikes a sympathetic chord. In the first week of February, even before the latest crisis, the president's approval rating stood at 85 percent in a Strateji MORI poll. Tarhan Erdem, a columnist with Radikal newspaper, says no politician has enjoyed Sezer's ratings since the mid-1970s. That was when a young and charismatic leader, untainted by corruption, earned the nickname "the people's hope." His name was Bulent Ecevit.

From [AP via New Jersey Online](#), by Ben Holland, 27 February 2001

## MIDDLE EAST

### CORRUPTION COMMISSION FOR UAE



Dubai is a centre for trade and tourism

An anti-corruption commission is to be set up in the United Arab Emirates, according to a government newspaper in Abu Dhabi. The move follows the arrest of Dubai's customs chief, the chairman of the World Customs Organisation, on corruption charges. Al-Itihad said the federal justice minister made the announcement and maintained the government aims to stop any form of corruption. The newspapers reported that Obaid Saqr bin-Busit had been arrested on the orders of Dubai's Crown Prince Sheikh Mohammad bin Rashid al-Maktoum. He and two top aides are accused of amassing tens of millions of dollars through corrupt practices. On

Saturday, the popular Dubai government-controlled Al-Bayan newspaper quoted an official statement reporting the arrest of "corrupt employees who took advantage of their jobs to serve their personal purposes and amass illegal wealth". The UAE's Justice Minister, Mohammed Al Zahari, says any commission will be set up with the help of Dubai police. The Al-Ittihad newspaper says an anti-corruption law concerning the public sector is also being studied which could increase the penalties against those convicted of corruption. It quoted the minister as saying the law should be applied to everyone equally with no distinction. Dr Busit, a lawyer, was elected chairman of the 150-member council of the Brussels-based World Customs Organisation in July for a three-year term. He was the first person from a developing country to take on the role and is a well-known personality in Dubai. His arrest is reported to have shocked officials at Dubai Ports and Customs and many in the Dubai community. The Crown Prince of Dubai, Sheikh Mohammad, has reportedly kept Dr Busit and others at the government department under surveillance for two years. The BBC's Julia Wheeler in Dubai said there was a time when corruption at government departments was the norm but in recent years several bribe-takers have been brought down and punished. Many UAE nationals and expatriates have welcomed the change of culture, believing it has created a more open and efficient atmosphere for business. The role of the newspapers in the corruption investigation before anything has been proved in court has been described by some in the UAE as trial by media in a close-knit community where reputations are easily damaged. It is not known how Dr Busit would be punished if found guilty. The two aides were identified as Ali Hassan Fouladh, customs chief at Hamriyah port, and Khalifa Ali bin Ghalidha, head of Dubai Customs Automobile Zone (DUCAMZ). Three Pakistanis were also reported to have been arrested, but they have not been fully identified.

*From BBC, 10 February 2001*

## THE AMERICAS

### CALIFORNIA: CORRUPTION SCANDALS HIT LOCAL LEVEL

California has been afflicted with many calamities, natural and man-made, with the current utility crisis being only the latest. There, however, is one ailment historically absent from California: widespread, systemic governmental corruption. Early-20th century reformers, Hiram Johnson most notably, enacted a series of safeguards aimed at preventing the corruption that was common in state and local governments at the time. The reforms were not completely effective, especially at the state level. The Legislature was infamously corrupt during the years just before and just after World War II. And it's been scarcely a decade since the FBI ended an undercover "sting" investigation of the Capitol with a series of indictments of legislators, staffers and lobbyists. As the century turns, unfortunately, California may be experiencing a rebirth of corruption in local government. A few recent examples: Last summer, federal authorities wrapped up a 6 1/2-year investigation of corruption in Fresno and adjacent Clovis, dubbed "Operation Rezone." Former Fresno City Council Member (and former Assembly Speaker) Brian Setenich was the last of 16 local government officials and developers snared in what authorities said was a web that involved systematic payoffs for favorable land-use decisions. The Fresno Bee concluded that "the arrests turned an entrenched political system on its head. It exposed an underbelly where council members sold their votes or friendship for as little as car repairs or a new suit." Last year, a corruption scandal enveloped San Bernardino County's government. High-ranking county officials admitted to taking bribes to award garbage-disposal and bond contracts, and eventually County Supervisor Jerry Eaves (also a former Assembly member) was charged with taking gifts -- including lavish vacations -- from those seeking county business and then lying to a grand jury. Just weeks after the San Bernardino scandal erupted, Compton's city government awarded a contract -- without competitive bidding -- for trash collection to a man who had been involved in a previous bribery scandal involving both trash-hauling and gambling casinos. A few days ago, San Diego City Council Member Valerie Stallings resigned and pleaded guilty to two misdemeanor charges, ending a lengthy federal investigation into city involvement in a new stadium for the Padres baseball team. Stallings had been allowed to buy initial public offering stock in a software company controlled by Padres owner John Moores, who was not charged. Are these merely isolated incidents? Perhaps, but there's a common thread. Local governments control huge amounts of money through the contracts they award, the land-use decisions they make, or the subsidies they give developers. After Proposition 13 eliminated their ability to raise or lower taxes, local governments often dropped off the radar screens of local media and civic organizations. And developers, labor unions and other narrow interest groups filled the vacuum.

*From [Fresno Bee](#), 5 February 2001*

### VIDEOS SHOW FUJIMORI GOVERNMENT'S CORRUPTION

Covert videotapes starring Peru's fugitive ex-spy chief seem to show clearly how he spent years paving the way for former President Alberto Fujimori's tainted re-election to a third term with persuasion, political subversion and graft. Now Peru's Congress and judiciary are trying to find a way to hold Fujimori accountable, even though he remains beyond their reach in self-imposed exile in Japan, his ancestral homeland. A succession of so-called Vladi-videos, secretly recorded by intelligence chief Vladimiro Montesinos, have laid bare the shady power-structure behind Fujimori's 10-year rule that for years Peruvians suspected but could not prove. The images broadcast almost daily from the floor of Congress document a parade of government ministers, legislators and judges paying homage to Montesinos as he plotted to remove all legal and political obstacles to Fujimori's continued reign in office. Fujimori was declared morally unfit for office in November after he fled to Tokyo amid mounting corruption scandals surrounding Montesinos, who remains a fugitive. But so far, no video has emerged showing Fujimori in the room as Montesinos, or one of his emissaries, hands over the now-familiar envelope stuffed with cash. Congress plans to vote, possibly this week, on whether to lift Fujimori's constitutional immunity from prosecution, which he holds as an ex-president, and charge him with

dereliction of duty and abandonment of office. The measure would pave the way to bar the 62-year-old Fujimori from returning to Peruvian politics for 10 years. His few remaining congressional supporters are crying "political vengeance." He tried to fax his resignation from abroad, and it was ignored, they argue. If the vote goes through, Fujimori could face criminal prosecution and up to two years in prison, said Congressman Daniel Estrada. But even if Fujimori's constitutional protection is lifted, Peru and Japan have no extradition treaty. The son of Japanese immigrants, Fujimori is now recognized by Japan as one of its citizens and there is no sign Tokyo will cooperate in his forced return. Dereliction of duty is hardly the smoking gun needed to make Japan change its mind, interim Prime Minister Javier Perez de Cuellar said last week. He said Peru will need "hard proof" -- as yet not established -- of Fujimori's direct involvement in acts of corruption. Proof or not, the former U.N. secretary-general freely refers to the former president as "the fugitive Fujimori." Fujimori won an unprecedented, and constitutionally questionable, third five-year term last year in an election marred by irregularities and "fraudulent behavior" -- to quote Eduardo Stein, chief of the observer's mission from the Organization of American States. For nearly a year, Stein felt constrained to apply the word "fraud," a legally precise, and very undiplomatic, term. That was before the Montesinos videos came to light. The objective, Montesinos explained in one 1998 tape, was to keep Fujimori in power until 2005. The method, he said, was to maintain control of the Supreme Court, the National Council of Magistrates and a pliant attorney general who, he noted, "plays along with the government every day." His audience: an obedient group of once-ruling bloc congressmen seated around a conference table in his intelligence service headquarters, hanging on his every word. In another 1998 video, former National Election Board member Romulo Munoz asks Montesinos: "You're not filming me?" "For ethical reasons, we don't utilize those things," replied Montesinos, after handing Munoz \$10,000 and first-class airline tickets to New York for his daughter to study in the United States. Montesinos also pledges \$30,000 more over six months and says he'll see about arranging state jobs for Munoz's wife and son. Montesinos is believed to have slipped out of the country in October. He faces charges like extortion, illicit enrichment, smuggling arms through Peru's military to Colombian guerrillas and fomenting deadly riots during protests against Fujimori's inauguration last year to discredit the political opposition. Fujimori has denied any criminal involvement in the alleged empire of wrongdoing that his security chief is believed to have operated behind the veil of Fujimori's dictatorial regime. Congress and prosecutors who work for a new attorney general are investigating Fujimori for a myriad of accusations, including embezzlement in connection with missing money paid by the United Nations to rent a Peruvian helicopter. There is also an ongoing probe of hundreds of millions of dollars allegedly signed over by secret presidential decree for dubious military spending. He also faces possible obstruction of justice charges for allegedly ordering an illegal police raid on Montesinos' apartment, seizing some 700 videos from Montesinos' personal collection. Congressional investigators believe Fujimori removed incriminating videos before turning the tapes over to judicial authorities.

*From [Houston Chronicle](#), 19 February 2001*

## **MEXICO LOOKS TO FOX TO KEEP ECONOMY GROWING, END CORRUPTION**

Jose Luis Rubio is one of thousands of merchants who sell pirated video games, fake Levi's jeans, and stolen stereos in Tepito, a rough neighborhood north of downtown Mexico City. In exchange for political loyalty, officials have for decades turned a blind eye to stalls like Rubio's, from which vendors peddle smuggled goods and ignore a 15 percent national sales tax. The system of corrupt relations with local strongmen, unions, and special interest groups has deep roots, which makes changing it one of the biggest challenges for President Vicente Fox Quesada. In July fed-up voters elected the 58-year-old ex-president of Coca-Cola de Mexico and former National Action Party governor of the state of Guanajuato, thereby ending seven decades of rule by the rival Institutional Revolutionary Party, or PRI. He took office Dec 1. President Fox -- whom associates compare to the Marlboro Man because of his prominent mustache; 6-foot, 5-inch frame; and the cowboy boots he wears with both suits and jeans -- will draw on voters' hunger for change. He'll be helped by an economy that's in the best shape in 40 years, thanks to booming exports spurred by the North American Free Trade Agreement (NAFTA), a stronger peso, and declining inflation. The president has vowed to bust up the old order to pave the way for better education, reduced poverty, and cleaner courts. "It is not enough to grow; we need to distribute," Fox said in an interview with Bloomberg News this month. "In the past, we have grown, but a few have kept the benefits." Fox faces plenty of roadblocks -- from a splintered Congress in which none of the three main parties has a majority; from PRI state governors who hold 19 statehouses out of 31; and from citizens like Rubio who are afraid to let go of the system's privileges. Violence may escalate if the government strikes too boldly by shutting shops that sell smuggled goods and by arresting tax dodgers, Rubio said as he hawks illegal copies of Sony Corp. Playstation games for about one-tenth of the retail price. "Things will blow up on Fox unless he does this very wisely," he said. Tepito, where residents recently chased off anti-contraband officers with sticks and rocks, gives a glimpse of the obstacles Fox faces. Merchants pay local strongmen a fee for the right to sell. Those leaders, under the watch of crooked officials, assign locations to the vendors and keep them mostly free of hassling by the police. Similar relations around the country have spawned corruption, tax evasion, and a broken legal system, locking in poverty about a fifth of Mexico's population of 100 million. "The PRI was vitally connected to a series of political interests throughout the country that it needed to win elections" said Federico Estevez, a political analyst at the Autonomous Technological Institute of Mexico. The PRI wasn't always to blame for the country's ills. Founded in 1929, the party brought stability to a Mexico still smoldering from a bloody revolution in which peasant farmers took up arms to wrest power from wealthy landowners. During the party's last dozen years, Mexico junked its state-coddled economy for an open, competitive one in an effort to push the quality of its goods up to international standards. While economic change took hold, political and social reforms lagged. NAFTA is a big reason for the improved economy. Since the 1994 pact lowered tariffs between Mexico, the U.S., and Canada, Mexican exports have more than tripled to \$166 billion in 2000, from \$52 billion in 1993. Foreign investment in factories and equipment has more than doubled to about \$12 billion, from less than \$5 billion during the same time period. U.S. President George W. Bush met with Fox on Feb. 16 in Bush's first presidential trip outside the U.S. The two leaders agreed on a plan to join with Canada on a region-wide approach to energy

development. Businessmen credit NAFTA with Mexico's quick recovery from a December 1994 peso devaluation that drove the inflation rate to 52 percent and kicked off a 6.2 percent contraction in the economy during 1995. On the back of exports and foreign investment, Mexico paid off a \$13.5-billion U.S. loan in less than two years, which kept the government from defaulting. The country has posted average annual growth of more than 5 percent since 1996. Last year the economy grew 6.9 percent. Exports soared 22 percent from the previous year, inflation dropped to 8.9 percent from 12.3 percent, and wages rose about 12 percent. While investors predict the peso may weaken as much as 10 percent this year, the ingredients for the devaluations that marred the start of the previous four presidential terms aren't there. "I don't see any reason why the peso's value will decline substantially this year," said Joyce Chang, global head of emerging-market research at J. P. Morgan Chase & Co. in New York. The peso has been buoyed by expectations that Standard & Poor's Ratings Services will upgrade Mexican sovereign debt one notch to an investment-grade rating of BBB-, which may spur more investment in bonds and stocks. Bond prices rose and the peso gained after Moody's Investors Service gave the country an investment-grade rating of Baa3 on March 7, 2000. The yield of Mexico's 10-year bond due in 2009 fell to a six-month average of 9.04 percent as of yesterday from a six-month average of 10.03 percent before Moody's said last year it was likely to boost its rating. The yields on Mexican bonds are already much lower than their Latin American peers'. The difference between the rate on the 10-year Mexican bond as of yesterday and comparable U.S. Treasuries, known as the spread, is 361 basis points compared with 758 basis points for a similar Argentine bond and 697 points for a Brazilian bond. With an S&P investment-grade rating, Mexican yields may fall even more, investors said. "Credit spreads in Mexico will tighten over the course of the next six months to a year," predicted John Yonemoto, bond portfolio manager at Darby Overseas Investments in Washington. One is the impact of an economic slowdown in the U.S., where Mexico sells more than 80 percent of its exports. Furthermore, Mexican oil, which makes up about 10 percent of exports and provides funds equal to a third of the government's spending budget, is \$3 a barrel lower than last year's average of \$25. It may drop further in a U.S. slowdown. The Mexican stock market tends to track -- and magnify -- trends in the U.S. Last year the benchmark bolsa index fell 21 percent to 5,652.19. Investors spooked by last year's tumble in the Nasdaq Composite Index shunned Mexican technology-related companies, such as Telefonos de Mexico SA, Internet company Carso Global Telecom SA, and broadcaster Grupo Televisa SA, which collectively made up more than 40 percent of the bolsa. While shares of Mexican companies fell, profits rose 20 percent, making the stocks attractive, said Rupert Brandt, a portfolio manager at Foreign & Colonial Emerging Markets in London. Morgan Stanley Dean Witter & Co. calculates that the enterprise value -- market capitalization plus net debt -- of a basket of 24 stocks it tracks is just five times more than estimated operating cash flow for 2001. The multiple is normally 8 times for those stocks and has been as high as 12 times. "It's only been valued at this level in the past during a major economic crisis," Brandt said. Other investors say the U.S. slowdown will slam Mexico and are betting instead on Asia. "It's much more attractive to find opportunities perhaps linked into the tech sector in Taiwan and Korea," said Julian Thompson, who manages about \$700 million in emerging-market funds at American Express Asset Management in London. Not every economist agrees that a U.S. slowdown will sap export growth. During the past decade, Mexico aggressively sought investment by opening its telephone, banking, and rail industries to foreigners and lowering tariffs via free-trade agreements, thereby making it a manufacturing center for North and South America. "The world is more competitive, and that's what's spurring the move of production capacity to Mexico," said Gray Newman, a senior Latin American economist at Morgan Stanley. "This is a long-term structural shift that won't be slowed by a few weak quarters in the U.S. economy." A U.S. slowdown may even push business Mexico's way. Nokia Oyj, the world's No. 1 cellular phone maker, decided in February to cut 800 jobs in Texas and move part of the production to Mexico, where costs are cheaper: Mexican factory workers earn about \$8 a day. Many Asian companies have invested in Mexico -- especially near Tijuana, a border town south of San Diego -- to qualify for lower tariffs under NAFTA and to be close to the U.S. market. Sony, Sanyo Electric Co., Matsushita Electric Industrial Co., Samsung Corp., and others make more than 12 million televisions and 9 million computer monitors in the Tijuana area, reducing costs and delivery times. A TV made in Asia takes 30 days to ship to the U.S. One shipped from Mexico takes less than a week, which lowers the need to stockpile inventory and allows for quicker reaction to customer tastes, said Andy Takani, president of Panasonic Consumer Electronics Co., who's in charge of consumer goods sales in the U.S. Mexico's five-year manufacturing boom has caused some growing pains. Northern industrial cities are struggling to keep up with demand for housing, paved streets, and sewage systems brought on by thousands of workers' streaming in from the poorer south. More alarming is a potential electricity shortage. The government hasn't invested enough in energy after leaving the state-owned electricity company, Comision Federal de Electricidad, and oil monopoly, Petroleos Mexicanos (Pemex), out of its push to sell assets during the 1990s. Three years ago, the government allowed private companies to build electricity plants for their own use. It hasn't been sufficient. "We don't have enough electricity in Mexico to supply our industry," said Sergio Gutierrez, chief executive of Monterrey-based DeAcero SA, the country's largest producer of wire and nails. "Many companies had to stop operations when power was cut during June, July, and August last year." Fox said he will propose wiping out restrictions on private investment in the electricity industry without selling the government assets. The proposal is similar to a plan by former President Ernesto Zedillo, which Congress blocked in 1997 because of union pressure and concern over asset sales. In oil, Pemex pays the government 61 percent of its revenue in taxes, leaving little for investments outside of crude exploration. That's why Mexico imports gasoline, natural gas, and petrochemicals even though it sits on huge oil reserves. Pemex is sacred to most Mexicans because it marks a high point in nationalism for Mexico, which threw out American and British oil companies in 1938. The same sentiment has kept Congress from permitting the sale of aging petrochemical plants. Without adequate investments, the plants are producing a third less ammonia, ethylene, and propylene than they were five years ago, which caused imports to increase to \$62 million in the first 11 months of 2000 from \$23 million for the same period in 1996. Instead of selling oil and electricity assets, Fox said, he will fight Congress to extend the sales tax to food and medicines and to cut evasion. Mexico collects 11 percent of its gross domestic product in taxes compared with 15 percent for Latin America and the Caribbean and 26 percent for developed nations, according to the United Nations Economic Commission for Latin America and the Caribbean. Fox wants to boost collection by about five percentage points to about 16 percent of GDP during the course of his six-year term.

Fox's folksy language and attacks on the PRI have attracted attention ever since he left his family's frozen vegetable and boot-making businesses to become a congressman in 1988. When he became governor of Guanajuato in central Mexico in 1995, he was already promising to boot the PRI from Los Pinos, Mexico's White House. Fox is loosening up the presidency by eating breakfast with the poor. In a break with tradition, he posed for the official presidential photo in casual attire, surrounded by typical Mexicans, including two in wheelchairs. He scored well on his first test with the divided Congress in December, winning support from all parties for his \$143-billion 2001 budget in the first such unanimous vote in Mexico's modern history. Fox gave ground to the PRI and the Democratic Revolution Party. He included more social spending at the expense of borrowing more from abroad as a way of covering a projected fiscal deficit of 0.65 percent of gross domestic product this year, higher than his original goal of 0.5 percent. With more tax money, Fox can tackle Mexico's ailing schools, from which students on average drop out just after the seventh grade. Mexico needs better-educated workers to win high-skilled manufacturing jobs and to move away from attracting investment solely because of low salaries. "If Mexico is going to be the next up-and-coming strong country, it needs to start investing a lot in education" said David Eaton, a business consultant and professor at Monterrey Technological Institute, who published a book on Mexico's entry into the global economy. Fox has also promised to break corruption and inefficiency in Mexico's legal system. His advisers estimate that every year, unreliable courts reduce by 25 percent Mexico's capacity to grow. Economic growth of 3.7 percent in 1999, for instance, would have been 4.6 percent if the courts had worked properly. Even worse, money earned from the sale of cocaine and marijuana to U.S. illegal-drug takers is often used to bribe judges, buy politicians, and infiltrate police forces and the army. In one embarrassing incident, Gen. Jesus Gutierrez Rebollo, who was serving as chief of the top anti-narcotics unit, was arrested in 1997 and later convicted of aiding drug traffickers. Voters and investors have high expectations for the man who kept the pledge he made more than five years ago to kick the PRI out of the presidency. Fox now has six years to raise education levels, reduce poverty, clean up corruption, head off an energy crunch, push Mexico toward the developed world, and get people like Jos, Luis Rubio to pay their taxes.

*From [Bloomberg.com](http://Bloomberg.com), by Thomas Black, 27 February 2001*

## IS FOX'S MAJOR ANTI-CORRUPTION AGENDA AMBITIOUS ENOUGH?

Monterrey, Mexico -- President Vicente Fox is preparing to launch an ambitious anti-corruption program next week. But after getting a preview of its contents and interviewing the government's anti-corruption czar, I wonder whether it will go far enough. There is no question that Fox, the first opposition leader to take office after seven decades of authoritarian democracy, needed to start his government with a strong campaign against corruption. The Mexican people are fed up with paying "mordidas" (bites), as they refer to the daily bribes they have to pay for things as simple as avoiding being shaken down by the police. A telling joke in Mexico City goes like this: "If you are mugged on the street, don't scream, because you may attract the police!" According to Transparency International, a private Berlin-based group that does a worldwide corruption perception ranking, Mexico scores a poor 3.3 on a scale in which the most corrupt countries get a grade of 1, and the cleanest ones a 10. On Monday, Fox is scheduled to announce his "National Plan to Fight Corruption," which will include new internal controls in government offices, regulations to shorten or eliminate government permits that are a magnet for bribery, and a massive anti-corruption media campaign. Francisco Barrio Terrazas, Mexico's comptroller general and anti-corruption czar, said at a Tecnologico de Monterrey university conference that the Fox government has a big advantage: unlike its predecessors, which had little moral authority, it enjoys the credibility needed to ask for public support in an anti-graft crusade. Among the highlights of the plan: Television spots will stress that corruption hurts all Mexicans, especially the poor. The streets will be posted with signs and cars covered with bumper stickers reading: "Yo no pago mordidas (I don't pay bribes). Government offices will have new internal control mechanisms. A preliminary government study showed that the attorney general's office, which runs Mexico's main law enforcement forces, is the most corruption-infested agency.

A whistle-blowers program for government employees that will promise confidentiality and reward government employees that denounce corrupt practices in their offices. A government-wide program to allow many of Mexico's estimated 2,200 government licenses to be filled out through the Internet. The absence of direct contact between license seekers and government employees should help reduce opportunities for corruption. It all sounds great. But Fox should also move ahead and prosecute some of the corrupt politicians of previous governments who are believed to have amassed fabulous fortunes while in public service. After the conference, I asked Barrio about it. If the Fox government doesn't press charges against anybody, won't people say that nothing has changed, and that all politicians are the same? Wouldn't that be the worst thing that could happen to Mexico's new democracy? "It's possible," Barrio said. "There are some cases where we have information, but not enough evidence to take them to court." In addition, Barrio said studies in other countries show that the most successful anti-corruption campaigns have looked toward the future, rather than settling scores with the past. I'm not so sure. Fighting corruption without attacking impunity is only half of the job. Average Mexicans will not join in the crusade if they perceive that those who were in power are happily retired, enjoying their illicit fortunes.

*From [Miami.com](http://Miami.com), 22 February 2001*

## GLOBAL

### WORLD BANK'S CAMPAIGN AGAINST 'CANCER OF CORRUPTION' STALLS

Washington, Feb. 12 (Bloomberg) -- Four years after World Bank President James Wolfensohn pledged to attack "the cancer of corruption" in developing nations, his anti-graft crusade is being challenged in Eastern Europe and east Africa. The bank is

negotiating \$250 million in loans to Ukraine, even as thousands of protesters march in Kiev demanding President Leonid Kuchma resign because of his alleged involvement in a journalist's death and over charges he protected a businessman who stole millions of dollars. And only six months after the bank resumed lending to Kenya, President Daniel arap Moi's government rejected anti-bribery legislation and pared back an independent corruption authority, breaking a promise to the lender and prompting yet another cutoff of loans. "We can only help a country help itself," said Daniel Kaufmann, the top anti-corruption official at the Washington-based bank, the world's biggest lender for development projects. Yet critics say the bank's loans also help perpetuate the rule of many borrowing nations' leaders. They say if the bank -- which finances health clinics, hotels and roads in half the world's countries -- wants to halt graft, it must publicly hold governments accountable. "They need to be more willing to cut lending off, and they need to be willing to speak out," said Frank Vogel of the anti-corruption watchdog Transparency International. Instead, the bank lends to dozens of such countries, while confining criticism to secret documents and private meetings, critics say. No Interference - Bank officials say that making a public stand against corruption in individual countries is no easy matter since the lender's charter prohibits it from interfering in political affairs. And some question the value of cutting off loans when the bank is trying to halt the spread of AIDS in southern Africa and give girls in Muslim countries their first crack at getting an education. "In many cases, it's better to stay engaged," said Cheryl Gray, director of public sector programs at the World Bank. For years, the bank ignored what it called "leakages" in lending to nations like Indonesia, Russia and Zaire, where it funds projects and gives "structural adjustment" loans that require governments to cut spending, sell state assets and make other reforms. Mobutu's Millions - The bank and the International Monetary Fund continued pouring money into Zaire even though they knew the government had set up a \$36 million slush fund for dictator Mobutu Sese Seko, according to a new book by Michela Wrong, "In the Footsteps of Mr. Kurtz." Mobutu used the money to buy European chalets, fine champagne and even opposition politicians, according to the book. In Indonesia, the bank's own analysis estimated that government officials stole 20 percent of the \$24 billion lent to the Southeast Asian nation in the 30 years to 1997. Since then, Wolfensohn has made the fight against corruption a focal point, even though he says he was once warned by the bank's general counsel to never mention "the 'C' word." The campaign has led the bank to bar 54 firms from contracts, fire five employees for allegedly taking kickbacks, and hire 50 staff members to track loans. In the past year, the lender has published as many as 50 studies on bribery and graft. One study found that reducing corruption from the high level in Indonesia down to that of South Korea leads to between a two- and fourfold increase in per capita income and a similar decline in infant mortality. 'Deeply Rooted' - The bank acknowledged in a separate report, however, that graft is "deeply rooted in political and institutional power structures." And those power structures include many of the 183 governments that own shares in the bank. So if the bank publicly criticizes leaders of borrowing countries, it's criticizing shareholders. "We cannot force change in a country, but we can create enough interest in some issues so that they're addressed internally," Wolfensohn said in a recent speech. Even when the bank tries to force change, it can run into trouble. In Chad, where the lender put \$200 million money toward a \$3.5 billion oil pipeline to be built by an Exxon Mobil Corp.-led group, it required the government to set up an offshore fund into which all oil revenue is to be deposited. The fund is to be independently audited to ensure the government uses it mainly for social welfare. 'Disappointed' - Months later, the government took \$4 million from a \$25 million bonus from the oil companies to help fund a war against rebels in the north. The bank said it was "disappointed," although it won't end its involvement in the project. In Kenya, where the World Bank suspended lending in mid-1997, the bank only agreed to resume aid after the government promised to pass an ethics bill. That bill, which would have required members of parliament to disclose their personal wealth, was subsequently voted down. The loans are now on hold, "pending completion of agreed actions," said country director Harold Wackman in an e-mail from Nairobi. Yet he declined to publicly criticize Moi, and it's that reluctance that worries outsiders. "Change in Kenya isn't going to happen until there is a major shift in political power," said Karl Ziegler of the Center for Accountability and Debt Relief in London. In the Ukraine, bank spokesman Nicholas van Praag declined to discuss the allegations against Kuchma, saying only, "Clearly, we are attentive to political developments." That circumspection is not going to do, many say. The bank needs to set clear guidelines for borrowers, said Nancy Birdsall, a researcher at the Carnegie Endowment for International Peace. "The shareholders need to give some clarity about when you stop lending," Birdsall said. "Everyone needs to know what the rules of the game are."

*From Bloomberg, by Mark Drajem, 13 February 2001*

## GLOBAL WAR ON CORRUPTION WILL HELP HEMISPHERE

A little-noticed new phenomenon is likely to have a big -- and positive -- impact on Latin America: the globalization of war on corruption. This week's scheduled public hearings on international money laundering by the U.S. Senate subcommittee on investigations is only the latest example of major inquiries in Washington, D.C., London and Zurich that have shed new light on corruption scandals in several Latin American countries over the past two years. The Thursday and Friday U.S. Senate hearings will mark the conclusion of a one-year probe into money laundering through U.S. banks. While the investigation focuses on whether U.S. financial institutions are enforcing anti-money laundering rules, it has already uncovered more corrupt practices in Argentina than that country's banking regulators have in many years. A preliminary report by the Senate subcommittee's Democratic minority, headed by Sen. Carl Levin, revealed that two Caribbean "shell banks" linked to Argentine financial institutions -- M.A. Bank and Federal Bank Ltd. -- carried out massive movements of questionable funds through their respective Citibank accounts in New York. The revelations caused a political scandal in Argentina, because both M.A. Bank and Federal Bank Ltd. are linked to well-known public figures linked to former President Carlos Menem's political party. Until the U.S. Senate investigation stepped in, these banks' claims of total innocence went unchallenged in Argentina. The U.S. Senate's probe should be welcomed by Argentina and all Latin American countries as a promising tool to help fight corruption in their midst. Until now, corruption in Latin America was seen in Washington as an endemic problem of developing countries, like devaluations or bad water. But that is fortunately changing fast: Growing numbers of U.S. policy-makers and legislators are realizing that corruption is the No. 1 threat to Latin American

democracies. Virtually all recent coup attempts in Ecuador, Bolivia and Paraguay, as well as the 1992 coup attempt that led to the election of populist President Hugo Chavez in Venezuela, were carried out in the name of eradicating corruption. Sens. Susan Collins, the Republican head of the subcommittee on investigations, and Levin already broke new ground by exposing in 1999 the role of Citibank in happily accepting \$120 million in questionable funds from Mexico's Raul Salinas, the brother of former president Carlos Salinas. The Mexican media recently broadcast a tape in which Raul Salinas told his sister that "the money came from state coffers." Citibank's former president John Reed has already conceded that "mistakes were made" by the bank in accepting the Salinas money. This week, Sens. Collins and Levin's hearings will focus on whether major U.S. banks are accepting "correspondent banking accounts" from shell banks that don't even have offices or telephones in the Caribbean countries where they are registered. The Senate probe has looked into 12 shell bank accounts at major U.S. banks, including Citibank, Bank of America, Chase Manhattan Bank and Bank of New York. The senators will ask how some of the world's largest banks establish "correspondent banking" accounts with some off-shore banks that are nothing but brass plates, and are often used to launder money from drug trafficking or political corruption. Ironically, under current U.S. rules any person who deposits more than \$10,000 in cash in a U.S. bank must give detailed explanations about the source of the funds, while if you deposit \$10 billion through a phony Caribbean shell bank, few questions -- if any -- are asked. "The system doesn't work at all," a top congressional source involved in the probe told me. "It's obvious that many U.S. banks are simply not enforcing due diligence actions when their customers are correspondent banks." "We cannot be hypocrites and lecture all other countries about money laundering, when much of the money is coming to the United States," the source added. In the process of looking into the U.S. banking system, the probe is likely to expose facts about Latin American "shell banks" run by public figures. That's great! Some bankers will scream, and claim that these probes threaten the financial stability of Latin American countries. I don't think so: on the contrary, they will help clean up these countries' financial systems, which in turn will increase investors' confidence and help strengthen the region's democracies.

*From [Miami.com](http://Miami.com), 25 February 2001*

# Civil Services & Ethics in Public Sector

## AFRICA

### NIGERIAN STATES SACK CIVIL SERVANTS

[Panafrican News Agency](#) Oyo and Kano states have sacked a total of 3,700 workers ending year 2000 on a sour note for the civil servants, local media reported Sunday. The southwestern state of Oyo at the weekend fired 700 workers of the state-owned polytechnic, situated in the state capital of Ibadan, while the northern state of Kano also laid off 3,000 workers. The sacking of the polytechnic workers followed the recommendation of a panel of inquiry into the crisis in the institution. Among other recommendations, the panel advised a 40 percent reduction in the institution's 1,800-strong staff, after identifying "idle" staff of the school as the brains behind its recurring crisis. In Kano, the government decided to sack all civil servants who originated from other states. Information Commissioner, Nura Dankadai, said the decision was informed by the government's desire to provide job opportunities for its teeming unemployed youths. In November, Osun State, also in the southwest, fired about 7,000 workers in the first stage of an exercise aimed at trimming the state's 20,000 workforce.

From [AllAfrica.com](#), 31 January 2001

### AFRICAN CIVIL SERVICE MINISTERS MEET IN WINDHOEK

[Panafrican News Agency](#) (Dakar) - Ministers of civil service from 36 African countries are slated to begin a two-day third biennial pan-African conference Monday in Windhoek to discuss the African public service charter. Namibia's Prime Minister Hage Geingob will preside at the conference, which is also expected to discuss the implementation of modalities, capacity building, implications and follow-up mechanisms at the regional levels. Also on the agenda for discussion are public service ethics, complimentary training tools and the preparation of public administrators to function in a rapidly changing world, a government spokesman told PANA Sunday in Windhoek. Top executives of the UN Economic Commission for Africa and the Commonwealth Secretariat would also attend the conference.

From [AllAfrica.com](#), 5 February 2001

### ZIMBABWE PERFORMANCE APPRAISAL IN THE CIVIL SERVICE

Performance appraisal is viewed with mixed feelings in Zimbabwe, the majority of them negative. This is not surprising because the way performance appraisal was introduced in Zimbabwe's civil service leaves a lot to be desired. The system was linked to bonus payouts and one had to work and produce exceptional results to be awarded a bonus at the end of the year. Thus performance appraisal came to be viewed as a threat to one's ability to earn a bonus. It became imperative, therefore, that civil servants ensured that they got a good rating no matter the cost. In the end employees ended up rating themselves highly in order to qualify for the performance-related bonus. The performance appraisal system was also introduced with little consultation, if at all, of the key stakeholders — the civil servants. Hence the resistance that is being exhibited by civil servants to this new system. Performance appraisal is a system that is used to improve performance in an organisation. In Zimbabwe it is part of the managerial revolution that has gripped the civil service and which was ushered in by the civil service reform programme. These reforms are aimed at importing managerial principles from the private sector into the public sector in order to improve the performance of the civil servants as well as the quality of services delivered. It is an element of performance management whose other siblings include work-study, time management, etc. Perhaps before discussing the problems associated with performance appraisal in the Zimbabwean civil service, one has to define what performance appraisal is and what it is not and the methods of application. It is important though to be cognisant of the complexities of the Zimbabwean system and avoid making generalisations derived from the Western or American systems from where these concepts originate. Performance appraisal is a formal, structured system designed to measure the actual job performance of an employee compared to designated performance standards. It is important to note that the employee is evaluated against standards and not against another employee. Since people are the most important resource in an organisation, performance appraisal provides the channel through which an organisation can establish a reservoir of information concerning its employees for future reference when it comes to planning. With this documented reservoir of information, an organisation can develop individual plans for improvement, identify growth opportunities, make decisions on salaries, promotions, demotions, transfers and terminations, and also provide the opportunity for feedback. Organisations can thus determine the potential of their employees for development by looking at their performance. There are various methods of conducting performance appraisals — ranging from rating scales, management by objectives, essays and critical incident methods. All these methods can be condensed into two basic components — namely the criteria against which the employee is measured, for example quality of work, knowledge, attitude; and the rating scale, which shows what the employee can achieve or perform on each criterion. Since the evaluators in performance appraisal are human beings, their evaluations are bound to be riddled with biases, making this one area of weakness in the system. The following are also some of the common biases that performance appraisal gets entangled with:

- The leniency and severity factor means that lenient raters place all workers towards the favourable end of the rating scale

while severe raters place all their workers towards the unfavourable end. •The halo effects when raters allow their assessment of an individual on one characteristic to influence their assessment of him/her on other characteristics. •Central tendency errors when the rater avoids making extreme assessments of other people, thereby giving all people average scores. •Lastly, contrast and similarity errors when, in the first case, the rater assesses others in a way that is opposite to his own assessment or, in the latter case, views everyone as similar to themselves. Age, sex, racial, educational and religious factors may also affect an assessment. Men are also often rated higher than women because of their breadwinning status. All in all, the above biases give rise to a situation where individuals are rated favourably by some supervisors or the same individuals are rated poorly by other supervisors. However, these biases should not undermine the importance of appraisals. Having looked at performance appraisal in general, the Zimbabwean case is now examined with its complexities. One of the most fundamental factors to note is that the Zimbabwean public personnel sector has been greatly influenced by the "blackanisation" policy which was ushered in soon after independence to bring affirmative action in the civil service. As a result employees were hired not on merit but on other considerations, such as race for example. A bloated bureaucracy thus emerged manned by personnel who were not necessarily qualified for the positions. This structure nurtured the blight of corruption and maladministration in the public personnel sector. This structure is also ravaged by the economy of affection, a system of interrelations which thrives on the appropriation of benefits in the public sector. The logic behind the economy of affection is that the more successful a civil servant or politician becomes, the more he/she is expected to share his/her good fortunes with kinsmen. The most rampant problem in performance appraisal is that of particularism. In particularistic situations, instead of evaluating an individual against designated universal standards, the assessment is coloured more by personal relationships between the rater and the employee. Those who are closest to the rater in terms of kinship or ethnicity and maintain good relations with him/her will in general fare better than those who only have distant connections or none at all. Particularism tends to downplay actual individual performance and the organisational goals as well. Whereas regulations may state that, in determining an employee's claims to promotion, consideration may be taken of efficiency, qualifications, seniority, experience, sense of responsibility, initiative and general behaviour, the opposite is often true. Rather than being too outspoken and demonstrating initiative, one should maintain smooth relations with one's superior so as to get a good confidential report. It is clear then, looking at the above example, that one does not require excellent performance ratings to be promoted. Stress is placed rather on rule-following, smooth interpersonal relations and particularistic exchanges rather than goal-directed performance. With the pressures exerted by kin and ethnic affiliations, it also becomes difficult for civil servants to draw a line between personal and organisational roles and in most cases the latter are subordinated to personal relations. It is also very difficult not to yield to the temptation of getting jobs for one's relatives because if you do not do so you will end up supporting them yourself. This pressure gives rise to a situation where the whole organisation is dominated by people from the same family, clan or ethnic group. Taking account of this new problem, it becomes difficult for an appraiser to rate his/her relatives fairly without colouring the reports. In line with the civil service reform programme, it becomes imperative that civil servants be reoriented if performance appraisal is to be accepted for the performance improvement principle that it is. Basically, efforts should be made to educate employees on the importance of putting more weight on organisational goals, thus affording them a supreme value. Good performance should also be made a prerequisite for security. Before civil service reform measures were introduced, the public service was renowned for the security it provided to its employees such that even the poor performers were insulated from sanctions aimed at achieving good performance. Employees should also be given incentives to produce higher performance levels. In so doing, it is hoped that they will in turn value organisational goals. With a cluster of other incentives to look forward to — for instance better salaries, improved conditions of service, attractive packages — a performance bonus becomes an incentive to look forward to rather than an all-or-nothing ideal that leads to ratings being exposed to manipulation so as to secure the bonus. It is no good just merely transplanting processes and methods from the West or from the private sector without ensuring that our own systems would accommodate them. Ours should not be a case of whether we are failing to implement Western or private sector criteria but, rather, we should restructure our systems to accommodate these transplants or, better still, formulate our own methods and criteria.

*From [Financial Gazette](#), by Cynthia Matiza, 21 February 2001*

## **ANOTHER SENIOR MINISTER IN MALAWI ARRESTED FOR CORRUPTION**

[Panafrican News Agency](#) - Former finance minister Cassim Chilumpha was arrested in the capital Lilongwe Thursday alongside two other officials in connection with last year's 125 million kwacha (two million US dollars) fraud and corruption scandal in the education ministry. The arrest brings to seven those arrested since Wednesday. Four ministry officials were arrested Wednesday. Chilumpha, who fell from grace in a cabinet reshuffle last November amid corruption allegations, was among the three favourites to take over from President Bakili Muluzi when his second term ends in 2004. Dressed in a navy-blue suit, Chilumpha arrived at the court with a truck-full of supporters in tow. Presiding Senior Magistrate Ken Manda told Chilumpha that he was being tried on three counts of corruption: that his campaign team in the June 1999 accepted 24,000 kwacha (about 300 US dollars) from a contractor; that his campaign team got a further 6,000 kwacha (about 75 dollars) from the same contractor; and that the same contractor gave his campaign a vehicle to ferry around his supporters. Manda told the packed courtroom that the Anti-Corruption Bureau is accusing Chilumpha of receiving those favours as gratification for a hefty contract the contractor, Greselder Jeffry, got from the education ministry. Chilumpha, looking calm and composed, told the court he did not understand the charge. The former minister, a lawyer by profession, wondered how he could be charged of corruptly receiving gratification when he did not personally receive the said favours. Manda replied that the Anti-Corruption Bureau would bring back the charge on Chilumpha on 12 March. He did not make a plea. The others arrested Wednesday and Thursday included an opposition Malawi Congress Party (MCP) Member of Parliament, Daniel Mphunga, who was arrested for allegedly receiving 600,000 kwacha (about 7,500 dollars) as gratification to certify that contractor Jeffry had fulfilled her contract when in fact she had not. Jeffry and five others were arrested late last year for milking the

government of at least 56 million kwacha (about 700,000 US dollars) due false contracts. The MP, who was a statistician at the ministry when the scandal was unfolding, faces three counts of receiving gratification, forging documents falsely certifying that a job was done and making false payments to Jeffrey. The other arrested officials were officers at the ministries of education and finance. All the accused, out on bail, denied the charges. Alexius Nampota, Anti-Corruption Bureau deputy director, told PANA Thursday that more people would be arrested in the course of this week and next week. He said the bureau is currently investigating 55 contractors who milked government of several millions of kwacha for jobs not done or partially done. Others are being sought for being overpaid for shoddy jobs. "Those we are arresting now are those that the bureau, the police and the Director of Public Prosecutions have concluded investigating their role in the scandal," he said.

*From [AllAfrica.com](#), by Raphael Tenthani and Blantyre, Malawi, 22 February 2001*

## **SOUTH AFRICA: NEW BLOW FOR ACCOUNTABILITY**

Senior civil servants, including heads of departments, are going to have to register their financial interests, including all their shares, directorships, other pay, consultancies and property, and they will be guilty of misconduct if they fail to do so. But the register of interests will only be open to the public in terms of the provisions of the Promotion of Access to Information Act. The information in the register will be confidential, except from the "executing authority" to whom it is submitted and the members and director general of the Public Service Commission. The new Public Service Regulations 2001, providing for the register, have been published in the Government Gazette by the Minister of Public Service and Administration, Dr Zola Skweyiya. Despite the restrictions of public information to the register, the regulations will introduce new levels of transparency and accountability in the civil service. Any civil servant occupying a senior management service post, defined as "Grade C (Grade 15)", will be obliged to disclose their interests by April 30 every year.

*From [Daily Mail & Guardian](#), 31 January 2001*

## **ASIA/PACIFIC**

### **PHILIPPINES, AUSTRALIA TO COOPERATE ON CIVIL SERVICE TRAINING**

The Philippines' Civil Service Commission and the Australian government will conduct a joint training program on customer service reform under the auspices of the Philippines-Australia Governance Facility (PAGF). The training session, to be called "Training on Customer Service Improvement in a Public Service Environment," primarily aims to improve customer consultation processes and to re-engineer inefficient frontline processes across the civil service. It also seeks to develop a culture of customer focus or customer issues awareness in the civil service. The agreement was signed by CSC Chair Corazon Alma G. de Leon, and Australian Embassy Development Cooperation Acting Counsellor Peter Leahy and PAGF Deputy Facility Quezon City. To be participated in by some 60 selected CSC personnel, the activity will be from April to September this year with components generally cover fundamental customer care and orientation, customer techniques, trends in customer orientation and comparative studies with a mix of lecture, workshop and open discussion. In her statement during the signing ceremony, CSC Chair de Leon underscored the importance of CSC being equipped with related competencies and skills to provide better and quality services necessary to bring about change across the bureaucracy. "And we begin with frontline service providers as they have direct encounter with the transacting public," the CSC Chief pointed out.

*From [Asia Pulse via Yahoo](#), 31 January 2001*

### **SINGAPORE: TWO MONTHS' BONUS FOR CIVIL SERVICE THIS YEAR**

The Prime Minister's Office has announced the much awaited year-end payments for the Civil Service. Civil servants will get a total of two months more pay this year, excluding the 13th month payment. In December, civil servants will get a one month Annual Variable Component, which makes the total AVC for this year one and three-quarter months, including the three-quarter month paid out in July this year. On top of that, the Government says in view of better-than-expected economic growth, there will also be a one-off special bonus of a quarter-month's bonus. Special bonuses are paid in years when the year-end growth forecast is significantly higher than the mid-year growth forecast, like in 1993, 1994 and last year. Unlike the AVC, the special bonus is a one-off payment and is not built into the base for wage negotiations. The Trade and Industry Ministry has revised the growth forecast to around 9.5 percent for this year.

*From [Channel NewsAsia](#), 30 January 2001*

### **VIET NAM TO LAY OFF FIVE PERCENT OF ITS CIVIL SERVANTS**

The Vietnamese government will reduce the number of civil servants by five-percent this year. 70,500 civil servants out of the 1.38 million total will lose their jobs. The layoffs will be conducted through the streamlining of central and local government organizations and the privatization of some educational, health care and sports services. The government says it's aiming to make central and local administration more efficient and reduce salary costs. It has targeted an additional cut of ten-percent next year.

*From [ABC Online](#), 1 February 2001*

## AUSTRALIA: PUBLIC SERVICE HEADS SET TO ROLL

Several Public Service heads are tipped to roll next month in a reshuffle of department secretaries. Speculation is rife in the Public Service that a number of top bureaucrats will be forced out when the first batch of five-year appointments comes to an end in early March. The powerful Secretary of the Department of the Prime Minister and Cabinet, Max Moore-Wilton, is said to favour the replacement of at least three Secretaries. They include Neil Johnston, the Secretary of the Department of Veterans Affairs; Andrew Podger, of Health and Aged Care; and Neville Stevens, of Communications, Information Technology and the Arts. However, it is thought that one or two ministers will fight to keep their Secretaries, at least until the election. There is some concern in the Government that it would be unwise to upset the Public Service apple-cart in the run up to the Coalition's battle to win a third term. The two other Secretaries whose terms expire in March are the Secretary of the Department of the Environment and Heritage, Roger Beale, and the Secretary to the Treasury, Ted Evans, who has already announced his retirement. Mr. Moore-Wilton's own appointment comes up for renewal in May, and it is well known that the Prime Minister, John Howard, wants him to stay. If he were to leave, it is likely he would be replaced by the Secretary of the Department of Employment, Workplace Relations and Small Business, Peter Shergold. Mr. Evans is tipped to be replaced by Treasury's economic deputy-secretary, Ken Henry. If Dr Johnston were to go, it is likely that his minister, Bruce Scott, would favour the promotion of the deputy president of the Repatriation Commission, Ian Campbell. Other deputy-secretary level contenders for top jobs include Ian Watt of PM&C; David Borthwick of Health; Paul Hickey of Centrelink; and Peter Grant, of Education, Training and Youth Affairs. Although all the Secretaries were initially appointed on five-year fixed terms by the Coalition government in 1996, changes in administrative arrangements and appointments since then have resulted in only a handful coming up for renewal at the same time. Mr. Moore-Wilton's office said yesterday he was not in a position to discuss the matter.

*From [Canberra Times](#), by Verona Burgess, 5 February 2001*

## VIET NAM: NEW ATTEMPT TO TACKLE CORRUPTION

Senior Vietnamese officials have put forward new proposals to tackle corruption within the governing Communist Party. Under the plan, all top party leaders would be required to declare their income and assets. The proposals will be discussed at next month's party congress which will lay down all the major policy guidelines for the next five years. The head of the party's ideology department, Huu To, said corruption now involved a remarkable proportion of party members. Under the current rules, party member are effectively barred from owning businesses. But a BBC correspondent in Hanoi says some officials get around that rule by registering companies and properties in the name of close family members, and the new proposals seek to put an end to such practices.

*From BBC, 3 February 2001*

## NEW ZEALAND HARDLINE ON PUBLIC SERVANTS A 'DANGER'

Government criticism of the public service could backfire, making public servants harder to recruit and less loyal, says Victoria University law dean Dr Matthew Palmer. Prime Minister Helen Clark recently criticised the payment of bonuses and perks in the public service, and has vowed to end them. A State Services Commission report found the practice had been going on since the 1980s, and particularly since the State Sector Act was introduced by Labour in 1988. Most public servants spoken to said Helen Clark was attacking the public service to gain political mileage and they did not believe she and other ministers were unaware that bonuses were standard practice. Dr Palmer agreed that MPs' attacks on public servants were for political reasons. "There are constitutional dangers to that." Dr Palmer, who was Deputy Secretary of Justice for five years, said there was a convention that public servants were loyal, and did not criticise the Government. In return, politicians would not target them. "But if, as appears to be the case, there is a trend for politicians to criticise them publicly, public servants may not be as loyal. "An atmosphere of criticism will make it difficult to attract the best people to the public service." Dr Palmer said that, under the State Sector Act, departmental chief executives could make employment decisions as they saw fit, including bonuses. Helen Clark was a cabinet minister at the time the legislation was passed in 1988. Asked if she would have known that under this legislation bonuses could be handed out, Dr Palmer declined to comment.

*From [The New Zealand Herald](#), 7 February 2001*

## 242 POLITICAL LEADERS IN PAKISTAN FACE CORRUPTION CHARGES

National Accountability Bureau is conducting investigation against 242 politicians of the country, including Chaudhry Shujat Hussain, Chaudhry Pervaiz Ellahi, Makdoom Javed Hashmi, and Amin Fahim. The latest report of NAB on its activities reveals that politician from every political party and from every province are under investigation, for acts of corruption and misuse of their official position. Former prime ministers, chief ministers and federal and provincial ministers are included in the list of politician who are under a cloud. The highest number of allegedly corrupt politicians are from Punjab, followed by Sindh, NWFP and Balochistan. Prominent politicians from Punjab, all legislators, facing corruption cases are Chaudhry Shujaat Hussain, Choudhry Pervez Ellahi, Makhdoom Javed Hashmi, Khowaja Asif, Yousaf Raza Gillani, Jaffer Iqbal, Inamulla Khan Niazi, Ishaq Dar, Rana Nazir Ahmed, Malik Mushtaq Awan, Sheikh Ejaz Ahmed, Maqsood Ahmed Butt, Ch Akhtar Ali Verio, Syed Ahmed Mehmood, Ashiq Hussain Gopang, Abdul Rehman Gujar, Farooq Ahmed Khan, Chaudry Anwar Ali Cheema, Awais Zia Butt, Ghulam Haider Thind, Saeed Akber Niwani, Hassan Akhter Moakkal, Mian Muhammad Farooq, Ashiq Dial, Mian Javed Latif, Sardar Nasrullah Khan Dresshak,

Muhammad Arshad Khan Lodhi, Abdul Ghafoor Mayo, Chaudhry Hakim Ali, Mian Muhammad Akram Cheela, Mehdi Hasan Bhatti, Nazar Abbas Bhatti, Saeed Ahmed Qureshi, Saeed Ahmed Zafar Padhiar, Akbar Ali Bhatti, Sardar Fateh Muhammad Hasni, Chaudhry Farrukh Javed Ghumman, Chaudhry Shoukat Ali and Chaudhry Zulfiqar Ali, Najeebullah Khan, Sardar Sharif Dogar, Chaudhry Masood Ahmed, Mehr Ghulam Dastgir Luk, Muhammad Rashid, Chaudhry Muhammad Aslam, Chaudhry Muhammad Tariq Anis, Gohar Farid Manika, Malik Zulfiqar Ali, Shahid Nazir and Zahid Nazir, Chaudhry Shoukat Ali, Mian Tariq Mehmood, Shahnawaz Ranjah, Khalid Virk, Muhammad Aslam Kaira, Ch. Tanvir Khan, Sheikh Aftab Ahmed, Sardar Sarfaraz Khan, Mushahid Hussain, Miss Naheed Khan, Shahid Khaqan Abbasi. From Sindh are Amin Fahim, Nadir Ali Magsi, Behram D.Avari, Nawab Yousuf Talpur, Abdul Aziz Memon, Varyam Faqir, Liaqat Ali Jatoi, Syed Naveed Qamar, Murad Ali Shah, Ghulam Mustafa Bozdar, Hakim Ali Zardari, Abu Bakr Sheikhani, Muhammad Sadiq Shoro, Khurshid Ahmed Shah, Syed Muzzafar Shah, Zulfiqar Ali Mirza, Mohsin Shah, Ghulam Shah Gillani, Qaim Ali Shah, Saleem Zia, Muhammad Arif Siddiqui, Abdul Hakeem Baloch, Nisar Ahmad Khoro, and Pir Amjad Hussain Shah Jillani Murad Ali Shah. From NWFP 21 cases of corruption involving politicians are being investigated. From Balochistan, NAB is investigating total 19 cases of corruption against the politicians.

*From Pakistan-Dawn Group, 11 February 2001*

## **MALASYA: LOW PAY AND CORRUPTION**

Statistics show,' says Ahmad Zaki Hussein, director-general of Malaysia's Anti-Corruption Agency, 'that corruption among low-ranking civil servants resulted from the pressures of insufficient income to meet high costs of living in big towns.' Low enforcement, customs and immigration officials are tempted to accept bribes because their pay is low. We don't know about our Malaysian brothers' experience, but over here, it's generally considered that getting into the customs and other revenue-connecting agencies is about the nearest thing to nirvana. The take-home pay may be low but the income is high. Similarly, high positions in government are not as well-paid as their counterparts in the public sector, and yet there is a stiff competition for them. It can be granted that some office-seekers are panting to serve the country, but others are panting to serve something else. While there is a good case for increasing the pay of civil servants—notably public schoolteachers, as DECS Secretary Raul Roco pointed out—there is no case, at least in the Philippines, for increasing the pay of bureaucrats in lucrative agencies. It would be nice if corrupt employees and officials were contented with supplementing their income to meet the high cost of living, but far from being contented, their appetites are stimulated to go for a life of luxury. As a socialite once put it, 'You can never be too thin nor too rich.'

*From [Manila Times](#), 16 February 2001*

## **TSANG TO HEAD HONG KONG CIVIL SERVICE**



Donald Tsang, formerly financial secretary, has been confirmed as the new head of Hong Kong's civil service. Tung Chee-hwa, Chief Executive, on Thursday made the announcement following Hong Kong's biggest political reshuffle since the territory returned to China in 1997. Mr. Tsang's appointment makes him the most obvious successor to Mr. Tung. Hong Kong's new Financial Secretary was named as Antony Leung.

*From [Financial Times](#), 15 February 2001*

## **CORRUPTION IN VIET NAM COMMUNIST PARTY DOWN PAST 5 YEARS**

Hanoi - Nearly 70,000 Communist Party members, including senior government officials, were found guilty of corruption and various demeanors over the past five years, the official media reported Wednesday. The number of party members disciplined in the 1996-2001 period has dropped by 16% although the violations they have been punished for are more serious, the Communist Party daily Nhan Dan said. The findings were released at a two-day national conference of the Communist Party's inspectors, which found the main problems were embezzlement and financial mismanagement. Phap Luat (Law) newspaper reported that party inspectors found 43% of the 160,000 party members inspected nationwide - about 69,000 people - were guilty of corruption. One third of the 2,000 party organizations investigated were also found tainted by graft. The Communist Party is experiencing unprecedented internal debate as it prepares for an important Party Congress in late March. Leaders have admitted a campaign against party corruption has been ineffective. A shakeup of the party's largely elderly leadership, including current Communist Party chief Le Kha Phieu and Prime Minister Phan Van Khai, is expected at the congress. In an oblique reference to recent mass protests by ethnic minorities in the Central Highlands, a politburo member at the conference urged local authorities to examine and expedite public complaints. "People lost confidence in the party organizations when the inspections were not well conducted," politburo member Pham The Duyet was quoted as saying by Nhan Dan.

*From [Dow Jones via Yahoo](#), 14 February 2001*

## **SEOUL MAYOR GOH WINS INTERNATIONAL ANTI-CORRUPTION AWARD**

Seoul Mayor Goh Kun was yesterday awarded the winner of an international anti-corruption award for his efforts to uproot corruption in the city administration. The Malaysian chapter of Transparency International (TI) announced that it decided to confer the "2001

Global Integrity Medal" to Mayor Goh in recognition of his "splendid work in confronting corruption within the Seoul Metropolitan Government." "Mayor Goh has taken many positive steps and measures to bring about greater efficiency and higher standards of ethical public behavior in the administration of the Seoul city government," said Tunku Abdul Aziz Tunku Ibrahim, a vice president of the TI, in a news release distributed by City Hall. The TI's vice chairman, who is also the president of the Kuala Lumpur Society for Transparency and Integrity which acts as the TI's Malaysian chapter, also called Mayor Goh "Mr. Clean." Among Seoul City's anti-corruption measures, the society noted an Internet online system, called OPEN (Online Procedures Enhancement for Civil Applications), as well as the city's adoption of TI's Integrity Pact. City Hall launched the OPEN system in April last year to enhance transparency in the city administration by allowing citizens to monitor by computer the entire administrative procedures in the handling of civil applications and important decision-making processes. In addition, under the TI-recommended Integrity Pact, City Hall has been exchanging with bidders for public projects written pledges that bribes will neither be offered nor accepted throughout the entire process of concluding and executing contracts. The TI Malaysia has been awarding the Global Integrity Medal since last year when former Singaporean Prime Minister Lee Kuan Yew won the prize. The award presentation will be held March 30 in Seoul.

*From [Korea Herald](#), 27 February 2001*

## EUROPE

### UK: TOP CIVIL SERVANTS MAY RECEIVE 20% BONUSES

Top civil servants could receive performance bonuses of up to £32,000 each under plans being considered by ministers to drive up standards among Whitehall's senior mandarins. The scheme, which forms part of a consultation paper addressing the structure of pay and conditions in the civil service, will reward the best performing senior bureaucrats with one-off payments of up to 20 per cent of their annual salaries. This would mean that Sir Richard Wilson, the Cabinet Secretary, would see his remuneration exceed £190,000 if he was awarded the full bonus proposed in the shake-up. Supporters of the review argue that a change in the pay structure would narrow the gap between senior officials and their counterparts in the private sector, and thus make it easier to attract and keep candidates of the highest quality. However, it is likely that the proposed reform would meet strong opposition from the public sector unions, which believe that the Government is concentrating too much on highflyers. Unison, the public services union, was reported to have said: "It is unfair that lower-paid public sector workers are expected to get by on salaries of less than £10,000 with only a 3.7 per cent pay rise, when top officials in Whitehall are earning more than 10 times more". A Cabinet Office spokesman confirmed that ministers would consider the scheme which would ultimately have to be approved by the Senior Salaries Review Body. Under the plans, ministers, whose salaries have been depressed for three years at a maximum of £96,887, would earn considerably less than their senior civil servants. All permanent secretaries earn over £100,000 a year, with many earning more than £120,000.

*From [Independent](#), by Sarah Schaefer, Political Correspondent, 1 February 2001*

### SLOVAKIA COULD MISS TRAIN TO EU DUE TO CIVIL SERVICE REFORM

Slovakia could miss a train to the European Union due to delays in the implementation of civil service reform, the Austrian news agency APA says today. Upon taking office Slovak Premier Mikulas Dzurinda described the reform as the most important and also the most complicated political and legislative goal of his government. It is a large project which can be proved by two figures: five times more civil servants work in the state administration today than in local administration while the situation should be the other way round after the reform and the general number of civil servants is to lower at the same time, APA says. After the reform local administration is to receive 50 billion crowns more than so far, which makes up practically a quarter of the state budget expenditure. The project drafted by government commissioner for the reform Viktor Niznansky stipulated radical decentralization and modernization of the civil service. The state was to leave only the most important questions in its competence while many powers were to be transferred to local administration. A new administration arrangement was to free the economic and cultural potential of regions. However, the state apparatus has reacted to the proposed reform as usual - if anything was to be changed it should be changed so that everything remained as it was. Politicians have also gradually lost their enthusiasm about the reform. Concentrated power is more attractive than decentralized power and the legal perfectionism of the Left Democrats (SDL) has also proved to be an efficient brake, APA says. A real storm has been provoked by the Hungarian Coalition Party (SMK) demand for the creation of an administrative unit populated by ethnic Hungarians in the south of Slovakia. All other parties have clearly objected to the idea, which has led to an unpleasant situation in which parties of the governing coalition have not yet been able to come to an agreement on the election system in self-ruling regions. Dzurinda continues to be optimistic and believes that his government will be able to carry out the reform by the end of its election term. However, his optimism has its limits and Dzurinda is more and more talking about the complicated nature of the reform. The reform does not have open enemies but its terms nevertheless are merciful. It could happen to everyone that he could miss his train due to petty things. However, it would be sad if it was a train leading to the European Union, APA says.

*From [Slovakia Today](#), 29 January 2001*

## A TURN TO MECCA BY UK CIVIL SERVICE

Whitehall offices are being stripped of furniture and paintings to allow Muslim staff to get out their mats and pray two or three times a day. The Home Office and the Department of Trade and Industry have now allocated special prayer rooms for Muslims as part of a Civil Service drive to woo ethnic minorities. The Home Office also allows Jewish staff to go home early on Fridays in a broader initiative to let employees practice religious customs. Whitehall has been criticised for failing to promote ethnic minorities and expecting them to adapt easily to the white, predominantly male culture which pervades the Civil Service. But following instructions from Tony Blair, departments are implementing a string of initiatives to be ethnic minority friendly. About 5.3 per cent of the 400,000 civil servants are from ethnic minorities, and the Prime Minister has set tough targets to get more into senior jobs. The Home Office has three permanent prayer rooms based in the Passport Office and the Prison Service, London and the Immigration Service in Croydon. They have all been stripped of furniture in line with Muslim practice and contain prayer mats and washing facilities.

*From [The Times](#), by Jill Sherman, 5 February 2001*

## UK CIVIL SERVANTS FACE ONLINE GAGGING ORDER

The UK government is evaluating whether to make changes to civil service employment contracts, which would prohibit them from expressing political views online. Under existing regulations, staff are forbidden to take part in national political activity or express their opinions in the press, books, articles or leaflets. But the clause currently does not explicitly mention the internet as an information vehicle, which suggests that it has not yet been given the same status as print media - a situation that is somewhat embarrassing to a government hell-bent on establishing its e-credentials. A cabinet office spokeswoman said that if changes are made to contracts, they would be introduced at the start of a second term in office for Labour. The shortfall came to light following an [online smear campaign](#) conducted against Welsh nationalist party Plaid Cymru by, among others, Adrian McMenamin, special advisor to the Secretary of State for Wales, Paul Murphy. Some 3000 postings and cross-postings made to online newsgroups labelling Plaid Cymru as racist, hypocritical Tory supporters, were traced back to the Labour party's Millbank headquarters. Labour has since [disassociated itself](#) from any involvement in the postings, claiming that McMenamin acted on his own initiative from home, or that volunteers were using its computers without its permission. A Party spokesman promised there would be no more postings, and for now McMenamin appears to have escaped with a slap on the wrist from the Secretary of State for Wales. Plaid Cymru have demanded his resignation, however, and have complained to the head of the civil service.

*From [vnunet.com](#), 9 February 2001*

## BEWARE THE GREEKS DOING CIVIL SERVICE

Corruption is endemic at all levels of Greece's state mechanism, according to an opinion poll published yesterday. Almost half of Greeks said they had to bribe a civil servant to get something done. In the poll by Transparency International, an anti-corruption organisation, of about 900 Athenians, just over 45 per cent admitted bribing an official; 95 per cent said they were convinced Greek public life was corruption-ridden, and 53 per cent said they believed the situation was getting worse. Twenty years of European Union membership does not seem to have made much difference to the legacy of the Byzantine and Ottoman empires, when most Greeks for hundreds of years had to live by their wits, and authority was something to be outwitted rather than respected. The Government is tightening tax collections and cutting social security ready for joining euroland next year. Bribes of £200 obtain driving licences and building permits. Doctors in state-run hospitals are the most notorious bribe takers.

*From [The Times](#), by John Carr, 22 February 2001*

## UK PUBLIC SERVICES 'MUST SET THE PACE' ON RACE EQUALITY

The NHS, local authorities and government departments should "lead the way" on race relations by ensuring more of their top jobs are filled by ethnic minority candidates, the government has urged. The call, by home secretary Jack Straw, came as he published a consultation document setting out a package of proposals to impose new race equality duties on public service bodies. Mr. Straw said he was looking to the public sector - which has had a patchy record on race equality - to "set the pace" in the drive for race equality and to be a "beacon for race relations". Mr. Straw said: "Where it will have an impact is on those parts of the public service which are a bit behind in moving from talk to action. We don't think this will place a bureaucratic burden on public authorities. Many are already doing these things." The document outlines the government's plans for implementing the Race Relations Amendment Act 2000, which is aimed at tackling institutional racism in across the whole public sector. It says that ethnic minorities are under represented in the most senior parts of the public sector and this should be addressed "as a top priority". It adds: "The government feels that it is unsatisfactory in a modern, pluralist society, with a long history of migration such as ours, that we have no ethnic minority generals or high court judges (and) ... that less than 2% of senior civil servants are from ethnic minorities." From April public services will have a "positive legal duty" to promote good race relations, while equality of opportunity will be imposed on every public body. They will have to monitor the ethnic composition of their workforce to ensure it reflects the minority ethnic make-up of their local community. Public bodies will have a duty to assess the impact on racial equality of proposed policies and new services. For example, if an NHS trust proposes to close, or open, a hospital it would have to publish an assessment of what impact it would have on local minority ethnic communities. The way councils or housing associations allocate homes, or the way schools operate their exclusion policies towards troublesome pupils, will also come under scrutiny. The act gives the Commission for Racial Equality powers to issue a compliance notices against organisations it believes are not fulfilling their duties in positively tackling race

discrimination. The report says: "The government believes that public authorities have a special responsibility as employers, policy makers and service providers to deliver race equality."

From [Guardian Unlimited](#), by Patrick Butler, 23 February 2001

## THE AMERICAS

### TEXAS PUBLIC SERVANTS LEADERS IN LEAVING A LEGACY OF LIFE

For Karen Lundell, organ donation was a fitting tribute to a husband who as a police officer had devoted his life to serving others. "It is a hard decision to make, but it seemed to make sense," Lundell said. "David was very loving and giving and worked for his community. It was the right thing to do." David Lundell was one of three San Antonio police officers whose recent deaths have resulted in successful organ and tissue transplants that have saved the lives of others. Lundell died Wednesday from injuries suffered in a car accident. At the request of his wife, his organs were donated, resulting in six successful transplant operations. Paul Rangel, a police officer who was killed in December by a drunken driver, also was a multi-organ donor, whose gift resulted in several successful transplants. John "Rocky" Riojas, the officer shot to death Saturday, was a tissue donor. In each case, through organ and tissue donations, the officers carried out in death services they had performed in life. "What we find is that people who are in public service-type positions are more giving and when we approach the families, the family is more willing or quick to consent to donation," said Tony Ronquillo, community relations manager for the Texas Organ Sharing Alliance, based in San Antonio. As of Jan. 1, there were 1,146 South Texans waiting for organ donations, Ronquillo said. That's an increase of 211 patients from last year. And because individuals are not placed on a waiting list until there is no other option, most of their situations are dire, Ronquillo said. Two years ago, 6,012 patients on transplant waiting lists died nationwide — an average of 16 patients a day, Ronquillo said. But because a donor may provide multiple organs — heart, kidneys, liver, lungs and small intestine — one person's death can save the lives of as many as eight others. If tissue is donated — including bone, muscle, skin, heart valves and corneas — an additional 50 people can be helped, Ronquillo said.

From [San Antonio Express News](#), by Bridget Gutierrez, 4 February 2001

### LOW WAGES GENERATE CORRUPTION IN MEXICAN FRONTIER

The secretary of Población y Servicios Migratorios de Mexico, Jose Angel Pescador, affirmed that the "Special Security Group", that has the responsibility of assuring that immigrants were not product of the 'pateros' abuse, dissolved after the denounce was made". The responsible of the group, Eduardo Ruiz Galan, like the other 12 members "continue working in the National Migration Institute, like officials". Pescador said, "in the few days left for the end of our administration we are going to try to finish our investigations about this group". Pescador thinks that this situation is a product of the low wages that the agents receive. "At the Cancun and Mexico airports 42% of the agents receive wages inferior to 3,200 pesos(350 U.S.)", Pescador affirms. When the secretary was asked why he did not try to increase these wages, he answers it was difficult to increase them "because migration has not been a priority and has not lived the modernization process other services were living". At the Reynosa Bus Station, at the public square, at the Rio Bravo Border immigrants are in a sweet and sour and tense atmosphere. Propositions get to them like who offers prostitution services under the look of impunity of destroyed dreams.

From [OBUENO.COM](#), by Yurany Morales, 5 February 2001

### ST. LUCIA'S PUBLIC SECTOR WORKERS BEGIN PROTEST

Castries, St. Lucia, CANA - Sections of St. Lucia's public sector were hit by industrial action yesterday, despite the National Development Corporation's (NDC) decision to withdraw a letter of redundancy sent to a female worker a week ago. A spokesman for NDC made it clear, however, that the withdrawal of the letter did not mean that the worker would be reinstated. Reports reaching CANA suggested that the Ministry of Planning, the General Post Office, the Government Printery and NDC's offices in Castries and Vieux Fort were hit by various forms of protest. Officials of the Civil Service Association said the action would escalate if the matter remained unresolved.

From [CANA](#), 20 February 2001

# Management Innovation & Trends

## ASIA/PACIFIC

### AUSTRALIAN BUSINESSES CRITICIZE GOVERNMENT'S INNOVATION POLICY

Business leaders warned Tuesday Australia is in danger of missing out on a multibillion dollar information technology industry unless the federal government does more to help the sector. The warning by the Business Council of Australia (BCA) came three weeks after Prime Minister John Howard announced a A\$2.9 billion funding boost for companies and organizations involved in research, innovation and education. While the BCA welcomed the broad thrust of the government's spending plans, it said the policy failed to address many major issues facing Australian businesses, and could mean they miss out on an industry expected to be worth A\$30 billion a year by 2010. The group also said the government should have done more to address a shortage of people with IT skills. Another 45,000 university places in IT over five years were needed rather than the 21,000 promised by Howard, the BCA said. The government should also actively market Australia abroad as an IT workplace, it added. The report also warned Australia was too slow in capitalizing on e-business opportunities. "To (capitalize on e-business) Australia needs to develop two key enablers: creating an abundance of people with the relevant skills, and developing world class digital infrastructure," the BCA report said.

*From [Dow Jones via Yahoo](#), 13 February 2001*

### NZ RURAL DELIVERY: INNOVATIVE SCIENCE BIGGER THAN MANAGERS' DICTUMS

Imagining the future is enormously challenging: how to know what is not known? This question is at the heart of how we manage science-led innovation. Clayton Christensen, author of *The Innovator's Dilemma*, put it like this: "Markets that do not exist cannot be analysed. Suppliers and customers must discover them together. "Not only are the market applications for disruptive technologies unknown at the time of their development, they are unknowable." This is contrary to most, if not all, of what is taught in business management and marketing courses. In fact, for new technologies that markedly change the way business is done - hence the term disruptive - Christensen contends that planning better, working harder, becoming more customer-driven, taking a longer-term perspective - all classical management responses - will probably make the situation worse. This has important implications for Government science policy and the relationship between industry and researchers. First, traditional investment disciplines are likely to completely miss the mark in assessing future technology aimed at economic transformation. Markets often do not materialise as expected and new technologies are often used in ways not imagined by the inventor -the computer, for example. This does not mean evaluation and analysis should not be applied to a possible innovation. But the main questions asked are not going to be "How big is the market?" and "What is the gross margin?" For businesses used to a short-term market focus this can be difficult to accept. Second, some brilliant technology or practice can fail or take a long time to reach acceptance if it is launched before the market is ready, or if insufficient capital is available to market it. Artificial insemination was developed in the 1950s and had transformed dairy cattle breeding 25 years later, but it took money and time for it to gain acceptance. Innovators need to persist and have the resources to relaunch a second or possibly a third time. Flexibility and learning from experience are important attributes for the managers of such technologies. Third, the temptation to wait until someone else has tried to create a market is strong, as this transfers the market establishment costs to others. But this tactic can be risky as the largest profits are often made by those who are first to market. Some farming commentators suggest New Zealand should wait until others have further progressed biotechnology, saying we are too small to compete against the multinationals. The problem with this approach is that once key intellectual property has been sewn up by others it may not be available to be licensed to our farmers or scientists, or be easy for them to circumnavigate, because alternative biological processes may also be protected. The risks of waiting and seeing are high. We need to take the lead in some areas of innovation. Finally, and most critically, there is the need for New Zealand (both the Crown and business) to invest in and support blue sky strategic science and the special people capable of doing this work. By its nature, this is high-risk stuff, but as shown by the now globally distributed electric fence technology, the pay-off can be substantial. I can recall my own scepticism in the late 1970s that two wires pegged 15 to 20cm off the ground could keep cattle in paddocks, let alone become a multimillion-dollar export industry. The Government's intention to support more strongly the curiosity science that delivers breakthroughs and new industries is to be applauded. History shows the rewards from agricultural research have been large and from unexpected sources. Business and the Crown should heed Christensen's advice and temper the traditional investment tools for evaluating the merits of funding research, even though that is not going to be easy for some managers to accept. Warren Parker is science general manager at AgResearch Ruakura Research Centre.

*From [The New Zealand Herald](#), by Warren Parker, 11 February 2001*

### JAPAN'S MINISTRY OF PUBLIC MANAGEMENT TO RUN TEST OF 'MOBILE OFFICE'

Japan's Ministry of Public Management, Home Affairs, Post and Telecommunications said it will carry out an experiment during fiscal 2002 of a "mobile office" together with business enterprises. The experiment will make a full use of Intelligent Traffic System

(ITS) which the mobile office will be on an automobile. The Ministry of Public Management Home Affairs, Post and Telecommunications (including former Ministry of Posts and Telecommunications) has been allocating a budget with the Telecommunications Advancement Organization of Japan (TAO) for technological research on ITS since 1998. The ITS project has been undertaken jointly by 14 public and private organizations to which TAO distributes the budget. Research activities are based in Yokosuka Research Park located in Yokosuka City, Kanagawa. This coming experiment will be implemented as part of the technological research on ITS project. Enterprises that will participate in this experiment are: KDDI, NTT Communications Corp., Toyota Motor Corp., Nissan Motor Co., Ltd., Matsushita Communication Industrial Co. Ltd., Fujitsu Ltd., NEC Corp., Toshiba Corp., Mitsubishi Electric Corp., Matsushita Electric Industrial Co., Ltd., Oki Electric Industry Co., Ltd., Japan Broadcasting Corp. (NHK), Yazaki Corp., and Communications Research Laboratory (CRL).

From [Nikkei BP Asia BizTech](#), 23 February 2001

## EUROPE

### HACKERS TARGET DAVOS – HACKERS REPORTEDLY OBTAINED PERSONAL INFORMATION FROM DAVOS CONFERENCE

[www.thestandard.com](http://www.thestandard.com) - Anti-globalization computer hackers have infiltrated the computer systems of the World Economic Forum and stolen personal information of most of the participants in the Forum's recent annual meeting in Davos, Switzerland, the WEF has confirmed. The hack was first reported on Sunday by the Swiss newspaper *SonntagsZeitung*. The paper says it has received – anonymously, but clearly from the Forum's opponents – a compact disc containing 161MB of data apparently copied from the Forum's own Web server. The disc is said to include a list of 27,000 names, some of which are paired with data such as e-mail addresses and phone numbers; another list of 1,400 credit card numbers and names; and spreadsheets detailing the travel schedules, hotel accommodations, session registrations and payments, and Web site passwords of all the 3,200 participants in this year's meeting, which took place from January 25 to 30. If the details of the hack are confirmed, the case would be particularly sensitive, because participants in the Forum's meeting included top CEOs like Bill Gates (Microsoft), Tim Koogole (Yahoo) and Jean-Marie Messier (Vivendi) as well as public figures such as the UN's Secretary General Kofi Annan and Israel's Shimon Peres. In the whole, more than 3,000 top managers and entrepreneurs, bankers, politicians, members of nongovernmental organizations, artists, scholars and journalists participated in this year's meeting. The event stirred huge controversy because of demonstrations staged by anti-globalization movements. In the recent past, these groups had troubled other meetings in Melbourne, Prague and, most notably, Seattle, where last year they blocked a gathering of the World Trade Organization. This is, however, the first known case of anti-globalization computer piracy. Some of these data, in particular internal schedules and planning documents as well as flight details (without identification) have also been released on the Independent Media's Web site. There is no report so far of malicious use of the stolen information, indicating that the hacking was probably staged as a display of technological ability by the activists.

From *CNNIn*, 5 February 2001

### HOPES FADE FOR UK NET PLAN

Hopes of bringing high-speed internet access to homes and small businesses across the UK were fading rapidly on Monday night as the ninth potential operator in succession pulled out of government-backed trials. The Department of Trade and Industry is now considering whether public subsidies may be needed to rejuvenate the process aimed at encouraging these "broadband" services. Oftel, the national telecoms regulator, is also understood to be preparing a climbdown over a key issue blamed for holding back new broadband operators from competing with British Telecommunications, the former state monopoly. Ministers had made the provision of broadband access - through both upgraded copper phone lines and microwave radio links - a key part of their communications and e-commerce strategy. However, this has suffered a series of setbacks including the collapse of recent auctions to allocate suitable radio spectrum. On Monday, World Online, an Italian-owned internet service provider, joined the growing list of companies who have also given up on plans to use BT's phone lines to install their own broadband equipment. Kingston Communications and Thus, two of the original 14 telecoms operators to take part in the process known as local loop unbundling, pulled out last week leaving just a handful of potential operators. The two largest remaining operators, Colt and Cable & Wireless, are expected to focus on business rather than residential customers, while others are reliant on finding new finance in spite of the recent collapse in investor confidence. On Monday, Oftel hinted at possible concessions to make unbundling less expensive. "It's only to be expected that although many companies will be initially interested, some will decide for commercial reasons not to proceed with the final orders," said the watchdog. Patricia Hewitt, e-commerce minister, also recently met operators to discuss ways of stimulating broadband access such as tax breaks and direct subsidies. This follows the launch of a novel bid by the Scottish executive to boost private investment into broadband infrastructure for relatively small and remote Scottish towns by sharing its projections for public sector demand for digital services directly with telecoms companies. "If the government was serious about local loop unbundling, the one-off infrastructure costs would be paid by the government," said Andy Frost, director of products and services at World Online.

From [Financial Times](#), by Dan Roberts, Thorold Barker and Mark Nicholson, 6 February 2001

## UK GOVERNMENT PUTS CRADLE TO GRAVE SERVICES ON WEB

"From the cradle to the grave" is how the U.K. Government describes the range of services on [ukonline.gov.uk](http://ukonline.gov.uk), a new Web site developed in partnership with Syntegra. Aimed to give 24-hour access to Government, the site will inevitably draw criticism for being too political because it contains a so-called "Citizen Space" where the Government's policy is explained and current issues discussed. [Ukonline.gov.uk](http://ukonline.gov.uk) has been running in beta since December 2000, and, since then, rival parties to the governing Labour Party have taken a "wait and see" attitude before criticizing it overtly. But with the election drawing ever closer, the enhanced site launched this week is bound to become more controversial. Cabinet Office Minister Ian McCartney said the site was just the starter in what he called "a moving feast." "We are investigating a tranche of new services -- such as packaged information and services for people retiring, changing jobs, starting, changing or leaving school, and becoming a carer," said McCartney. The Minister went on to say that the site is part of a billion-pound (US \$1.41 billion) drive to put all Government services online. "It's turning Government on its head -- ensuring convenient and accessible services organized around people's needs," said McCartney. Perhaps the key feature of [ukonline.gov.uk](http://ukonline.gov.uk) is the way in which it organizes information around key events in people's lives. The "LifeEvents" area takes people directly to the information they need, whether they are having a baby, moving house, or dealing with bereavement. Other features include easy access for the partially sighted, a special search engine for the 1,000 U.K. Government Web sites, and improved navigation. Use of the site is obviously dependent on people having Internet access -- an issue that the U.K. Government has been at pains to address. In September 2000, Prime Minister Tony Blair announced the Government's intention to ensure universal access to the Internet by 2005. According to a new Government report, by 2005 around 30 percent of British households will use high-speed Internet connections. A chain of public access centers will demonstrate the benefits of using broadband, as well as providing access for those people without a connection at home or work.

*From [Internet News](#), by [John Lewell](#), 20 February 2001*

## UK GOVERNMENT REPORTS ON THE STATE OF THE ELECTRONIC NATION

Broadband net connections could reach barely 50% of the population in some parts of Britain, predicts a government report. The in-depth look at the current and future state of broadband Britain says up to a fifth of people living in the UK could have no fast net access by 2003. The report promises £30m of government money to help wire up remote areas with faster networks. But it backs away from recommending that the government spends up to £1bn making exchanges ready for high-speed net connections. Broadband Britain - A government report released this week paints a discouraging picture of the future of broadband net connections in Britain. It reveals that some areas of the country will be badly served by broadband connections. It estimates that in the South West and Wales up to 45% of people will be unable to sign up for a fast web link. In all, 20% of the population could go unserved by these links. There will also be wide variation in the types of broadband technology available in different regions of the UK. It suggests that by 2003 about 50% of the population will be able to choose between modems that use cable TV networks or Asymmetric Digital Subscriber Line (ADSL) technology, a further 25% will only be able to sign up for ADSL and a final 10% will have to rely on broadband radio links to go online at high speed. By 2005 barely 30% of households will be surfing the net via a high speed link, said the report. Action plan - To drive the development of broadband net links in Britain the government is proposing to spend £30m to co-ordinate action to set up regional networks. It is also planning to show what can be done with broadband links by ensuring that at least 3,800 of the government-run UK Online Centres are equipped with links that run at speeds of 2 megabits per second. The report also mentions that the Radiocommunications Agency is planning to auction off licences that went unsold during the auction of radio spectrum last year. The auction was intended to give consumers more choice by giving companies the right to link them to the net using high-bandwidth radio links. In the event, licences covering some areas of country received no bids. These are now likely to be sold off at their reserve prices. But the report says the government has dropped a suggestion that it should spend an estimated £1bn of public money ensuring that BT exchanges are ready for ADSL. The plan was dropped because of fears that the government would not get value for money and that the move might reinforce BT's advantage. The report is part of the broader UK Online initiative launched in September 2000 that aims to give everyone who wants it access to the net by 2005 and to ensure all government services are available electronically by the same date.

*From BBC, by BBC News Online internet reporter Mark Ward, 14 February 2001*

## UK GOVERNMENT PLEDGES E47M TO BRIDGE UK TECH DIVIDE

A new report put out jointly by e-Minister Patricia Hewitt and the UK [e-envoy](#) Andrew Pinder sets out to address the problem of the technological divide in Britain - and pledges GBP30m (E47m) to the cause. The report, entitled 'UK online: the broadband future', outlines an action plan to address the technological divide in Britain by driving broadband into rural areas. It also recommends enhanced broadband services for schools, libraries, colleges and universities. The Minister also announced that the 26 wireless broadband licences, left unsold in November, will go on the block again. A number of companies are believed to have expressed an interest in these. "We do not want a nation of have-nets and have-nots," Ms. Hewitt said. "The GBP30m (E47m) fund is to help ensure that a digital divide in high speed internet access does not open up between urban and rural communities." The e-Minister also showed that she was dedicated to encouraging the private sector to increase the rate of broadband roll-out. Ms. Hewitt has announced the formation of a broadband stakeholder group, which will effectively force BT into relinquishing its grasp on local exchanges - welcome news for [ISPs](#). Mr. Pinder said: "This report is only the beginning of the road towards a broadband future but we believe it sets us out on the right route to providing access to the next generation of online services for everyone." The moves

are part of the Government's aim to make the UK the most extensive and competitive broadband market in the Group of Seven nations by 2005.

From [Europemedia.net](http://Europemedia.net), 14 February 2001

## UK GOVERNMENT E-SECURITY MEASURES INADEQUATE

The Government's attempt to fight hackers through the latest anti-terrorism legislation is flawed, according to legal and network security experts. Critics claim that the legislation covers attacks on utilities and hospitals, but has no provision for the prosecution of a cyber terrorist who attacks a bank or business. The Terrorism Act represents the latest attempt by the Government (following on from the Regulation of Investigatory Powers Act 2000) to revamp its enforcement powers to address the possibilities the internet offers to criminals and subversive elements. Garcia Hanson, chief executive of network security consultant WRDC said, "This legislation has been drawn too narrowly and too unimaginatively. There are other targets that are more vulnerable - and more likely to suffer cyber attack - but which remain effectively uncovered by the legislation. We know from our own experience of protecting major financial institutions and government organisations that such attacks are already taking place, although the policy is to avoid publicising them." WRDC claims that the security services suspect that politically motivated attacks on business are being launched from within the UK. "We are now having to advise banks and government organisations to create additional layers of internal protection," says Garcia Hanson. The concern is that without such steps employees sympathetic to a political cause could betray to cyber-terrorists information that would allow them to penetrate and compromise the integrity of computer systems. Kit Burden, an IT law partner at Barlow Lyde and Gilbert, claimed the Government should expand the resources and training available to the police in order to tackle the problem fully. "The ongoing problems in Israel have illustrated how hacking and denial-of-service attacks can be used as part of a campaign of terror," said Burden. "This can often achieve as much disruption and publicity as a car bomb attack, but with much less chance of causing moral outrage or accidentally targetting innocent victims."

From [Computer Weekly](http://Computer Weekly), by Paul Donovan, 27 February 2001

## INTERNET STILL MAJOR BUSINESS IN UK

Many dot.com businesses may be going to the wall, but the future for the Internet in the UK business world is still rosy, a report out today says. The study, from KPMG and the Confederation of British Industry (CBI), says that, despite the dot.com frenzy of the last few years, a great many "regular" businesses have embraced the Internet and, as a result, the future for e-commerce in the UK looks healthy. For its research, the CBI sent out around 10,000 mailshots to companies of all sizes across the UK, and just under 1,000 responded with their input. The general conclusion is that, while many businesses are easing up on their Internet interests, most are well aware of what e-commerce and the Internet can do for them in the future. While only a few respondents are actually making big money from the Net, around 50 percent expect at least 10 percent of their revenue to be from e-commerce within the next three years. On top of this, 99 percent said they expect e-business to become very important to trading generally within that timeframe. The survey split British firms up into sectors and also into three groups, judging how far companies were pushing the Internet into existing business models. Overall, 20 percent of all companies were judged to be "e-pioneers," 44 percent "e-followers," and the remaining 36 percent rated as "e-laggards." Interestingly, the CBI says that the most proactive firms are in the telecommunications and utilities market sector, as well as in retail operations. The report, entitled "The Quiet Revolution," was published with the support of the London Business School, and found that 93 percent of UK companies have already addressed e-business in their strategy in one way or another. Despite the dot.com crash of the last three months in the UK, the research revealed that 41 percent of firms are finding that e-business is already having a real impact on all aspects of their organization, with only 17 percent reporting a limited impact. Digby Jones, the CBI's director-general, said that it is now clear that e-commerce is very important to the world of business. "Continued business success will undoubtedly be the prize for the e-pioneers. But the e-laggards and the e-followers must not be left behind. Business and government must work closely together to harness the pioneering spirit of all UK businesses," he said. Ian Buckle, KPMG's CEO, said that the research shows that the first wave of e-business is most definitely over, but the rags-to-riches-to-rags stories of the dot.com industry has disguised what has really been going on. "A quiet revolution has begun inside British business. Imaginative companies in all areas of the economy have been embracing Internet technology - not simply to create attractive Web sites, but to revolutionize the whole way they relate to their customers, suppliers and employees," he said.

From [Newsbytes](http://Newsbytes), by Sylvia Dennis, 27 February 2001

## MIDDLE EAST

### ISRAEL: IBM TO PROVIDE MAINTENANCE SERVICES, SOFTWARE LICENSES FOR GOVERNMENT MINISTRIES' COMPUTERS FOR NIS 100 MILLION OVER 3 YEARS

IBM and the Ministry of Finance have signed a framework agreement to provide maintenance and support services and software licenses for existing computer systems in government ministries. The three-year contract is estimated at NIS 100 million. IBM is also continuing to supply its hardware to government ministries, including corporate and personal computer systems. Sector sources estimated that annual hardware supplies total NIS 100 million.

From [Israel Business Arena](http://Israel Business Arena), 27 February 2001

## THE AMERICAS

### MCAFFEE CREATES MAP TO TRACK GLOBAL VIRUS INCIDENCE

Network Associates' McAfee.com on Wednesday boosted global virus intelligence by adding a real-time "virus map" to its Web site. The map claims to allow users to view global virus trends, anticipate virus outbreaks, and alert computer users to any virus epidemic. The data for the map is compiled from McAfee.com's Internet-based virus scanning service, which tracks thousands of computers worldwide for virus activity. Any incidences of virus infection are added to the global virus map in real time. The map contains information about the types of viruses that have affected each region and the number of computers infected. So far, McAfee.com claims to have scanned more than 39 billion files in the computers of 780,000 subscribers worldwide of McAfee's scanning service. The vendor has found 18 million infected files. Twenty percent of the computers scanned have been infected by a virus. The results of a virus scan are added only after a user's consent, McAfee said. The VBS/LoveLetter e-mail virus was at the top of the list, with 1,423,777 incidences found in the last 30 days. The ASPtrojan.qa virus, a Trojan horse that steals America Online passwords, followed with 292,794 incidences. The medium-risk Internet worm, W95/MTX.gen, was third with 134,227 infections in the past 30 days. The map also allows users to track virus trends by region. According to the map, California and Washington are the two U.S. states with the highest rate of virus incidence, with between 10,001 and 100,000 infected computers. In Europe, the countries with the highest incidence of virus infection are the United Kingdom and Germany, while Saudi Arabia ranks first in Asia. McAfee, in Sunnyvale, Calif., claims this service was instrumental in alerting users to the spread of the ASPtrojan.qa virus. Earlier this month, McAfee issued a warning about the America Online virus.

*From [InfoWorld](#), by [Agam Shah](#), 8 February 2001*

### PERU'S CORRUPTION TV

A modern-day morality play acted out on nightly TV has Peruvians glued to their sets, most shaking their heads in disgust and dismay. For the past two weeks they've been watching "vladivideos" -- broadcasts of secretly videotaped meetings in the offices of Vladimiro Montesinos, the former Peruvian presidential advisor and intelligence chief who now is on the lam. There for all to see obviously taking bribes from Montesinos appears a parade of Supreme Court justices, lawmakers, executives, news honchos and other public figures. Ordinary Peruvians have been shaken by the visible proof of how thoroughly corruption seeped through the government of former President Alberto Fujimori. But therein is an object lesson critical to Peru's future: No one should have such unchecked power. The hope for clean government is to build strong and independent institutions, beginning with Peru's judiciary and legislature. The evidence is in the videos themselves. Mr. Montesinos so expertly compromised lawmakers and judges that now we know why neither judiciary nor Congress would stop grossly unconstitutional scams. In one video, Mr. Montesinos entices Supreme Court Justice Alipio Montes de Oca by offering him \$10,000 per month to head the nation's electoral council -- the council that later assured Mr. Fujimori's last reelection win despite scandalous campaign and voting irregularities. Mr. Montes de Oca and two other videotaped justices have been suspended by the Supreme Court. Another video blew the cover off Ernesto Gamarra, ironically a lawmaker of the anti-corruption Independent Moralizing Front party who was on the congressional committee investigating Montesinos. Certainly those who fear that they, too, could appear in one of the 700 videos are scrambling. There also have been attempts to shut down the investigating committee and smear reformers. More heartening, special prosecutor José Ugaz is investigating more than 200 people, from ex-ministers to military commanders, as suspected accomplices of Montesinos's "criminal organization." Pressure also is mounting for all videos to air before the April presidential elections, to reveal if any candidate is tainted. Just as the first "vladivideo" toppled Mr. Fujimori, the rest of the series should compel Peruvians to rethink and reform their governing system. Beyond building strong courts and Congress, measures that make government more transparent and accountable -- such as financial-disclosure requirements, public-information access, free-press protections -- can discourage the corruption and the abuses of power with which Peruvians now are all too familiar.

*From [Miami Herald](#), 5 February 2001*

### AN OVERVIEW OF THE CANADIAN PERSONAL INFORMATION PROTECTION AND ELECTRONIC DOCUMENTS ACT

The Canadian Personal Information Protection and Electronic Documents Act regulates the use and collection of personal information via the Internet. The Act applies not only to Canadian companies but potentially to any entity that collects personal information in Canada and/or personal information from Canadian citizens. This article explains what the Act requires. The author of this article, Brent Krause, is an associate with Whitt & Company in Calgary (Alberta, Canada), a boutique law firm specializing in intellectual property and technology law. He focuses his practice of law on Canadian and international copyright, patent and trademark applications, transactions and litigation, and technology, privacy and Internet legal issues. E-mail: [brent@whittco.com](mailto:brent@whittco.com) Go to: (Page 1 of 5)

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[Conclusion](#)

*From [Dow Jones via Yahoo](#), by Brent Krause, 13 February 2001*

## CANADIAN SPACE AGENCY – MEDIA ADVISORY – PARTNERSHIP AND INNOVATION

Saint-Hubert, Quebec - Representatives of the Media are invited to attend a special ceremony on the campus of Memorial University in St. John's Newfoundland where the Honourable Brian Tobin, Minister of Industry and Minister responsible for the Canadian Space Agency, will be making an important announcement under a program sponsored by the European Space Agency. The contract award will bring together representatives of the Canadian Space Agency, Industry partners, different levels of government and C-CORE, an innovative and independently funded engineering Research and Development corporation affiliated with Memorial University. This announcement will speed the transfer of space technologies and applications to the private sector, enhance the competitiveness of Canadian companies and improve the safety of Canadians working in harsh environments.

*From [Canada NewsWire](#), 15 February 2001*

## U.S.: INFORMATION RESOURCE MANAGEMENT SERVICES NEEDED

The U.S. Department of Agriculture (USDA) has announced SOL FSA-R-001-04DC. USDA's Farm Service Agency (FSA) and the Natural Resources Conservation Service (NRCS) have a requirement for a wide range of Information Resource Management development and IRM support services. These two agencies will be the primary users of this contract. Other USDA agencies will be authorized to use this contract to procure these IT services. Major IRM support offices for FSA are located in Kansas City, MO; St. Louis, MO, and Washington, D.C. The major support offices for NRCS are Washington, D.C.; Beltsville, MD; Fort Collins, CO; Madison, WI; Lincoln, NE; Fort Worth, TX; Atlanta, GA; Davis, CA. The anticipated release date for this solicitation is March 8. The proposal due date is April 10. The anticipated award date is July 10. For the purpose of this acquisition, the NAICS Code is 54151. The type of task orders to be issued under this contract are Fixed Price; Fixed Price Economic Price Adjustment; Fixed Price Level of Effort, Time, and Material. It is anticipated that this requirement will result in the award of multiple Indefinite Delivery, Indefinite Quantity (IDIQ) contracts. Proposals must offer as a minimum, goal levels of 23% of all work to be subcontracted to small businesses, with a percentage of these goals to be set aside for small disadvantaged businesses. Proposal evaluation points will be awarded based on the extent of small, small disadvantaged business, Hubzone, and woman-owned small business utilization proposed in excess of the goals listed above. A total of up to 150 points may be awarded above and beyond the points listed in Section M to an offeror's proposal based on aggressive utilization of small, small disadvantaged business, Hubzone, woman-owned small businesses, Veteran/Service Disabled. A USDA FSA Contracting Home Page is available for contractors to send information to and receive information from FSA. The use of the AMB Web Page will result in a more timely exchange of information such as the solicitation, amendments, comments, and other acquisition related information. The aforementioned documents and information will only be available through the AMB Web Page. You are responsible for monitoring the AMB Web Page for amendments and any other procurement related information. The AMB Web page is accessible 24x7 at <http://www.fsa.usda.gov/amb>. If you have any questions regarding the AMB Web page, please contact Scott Cook at 202-720-7349.

*From Edited, by Bob Arguero, 19 February 2001*

## WOMEN WARM TO PUBLIC SECTOR SITES

Government information Web sites are enjoying a surge in popularity, largely due to their appeal to women. The success is welcome news for public sector IT managers, whose reputations have been tarnished by a string of high-profile failures. Overall, the current 20% market penetration rate of public sector Web sites is almost double the level seen a year ago, according to analyst group Jupiter MMXI. The analyst has found that a majority of the users visiting public sector sites are now women, even though they make up only 42% of Internet users. The rise in visits to public sector sites has been attributed in the main to better targeting of government information.

*From [Computer Weekly](#), by John Sabine, 23 February 2001*

## NAPSTER MAKES PUBLIC BUSINESS MODEL FOR NEW SERVICE

Company Proposes \$1 Billion Over Five Years in Guaranteed Payments to Labels, Artists and Other Rightsholders, \$150 Million Per Year to Major Labels, \$50 Million for Independent Artists. Napster today made public the business model that it has been presenting to major labels for the last six months in an effort to settle their dispute and end the industry's effort to shut Napster down in court. The proposal would provide guaranteed revenue of \$1 billion to the major labels, songwriters and independent labels and artists over the next five years. Major labels would receive \$150 million per year for a non-exclusive license, divided according to files transferred. \$50 million per year will be set aside for independent labels and artists to be paid out based on the volume of files transferred. "As we have been saying in private meetings with the major recording companies and the RIAA for the last six months, Napster has a viable business model with solid revenue streams and we are building the technology to make it happen," said Hank Barry, CEO of Napster, Inc. "We made public our business model and technology today in hopes that the recording industry will meet us at the table to come to a resolution that benefits artists and consumers alike." "Bertelsmann chose to build a partnership with Napster in October, 2000 because of the tremendous value it creates for promoting artists and building community," said Andreas Schmidt, president and CEO of Bertelsmann eCommerce Group. "The revenue potential of Napster for the entire recording industry is unprecedented and it's time to start thinking towards the future and figure out a way to leverage this potential instead of trying to quell it. In the interest of the consumer and artists it's time for the industry to lay down their arms." Napster's CEO Hank Barry described the membership model that will enable the company to make the proposed payments. Definitive pricing has not

been set, but the model will have two tiers. The model includes a "Basic Membership" plan that would cost in the range of \$2.95 to \$4.95 per month with an as yet undermined limit on file transfers. The "Premium Membership" will cost between \$5.95 and \$9.95 and will offer unlimited file transfers. The company also unveiled key aspects of its rights accounting architecture and security technology. The new Napster, slated to launch this summer, will be designed as a promotional service with fidelity limitations of 128 kbps and lower. Users will be asked to pay an additional fee in order to burn CDs and to transfer their music to portable devices. The service will be easy to use, and offer secure, complete and accurate file transfers, a new player with a personal jukebox and enhanced search and community features. "I have so many cool things in development and I want to be able to bring them to the Napster community," said Shawn Fanning. "I am also grateful for the outpouring of support from the Napster community, keep it coming!" Napster is the world's leading person-to-person file sharing community. Napster provides music enthusiasts with an easy-to-use, high quality service for discovering new music and communicating their interests with other members of the Napster community. Napster's software application enables users to locate and share music files through a user-friendly interface, and features instant messaging, chat rooms, and Hot List User Bookmarks. Shawn Fanning, then an eighteen year-old freshman at Boston's Northeastern University, founded Napster in 1999. In October 2000, Bertelsmann AG and Napster announced the formation of a strategic alliance to further develop the Napster person-to-person file sharing service. In January 2001, edel Music and TVT Records joined the alliance. This year, Napster won several Wired Magazine Readers Rave Awards, including Best Music Site, Best Innovative Start-up, and Best Guerilla Marketing. Bertelsmann eCommerce Group (BeCG), formed in June as a division of Bertelsmann AG, brings together Bertelsmann's entire portfolio of e-commerce companies and holdings such as bol.com, BarnesandNoble.com, CDNOW, and BMG Music Service in order to drive Bertelsmann's global e-content, community and commerce business. The group's objective is to build the leading global community and commerce network across all technologies and platforms while providing an unmatched consumer experience around all forms of media and entertainment. Through the acquisition of CDNOW and strategic alliances with AOL, TerraLycos and Napster, Bertelsmann has direct access to some 200 million customers worldwide. With 32 million unique visitors per month, Bertelsmann is the global Internet leader among all media companies. BeCG is a subsidiary of Bertelsmann AG, the world's most international media company with over 76,000 employees in more than 58 countries. Bertelsmann's business units include publishing firms, music and film companies, multimedia services, online commerce companies, daily newspapers, consumer magazines, radio and television stations, book clubs, trade journals, and other service companies that provide information, education and entertainment to a worldwide audience.

*From [Yahoo!](#), 21 February 2001*

## GLOBAL

### THE DATA SERVICES REVOLUTION: THE CHANGING FACE OF SERVICE DELIVERY MANAGEMENT

How do enterprise information systems (IS) managers know if their users are satisfied with changing data services, and whether or not they are getting value for their money? Traditionally, data services have been bought on a monthly rental basis. Given all of the service set-up costs and lead times required to enable the delivery of these services, changing carriers was difficult, and often only considered in extreme cases, such as when users were completely dissatisfied with the service they were getting. Even with services that involve relatively simple site connectivity, it is difficult to determine actual service quality. Service level agreements (SLAs), as we know them, are limited in their capability to measure quality. Given the dynamic nature of data services, the term "SLA" has become somewhat discredited as service providers claim that they cannot, in practice, prove the services they are delivering actually meet the required level of quality. In addition, service quality information divulged by the service provider may be out of date or inappropriate. What makes anyone think this situation is going to improve, given that we live and work in a world in which carriers will need to provide higher-level, value-added services and applications? With traditional services and a single vendor infrastructure, carriers have been able to report on service quality in a relatively straightforward manner. In today's world, we're seeing the proliferation of new, intelligent routers that are equipped with the capability to set up on-demand connections, and deliver quality of service that is appropriate to the needs of specific applications. These new service delivery platforms sell on their ability to set up services at mouse-click speed. In this new environment, how can carriers offer service quality tracking? More importantly, what can enterprises do to ensure that their carriers are delivering their goods more efficiently than they have in the past? **The Drivers** - Four factors driving the evolution in data services are: Broadband access. Industry experts project that the U.S. will experience massive deployment of broadband access in the local loop over the next several years, effectively removing bandwidth as a constraint in the deployment of new-generation services and applications. Competitive access in the local loop. Already happening in the U.S., and in the beginning stages in the European market, this is expected to further stimulate the emergence of competitive service providers. The business Internet. Major global carriers and Tier 1 Internet service providers (ISPs) are building traffic-engineered backbone networks in the anticipation of attracting premium business traffic. This evolving resource provides the necessary infrastructure to deliver committed quality of service to meet the diverse demands of different applications. IP is the common language. The public Internet has resulted in IP being the "common language" for data services. For the first time, vendors can focus their efforts on developing creative access technology, without having to worry about upstream standards. The public Internet has opened our eyes to the prospect of universal connectivity in a way previously available only at premium prices to corporations. The connectivity model is in place, and technology is improving so quickly that business services delivered over the Internet will soon become a reality. In the future, it's clear that all connectivity, whether over a LAN or a WAN, will be broadband and based on IP and its derivatives. The universal adoption of IP leads to the potential reality of affordable, near-universal connectivity, which is forcing carriers to seek profits elsewhere. As the reliability and predictability of installed connectivity

improves, a whole new networked applications market is emerging, in which we'll see a broad range of services. Some of these services will be hosted by traditional carriers and/or ASPs. Entirely new network architectures and companies are being created to bring this new, dynamic services marketplace to fruition. Existing WAN infrastructures of high-end IP routers and asynchronous transfer mode (ATM) switches are being slowly equipped with features to support more services and greater service differentiation over much higher bandwidths. The WAN is a necessity for the provision of these services, but the technology, once it is improved, will take a back seat. The outcome for businesses is that they will be able to understand the services being offered, and will pay for them only when needed. Meanwhile, as bandwidth becomes increasingly commoditized in the WAN, including the last mile, the desire to outsource key business functions is on the rise, even for small- and medium-sized enterprises. After all, why invest in installing a CRM product in-house, when the bandwidth exists to access it remotely? **The Growth of the ASP** - In an effort to attract and retain customers, service providers are increasingly partnering with ASPs to offer a rich portfolio of solutions. According to CIMI Corporation, customer turnover can be as high as 70 percent when a customer subscribes to a one-time application or service. When customers subscribe to two services, this churn drops to 20 percent, and to virtually zero when customers subscribe to three-or-more services. This clearly illustrates the importance of a service provider "brokering" a range of application services to win and keep new revenues. Who, then, will customers be buying their data services from? One school of thought points to the emergence of Building Local Exchange Carriers (BLECs) in the U.S. BLECs target large, multi-tenant businesses that are aligned with real estate companies. They deploy technology in basements, allowing new tenants to purchase business-class connectivity to IP services on-demand. BLECs point the way to a new breed of service provider, concerned more about packaging connectivity into application services than about bandwidth and site connectivity. In fact, the mantra of this concept will be, "Owning the customer is more important than owning bandwidth." In this new environment, service providers will find it harder to retain their customers. They will need to move up the value chain to find new revenue sources, and seek new ways to foster customer loyalty. How? By offering differentiated services and quality levels. **Traditional Quality Assurance** - One of the factors enterprises and users need to consider when choosing a service provider is the service level guarantees they offer. Typically, SLAs cover availability, mean time to repair and delay measurements. But how can enterprises be sure their SLA is being met? If you look at availability, for example, how is it being measured? More than likely, it will be based on reported faults, and when those faults are cleared by the network operations center. What is really needed is a way for the system to track true service availability, and then use this information to drive self-correcting processes. In this way, the report becomes a reliable confirmation that the quality agreed to was actually delivered. There is also the question of what enterprises can do when SLAs are violated. Typically, there would be some form of money-back commitment, but how useful would that be to a beleaguered enterprise IS manager? While they may want to discontinue the relationship and take their customer elsewhere, in the old service paradigm, this was simply not possible. Another issue encountered by service providers deploying traditional SLA tools, is the difficulty of collecting suitable quality data. Most SLA and network management tools rely on one of two techniques to acquire data: trap-based solutions and polling-based solutions. Trap-based solutions simply respond to events that are asynchronously identified by network devices. They fail to identify "soft" conditions, such as over-utilization or congestion. By contrast, polling-based solutions demand that the software explicitly address the network hardware on a regular basis to request a measurement. This can result in poor accuracy when measuring variables such as availability. Few products have been able to successfully combine both data sources into coherent, service-level information. It's easy then to see why the concept of SLAs may no longer work as well in the new data services market. **The Service Provider Challenge** - Service providers are trying to move out of commodity bandwidth and into value-added services. They are seeing the emergence of the ASP market, which provides connectivity via the Internet – and they can see how this is going to grow once business-class Internet connectivity emerges. Many service providers are enhancing their infrastructures to incorporate hosting centers that will house e-commerce applications. Others are choosing to act as brokers, providing a portal with quality connectivity to a vast portfolio of applications. For these service providers, the competition is going to get tougher as customer churn increases, further emphasizing the need for differentiation through quality of service (QoS) and value-added feature offerings. One thing is certain: To deliver application connectivity, service providers are going to need to deploy new devices at the network edge that are application-aware, and that can deliver application-specific QoS. These devices will have the ability to establish a connection rapidly, on demand, to a selected ASP. For example, in a NetMeeting, the service request would set up simultaneous connections with appropriate bandwidth and latency characteristics from each participant's intelligent access device to the application server. The key is that connectivity to an application is delivered to the end user, based on committed QoS for that specific flow. In this scenario, the service provider's challenges are compounded for two reasons. First, there will be a greater diversity of devices at the network edge, which will offer different methods of delivering QoS metrics. Second, services are going to be provisioned more dynamically, even auto-activated, in some cases. In this dynamic environment, traditional SLA toolkits will simply not be enough. Rather, integrated flow-through provisioning will be required. In this highly dynamic environment, it will be difficult to create tools to measure service performance. Not only are services changing conceptually, but, at any given moment, there may be different types of customers buying completely different types of services, possibly from multiple carriers. Yet, all will share the same multi-vendor network infrastructure. In addition, making use of such tools will be the only way that carriers will be able to ensure the services offered over their WANs evolve towards the levels of quality their customers demand.

*From Enterprise, by Roland Courtney, 6 February 2001*

# Public Finance

## ASIA/PACIFIC

### INDIA GOVERNMENT EYES SERVICE TAX ON SOFTWARE COST

Will imposing a five percent service tax on the revenues of software companies dash prospects for an industry which has proven to be a powerful locomotive for economic growth? That is one of the toughest issues faced by Finance Minister Yashwant Sinha as he drafts the central government budget for the year starting April 1. Confronting a need to find new revenue, Sinha is reportedly keen to extend the service tax to the software industry, but faces stiff resistance from infotech minister Pramod Mahajan and the software industry itself. Country's software exports are growing at a rate of 50 percent a year, and in the past October-December quarter many leading software companies like Wipro Ltd, Infosys Technologies, Satyam Computer Systems and HCL Technologies reported triple-digit rates of profit growth. The National Association of Software and Services Companies (NASSCOM) predicts that India's software exports will swell to \$6.2 billion in the year to March, and to \$9.4 billion next year. That has made the industry a high-profile candidate for taxation as the finance minister searches for new sources of revenue to finance reconstruction of areas devastated by last month's earthquake and to compensate for drops in other tax categories. But the infotech minister and industry warn that taxing the sector now threatens to at least stunt the growth of an industry that has created tens of thousands of well-paying jobs, created dynamic technology centres like Bangalore and Hyderabad, and put India at the centre of the evolving Internet and e-commerce revolution. The Economic Times, India's leading financial daily, reported last Thursday that "the finance minister feels that the overheads, including establishment costs, for e-commerce are very low and it (the software industry), therefore, can bear the burden of some tax." But the report said infotech minister Mahajan believes "taxing e-commerce at this stage would be killing it altogether." Mahajan is particularly opposed to taxing Internet Service Providers, as he reckons only 25 of the more than 200 such companies in India are doing well. NASSCOM chief Dewang Mehta met with the finance minister last Wednesday to lobby against the tax. Satish Menon, company secretary at Wipro, nation's largest company by market value, said it would be difficult from both a practical and legal standpoint to levy a service tax on software exports. "The (software) service is not rendered in India but mostly done abroad. To that extent some legal issues will have to be dealt with in imposing the tax," Menon told Reuters. Wipro is India's second-largest software exporter, hauling in 10.44 billion rupees from overseas clients in the past year to March. A spokesman for Infosys said the nation's third-largest software exporter appreciates the need to raise taxes, but warned it would be foolish to do so by squeezing the software industry. "We hope software services exports will not be subject to this (tax expansion) as that might lead to India losing out its competitive advantage in the global market since a similar tax is not levied in other countries," a spokesman for the Bangalore-based company said. Service tax, a comparatively new form of tax, was first imposed on select services in the mid-1990s. Even now only five percent of services are subject to the tax, although the service sector accounts for more than 50 percent of the Indian economy. To maintain a 50 percent-plus growth in software exports, NASSCOM maintains that the tax moratorium on e-commerce should remain for another five years. It is also seeking through the budget changes in the Income Tax Act and stepped-up spending on telecommunications infrastructure. "To achieve \$50 billion worth of software exports by '08, it is essential that the physical and telecom infrastructure is quickly enhanced," The Economic Times quoted NASSCOM president Mehta as saying. "The current need is continuation of incentives, further simplification of procedures, reduction in the cost of computerisation, and more spending on...boosting e-commerce activities," he said. Reuters

From [ExpressIndia.com](http://ExpressIndia.com), 20 February 2001

### PUBLIC FINANCE TO FOCUS ON RETAIL BASED FINANCING

Public Finance Bhd will continue to focus on retail-based financing and providing efficient services to customers to meet the challenges ahead, its president and chief executive officer Tan Sri Teh Hong Piow said. Teh said the completion of the mergers among the local banking groups and the impending globalisation and liberalisation of the financial sector would pose greater challenges to Public Finance to maintain its competitiveness. "To meet these challenges, Public Finance will continue with its successful strategies to focus on its core business in retail-based financing and to continue to provide efficient services to customers," Teh said in the company's latest annual report. He said Public Finance would develop more creative and innovative products and services. For the financial year ended Dec 31, 2000, the company expanded its lending operations with a loans growth of 10% compared with the 9% achieved in 1999. Its lending activities had remained focused on retail-based financing, particularly the financing of passenger vehicles and residential properties and viable small and medium-scale enterprises. The annual report said customer deposits fell marginally by 1.8%, which was in line with the general trend experienced in the industry. However, savings deposits rose a commendable 20.3% compared to that of the previous year. Despite the slightly lower deposits, the company's liquidity position remained strong with a loans-to-deposits ratio of 77.2%. Public Finance has proposed to pay a record tax-exempt final dividend of 16% for the financial year ended Dec 31, 2000. This is double the tax-exempt dividend paid in the previous year. Public Finance's pre-tax profits rose sharply by 68% to a record RM331.8mil for the year.

From [thestar.com.my](http://thestar.com.my), 13 February 2001

## **THAI MINISTRY AGREES TAX CHANGES NECESSARY – TRADES SHOULD REFLECT MARKET INTEREST RATE**

The Finance Ministry agrees that changes are needed in the tax treatment of bond trades in the short-term repurchase market, according to Sommai Phasee, deputy finance permanent secretary. Mr. Sommai, who chairs a committee overseeing development policies for the bond market, said the Bank of Thailand had sought to make trades in the repurchase market an accurate gauge of market interest rates. In recent years, the central bank has moved to reduce its role in the repurchase market by appointing nine local banks and securities firms to serve as primary dealers in handling trades. Before, the central bank served as the main counterparty in handling repurchase transactions. Given the risk-free nature of the transactions, regulators were concerned that rates quoted did not genuinely reflect market conditions. Two repurchase markets are in operation, one maintained by the primary dealers and the second where the central bank serves as a counterparty. Development plans call for the central bank to eventually withdraw altogether from the market, once the appropriate legal framework and standardised contracts are finalised. But tax issues remain one concern for the markets, as current law calls for taxes on trades to be calculated on capital gains. Mr. Phasee said that to support development of the repurchase market, the tax code should be amended to waive taxes on transactions, maintaining only taxes incurred on revenue from interest paid by the securities. Developing the bond market is considered crucial to minimising overall economic risks. Many analysts have pinpointed the country's weak bond markets and heavy reliance on bank lending as one factor leading up to the financial crisis. The steady budget deficits run by the government over the past five years have led to a sharp increase in the amount of bonds outstanding in the market. Regulators over the past two years have also launched several initiatives to stimulate growth and trading liquidity, including the preparation of a draft law allowing the use of a scripless system in settling trades.

*From [Financial Times](#), 15 February 2001*

## **ASIAN NEWS BRIEFS INCLUDING THAI FINANCE MINISTER TO CUT TAX RATE**

Bangkok- Thai Finance Minister Somkid Jatusripitak said he has considered cutting the corporate tax rate to 25%-27% from 30% for firms listed on the Stock Exchange of Thailand. Somkid told reporters at sidelines after a meeting with the chairman of the Association of Securities Companies, Viroj Nualkhair, that it is possible for the tax cut to be implemented in early 2002. World Bank says Indonesia 2001-2003 GDP growth most likely at 4%. Jakarta--Feb. 23--Indonesia's gross domestic product growth is most likely to remain at 4% from 2001-2003 under the World Bank's "base case", or most likely, scenario, according to Mark Baird, World Bank Country Director for Indonesia. Under the same scenario, Indonesia's inflation for 2001-2003 is most likely to remain at 8%. Taiwan's Jan jobless rate at 3.35%, up from 3.27% in Dec. Taipei--Feb. 23--Taiwan's unemployment rate in January was 3.35%, compared with 3.27% in December, according to statement released by the Directorate General of Budget, Accounting and Statistics. The rise in the jobless rate was attributed to a slowdown in economic growth both at home and abroad, and transformation of local industries. Seoul--Feb. 23--Daewoo Securities Co. [KR;480] of South Korea will resume the process to find a foreign buyer soon in a bid to conclude its prolonged mission to secure foreign investment by the end of June, a spokesman at the company said. Spun off from the troubled Daewoo Group in 1999, Daewoo Securities had sought to sell about a 25% stake to a foreign company. Taipei--Feb. 23--The number of overseas depositary receipts offerings by Taiwan companies is expected to be lower this year given the bearish outlook for both local and international stock markets, market observers here said. On the other hand, companies would turn to offering bonds overseas to amass funds, for the method provides less downside risk for both investors and issuing companies. Jakarta--Feb. 23--The World Bank Group unveiled the new Country Assistant Strategy for Indonesia, which will guide its overall program in the country for the next three years. The program was reviewed by the World Bank Board of Directors in Washington, D.C. on Jan. 30, 2001. The Board said it would focus its attention to sustaining economic recovery, and promoting broad-based growth, building national institutions for accountable government, and delivering better public services to the poor. Seoul--Feb. 23--South Korea's LG Telecom Co. (KR;261), an affiliate of the LG Group, said that it incurred 442.4 billion won (\$356.4 million) in net loss in 2000 compared with 161.6 billion won in net loss in 1999. The net loss widened due to increased marketing cost following the company's efforts to attract more subscribers to secure a leading position in the next-generation wireless service market, said an official at LG Telecom. Hong Kong--Feb. 23--Hong Kong's Hang Seng Bank [HK;11] is expected to report a 2000 net profit of anywhere between H.K. \$9.956 billion and H.K. \$10.473 billion, thanks to lower provisioning needs for questionable loans and strong non-interest income growth, analysts predicted. Such strong profit figures would mean year-on-year growth of at least 20%. According Deutsche Bank, the market's consensus forecast is H.K. \$10.247 billion [\$1.314 billion]. Hang Seng Bank is due to report its 2000 earnings Monday.

*From [thestar.com.my](#), 23 February 2001*

## **KOREAN PRESIDENT SAYS CORRUPTION, TAX EVASION MUST END**

President Kim Dae-jung yesterday warned of corruption, collusive ties between politicians and businessmen, influence-peddling on personnel appointments and tax evasion. In a speech celebrating the third anniversary of his presidency, Kim said those social ills must not be allowed to continue in the country. Kim's aides would not discuss why the President added tax evasion to the list of what the government should fight against. But some observers believe that the President bore the ongoing tax audit of major news media companies in mind. Tax authorities are now conducting the first audits of media firms in seven years, and the opposition claims that they are aimed at taming newspapers critical of the Kim government. There have already been reports that tax officials seized evidence on tax evasion at the media companies, and investigators are tracing the financial accounts of

executives and senior editors. Lee Hyup, the Millennium Democratic Party (MDP)'s chief secretary to the President, who also heads the party, read the statement in a ceremony marking the first three years of Kim's five-year single-term office. The ceremony took place at the National Assembly, with members of the MDP and its coalition partner - the United Liberal Democrats (ULD) - participating. Kim stayed away from the National Assembly ceremony as part of his efforts to keep a low profile on the anniversary, which is tomorrow. Aides said that the President would not have any special plans to celebrate the anniversary, which comes amid an economic downturn that has brought his popularity down to 30 to 40 percent. Kim will only invite leading members of the MDP-ULD coalition to a dinner at Chong Wa Dae Monday, the aides said. In the Assembly speech, Kim emphasized the importance of the coalition unity for the sake of political stability and economic recovery. The ULD, which formed an alliance with the President's party ahead of the 1997 presidential election, pulled out of the partnership early last year, but restored it recently. "An economic leap and development of relations with North Korea are possible only with political stability," Kim said. He also urged the opposition to agree to bipartisan cooperation in the economy and North Korean affairs. The main opposition Grand National Party (GNP) said that it was ready to cooperate with the Kim government, only if it upholds the public opinion and accepts the opposition as a partner in managing state affairs. Party spokesman Kwon Chul-hyun's statement, however, harshly criticized the government for what it said is its "total failure" during the past three years in power. The GNP also released a 302-page report on the Kim government, in which it gave poor grades to its performance. The report was titled, "Incapable Government, Disappointed People." Kwon mentioned the President's preference of his fellow native Cholla people for top political and administration posts, mismanagement of the economy and "schemes" for suppressing the opposition. The spokesman claimed that the Kim government is preoccupied with extending its rule through the next presidential poll even though its approval ratings plummeted from the peak of 80 percent to 30 percent. "President Kim must stop political strife with the opposition and try to examine the public sentiment," Kwon said.

*From [Korea Herald](#), 23 February 2001*

## **SINGAPORE'S TAX RATE FOR ALL PROPERTIES DOWN TO 10%**

Singapore's property tax rate will be cut to 10 percent from 12 percent. The reduction will apply to all properties - commercial, industrial and residential. And it will take effect from 1 July this year, when the current 25 percent property tax rebate for commercial and industrial properties ends. Finance Minister Richard Hu said the move would improve Singapore's global competitiveness and it will cost the government an estimated \$336 million a year. Dr. Richard Hu said: "The reduction will be particularly helpful to small businesses that are tenants of JTC and HDB properties. "These businesses have been the main beneficiaries of the property tax rebate for industrial and commercial properties, passed on by the JTC, HDB and other landlords. "The government would like to encourage all landlords to pass on savings from the property tax rate cut to their tenants."

*From [channelnewsasia.com](#), by Dawn Teo, 23 February 2001*

## **EUROPE**

### **RUSSIAN FINANCE MINISTER MEETS IMF TEAM AS SOVIET DEBT LOOMS**

Russian Finance Minister Alexei Kudrin held talks on Monday with an International Monetary Fund mission which arrived in Moscow to review the government's economic plans before considering a new support program. The IMF mission, led by Gerard Belanger, deputy head of the IMF's Second European Department, is expected to consider forecasts for the economy this year, but Kudrin told reporters he would broach cooperation with the fund through 2003. "We are not only concerned about this year but about the years 2002 and 2003, and that is why we shall ask the IMF to consider a medium-term program," Itar-Tass news agency quoted Kudrin as saying. The government says it does not need new loans, but IMF support is vital to start talks with the Paris Club of creditor nations on restructuring \$38.7 billion in Soviet-era debts. IMF officials said on Friday in Washington that Russia's finances were strong due to lucrative energy exports. But Oleg Vyugin, a former deputy finance minister, now vice president of Troika Dialog, told Ekho Moskvyy radio on Monday the medium-term outlook was still uncertain. "Will the budget be fulfilled? Will the policies bear fruit? This is why the government tried to arrange a restructure," he said. "There is money for the time being, but the government doesn't see prospects for 2003 and beyond." Vyugin said one of the biggest obstacles to IMF financing for Russia was new scepticism towards aid to Russia following the change in the U.S. administration. "The American administration is not ready," Vyugin said. "The main shareholder in the IMF has not defined its position ... and the leadership of the IMF is not comfortable." "I expect progress but not stunning progress," he added. "The IMF will wait for signals from the main shareholder."

*From [Russia Today](#), 5 February 2001*

### **THE EUROPEAN FINANCE MINISTRY IS TAKING SHAPE: MATTHEW LYNN**

A career in Spanish politics has obviously taught Pedro Solbes, the European Commissioner in charge of monetary affairs, something about stealth. Like a good poker player, he has learned the value of feints, bluffs and dummies, and memorized the most important rule any card player ever learns -- never reveal your hand too early. Solbes's game is starting to emerge from the fog of Brussels directives, policy initiatives and draft plans. He is quietly building a European Finance Ministry. He just isn't telling anyone about it. That is the only plausible explanation for the proposals Solbes put forward last week to strengthen the euro group, the committee which gathers together the finance ministers of the 12 countries that have adopted the single currency. Solbes would raise the profile of the committee by giving it a separate support staff and encouraging it to issue its own press releases. He wants

the euro group to be given more information sooner on national budgetary plans -- so the euro group could comment on those plans, and allow each state to take into account the euro group's views before making any final decisions. And he proposed regular meetings be established between the euro group and the European Central Bank, as well as a new sub-committee to prepare the issues to be discussed by the euro group; that sub-committee should meet more regularly than the once monthly meetings of the euro group. All that sounds like modest, dull, bureaucratic stuff, and indeed Solbes presented it that way. But that is to misunderstand the way that European integration proceeds. First you put the bureaucracy in place, according to the principle laid down by Jean Monnet, the founding architect of the European Union in the 1950s. Only later do you tell people what the bureaucracy is for. The polite term for that is institution-building, the impolite term is deceit. Whichever you choose, it is the only way to describe the project Solbes appears to be engaged upon. That raises two important issues. Does Europe need a single finance ministry? And, if so, how should it be created, and who should control it? That the euro group is heading that way there can be little doubt. Solbes would like budget plans to be submitted in advance. He would like a team of bright young economists to be assembled, presumably in Brussels, who would study those plans, and say whether they are okay or not. He would like a standing sub-committee to draw up its own plans, and no doubt start trying to impose them on member states. And it would like the committee to convene regular meetings with the central bank to co-ordinate monetary and fiscal policy. But aren't those all the things that finance ministries do? And does not the relationship between the euro group and national governments sound suspiciously like the relationship between a central finance ministry and its regional spending departments? As the saying goes, if it walks like a duck and talks like a duck, then it's probably a duck. Likewise, if it walks like a finance ministry, and talks like a finance ministry, then it is a finance ministry. There is a case to be made for such a ministry. Yesterday's meeting of the euro group formally criticized the Irish for cutting taxes and increasing spending at a time when Irish inflation is double the target euro-zone rate. The Irish have been made to put up with a bashing around the ears, but their Finance Minister Charlie McCreevy can still go back to Dublin and dispose of the government's money as he chooses. That could spell trouble for the euro-zone. While in the U.S. or Britain or Japan, there is some co-ordination between monetary and fiscal policy, in the euro-zone there is none. That might not matter much when it Ireland (which accounts for about 1 percent of the euro zone's GDP) steps out of line, but it will when it's France or Germany or Italy. When a big country break ranks (and France and Italy have already been criticized by the EU for their budgets) the result will be turmoil. But if there is to be a European Finance Ministry, there is no agreement on how it should be brought into life. Wim Duisenberg, the president of the ECB, probably thinks it should be subordinate to him, and based in Frankfurt. Romano Prodi, the EU President, probably thinks it should be part of the Commission and based in Brussels. National governments -- insofar as any of them are willing to go along with the idea -- would probably prefer that it remained a loose assembly of state finance ministers, maybe with a nominal rotating head (much as the eurogroup has now). Right now, Solbes is a long way from getting what he wants. "We intend to keep that informal character," of the euro, argued Didier Reynders, the Belgian finance minister who is its current chairman. "This is just one of the many papers that is being looked at by the euro group." At the same time, Caio Koch-Weser, the German deputy finance minister, said he was opposed to the idea. From the tone of the reactions, it appears that a lead balloon would have gone down better. Yet, to his credit, Solbes is intellectually honest. There is a debate to be had about whether the euro involves too great a sacrifice of national sovereignty, but if you are going to have a single currency, it would be better to have one that works. There is a case to be made for a European Finance Ministry. But it should be made openly. Doing it by stealth is not acceptable - unless Senor Solbes suspects that it is only as a covert operation it has any chance of success.

From [Bloomberg](#), by Matthew Lynn, 13 February 2001

## THE AMERICAS

### CONGRESSIONAL REPORT SLAMS U.S. BANKS' LAUNDERING ROLE

U.S. Congressional investigators said Monday that major U.S. banks holding accounts for foreign counterparts have been used as conduits for laundering millions of dollars of dirty money obtained through drug dealing, corruption and organized crime. In a report capping a year-long probe into the issue, Democratic staff members of the Senate Permanent Subcommittee on Investigations said so-called correspondent accounts provided a "significant gateway" for money launderers to move their ill-gotten gains through the U.S. financial system. "Most U.S. banks do not have adequate anti-money laundering safeguards in place with respect to correspondent banking, and this problem is long-standing, widespread and ongoing," the report said. It named a number of leading U.S. institutions, including Citigroup, Bank of America, First Union, and the former Chase Manhattan Bank. Estimates of the amount of dirty money passing through the global financial system each year range from \$500 billion to more than \$1.5 trillion. Money laundering refers to the practice of moving illicit funds through a series of financial institutions to disguise their origin and ownership. The report recommended that Congress act to prohibit banks from opening correspondent accounts for so-called "brass plate" banks - shell institutions often consisting of nothing more than a name plate and mail box in an offshore financial haven. U.S. banks should also make greater efforts to identify the real owners of foreign accounts and beef up their scrutiny of transactions by banks located in areas identified as presenting a high risk of money laundering, it said. "Inattention and disinterest by U.S. banks in screening the foreign banks they take in as clients have allowed rogue foreign banks and their criminal clients to carry on money laundering and other criminal activity in the United States," said the panel's ranking Democrat, Michigan Sen. Carl Levin. The investigation was launched after the Bank of New York was caught up in a probe of alleged money laundering by suspected Russian mobsters and businessmen, spurring concern about U.S. banks' role in a growing global problem.

From [St. Petersburg Times](#), 6 February 2001

## SENATORS TOUT FINANCE REFORM IN EVANSTON, ILLINOIS

With congressional debate over campaign finance reform just a month away, the two chief architects of the plan brought their national tour to Evanston on Monday, trying to build momentum to rewrite the laws that tell politicians how they can raise and spend money for their campaigns. "We cannot win this battle inside the Beltway, we cannot win this battle on Capitol Hill, we need your support to win it," said Sen. John McCain (R-Ariz.), who made reforming the campaign finance system the centerpiece of his presidential bid. "It's very difficult trying to do the Lord's work in the city of Satan." McCain and Sen. Russ Feingold (D-Wis.) brought their campaign finance town meeting to Northwestern University, and the site was not by chance. Their schedule is based on politics as much as geography, largely focusing on senators who have yet to sign on to their bill. On Monday, their sights were set on Sen. Peter Fitzgerald (R-Ill.). The McCain-Feingold bill is scheduled for debate in the Senate as soon as March 19. Fitzgerald, who has previously voted to block debate on the measure, was in the Chicago area but did not attend the Evanston forum. "The senator was reluctant to go and either endorse or not endorse the McCain-Feingold bill until we know what it will look like," said Mike Cys, a spokesman for Fitzgerald. "He's not sure how he will vote on the bill." Illinois' other senator, Democrat Dick Durbin, says he supports the reform bill. McCain and Feingold have proposed banning soft money contributions to political parties and prohibiting state parties from spending soft money on federal elections. The senators say the soft money--unregulated and unlimited--has sullied American politics. "That's why we've got to get this thing passed early, before this morass gets any deeper," McCain said. Senate Majority Leader Trent Lott (R-Miss.) agreed last month to McCain's demand to schedule debate on campaign finance reform. McCain said 60 senators have signed on to the legislation, which also would prohibit foreign nationals from making any contributions to a federal, state or local election and ban fundraising on federal property. Riding a wave of popularity from his presidential bid, McCain is turning to voters to build momentum for his plan. He and Feingold staged their first town meeting last month in Arkansas and have events scheduled in several states, including California, Louisiana, Maine and New Jersey. McCain received a lengthy standing ovation as he strode into the university auditorium, where an overflow crowd of students and others was gathered. "We will not quit," McCain said. "In my failed quest for the presidency, I promised that I would try to reform the institutions of government. The gateway to all of those is campaign finance reform."

*From [Chicago Tribune](#), by Jeff Zeleny, 13 February 2001*

# Private Sector Development

## AFRICA

### YOUNG ANGOLANS MOBILISE TO REVAMP PRIVATE SECTOR

[Panafrican News Agency](#) - A group of young business people in Angola dubbed 'Prestigio' has intimated it would take the front stage this year in developing the country's entrepreneurial sector into a vibrant one. Prestigio vice president for investments, Hironidino Garcia, told the Angolan News Agency that the association was bent at helping local businesses surmount current difficulties faced in the sector. As to business plan for this task, Garcia said Prestigio plans to establish a broad network of partnerships with public and private institutions to promote training in management, administration and marketing. Equally envisaged were business missions within and outside the country, as well as brokering partnerships between big and small companies. Garcia said the group wants to assist members in preparing investment feasibility studies as well as defend credible projects to help them access funds for starting their business. Although Prestigio has offices in South Africa, the USA, Spain and Sao Tome and Principe, it currently has only one office in Angola, located in Cabinda. Work is underway to create branches in the rest of the country's provinces. The group has 22 enterprises, including Grupo Arosfram, Novera, Hotel Mundial, Radio Vial, Dikanza Producoes Musicais, Graffiti, Digital Artes, Grupo de Visao Avancada, Consulmark, Transom, Ditav, Fabal, Tecnimed, Rochal, etc. Prestigio is an NGO working at integrating and protecting the interests of young Angolan entrepreneurs. The group was set up a year ago to support the growth of the national business persons and to work as a close partner of the government in the reconstruction and economic development of Angola.

*From [AllAfrica.com](#), 20 February 2001*

## ASIA/PACIFIC

### O'NEILL WANTS PRIVATE SECTOR DIALOGUE ON JAPANESE REFORM

U.S. Treasury Secretary Paul O'Neill intends to press for structural reform in Japan by focusing on direct communication with Japanese executives, the New York Times reported Tuesday. O'Neill said Monday in an interview with the daily that he would seek solutions for the faltering Japanese economy through dialogue "with industrial people I have worked with who know the real economy." O'Neill is the former chairman of Alcoa Corp., the world's largest aluminum maker. Noting the severe economic slowdown in the world's second-largest economy, O'Neill, named by President George W. Bush to head the Treasury Department, rejected an approach that "presumes these are the kind of issues that can be dealt with from the top of one government to the top of another." His comments indicate he will advocate less pressure on foreign governments that was applied by Bill Clinton's administration in its pursuit of a post-Cold War global economy, the New York Times said. "It's important not to give a government-to-government lecture that says 'We're smarter than anyone else,' " the daily quoted O'Neill as saying. "I don't find that productive. In most places they will tell you to go to hell. In Japan, they will smile and not do anything." He also cited the importance of introducing "price competition" to Japan, noting that it was this sort of competition from abroad that helped reform American industry in the late 1980s and early 1990s, the daily said. O'Neill said he was not interested in lengthy, vague discussions on Japan's myriad regulations. The same Japanese executives with whom he says he wants to deal with directly have spent years fighting low-priced competition, both foreign and domestic, the daily said. O'Neill also described the Clinton administration's efforts to rescue the Russian economy after the 1998 collapse of the ruble as "crazy." He hinted the Bush administration would refrain from participating in multibillion-dollar economic bailouts aimed at stabilizing the currencies of countries where corruption and mismanagement have led to crisis.

*From [Japan Times](#), 8 February 2001*

### PRIVATE SECTOR SEEKS MORE BUDGET INCENTIVES FOR SMEs

A group of about 60 chief executives, general managers and company directors have called for [incentives](#) to encourage companies, especially Small and Medium Enterprises, to be more competitive and to keep training their staff. The top management from private sector companies attended a pre-Budget Dialogue Session with members of the Feedback Supervisory panel led by Dr. Wang Kai Yuen. The discussion went beyond simple budget issues and touched on other matters such as COEs and HDB rental rates. And while, as always there were calls to reduce personal taxes, the industry leaders seemed satisfied with corporate taxes. Dr. Wang Kai Yuen, Chairman of Pre-Budget Dialogue Session, said: "I feel that perhaps this is indicative that the tax structure has been adjusted over the years or evolved over the years to the point where in comparison with neighbouring countries in the region or even internationally, the Singapore tax structure has reached a point where we are very comparable and competitive with other countries."

More specifically, those from the construction industry appealed for help in stimulating their industry - one that seems to be floundering still, even though the economy has improved since the recession.

From [channelnewsasia.com](http://channelnewsasia.com), by Sharon Tong, 8 February 2001

## **ADB URGES PHILIPPINES TO PRIVATIZE TO CUT POVERTY**

The Philippine government should use privatization to generate funds to alleviate poverty and ease the heavy concentration of business ownership in few hands, an Asian Development Bank official said Wednesday. Gunter Hecker, ADB country manager for the Philippines, said it is a valid concern that assets in the country may end up in very few hands when the government privatizes enterprises. "Maybe it's not really a monopoly but the assets are concentrated too much," Hecker told reporters on the sidelines of an ADB regional conference on poverty. One way to correct this is through a privatization process where there are as many participants as possible, he said. Analysts are worried that the concentration of ownership around family based conglomerates in the Philippines could result in virtual monopolies, selective bank lending and weak corporate governance. Some of the biggest Philippine conglomerates are owned or controlled by the Ayala, Lopez, Gokongwei, Sy, Concepcion, Tan, and Aboitiz families. In the mid-1990s, with privatization of the water concessions of the Metropolitan Waterworks & Sewerage System, contracts were awarded to the Ayala and Lopez groups, which already controlled other utilities. Reducing poverty and fixing the uneven distribution of wealth will entail long and hard work for the government and concerned institutions, Hecker said. "It's not an overnight exercise," he said. "Part of our development agenda is to bring others up. That's one of the challenges of this government-to bring other groups up." he said. On the third day of the conference, the ADB urged the private sector to take a key role in reducing poverty by generating jobs and relieving pressure on the public budgets by taking over the provision of power, water, roads, and telecommunications. The bank also urged the regulation of private utilities to give the poor access to services at lower prices.

From [Dow Jones via Yahoo](http://Dow Jones via Yahoo), 8 February 2001

## **ASIA POWER INDUSTRY MOVING TOWARDS MORE PRIVATIZATION**

Asia's power industry is embarking on a trend of increased privatization, with many countries grappling to sell some or all of their state-owned power assets, a senior industry executive said Monday. Some countries are accelerating the privatization process as they evaluate legislation creating competitive power markets in a drive for greater efficiency, said Frederick Kuester, chief executive officer of Mirant Asia-Pacific Ltd., a unit of Mirant Corp. (MIR). Malaysia will soon establish a government-run Energy Commission to regulate the electricity supply industry in the country and promote competition. In South Korea, the government will set up an electricity commission in April to regulate the industry there after privatization take place. Addressing an industry conference held in Singapore Monday through Wednesday, Kuester said Singapore is the first in Asia to deregulate its power sector. It is set to be followed by South Korea, China, Japan, the Philippines and Thailand. He said Singapore's new market structure and legislation are expected to be in place by July, followed by sales of some of its power plants in the second half this year. He said one of the benefits of privatization and deregulation is to help reduce governments' financial obligations and to encourage foreign investment to help fund the enormous costs of energy modernization. Mirant owns more than 17,900 megawatts of power generation capacity in 12 countries around the world, including 3,000 megawatts in Asia. The company plans to raise its power generation capacity in Asia to 10,000 megawatts in five years, through increasing investments in countries like China, India, the Philippines, Australia, South Korea and Singapore.

From [Dow Jones via Yahoo](http://Dow Jones via Yahoo), 13 February 2001

## **SOUTH KOREA PLANS TO START PRIVATIZING POWER COMPANIES FORMED FROM KEPCO**

The government will begin privatizing in February 2002 five of the six state-run power-generation companies to be formed from Korea Electric Power Corp., a South Korean government official said Tuesday. "From February 2002, privatization will begin in earnest. ... The government will do all that it can to prevent the situation in California from happening in South Korea," said Shin Kook Hwan, head of the Ministry of Commerce, Industry and Energy, referring to the electricity crisis in California following the state's deregulation of its power sector. Speaking at a luncheon press conference with Seoul-based foreign correspondents, Mr. Shin also said that a detailed restructuring plan will be finalized by Friday. As part of the government's privatization plan, Kepco's power-generation operations will be split into six units - five non-nuclear generation companies and one nuclear generation company -- in early April. The government also will establish a power exchange and an electricity commission in April. Of the six companies, five are slated for privatization, while the nuclear-power company will remain a public company. The five to be sold to investors are the 7,165-megawatt-capacity South East Generation Co.; the 7,738-megawatt-capacity Central Generation Co.; the 7,946-megawatt Western Generation Co.; the 7,710-megawatt Southern Generation Co.; and East West Generation Co., with 7,500 megawatts. The five companies will be allowed to sell their shares to foreign parties, but not their assets. Kepco (KEP) will manage power transmission and distribution after the restructuring in April. Under the government's tentative plan, it would give foreign investors the right to manage two of the five non-nuclear power-generation companies to be spun off from Kepco, allowing foreigners to control 30% of South Korea's total electricity-generation capacity. The government's restructuring strategy also involves dividing Kepco's distribution operations into 10 units and offering them to investors. The government will retain ownership of transmission operations. Kepco, South Korea's state-run power monopoly, has a 94% share of the country's total power-generation capacity. According to the Ministry of Commerce, Industry and Energy, South Korea's electricity demand grows at a rate of about 10% a year, while facility expansion grows at a rate of about 5% to 7% a year. Due to an expected surge in South Korea's

electricity demand, it won't be easy to provide power to energy-starved North Korea, a senior government official said. In December, North Korea asked South Korea to supply it with 500,000 kilowatts of electricity. When asked if South Korea has the capacity to supply the kilowatts North Korea is demanding, the official, who asked not to be identified, said it depends on domestic power demand. "Basically, we don't have enough reserve capacity because currently electricity demand is increasing rapidly," he said. South Korea's excess power capacity is declining. According to the ministry, the country's electricity reserve rate stood at 12.4% in 2000 and is expected to fall to 11.6% in 2001. A healthy reserve rate is around 20%, the ministry said. Separately, Kepco reported a rise in full-year net profit, mainly due to an increase in its power sales thanks to a recovery in the domestic economy, a rise in electricity fees and special income from sales of its telecommunication stocks, including Shinsegi Telecomm Inc. and Korea Thrunet Co. Kepco's net profit rose to 1.793 trillion won (\$1.44 billion) in 2000 from 1.468 trillion won a year earlier. Sales rose 22% to 18.253 trillion won, Kim Cheon Su, a Kepco spokesman, said. He added that the company earned 757.4 billion won from the sale of securities holdings. Operating profit grew to 3.283 trillion won in 2000 from 2.432 trillion won a year earlier.

*From [Work.com](#), 20 February 2001*

## **CHINA: AUTONOMY FOR PRIVATE SECTOR EXPANDED**

Private enterprises and scientific research institutes are entitled to the same conditions as their State-and collective-owned counterparts when applying for export autonomy as of January 1, 2001, according to a circular of the Ministry of Foreign Trade and Economic Cooperation. According to [Beijing](#) Review £-the circular said that private enterprises with registered capital above 5 million yuan and private scientific research institutes and high-tech and electromechanical enterprises with registered capital above 2 million yuan are all qualified to apply for export autonomy. As well, other criteria involving sales income and volume of export will be revoked. This measure certainly will facilitate fair competition between enterprises of various types of ownership and push private businesses to take part in international competition.

*From [China-People's Daily](#), 23 February 2001*

## **EUROPE**

### **CZECH REPUBLIC: BIG BANG PLAN NEEDS PRIVATIZATION PROCEEDS**

Industry Minister Miroslav Gregr's "big bang" plan would require gas importer Transgas and another 26 companies to be privatized by 2002. Privatization proceeds of Kc 133 bln this year and another Kc 260 bln in 2002 from the sale of energy, chemical, metallurgy and mining companies would be necessary to bankroll the plan, according to Gregr. Finance Minister Pavel Mertlik yesterday expressed doubts over whether the plan is practical in view of the current state of public finances, and said his ministry is preparing an analysis of the plan. The National Property Fund claims the proposed pace of privatization would require the cancellation of the act on public tenders and probably also some actual tenders (HN 1).

*From [Prague Business Journal](#), 20 February 2001*

### **SLOVAKIA TO SELL GLOBTEL STAKE**

The Slovak government has announced it is set to sell the state energy companies' 36% stake in the country's leading mobile operator Globtel. Its decision follows the cancellation of an initial public offering (IPO) at the end of 2000, which had valued the company at USD700 million. The government abandoned the sale due to the global slump in telecoms stakes. It has now said that state-appointed investment bank Credit Suisse First Boston has selected a consortium of financial investors, led by insurance group AIG's Eat Europe Infrastructure Fund, which is reported to be within a month of completing a deal. The sale is expected to raise considerably less than the USD700 million previously forecast. Globtel is 64% owned by France Télécom, which increased its 35% stake after buying PTO Slovotel's 29% interest in February last year. Globtel currently has 654,000 mobile subscribers, which represents a market share of 56%. It aims to increase its customer base to 900,000 by the end of 2001. For further information on Slovakia's mobile markets, consult CIT's [Datafile of Eastern European Communications](#).

*From [CIT Publications](#), 14 February 2001*

### **UK GOVERNMENT BUYS INTO ROLLS-ROYCE**

The UK Government is providing an investment of £250 million to help develop the Rolls-Royce Trent 900 and Trent 600 engines. In return, the UK Government will receive a commercial return from future engine sales. The Trent 900 is being developed for the Airbus Industrie A380 family while the Trent 600 is targeted at the Boeing 747X and Longer Range 767-400ER aircraft. The Trent 900 and 600 are the latest members of the Trent family of aero engines, based on the Rolls-Royce three-shaft design. Thirty customers and operators have ordered more than 1,400 firm and option Trent engines worth more than £12 billion. The Trent 900 has been selected by Singapore Airlines, Virgin Atlantic and International Lease Finance Corporation for their A380s. The A380's first flight is scheduled for 2004, with entry into service in 2006. The Trent 600, for Boeing, is due to receive engine certification in 2003. The Trent 900 will have a 116 inch diameter fan and will be certificated at 80,000lb take-off thrust. The initial in-service rating will range from 68,000lb to 75,000lb thrust.

The Trent 600 will have a 102 inch diameter fan and will operate at 68,000lb to 72,000lb thrust.

From [E4: Engineering](#), 14 February 2001

## ROMANIAN GOVERNMENT ISSUED NORMS FOR SMSE LAW

The Romanian Government endorsed the methodological norms for enforcing the fiscal incentives meant to develop the small and medium-sized enterprises (SMSE) in the week ending 09-Feb-01. Last week, the Romanian Government endorsed the methodological norms for enforcing the fiscal incentives meant to develop the small and medium-sized enterprises (SMSE). Despite the disagreement of the international financial institutions, one of the first measures taken by the Party of Social Democracy (PDSR)-led Government was to re-enforce the incentives granted to the SMSE. According to a Government press release, they decided to grant priority access to equipment, works and services acquisitions, as well as fiscal incentives, in order to back the development of small and medium-sized enterprises. The norms stipulate that the tax on the re-invested profit is calculated in compliance with the 70/1994 Governmental Ordinance regarding profit taxes. The value of the maximum amount to benefit from tax exemption is the profit and loss account. The customs duties exemption for the imports of equipment and know-how is granted by the customhouses and is based on the tax liability statement signed by the legal representatives of the small and medium-sized enterprises. "Only the SMSE that fulfilled their financial obligations, including payments of taxes, charges and contributions to the social security system, may participate in the tenders for public acquisitions of goods and services", the Government press release further explains.

From [Central European Business Daily](#), 14 February 2001

## RUSSIA: BUDGET AMENDMENTS PASS, BUT PRIVATIZATION BLOCKED

Last week's budget amendment debate in the Duma unfolded much as expected. The Deputies passed (in all three readings at once) their 'own' version, which assumes Rb165 billion of 'excess' revenues, compared with the government's more conservative forecast of Rb108 billion (which Finance Minister Kudrin stuck to 'for the record' in the debate). Of this Rb165 billion, the government is allowed to spend Rb41 billion on external (i.e. Soviet-era Paris Club) debt service immediately, and a further Rb62 billion in parallel with the disbursement of the remaining Rb62 billion on non-interest expenditure. Analysts at United Financial Group (UFG) view the Rb 165 billion target as ambitious, given that it would bring federal revenues up to 16.4% of GDP against the actual outturn of 16.2% in the very favorable conditions of 2000. Furthermore, they caution that the additional Rb103 billion appropriated for debt service under these latest amendments still falls Rb80 billion short of the government's total extra financing requirement of Rb183 billion stemming from the absence of Paris Club rescheduling and International Monetary Fund (IMF) refinancing. The government had hoped to raise Rb15 billion of that 'missing' Rb80 billion by extra privatizations. But, after protracted debate in the Duma, Kudrin was forced to back down from the government's attempt to reinstate the executive branch's discretion on privatization that was blocked in the original version of the Budget Law. Instead, he indicated that the government would introduce separate legislation to ensure that discretion, but such legislation is unlikely to pass - and certainly not quickly. What the Deputies really want is to get a direct handle on individual privatization conditions. This row over privatization has limited substantive significance because extra privatization revenues were never going to bridge the gap, and the government was in any case aiming- at this stage - to prevent immediate default in the full knowledge that it will have to reopen the budget later (probably in 4Q01). But this privatization row does exemplify the general disarray into which the government has fallen as a result of its ill-judged external debt management policy. At least it now has the legal basis to pay the remaining \$620 million necessary to become current again with Paris Club creditors. Kudrin indicated that this payment would be made by the end of the month.

From [Russia Today](#), 26 February 2001

## RUSSIA GOVERNMENT WANTS TO SELL THREE BIG COMPANIES IN 2001

[Reuters](#) The Russian government asked the State Duma lower house of parliament on Thursday to allow privatization of three big companies in 2001 to raise funds needed to pay foreign debts. The government, short of some 183 billion rubles (\$6.4 billion) to pay foreign debts this year, aims to raise an extra 15 billion rubles in privatization revenues on top of the 18 billion rubles already budgeted for. It submitted proposals to the Duma to sell a 79.73 percent stake in Siberian Kuzbassugol mining company and a 15.72 percent stake in the regional utility Chelyabenergo. The government also wants to sell a 23.79 percent stake in Western Siberian Metallurgical Plant. The privatization proposals are part of a wider plan to come up with extra funds to meet debt obligations in the absence of a restructuring deal with the Paris Club of creditor nations. They were submitted at the start of a debate on proposed budget amendments aimed at increasing the share of revenues allocated for foreign debt this year, but the debate was interrupted as deputies disagreed with privatization plans. The Duma passed a law last year which effectively banned privatization of big firms with assets exceeding \$150 million, pending approval of a new privatization law. The size of the assets of the three companies offered for sale on Thursday by the government was not known. The government said it would present amendments to the privatization law to the Duma by March 1. The government aims to raise at least 18 billion rubles by selling a six percent stake in Russia's biggest oil company LUKOIL this year. The government owns about 15 percent in LUKOIL.

From [Russia Today](#), 23 February 2001

## GERMANY: FUCHS EYES POLISH OIL SECTOR PRIVATIZATION

(Reuters) German lubricants maker Fuchs Petrolub said on Thursday it was considering taking part in the privatization of Polish small oil refineries to try to strengthen its presence in Poland's rapidly growing market. Poland plans to sell majority stakes in its three southern-based refineries -- Glimar, Jaslo and Czechowice -- to strategic investors by the end of 2003, following the successful sale of a total of 72 percent of its flagship refinery PKN Orlen in 1999 and last year. The three refineries, now gradually switching into the production of lubricants and oil-based niche products, processed together nearly 875,000 tons of crude last year, gaining control of some five percent of the domestic refining market. PKN holds some 70 percent of the market. "We are interested in these parts of the refiners and spun-off companies that produce lubricating oils," Tomasz Jagla, head of Fuchs Petrolub's Polish unit, told Reuters. Jagla said the German manufacturer planned to nearly double its share of the Polish lubricants market to about six percent over the next two years from the present 3.5 percent. The firm's Polish sales are forecast to rise to 46-48 million zlotys (\$11-11.5 million) in 2001 from last year's 43.6 million. Its net profit is expected to surge some 70 percent to 2.4 million zlotys from 1.4 million. The sale of the three small refineries will be the last stage of the Polish government's privatization of its refineries. Following the privatization of the largest refinery PKN, the government is in the process of selling a majority stake in the second largest refinery Rafineria Gdanska, although the government has not named any bidders.

From [Central Europe Online](#), 23 February 2001

## THE AMERICAS

### FLORIDA SOCIAL SERVICES CHIEF VISITS TO DISCUSS PRIVATIZING FOSTER CARE

In an attempt to ease local anxiety over Florida's plan to privatize foster care, the state's head of social services came to Palm Beach County on Monday to meet with a local advisory group. The move went a long way in underscoring the commitment of Department of Children & Families Secretary Kathleen Kearney to transferring the public child-welfare program to the private sector, said Palm Beach County State Attorney Barry Krischer, a member of the local Community Alliance, charged with designing the county's privatization plan. "I think it comforted everybody," Krischer said. "Not only did she arrive, she brought with her six members of her top staff, who don't reside in Palm Beach County. So they all had to fly down here." Privatization, or community-based care as it's called in social service circles, is mandated by the Legislature to be complete by 2003. Private agencies across the state will replace Children & Families as the local managers of the stressed foster-care system. The agencies will not handle child-abuse investigations. In most regions, that role remains with the state. In Palm Beach County, only one organization, Child and Family Connection -- a joint creation of Children's Home Society and the Children's Place at Home Safe -- applied to become that lead agency. Today, the review committee will release its evaluation of the new nonprofit's application to care for the county's 2,300 foster children. If all goes well, the state will begin negotiating with Child and Family Connection early next year. Chief Judge Walter N. Colbath Jr., an alliance member, said he invited Kearney to the meeting to bridge the gap between state government and the local community. Kearney accepted so she could address, in particular, any apprehension about whether the state was shirking its duties to Florida's most vulnerable children, said Children & Families spokeswoman Cecka Green, speaking for Kearney. "It's been a continuous concern, and it's one we're trying to squash as effectively as we can," Green said. "It's not a dump-and-run; we are still ultimately responsible for the care of children coming into state custody." One of the community's biggest worries is whether the state will come up with enough money to allow the lead agency to handle the massive job of revamping foster care. Kearney addressed that at the meeting as well, said Tana Ebbole, executive director of the county's Children's Services Council. "I think what she pointed out, which is very true, is that the ultimate holder of the purse strings is the state Legislature," Ebbole said. And "that we really need to work jointly to support the state Legislature increasing funding for the department, whether it's privatized or not." Monday's meeting also gave the alliance a chance to meet David May, a social-services director in Minnesota's Ramsey County, who takes the helm as DCF district administrator the end of January.

From [Sun-Sentinel.com](#), 5 February 2001

### U.S.: GROWING SUPPORT FOR EFFECTING SOME PRIVATIZATION OF SOCIAL SECURITY

Probably the most fascinating political debate in modern history happened between then-President Clinton and his disgruntled vice president, Al Gore, shortly after Gore realized he had lost the White House to George W. Bush. Accounts of the private hourlong showdown had Gore blaming the loss on Clinton's sex scandals and Clinton blaming Gore's retreat from the Clinton record. We'll never know who won the debate - both men had valid points - but we agree with Sen. Evan Bayh of Indiana, new chairman of the Democratic Leadership Council, who urged party leaders to "focus upon the things that will create better lives for the American people, not a bunch of criticizing about what happened last year." SO HOW ARE better lives created? Within the realm of activities greatly regulated and influenced by federal government, what comes to mind is investment. It is private investment in business and industry that creates almost everything we own. Gore promised to fight the super-rich captains of big business on behalf of the common citizen, and that old class-warfare theme played very well among lower-income voters. Exit polls show that voters from families with incomes of less than \$30,000 went solidly for Gore and that Bush easily won among voters from households making \$75,000 a year and up. Gore edged Bush by only 1 percentage point among voters in the \$30,000-to-\$50,000 range. Four years ago, Clinton won that group by 8 percentage points, reports Investor's Business Daily. And those earning between \$50,000 and \$75,000, after giving Clinton-Gore a 2-point edge in 1996, changed their minds and handed Gore-Lieberman a 5-point loss, 46

percent to 51 percent. Why do they now think their lives would be better under a Republican president? One exit poll of voters earning from \$30,000 to \$75,000 found a clue. Among that group, those with stock market investments of at least \$10,000 favored Bush by 10 percentage points. Noninvestors in that income group favored Gore by 5 percentage points. It's a hard number to pin down, but polls also show a majority of voters now are also investors. Some estimates put the total as high as 70 percent. Clinton, who ran brilliant campaigns as a New Democrat friendly to middle-class investors, saw the future clearer than Gore. One of Gore's biggest policy mistakes was his uncompromising attack on the idea of allowing workers to invest some of their Social Security taxes in private accounts. Bush strongly favors such a plan as a way to maintain the financial viability of the nation's retirement program as the number of retirees grows and life spans lengthen. A new poll by Zogby International for Cato Institute finds that 70 percent of Americans favor privatization. The question was simple: Do you favor or oppose allowing workers to invest a portion of the Social Security payroll taxes in personal retirement accounts similar to IRAs or 401(k)s? In favor were 87 percent of Republicans. But what would surprise Gore is that 52.5 percent of Democrats were also in favor of such investment, as were 53.5 percent of African-Americans and 65.6 percent of union households. How much of the payroll tax do they want to invest? Twenty-one percent want to invest all of it, 29 percent want to invest half of it, and 20 percent want to invest some of it. In an election as close as the Bush-Gore contest, being so out of step with voters on an issue so important to their personal welfare probably cost Gore the election. No doubt the great unheard Clinton-Gore debate involved disagreements over campaign strategy. More useful to Democratic politicians who still have a hand in running the country would be to reconsider the Gore-led opposition to partial privatization of Social Security accounts. Republicans could help by answering the question of how reform can provide undiminished protection for disabled workers. The General Accounting Office determined that partial privatization of Social Security would seem to mean a cut of from 4 percent to 18 percent in the benefits to disabled workers. These workers deserve increased protection, not a cut. Republicans do their cause no favor by ignoring the issue of federally guaranteed insurance for all workers, especially those disabled before their private accounts have a chance to grow. When Republicans resolve that issue, Democrats will quickly question the wisdom of opposing a change voters so overwhelmingly support.

*From [Tampa Tribune](#), 12 February 2001*

## **U.S.: TRANSPORT UNION LEADERS JOIN TO OPPOSE AIR TRAFFIC CONTROL PRIVATIZATION**

Leaders of the 32 major transportation unions in the United States unanimously adopted a statement urging Congress and President Bush to resist privatization proposals that they said would derail air traffic control (ATC) modernization efforts and threaten the safety of the airspace system. "Selling off our ATC system to the lowest bidder is no way to ensure safe skies," warned Transportation Trades Department, AFL-CIO (TTD) President Sonny Hall. "America will fail to address the crisis facing our capacity constrained ATC and airport network if it embraces ill advised and poorly conceived privatization proposals. Our skies are not for sale." "Many are suggesting solutions to ease the widespread congestion in our air travel system, and some of these policy proposals would severely impact the future staffing and management needs of the Federal Aviation Administration (FAA)," the unions said in a statement. "Safety will undoubtedly suffer if FAA privatization advocates get their way," the executive committee stated. "Private sector businesses, with an eye on profits and the bottom line, should not be in control of the national air space or the safety of the flying public. That is why the federal government recently reaffirmed the fact that air traffic control services are an 'inherently governmental function.' The transportation labor leaders also applauded the major airlines for recognizing the critical role played by FAA workers and specifically, for calling on our government to hire "1,000" additional air traffic controllers. "We support this industry effort and will make the case that the entire FAA work force must be expanded if our government is serious about the meeting the soaring increases in passenger and freight air traffic projected into the future," Hall said. The executive committee also pointed out that the commercialization model deployed in other countries including Canada's NavCanada, a not-for-profit air navigation corporation, "hardly offers a viable alternative for the U.S., as experience there has demonstrated an almost single-minded focus on saving money for consumers, airlines and passengers rather than advancing safety we fear such approaches may place profits above safety." Transportation union leaders added that as gridlock in airports and ATC system dominate the news, Congress and the President must not only reject risky privatization proposals, but must repudiate those who would "discredit the dedicated federal FAA workforce that operates, maintains and inspects our system of air transportation."

*From [AIRwise](#), 13 February 2001*

## **GARDINER COUNCIL TO CONSIDER PRIVATIZING RECREATION**

The City Council is set to consider allowing Gardiner Recreation to become a private, nonprofit group in an effort to start a regional Boys and Girls Club. Gardiner Recreation officials plan to ask the municipalities of Gardiner, Pittston, Randolph and West Gardiner for funding to support their effort to open a Boys and Girls Club in the former railroad station on Maine Avenue. The building is next to Lucky Strike Lanes and across the street from the Shop 'n Save complex in Gardiner. On Tuesday, Gardiner councilors are scheduled to consider granting initial approval of the proposal. If successful in Gardiner, the proposal is expected to go before voters in the other three municipalities at their town meetings. If everything goes smoothly, the Boys and Girls Club could be operating in the railroad center, the former home of Senior Spectrum, within a year. Councilors in Gardiner seemed receptive to the proposal to start a Boys and Girls Club and community center in the city when they discussed the concept at a council meeting last week. Mayor Brian Rines, a longtime proponent of starting a community center of some sort in the area, said the center could serve as a "economic development tool, community development tool and a personal development tool." The proposal goes to councilors at their meeting at 7 p.m. Tuesday. Councilors are also scheduled to: Meet behind closed doors to receive advice from their attorney. Discuss the findings of an independent review of the Gardiner Waste Water Treatment Plant building. The report listed

numerous "serious" safety problems in the building. Discuss a federal Environmental Protection Agency recommendation that another worker be hired at the Waste Water Treatment Plant. Hold a public hearing on a proposal to seek a \$15,000 state grant to conduct a housing study in the city. Consider approving a council goal statement for 2001.

From [AIRwise](#), 13 February 2001

## HONDUTEL PREPARES FOR NEW PRIVATIZATION PROCESS

Honduran state-run telco Hondutel is expected to be ready to launch a new privatization process in late March, privatization committee member David Rivera told BNAmericas.com. First the company faces the difficult task of laying off 20% of its staff, in order to make itself more attractive to potential investors. The measure will not affect Hondutel's technical staff and the company already has sufficient reserves to cover severance pay, Rivera said. Meanwhile, there is no news about the company's plan to auction contracts for the supply of 23,000 new lines and activation of 18,000 idle lines. An attempt to sell a 51% stake for at least US\$300mn came to a fruitless end in October 2000 when Mexico's Telmex (NYSE: TMX) was the only company to bid, offering just US\$106mn.

From [Business News Americas](#), 20 February 2001

## PANEL PUSHES PENTAGON PRIVATIZATION

The Defense Department can save up to \$70 billion by revamping its acquisition programs and contracting out more of its support services, according to a report released Thursday by a commission of business leaders and former government officials. The panel, known as the Tail-to-Tooth Commission, is chaired by former New Hampshire Sen. Warren Rudman and Josh Weston, retired CEO of Automatic Data Processing Inc. The "tooth" refers to combat troops and weapons systems, while the "tail" refers to infrastructure and functions that support warfighters. According to the commission, which is sponsored by a group of business leaders with an interest in national security policy, the tooth is becoming lean and mean, but the tail remains big and bureaucratic. According to the report, 70 percent of the Pentagon's budget goes to support functions, with only 30 percent paying for combat forces. The commission wants to shift Defense's budgetary focus from "tail" to "tooth." "The national interest is to make the U.S. military as efficient as we can," said Rudman. "I believe that if we apply business practices... you could get one-third of [the money] the services really need to perform their primary functions." The report identified 11 initiatives that could save the Defense Department billions of dollars. The money saved could be used to build up the armed forces and update weapons and equipment, the report said. The initiatives included expanding acquisition reform pilot programs, improving contracting processes, revising public-private competitions, closing unnecessary military bases and modernizing the defense budget and accounting system. The report also recommended that the following military operations be turned over to the private sector: Military family housing, Long-haul Defense communications, Utilities on military bases, Supply chain management. Commission members acknowledge that their recommendations are not novel. "All 11 Tail-to-Tooth reforms have been recommended by previous panels that have reviewed Pentagon practices over the past 15 years," the commission said. The report included step-by-step instructions on how to actually implement the reforms. "This is a blueprint for action, it's not a report about what other people should do," Weston said. "We're not talking about chicken feed here. We're talking about something that could be a monumental difference to the Defense Department." Bob Welch, vice president for government operations at Acquisition Solutions Inc., says the commission's recommendations are "right on the money." Welch was the top procurement official at the Commerce Department under the Clinton administration. "It will just take management and leadership over at the Pentagon to embrace it and say we're going to do this," Welch said. "It's really hard to change the way people have been taught to do business." Rudman and Weston said the group plans to lobby for Defense privatization and downsizing in Congress, in the Pentagon and at the White House. "We're not trying to lecture people and tell them 'Here's what we think you should do and here's when you should do it,' but we think this is a good kick-start," Rudman said.

From [Government Executive](#), by Tanya N. Ballard, [tballard@govexec.com](mailto:tballard@govexec.com), 23 February 2001

## GLOBAL

### IMF FORCES WATER PRIVATIZATION ON POOR COUNTRIES

A random review of IMF loan policies in forty countries reveals that, during 2000, IMF loan agreements in 12 countries included conditions imposing water privatization or full cost recovery. In general, it is African countries, and the smallest, poorest and most debt-ridden countries that are being subjected to IMF conditions on water privatization and full cost recovery. Ironically, the majority of these loans were negotiated under the IMF's new Poverty Reduction and Growth Facility (PRGF), a reform announced with great fanfare in 1999 when IMF officials claimed that the new loan facility would re-focus the IMF's controversial structural adjustment measures on activities that borrowing government's would identify as leading to poverty reduction. Rather than contributing to poverty reduction, water privatization and greater cost recovery make water less accessible and less affordable to the low income communities that make up the majority of the population in developing countries. The most immediate impact of reducing the accessibility and affordability of water falls on women and children. More than five million people, most of them children, die every year from illnesses caused from drinking poor quality water. When water become more expensive and less accessible, women and children, who bear most of the burden of daily household chores, must travel farther and work harder to collect water - often resorting to water from polluted streams and rivers. The significance of finding such a high number of conditions relating to water

privatization and water cost recovery in IMF loans is twofold. First, in the hierarchy of international financial institutions the IMF is at the top. Compliance with IMF conditions enables governments to receive the "seal of approval" that permits access to other international creditors and investors. Thus IMF conditions weigh especially heavily upon borrowing governments. Second, it is quite common that World Bank loans have, as their first condition, compliance with certain IMF conditions. This is known as "cross conditionality." In the division of labour between the two institutions, it is the World Bank that has primary responsibility for "structural" issues such as the privatization of state-owned companies. Therefore, it can be presumed that in every country where IMF loan conditions include water privatization or full cost recovery, there are corresponding World Bank loan conditions and water projects that are implementing the financial, managerial, and engineering details required for such "restructurings." Eight of the 12 countries identified are in sub-Saharan Africa. In six of the countries, the IMF conditions require some form of privatization, in four countries the conditions require both privatization and greater cost recovery, and in two the focus is just on cost recovery.

**Summary of policy:** ANGOLA - Adjust electricity and water tariffs in accordance with formulas agreed with the World Bank. Reduce accounts receivables of the water and electricity companies to one month of sales revenue. Adjust water tariffs periodically to recover costs, including a reasonable return on capital. BENIN - After the revision of regulatory framework, the government expects to complete the privatization before the end of the third quarter of 2001 privatize the water and electric power distribution company. GUINEA-BISSAU - Transfer of electricity and water management to private company. HONDURAS - Approve framework law for the water and sewage sector by December 2000 to facilitate private concessions in the provision of water and sewage services, approve the framework law by December 2000. NICARAGUA - Continue adjusting water and sewage tariffs by 1.5% a month. Offer concession for private management of regional water and sewage subsystems in Leon, Chinandega, Matagalpa, and Jinotega. Adjust water and sewage tariffs to achieve cost recovery and offer concession for private management in key regions. NIGER - Divestment of key public enterprises, including the water company, SNE. Privatization of the four largest government enterprises (water, telecommunication, electricity & petroleum) have been agreed with the World Bank with the proceeds going directly to pay Niger's debt. PANAMA - Allow to contract with private sector operators, determine need for tariff increase and possible rate differentiation among clients. Overhaul the water company's billing and accounting systems, allow it to contract with private sector operators, review the tariff structure. RWANDA - Put the water and electricity company (Electrogaz) under private management by June 2001. The water and electricity company (Electrogaz) will be put under private management as a prelude to its privatization. SAO TOME AND PRINCIPE - The new adjustment mechanism for public water and electricity rates will be brought into operation by decree. The price structure will cover all production and distribution costs as well as the margin of the water and electricity company. The accounts will balance consumption and resources without recourse to government subsidies. In May 2000, the government conducted a study of alternatives for the future of the water and electricity company (restructuring, leasing, concession or full privatization), with assistance from the World Bank. By December 2000, it will select one of the options and adopt a financial restructuring plan, and strengthen the revenue collection procedures. SENEGAL - Regulatory agency for the urban water sector will be created by end-2000. Transfer the recurrent costs of water pumping and distribution equipment to the communities. Increase the involvement of private sector operators. Encourage the involvement of private sector operators in the water sector. Assess the possibility of private sector operation and financing of the infrastructure required to meet Dakar's long-term water needs. TANZANIA - Assign the assets of Dar es Salaam Water and Sewage Authority (DAWASA) to private management companies. YEMEN - Implement adjustments in water, wastewater, and electricity tariffs to provide for full cost recovery. Implement formulas for automatic adjustments in tariff rates to ensure full pass through of product prices and full cost recovery; establish regional water authorities with private sector participation and independence to set regional tariff structures. Source: Letters of Intent and Memoranda of Economic and Financial Policies prepared by government authorities with the staffs of the International Monetary Fund and World Bank.

*From [Lake House](#), by Sara Grusky, 12 February 2001*