

# GOVERNANCE WORLD WATCH

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

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Compiled by Information and Networking Unit April 2001



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# Public Economic Policies & Globalization

## AFRICA

### SOUTH AFRICA SEES E-COMMERCE LAW IN PLACE THIS YEAR

Johannesburg - South Africa plans to introduce a long-awaited new electronic-commerce law by the end of the year, Communications Minister Ivy Matsepe-Casaburri said on Friday at the start of a two-day meeting of industry players to thrash out aspects of the new regulations. Only two million of South Africa's 43 million people use the Internet. Analysts say the country's e-commerce revolution is about a year behind the West and poor and rural people are increasingly being left behind. High bandwidth prices mainly due to Telkom's monopoly, coupled with low telephone access -- at 14 percent of the population -- are blamed for the slow take-up of the Internet. The new law will deal with a wide range of issues including consumer protection and privacy, how to tax electronic transactions and fight cybercrime, and ways to protect intellectual property. It will also likely include incentives to encourage broader Web access. South Africa has been working to formulate e-commerce law since 1999 when it first published a discussion document on the subject. This weekend's conference aims to come up with a final recommendation to the minister, which she can then use to draft the new law. "This...is crucial in light of the potential growth of the sector, since the absence of an enabling legislation negatively impacts on potential investments in the sector," she said. Apart from the specific e-commerce law, Matsepe-Casaburri said various other regulations needed to be amended, including those on intellectual property, national payment systems, telecoms and security. A new telecoms law is being developed. Industry players and the public have until May 2 to submit comments on the draft telecoms regulation, which plans one full-service rival to state-controlled monopoly Telkom initially and another within five years. Academic Aki Stavrou, in an overview of public submissions to the government on e-commerce, told the conference South Africa was the world's 18th largest user of the Internet. But he said small to medium-sized firms were slow to embrace the Net.

*From [Yahoo! via Yahoo!](#), 24 April 2001*

## ASIA/PACIFIC

### SINGAPORE TOPS THE GLOBALIZATION INDEX

"Globalization" has become the highly-charged buzzword of the 21st century -- often fraught with emotion on both sides - by those who fear it and would wish to stop it, and by those who enthusiastically embrace it, viewing it as a panacea for the world's woes. But, until recently, no one thought to actually measure it. How extensive is this modern phenomenon? Which countries are the most globalized? Which ones are the least? Which countries benefit from this inexorable world trend? Which ones suffer? It should come as no surprise to its SE Asian neighbors to learn that little Singapore - scarcely more than a city-state - is the most globalized of all Asian societies. What is even more surprising is that it tops the world. The US, in contrast, ranks a modest 12th on the list of the 20 most globalized societies. After Singapore, the Netherlands comes in second, followed by Sweden and Switzerland. The only other Asian country that makes it into the top 20 is Malaysia, which takes the last slot as Number 20 on the list of most globalized nations. This index - which is the first measurement of globalization and its impact on societies, was prepared by Foreign Policy magazine with A.T. Kearney Associates. Their study measured not only such obvious statistics as trade and investment flows, but also finance, travel, information technology and personal communication, to gauge the levels of global integration of countries. The results dispel some common myths about the effects of globalization. Foremost is the notion, repeated like a mantra by opponents of globalization, that income disparity increases when a country is globalized. On the contrary the survey found that the most globalized societies had a higher level of income equality than the less globalized countries. The more globalized nations were also less corrupt, according to both the Foreign Policy Index and Transparency International's annual report. They also enjoyed more political freedoms according to a Freedom House survey. Information technology proved to be widest spread in the US, Canada, Sweden and Finland. One of the striking findings in the Globalization Index is that Singapore receives foreign travellers at a rate that is three times higher than the country's population. It also has the most international cross-border telephone traffic (390 minutes per person annually). In contrast, the US receives international travellers in numbers that represent only one sixth of its population, and international telephone calls are one-fourth that of Singapore's, on a per capitabasis. The downside effects of globalization, which individual governments are unable to control, include transnational crime (the movement of drugs and people) and the spread of disease (such as TB and AIDS among people, and mad cow and hoof and mouth diseases among animals). The Philippines' single global claim to fame is that, at this point in time, it leads the world in text-messaging.

*From [Manila Bulletin](#), 10 April 2001*

### BASF KOREA THRIVING ON LOCALIZATION

BASF Korea, one of the three largest foreign companies in Korea, with a trillion-won turnover, is focusing and thriving on both localizing and globalizing its operations. "Attracting foreign investment into Korea means the generation of more jobs and more

revenues," said Yoo Chong-yul, chairman and CEO of BASF Korea. In an interview with The Korea Times here in Shanghai, Yoo said consistent efforts are being made to ensure that BASF Korea is recognized as a local company even as it engages in globalization. Yoo was in Shanghai this week for a meeting of top executives from East Asia, including China, a major chemical market which is constantly running short of chemicals, and Taiwan. "There are important investments being made in Korea, not only because of local demands but because business conditions are excellent," said Yoo. BASF Korea will be recording a turnover of 1.3 trillion won this year on the production of chemical products, including thermoplastics, polyurethane and health and nutrition chemicals. "We are still in the process of expanding our manufacturing facilities in Yosu and Ulsan and this will help us increase sales over the next few years," said Yoo, formerly an administrator at Kia Motors. BASF Korea came into the current form after buying out its investments in companies like Hyosung BASF and Hanwha BASF and taking over the lysine business from Daesang amidst the financial crisis which came crumbling down in 1997. "These investments have been a part of the integrated part of BASF's plans to expand its presence in Korea and the investments will continue into the foreseeable future," said Dr. Yoo who has been with BASF Korea since early 1999. He went on to say that BASF will be further expanding its operations in Korea through the combination of localization and globalization and improving its status as a responsible corporate citizen.

*From [Korea Times](#), by Nho Joon-hun, 13 April 2001*

## CHINA'S REVISED FOREIGN INVEST RULES EFFECTIVE TUESDAY

Beijing --The revised rules and regulations of China's Foreign-Invested Enterprise Law took effect Tuesday, with most of the amendments already embodied in other existing rules and regulations, legal experts said. "These are basically just 'catch-up' kind of amendments...There's no substantial breakthrough in there," said Liu Hongchuan, a Beijing-based lawyer at Skadden, Arps, Slate, Meagher & Flom LLP. The amendments, which include those involving raw material procurements, sales of goods and foreign currency purchases of foreign enterprises, were endorsed by the parliament last month and were approved by the State Council, China's cabinet, on April 12. The law was passed in 1979 and had only undergone one round of revisions in the early 1990s, Liu said. In the past 20 years, China has been attempting to transform from a socialist planned state into a market-based economy. Of late, Chinese officials have been revising other laws in keeping with further market opening commitments given by Beijing as part of its accession process to the World Trade Organization.

*From [Dow Jones via Yahoo](#), 24 April 2001*

## CHINESE LEADER URGES DEVELOPING NATIONS TO MEET GLOBALIZATION CHALLENGE

[Li Ruihuan](#), chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), on Saturday called on developing countries to strengthen cooperation in order to meet the challenge of economic globalization. Speaking at a meeting with [South African](#) Deputy President Jacob Zuma, Li said developing countries must face the reality of economic globalization, a trend that cannot be reversed. No country can be excluded from this trend, including developing countries which are beset by many difficulties and problems, Li said. Therefore, developing countries should adopt appropriate policies based on researches conducted accordingly and seize the opportunities so as to take the initiative, said Li, who arrived at Cape Town Wednesday on a six-day official goodwill visit to South Africa. Li stressed the importance of promoting cooperation among developing countries so as to facilitate the establishment of a just and rational new international economic order and ensure that economic globalization will benefit all countries. Referring to Sino-South African relations, Li said China attaches importance to developing relations with South Africa and is ready to work together with South Africa to push the relationship to a new level. Bilateral relations have enjoyed rapid growth in all aspects, with the cooperation constantly expanded and strengthened in various sectors since the establishment of the diplomatic relations more than three years ago. Zuma said he agreed with Li on his assessment of bilateral ties. China, he said, had supported the South African people in their anti-apartheid struggle in the past. South Africa, ever since the end of apartheid in 1994, has been working hard to develop its relations with China and has consolidated this relationship in various fields, Zuma said. He said the two countries should further develop their cooperation, work towards common development and meet the grave challenge of economic globalization. Also on Saturday night, South African National Assembly speaker Frene Ginwala held a banquet in honor of Li and his entourage. She pledged that South Africa would further strengthen the ties with China, "ties which are based on our status as developing countries, on long standing friendship and solidarity and which must be developed for the mutual benefit of both our peoples". South Africa is the second leg of Li's four-nation tour, which will also take him to [Morocco](#) and [Turkey](#). He has already visited Mauritius.

*From [Peoples Daily Online](#), 22 April 2001*

## INTERNATIONAL COORDINATION IN BANKING SUPERVISION NEEDED IN NETWORK ECONOMY

The network economy has given rise to new challenges for financial supervision and international coordination is becoming more and more crucial, China's central bank researchers said. Major changes have taken place in the relations between financial authorities, banks and consumers as a result of the development of the network economy, Xie Ping and Yin Long, both senior researchers at the [People's Bank of China](#), said in a report to the International Symposium on Network economy and Economic Governance here Friday. Huge amounts of sudden funds' transfer between financial markets across the world has become realizable and global transmissions of financial signals can now be completed shortly through the network, they said. While efficiency improves remarkably, the probability of financial risk contagion has been increasing, the researchers said. "The interaction of various financial business, clients and countries, and the huge flows of international speculating capital increase the

risk correlation between various economies," they said. "Given the rapid changes in the network economy, any rules unilaterally stipulated by the regulators will possibly face the dilemma that those targeted by the rules have changed before they are enforced," they said. The researchers pointed out that it will be ineffective to regulate the network finance through traditional means and policy readjustments are now needed in financial supervision. All the authorities in the world face cross-border business and clients as a result of the worldwide expansion of the Internet, which needs closer international coordination of financial supervision, they said. The new environment requires the establishment of new regulations and market infrastructure which are fit for international standards so as to ensure the development of the network economy in the future, the researchers said.

*From China-People's Daily, 21 April 2001*

## EUROPE/CIS

### PUTIN PROMISES DEEPER REFORM



Mr. Putin asked deputies to remember casualties in Chechnya. Russian President Vladimir Putin has given notice of wholesale reforms in a hard-hitting state of the nation address criticising almost every aspect of Russian society. He said bribery and bureaucracy were crippling the economy, and that abuse and corruption flourished in the country's judicial system. He said the customs, pensions, health and education systems all needed shaking up and said there would be further changes to the tax system on top of those his government has already introduced. He also said the country's fuel, energy and railway monopolies required restructuring. But he was criticised for failing to spell out detailed policies.

Former deputy Prime Minister Boris Nemtsov described the speech as "vague". "It shows we are not going to make any fantastic breakthrough, but instead to cautiously and meekly move forward," he said. Mr. Putin has been criticised by Russian liberals for failing to make more progress on economic reform during his first year in office, when economic conditions, including annual growth of 7.7%, were very favourable. Yevgeny Volk of the Heritage Foundation think tank said there was a "lack of clear-cut legislation". "It was very symbolic that Putin did not deal with how he was going to tackle corruption. That is clearly a top priority," he said. Other observers noted that he did not mention other pressing concerns, such as reform of the armed forces, or safeguarding freedom of the press. Igor Bunin, director of the Centre for Political Technologies said the speech was presented like a "business plan" and was intended to show the president's will "to get things done". "Putin started out portraying himself as a military leader. This changed to the image of a father listening to problems," he added. "Now he portrays himself as an able manager." For the first time in a Russian presidential state of the nation address, Mr. Putin did not mention US-Russian relations. He said a course of integration with Europe would be "one of the main directions of our foreign policy". Listing his government's achievements, he focused on the reform of the upper house of parliament, and the creation of a system of presidential representatives to strengthen the Kremlin's control of Russia's regions. He also noted that Russia had experienced its strongest economic growth for 30 years, and that tax revenues had increased. But he went on to say that standards of living remained low, and that as the rate of growth slowed, there was a risk of stagnation. He said it was essential to carry out structural economic reforms. Some of his sharpest words were directed at the legal and judicial systems. "Along with the shadow economy, we have shadow justice," Mr. Putin said, adding that the public had lost faith in the courts. He said one million Russians were in detention awaiting trial, when many of them had committed crimes which did not require custodial sentences. He admitted that investigations took years, and that the state was not able to provide decent conditions in jails.

*From BBC, 3 April 2001*

### RUSSIAN PRESIDENT ADVOCATES ECONOMIC REFORM IN ANNUAL ADDRESS

Associated Press Moscow -- President Vladimir Putin admitted Tuesday that his government has done little to raise low living standards and warned that Russia's over-reliance on raw materials exports puts it at the mercy of swings in the world economy. In his annual state of the nation address, Putin urged economic reform, warning that the alternative "is a road to economic and social stagnation." Putin delivered the annual speech to the political elite gathered in the Kremlin's Marble Hall. The address was broadcast live on all major television stations, but it was mostly devoid of appeals for public support, and Putin's dry, technocratic language underlined that it was aimed mainly at the government workers who must translate his directives into state policy. "The year 2000 showed that we can all work together. Now everyone has to learn how to work effectively," he said. "I ask all who are in government service to consider this their fundamental, major task." Putin said Russian citizens had good reason to distrust federal and local officials, noting they were poorly protected from the "arbitrariness of bandits and bribe-takers." He called for judicial reform that would protect civil rights and reduce the number of prison inmates. Putin expressed satisfaction with his yearlong efforts to strengthen control over all levels of government, saying they had stopped the "disintegration" of the state. He also contended they have laid the foundation for the economic reforms necessary to sustain growth and shift resources from raw materials extraction to production. But while he paid lip service to the need to press through with land reform, end bureaucratic stifling of investment, and

restructure the nation's fuel, energy and railway monopolies, Putin made no concrete proposals on how to reach those goals. "It seems to me that the president has become more cautious and doesn't want to show his cards," said liberal lawmaker Boris Nemtsov, noting that the speech suggested "we are not going to make any fantastic breakthrough but instead to cautiously and meekly move forward (with economic reform)." Most members of the Kremlin audience appeared satisfied with the speech, with Moscow Mayor Yuri Luzhkov calling it the "strongest, most businesslike" state of the nation address in years. But others noted the absence of any mention of some of Russia's greatest challenges: fighting rampant crime, reforming the bloated and underfinanced armed forces, and safeguarding freedom of the press. The foreign policy portion of the speech was dramatically shorter than in previous years, and for the first time ever, the Russian president made no mention of relations with the United States. Instead, Putin called for developing Moscow's ties with the European Union and former Soviet republics, and working toward membership in the World Trade Organization "on terms that are suitable for us" -- suggesting Moscow would resist any attempt by the international trade group to dictate conditions.

From [Houston Chronicle](#), 4 April 2001

## **GSM EUROPE REVEALS FEARS OVER TELECOMS REGULATION**

Europe's GSM association interest group, GSM Europe, has sent out a warning to the telecoms industry over increased regulatory intervention. The words of caution precede this week's meeting of European Union Telecoms Ministers where member states will debate how much power national regulatory authorities will have over telecoms operators. "Some member states are trying to lower the threshold for authority intervention considerably, which would act as a huge disincentive to investors," said Caroline van Weede, chair of GSM Europe. "Mobile operators have put Europe in the lead by undertaking massive risk investment in order to compete with each other through continuous innovation. If regulators are allowed to intervene at will, this success story will be put at risk." GSM Europe also claims that the member states could introduce a new concept called "oligopolistic dominance" where weaker regulators can impose ruling on virtually any operator in the market. Van Weede advocates that member states heed a recent European Commission paper which outlined the importance of avoiding excessive regulation in the third-generation communication market to maintain high investment levels. "We urge the Council to retain the Commission's proposed definition of 'significant market power', but if it cannot endorse the proposal, it should at least delay any hasty decisions," she said. "Excessive regulation is the last thing we need."

From [Wireless Web](#), 4 April 2001

## **EU TELECOM MINISTERS SPLIT ON MARKET POWER DEFINITION IN REFORM DIRECTIVE**

Luxembourg - EU telecom ministers are divided at their meeting over what constitutes "significant market power" and when operators should be subject to stricter controls, including on prices, diplomats said. They said the European Commission, along with Germany and Italy, argue a proposed directive on the issue should merely refer to existing EU competition law and jurisprudence, while other member states want a more specific definition set down. "The commission, Germany and Italy, we are arguing for (a reference to) general competition law and the majority, the UK very strongly, argue for other principles which they want in the directive," said a German official. She added the point is important because once a national telecoms regulator decides that one or more operators enjoy significant market power, that automatically has consequences for these companies. "You need to open up your network and you might have to provide universal services," she said of these operators. "It is extremely important to get that clear." The UK told the meeting that national regulators will face court challenges to their rulings on significant market power, and it is important that they have specific references in the directive upon which to base their rulings, the German diplomat said. Competition Commissioner Mario Monti told the ministers that there are sufficient EU rulings and court cases to provide telecoms regulators with guidance, including on what constitutes "joint dominance" by operators. There is a potential threat of joint dominance in the mobile telephone and digital TV markets, officials have said in the past. UK officials said yesterday that any findings of joint dominance would be challenged in the UK courts in the absence of clear criteria in the directive setting out this concept. Diplomats said the Netherlands has called for the inclusion in the directive of two criteria for judging whether there is a joint dominance case to be answered -- "homogeneous products" and "transparent market conditions." According to one diplomat, the Dutch argued that "if products are not homogeneous and market conditions are not transparent, then... joint dominance cannot arise." Meanwhile, there is broad agreement on the European Commission's powers to intervene in rulings by the national telecoms regulators, which would allow the Commission to issue an opinion on these rulings but not to challenge them outright, diplomats said.

From [AFX Press](#), 4 April 2001

## **INTERNET EUROPE: CODE AND DIGITAL ECOLOGY**

Cambridge, UK April 5-6, 2001 - The recent Cambridge conference CODE held at Queens College, mounted to more than a straightforward expansion of its acronym into -in computereze - its executable "Collaboration and Ownership in the Digital Economy". It actually got some of its participants collaborating. The most interesting idea regarding collaboration came as an off-the-cuff remark from James Boyle, professor of law at Duke University, who compared the recent interest in open digital code to environmentalism. The first environmental activists were scattered and without mutual ties, Boyle said, because the notion of 'the environment' did not yet exist. It had to be invented before it could be defended. After two packed days of presentations, it could well be that the virus will spread and make artists, activists and scholars in digital culture associate 'IP' with 'Intellectual Property'

rather than 'Internet Protocol', whether they like it or not. Unlike many Free Software/Open Source events with their occasional glimpses at the cultural implications of open code, the CODE programme covered the free availability and proprietary closure of information in the most general terms setting it into a broad disciplinary framework which included law, literature, music, anthropology, astronomy and genetics. Free Software has historically taught people that even digitised images and sounds run on code. But that this code is speech which can be locked into proprietary schemes such as patents and shrinkwrap licenses, thereby decreasing freedom of expression, is perhaps only beginning to dawn on people. John Naughton, moderator of the panel on "The Future of Knowledge", illustrated this situation by describing how, in the US at least, it is illegal to wear T-Shirts or recite haikus containing the few sourcecode words of DeCSS, a program which breaks the cryptography scheme of DVD movies. There is little awareness that any piece of digital data, whether an audio CD, a video game or a computer operating systems is simply a number and that every new copyrighted digital work reduces the amount of freely available numbers. While digital data, just like any text, can be parsed arbitrarily according to a language or data format (the four letters g-i-f-t, for example, parse as a synonym for 'present' in English, but as 'poison' in German), the copyrighting of digital data implies that there is only one authoritative interpretation of signs. The zeros and ones of Microsoft Word are legally considered a Windows program and thus subject to Microsoft's licensing, although they could just as well be seen as a piece of concrete poetry when displayed as alphanumeric code or as music when burned onto an audio CD. The opposite is also true: no-one can rule out that the text of, say, Shakespeare's Hamlet cannot be parsed and compiled into a piece of software that infringes somebody's patents. The legal experts speaking at CODE also explained the enormous expansion in intellectual property rights in the last few years. While patents are widely known to conflict with the freedom of research and even with the freedom to write in programming languages, the conference nevertheless extended its focus beyond this and made its participants aware of IP rights as the negative subtext to what was once considered the promiscuous textuality of the Internet. Still, it was surprising to see speakers with very diverse academic and professional backgrounds position themselves so unanimously against the current state of IP rights. In another informal remark, Volker Grassmuck proposed that we refocus 'information ecology' from software ergonomics to the politics of knowledge distribution. Does digital code need its own Greenpeace and World Wildlife Fund? The conference took its inspiration from Free Software, but didn't bother going into basics and priming the participants on what Free Software and Open Source technically are - which was both an advantage and a disadvantage. General topics were advanced right from the first session without first clarifying such important issues as the meaning of the 'free' in Free Software. GNU project founder Richard M. Stallman - who usually explains this as 'free, as in speech' not 'free, as in beer' - revealed his own questionable conceptions by proposing three different copyleft schemes for what he categorised as 'functional works', 'opinion pieces' and 'aesthetic works': as if these categories could be separated, as if they weren't aspects of every artwork, and as if computer programs didn't have their own politics and aesthetics (GNU Emacs could be analysed in just the same way Matthew Fuller analysed the aesthetic ideology of Microsoft Word.) It was annoying to hear Stallman reduce the distribution of digital art to 'bands' distributing their 'songs', and it was equally annoying to hear Glyn Moody call Stallman the Beethoven, Linus Torvalds the Mozart and Larry Wall - a self-acclaimed postmodernist and experimental writer in his own right - the Schubert of programming. To make matters worse, the artists who spoke on the second day of CODE echoed these aesthetic conservatisms in perfect symmetry. Michael Century, co-organiser of the conference and Stallman's respondent, unfortunately didn't have enough time to speak about the notational complexity of modern art in any detail. He was the only speaker to address this issue. Otherwise, artists were happy to be 'artists', and programmers were happy to be 'programmers'. Stallman's separation of the 'functional' and the 'aesthetic' was also implied in Antoine Moireau's Free Art License ([www.artlibre.org](http://www.artlibre.org)), a copyleft for artworks which failed to illuminate why artists shouldn't simply use the GNU copyleft proper. This question is begged all the more since the license is based on the assumption that the artwork in contrast to the codework is, quote, 'fixed'. While Moireau's project was at least an honest reflection of Free Software/Open Source, one couldn't help the impression that other digital artists appropriated the term as a nebulous, buzzword-compatible analogy. While there are certainly good reasons for not releasing art as Free Software, it still might be necessary to speak of digital art and Free Software in a more practical way. Much if not most of digital art is locked into proprietary formats like Macromedia Director, QuickTime and RealVideo. It is doomed to obscurity as soon as their respective manufacturers discontinue the software. On the other hand, the Free Software available obviously doesn't cut it for many people, artists in particular. The absence of, for example, desktop publishing software available for GNU/Linux is no coincidence since the probability of finding programmers among graphic artists is much lower than the probability of finding programmers among system operators. This raises many issues for digital code in the commons, issues the conference speakers seemed, however, to avoid on purpose. While most of them pretended that it was no longer necessary to use proprietary software, their computers still ran Windows or the Macintosh OS. It would have been good to see such contradictions if not resolved then at least reflected.

*From [Content-Wire](#), by Florian Cramer, 13 April 2001*

## **BROEN PUSHES AHEAD ON REFORM**

Chancellor Gordon Brown will today signal his intention to step up the pressure for trade and economic reforms throughout the international community. As Mr. Brown delivers a speech to the annual meeting of the European Bank for Reconstruction and Development in London against a buoyant economic backdrop, including a cash surplus of £37bn during the last financial year, he will call for "greater and enhanced co-operation" to take maximum advantage of global markets. The chancellor will confound any pundits who may have expected a change of tack in spite of his insistence that he will do nothing to risk the country's economic stability. Convinced that the correct mechanisms are in place to head off the US recession, Mr. Brown will say: "We know that in today's world of instantaneous global markets, risk and instability anywhere have repercussions everywhere. "The faster the speed of international financial flows, the greater the need for international and national vigilance." Making absolutely clear his determination to lead the battle for reform, he will tell the businessmen gathered for one of the few setpiece speeches from the

chancellor before the general election expected on June 7: "The way forward is greater and enhanced economic cooperation, with each and every country working together to maximise the benefits of global markets."

*From [Glasgow Herald](#), by Catherine MacLeod, 24 April 2001*

## **RUSSIAN TAX REFORM BEARING FRUIT**

Russia's sweeping tax reform is already bearing fruit, with receipts sharply higher so far this year, government ministers said here Sunday. Reporting back to the European Bank for Reconstruction and Development (EBRD) on Russia's economic transition, economic development minister German Gref said tax receipts were up 36 percent in the first quarter of 2001, from the same period last year. "This year we have already seen the first results of tax reform," said Gref, who helped draw up much of the reform program being implemented by the government appointed last year by President Vladimir Putin. "Tax receipts in the first quarter of 2001 were 36 percent higher than in the first quarter of 2000," Gref said. "With income tax ... the total amount collected grew in the first quarter of 2001 by 63 percent from the first quarter of last year." The tax reform, arguably the single most important piece of economic reform introduced under Putin, controversially slashed tax rates in order to put an end to a decade of chronic fiscal fraud. Chronically poor tax collection had helped cripple the Russian government's finances for the past decade. Deputy Finance Minister Sergei Kolotukin told the EBRD forum that the higher receipts had enabled the government to run a large surplus in 2000, and target a balanced budget in 2001. "It is the government's intention to aim for a zero federal budget deficit in 2002," he added. But the EBRD's chief economist Willem Buiter said Putin and his team still had serious challenges ahead to boost investment and confidence in Russia, which attracted a meager 4.4 billion dollars (4.9 billion euros) of foreign direct investment in 2000. Buiter called for further financial sector reform, a shake-up of the natural monopolies, and improvements in corporate governance and transparency. "With all that together, you can get sustainable growth," Buiter said.

*From [Russia Today](#), 23 April 2001*

## **WESTERN PRESS REVIEW: GLOBALIZATION ISSUES AGAIN IN LIMELIGHT**

Prague -- Anti-globalization activists were out in the streets of the Canadian city of Quebec over the weekend, protesting outside the Summit of the Americas. The meeting, which brought together the leaders of 34 countries in the Western Hemisphere, saw the signing of an agreement to form a pan-American free-trade zone by 2005. The zone will stretch from Canada to Chile, making it the biggest such free-trade area in the world. Tens of thousands of people staged peaceful rallies against the accord, saying that economic globalization, which involves the removal of trade barriers, favors big corporations and harms the poor. Not all the demonstrators were so peaceful, however, and a minority of them clashed repeatedly with police. NEW YORK TIMES: There is much international press comment today on the phenomenon of globalization and the hostility it has generated. Writing in the "New York Times" (published in today's "International Herald Tribune") under the heading "Why Sentimental Anti-Globalizers Have It Wrong," Paul Krugman recalls an old saying -- namely, anyone who is not a socialist before he is 30 has no heart, while anyone who is still a socialist after he is 30 has no head. Krugman says that suitably updated, this saying applies perfectly to the movement against globalization. He writes: "The facts of globalization are not always pretty. If you buy a product made in a Third World country, it was produced by workers who are paid incredibly little by Western standards and probably work under awful conditions. Anyone who is not bothered by those facts, at least some of the time, has no heart." But he says that doesn't mean the demonstrators are right. "On the contrary," he writes, "anyone who thinks that the answer to world poverty is simple outrage against global trade has no head, or chooses not to use it." Krugman asks, could anything be worse than having children work in sweatshops? Alas, yes, he says. In 1993, child workers in Bangladesh were found to be producing clothing for a U.S. store chain, and a U.S. Senator (Tom Harkin) proposed legislation banning imports from countries employing underage workers. The result was that Bangladeshi textile factories stopped employing children, and they ended up in even worse jobs, or on the streets. Krugman continues: "Third World countries desperately need their export industries -- they cannot retreat to an imaginary rural Arcadia." His conclusion is that "many of the people inside that chain-link fence [attending the summit] were sincerely trying to help the world's poor. And the people outside the fence, whatever their intentions, were doing their best to make the poor even poorer." INDEPENDENT: Krugman mentions socialism in passing. But in an commentary in the British "Independent" daily, Mark Seddon focuses on this issue. He says "the protesters are anti-capitalist -- but why aren't they pro-socialist?" Seddon goes on: "The disparate groups that make up the growing international anti-globalization movement dramatically flexed their muscles in Quebec City over the weekend, as thousands of trade unionists, environmentalists, and human rights activists joined hands again to protest against plans for NAFTA 2, a 'Free Trade Area of the Americas.'" He writes further that the protest was "a glorious jamboree of sub-culture, color, and passion, spoiled by the darker side of violent anarchists." He adds: "At the start of a new century, we are witnessing the birth of a powerful movement against corporate domination of government and the all-conquering free market." On the surface, Seddon says, there is little to unite trade union members who see their jobs exported, and environmentalists dressed as Ninja turtles protesting against global warming. But, he says, "what they do share is a powerful critique of globalization, and utter disillusionment with the political process." In other words, Seddon suggests that the fragmentation of leftist ideology has left people traditionally of the left without orientation, thus clearing the way for extremism. He writes: "Where once well-stewarded columns of trade unionists and their families came to demand dignity in labor and drink in a vision of a better world from leaders who thought they knew how to attain it, now there is a volatile, angry crowd of the dispossessed and the disenfranchised." ALLGEMEINE ZEITUNG: In a commentary for the German daily "Frankfurter Allgemeine Zeitung," Leo Wieland looks at what was achieved in Quebec, despite the teargas-stained eyes. He writes: "The 34 leaders of the western hemisphere gathered there behind an unsightly fence accomplished precisely what they set out to do: They strengthened their resolve to create a pan-American free-trade

zone by 2005 and reached agreement on a 'democracy clause' that would grant admission to their club only to countries with an acceptable form of government." Wieland stresses the importance of this goal of democracy, given the region's historical background. He writes: "What is taken for granted by host nation Canada and the neighboring United States is for many countries in Latin America and the Caribbean a requirement that deserves every available encouragement. Memories of rightist military dictatorships and leftist tyrannies are all too real, so that those assembled felt inclined to pat themselves on the back since they were all elected." WASHINGTON POST: Writing in the "Washington Post," Sebastian Mallaby uses the Quebec summit as a starting point for consideration of another international economic problem, namely the woeful state of the economies of Turkey, Argentina, and Indonesia. Mallaby notes that this week (starting 26 April) "brings another international financial jamboree, the spring meetings of the World Bank and International Monetary Fund in Washington." And, at the moment, says Mallaby, these spring meetings may matter more. That's because trade liberalization, as sought in Quebec, "is a noble medium-term objective." But, Mallaby adds, "at a time when three key countries are wobbling on the brink of financial meltdown, unequivocal support for the international institutions that could help them is a more urgent priority." Mallaby explains his proposition. He says: "The first wobbler is Turkey, a member of NATO and an important ally in a region where the United States is short of reliable partners. Then there is Argentina, which is central to the administration's ambition for a closer relationship with Latin America and which accounts for a fifth of emerging-market government bonds held by international investors. The third wobbler is Indonesia. With a population of more than 200 million, Indonesia is a potential counterweight to China." Mallaby says U.S. President George Bush needs to help these countries, by supporting rescue packages, even if his rightist advisers may tell him "that bailouts merely encourage irresponsible behavior by investors, and so must be avoided". Mallaby concludes that the test is going to be Turkey: "Unlike the Argentines and Indonesians, the Turks are explicitly asking for outsiders' money to support a tough economic reform program." The Turkish government is said to need between \$10 billion and \$12 billion, some of which could be supplied by the World Bank and the IMF. But some of the cash would have to come from governments of the G-7 group of advanced democracies, including the United States. Unless Washington displays leadership to bring this about, Mallaby concludes, it is "unlikely to happen, and the Turks will be left to drown."

From [Radio Free Europe](#), by Breffni O'Rourke, 24 April 2001

## FINANCE MINISTERS OUTLINE DEMANDS ON EU APPLICANTS

The 10 reform states of central and eastern Europe were told on the weekend that they will have to crisis-proof their economies, and submit stability and convergence programs to the European Union by June, to stay on track for EU membership. But finance ministers and central bank chiefs of the EU countries stressed during their first joint meeting with counterparts from the EU candidate countries that they were not laying down any additional admission criteria, and that the measures would in no way delay their admission to the Union. The first informal meeting of the 56 finance ministers and central bank heads from western and eastern Europe -- including Malta, Cyprus and Turkey -- saw the EU attempting to pick up the threads of the "structured dialogue" that was dropped three years ago after achieving little during the 1990s. Since then, the finance ministers have left candidates' preparations largely to the staffs of the EU Commission and the foreign ministries. Representatives of the reform states told the conference in this Swedish city that they had achieved considerable successes in reorienting their economies. A few of them, notably Slovenia and Estonia, claimed a lower level of public debt as a percentage of gross national product than EU founding members Italy and Belgium. The ministers and central bank heads of the membership candidate countries said they would begin twice-annual meetings to discuss economic and financial convergence, with the existing EU countries committing themselves to send officials of at least parliamentary undersecretary rank to observe the sessions. After the "jumbo council" meeting, German Finance Minister Hans Eichel said that making it clear that the candidates needed to achieve sound economic and financial policies was a good thing for both sides. Current EU member states could learn from the aspirants, said Mr. Eichel, but he stressed that even if Poland, Hungary, the Czech Republic, Slovenia, Estonia and Cyprus did succeed in joining the EU in the next few years, as expected, they would still be a long way from joining the European common currency. There could be no relaxation of the Maastricht convergence criteria for monetary union, Mr. Eichel said. Some officials for the central and eastern European countries said that achieving convergence with the EU was more difficult than even many policymakers realized. Reducing debt is a particular problem, they said, because of public spending commitments such as pensions and a decline in direct investment into their region. Earlier, the 12 euro-zone countries' finance ministers met privately to discuss flagging economic growth with the European Central Bank president, Wim Duisenberg, and the EU Commission. They said later that the slowdown in the United States would have only a limited effect on the EU, and forecast average economic growth in their countries of 2.5 percent to 3.0 percent this year.

From [Frankfurter Allgemeine](#), by Peter Hort, 22 April 2001

## THE AMERICAS

### ACTIVISTS CALL FOR POSTAL REFORM

NALC legislative activists from six western states and New York spent considerable time in the nation's capital during March going door-to-door in Senate and House office buildings to make sure that members of the 107th Congress are aware of NALC positions on critical legislation that affects letter carriers and all working families. Both NALC President Vince Sombrotto, speaking to several hundred New York carriers on March 15, and Executive Vice President William Young, addressing some 90 carriers from California, Washington, Nevada, Hawaii, Oregon and Utah on March 29, urged all letter carriers throughout the country to become involved in

local political activity and to begin work on the 2002 congressional elections. "We face a daunting task," Sombrotto told the New York contingent at their annual congressional breakfast, adding that the Bush administration and Republican-controlled Congress seem to have a proclivity to do the wrong things.

*From [Mailing Systems Technology](#), 4 April 2001*

## **MOST E-GOVERNMENT INITIATIVES LACK STRATEGY**

Washington, D.C. - In the mad dash to bring public services online, many government agencies are making the same fatal mistake that doomed so many dot-coms - rolling out Web strategies without developing sound business plans, a new study finds. "There's so much political pressure to get into (e-government) and to jump into it with all fours that people are sometimes getting into it without thinking it through," Columbia University Professor Steven Cohen told Newsbytes today. Cohen, who heads Columbia's Executive Master of Public Administration (MPA) program, co-authored a new PricewaterhouseCoopers study titled "The Use of Internet in Government Service Delivery." In reviewing the e-government sites operated by some 50 federal, state and local agencies, Cohen and study co-author William Eimicke found that fewer than 50 percent of the governments in question had based their Web offerings on sound cost-benefit analyses. "There's this assumption that (Internet services offerings are) inherently better and cheaper. And while that's probably true in the long run, it depends on how it is set up," Cohen said. Although Cohen and Eimicke confined their study to what Cohen described as well-run e-government site, only six of the 50 Web site operators they interviewed were able to produce truly well-researched business plans, Cohen said. Unless officials are asking themselves "does this deliver a better, faster, cheaper service than people showing up in person?" governments risk rolling out costly Web offerings that don't pull their own weight, Cohen said. Cohen concedes that in the current political climate, government officials face an inordinate amount of peer-pressure to erect spiffy, cutting-edge e-government sites. But he urges governments to approach prospective Web offerings the same way they would go about launching a business. In their report, Cohen and Eimicke offer an 11-point checklist that walks government officials through the process of developing a fiscally sound Internet offering. PricewaterhouseCoopers intends to make the report available on its Web site at <http://www.endowment.pwcglobal.com>. Reported by Newsbytes.com, <http://www.newsbytes.com>.

*From [Newsbytes](#), by David McGuire, 29 March 2001*

## **MERCURY AIR GROUP RENAMES ITS CANADIAN GENERAL CARGO SALES AGENT COMPANY AS PART OF GLOBALIZATION STRATEGY**

Los Angeles - Mercury Air Group, Inc. (Amex: [MAX](#); PCX) announced today that the Hermes Aviation division of Mercury Air Cargo, Inc. a Company subsidiary, has renamed its Canadian general cargo sales agent company as part of its globalization strategy. Effective immediately, Aerofreightways, Inc., will be known as Hermes Aviation Canada. "The name change is part of our strategy to extend the reach of the Hermes name throughout North America," said Joseph A. Czyzyk, President and Chief Executive Officer of Mercury Air Group, Inc., the parent company. "Hermes Aviation enjoys a reputation as a leader in the field of commercial airline marketing and sales representation, and we are proud to add Hermes Aviation Canada to our Mexican division, Hermes Aviation de Mexico, S.A." Hermes Aviation services include cargo and passenger marketing and sales, management services in the areas of accounting, financial and airport operations and cargo handling supervision. Hermes Aviation serves as general cargo sales agent for an impressive list of more than 20 leading international carriers, including British Airways, Cathay Pacific, Asiana Airlines, LAN Chile, Nippon Cargo Airlines, South African Airways and Virgin Atlantic. During the 2000 fiscal year, Hermes Aviation generated revenues in excess of \$65 million for its airline clients. "We are proud of the accomplishments of Hermes Aviation and look forward to continuing to serve the Canadian cargo market under the Hermes name," said Arturo Horton, Vice President and General Manager of Hermes Aviation, Inc. Chris Coombs, Vice President of Hermes Aviation Canada, said he is pleased to come under the Hermes umbrella. "By adopting the Hermes name, we will be able to create synergies as never before and more effectively market our operations," said Coombs, adding, "Our airline clients will know simply from our name that we provide the highest level of service in the industry." Hermes Aviation operates sales offices in Los Angeles, San Francisco, Seattle, Houston, Chicago, Atlanta, and New York, in the U.S.; Toronto and Montreal, in Canada; Mexico City and Guadalajara, Mexico; and a network of correspondents in Latin America, Asia, and Europe. Mercury Air Group, Inc. is a worldwide provider of aviation petroleum products, air cargo services and transportation, aviation information technology and support services to international and domestic commercial airlines, general and business aviation and U.S. government aircraft. Statements contained in this news release, which are not historical facts, are forward looking statements as that item is defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from estimated results. Such risks and uncertainties are detailed in the Company's filings with the Securities and Exchange Commission.

*From [PR Newswire](#), 4 April 2001*

## **VOTE REFORM FORUM SET AT FORD LIBRARY**

National commission to discuss reforming the country's electoral process. Butterfly ballots and dimpled chads likely will be among the topics when a national commission on election reform comes to Ann Arbor in June. Former President Gerald Ford will bring the National Commission on Federal Election Reform to the Gerald R. Ford Library on the University of Michigan campus for a public hearing. The commission was established in February to review the election process following last November's contested presidential race. The Ann Arbor hearing on June 5 will be the last of four public hearings the commission is holding around the

country. Ford and former President Jimmy Carter, honorary co-chairmen of the commission, are taking turns presiding over the hearings, all held at presidential libraries. Carter oversaw the first one, in Atlanta on March 26. Another hearing was held Thursday at the Ronald Reagan Library in California; the third will be at the Lyndon B. Johnson Library in Austin, Texas, on May 24. The commission intends to issue a report in September to assist Congress in reviewing the election process that contributed to the prolonged court battle eventually leading to George W. Bush defeating Al Gore for president. Co-chairman of the commission are Lloyd Cutler, White House counsel for Carter and President Clinton, and Robert Michel, Republican House leader from 1980-94. Commission members include lawyers, academics and retired politicians. Elections officials, researchers and politicians from the region hosting each hearing are invited as speakers, and a portion of the hearing allows general comments from the public. The list of invited speakers for the Ann Arbor event has not been released. The hearing will run from 10 a.m.-4 p.m. at the Ford library on U-M's North Campus. For more information, visit this Web site: [www.reformelections.org](http://www.reformelections.org). David Wahlberg can be reached at [dwahlberg@annarbornews.com](mailto:dwahlberg@annarbornews.com) or (734) 994-6827.

*From [Ann Arbor News](#), By David Wahlberg, 13 April 2001*

## **BUSH TEAM CLEARS MEDICAL PRIVACY REGULATIONS**

Acting at the behest of President Bush, Health and Human Services (HHS) Secretary Tommy Thompson today approved a sweeping set of medical privacy rules that initially were drafted by the Clinton administration. "Thompson agreed with President Bush that we need to move forward on these protections so that Americans can have confidence that their personal information (will) remain private," White House spokesperson Jimmy Orr said today. Drafted by Clinton's White House team to conform with the Health Insurance Portability and Accountability Act, the rules are designed to prevent health plans, providers and other entities from selling personal medical information without patient permission. Although strongly supported by consumer and privacy advocates, the medical privacy rules had powerful detractors in Congress. Just last month, House Majority Leader Dick Armey, R-Texas, urged Thompson to hold off on implementing the rules. Although Thompson, the former Wisconsin governor, already had put the rules on hold subject to a review, Armey asked for a firmer moratorium on the regulations. In announcing his surprise decision today (<http://www.hhs.gov/news/press/2001pres/20010412.html>), Thompson appeared to side with privacy advocates who have long argued for stronger medical privacy protections. "We have laws in this country to protect the personal information contained in bank, credit card and other financial records," Thompson said in a release. "Our citizens must not wait any longer for protection of the most personal of all information - their health records." Privacy advocates cooed over what they described as a victory over business interests. "The clear and present need for greater medical privacy protections has triumphed over the lobbying power of the health-care industry," American Civil Liberties Union (ACLU) staffer Ronald Weich said in release today. "The American people have waited too long for federal protection of what is, ultimately, the most sensitive of personal issues - medical privacy." Although detractors of the privacy rule stopped short of criticizing the Administration's decision, they immediately urged that the rules be amended. "In addition to being too costly and too complex, the regulations fail to fully protect the privacy of all Americans," House Commerce Committee Chairman Billy Tauzin, R-La., said in prepared remarks following today's announcement. "In some respects, the new privacy rules could even weaken - not improve - the confidential nature of certain medical records."

*From [Health Channel](#), 13 April 2001*

## **BUSH BOOSTS FED IT**

In President George W. Bush's 2002 budget, information technology will find a few pats on the head, as well as some swift kicks in the pants. If the budget is approved unchanged, the federal government will spend \$45 billion on IT in the next fiscal year, including \$20 million for an interagency e-government fund and \$145 million toward the Department of Justice's efforts to combat cybercrime. The budget proposal suspends funding for the Department of Commerce's Advanced Technology Program, which serves as a public venture capital fund for technology companies. The budget also proposes to cut \$13 million from the U.S. Geological Survey's information delivery systems, which provide Web access to geographic and cartographic data. The federal government's IT budget is of special interest to New Economy companies because Uncle Sam buys hardware and software in massive quantities and agencies increasingly contract out much of the work required for IT projects. In 2002, according to the budget, IT spending will total \$400 million more than in the current fiscal year; the boost is one of the smallest in recent years. Among the IT victories is Bush's proposal to permanently extend the research and development tax credit. Industry has enjoyed the credit since 1981, but Congress haggles over it every few years. If Congress accepts Bush's proposal, companies that increase their R&D can depend upon tax credits to offset the expenditure. The episodic battles over extending the tax credit were always "an enormous headache for industry," said Robert Cresanti, general counsel at the Information Technology Association of America, a leading IT trade organization. "This will help serve as a stabilizing force." Cresanti was pleased overall with the Bush budget. "I think most of the news is good news for us," he said. The president proposed putting \$100 million over five years - \$20 million this fiscal year - into an e-government pool to fund interactive projects in disparate agencies. Currently, it's difficult for agencies to work together on anything, because their funding is "stovepiped," meaning every dollar is dedicated to something specific within each department. At present, there is no way for Congress to pay for interagency projects. Government officials have long said that for the federal government to fully realize the Internet's e-government potential, the sprawl of agencies and their Byzantine bureaucracies must work together on interactive projects. It took three torturous years for the feds to merely launch a Web portal to the government, at [www.firstgov.gov](http://www.firstgov.gov), which got off the ground last year only after a Silicon Valley millionaire donated much of the grunt work required to build the site. Rob Atkinson, director at the Technology and New Economy Project at the Progressive Policy Institute, a centrist

Democrat think tank, said he was "disappointed" that Bush's interagency fund wasn't bigger, and called it "vaporware." The Bush budget will soon be taken up by Congress, and must be debated and signed into law before the federal fiscal year ends Sept. 30.

*From [ZDNet](#), by [Doug Brown](#), 16 April 2001*

## NEW TAX CUTS BATTLE AHEAD



Budget and education issues top the legislative agenda as Congress returns to work this week to do battle over the core of President George W. Bush's domestic priorities after a two-week recess. House and Senate negotiators are preparing to square off over a final budget framework that will determine how big a tax cut is likely to be able to thread its way through the evenly divided Senate. The recess did little to change the minds of Senate Republican moderates, whose defections dealt an earlier blow to the White House. Before the recess, the Senate sliced about \$400bn from Mr. Bush's proposed \$1,600bn, 10-year plan and shifted resources to more federal spending on agriculture, healthcare and debt reduction. The House last month voted for a budget that endorsed Mr. Bush's \$1,600bn tax cut. A final vote on a compromise could come by the end of the week. On Monday, White House officials denied reports circulating on Capitol Hill that Mr. Bush would be willing to accept a \$1,400bn tax cut and an increase in federal discretionary spending of 6 per cent - compared with the 4 per cent he originally proposed. "The president is going to continue to push for a tax relief plan as close to \$1,600bn as possible," said Ari Fleischer, Mr. Bush's spokesman. But Tom Daschle, the Senate Democratic leader, rejected that approach, saying that a \$1,200bn tax cut represented middle ground between the parties and that "the votes aren't there" for anything higher. Mr. Daschle also criticised Mr. Bush for adopting a "divide and conquer" stance on budget issues. He nicknamed the president "the Wedge" for "the way he was driving Democrats and Republicans apart" on the budget. Mr. Daschle added, however, that he was encouraged by Mr. Bush's apparent willingness to negotiate with Democrats on education policy. Over the recess, the two sides inched closer to an agreement on several aspects of Mr. Bush's education agenda, including performance assessments. But Democrats still want to see substantially more federal funding than Mr. Bush is willing to provide and that may yet prove a fatal stumbling block. To help win Democratic support, Mr. Bush has essentially abandoned the controversial idea of "school vouchers" by which federal money would be made available to parents wishing to send their children to private schools. Meanwhile, the House, where Mr. Bush's agenda has been helped by zealous Republican leaders and an effective working majority, is scheduled to revisit abortion issues this week. It will debate a law that would allow federal prosecutors to charge a suspect for killing or injuring a foetus at any stage of development.

*From [Financial Times](#), by [Deborah McGregor](#), 24 April 2001*

## SUCCESS AT SUMMIT

Canadians can take pride in playing host to the Summit of the Americas. Prime Minister Jean Chrétien was on top of his game, building consensus with practised ease and keeping things on track. By the time delegations from 33 countries flew home yesterday, they had given democracy and prosperity for 800 million a welcome nudge. Chrétien made George W. Bush and Brazil's Fernando Cardoso feel welcome, without glossing over vexing disputes on softwood lumber and aircraft subsidies. He even joked about feeding Bush Prince Edward Island potatoes which the United States has banned for no good reason. Canadian officials lobbied, too, for a strong declaration that only democrats are welcome in the club, and for publishing the draft of the trade deal. The fierce debate about globalization and its impact on peoples' lives will go on, as it should. But in a healthier, more transparent direction. Yesterday's global headlines acknowledged as much. "Talks tie trade in the Americas to democracy," the New York Times reported. "At Quebec, 34 American leaders link free trade and democracy," wrote LeMonde, from Paris. "Americas free trade zone agreed," noted London's Financial Times. And in Beijing, the People's Daily wrote "Leaders of the Americas adopt action plan for prosperity." Nor was Chrétien intimidated by violence. We're the elected leaders, he shot back. We've got legitimacy. Some 25,000 peaceful activists accepted that, and staged a thoughtful People's Summit and rallies. The few who tried to disrupt the meeting didn't get far. The police rebuffed them firmly, and mostly with restraint. Few were seriously hurt. It's worth noting, too, that the police successfully deterred the chief threat to any global gathering: terror. Argentina's Fernando de la Rúa, who plays host in 2004, gave the impression that he wants to involve not only politicians and business leaders but also People's Summit activists in a serious, three-way dialogue. If he succeeds, it will in part be because Canada paved the way by consulting with activists in the run-up to Quebec; by funding the People's Summit; and by inviting skeptics to make their case for political accountability, transparency and social justice.

*From [Toronto Star Online](#), 24 April 2001*

## BUSH WANTS NEIGHBORLINESS, OPENNESS AT HEMISPHERE SUMMIT

The "good-neighbor" policy that President Bush wants to feature at this weekend's Western Hemisphere summit extends to the protesters converging on the Quebec summit site. The president, who will travel to the third Summit of the Americas on Friday, has directed Cabinet officials accompanying him to meet with representatives of the anti-globalization, environmental and human rights groups who threaten to disrupt the massive trade summit, a senior administration official said Wednesday. The 34 participating democracies, which stretch from the tip of South America to Canada's Arctic zone, excluding only Cuba, also have agreed to make public the 200- to 300-page draft agreement that will form the basis of negotiations between now and Jan. 1, 2005, for a

hemisphere-wide free trade zone. The U.S. official, who briefed reporters on condition of anonymity, said publicizing the draft was another effort to meet protesters' demands for "greater transparency" to summit work on a trade pact that will affect economic, labor, environmental and human rights standards for 800 million people through the hemisphere. The summit is expected also to produce 40-50 pages of commitments by member nations to reforms in the judiciary, education, health care, drug interdiction and disaster assistance. Bush, who has said being a "good neighbor" in this region is his top foreign policy priority, was meeting at the White House on Thursday with Argentine President Fernando de la Rúa, the seventh hemispheric leader invited to the White House since Bush moved in on Jan. 20. Besides talking about what one White House official described as "trade, trade and more trade," Bush wants to use Thursday's Oval Office picture-taking session to show support for the "tough choices" de la Rúa is making to turn the Argentine economy around. Bush travels to the summit in Quebec without carte blanche from Congress to negotiate the new free-trade zone. The executive branch's "trade promotion authority," which used to be called "fast-track authority," lapsed in 1994. It has not been restored by Congress due to disputes over enforcement of labor and environmental standards by U.S. trading partners. Senior White House adviser Karl Rove said in an interview Wednesday that Bush won't soon ask Congress for such authority to allow time to make the legislation more attractive to Democrats. "You can only put so much into that pipe, and we've stuffed it," Rove said of Bush's crowded legislative agenda. Secretary of State Colin Powell, Commerce Secretary Don Evans and Agriculture Secretary Ann Veneman are traveling with Bush to the Quebec summit, along with first lady Laura Bush, national security adviser Condoleezza Rice, White House chief of staff Andrew Card and U.S. Trade Representative Robert Zoellick. Before the summit opens with a Friday night ceremony and dinner, Bush will hold meetings to discuss U.S. engagement in the hemisphere. He will talk with Canadian Prime Minister Jean Chretien, then with leaders from the five Andean nations, plus Brazil and Panama. Caribbean leaders will have a separate meeting with the president. The Quebec gathering stands as the second time Bush has ventured beyond American borders as president. His first foreign visit was a day trip to Mexico. As a further symbol of the importance Bush places on the Americas, he will convene a trilateral meeting with Chretien and Mexican President Vicente Fox after the summit on Sunday. The leaders will discuss energy policies among other issues.

*From [AP via New Jersey Online](#), by Sandra Sobieraj, 19 April 2001*

## **POLITICAL APARTHEID PAVES WAY TO GLOBALIZATION**

Even as they heckle his Summit of the Americas this weekend, the vocal and sometimes contradictory groups that make up the left in Canada should be thanking Prime Minister Jean Chrétien on bent knees. As a result of his decision to host the summit, the profile of globalization-related issues has been raised to new heights across the country. Thousands of new activists, many of them young, articulate and, so far, politically disengaged, have found a cause for which they feel it's worth fighting. In no small part because of the summit's Quebec city venue, the Canadian left has been able to reopen the dialogue with its Quebec sovereignist counterpart. The two had basically been estranged since they ended up on opposite sides of the 1988 free-trade debate. Regardless of the final head count when demonstrators take to the streets of Quebec city on the weekend, the summit has already allowed the left to mobilize to a degree unseen in more than three decades in Canada. The last time so many Canadians took to the streets to promote social and political ideals was in the late 1960s. And while social activism then had as many faces as the so-called anti-globalization movement does now, its impact on traditional politics was felt for years to come. The anti-war movement sparked by the Vietnam War energized Canadian nationalism. The liberation struggles of various minorities, and women, emboldened Canadians to seek radical change. All of the above were engines of both the 1968 wave of Trudeaumania and the emergence of the NDP as the social conscience of Parliament. In Quebec, the like-minded popular demonstrations of the '60s led to the birth of the Parti Québécois and the secularization of the province, as well as its language laws. But whether anything approaching lasting influence emerges from this weekend's momentum remains very much to be seen. First, it is always easier to agree on what to oppose than to find a consensus as to what to propose in its place. And then, today, the new voices on the left - even as they claim to fight for the preservation of distinctive national identities - tend to see traditional national politics as part of the problem rather than the solution, with potentially disastrous consequences for social-democratic parties in Canada and Quebec. It is not so much a matter of being kept out as of not seeing the point of coming in. A few years ago, the thousands of demonstrators who are about to rendezvous in Quebec city would have been the natural clientele of the NDP or the PQ. The federal Liberal party would have killed to have a sizable chunk of them on side. Indeed, that is part of the reason it picked Pierre Trudeau as its leader in 1968. But now, social-democratic politics in Canada are increasingly running on empty as the new wave of social activism bypasses parliaments to seek barricades the world over. As a result, for all the noise of the demonstrators around the summit fence, for all of their eloquent speeches, the left has rarely been so absent from the centres of power of the country. Over the past decade, the ground lost by social-democrat ideals in the Canadian political arena can be measured in hectares rather than mere centimetres with the erosion ongoing. Indeed, it is no small irony that the great social activism revival that is taking place in Quebec city coincides with an election call in British Columbia that will likely result in the near elimination of the NDP from that province's political landscape. Or that it comes on the heels of a Quebec by-election where the left so successfully split the sovereignist vote that a PQ stronghold ended up going to the more right-of-centre Liberal party. In the months since the November federal election, the NDP has gone out of its way to raise globalization issues. For its efforts, it has remained at the bottom of public opinion polls, failing to find enough fertile middle ground - between the many who are simply worried about the impact of globalization and the vocal few who are all-out opponents - so it could blossom. The political apartheid between traditional politics and a militant civic anti-globalization movement that tends to equate compromise with selling out is creating a vacuum in which the leaders who are putting in place a new world order ultimately have a freer hand to do so. For now, at least, the well attended and loud demonstrations that have come to attend the march to globalization every step of the way do more to hide this vacuum than to fill it.

*From [Toronto Star Online](#), by Chantal Hébert, 19 April 2001*

# GLOBAL

## THE CHALLENGES OF GLOBALIZATION AND THE ROLE OF THE IMF

Remarks by IMF Managing Director Horst Köhler - Meeting with Members of the Deutsche Bundestag: 1. The world economy is currently undergoing a critical period of adjustment. The engine of global economic growth over the past ten years—the U.S. economy—is sputtering, and no relief is forthcoming from economic developments in other regions of the world. On the contrary, in Asia and in Europe growth is also slowing. It would, nevertheless, be wrong, in my opinion, to lapse into gloominess. Some slowdown in the U.S. economy was necessary, not least in order to correct exaggerations in the financial markets. Moreover, in many countries, key economic fundamentals are stronger today than they were a few years ago. Inflation is not a pressing issue at the moment, government budgets are comparatively solid, and the international monetary system is in a better position to respond to pressures thanks to the predominance of flexible exchange rate regimes. Above all, however, there is sufficient room for maneuver for economic policy to counteract the dangers of a deeper recession. On that basis the IMF is forecasting global economic growth of above 3 percent for this year (after 4.8 percent in 2000), which is roughly in line with the average growth rate over the past two decades. 2. Achieving a growth rate above 3 percent in 2001 will, however, require skillful policy management. By aggressively lowering interest rates, the U.S. Federal Reserve has appropriately demonstrated its determination to act, and it has further room for maneuver if necessary. The tax cut discussed in the United States will also ultimately strengthen consumer and investor confidence. And while Japan has returned to a zero interest rate policy, more resolute efforts at restructuring the corporate and banking sectors have still to be made. The tax reforms in Europe have proved appropriate and timely. However, I would not be happy if the Europeans were to content themselves merely with achieving a faster growth rate than the United States for the first time in many years. The IMF staff is likely to revise its growth forecast for Europe down to 2.5 percent for 2001 after 3.3 percent in 2000. Given this outlook, an interest rate cut by the European Central Bank would certainly help the European economy. However, more ambitious reform efforts are at least as important as lower rates. Human capital and the technological know how are clearly available to raise the path of potential growth from about 2½ percent today to well over 3 percent—an increase that would significantly lower unemployment, strengthen the euro, and help strengthen the global economy. 3. It is the task of international economic policy to tap the opportunities of globalization, while limiting its risks. The opportunities it affords are higher productivity, increased trade, stronger growth dynamics, and more jobs and higher incomes. In my view, globalization also offers a chance to attain a new awareness of the interdependence of developments all over the world. The risks lie in overstressing the ability of societies and political structures to adapt, and in financial crises caused as a consequence of excessive volatility in capital flows. The central problem is, however, the fact that too many people have so far had no share of the gains in the prosperity that was brought about by globalization. The successful fight against poverty is, in my view, the key to peace in the 21st century. 4. At the Annual Meetings of the IMF in Prague last year, I gained the overwhelming support of the IMF's 183 member countries for the Fund to play an active part in the international effort to make globalization work for the benefit of all. In my opinion, the Fund can fulfill that role best by refocusing its mandate and by being ready to learn and by accepting new challenges. Given the structural changes in the world economy, the IMF must focus on promoting international financial stability as a global public good. This means that the Fund must concentrate its efforts on macroeconomic stability, on fiscal and monetary policy, and capital markets issues. 5. The main lesson from the financial crises of the past is that crisis prevention must be at the heart of the Fund's mandate. Much has already been accomplished in this field in recent years. The IMF's bilateral and multilateral surveillance functions are the main vehicle to pursue this objective through the regular review and assessment of economic trends and policies at the national and international level. It is encouraging that most IMF member countries show a genuine interest in an open and frank surveillance discussion in the Executive Board of the IMF. I regard that as a clear indication that there is a broader base for the acceptance of globalization than sometimes portrayed in the media. It is my goal to use the Fund's surveillance discussions as a means to highlight the interdependence between member countries. Part of this is the recognition that financial crises are not only triggered in emerging markets but also in the global financial centers of industrial countries. Likewise, money laundering activities almost always involve the world's major financial centers. 6. The IMF and other institutions have done much in the past two or three years to increase the transparency of economic and financial data. Economic agents today enjoy much broader access to information for decision-making. While increased transparency does not, as such, prevent wrong decisions, it makes the repetition of a crisis like it unfolded in Korea in late 1997 fairly unlikely. An important area in which much remains to be improved, in my opinion, is the early detection of vulnerabilities and signs of potential crises, and the development of practical economic policy approaches to counter those developments. 7. Transparency can also rightly be demanded of the IMF itself, and the institution aims to live up to this standard. Currently, almost all country- and policy-related Board papers are published, unless a member country expressly opposes publication or a paper contains market-sensitive data. Recently, we published a paper on the IMF's website that reviewed Fund conditionality and have invited comments on it. In addition, during the course of this year, an independent Evaluation Office will begin assessing the work of the IMF. It will evaluate Fund policy and operations without any interference from management or staff. I expect this to enhance the effectiveness and credibility of the Fund's work. 8. Another important vehicle to enhance crisis prevention is the IMF's work on the elaboration and dissemination of standards and codes for sound economic and financial policies and corporate governance. Much has been achieved already in this regard. We must continue to work patiently but persistently to convince developing and emerging market countries not to interpret these standards primarily as a "dictate" by the industrialized countries but rather to see them as useful guide posts in their own efforts to strengthen institutions and gain greater access to international investment capital. 9. We recently witnessed in Turkey how a public dispute between leading politicians can unleash a financial crisis. I do not accept that in globalization capital markets have taken the place of politics. But politicians must nevertheless

recognize that, in open economies, political stability is a key factor for investor confidence. In the case of Turkey, the restructuring of the banking sector, especially the state-owned banks, lies at the core of resolving the current financial crisis. In retrospect, I wish that Turkey had participated in the pilot Financial Sector Assessment Program (FSAP) that the IMF and World Bank jointly developed after the Asian crisis. The FSAP gathers and analyzes detailed information on the strengths and weaknesses of the financial systems in member countries. So far, FSAP assessments have been conducted in 24 countries, and the Executive Boards of the IMF and the World Bank have already taken the decision to extend the program in 2001 to cover 30 more. This is also a very ambitious target, which incidentally places considerable demands on the resources of both institutions. However, I consider this program an important means to strengthen the stability of the international financial system by reinforcing its foundations. In that context, special priority must be attached to the assessment of financial sectors of countries with systemic importance for the stability of the international financial system.

10. In particular, the development of capital markets has dramatically altered the global economy over the past 20 years. In both volume and sophistication, private capital flows have by far overtaken official flows. Progress toward prosperity for all will only be possible with a policy of constructively working with—rather than against—the private sector. Both economic theory and policy application are clearly lagging behind developments in financial markets. This is also an area where the IMF itself needs to catch up. I have made a start on this with two decisions. First, we are systematically building up expertise on capital market issues by establishing an International Capital Markets Department in the IMF. Second, we are developing a channel for informal but regular dialogue with high-level representatives of private financial institutions. This dialogue is aimed in particular at engaging the private sector more closely and from the outset in crisis prevention. I also believe that such systematic dialogue can help build a financial culture which is oriented towards sustainable value creation, and helps mobilize forces within the private sector that countervail "irrational exuberance" (Alan Greenspan). In the end, it is however also necessary for the IMF to be in a position to make well founded judgments regarding the appropriate regulation of international capital markets. The further liberalization of capital flows remains an important goal. However, progress in this regard, has to draw on the experience gained in the past. That means, in my view, that capital account liberalization must be carefully sequenced, in terms of timing and degree, with the development of a sound financial sector, including of adequate regulatory and monitoring frameworks.

11. The Asian crisis was a combination of over-investment, and banking and currency crises. Research by the IMF indicates that no single type of exchange rate regime is appropriate for all countries in all circumstances. It is quite striking, however, that financial crises have invariably been linked, directly or indirectly, with fixed exchange rates. Fixed exchange rate regimes, in combination with insufficiently regulated and supervised banking systems, allow the buildup of speculative bubbles. That is why the IMF regards a flexible exchange rate regime as a better and safer option, particularly for emerging market countries. Such a regime can function as a safety valve in the event of economic policy slippages. A currency board, if accompanied by disciplined economic policies, may be an option in certain circumstances—above all to break the back of stubbornly high inflation. I also believe that the European experience with economic and monetary integration may hold lessons for other regions of the world on how economic and monetary stability can be secured. In any event, exchange rate regime and exchange rate policy issues must be at the core of the IMF's advisory expertise.

12. However much effort goes into crisis prevention, crises cannot be completely ruled out in an open and dynamic global economy. The IMF therefore needs to be and remain an efficient "firefighter". This presupposes the availability of sufficient financial resources and adequate instruments for their use. However, it is also true that the IMF is not, and should not be, in a position to match the volumes of private capital markets. Debtors and private creditors must always be aware that the IMF's financial assistance is not there to relieve them of their responsibility for the risks they take. The IMF is not an international lender of last resort, in the sense of providing unlimited liquidity. Such a notion would undoubtedly exacerbate the moral hazard problem. In order to limit moral hazard in the current system and to bring about equitable burden-sharing, we must engage the private sector in crisis resolution efforts. Substantial progress has been made in this area in the past few months. However, the discussion is far from concluded. In addition to the steps already outlined, the IMF amended its lending facilities in 2000, in order to discourage the extended use of Fund credit, and to be in a position to respond adequately to a sudden loss of market confidence and to contagion effects.

13. Another important reform effort at the IMF concerns the conditionality attached to Fund lending. Conditionality remains essential to protect the Fund's resources and to promote the needed adjustment processes. However, in the past, conditionality sometimes became too extensive and, in some structural areas, ventured into areas outside the expertise of the Fund. I consider it very important that countries reaching an agreement with the Fund "own" the reforms themselves. In this context, less can be more if it strengthens country ownership and contributes to a sustained implementation of needed reforms. In my experience, it is often not a lack of political will that hinders reform, but rather the lack of know-how. Therefore we must pay even more attention in future to providing efficient technical assistance and to building efficient administrative structures in the developing countries.

14. Globalization requires a policy concept for one world. In my talks in developing countries, not least in Africa, I was told quite clearly—and not just by government representatives—that the IMF's involvement is welcome and that its advice and expertise are sought after, naturally along with its concessional loans under the Poverty Reduction and Growth Facility (PRGF). The demand by some that the IMF should withdraw from poor countries has not been thought through. Such a move would further a division of the world, whereas global partnership and cooperation is what is urgently needed. Those to whom I spoke in Africa confirmed in particular that the new concept of the World Bank and IMF cooperating to support comprehensive poverty reduction strategies developed by the countries themselves is beginning to bear fruit. There is increasing awareness that success in poverty reduction must rest on two pillars: First, resolute efforts by the countries themselves to address the home-grown causes of poverty. This involves above all good governance, respect for the rule of law, an end to armed conflicts, and the fight against corruption. The second pillar consists of more decisive, faster, and more comprehensive support from the international community.

15. Debt relief clearly must form part of a comprehensive concept for poverty reduction. The IMF and the World Bank brought 22 countries to the Decision Point under the Enhanced HIPC Initiative by the end last year—an enormous effort on the part of all involved. As a result, the total external debt of those countries will be reduced to one-third. I also welcome the decisions by a number of G7 countries to forgive 100 percent of bilateral claims in the context of the HIPC Initiative. However, debt relief should not be viewed as a panacea.

Credit is and remains an indispensable element for economic development. Credit must, however, be based on the confidence that contracts will be respected. Promotion of such a credit culture is not only essential for development but also for the stability of the international financial system as a whole. 16. The true test of the credibility of industrial countries' efforts to combat poverty lies, in my view, in their willingness to open their markets to poor countries' exports and to deliver on their promises of official development assistance. The governments and parliaments in industrial countries have more than a moral obligation here. They must, at last, allow developing countries free access to their markets. It is political and economic madness for OECD countries to spend US\$360 billion a year on agricultural subsidies, while poverty rages in developing countries, especially in the rural and farming regions. It is also overdue for industrial countries to honor their commitment to provide 0.7 percent of GNP for official development assistance. Germany's development aid is equivalent to about 0.26 percent of GNP, and thus roughly in line with the average of ODA from all OECD members. I hope that the discussion about globalization in the German Bundestag will lead to concrete results under their own responsibility in this area—for instance by legislation that makes the achievement of a level of ODA of 0.7 percent of GDP within 10 years legally binding.

*From IMF, 8 April 2001*

## DOES GLOBALIZATION MAKE THE WORLD MORE UNEQUAL?

**Abstract:** The world economy has become more unequal over the last two centuries. Since within-country inequality exhibits no ubiquitous trend, it follows that virtually all of the observed rise in world income inequality has been driven by widening gaps between nations, while almost none of it has driven by widening gaps within nations. Meanwhile, the world economy has become much more globally integrated over the past two centuries. If correlation meant causation, these facts would imply that globalization has raised inequality between nations, but that it has had no clear effect on inequality within nations. This paper argues that the likely impact of globalization on world inequality has been very different from what these simple correlations suggest. Globalization probably mitigated rising inequality between participating nations. The nations that gained the most from globalization are those poor ones that changed their policies to exploit it, while the ones that gained the least did not, or were too isolated to do so. The effect of globalization on inequality within nations has gone both ways, but here too those who have lost the most from globalization typically have been the excluded non-participants. In any case far too small to explain the observed long run rise in world inequality.

*From [National Bureau of Economic Research](#), by Peter H. Lindert, Jeffrey G. Williamson, 7 April 2001*

## GLOBALIZATION AND THE MYTH OF DOWNSIZING GOVERNMENTS

Public dissatisfaction is leading to a movement toward universal tax harmonization - Reminiscent of Mark Twain's remarks in response to his premature obituary, claims of the death of government due to globalization are greatly exaggerated. Despite such claims, governments everywhere continue to interfere extensively with the lives of their citizens and the economy. Maybe the amount of intervention is less than those of some political persuasions prefer, but often, more than most would. There has been some improvement in that some governments have become more transparent in what they do. This is evident in the drive for privatization and the increasing momentum for the demands for tax cuts that is taking on a global dimension. There is little evidence of a global revolt by disgruntled taxpayers. Nonetheless, political leaders are beginning to heed some of the discontent expressed by citizens and investors. Consequently, there are pressures on for a movement toward universal tax harmonization. Cuts in income and corporate taxes will increasingly be necessary to bring tax codes into alignment with the rest of the global economy. With impending tax cuts in the US and elsewhere, it must be remembered that tax policies are a prime consideration influencing inbound foreign investments since multinationals tend to invest in countries with lower and less arbitrary tax rates. In measuring the effect of regulations, the following should be included: direct public spending on regulatory bureaucracy plus compliance costs plus "invisible" costs. Direct costs in the US include budgeted expenditures of US\$18 billion plus compliance costs of more than US\$758 billion. This total represents an amount equal to 45 percent of the official federal budget. Then the compliance costs in US constitute about 9 percent of GDP or US\$7,000 per family. Total spending on regulations is almost same as revenues derived from personal income taxes and is greater than total corporate profits. The invisible costs of regulation include distortion effects whereby resources are diverted to less productive uses, bureaucratic rigidities that hinder responses to new technology or changes in conditions, and hampering entrepreneurial innovation. **Distortions** - These distortions relate to activities that might have been non-economic or irrational but were taken to avoid a tax or take advantage of public-sector subsidies or to evade costs imposed by regulations. As these actions lead to wastes of resources or their diversion from more efficient uses, there will be lower potential for long-term economic or employment growth. For the US alone, lost output due to regulation is estimated by the Cato Institute to be as much as US\$1.3 trillion each year. This daunting figure is not so surprising in light of the fact that the Federal Register includes about 70,000 pages of rules and regulations that affect economic choices. For example, there are punishments for success. If a business takes on more than a specified minimum of employees, they encounter a raft of taxes and labor market regulations. These latter conditions may include obligations for interacting with trade unions or restrictions on redundancies and dismissals. At the same time, restrictions on immigration and other conditions for employment, including minimum wages or restraints on part-time employment, may cause wage and salary costs to rise precipitously. In response, businesses that are profit conscious and wish to expand will seek ways around all this. They may relocate to a jurisdiction where the rules are less onerous. While such a move will reduce the tax base, there will also be fewer employment opportunities. Or they may minimize their full-time employees by using overtime or temporary hires or part-time workers. Companies may choose to remain small to operate off the radar screen of regulators and tax officials. In so doing, they forgo efficiencies derived from economies of scale that would have generated community benefits through reduced resource use. So important is the effect of regulation that its extent provides a partial answer

to why the standard of living rises more rapidly in some countries than others. One puzzle is that socialist economies, like China, can generate high rates of economic growth while many of Europe's welfare state economies spawn successful ventures in high-tech industries. According to a report from the National Bureau of Economic Research (NBER) indicates one source of difference in found in the regulations concerning startup for firms ("The Regulation of Entry" NBER Working Paper 7892, September 2000). However, lower restrictions on start-ups are not sufficient to insure high economic growth. There must be accompanied by macroeconomic stability and an "institutional infrastructure" (rules of the game) that are in sync with the global market economy. **Government obstacles** - These findings suggest that governmental obstacles that interfere with entrepreneurs' freedom to start-up a new business will increase graft and bribery along with boosting the "informal" sector of their economies. It also turns out that despite the stated justifications for regulating start-ups, strict enforcement of regulations does not improve product quality, reduce pollution or improve health measures. Meanwhile, lower levels of regulation of start-ups tend to be linked both to more democratic governments and higher per capita GDP. The study examined business rules and regulation as well as taxation for 75 countries. It turns out that public officials display great creativity in creating obstacles for new enterprises to form. These include Byzantine procedures that include requirements of lengthy waiting periods, myriad taxes or high fees to start a legal business. There was a wide range in the number of procedures required for a startup company ranging from Canada with the least (and Australia, New Zealand, the US, Sweden and Ireland near the top) to Bolivia at the bottom, with 20 required procedures. Brazil, Russia, Mexico, France and Vietnam all have excessive impediments to opening a new business. There are also a number of forces that lead to increased regulation that are not based upon generating benefits for the wider community. On the one hand, the incentives in bureaucracies tend to lead to "over-regulation in the sense that costs exceed benefits. This is because bureaucrats seek larger budgets and more power for their agencies since such growth also promotes their own interests. On the other hand, some firms may actually encourage government regulation since it can shift some operation costs to the taxpayer and may reduce competition. This is true where quality-monitoring costs can be shifted to the taxpayer as in the case of agriculture or meat processing. There are many observers and opponents of globalization who portray it as promoting a "race to the bottom" where governments shed regulation that render citizens helpless and unprotected. Yet they should fear not, for Leviathan is alive and well. (*Christopher Lingle is Global Strategist for eConoLytics.com and author of The Rise and Decline of the Asian Century*).

*From [Taipei Times Online](#), by Christopher Lingle, 15 April 2001*

## INTERNATIONAL MONETARY FUND TO MEET AMID SCEPTICISM

The International Monetary Fund and World Bank spring meetings begin in Washington on Thursday in the shadow of the violent protests that marked the Summit of the Americas in Quebec and amidst increasing questions about the benefits of globalization for developing countries. More protests are expected outside the IMF headquarters in downtown Washington where the meetings will be held, and inside the conference halls, the deliberations will be marked by concern at the trickle-down effect on the rest of the world of an expected slowdown in the American economy. Economists here refer to the fact that while anti-globalization protests reflect widely-held views, at the same time voters in many countries, particularly Latin America, appear to have endorsed market and monetary reforms. The electoral record has been supportive of globalization, an expert asserted at a briefing on the IMF-WB meetings organized by the Brookings Institution here the other day. Some distortions have been removed, and the poor appear to have fared well because of monetary reforms. However, it was also admitted, people in the middle-income groups felt vulnerable, with increasing disparities between skilled and unskilled labour. There were also worries about education, social welfare safety nets and unemployment; it is pointed out that the current high volatility of international markets cannot be seen in isolation from the trend towards globalization, and can indeed be interpreted as one of its offshoots. Apart from globalization and the consequences of the decline in the US economy, the forthcoming meetings are expected to focus on streamlining the structural conditionalities imposed by lending bodies and their link to institutional changes in the recipient countries. Many IMF members feel that progress made in the 1980s could be wiped out without institutional changes, but part of the problem is a perceived mismatch between the World Bank and the IMF relating to programme designing. The two institutions seemed sometimes to have different time frames. Perhaps, it is felt, there should be a clearer division of labour between the two. Corruption and questions of transparency are also likely to be on top of the spring meetings. One of the criticisms, according to an expert, could be that the IMF and World Bank overstep their mandates in relation to measures prescribed to minimize corruption and in some cases have made crises worse in countries that the fund is supposed to help. But in defence it is said that transparency and a more honest working environment are crucial to attracting private investment, both foreign and domestic. Corruption, it is argued, also erodes the tax base and increases the risk of currency crises. Discussions on contingency credit lines and moves to establish codes creating standards for countries wishing to move into the global economy are also likely at the meetings, where Pakistan will be represented by Federal Finance Minister Shaukat Aziz.

*From [DAWN Group](#), by Tahir Mirza, 23 April 2001*

## WHY SENTIMENTAL ANTI-GLOBALIZERS HAVE IT WRONG

**NEW YORK** There is an old European saying: Anyone who is not a socialist before he is 30 has no heart; anyone who is still a socialist after he is 30 has no head. Suitably updated, this applies perfectly to the movement against globalization - the movement that made its big splash in Seattle back in 1999 and did its best to disrupt the Summit of the Americas in Quebec this past weekend. The facts of globalization are not always pretty. If you buy a product made in a Third World country, it was produced by workers who are paid incredibly little by Western standards and probably work under awful conditions. Anyone who is not bothered by those facts, at least some of the time, has no heart. But that doesn't mean the demonstrators are right. On the contrary: Anyone who thinks that the answer to world poverty is simple outrage against global trade has no head, or chooses not to use it. The anti-

globalization movement already has a remarkable track record of hurting the very people and causes it claims to champion. The most spectacular example was last year's U.S. election. You might say that people with no heads indulged their idealism by voting for Ralph Nader, so people with no hearts are running the world's most powerful nation. Could anything be worse than having children work in sweatshops? Alas, yes. In 1993, child workers in Bangladesh were found to be producing clothing for Wal-Mart, and Senator Tom Harkin proposed legislation banning imports from countries employing underage workers. The result was that Bangladeshi textile factories stopped employing children. Oxfam found that the displaced child workers ended up in even worse jobs, or on the streets. Third World countries are not poor because their export workers earn low wages; it's the other way around. Because the countries are poor, even what look to outsiders like bad jobs at bad wages are almost always much better than the alternatives. Millions of Mexicans are migrating to the north of the country to take the low-wage export jobs that outrage opponents of NAFTA, and those jobs would not exist if the wages were much higher. The same factors that make poor countries poor - low productivity, bad infrastructure, general social disorganization - mean that such countries can compete on world markets only if they pay wages much lower than those paid in the West. At a recent conference I heard paeans to the superiority of traditional rural lifestyles over modern urban life - a claim that not only flies in the face of the clear fact that many peasants flee to urban jobs as soon as they can but that has a disagreeable element of cultural condescension. (Would you want to live in a pre-industrial village?) I also heard claims that rural poverty in the Third World is mainly the fault of multinational corporations - which is just plain wrong. The most sophisticated answer was that the movement does not want to stop exports, it just wants better working conditions and higher wages. But that is not a serious position. Third World countries desperately need their export industries - they cannot retreat to an imaginary rural Arcadia. They cannot have those export industries unless they are allowed to sell goods produced under conditions that Westerners find appalling, by workers who receive very low wages. So who are the bad guys? The activists got the images they wanted from Quebec: leaders sitting inside their fortified enclosure, with thousands of police protecting them from the outraged masses outside. But images can deceive. Many of the people inside that chain-link fence were sincerely trying to help the world's poor. And the people outside the fence, whatever their intentions, were doing their best to make the poor even poorer.

*From [International Herald Tribune](#), by [Paul Krugman](#), 23 April 2001*

## GLOBALIZATION FOES SAY THEIR MOVEMENT HAS GROWN

One is a young cellist whose long blond hair cascades over preppy attire. Another is a professor of Indian studies. A third is a septuagenarian engineer who claims he can still run a 5K race in less than 20 minutes. A fourth is a college junior majoring in consumer affairs who drove up with friends from Vermont to see what it was all about. And about 150 others like them, all clad in black trousers, shirts, caps and kerchiefs over their mouths, refused to say who they are, where they're from, what they do or what they think. They're the anarchists. They have come from almost three dozen countries to this romantic 17th-century city on the St. Lawrence River to protest creation of the world's largest and most ambitious trade bloc. Like the 1999 World Trade Organization summit in Seattle, their demonstrations Friday and Saturday erupted into confrontations with police. Tear gas and smoke bombs consumed Quebec City's streets for a few hours, threatening to overshadow this weekend's Summit of the Americas of 34 nations of North, Central and South America and the Caribbean. The images were familiar, but the opposition has evolved over the past decade, even over the past two years. The vast majority of the groups oppose violence and favor international trade and investment -- and even globalization. "The movement has evolved a great deal since 1990, when we were labeled protectionists. We're more sophisticated now. We're no longer opposed to a free-trade agreement," said John Cavanagh, director of the Institute of Policy Studies in Washington, D.C., and one of the opposition organizers in Quebec City. "Now we have developed our own detailed alternative. And now we want a dialogue, not a confrontation." What motivates the myriad opposition forces to travel across countries and continents isn't the way the new Free Trade Area of the Americas proposes to open up trade among all the nations of the hemisphere, save Cuba. What alienates them is that they think it's heartless. "No country can nor should remain isolated from the global economy," declares the opposition's platform, called "Alternatives for the Americas." "The issue for us is not one of free trade versus protection or integration versus isolation, but whose rules will prevail and who will benefit from those rules. Any form of economic integration among our nations must serve first and foremost to promote equitable and sustainable development for all of our peoples." The other noticeable difference is the movement's size. In the early 1990s, the opposition to a regional free-trade agreement represented three countries -- the United States, Canada and Mexico. Today, the opposition represents about 45 million people in hundreds of groups from northern Canada to southern Chile. Even tiny Aruba had dissidents in Quebec City. They are in solidarity only in their opposition to the FTAA, however. The small group of anarchists with CLAC, the French acronym for the Anti-Capitalist Convergence, carried big black banners calling for a "revolutionary offensive." The march ended at the concrete-and-wire-mesh barrier erected around the summit area in old Quebec City to protect the 34 heads of state from protesters. The youths in black were able to breach it. At least two-thirds of the crowd had peeled off before the confrontation. "There are different degrees of radicals and anarchists," explained the young cellist named Rebecca, who supports a nonviolent, feminist group with the misleading name of Blood Sisters. "I don't like the idea of a world controlled by the values of corporations. And I don't feel the needs of the majority of people are given any serious consideration by the new trade agreement. But I'm not into violence, and I don't agree with all the people in this crowd." Another protest involved a crowd of trade unionists, environmentalists and social activists. In a large white circuslike tent outside the summit barrier, they listened to lectures and discuss how to promote gender rights, international labor standards, health care and access to education.

*From [Olympian Online](#), by [Robin Wright](#), 22 April 2001*

## ACTIVISTS TRAVEL NORTH TO FIGHT GLOBALIZATION

By this morning, dozens of demonstrators from the Boulder and Denver areas will have left for Canada to participate in three days of dissent against the latest phase of globalization. The Free Trade Area of the Americas, a plan to expand the North American Free Trade Agreement to every country in the hemisphere except Cuba, is the target this time. Representatives from those nations will participate in the Summit of the Americas Friday through Sunday in Quebec City to continue negotiations. Activists say the FTAA is bad for workers and the environment. "A large effect of these policies is to take away power at the grass-roots level and transfer that power to make decisions to these transnational corporations," said Carolyn Bninski, who coordinates the globalization project at Boulder's Rocky Mountain Peace and Justice Center. She said 60 protesters from Boulder, Denver and Fort Collins will make the trip. Solidarity demonstrations will take place across the United States and Canada during the summit. One is scheduled in Boulder at Boulder High School for 11 a.m. Saturday. While most activists are committed to peaceful dissent, Bninski said, she expects that conflict will dominate mainstream media coverage. Videographer and activist Doug Johnson of Boulder intends to film the events to record what may not be shown on the nightly news. Bninski and Johnson arrived in Quebec City on Wednesday. Today, Bninski said, organizers have sessions planned to teach civil disobedience. Friday, Johnson said, is "a day of action" in Quebec City, beginning with civil disobedience. Bninski was still deciding whether to participate and be arrested; Johnson said he will film but not participate. Saturday is the day for permitted marches and rallies against FTAA, he said. "Then, what tends to happen is there are vigils in front of the jails," said Johnson. "The camaraderie that comes out of participating in something you believe in with thousands of others who believe in it is an amazing experience," he said, "It's not something you can get at a Broncos game."

*From [Rocky Mountain News](#), by Owen S. Good, 19 April, 2001*

## LEFTIST WRITER SEES CORPORATE VILLAINS IN GLOBALIZATION

Gregory Palast is a Chicago-trained economist who writes muckraking newspaper columns in London - but also counts voters in Florida and sips rotgut in Brazil. It's all in search of the nasty underbelly of "globalization." The leftist writer believes he knows where to look. "Follow the money," Palast said in an interview, before speaking last night at the Cleveland Playhouse as part of a Cleveland Council on World Affairs series. He says the money trail leads: To foot-and-mouth disease, which he calls a byproduct of lax British regulation and rising global trade in live animals. To the disqualification last year of thousands of black voters in Florida, ostensibly as felons barred by statute from voting. Palast, 48, charges that a data-services firm with Republican connections was hired to weed out ineligible felons and purged thousands of what he called "faux felons," most of them black. The firm has said it was just following Florida law. The money trail also has led Palast: To "cash-for-access" scandals, in which corporate lobbyists gained entree to top British ministers. Palast says his 1997 expose for Britain's Observer newspaper was denounced by British Prime Minister Tony Blair as not being supported by "one shred of evidence." A London tabloid blared "The Liar" on its front page. But a British group named the story its "scoop of the year." To a rash of sell-offs of poorer nations' profitable utilities to big Western firms. In 1998, Palast was sipping "pinga," a Brazilian rotgut made from sugar cane, looking out over the not-so-twinkling lights of Rio de Janeiro, after a French firm bought its electric utility. Rolling blackouts continue there. And he charged the selloffs sometimes have deadly consequences. Last year, he said, four Bolivians were shot and killed after protests erupted over a 35 percent water-rate hike in the nation's third-largest city, Cochabamba. A British-American consortium that bought the water system imposed the higher prices. "The ideological concept of privatization and deregulation on the ground becomes shooting four people in the streets of Cochabamba," said Palast. "It beomes lights out in Rio de Janeiro. It becomes tripling electricity prices in California. And it becomes, in effect, the destruction of peoples and economies worldwide in its application." The underlying ideas aren't all wrong, he said. But he charged that, under the guise of "poverty reduction strategies," the World Bank and International Monetary Fund push austerities on other nations that the United States itself would not tolerate. The institutions, however, say they tackle poverty by identifying underlying causes and then helping countries address them in ways that are "economically, financially, socially, and environmentally sound."

*From [Cleveland Live](#), by Elizabeth Sullivan, 18 April 2001*

## CLASHES LOOM AT IMF MEETING

The prospect of a slowdown in worldwide economic growth is likely to raise tensions at a meeting of the world's economic leaders this week in Washington, DC. But it is not the only issue that the International Monetary Fund (IMF) and World Bank must contend with at their annual spring meeting nations, which starts Thursday. A row has developed between Europe and the US over how to handle the economic slowdown, with US Treasury Secretary Paul O'Neill lobbing criticism at his European counterparts for their decision to stand pat on interest rates. "Once conditions reach the degree of tension, which they clearly have, there is no substitute for a face-to-face exchange of views," says CSFB chief economist Giles Keating. "They they'll agree to stop blasting each other in public," Mr. Keating says. That will come on Saturday when the G7 finance ministers, including Mr. O'Neill will meet informally on the sidelines of the IMF gathering. The tension stands in sharp contrast to the unity at the G7 meeting last September in Prague, when ministers endorsed moves by the Federal Reserve and other central banks to help prop up the euro. The G7, or group of seven nations, include the US, Canada, Germany, France, Italy, Britain and Japan. Economic slowdown - The IMF, which is due to release its semi-annual World Economic Outlook on Thursday, has sharply slashed its economic forecasts for global growth. It now says - in a document that has been widely leaked -that world growth will slow to just above 3% this year. The jury is still out on whether the US will lead the world into a recession. Much of the recent economic data out of Washington shows that while the US economy is slowing, it is not heading for recession - which is negative growth. However, US growth will slow to 1.5% this year, from

5% in 2000, then pick up to 2.5% in 2002, the IMF predicts. On Tuesday, President George W Bush's nominee to lead the Council of Economic Advisors, Robert Glenn Hubbard, told the Senate Banking Committee that the US is in a "growth slowdown". "The rate of growth is unacceptably low," he said. "But we are not in the present time, at least, likely to be in a recession," Professor Hubbard told the committee. Help for the poor - The global slowdown is exacerbating the problems of developing countries, some of whom are in negotiations with the IMF for further aid. And it has increased pressure for further concessions to the world's poorest countries, where campaigners have been pressing for the IMF and World Bank to cancel their debts entirely. "Many of these countries, particularly extremely poor countries, are spending more on servicing their debt, than they are on healthcare, for example," Robert Naiman, senior policy analyst at the Center for Economic Policy and Research in Washington, DC, told BBC Online. The IMF and the World Bank are public institutions that exist to promote development and address poverty, Mr. Naiman argues. And many people regard it as absurd and obscene that countries such as Mozambique and Zambia, some of the poorest countries in the world, would be diverting resources from urgent human needs to spend on servicing debt. The IMF and World Bank, which have approved debt-relief programmes for 22 highly-indebted countries at the end of last year, says that to increase debt relief further would jeopardise lending to other countries. Protests muted - Last but certainly not least is the possibility of protests by anti-globalisation forces, like those seen in Quebec City last weekend, when the three-day meeting of Western Hemisphere nations was marred by fiery protests with police responding with tear gas and over 400 arrests. Both the IMF meeting in Prague in September, and its spring meeting in Washington last April, faced mass protests from thousands of demonstrators objecting to the organisation's role in managing the world economy. While some demonstrations are expected in Washington, meeting officials do not expect them to resemble the riots seen in Quebec City or Seattle in 1999. Demonstrators have said they are saving their fire for the September meeting. The World Bank says the subject of this year's meeting will be on how to reduce poverty among the poorest nations. When officials look back, however, resolving conflict may be the overriding theme.

*From Financial Times, by BBC News Online's North America business reporter, David Schepp, 26 April 2001*

# Governance Systems and Institutions

## AFRICA

### NEW PREMIER IN CENTRAL AFRICAN REPUBLIC

A new prime minister has been appointed in the Central African Republic. He's the former ambassador to Benin, Martin Ziguéle. The appointment was announced in a decree from the republic's president, Ange-Félix Patasse, who said Anicet Georges Dologuele, who was prime minister for two years, has been replaced. No reason was given for the change, but it follows tensions within the ruling party over Mr. Dologuele's handling of a five-month strike by civil servants. They're protesting at more than two years of salary arrears and the severe economic problems facing the country -- one of the poorest in Africa.

*From BBC, 1 April 2001*

### ANTI-CORRUPTION GROUP STORMS EDUCATION MINISTRY

Freetown - The Department of Education in the Ministry of Youth, Education and Sports is currently under the magnifying lens of the Anti-Corruption Commission as a group of investigators stormed the offices early this week. The action signaled the commencement of an investigation into a series of corruption allegations that has bedeviled the Ministry for quite sometime now. Sources within the Education ministry intimated this press that the action of the Anti Corruption Commission came as a surprise to many senior officials in the Ministry. "They were all caught unawares in their respective offices, and it seems as if there was no way for them to escape the probe or sneak away with anything," the source explained. The Director of Investigations at the Commission, Mr. Kanyako, told this press that the action was a culmination of careful planning and understudying, "so that we will not miss our target". He stated that the exercise was kept secret to avoid any leakage, as that would have jeopardised their efforts. The Ministry of Education has a reputation for corruption. This has resulted in the delay in the payment of teachers' salaries and other emoluments. The former Permanent Secretary, Soluku Bockarie, is currently serving a prison sentence for misappropriating one billion leones, being teachers' salaries. The action of the Corruption Commission is therefore seen as the appropriate panacea to the age-long corruption that has become endemic in the Ministry. A teacher at the Annie Walsh School in Freetown described the move as long overdue as teachers have always cried foul.

*From AllAfrica.com, by Sayoh Kamara, 17 April 2001*

## ASIA/PACIFIC

### S. KOREA PRESIDENT REPLACES 21 VICE MINISTERS WITH TECHOCRATS

Following a large-scale Cabinet reorganization earlier this week, President Kim Dae-jung on Sunday replaced 21 vice-ministerial posts filling them with technocrats. The latest appointments were a follow up to Monday's reshuffle in which nine of 22 ministers were replaced in an effort to allay public concern over government policies including economic reforms and engagement with North Korea. Critics, however, have denounced Kim's appointment on Monday as a maneuver to consolidate his political base because four of the nine appointees were political allies. Three were from his ruling party's coalition partner and another was tapped from a splinter opposition. No politicians were included in Sunday's reorganization. "To raise the morale of public servants, 14 of 21 appointees were promoted from within their ministries," said Park Joon-young, a presidential spokesman, in a nationally televised news briefing. The series of Cabinet shakeups were signs of how hard Kim, who enjoyed international acclaim last year when he won the Nobel Peace Prize for his efforts to reconcile with the North, is struggling to shore up support at home. Critics have accused Kim of failing to pursue reforms with enough resolve and some worried about an economic slowdown. Also, Kim's rapprochement with the North has been lumbering recently. The North has canceled two engagements with the South this month in what observers believe is a protest campaign against the U.S. U.S. President George W. Bush said he was skeptical about North Korea during a summit with Kim Dae-jung in Washington. Bush also said his government would not immediately resume talks with the North to pressure the communist country to curb its missile program. Relations between North and South Korea, whose 1950-53 war ended without a peace treaty, have improved significantly following a historic summit of their leaders in June.

*From Dow Jones via Yahoo, 1 April 2001*

### THAI PM'S LAWYER ON THE ATTACK

A defense lawyer for Thaksin Shinawatra, the Thai prime minister, on Wednesday lashed out in court at an official from the country's anti-corruption commission, questioning the fitness of the commissioners to pass judgment on the popular prime minister. As he opened his defense of Mr. Thaksin in the second day of a corruption hearing, Suthee Damnuedee, the prime minister's lawyer, accused the National Counter Corruption Commission (NCCC) of being biased because of some members' links with the previous

Democrat party government. Mr. Suthee also said that one of the commissioners who supported the indictment was not eligible because she was a director of a company, which is forbidden under the rules. The NCCC in December indicted Mr. Thaksin, a telecommunications mogul turned politician, for deliberately concealing his wealth on an assets declaration filed during an earlier stint as a cabinet minister. The indictment said he failed to declare Bt2.3bn (\$51m) of shares held in the names of his household servants. The constitutional court must now consider whether to uphold the indictment.

*From [Financial Times](#), by Amy Kazmin in Bangkok, 5 March 2001*

## OPENNESS SERVES THE NATIONAL INTEREST

Suranand Vejajiva, private secretary to Prime Minister Thaksin Shinawatra, is not completely happy with the live telecast of the Constitutional Court's landmark case in which his boss stands accused by the National Counter-Corruption Commission of intentionally hiding his assets. Mr. Suranand, emphasising that he was expressing a personal view, told members of the press last week that the live broadcast might affect national security and influence public sentiment. He cited the wide interest in the case and the criticism it has engendered. Mr. Suranand reportedly suggested that the public should monitor the hearings closely and listen to both sides of the story before reaching a conclusion. He then decided that he had no objections that the court thought the trial should be broadcast live. Mr Suranand has every reason to be worried in his capacity as Mr Thaksin's private secretary. And he raised a valid point. Those who watched the first session last Tuesday when the graft agency's secretary-general, Klanarong Chantik, fired the first salvo, giving details of how Mr. Thaksin allegedly concealed his wealth, could easily get carried away. I believe some viewers might have already concluded that Mr. Thaksin is guilty. Such hasty judgments might spread if the people do not hear the other side of the story put by the prime minister's defense lawyers. Likewise, those who happen to see only the defence in action are likely to be swayed by its arguments and may find the graft agency biased against Mr. Thaksin. But to date, the defence team's courtroom performance has been less than impressive. The head of the team, Suthee Damnuadee, also drew stern warnings from the judges to get to the point. To many observers, the battle appeared to go Mr. Klanarong's way in the first two sessions. But despite Mr. Suranand's concerns and the public sentiment, which can shift back and forth depending on the oratory skills of the defense and prosecution and the evidence presented over the course of the proceedings, the Constitutional Court must be commended for its openness in allowing the trial to be televised. This case is of immense public interest. It involves the fate of their prime minister, and so the public have the legitimate right to be able to follow the case closely. Although public sentiment could be influenced by the trial, the claim that national security could be affected is, quite simply, far-fetched, totally unjustified. In fact, the need to broadcast live outweighs all else because of the deep political sensitivity of the case and the existence of "outside" forces bent on putting pressure on the court. The transparency of the trial's proceedings, in the full glare of the public spotlight, will, hopefully, discourage outside interference and enable the court to do its job freely. Preecha Suwannat, a past member of the Counter Corruption Commission, predecessor to the National Counter-Corruption Commission, has stated that the graft agency and the Constitutional Court are under heavy "outside" pressure. He referred specifically to the followers of Luangta Maha Bua and their criticisms of the graft agency's handling of the case. Like other independent agencies-the Election Commission, Administrative Court, ombudsmen and the National Counter-Corruption Commission-the independence of the Constitutional Court is crucial to political reform. It must be protected. A recent opinion poll conducted by Assumption University in Bangkok, Chiang Mai, Khon Kaen and Songkhla provinces found that most people have confidence in the Constitutional Court, the graft agency and the Election Commission in the political reform effort. As such, we can be assured of the integrity of the court judges regardless of any shift in public sentiment.

*From Veera Prateepchaikul is DeputyEditor (News), Bangkok Post, 10 April 2001*

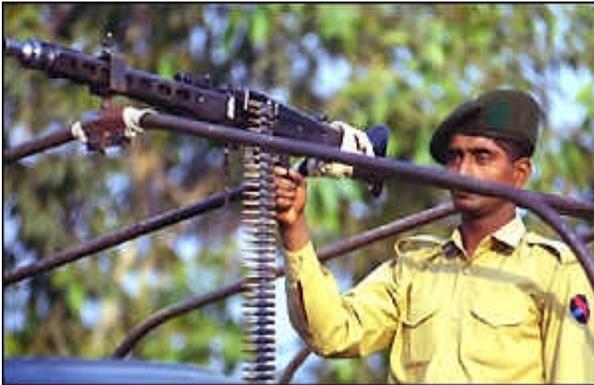
## FORMER MNA HELD FOR CORRUPTION

Lahore: Former National Assembly member and Lahore district council chairman Chaudhry Zulfiqar was arrested under the National Accountability Bureau Ordinance on Thursday by the Regional Accountability Bureau in a new case on charges of corruption. Chaudhry Zulfiqar was already in custody in connection with a bank default case which is in an advanced stage. Meanwhile, a seven member medical board has unanimously declared the former district council chairman, hospitalized for some time, fit to resume normal living. The ECG report on the basis of which he had sought medical facilities was declared "false". According to the RAB, Chaudhry Zulfiqar illegally acquired assets worth billion of rupees. Major gains and the alleged corruption pertain to his tenure as district council chairman. The list of the assets allegedly acquired illegally mentions a house worth Rs10 million in the Garden Town, Lahore, which was gifted to former prime minister Nawaz Sharif's father in law. Chaudhry Zulfiqar's other assets include 50 per cent shares in Ambassador Hotel; a departmental store on eight kanals land in Lahore; a hotel in Murree; 25 shops worth Rs20 million in Kahna Nau; 12 petrol pumps in Lahore; a petrol pump each in Renala Khurd and Pakpattan; a two kanals house on Multan Road; a house in Faisal Town in his wife's name; a 12 kanals house in Gulberg near Kalma Chowk and a two kanals plot near Shimla Hill, worth about Rs120 million. His agricultural property, according to the RAB includes 2,400 kanals land in Chunian, 96 kanals in various Lahore suburbs, 260 kanals of in Sheikhpura and 480 kanals in Raiwand. He was also alleged to have acquired 320 kanals of Auqaf Department land. Witnesses Against Mukhtar: An accountability court recorded statements of two prosecution witnesses in a case against former commerce minister Ahmad Mukhtar. The recording of evidence would continue on Friday. The former minister and former federal commerce secretary Brig Aslam Hayat Qureshi (retired) are accused of misuse of authority. The court comprising Judge Sheikh Muhammad Rafiq Goreja is seized of a reference in which the former minister and the former secretary are accused of illegalities in the award of textile export quota. The act allegedly caused a loss of Rs131.7 million to the national exchequer. The reference was first submitted to the court on Dec 17, 1999. The completed case was filed on April 28,

2000. Wattoo: An accountability court adjourned till April 19 the recording of prosecution evidence in three cases against former Punjab chief minister Manzoor Wattoo which pertain to allegedly illegal grant of money from the Baitul Maal. Recording of the prosecution evidence had been pending for well over six months initially because the accused said they were negotiating with the NAB. Later, the proceedings continued to be adjourned for various reasons. During the day the court was informed that the special prosecutor, Sher Zaman Khan, had gone to attend the proceedings in the Supreme Court on petitions against the NAB ordinance. The former CM is accused of illegally granting Rs10.7 million from the Baitul Maal to the Lahore Cadet School, the Model Town Welfare Association and to Ghulam Murtaza, a driver in a government department. The school and the welfare association were given Rs5 million each. The recipients for the welfare association were Advocate Haider Usman and SM Bashir and for the school Abdul Jabbar Qureshi and Afzal Jafri. The accused last year offered to return the Rs10.7million attributed to them with a request for discharge of the case. The NAB, however, demanded 15 per cent per annum profit on the amount for the voluntary return offer to be considered.

From [DAWN Group](#), by Our Staff Reporte, 13 April 2001

## PAKISTAN COURT AMENDS CORRUPTION LAW



Pakistan's Supreme Court has ordered the government to make changes to its controversial anti-corruption law - introduced after the military coup in 1999. Ruling on a series of objections to the law raised by political parties, the court said the law was neither discriminatory nor against the constitution. But it said that the period of detention without charge allowed for should be reduced from 90 to 15 days. A number of politicians and senior bureaucrats have been detained as part of the anti-corruption drive started by General Musharraf when he overthrew former prime minister Nawaz Sharif in 1999.

### 'Mixed' ruling

The court described prolonged detention without trial as a violation of personal liberty as guaranteed by the country's constitution, and gave the government two months to make the necessary changes. The main opposition parties had urged the court to nullify the law in its entirety, arguing that it was draconian and violated the constitution. However, the court's 342-page judgement did not accept their plea. The court also upheld the right of the head of the National Accountability Bureau - the body leading the anti-corruption drive - to decide when and where a particular suspect should be tried. Lawyers for the opposition parties described the ruling as mixed, saying the court had accommodated some views from both sides. Members of the military government have said they will honour the ruling, describing it as a major victory for their anti-corruption campaign. Last year, former prime minister Nawaz Sharif was sentenced to 14 years imprisonment on corruption charges. Former prime minister Benazir Bhutto, whose 1999 corruption conviction was recently set aside, is still under investigation by the authorities in other cases allegedly involving tens of millions of dollars.



Benazir Bhutto: Corruption investigation underway

From BBC, 24 April 2001

## PAKISTAN: GOOD GOVERNANCE, ECONOMIC REVIVAL TOP PRIORITIES

Chief Executive Gen Pervez Musharraf has said that economic revival, good governance and stability of the country are the top priorities of the government. He was addressing the senior officers of the armed forces on the occasion of 54th Formation Commanders' Conference, which began at the Army Auditorium here on Monday. The chief executive said Pakistan was following a policy of minimum deterrence at both conventional and non-conventional levels, according to an ISPR press release. He said the sovereignty, integrity and security of Pakistan would be guarded at all costs. However, Pakistan had no interest in getting involved in any arms race, he added. Gen Musharraf said that, due to the efforts of the government, the Kashmir issue had been highlighted internationally and had emerged as the major stumbling block to lasting peace in South Asia. The international community realized that stability could only be guaranteed in the region through the resolution of this problem. Gen Musharraf dwelt at length on short and long-term measures the government was taking for revival of economy and poverty alleviation. "I have a vision of a strong, secure, stable, economically progressive and dynamic Pakistan. Every possible effort will be made to achieve this noble cause," he added. The chief executive differentiated between the long-term measures and policies being put in place to ensure genuine, continuous and sustained progress of Pakistan, desired by the present government; and the short-term self-serving measures adopted during the last decade by various governments. He said that while the brave people of Pakistan might have to bear temporary short-term discomfort, soon the long-term benefits for the country and the people would permanently transform Pakistan into the Quaid's dream. The chief executive also mentioned the tremendous support to the government being shown by many countries whose leaders were visiting Pakistan. All who had visited Pakistan during the recent past, had gone back highly

impressed by the direction and progress that Pakistan had made in such a short time. Replying to a question, he said that sustainability and continuity of the policy would be ensured and no one would be allowed to hinder the on-going process of reforms and restructuring. Later, the director-general, Inter Services Intelligence, gave a comprehensive briefing on internal and external security situation. Finance Minister Shaukat Aziz gave an update on economy, which included an overview of achievements of the current financial year and the next year's imperatives. Minister for Privatization Altaf Saleem apprised the participants of measures taken by the government regarding privatization. He spoke about increasing domestic and international interest being shown in the privatization process. Commerce Minister Abdul Razzak outlined Pakistan's trade policy and benefits that had started to emerge despite various limiting circumstances.

From [DAWN Group](#), 24 April 2001

## VIETNAM'S NEW LEADER VOWS TO GET TOUGH ON CORRUPTION

Vietnam's new leader Nong Duc Manh says the nation's communist regime is engaged in a "life and death struggle" against corruption in its ranks. Taking the reins of power - the 60-year-old former parliament speaker vowed to pursue a relentless battle against the "corruption, bureaucracy, waste and social evils" which he said were threatening the very survival of the ruling party. Mr. Manh made scant mention of the communist regime's 15-year-old market reforms even though his succession to the ousted hardliner Le Kha Phieu had been seen as a major boost to Vietnam's opening up to the outside world. He says the party is to get tougher against what he calls the "negative phenomena" within the party.

From [ABC Online](#), 22 April 2001

## EUROPE/CIS

### UK: CORRUPTION 'IS CONDONED'

Britain is effectively condoning money laundering at home and corruption overseas by 'lack of focus and co-ordination', the Commons' all-party International Development Committee warned today. The ICD's report, Corruption, calls for one department or body to take the lead on thwarting the laundering of money in Britain as well as in stopping the bribery of foreign officials and politicians by British firms. 'The Government must give serious consideration to extending the role of the Serious Fraud Office to tackle corruption and money laundering,' says one of the MPs' 82 recommendations. The Inland Revenue and the Treasury are attacked for allowing 'confusion' over whether bribes and other corrupt payments are tax-deductible. MPs charge that there is a 'worrying lack of response' from the private sector to the anti-corruption efforts of developing countries. It is not enough for the Government to rely on better 'corporate governance' by British firms, and there is no evidence that corruption is a 'cultural phenomenon', it is said. But the willingness of firms to offer bribes and pay extortion and other demands, however named, limits a country's growth by deterring foreign investment.

From [Evening Standard](#), by Ross Davies, 4 April 2001

## MIDDLE EAST

### ICC ANTI-CORRUPTION UNIT TO SHARJAH

Two members of the ICC Anti-Corruption Unit will travel to Sharjah in the United Arab Emirates (UAE) today, to pursue a number of on-going enquiries linked to corruption in cricket. Senior investigator Jeff Rees and support manager Bob Smalley will spend four days in the UAE. Their investigations will not focus on the Sharjah tournament currently taking place or the United Arab Emirates Cricket Board, which runs the game. "In keeping with our consistent policy of confidentiality we will not be commenting on who the investigators plan to see or the nature of their enquiries. The fact that a tournament is being played at present makes it useful and practical for members of my team to be there," commented Sir Paul Condon, director of the Anti-Corruption Unit.

From [CricInfo](#), 11 April 2001

## THE AMERICAS

### DEEPENING DEMOCRACY IS WHAT IT'S ABOUT

On April 20, Canada will welcome the presidents and prime ministers of 34 nations, who will help chart the course for this hemisphere in the years ahead. The Third Summit of the Americas, in Quebec City, offers the opportunity to address the daunting challenges of our times and to deepen our commitment to true democracy. We have already made remarkable progress on the democratic front in the Americas, a region once notorious for oppressive dictatorships. Today the 34 countries that participate in the Organization of American States (OAS) -- whose leaders will meet in Quebec City -- share a commitment to core democratic values. This shared commitment has led to consensus and co-operation on a wide range of issues. From the beginning of the Summit process, a central focus has been the creation of a hemisphere-wide trading pact by 2005. The Free Trade Area of the Americas

promises to strengthen ties among the countries of the region through greater integration and new economic opportunities. With globalization has come an increased responsibility to work together on such vital matters as promoting human rights, strengthening hemispheric security, protecting the environment, improving education and combating corruption and illegal drugs. In Quebec City, the OAS will present the first results of the Multilateral Evaluation Mechanism, an innovative new tool that objectively measures the progress being made against drugs in each country of the Americas and in the region as a whole. This mechanism will lead to closer co-operation to address this problem. We have been able to move forward on these and other inter-American priorities because we have profound common interests, rooted in democratic principles. Strengthening democracy goes to the heart of what the OAS is about; it is nothing less than our reason for being. That is why the OAS is quick to respond when democracy is under threat. Last June, when the OAS General Assembly met in Windsor, Ont., Peru was facing a political crisis, following presidential elections that OAS observers and others had considered seriously flawed. In Windsor, the OAS established a high-level mission to work with all political parties and civil society in Peru to bring about democratic reform. That process -- in which Canada played a leadership role -- helped to drive profound, positive changes in Peru's political landscape. The OAS also played a key role in resolving Ecuador's political crisis last year. In Haiti, we are working with all political parties and sectors of society to seek solutions to the political impasse. But strengthening democracy goes beyond reacting to crises. It is a long-term process that involves building strong institutions, ensuring broad freedoms and responding to citizens' basic needs. It is not enough that all the countries around the table hold regular elections or have multiple party systems. Citizens must feel that they are stakeholders in the democratic state. In these times, many people feel unsafe on their own streets and uncertain of their own futures. They demand a state that respects their rights, educates their children, protects society's most vulnerable and lives up to its commitments to administer justice and enforce the law. When the state fails to meet their expectations, people can easily fall prey to those who promise a better future, even at the expense of undermining democratic principles. The Third Summit of the Americas will examine such hard issues and look at how to address citizens' concerns. The plan of action that will come out of Quebec City is the result of extensive consultations not only among governments, but with civil society groups throughout the hemisphere. At the heart of the Summit agenda is the task of fortifying the region's democratic foundations. Many feel it is time to include a "democratic clause" which spells out that the summit process is for democracies only, and that only countries meeting democratic standards may participate in any agreements and benefits. This would be a logical next step that builds on the commitment to democracy embraced by the OAS and subregional groups within the hemisphere. Poverty, inequality, crime and so many other problems persist in the Americas, but it is not in this region's interest to turn back the clock to the days of authoritarian rule. The challenge of Quebec City will be how to consolidate the gains that have already been made and how to engage citizens to participate in moving forward along the democratic path. (*César Gaviria is Secretary General, Organization of American States*).

*From [National Post Online](#), by César Gaviria, 17 April 2001*

## **CORRUPTION PREVENTION LAW INTENDED TO LIMIT PRIVILEGE**

A bill recently signed into law should help prevent corruption in state government, according to Lt. Gov. Mark Taylor. "Current Georgia law gives elected officials special privileges under the law privileges that the average citizen does not have," he said. "These special privileges hamper efforts to fight public corruption." Certain public officials used to be provided special protection during criminal investigations and grand jury proceedings. The Corruption Prevention Act, promoted by Taylor and Sen. Bill Hamrick, R-Carrollton, should reduce those privileges, Taylor said. It sets guidelines and changes how and when public officials will be served with indictments and when accused officials can attend grand jury proceedings. Georgia General Assembly legislation is available on the Internet at [www.ganet.org/services/newleg](http://www.ganet.org/services/newleg).

*From [Savannah Morning News](#), 24 April 2001*

## **MEXICO FIGHTS BROAD CUSTOMS CORRUPTION**

Three months ago, Jorge E. Pasaret sold shoe leather and taught college business classes. Now he is a government corruption-buster. As the new head of the notoriously corrupt Customs Administration office in this tough border city, Pasaret spends his days ordering lie-detector tests, firing corrupt workers, taking citizens' tips on his three cell phones and showing up with bribe money to sting his own agents. Pasaret has fired 43 people. He has kept only one of his eight top assistants. He has fired two consecutive chiefs of his customs police detachment, and others, for failing polygraph questions as simple as, "Are you friendly with criminals?" "I am trying to clean up this place," said Pasaret, standing near the choked border station where 4,000 trucks and 50,000 cars a day cross over from El Paso. "But every time you pull a curtain back you find something else. It is really, really messy." Although similar to the housecleaning efforts underway throughout Mexico's federal bureaucracy, no agency has felt the corruption-smashing efforts of President Vicente Fox's five-month-old administration more than Customs. A blizzard of pink slips has blown into customs offices all along the border. The agency's new national chief, a former tax auditor appointed by Fox, has fired 18 of the 19 station directors on the border, along with dozens of inspectors one rank down, and replaced them with such newcomers as Pasaret. And Pasaret, on the job for only 90 days, has in turn fired someone just about every other day. Pasaret is dismantling a hiring system where a job applicant's chief qualification was his or her party loyalty. He is applying hiring techniques he learned in the private sector: advertising job openings, recruiting college students and workers from nearby factories, and giving applicants written and oral exams to test competency. And when irregularities arise, lie detector tests are ordered. Several other federal departments are doing the same, notably the National Immigration Institute, which is planning to use psychological and written tests as well as polygraphs to weed out corrupt officials. Mexican immigration officers have frequently been linked to drug-trafficking and other illegal activity. Because corruption thrives where money flows, Customs has been particularly riddled with it. In a single day at the

border crossing between Nuevo Laredo, Mexico, and Laredo, Tex., Mexican customs agents monitor \$100 million worth of merchandise coming in from the United States. With so much money involved, Pasaret, 44, admits worrying about the "strong interests I am punching." He said he has already been threatened, including by those under investigation on his own staff. Pasaret's friends describe him as being like a preppy nerd picking a fight in the toughest biker bar in town. So far, the nerd appears to be winning: In his three months on the job, he has seized 140 trucks with hidden merchandise on which more than \$2 million in taxes was due -- far more than in all of last year. In recent days, Pasaret's agents have found 3,600 bullets stuffed inside a double bed and \$800 worth of potatoes in a false backseat of a Grand Marquis. Potatoes are a popular item to smuggle because of a high Mexican import duty meant to protect farmers. As Pasaret spoke about his recent torching of 1.8 million contraband Marlboros and other American cigarettes, an officer interrupted, telling him a stash of Chinese-made tennis shoes had been found in a Dodge pickup. Digging deeper into the truck, agents also found \$1,800 worth of alligator skins used to make boots. Said Pasaret, tossing the six skins on the counter in his office: "I want the word on the street that Juarez is closed to smuggling." Doubters say Pasaret might as well be fighting to keep the sun from rising: Corruption is too deeply ingrained here to be stopped by one well-meaning official. For as long as there have been customs booths, Mexicans and foreigners say, it was known that for a little cash paid to a uniformed agent, they could cross into Mexico with just about anything -- agents recently took \$4,500 to allow an elephant in. There are many ways for customs agents to cheat: waving in smugglers for a price, low-balling the value of merchandise for a slice of the savings in duty, selling government invoices to forgers and shaking down honest people just to let them pass. Fox recently came to this gateway to personally warn inspectors not to shake down Mexicans returning with gifts from the United States. One of the reasons agents take bribes is that they are paid so little, averaging about \$700 a month. But because they, and so many other bureaucrats, rip off the government and assist others in evading taxes, the government has even less money to increase wages. Breaking this cycle is a top priority of the Fox administration. But many such efforts in the past have failed. The government programs a computer to randomly choose which cars and trucks a customs agent stops, as a way of taking away the discretion of frontline inspectors. But 95 percent of traffic is still waved through -- odds that encourage smugglers. Customs officials have also introduced rotating assignments for officers so that neither they, nor their smuggler friends, know exactly where and when they will be working. But the criminals are relentless and creative: Pasaret recently fired a secretary who was caught selling the secret rotation schedule. "What is going on here is a shock to the system," said Jeffrey Jones, a Mexican senator involved in border issues. Jones and others say it may take a while for the shock to sink in. Not long ago, he recounted, a woman who was trying to move 11 truckloads of unreported goods, everything from Q-tips to Chinese toys, was stopped by Pasaret's agents. Incensed, she marched into Pasaret's office and demanded to know how much of a bribe she needed to pay. She seemed not to understand when Pasaret told her that no amount of graft was going to solve her problem. "She didn't get it that there has been a paradigm shift," Jones said. "You can't pay your way out anymore." In another case, Pasaret recently discovered that one of his inspectors was still shaking down truck drivers, even after all the new warnings. The agent had accepted \$1,000 from a trucker for a minor paperwork problem and told the driver to come back with \$500 more. After a telephone tip, Pasaret went to see the agent with \$500 cash in his hand and said: "This is what you wanted, right?"

From [Washington Post](#), by Mary Jordan, 22 April 2001

## GLOBAL

### WORLD BANK NAMES LAW ENFORCEMENT EXPERT TO FIGHT FRAUD AND CORRUPTION

United Nations - The World Bank has appointed a director to head up its newly-created anti-corruption department that will investigate allegations of fraud within the organization's staff or in projects it funds. In a statement issued today in Washington DC, the World Bank said it had appointed Maarten de Jong, a Dutch national, as Director of its Department of Institutional Integrity. "I am confident that Mr. de Jong will ably carry out the mission of ensuring rigorous, prompt, and objective investigation of all allegations of fraud or corruption or misconduct either by Bank staff or in Bank-financed projects," said World Bank President James Wolfensohn. In his new post, Mr. de Jong who is currently Managing Director of the European Institute for Law Enforcement Cooperation (EULEC), will advise senior management on corruption issues, and further develop the Bank's investigative strategies and procedures, contributing to policy initiatives and programmes that will strengthen the Bank's anti-fraud and corruption efforts. Since late 1997, the World Bank has undertaken more than 600 specific anti-corruption programs and governance initiatives in 95 borrower countries. According to the Bank, its investigations have so far resulted in a permanent ban of 58 firms and individuals from future Bank-financed contracts. The Bank is the first multilateral development institution to publish on its external web page the names of firms and individuals found to have committed some form of fraud or corruption.

From [AllAfrica.com](#), 17 April 2001

# Civil Services & Ethics in Public Sector

## AFRICA

### PUBLIC SERVICE SALARIES UP 10 TO 15 PER CENT

The long awaited white paper on the public service adjustment of salary scales and accompanying allowances is out. It followed the government-instituted consultancy to review salaries and conditions of service for civil servants. It was not accompanied by the consultancy report. Salaries of civil servants have been increased effective from the first of April with a 10 per cent increase for grades A3 to B1 and D4 to PSP and the Chief Justice, while the middle management which is C4 to C1 got a lion's share of 15 per cent. In addition, the government has increased allowances, including those for old age pensioners, World War II veterans, citizen pensioners and destitute by 10 per cent. It has also raised overtime allowances for nurses and family welfare educators from 15 per cent to 30 per cent of basic salary. Overtime allowances for laboratory technicians has been raised from a fixed amount to 10 percent of basic salary. The 15 per cent car allowance for salary scales D4 to CJ/PSP were incorporated into the basic salary. The pay structure resulting from the White Paper places the lowest paid person in the Public Service at P728.20 per month and gives the highest paid a basic pay of P24 883 a month. The directive released yesterday further said the increases would apply to the public service including the Judicial Service, Botswana Defense Force, the Botswana Police, the Prisons Service, Teaching Service, Local Government Service, the Tribal Administration and Industrial Class. A snap survey by BOPA among civil servants revealed that most of them are not impressed. They said the government has raised their hopes for nothing. They said the salaries adjustment did not warrant a consultancy. Some, however, said they never expected much. The Acting Secretary General of the Botswana Civil Service Association (BCSA), Andrew Motsamai said there had been no expectation on the association's side but anxiety. He said, initially BCSA complained about the absence of the terms of reference for the consultancy. Motsamai also said BCSA had not been given the original report of the consultancy. "What we have in front of us is the white paper which we have not seen the report on which it is based," he said. He said the white paper does not make any reference to the consultancy nor the NEMIC, which normally endorses salaries. Motsamai said one could rightly say the white paper was an adjustment to inflation currently looming at 9 per cent. "We have always been concerned that the government was going to hide behind the consultancy without making proper salary adjustment," he said.

*From [Republic of Botswana](#), 4 April 2001*

### MINISTRY TO RESPOND TO WORKERS' PROBLEMS

The permanent secretary in the Ministry of health, Marthius Chakalisa, says as a ministry they recognise the impact of globalisation and will do everything possible to stem the exodus of nurses and other health workers. Chakalisa was responding to a BOPA questionnaire that asked the ministry to state whether it was cheaper to recruit expatriates than to increase local nurses' salaries as a way of keeping them. "The civil service currently has one salary structure for all public officers. Even though salaries play a part in the exodus of nurses, other conditions of service which are attractive in other countries may also be a contributory factor," Chakalisa said. He said expatriate nurses enjoyed the same incentives as all expatriate officers in the civil service in Botswana. Chakalisa explained that locally recruited officers got a salary and overtime allowance, whereas those recruited from outside received a salary and 20 per cent contract addition. Their package, he said, include return transportation from the point of recruitment for the officer and family, and a registered next of kin. There is also a compassionate package for spouse or either parent of the officer and children, which obtains once a year. On whether the nurses who leave the country would gain more experience, he said: "We do not have information regarding the settings where the nurses who leave the country are deployed, therefore, we can not determine whether they would gain experience or not." Chakalisa said while the nurses may gain experience in developed countries, their loss "is too costly for the Ministry of Health, and concern has been raised with the relevant authorities". Regarding the language problem, he said the ministry had decided to organise some orientation courses for expatriate nurses. Local nurses have raised concern that expatriates were unable to effectively communicate with patients because of the language barrier.

*From [Republic of Botswana](#), 24 April 2001*

## ASIA/PACIFIC

### FIRST FEMALE DEPUTY MINISTER APPOINTED

The new deputy minister of Labor, Kim Song-ja (61), is the first woman to be appointed as a deputy minister in Korea and was also the first woman to be promoted to civil service grade one, before taking up her position at the Ministry of Labor on Sunday. Kim graduated Kyongbok Womans High School and majored in law at the University of Korea. She received her Master's degree from Seoul National University's School of Public Administration, before starting her government career at grade six in 1969. She recalled that her early days were not easy, as when she was first assigned at the Ministry of Government Administration (currently

the Ministry of Government Administration and Home Affairs), the human resources department refused to give her a desk because she was a woman. Even when she transferred to the Ministry of Labor, she was assigned to positions that were considered relatively unimportant. Her earlier positions in the MOL included, the insurance collection department, national employment center, and industrial accident insurance department. However, after her promotion in 1996 to civil service grade one, she took the lead in drafting a series of important legislative measures such as Women's Equality of Employment Law. Kim also initiated setting up a center to promote women's employment. In an interview, the deputy minister said that, she will "focus on eliminating discriminative working environments against women."

*From [Digital Chosun](#), 1 April 2001*

## **THE ROAD TO IDEAL PUBLIC SERVICE: DPM LEE**

On Friday, Deputy Prime Minister Lee Hsien Loong addressed over 300 guests at the annual administrative service dinner about the challenges facing the Public Service. Here are extracts of his speech. The mission of the Public Service is to work together with the political leadership to assure Singapore's long-term survival and prosperity. The Public Service seeks to meet the different needs and aspirations of Singaporeans, and to work out and implement policies that make Singapore a better home for all. Public service is not a bottom-line oriented endeavour. It is not about maximising the profit of the firm, or the government budget surplus. Our public sector used to contain some operating functions, where clear bottom lines could be defined and market principles should apply. Most of these have already been hived off, either corporatised or privatised to maximise accountability and efficiency. Thus, almost by definition, the public sector deals with the less tangible issues. These include essential prerequisites for our existence as a nation, such as security and law and order; or social investments, such as public housing, education, and health-care management; or creating and managing conditions for the private sector to flourish, which is the work of the economic ministries. To fulfil these tasks, public servants cannot be bureaucrats, not even efficient ones. They cannot just be technocrats, not even entrepreneurial ones. Nor are they businessmen, though they must understand business and the economy. Most fundamentally, they are trustees and guardians, who must feel an abiding commitment to Singapore, and have the desire to contribute to and shape the society we all belong to. In Singapore, unlike in many other countries, public servants are paid competitive wages, commensurate with private-sector earnings and with the officers' contributions. There is no contradiction between this and the ideal of public service. The aim is to attract able people and maintain high standards of integrity, and thus to build an outstanding Public Service. But pay cannot be the main motivation of public officers, nor should anyone join the Public Service in the hope of becoming wealthy. There has to be that sense of idealism, of duty and responsibility, and of a larger purpose, namely to help build the nation. We should never forget this. We have succeeded in building an outstanding Public Service, which has served the nation well since our independence. International comparisons, whether by the World Economic Forum or the Perc, always rank Singapore's public sector highly, even against the developed countries. And if we compare the Public Service today with what it was five, 10 or 20 years ago, we can safely say that over time we have not only maintained but raised standards. We have improved both the quality of our people, and the capabilities of our ministries and statutory boards. But measured against the ideal Public Service that we are aiming for, we still have a long way to go. Of course, this ideal is a constantly moving target, but that is the nature of our challenge. Economic growth and development, and a more difficult external environment, have made the task of governing Singapore much more complex. Domestically, we have to grapple with issues such as an ageing population, a widening income distribution and the social stresses they cause. We are also not spared the relentless economic struggle to keep up with globalisation and technology, or else fall by the wayside. Whether in housing, education or the Singapore Armed Forces, we are now no longer just filling up the numbers, but going for quality results. In many ministries, we have to achieve our goals not by promulgating edicts, but by harnessing market forces and reaching out to tap ideas from both inside and outside the Government. In this much more complex world, we realise that Government does not, and cannot have all the answers. We have to adapt our style and approach to fit the aspirations of the new generation, who are better educated and informed. Singaporeans have grown used to high standards of public service. They have become more exacting in their expectations and less tolerant of errors and sub-standard service. It is good for public servants to be held to these high standards. Public servants must accept that public expectations will never be fully met and public demands will never be entirely fulfilled. Hence the need for continuous improvement, constant change and innovation in the Public Service.

*From [Straits Times](#), 1 April 2001*

## **CHINA'S LEADERS GIVE THEMSELVES A PAY RAISE**

China's cabinet has given a pay raise to 45 million civil servants, bringing the estimated salary of President Jiang Zemin to more than 27,000 yuan (\$3,262) a year -- excluding a one-month bonus. The pay rise, announced by state media on Friday, was approved by the State Council in February. The announcement sparked anger in Internet chatrooms, one of the few forums for public debate in China. "Giving civil servants another raise, this is unreasonable," said one message posted on Sina.com. "What about workers laid-off from state enterprises? They don't have enough to eat." Finance Minister Xiang Huaicheng let the news slip on Thursday at a news conference on the first quarter fiscal situation. "Regarding the increase in salary this year ... I already have mine in hand," he said. Effective nationwide this month, China will raise salaries by an average 100 yuan, offer allowances for hardship postings in 13 provinces and give a year-end bonus of a month's pay to qualified officials, Xiang said. "This fully shows the loving care of the party and State Council for officials and staff," the State Council said in a document seen by Reuters. "It will also continue to expand domestic consumption and power economic growth." China is desperate to boost consumption to spur the economy as exports slow, and is eager to attract more skilled workers to lagging western provinces by offering incentives. The

government will spend 80 billion yuan on the salary increases this year, Xiang said. Analysts say the increases are also aimed at stemming corruption in the ranks of officials. The salaries of China's top leaders are not made public. But in an incident reported by Hong Kong media, Premier Zhu Rongji pulled out his wallet at a meeting last year and said he made around 2,000 yuan a month. Zhu and other officials will do better this year. The basic salary for all civil servants will rise to 230 yuan a month from 180 yuan, state media said. The "grade" component of salaries would rise to 115 yuan to 1,166 yuan per month for the 15 ranks of civil servants from the previous range of 85 yuan to 720 yuan, the State Council said. Government workers would also receive one yuan for every year of service as part of their monthly salaries. On top of that, President Jiang, Premier Zhu and Vice President Hu Jintao are entitled to another 480 to 855 yuan a month for their jobs, according to the State Council document. Vice premiers and State Council members get 400 to 760 yuan per month, while lower ranking ministers and provincial governors get 330 to 680 yuan, it said. U.S. federal civil servants earn an average of about \$50,000 a year. Prominent Chinese academic Hu Angang said in a recent interview that pay rises for civil servants would help the government's crackdown against corruption, which caused 1.27 trillion yuan in economic losses from 1995 to 1999. But some Chinese still criticized them, saying the perks from holding a government office -- such as housing and cars -- go far beyond the basic salary. Government officials are happy about the raise. "Up until now, no one has opposed raising salaries," Xiang said to the laughter of reporters.

From [Inside China](#), 13 April 2001

## CIVIL SERVANTS IN SOLOMON ISLANDS THREATEN STRIKE ACTION

Civil servants in five of the nine provinces in Solomon Islands plan to strike indefinitely from tomorrow. The General Secretary of the Public Employees Union, Clement Waiwori, says the officers are not happy with the government decision not to pay an ex-gratia payment to public officers. He says 700 public officers seconded to Choiseul, Western, Central Islands, Isabel and Malaita provinces say they are also entitled to the payment, not only civil servants in the capital, Honiara. The government awarded an ex-gratia payment of forty dollars a day to public officers engaged in official duties during the height of the ethnic tension from June the 5th to October 15th last year. Mr. Waiwori says in the initial negotiations, the union told the government the allowance should also be extended to public officers working in provinces affected by the spillover effects of the ethnic tension. He said Cabinet rejected the submission claiming that only officers working Honiara deserved the allowance.

From [ABC Online](#), 16 April 2001

## EUROPEICIS

### MPs DEMAND SHAKE-UP OF CIVIL SERVICE

Whitehall is failing to diversify, say MPs. Attempts to bring the civil service into the 21st century are failing - and a royal commission should now be established to promote change, according to MPs. A cross-party Commons committee is calling for a re-think of existing strategies to make Whitehall more representative of the country at large. In its report, Making Government Work, the public administration committee predicts that ministerial targets aimed at boosting the number of senior women in the civil service will fail. But the government has insisted it is making "good progress" towards achieving its targets for greater diversity among senior officials. According to the committee, ministers wanted to see widespread changes in the makeup of the civil service, including: the proportion of women at senior levels rising from 17.8% in 1998 to 35% by 2005. the number of disabled people doubling to 3%. the proportion of ethnic minorities increasing from 1.6% to 3.2% over the same period. But the MPs' report concludes that a lack of women in the middle ranks of the civil service means that the first target is unlikely to be attained. And it continues: "If this one target cannot be met, for reasons which could have been foreseen, it is possible that others may be equally doubtful and it raises questions about target-setting".



Yes, Minister culture still prevalent, MPs suggest

The report argues that a Royal Commission should be set up to produce a "comprehensive strategy for change", suggesting that the old fashioned culture personified by Sir Humphrey in the television comedy Yes, Minister, maintains its stranglehold on Whitehall. It says that civil servants should be better informed of their roles in assisting ministers to formulate and deliver policy. And a clear description of the skills they need was "urgent", the report said. On course The Cabinet Office responded to the report by insisting that the civil service was committed to reform. It said it was making "good progress" towards achieving its targets for greater diversity among senior officials. A spokesman said it was on course to exceed its targets for disabled and ethnic minority staff and that by 2005, 25% of the top civil service jobs should be filled by women. But Labour MP Tony Wright, who chairs the Public Administration Committee, told BBC News more reform was required. He said: "The world has now changed, the government has changed, the civil service has to change with it." Whitehall culture was such that an external review was now needed such as a royal commission. "An internally driven process is not actually going to deliver the goods now," he said. Matthew Taylor, director of left-leaning think-tank, the Institute of Public Policy Research, agreed. He said: "We need to shift the culture of the civil service away from a culture which is about process, legislation, regulation and measurement", to one which was about making change happen. But The First Division Association, which represents senior civil servants, questioned the need for "yet another review". General Secretary

Jonathan Baume insisted the civil service had undergone "tremendous change" over the last 20 years. He said: "One should be critical of civil service weaknesses but ... we also have one of the least corrupt civil services in the world.

*From BBC, 10 April 2001*

## **CRISIS PROMPTS BLAIR TO OVERHAUL CIVIL SERVICE**

Tony Blair will use an inquest into the handling of the foot and mouth crisis to carry out sweeping reform of the civil service. The Prime Minister has been appalled by poor motivation and incompetence in some sections of Whitehall since he took personal charge of the struggle to contain the outbreak last month. He now plans to institute a wide-ranging review, to be chaired by former BP boss Lord Simon, aimed at learning lessons from the current crisis, during which officials have been sharply criticised for delays and mistakes. In particular, Blair wants to change appointment rules to make it easier for people with industry or frontline public sector experience to take the most senior positions. Performance-related pay, which was introduced under a previous review, is also set to be significantly extended in an attempt to bring about a "cultural change" in Whitehall, not least at the Ministry of Agriculture, Fisheries and Food. "Foot and mouth has cracked MAFF open like a nut, but it's not just that department that has been found wanting," said a senior government source. "Politicians are used to setting policy and then letting civil servants get on with the implementation. But when you have a crisis situation and you have to get into the nitty-gritty, you find out if the machine is working properly." Blair has been particularly infuriated by civil servants' failure to provide accurate figures on the crisis. On one occasion an astonished Prime Minister was told that MAFF was unable to provide an estimate of the number of cattle in Devon. Number 10 was also horrified at the failure of the department's senior vets to liaise with the government's other chief scientific advisers, despite a key recommendation of the official inquiry into BSE on the need for better links. The internal inquiry into the crisis is expected to lead to a new Civil Service Act which will implement a range of reforms. In addition to pay and appointments, Downing Street wants to stop empire-building by mandarins. Instead of the usual Whitehall 'turf wars', civil servants will be expected to co-operate in cross-departmental teams working towards objectives set by the Prime Minister himself. Meanwhile, new figures have revealed that the number of civil servants increased by 25,000 over the last two years. Treasury figures show that next year there will be 486,200 employed in the home civil service compared with 461,200 in 1998. The Tories seized on the figures to claim Labour was presiding over a burgeoning bureaucracy. Shadow cabinet office minister Andrew Lansley said: "The increase in running costs of the civil service amount to £2bn. Where the increase in numbers is in areas that need genuine help, like the recruits to the Home Office to deal with immigration, then we are supportive - but the numbers here are completely unacceptable.

*From [Scotland on Sunday](#), by Francis Elliott Westminster Editor, 9 April 2001*

## **PUBLIC SECTOR PAY BILL SOARS – AND THERE'S WORSE TO COME**

Out of every pound spent on the day-to-day running of the country, 51p goes on the Exchequer pay bill, according to newly published official figures. By the end of this year, the total cost of wages and salaries for the 234,000 public sector employees on Finance Minister Charlie McCreevy's payroll will be close to £8bn. It will soar again in 2002 because of the rises in the Programme for Prosperity and Fairness (PPF) and the expected "benchmarking" increases for the three school-teacher unions INTO, ASTI and TUI. Under the PPF, teachers are being paid and are accepting rises with a cumulative value of £332m. All three unions seek non-PPF increases in the 30pc range to allow them catch up on comparable posts in the public and private sector. With a retrospective element to benchmarking, the Finance Minister might have to find more than £400m extra next year for the teachers alone. Fine Gael deputy leader Jim Mitchell confirmed that figures provided by the minister in written Dail replies showed that in each of the last four years, the public sector pay bill went up by multiples of the inflation rate. That kind of jump is being repeated this year, he said. The smallest annual rise in the overall pay bill in recent years was the 5.2pc of 1996 but that was more than three times the 1.6pc inflation rate. However, the following year, the 10.4pc rise in the Exchequer pay bill was more than seven times the 1.5pc inflation. In the five-year span to the end of 2000, there was a cumulative rise of 44.7pc in wages and salaries paid by the Government while, in the same period, inflation went up by 12.7pc. The 2001 pay rise is expected to be 17.2pc against projected inflation of 4.5pc. In his formal reply to Jim Mitchell, the Finance Minister said that comparison of the increase in the pay and pensions bill with the rate of rise in the Consumer Price Index (CPI) was "misleading." His pay bill went up because of factors not related to inflation, the minister said. Developments in services meant that the number of people on the payroll increased. Mr. McCreevy estimated pay and pensions as taking up a declining share of Gross Domestic Product (GDP). It had dropped from 10.3pc in 1996 to 7.9pc last year, he said, without acknowledging that the economic boom in the same time span dramatically increased the size of GDP. Mr. McCreevy's figures do not include the thousands of city, town and county councils employees paid directly by the councils.

*From [Unison](#), 14 April 2001*

## **CIVIL SERVANTS ATTACK NEW ROLE FOR CAMPBELL**

Moves to make Alastair Campbell a government communications supremo are being heavily resisted by civil servants who fear that he will further politicise the information system. Mr. Campbell is expected to step down from his role as Tony Blair's Press Secretary to take on a behind-the-scenes role as director of communications if Labour wins the general election. That transition would largely formalise the position he has created over the past six months where he has taken responsibility for overall communications strategy. But Whitehall sources are now suggesting that he will take on an even wider role in the future, which will include responsibility for the Government's information and communication system (GICS). That system is run by Mike Granatt, a career civil servant, who reports to Sir Richard Wilson, the Cabinet Secretary. Mr. Granatt is technically responsible for overseeing

departmental heads of information although they report directly to their relevant Secretary of State. Since Labour took office, the Government's press machine has been overhauled and all but Mr. Granatt of the old heads of department have resigned or been sacked. Mr. Campbell has cultivated more junior press officers coming up through the ranks but until now has had no official management responsibility for them. If Mr. Campbell took the GICS under his wing, Mr. Granatt's position could be untenable and Mr. Blair would be accused of further politicisation of the Civil Service. The move would almost certainly be opposed by Sir Richard and some of the remaining more senior information officers. Officials suggested that it would also provoke ministers to do more of their own publicity for their own projects as they would be unable to trust their allotted press team.

*From Times, by Roland Watson and Jill Sherman, 13 April 2001*

## **LOW PAY DRIVING PUBLIC SERVANTS INTO PRIVATE SECTOR**

The scale of the staffing crisis in the public service is revealed in new figures which show that resignations from Government departments jumped by nearly 50pc in a year. More than half the staff leaving secure State jobs are at clerical officer level and low pay has been identified as the single biggest issue. The figures, which showed turnover rose from 2pc to 2.9pc between 1999 and 2000, are contained in the Department of Finance's submission to the Benchmarking Body adjudicating on special pay claims for about 200,000 public service workers. The acute shortages in the health service are highlighted in another submission from the umbrella of Public Service Employers showing that almost 900 foreign nurses were granted work visas/authorisations in the first two months of this year. The benchmarking body is headed by Mr. Justice Quirke and is charged with comparing the pay and perks of public service workers with those in the private sector and deciding whether any increases are warranted. Both submissions acknowledge the growing problem with staff recruitment and retention in State-paid employments, but the Department of Finance says there is "no single solution", and different approaches may be required for different problems. Public Service Employers have told the Benchmarking Body that pay developments must have regard to events in international and domestic environments such as the foot-and-mouth crisis and the downturn in the US economy. Any pay increases significantly in excess of those underlying the projections in Budget 2001 would have a marked adverse impact on competitiveness and multiply the negative impact on the economy of adverse external developments. Both submissions also insist that the public service should not "lead" pay levels in the rest of the economy and say account must be taken of "attractions" such as security, superannuation and career prospects of a job in the public service. The Public Service Employers touch on the thorny issue of performance-related pay and call for information to be gathered on its incidence in the private sector. They acknowledge that the time-scale is too tight to take the issue on board but add that they "may be in a position to indicate directions in which this issue might evolve over time". In an apparent contradiction of the commitment given to the ASTI at the Labour Court attended by the Department of Finance the submissions agree that benchmarking may not be used to compensate for past productivity. The department submission states that "arguments for increases in pay based on past improvements in flexibility and productivity should not, in its view, have any validity. "The Benchmarking Body will be carrying out an up-to-date assessment of jobs and pay rates in the civil service and in other employments and this should, therefore, capture in full how past change has impacted." The Public Service Employers make a similar point, in bold type, stating that "the issue of compensation for change does not arise since the exercise will be examining and pricing by reference to the private sector jobs as they now exist with their current roles, duties and responsibilities".

*From [Unison](#), by Katherine Donnelly, 11 April 2001*

## **IRELAND: CIVIL SERVICE JOBS BACK IN FASHION**

Instability in some parts of the private sector is making public service jobs more attractive again. Bryan Andrews, CEO of the Civil Service Commission, said that a slight upward trend in the number of applications had been noticed, and jobs were being filled more quickly in recent months. Large numbers of job vacancies are no longer the case, he said, although he added the Commission were still advertising to fill jobs in clerical grades at the rate of 70 a week. Speaking at a recruitment drive in the RDS yesterday, he said the civil service had always filled positions, though it had experienced some difficulties in the past few years recruiting staff. "The trend is swinging back again in our favour, but slowly," he said. There are currently between 500 and 900 vacancies across the entire civil service, but that was not unusual in an umbrella employer with up to 30,000 employees. It was understandable that the private sector would become a more attractive option to job seekers in a booming economy, said Mr. Andrews, but said the civil service was still a major draw for many people. "The image of the grey suit and the dusty filing cabinets is a thing of the past. The civil service is a modern employer, and we are constantly changing. It is also a place that offers great personal growth and job satisfaction and there are great opportunities with competitions for promotion and transfer to other Departments," he said. Typical jobs start at clerical level for school leavers and third secretary level for graduates. However a wide variety of people from a wide variety of backgrounds apply. Up to 7,000 people of all ages visited the recruitment drive, organised by High Skills Pool (HSP). All the Government Departments were represented as was the Health service, the Prison Service, the Local Authorities and Government funded Commissions and Offices.

*From [Unison](#), 23 April 2001*

## **MOVING OF 10,000 CIVIL SERVANTS STILL ON THE CARDS**

The Government has not abandoned its plans for the decentralisation of up of 10,000 civil servants. Decentralisation is "still very much under active consideration", the Minister for Justice Mr. John O'Donoghue said yesterday. The minister was speaking at the signing of contracts for the new Legal Aid Board Offices in Caherciveen, Co Kerry where 42 civil servants are to transfer from

January, 2002. Around one third of staff will begin in temporary accommodation in Caherciveen during the summer. Mr. Donoghue said any new moves would be subject to negotiations with the unions. The transfer of civil servants to his home town of Caherciveen was a true case of "poetic justice," Mr. O'Donoghue said. The new Legal Aid Board offices are being built on a seafront site near the old railway line. A lot of economic life went out of Caherciveen when the railway closed in the 1960s. "Now for the first time in the best part of 100 years people from the region are able to return to work in their own place," he added. Nothing better illustrated his own "personal conviction that information and computer technology have finally conquered peripherality," Mr. O'Donoghue said. The new glass fronted offices are to be built on 1.4 acres and the contract is understood to be worth £3.5m.

From [Unison](#), 25 April 2001

## THE AMERICAS

### NEW OFFICERS ARE URGED TO KEEP ETHICS, RESPECT

A veteran Baltimore circuit judge sternly urged 31 new city police officers at their commencement yesterday to maintain high ethical standards and treat residents with respect as they take on the "awesome responsibility" of protecting the city. Judge David B. Mitchell, who oversees the Circuit Court's criminal docket, told the young officers that if they cannot perform up to those standards, "then do not step forward when your name is announced to these people in this assembly." Mitchell, the featured commencement speaker, told the officers gathered at the War Memorial Building that "despite the situation people you encounter are in, they are deserving of your respect as human beings." The judge, who has been on the bench 17 years, added that "the moment you forget that simple fact is the moment you cease to be a servant of the public because you have adopted some superior attitude." Mitchell's remarks came after two recent acquittals - one in the killing of a dental student, the other in the death of a police officer - in which juries said they distrusted police and how they investigated the cases. In an interview later, Mitchell, who has overseen trials of police misconduct and people charged with killing officers, said there was nothing recent that triggered his comments. He said police commanders asked him to speak about ethics. Yesterday's graduation comes at a tough time for the department. Though crime is dropping, the past month has been unusually violent. Five officers were shot - one fatally - in three incidents, and police shot three people, killing two. Mayor Martin O'Malley urged the new officers, who are to hit the streets for the first time without trainers today, to remember that residents are their best asset. "The most important shield that you have against the dealers, the death and the drugs that have too often occupied our neighborhoods are the good, decent, hard-working and holy people that live in every single block of this city," O'Malley said. Mitchell picked up on that theme, telling the graduates that he has seen too many corners cut by officers, including those who omit essential details or seize evidence using questionable tactics. "I have witnessed police officers in court in all the ways you can imagine," the judge said, "and some that you would not like to see or emulate." Mitchell reminded the officers that even the briefest encounter with a resident can leave a "total impression a person has of you, your department, this city or of the community you serve." "It is of little importance that you are correct in the decision you make, if the attitude is one of contempt for the public," he said.

From [Sunspot](#), by Peter Hermann, 4 April 2001

### OTTAWA TO REVIEW HOW PUBLIC SERVICE RUNS

How the government hires, fires and promotes its employees will undergo a major review. A study on modernizing human resources management in the public service will be headed by senior bureaucrat Ranald Quail, Prime Minister Jean Chretien announced today. Quail is the deputy minister of Public Works and Government Services. Treasury Board President Lucienne Robillard will become the minister in charge of reforming the public service. A major overhaul hasn't been undertaken since the 1960s. The public service has been under much scrutiny in recent years, criticized for a lack of flexibility in its hiring. It also faces the potential for serious shortages of qualified personnel once a large proportion of employees retire. Public servants also complain of painfully long processes to get jobs and confusing job classifications. The review is expected to face opposition from unions representing public-sector employees. The unions insist on being included in discussions that affects their members. "The government will take all the steps necessary to ensure that we continue to have the talent necessary for a public service that is committed to excellence," Chretien said in statement. "We will make the necessary reforms to modernize the public service for the requirements of the 21st century.

From [Ottawa Citizen](#), 4 April 2001

### CHASM OPENS OVER CIVIL SERVICE

Gov. Jeb Bush's plan to revise the civil service system governing state employees ran into a barrage of flak Tuesday. A mediator's report blasted it as unfair and unworkable, and a judge took the unusual step of ordering a legislative committee to cancel a meeting involving the plan. The day ended with the committee meeting anyway, in what critics said was defiance of the order. Legislators denied that, saying the order was unconstitutional. The issue broke open the political battle over Bush's reform plan. It also seemed likely to worsen the already strained relations between the state Legislature and the state judiciary, and may add fuel to a controversial push in the Legislature to dilute judicial power. Republicans eager to take on unions and judges blasted the mediation report and the judge. A deputy for Department of Management Services head Cynthia Henderson called the mediator "biased."

House Speaker Tom Feeney, R-Oviedo, called the judge's injunction "bizarre." And Rep. Fred Brummer, R- Apopka, co-chairman of the Legislature's collective bargaining committee, called the injunction "another indication of a judiciary run amok." Brummer said the order violated "the separation of powers doctrine" because no judge can "tell the Legislature when to meet, when not to meet and what to do." Senate attorney Stephen Kahn said it was "the first time in institutional memory" a judge has issued such an order. Union officials, meanwhile, charged Republican lawmakers with "arrogance of power" in rushing to enact Bush's plan. "The governor's friends in the Legislature are not anxious to have the mediator's report publicized," said Steve Kreisberg, chief negotiator for the Association of State, County and Municipal Employees, the largest union of state workers. "We'd rather sit down and have an honest discussion about how we can do career service reform in a way that makes sense for both employees and the state." Bush's Service First plan - already approved by the House - would make more workers political appointees instead of career civil service workers. It also would give managers and department heads more discretion to discipline, fire, and set pay raises. The administration says such moves will save money and increase efficiency. Opponents say the system would become vulnerable to political pressure, favoritism, and patronage. Henderson's Department of Management Services reached an impasse some weeks ago in negotiations with AFSCME, which represents about 68,000 state workers, over renewal of a three-year contract. The governor's Service First plan was a key sticking point. Public employees do not have the right to strike. Impasses are mediated by a special master. If that fails, the Legislature decides the impasse. State law gives both sides 20 days to consider a special master's report before the Legislature acts. The special master, University of Houston management professor Mark Sherman, said in his report that the administration failed to prove its case that current Career Service rules cause inefficiency. He said the plan would "eviscerate the benefits of Career Service" and make it harder to hire and keep good employees. "It is not logical. It will not work," he wrote. "The result will eventually be 'Service Worst,' instead of Service First." Sherman was chosen by the two sides from a list of nominees from the Public Employee Relations Commission. He refused to respond, citing the need to maintain judicial impartiality. A week ago, even before the report came out, the Legislature's Joint Select Committee on Collective Bargaining set Tuesday as the date it would consider the impasse. The union went to court to argue that the meeting violated the 20-day provision, and Circuit Judge Ralph Smith granted a request for an injunction to stop the meeting. Kahn, however, said Tuesday the meeting was legal because prior to the start of the meeting, the governor told the Public Employee Relations Commission he had rejected the special master's report. Union officials say that still doesn't satisfy the 20-day requirement. The court order set the Capitol abuzz Tuesday, and a crowd of legislators attended the meeting to show support. Feeney and Sen. Rudy Garcia, R-Hialeah, co-chairman of the committee, jokingly displayed toothbrushes they brought along in case they were jailed.

*From [Tampa Tribune](#), by William March, 4 April 2001*

## **LEGISLATURE: WORKERS RALLY OVER PROPOSED CIVIL SERVICE CHANGES**

Tallahassee — A sea of green T-shirts emblazoned with union logos flooded the Capitol courtyard Monday protesting proposed changes to Florida's "career service" system. Lois Pecjak stood in the crowd of about 600 other state workers and supporters, carrying a sign reading "State Employees Do It Better and For Less." Pecjak, a maintenance worker on the Veterans' Expressway in Tampa, said her job has been targeted for privatization. Pecjak said she makes \$8 an hour cleaning bathrooms and washing cars at the highway plaza. "It doesn't make sense," Pecjak, 58, said. "I work very hard. I buy my own soap, my own mops, my own scrubber bubbles, my own brooms. How is the state going to save money with this?" Many arrived on union-chartered buses to protest changes approved by the House last week which would make it easier for managers to fire 100,000-plus career service workers. A Senate committee is expected to take up a similar bill (SB 466) Tuesday which would also move 16,000 employees out of career service. Under the provision, those employees could be more easily reassigned, demoted or fired. The measure also encourages privatization of jobs currently held by state workers. "This is one of the toughest battles our union has had to face," said Gerald McEntee, president of the AFSCME, the union representing more than a million state, federal and county workers. "The Bush brothers have declared war on working families in Florida and across America." The crowd responded enthusiastically to speeches from McEntee and AFL-CIO President John Sweeney, who were joined by U.S. Rep. Alan Boyd and a host of Democratic state lawmakers. "We say to (Gov.) Jeb Bush, 'Don't change that mansion too much, don't move the chairs and don't change the drapes,'" McEntee said, "because you are a short-term governor." Many of the state workers attending the rally refused to give out their names, saying they were afraid they would lose their jobs. "I'm the only one who came from my center, because the other ones were afraid of losing their jobs," said Karleen Farmer, a public assistance specialist with the Department of Children and families in Macclenny. The proposals are based on a report issued last fall at Bush's request by the Council of 100, an association of business leaders. Bush said the rally was organized by national union leaders for political gain. "It looked like a lot of T-shirts from places outside of Florida," he said. The proposals would leave in place protections against discrimination or firings for political reasons, Bush said. Sen. Rudy Garcia, R-Miami, the bill's Senate sponsor, refused to comment and remained inside his office after the rally ended. Pecjak echoed the concerns of other state workers who believe the system will open the door for managers to fire employees regardless of their job performance. "It's not going to be who does the best job, it's going to be a clique," she said.

*From [Naples Daily News](#), by Dara Kam, Associated Press, 10 April 2001*

## **AMERICAN LEADERSHIP-TRAINING SHORTAGE ON HORIZON**

The office of Personnel Management has just released a study to assess the current state of first-line supervisors in federal agencies. The report contains some interesting facts, but to those of us in the federal work force, many of the findings will not be a surprise. With almost a decade of downsizing, the number of supervisors and managers has declined from 268,498 to 195,900.

This drop increased the average age of supervisors from 47.6 to 48.7, and the average length of their federal service also rose by more than two years. What is interesting and should be of grave concern to workers and taxpayers is that a significant number of the supervisors in the GS-11 to GS-15 grade levels increasingly are becoming eligible to retire. Almost 45 percent of those critical federal managers are now eligible or will soon be eligible to retire. OPM is concerned that if agencies don't pay more attention to this issue, the federal government's ability to effectively function could be threatened. One of the areas of greatest concern is the method used to select employees for supervisory positions. As an example, OPM canvassed participants in a U.S. Department of Agriculture Graduate School course for managers and found that more than half had applied for a supervisory position and almost half were selected for supervisory work by being the recognized technical expert. Competence and technical expertise do not reflect a worker's ability to be a good manager, but for many, it is the only way to get a promotion. Only 11 percent of the survey group had participated in a leadership-development program and only 5 percent had attended some form of professional or personal development that dealt with leadership topics. The study concludes that unprepared or untrained leaders can damage morale and lower productivity. This is even more crucial today when federal employees must balance work and family demands in an office environment that increasingly is driven by customer service, with reduced resources. Here is a brief summary of OPM's key findings: Agencies need to do a better job of selecting and developing first-level supervisors. Most agencies still do not identify employees with supervisory potential and develop them for future leadership positions. Supervisors believe that leadership is given a low priority. Supervisors take issue with the way their performance is evaluated. They perceive that poorly performing supervisors are ignored and receive little feedback on how to improve, while effective supervisors are not adequately recognized or rewarded. If you want to read the entire 24-page study on "Supervisors in the Federal Government: A Wake-up Call," go to OPM's Web site at [www.opm.gov](http://www.opm.gov). The selection and promotion of the federal civil service's next generation of leaders is just one of the many issues facing Kay Coles James, President Bush's intended nominee to head OPM. For those not familiar with James, she is now a senior fellow and director for the Citizenship Project at the Heritage Foundation, a conservative think tank in Washington. James served President Reagan on the White House Task Force for the Black Family and the National Commission on Children, and former President Bush as an assistant secretary at Health and Human Services. Under Gov. George Allen, she was Virginia's secretary of health and human services and chaired the Governor's Empowerment Commission. I look forward to her Senate confirmation hearing because it will give federal workers a peek at how the next four years could be.

*From Free-Lance Star, 9 April 2001*

## **ETHICS TRAINING TO START FOR CITY**

Six Council members introduce the bill to start training on standards of conduct - The city's 1,500 managers will soon be undergoing ethics training under a bill introduced by six members of the City Council. The program, which would also apply to the mayor and Council members, would include training on standards of conduct, actions to take to avoid violations, and remedies for when violations are discovered. Other programs would be on actions to take when asked by a supervisor to violate a standard of conduct, and requirements regarding financial and gift disclosure statements. "The public has every right to expect city officials to uphold the highest standards of ethical conduct, and this program is intended to show the Council's commitment to that," said Councilman Steve Holmes, lead author of the bill signed by five other Council members. Councilman Duke Bainum agreed. "Everyone's core values, hopefully, were developed when we were young," he said. "But it certainly can't hurt to be reminded of the particulars of the law." The bill comes on the heels of Councilwoman Rene Mansho's acknowledgment that she violated ethical standards when she had aides do campaign work on city time. On the advice of the city Ethics Commission, Mansho was ordered to pay \$40,000 in compensation and stripped of all her leadership responsibilities by her colleagues. She is paying the Campaign Spending Commission an additional \$40,000 after acknowledging using her election account to pay for noncampaign expenses. Mansho is not one of the six who signed the ethics bill. "We can't overemphasize the importance of maintaining and assuring the highest standards of ethical conduct," said Councilman John Henry Felix. The bill charges the city Ethics Commission with formulating the program. All existing city managers are to be trained within a year. New employees would need to be trained within six months of hire. The bill leaves it up to the commission to determine the need for refresher courses. Holmes estimated the program would cost no more than \$2,000. Chuck Totto, executive director for the commission, said he endorses the program. "We appreciate the Council taking the ethics issue so seriously," Totto said. He said training may help prevent unintentional breaches.

*From Star-Bulletin, by Gordon Y.K. Pang, 8 April 2001*

## **CIVIL SERVICE PANEL UPHOLDS OFFICER'S FIRING FOR INCIDENTS**

The Municipal Fire and Police Civil Service Board upheld the firing of a police officer Tuesday accused of inappropriate sexual behavior in two on-duty incidents. Tremelle Neldare, who spent 10 years as a firefighter before joining the Police Department in 1998, was fired in December after the incidents in July and August. In the first incident in July, a 19-year-old man told the board that Neldare had forced him to his knees, stood with his crotch near the man's face and made remarks about oral sex. In the second incident in August, a woman told the board Neldare slid his hand into her pants while talking to her about an argument he'd broken up between her and her boyfriend. In that incident, Neldare wrote in his police report that he had said lewd things to the boyfriend about the woman's potential sex appeal. Neldare denied any misconduct. In the August incident, he said he could not have groped the woman because he had a notepad in one hand and a pen in the other. In the July incident, several other officers who were at the scene testified they saw Neldare do nothing improper. Neldare said he never touched the man. The 19-year-old man involved in the July incident told the board that he and others were thrown out of The Zone, a teen club on Florida Boulevard, when the managers decided to close early after some fights. They called police to help clear the club and parking lot. The 19-year-old man

was not involved in the fights, but got into a confrontation with police because he wanted to wait outside the club to make sure his sister, who also was there, did not need a ride home. He said an officer who demanded he leave called him obscene names and he called the officer an obscene name. He then tried to leave, but was pulled over by another officer. He said Neldare approached him and grabbed him by the neck, shoving his head against the hood of a police car, then forcing him to kneel near the car. That's when he said Neldare put his crotch near his face and made suggestions that he was a homosexual and made remarks about oral sex. The woman involved in the August incident said Neldare was at her neighbor's house on Evangeline Street when he heard her and her ex-boyfriend having an argument. He spoke outside to her ex-boyfriend, who left. She said Neldare then went into her house, led her to a room away from her children and said he wanted to see what had made her boyfriend so crazy. She said he slid his hand into her pants and she recoiled, removing his hand. She also said he had her turn around and lifted her sweater so he could look at her backside. She also was angry Neldare did not arrest her boyfriend, whom she said had outstanding arrest warrants. Under questioning from Charles Dirks, the attorney representing Neldare, the woman acknowledged she also had four outstanding arrest warrants and a 1998 felony theft conviction. Police Chief of Staff Sgt. David Whatley later confirmed the woman was arrested on misdemeanor warrants after she testified and was being held Tuesday night at the City Jail. Joe Lotwick, who represented former Police Chief Greg Phares at the hearing, said the woman subjecting herself to arrest by coming to testify indicated she had nothing to gain and much to lose by coming to the hearing. After a more than 10-hour hearing, the board voted 3-2 to uphold Neldare's termination. Board members Cynthia Wilkinson, Henry Clark and Johnny Johnston voted in favor. Board members Lyle Johnson and Daryl Edgens, who respectively represent police officers and firefighters on the board, voted against upholding the chief's action. Johnson had previously moved to reinstate Neldare with a 75-day suspension, but his motion failed. He said he simply did not believe all the officers were not telling the truth and that all the complainants were. Johnson left the hearing angry and said later he believes Phares, who retired in January, was "burned out" at the end of his term and imposed too-harsh discipline. He called Lotwick "overzealous" in trying to make police officers testifying for the defense out to be liars and said he doesn't think the board is effective for police officers. "I believe that we have a board that is made up of people who don't have the slightest idea what goes on in real life with police officers," he said. The board has five members -- a police representative, a firefighter representative, a person nominated to the Mayor's Office by Southern University, a person nominated to the Mayor's Office by LSU and a person appointed by the mayor. Johnston, the mayor's appointee, is a former police chief. Neither Wilkinson, the LSU appointee, nor Clark, the Southern appointee, has any law enforcement experience. In another hearing that began at the board's last meeting and concluded Tuesday, the board reduced Cpl. Darrell Johnson's 60-day suspension for shirking duties to a 30-day suspension. Johnson failed to go to an armed robbery call because he said he was tied up at a grocery store where he works extra duty talking to the manager about a missing carpet cleaner.

From [The Advocate](#), by [MELISSA MOORE](#), 11 April 2001

## CIVIL SERVICE PANEL UNDER FIRE FROM CITY

The city department in charge of testing Seattle police-officer and firefighter applicants is awash in accusations of overspending and sloppy management, and a counter-charge of racism. The alleged problems at the Public Safety Civil Service Commission (PSCSC) are the subject of a city audit and a recent reprimand by the director of the city's Ethics and Elections Commission. Investigators cited violations of city law stemming from the misuse of rental cars for personal business. They also pointed to possible abuse of overtime, and said some commission officials have refused to acknowledge they had done anything wrong. Ruby Dell Harris, the commission's administrator and the subject of many of the allegations, has retained a lawyer and is threatening to sue the city for racial discrimination over its investigation of her management. A draft audit found that Harris authorized the personal use of rental cars by a commission employee. The employee last year drove rental cars 2,639 miles - more than half of which was for personal business, the report said. The employee has already reimbursed the city \$371 of the estimated \$523 cost of that use, according to the report. The audit, to be released in final form later this month, also says Harris failed to address personnel problems within the PSCSC's small office. Three employees complained last year that Harris had created a "hostile work environment" after they reported that a fellow staff member wasn't doing her job. In addition, the audit cites a report by private consultants who noted complaints by police officials about a PSCSC employee dressing inappropriately, acting rudely and flirting during tests. While Harris declined comment yesterday, her lawyer suggested the fact that she is African American may have affected her treatment by city officials. "It smacks of a conspiracy," said attorney Lem Howell. He said the problems stem from PSCSC commissioner Noreen Skagen, who he said is "micromanaging" the commission and set in motion the city audit, which Howell called a "fishing expedition." Witch hunt, says chairman James Fossos, chairman of the PSCSC, has also objected to the probe of Harris. In a letter to Skagen dated Aug. 25, 2000, Fossos said the city's investigation had "taken on a life of its own" and "turned into a witch hunt." The PSCSC staff is governed by the three-member citizen panel chaired by Fossos, with one member nominated by the mayor, one by the City Council and one by the police and fire departments. Skagen, a former U.S. Marshal and assistant Seattle police chief, could not be reached for comment yesterday. Fossos said he knows the commission has had problems but declined to discuss most of the allegations in detail. "There is a lot going on. We're trying to sort it out the best we can," he said. The PSCSC has overspent its budget each year for the past six years, according to the city budget office. The overspending totaled \$242,000 during that period. In 1995, the overspending was \$7,000, but in 1997 it had ballooned to \$98,000. Last year, the PSCSC would have been \$220,000 overdrawn except that the City Council approved a midyear budget adjustment and the police and fire departments agreed to transfer \$100,000 from their budgets. PSCSC's revised budget last year was about \$500,000. In 1998, the city's ethics watchdog warned the commission to get its finances in order. But in a recent follow-up report, Ethics and Elections Director Carolyn Van Noy noted that Harris continued to overspend despite that warning. Some of that spending was questionable, according to the draft audit. Overtime expenses were not adequately monitored and some employees may have been paid for hours they didn't actually work, the report said. Fossos yesterday said he didn't have details of why the

commission overspent its budget, but said unexpected expenses, such as the need to rent a space to hold an exam, may have played a role. In a March 6 letter to City Auditor Susan Cohen, Fossos also defended Harris, calling the audit "tainted" and saying "there was absolutely no intent" to violate the law through the misuse of rental cars.

*From [Seattle Times](#), by [Jim Brunner](#), 11 April 2001*

## **BRAZIL CORRUPTION SCANDAL**

A court in Brazil has ordered the preventive detention of twenty-seven people suspected of embezzling nearly one billion dollars from a federal development agency. The authorities said that by late Monday they had arrested sixteen of them. They're suspected of embezzling funds from projects run by the Superintendency for the Development of Amazonia in three states in northern Brazil Mato Grosso, Para and Tocantins. But one of the main suspects, Jose Osmar Borges, has not yet been found. The suspects include several high-level employees of the government agency.

*From [BBC](#), 17 April 2001*

## **A TOWNSHIP SUPERVISOR AND A FORMER OFFICIAL WERE FOUND GUILTY BY THE STATE ETHICS COMMISSION FOR ALLEGATIONS THEY IMPROPERLY ACCEPTED MORE THAN \$20,000 IN TAXPAYER MONEY**

Linda K. Buler, in her capacity as a supervisor for Exeter, unintentionally violated a section of the State Ethics Act when she participated in discussions, actions and votes of the board of supervisors to create a paid position for herself with the township and when she voted to approve payments to herself, according to State Ethics Commission documents. Former Township Supervisor Craig Breneiser was found guilty of the same violations. Buler, the current chairwoman of the township supervisors, received payments between January 1997 and January 2000 for the position of director of parks, recreation and administration. She was paid \$11,042.86 for those duties. Breneiser received \$9,559.40 for duties performed as the director of public safety and human resources between January 1997 and October 1999, according to ethics commission documents. "It's always unfortunate when you find an official has violated the ethics code," said Donna Starr, an auditor for Exeter Township. The job description for the director position states the director has to have knowledge of the second class township code and be familiar with applicable federal state and local laws, regulations and policies. "They created positions to take money for jobs they weren't qualified for," said Dennis Ehman, of the Exeter Township Board of Auditors. "We have an ordinance in Exeter Township that states you have to have accreditation to be a manager." The board of auditors originally approved compensation for these positions not to exceed 20 hours per month. When Ehman and Starr were voted to the Exeter Township Board of Auditors in January 2000, the board of auditors began discussing why there should be zero compensation for those positions held by township supervisors. The board then voted to not approve compensation for supervisors serving as director of departments. The township then filed a lawsuit against the board of auditors, which is still being litigated. Buler has not been paid by the township for serving as director of administration, parks and recreation since January 2000. The idea to pay township supervisors for the responsibilities of a township manager came about after the resignation of Township Manager Mark Schroyer in July 1996. The township supervisors made the decision to split up those responsibilities among the supervisors and pay themselves to perform those duties. On Jan. 13, 1997, the supervisors began splitting up the duties of the manager and collecting a paycheck from the township at a rate of \$20 per hour. "They took everything he did and split it five ways," said Starr. The plan was to save money by not hiring a township manager. The township had a manager's ordinance in effect at the time the township took over directorships that stated that the township manager shall be appointed. In May 1997, there was a codification of the manager's ordinance to state that a township manager "may" be appointed. "I feel that it's unfortunate when a public official is found guilty of violating the ethics act either intentionally or unintentionally because people's trust is violated," said Starr. "Ignorance of the ethics laws is really no excuse." The State Board of Ethics has been conducting an investigation into the allegations for more than a year. Buler has been directed by the board of ethics to make payment of \$1,000 to Exeter Township within 30 days, while Breneiser is ordered to pay \$500 back to the township. Buler could not be reached for comment Monday.

*From [The Pottsdown Mercury](#), 17 April 2001*

## **AWARDS CELEBRATE BUREAUCRACY'S BEST AND BRIGHTEST**

For 52 years, the Arthur S. Flemming Awards have honored up-and-coming federal leaders who combine a spirit for innovation with a strong commitment to public service. Named in honor of Flemming when he was only 43, the awards recognize bureaucracy's best and brightest, officials who have made a tremendous impact after only a brief time in government. One of the premier public servants of the 20th century, Flemming served Presidents from Roosevelt to Reagan as Secretary of Health, Education and Welfare; director of the Office of Defense Mobilization; head of the U.S. Commission on Aging; and chairman of the Civil Rights Commission, along with numerous other positions in government and academia. Flemming twice earned the Presidential Medal of Freedom, in 1957 and again in 1994. Eulogizing him at his funeral in 1996, First Lady Hillary Rodham Clinton called Flemming "one of this nation's greatest public servants." The Flemming awards were established in 1948 by Washington's Downtown Jaycees, when Flemming still had a long and prestigious career ahead of him. This year's recipients will be honored at a ceremony in Washington on Tuesday, June 5. The 2000 Flemming awards honor 12 outstanding civil servants in three categories: Administrative, Scientific and Applied Science. **Administrative - John J. Behun's** managerial expertise has allowed criminal justice agencies throughout the country to share forensic science and DNA information with ease, aiding more than 2,000 criminal

investigations. As chief of the Forensic Science unit within the FBI, Behun set up a secure computer network through which criminal justice laboratories at the federal, state and local levels can exchange forensic data such as fingerprints and DNA. He accomplished this feat with no base funding and little support staff, serving as a liaison among several agencies, the White House, and managers in 204 state and local crime laboratories. Behun also proved adept at overcoming an interagency rivalry between the FBI and Bureau of Alcohol, Tobacco and Firearms that had previously stalled the project. A 1993 graduate of the Presidential Management Intern program, Behun has been instrumental in the creation of a program at Children's Hospital in Washington, that helps children who are the victims of violent and sexual crimes. **Maj. Janet W. Grondin** turned the relocation of a crucial part of the Air Force satellite network into what the service considers the "best run Base Realignment and Closure project in the Air Force." As director of engineering at the National Reconnaissance Office at Schriever Air Force Base in Colorado, Grondin oversaw the transfer of reconnaissance satellite systems from the Onizuka Air Force Station in California to Schriever. She built a support infrastructure at Schriever from scratch, completing a new operations building 10 months early and using innovative acquisition techniques to deliver a commercially based Command and Control system. This system allowed the office to conduct the satellite transfer without a hitch. Furthermore, it requires half the operating staff of the old system. Grondin also led the design of a new telemetry system that monitors satellites' location and created a security system at the operations facility that has been adopted by five additional Air Force facilities across the country. As a result of her leadership, the project was completed 10 months before its congressional deadline. A mother of two, Grondin is active in a variety of programs that help interest kids in science. **Shinyu Kevin Kuniyoshi** cuts through the red tape that keeps new airplanes on the ground. For almost eight years, Kuniyoshi has served as a program manager at the Federal Aviation Administration, directing the certification process for new transport airplanes. Through his leadership, the Boeing 717-200 received the first-ever joint certification from the FAA and the Joint Aviation Authorities, which regulates air travel for 30 European countries. This joint certification means the new airplane can be seamlessly transferred between U.S. and European registry. Since 1976, Kuniyoshi has been active with the Okinawa Association of America, a Los Angeles-based Japanese community group. **Barbara B. Tillet's** keen business sense and communication skills helped the Library of Congress complete a revolutionary automation of its core acquisition and cataloging functions. As project director for the Integrated Library System project, Tillet oversaw 76 implementation teams and initiated a massive mandatory training effort to ensure that library workers were able to use the new workstations. The integration was completed by its October 1999 deadline. The library estimates the new system will yield \$6.2 million in annual savings through improved asset management and the automation of basic activities. Tillet previously directed the integration of library systems at the University of California, San Diego. **Applied Science - Keith K. Denoyer** pioneers new methods to keep spacecraft safe. An internationally renowned engineer with articles in more than 65 technical publications to his credit, the 34-year old Denoyer supervises a staff of 70 at the Air Force Research Laboratory at Kirtland Air Force Base in New Mexico. Denoyer has developed numerous systems to protect spacecraft from the shock and vibration of launch, which leads to approximately half of all satellite failures. His work enabled the Navy to save \$8 million in the design of the Geosat Follow-On Spacecraft and led to the creation of devices that ensure the low-shock release of satellites into orbit. Denoyer has also developed "smart" instruments to sense and counteract performance-degrading vibration on spacecraft. A gifted teacher, Denoyer's research group has churned out more than 16 patentable technologies over the last two years. **Jason A. Vaughn** is helping NASA outfit spacecraft with the next generation of space-sensitive materials. For more than a decade, Vaughn has worked at NASA's Marshall Space Flight Center in Huntsville, Ala., developing technologies that have aided numerous space missions. His research led to the creation of a polymeric tether to collect electrons from the ionospheric plasma, making way for a scientific mission this summer. Vaughn's research on plasma interactions led to a redesign of solar arrays on the international space station. Vaughn also worked in tandem with researchers at the Princeton Plasma Physics Laboratory in the development of the Atomic Oxygen Beam System, which tests materials in the atomic oxygen environment of low-earth orbit. When he isn't designing new space materials, Vaughn coaches soccer and girls softball and is active in a local Episcopal Church. **Glenn A. Washer** makes sure the nation's nearly 600,000 highway bridges are in good shape. As a program manager with the Federal Highway Administration, Washer has spent the last five years organizing a national center for the development and testing of nondestructive evaluation technologies for highway infrastructure. Working with state transportation officials, Washer has focused the center's work on designing new tools to detect weaknesses in bridges. He also launched the first national study of techniques used to inspect bridges, providing a roadmap for the future development of new technologies. A skilled structural engineer, Washer is a Ph.D. candidate in the field of Materials Science and Engineering at the Johns Hopkins University. **Capt. Evelyn M. Rodriguez** has devoted her career to ensuring the safety of new pharmaceutical drugs. For more than a decade, Rodriguez has been a leader in the field of drug risk and evaluation at various federal agencies. As a medical officer at the National Institutes of Health in the early 1990s, Rodriguez was the first to demonstrate that maternal drug use during pregnancy was associated with an increased risk for perinatal HIV transmission. Her groundbreaking drug safety reviews at the Food and Drug Administration led to the voluntary withdrawal of several drugs. A pediatrician and expert in preventive medicine, Rodriguez spearheaded an FDA program to improve the knowledge base of how drugs affect children. Rodriguez has had numerous articles published in English and Spanish-language medical journals. **Scientific - Capt. Erich D. Hernandez-Baquero's** research on remote sensing technology is affecting everything from weather forecasts to reconnaissance operations. While studying for his doctorate at the Rochester Institute of Technology, the 29-year old Hernandez-Baquero used multivariate analysis to show how existing remote sensing techniques could be much more accurate. His research will significantly aid NASA's Earth Observing System Enterprise, a project that aims to better predict weather patterns and catastrophic weather events. As chief of the Electro-optical systems branch at the National Reconnaissance Office, Hernandez-Baquero is applying his research to national security issues. He is active in his local church and teaches karate to children. **Anthony J. Kearsley's** mathematical work has led to innovations in oil recovery, wireless communications and climate modeling. An expert on the use of large-scale optimization techniques to solve partial differential equations, Kearsley has collaborated with numerous scientists since joining the National Institute of Standards and Technology in 1996. Kearsley's work has led to cutting-edge solutions in the field of wireless communications that have aided companies such as Texas Instruments and

Compaq. A member of the Society for the Advancement of Chicanos and Native Americans in Science, Kearsley has worked to expand opportunities for minorities in science. **David J. Lipman** holds the key to the massive amounts of data generated by the human genome project. As director of the National Center for Biotechnology Information (NCBI) since its creation in 1988, Lipman has made NCBI a repository for the project's genetic information. He has also invented a wealth of tools for analyzing genetic data, including several algorithms that allow researchers to compare genetic sequences. Lipman also pioneered initiatives to make the genome accessible to the public such as the PubMed Web database and PubMed Central, a repository for primary research reports in the life sciences. Lipman's work has created an information infrastructure that will propel scientific discoveries for decades to come. **Stuart E. Rogers**, an aerospace engineer with the NASA Ames Research Center, has recorded path-breaking achievements in the field of computational fluid dynamics. The author of more than 60 articles, Rogers' work has led to improvements in aircraft high-lift systems. His research has applications in other fields, including improving the design of the Left-Ventricular Assist Device, which is used to aid patients with failing hearts. Rogers has also been an active force in the community during his 12-year federal career, volunteering with the local Parent-Teachers Association and coaching youth baseball and soccer teams.

*From [Government Executive](#), by Jason Peckenpaugh [jpeckenpaugh@govexec.com](mailto:jpeckenpaugh@govexec.com), 25 April 2001*

## TESTS SET FOR PAROLE OFFICER, TRAINEE

Applications are being accepted for a June 23 exam leading to parole officer and parole officer trainee positions with New York State. The exams will be given only in English but will be used to fill Spanish-language positions as well. The starting salary for parole officer is \$46,175. The pay for a trainee is \$29,807. Hires assigned to the metropolitan area receive an additional \$1,100 a year location pay. Candidates for parole officer positions must have a bachelor's degree and three years of experience as a social caseworker or group worker in social services, criminal justice, corrections, community or human welfare agencies. Work as a police or correction officer does not qualify. An advanced degree in these disciplines may be substituted for some or all the experience requirements. Candidates for the trainee positions must have a bachelor's or higher degree in sociology, social work, counseling, criminal justice, rehabilitation counseling, American studies with a concentration in Native American studies, black, Asian Pacific Islander studies, Hispanic cultural studies, or Latin American/Caribbean studies or a law degree. Applications for these positions are available at Adam Clayton Powell Jr. State Office Building, 163 W. 125th St., Manhattan. Applications also may be downloaded from the Department of Civil Service Web site. Applications must be postmarked no later than May 21. There is a \$30 processing fee. **Parole Budget Talk** - Saying the state cannot keep up with the demand for parole officers, the New York State Public Employee Federation will host a town hall meeting on parole tomorrow night. Officials from the federation — including Division 236 Council Leader Willis Toms, who represents the state's 1,400 parole officers — will attend and testify about the need to add funding to the parole budget. According to a spokesman for federation President **Roger Benson**, there are 118 vacancies, and the current budget authorizes filling 36 of those spots. Tomorrow's meeting will be held from 6 p.m. to 8 p.m. at the State Office Building, 163 W. 125th St.. **Awards for 12 Civil Servants** - New York Bus Service, the New York Yankees and former New York Telephone executive **John Dunn** will present the 25th annual Public Service Awards Tuesday at Yankee Stadium. Twelve 12 civil servants, including police officers, firefighters, a correction officer and two state troopers, will be cited for going above and beyond the call of duty. The honorees performed acts of heroism that ranged from pulling victims from burning buildings to engaging in gun battles and thwarting robberies. "We civilians consider these acts as above and beyond the call of duty," said Edward Arrigoni, chairman of New York Bus Service. "These dedicated public servants see it as all in a day's work." **Passing Grade Unchanged** - Last week we wrote that with a no minimum passing grade, the upcoming police officer exam would be graded on a "curve." Officials at the Department of Citywide Administrative Services, which administers and scores the examination, informed us that we were not exactly correct. "The actual language is called 'scaling' and not a curve," noted spokeswoman Denise Collins. "The language was put in the exam notice to provide latitude. In actuality, the passing grade will continue to remain 70." Collins added she wasn't ruling out scaling exams in the future. She also said the 1995 exam was graded on a scale, "and it was graded up." Somehow we don't expect that will happen again in the near future. The department also announced the filing period for the upcoming exam has been extended until May 15. There will be no filing fee. **Ex-Commish Would Love Mail** - Former Fire Commissioner Gus Beekman, who went from being a member of the 1947-48 FDNY track team to running the entire FDNY, is now in a rehabilitation center/nursing home in New Jersey. We hear Beekman, who served as commissioner from 1978 to 1980, would love to hear from his colleagues among the bravest. You can drop him a line at Our Lady's Residence, 1100 Clematis Ave., Pleasantville, N.J. 08232.

*From [New York Daily News](#), by Bill Farrell, 25 April 2001*

# Management Innovation & Trends

## AFRICA

### E-GOVERNMENT STILL A DISTANT GOAL – ACCENTURE STUDY

Johannesburg, South Africa - E-government is an attainable goal, according to findings of an Accenture study released Tuesday, but even the most advanced e-governance implementations are still only halfway there. The report, "Rhetoric Versus Reality? Closing the Gap," reveals that all the countries surveyed have a long way to go. Accenture researchers attempted to conduct business with 22 governments via the Internet, role-playing as citizens and businesses in their own countries. Service sectors on which they focused included human services, justice and public safety, revenue, defense, education, administration, transportation, regulation and democracy, and postal. A total of 165 services potentially offered by national government services were studied. Governments were evaluated on the basis of delivery maturity and service maturity. Delivery maturity, a new aspect of this year's study, assessed the sophistication of the electronic mechanism used to deliver service, with the most mature services being those which allowed citizens and businesses to interact with government via a portal designed according to anticipated citizen and business needs. Through such a single point of entry, citizens and businesses could gain easy access to services across government agencies. Service maturity measured the level to which a government had developed an online presence. This measurement took into account the number of services that were the responsibility of a national government to provide and the completeness with which they are offered online. The level of this maturity is categorized as publishing, interacting or transacting. Accenture's interpretation of the findings is encouraging. The report established four categories of e-government: "innovative leaders," "visionary followers," "steady achievers," and "platform builders." Canada, Singapore and the US, countries categorized as innovative leaders, have completed less than half of the work required to develop and provide fully mature online government, both in terms of service and delivery models. However, those countries' continued leadership in the creation of e-government and more mature online services set them apart from the other 19 countries studied, the report says. Norway, Australia, Finland, the Netherlands and the UK are identified as visionary followers, demonstrating both a high number of services online and moderate sophistication. New Zealand, Hong Kong, France, Spain, Ireland, Portugal, Germany and Belgium are categorized as steady achievers, as they offer a large breadth of services with significant opportunity to mature their service level and delivery model. Japan, Brazil, Malaysia, SA, Italy and Mexico are labeled platform builders with low levels of online service, positioning them well to develop a coordinated cross-agency Web presence. From a South African perspective, Accenture SA partner, Willem Strauss, believes the most successful forays into local e-governance will stem from initiatives such as Mytax.co.za, which will be launched in June. People will be able to submit VAT (value-added tax) returns online and do the payment and settlement between the banks online. This has positive implications for business, especially, says Strauss, as they can benefit from an extra five days that can be saved through electronic submission of returns. With its drive to both online returns filing and a focus on customer relationship management, Strauss believes that the South African Revenue Service is heading in the right direction, and setting a good example. Comparatively speaking, though, SA's e-government initiative is nowhere near as aggressive as that of its closest peer, Brazil. That country, says Strauss, presents a good example of the digital divide being addressed. "They're trying to create 250,000 access points for citizens." In stark contrast, SA's plan to create access, the public information terminal project, will start roll-out of the first 100 terminals in the next few months. "The only real difference is that the Brazilian implementation has been more aggressive than the South African attempt. The difference between SA and any other country (surveyed) is only a two-year gap." The research also showed that understanding and use of e-government is moving up the maturity curve very slowly. Only in rare instances, such as in the case of Ireland's Revenue Online System, can businesses transact with government via the Internet. It also found that portals are emerging as a means of bringing order and customer-focus to e-government services. Canada, Singapore and the US all have introduced nationwide portals to provide citizens a single point of access to government. However, few good portal sites exist and those that do have a long way to go to be truly customer-focused and intentions-based. The study shows a few government organizations are employing more sophisticated techniques, such as customer relationship management, founding their e-government programs on intentions-based designs and developing portals to provide online services across agencies from a single Web site. Among the few government organizations demonstrating this level of delivery maturity and employing customer relationship management is the US Postal Service. Its customers can establish an online postal account to purchase stamps or pay utility bills. Similarly, postal organizations in Finland and the Netherlands ranked highly in the provision of electronic services.

*From [Newsbytes](#), by Basheera Khan, 4 April 2001*

### EGYPT UPGRADES STATE IT WITH MICROSOFT HELP

The Egyptian government, in cooperation with Microsoft, is launching an e-government initiative expected to cut down on bureaucracy and speed up decision making within government departments. CEO of Microsoft Corporation Steve Ballmer expressed his personal excitement about the agreement. "This e-government initiative confirms the commitment of the Egyptian government to embrace the NET revolution by using the technology to deliver new and better quality services to the public. This will not only facilitate effective communication between government departments but will improve broader Internet use as this will act as

a major inducement to the whole Egyptian community to get online." The announcement of this initiative comes after the signing of a cooperation agreement in Washington DC between the Egyptian Government represented by Minister of Communication and Information Technology Ahmed Nazif and Microsoft EMEA President Jean-Philippe Courtois during the US Chamber of Commerce Lunch Reception, held in the United States as part of the recent official visit, which also included a summit between President Hosni Mubarak and his U.S. counterpart George W. Bush. "The objective of this e-government initiative is to provide simpler and faster methods to fulfill standard citizens' requests from various government bodies. It also provides the framework to support intra-government collaboration for more timely and accurate information needed to facilitate decision-making. "We are very pleased to have secured the cooperation of Microsoft Corporation in this program working alongside our teams of professionals to help bring in a global perspective," said Nazif. Microsoft will be providing consulting services to support the Egyptian e-government initiatives throughout the duration of this agreement. "Microsoft is committed to supporting the government's plan to advance Egypt's progress in the digital economy. The Egyptian e-government team will have access to Microsoft specialists across the world, providing technical support, management feedback and knowledge sharing," said Courtois. "The agreement stems from our desire to effectively adopt the latest technologies within a framework that insures professional implementation by Egyptian talents, leveraging the expertise of the number one software company in the world as well as complying with copyright laws and International treaties," said Nazif. "The agreement is also expected to result in a substantial reduction in the software piracy rate in Egypt by setting an example and sending a strong message to the local, regional and international community on Egypt's commitment to enforce copyright laws," Nazif said.

*From Ahmed Fekry Middle East Times staff, 14 April 2001*

## ASIA/PACIFIC

### SINGAPORE STRESSES E-GOVERNMENT

Singapore is a breeze to travel about in and seldom do people there complain about the traffic. But this ease of movement on the roads comes at a price-currently of the order of a premium of about S\$35,000 (875,000 baht) for the right to bring a car on to the road there for 10 years. Every month, fewer than 9,000 vehicles are permitted onto Singapore's roads through a complex bidding system for a "Certificate of Entitlement" and people bid in amounts ranging from S\$1 dollar to over S\$100,000 (some 2.5 million baht) for a chance at winning the right to put everything from a motorcycle to a truck or bus onto the road. Only, now they can do their bidding online as part of the Singapore Government's efforts to be more service-oriented at a web site that brings the government, related businesses and individuals together in what is one of largest enterprise Java-based (J2EE) projects in world. Singapore's Land Transport authority has now succeeded in rolling out eight related online services in just two months, and according to Dr Foong Wai Keong, president and CEO of Ecquaria, it would have been even quicker if those involved had not been still learning the tools. The concept is that of personalised integrated service delivery through a web site at (<http://www.OneMotoring.sg.com>), and if you bid for a car, then you can check which cars in your category are available. He explained that Ecquaria had provided what he called a "service-oriented platform" to the Singapore Government that had 96 CPUs running concurrently with a Disparate Systems Electronic Data Exchange back-end database on highly-scalable Sun Microsystems high-end servers in a multi-platform, multi-million dollar project. Built on industry standard Java and XML, Ecquaria calls its suite of products "GovBeans," which enables what will be a new catch-phrase for most: G2B2C (Government to Business to Citizens). Dr. Foong said that by allowing government departments to rapidly build and deploy integrated applications, it reduced the cost of developing and operating those applications by re-using tried and tested security, payment and other services. Those who are lucky in Singapore's COE lottery to take a car onto the road will then find other businesses queuing up to offer them services, such as banks with loan services and insurance companies. Dr. Foong said that these services were all pushed to prospective customers at the right place and the right time so that after getting the right to a new car, people could be driving it the next day. As Singapore moves towards eGovernment, so more services will be added that integrate back-end operations and do away with bureaucratic form-filling and repetitive submission of information. A similar service is planned by the housing authority there, where those eligible for a flat would be able to make a one-time application, while all the qualifications such as marital status would be automatically checked with other government agencies. Once a Housing Development Board flat was awarded, then all the contractors and interior designers would be online to offer floor-plans and layouts. Dr Foong explained that previously there was no sharing of information across services, agencies, departments or levels of government or between government and business. Before, the system was bureaucratic and government-centric, while now it was people-centric, he said.

*From Java Industry Connection, 31 March 2001*

### FIRST KOREAN PROFICIENCY TEST SCHEDULED FOR NEXT MONTH

A Korean language proficiency test, the first of its kind in the country, will be held next month, officials said yesterday. The Korean Efficiency Test (KET) will also be open to foreigners. "The test, which will measure the fluency level of native Korean speakers, will help them develop a proper and creative way of using the language," said an official of the Language Culture Foundation, which developed the test. The foundation was established by former and incumbent professors at Seoul National University (SNU), including linguist and foundation president Lee Ki-moon. Officials said the KET will have three different levels -elementary, middle school and high school. Adults will be included in the third level. SNU's Korean Education Institute and E-TextKorea, a venture firm run by university alumni, will work out the test questions in cooperation with professors from SNU and other universities, the officials

added. The KET will consist of two parts, each taking 90 minutes. The first part will have questions on listening, vocabulary and grammar, and the second part will deal with reading and writing proficiency. A total of 120 questions will be worth 200 points from which the examinees will be categorized in five different levels of fluency, according to how many points they scored, the official said. "The KET is designed for the native speaker of Korean, so if a foreigner takes the examination and passes at a moderate level, he or she could be considered as a native tongue," said Kwon Il-kyung, an official of the Foundation. "By conducting the KET step by step from elementary school students to adults, it will provide a great amount of information not only to schools but also to society," he added. "Furthermore, the KET will contribute to discerning the identity of Korean culture in the wake of the information age, and globalization due to a rapid change in communication methods worldwide," Kwon said. The KET will also be useful as a guarantee of one's Korean ability when entering various Korean language competitions or applying for companies or to media organizations, the officials said. SNU has already declared that for its Korean language competition of high school students this year in July, the finalists will be decided according to their KET results. The KET will be conducted in May, September and December this year, the official said. The first to be held on May 20 will be conducted in seven major cities, including Seoul, Pusan, Taegu, Taejon, Kwangju, Chunchon and Cheju. The examination in May will only be offered to those classified as general, which include high school students and adults, the official added. Applicants are requested to apply for the test over the website ([www.goket.com](http://www.goket.com)).

*From [Korea Herald](#), by Lee Joo-hee Staff reporter, 18 April 2001*

## **CIVIL SERVANT HOME LOAN PROJECT STUDIED**

A project to offer civil servants home loans for up to 100% of a property's appraised value will be discussed by three state agencies this week, according to Picha Damrongpiwat, president of the Government Housing Bank. The GHB, the Government Pension Fund and the National Housing Authority are all expected to play a role in the project, which officials hope will also stimulate the real-estate sector. "The main goal of this project is to enable the civil servants to buy their own houses at low prices," said Somchainuk Engtrakul, permanent secretary for the Finance Ministry. In the initial phase, the three state agencies would focus on sales of condominium units whose prices have fallen 30-50% from pre-1997 levels. The GHB would be responsible for providing the financing while the National Housing Authority would buy the targeted units. The Government Pension Fund would be responsible for formulating any necessary plans and working out other related details. However, no specific budget has been allocated to date for the project.

*From [Bangkok Post](#), 22 April 2001*

## **INNOVATION TO BECOME A NATIONAL AGENDA, SAYS SINGAPORE GOVERNMENT**

The Singapore government is looking at initiating innovation as national agenda. To kick off discussions on this, Prime Minister Goh Chok Tong hosted a closed door seminar on Saturday morning for Cabinet Ministers, permanent secretaries and Chief Executives of government-linked companies. A working committee will look at recognising innovative, and enterprising, individuals or public and private organisations, through a new Singapore Innovation Award. At a media briefing after the closed door seminar, National Development Minister Mah Bow Tan cited the Electronic Road Pricing and Central Provident Fund systems as examples of innovation in government. In the New Economy, he said the government would like to build upon these experiences and foster an environment where people are not afraid to try out new ideas. Although this has to be a nationwide effort, the impetus must come from the public sector. The National Development Minister said, "We've not arrived at the answers, maybe in the process we may have to get people to tell us what they're looking for. But we've to provide the framework, the environment and to a certain extend leadership for this movement to move forward." One thing is clear -- he said the government is ready to cut any red tape that might hinder the innovation drive.

*From [channelnewsasia.com](#), by Lee Siew Li, 21 April 2001*

## **EUROPEICIS**

### **UK E-GOVERNMENT SLIP IN WORLD RANKING**

While our cousins in North America and Singapore are considered to be "innovative leaders", the UK has claimed the booby prize as "visionary follower" in a global e-government ranking. Although the UK has slipped two places in the league table to number eight, findings by Accenture conclude that governments all over the world must try harder. The major challenge for the UK is to turn information into interaction. There are 131 online services but only 12 of these have been implemented to their maximum. It may be taking its time to bring its online services to maturity, but Accenture has praised the government for the development of its [open.gov.uk](http://open.gov.uk) and [ukonline.gov.uk](http://ukonline.gov.uk) portals.

*From [Silicon.com](#), 4 April 2001*

### **UK ONLY EIGHTH IN E-GOVERNMENT STAKES**

The UK has been ranked only eighth in a survey of how 22 governments are delivering services online. The report, from consultant Accenture (previously Andersen Consulting), claims that although they are improving, government websites still lag behind those

operated by private sector firms in delivering services. Of those examined, Canada leads the way, Singapore and the US were ranked as 'innovators', while Norway, Australia, Finland, The Netherlands and the UK were labelled 'visionary followers'. Accenture said that the leaders had started early, built their presence around what the citizen wants to do rather than the agency organisation, and had deployed customer relationship management technology. They had also adopted a portal approach and were trying to include complex services instead of concentrating on taking each department online first. Canada was praised for its cross-agency approach to e-government through its [canada.gc.ca](http://canada.gc.ca) portal, which provides a gateway for Canadian citizens, businesses and non-Canadians to access major services. However, the survey criticised many governments for being slow to build portals. "It is not citizen friendly to require visits to individual sites, just as they would have visited a range of physical facilities to conduct businesses," it said. "Single websites or portals which allow citizens and businesses to seamlessly interact with several government departments at one visit, have not yet emerged as the dominant model." "Agency silos continue to dominate and, as a result, even the leading countries in the research are less than half way to reaching their full online service potential," it added. The UK Government has only recently begun to fulfil the criteria laid out in the report, which was researched in January. It opened the UK online portal in February and a website for secure transactions, the Government Gateway, is expected to go fully operational this month. The UK Government has only recently begun to fulfil the criteria laid out in the report, which was researched in January. It opened the UK online portal in February and a website for secure transactions, the Government Gateway, is expected to go fully operational this month.

From [vunet.com](http://vunet.com), 10 April 2001

## UK E-GOVERNMENT AND DIGITAL CERTIFICATES

Last week we mentioned the opening of the UK Online government portal. This is the flagship of e-government for the UK and, initially, offers the ability to pay VAT, submit tax returns and claim farming subsidies. Access to these functions is achieved through the use of digital certificates but getting one is one of the most tortuous processes ever encountered. First of all, the digital certificates are organised in conjunction with the ChamberSign scheme operated by some Chambers of Commerce. In order to obtain a certificate, there is a tedious form to be filled out, which must then be taken – in person – to a 'local' Chamber of Commerce along with a variety of identification documents. There, for the sum of £50, somebody will hand over a CD-ROM with the required software. So, in order to operate an e-business application, it is necessary to generate a 10 page form, gather up paperwork relating to company and individual and trek up to 40 miles to present it all just so that somebody can hand over the software. Another important thing to remember is that ChamberSign digital certificates are individual. This means that it is necessary to send each employee in person to the 'local' Chamber of Commerce armed with piles of documentation and a cheque for £50. The best bit is when you get the software back to your office and try to make it run. Then you find that it will not run with the e-mail system that you have on your chosen desktop. It runs on Outlook, Exchange or Eudora but explicitly does not support Outlook Express, Lotus Notes and Netscape Mail. So far, most businesses will only have experience of the pilot scheme for returning VAT forms. This was a rather pleasant experience that was quick and allowed payments to be made later. Now, in order to carry on using the system, it is necessary to go through the pain of getting a digital certificate. The only prizes to be won for going through the pain are a £50 tax refund and an extra 7 days to pay the bill. Now, if we were all farmers wishing to use more than one of the services on offer then things might be different but this system is just not worth the effort in the eyes of many. Whilst the need for security is obvious, digital certificates are just as liable to misuse once they are installed. It all comes down to an identity or key and password. It worked OK for the pilot schemes. Why couldn't they make things just a bit simpler so that we could really be UK Online.

From [IT-Director.com](http://IT-Director.com), 10 April 2001

## B2B TRANSACTIONS IN ASIA/PACIFIC AND EUROPE TO OUTPACE NORTH AMERICAN MARKET

North America drove 59 percent (\$255 billion) of the \$433.3 billion in worldwide Internet B2B transactions last year, but the Gartner Group Inc. predicts that other regions of the world will grow at a faster rate and push North America to 42 percent, or \$3.6 trillion of the projected \$8.5 trillion 2005 worldwide B2B transaction value. This year, projections show that worldwide B2B Internet commerce will reach \$919 billion, with North America accounting for 52 percent. "There's been a lot of talk about the Internet as the enabling technology for globalization for some time now," says Lauren Shu, Gartner's e-Business Group Research Director. "But over the next five years, as obstacles to global trade are overcome, we'll witness the power of the Internet as a unifying technology to spur global trade." B2B Internet commerce in the Asia/Pacific region (including Japan) reached \$96.8 billion in 2000, comprising 22 percent of the worldwide total. European B2B Internet commerce totaled \$72.5 billion in 2000, or 17 percent of the world's total. By 2005, Gartner predicts, Asia/Pacific will account for \$2.4 trillion (28 percent), and Europe \$1.7 trillion (21 percent). In projecting Asia/Pacific growth, Gartner analysts point to the increasing B2B participation of energy supply, paper, utilities, food, pharmaceuticals and petrochemicals manufacturers and intermediaries. In Europe, Gartner says, the growth will come when language and currency differentiation hurdles have been crossed and inefficiencies in telecommunications and the Internet backbone in Eastern and Central Europe are better addressed.

From [EXPOweb](http://EXPOweb), 6 April 2001

## UK GOVERNMENT SHUTS E-GOVERNMENT PORTAL

The Government is to shut down its award-winning [open.gov.uk](http://open.gov.uk) Web portal - best described as the front door to Britain's e-government services - in July. News of the closure was published on a small, rather amateurish notice on the portal earlier this

week advising users that the service will be "gradually withdrawn over then next few months and cease to be available from 1st July 2001". Government spin merchants were left scratching thier heads and unaware of the closure when *El Reg* did its civic duty and called to find out more. However, after much to-ing and fro-ing, we now know that open.gov.uk's slow, lingering death will be managed by they Office of the E-Envoy and the Office of Government Commerce - which answers to HM's Treasury. And that the reason for its demise, so we're told, is duplication now that the Government's e-government services can be accessed via its [UK Online](#) portal - or so they tell us.

From [The Register](#), By: [Tim Richardson](#), 21 April 2001

## THE AMERICAS

### SERVING CANADIANS BETTER BY PUTTING GOVERNMENT SERVICES ON-LINE

The President of the Treasury Board of Canada and Minister responsible for Infrastructure, the Honourable Lucienne Robillard underlined today, the growing importance of serving Canadians better through on line delivery of government information and services. In her keynote address today at the Crossing Boundaries National Conference, Minister Robillard also outlined the progress to date on Government On-Line as well as the challenges government faces in moving to e-government. "Getting government on-line by 2004 involves much more than simply delivering government programs and services on the Internet. This agenda will help us significantly improve how we serve Canadians," said Minister Robillard. Among the challenges outlined in her speech, Minister Robillard emphasized the need for collaboration to serve Canadians better. "The way we co-ordinate and integrate information must improve if we are to give Canadians the on-line tools they need to be able to make decisions about their lives." Minister Robillard also took this opportunity to announce additional funding of \$120 million for the Government On-Line initiative for 2001-2002. This money is in addition to the \$160 million allocated over two years to Government On-Line in the February 2000 Federal Budget. This brings the total amount allocated to date for Government On-Line to \$280 million. A significant portion will be spent in 2001-2002. This additional amount will be used to further help departments put key government services online. It will also be put towards the costs of building a common technology infrastructure across government and of developing an enabling policy framework. "Our vision for governing in the 21st century is to put the citizen at the centre of information and service delivery," the Minister said. "The challenge for us is to meet our commitment to being on-line by 2004 in a way that responds to and drives Canadians' expectations of government in a truly knowledge-based economy and society." For further information: Russell Milon, Press Secretary, Office of the President of the Treasury Board of Canada and Minister responsible for Infrastructure, (613) 957-2666; Chantal Scarlett, Media Relations, Treasury Board of Canada Secretariat, (613) 957-2391. TTY (Telecommunications device for the hearing impaired) - (613) 957-9090. This news release is available on two networks: Internet: <http://www.tbs-sct.gc.ca/>; Government Enterprise Network (GENet): <http://publiservice.tbs-sct.gc.ca/>

From [Canada NewsWire](#), 29 March 2001

### 2001 INNOVATOR AWARDS

Information technology (IT) leaders and developers are constantly asked to build better products faster and cheaper. As technology advances, IT development teams are expected to build systems that can solve pressing business problems. Behind the marketing hype of many of the top corporations worldwide, development teams are building and deploying new technologies that can create new efficiencies and economies of scale, while keeping one step ahead of the competition. The annual *ADT* Innovator Awards celebrate this spirit of innovation, honoring the creativity, originality and engineering know-how of IT development teams and managers who used new technologies, methods and ideas to solve important business problems and boost business performance. A slew of IT units entered projects in the 2001 competition in five distinct categories: Application Engineering, Component-based Development, E-business Application Development, Middleware/Application Integration and Data Warehousing. In this seventh annual competition, each entry was reviewed by a team of judges that included several consultants from Keane Inc., a Boston-based consulting firm, and a group of *ADT* editors. Profiles of the winning and honorable mention projects selected by the judges follow. These stories explore how each team built and deployed some very innovative applications. Each profile examines the winning projects through the eyes of the development team—the problem to be solved and why they turned to specific methods, tools and technologies to build an application and/or to fix it. Application Engineering Winner: [JD Williams](#) Honorable Mention: [eTapestry.com](#) Component-Based Development Winner: [Prudential Insurance Company of America](#) Honorable Mention: [Prudential Securities](#) E-Business Application Development Winner: [Nationwide Insurance Systems](#) Honorable Mention: [Fireman's Fund Insurance Company](#) Middleware/Application Integration Winner: [Electronic Data Systems \(EDS\)](#) Honorable Mention: [Northeast Utilities \(NU\)](#) Data Warehousing Winner: [Prudential Investments](#) Honorable Mention: [Wisconsin's Department of Health and Family Services \(DHFS\)](#)

From [Application Development Trends](#), 4 April 2001

### MIT TO OFFER ALL COURSES ONLINE

Cambridge, Massachusetts - The Massachusetts Institute of Technology plans to make the materials for nearly all its courses freely available over the Internet in the next 10 years. The plan is meant to counter concerns about the "privatization of knowledge," faculty chairman Steven Lerman said. Many universities see the Internet as a way to deliver revenue-generating distance

education. But Lerman said making course information freely available would "build on the tradition at MIT and in American higher education of open dissemination of educational materials and innovations in teaching." MIT students pay about \$26,000 a year in tuition. No credit will be offered for online course materials. MIT said in a news release Wednesday that the Web site MIT OpenCourseWare would include lecture notes, course outlines, reading lists and assignments for each course. MIT did not say how much the program would cost, but *The New York Times* reported it would cost \$100 million. Over the next decade, the project expects to provide materials for over 2,000 courses across MIT's entire curriculum, including engineering, arts, humanities, science and social sciences. "With the content posted for all to use, it will provide an extraordinary resource, free of charge, which others can adapt to their own needs," MIT President Charles M. Vest said in a statement. "We see it as source material that will support education worldwide, including innovations in the process of teaching and learning itself." Vest said the idea is particularly appropriate for a research university such as MIT, where ideas move quickly from the laboratory to the curriculum, even before they are published in textbooks. The project could also help developing countries improve their higher education systems, MIT said. The school said the project will begin as a pilot program over the next two years, starting with the design of the software and services needed to support the project. It is expected that more than 500 courses will be available by the end of the two-year period. The concept of MIT OpenCourseWare came from a study group of MIT faculty and staff chartered by MIT's Council on Educational Technology. Consultants from Booz-Allen & Hamilton are helping with organizational aspects of the project. *See also:* [Setting Standards for Web-Ed](#) [The Quest for E-Knowledge](#) [E-Learning Is Good: Now What?](#) [Library of Congress Goes Digital](#) Learn more in [Making the Grade](#)

*From Wired News, 4 April 2001*

## GOVERNMENT INTERNET ADDRESSING STUDY UNDER WAY

More than two years behind schedule, a government-funded committee today officially kicked off its investigation into the policies, technologies and considerations that will shape the evolution of the Internet addressing system in the years to come. Stakeholders from throughout the Internet community descended on the committee's first meeting, hoping to ensure that they will have a seat at the table as the panel considers the recommendations it will make to lawmakers and technologists in 2002. Organized by the National Research Council and funded jointly by the US Commerce Department and the National Science Foundation, the Committee on Internet Searching and the Domain Name Systems has been given a broad mandate to delve into controversial issues surrounding Internet addressing. At its core, the committee's mission is to attempt to answer the question: "how will you find your way around the future Internet?" committee chairman Roger Levien told Newsbytes today. Although the committee will further clarify and focus its mission in the coming weeks and months, Levien said that the body's final report could conceivably include recommendations to Congress, federal agencies, technologists, the Internet Corporation for Assigned Names and Numbers (ICANN) and anyone else with a say in Internet addressing. On hand at today's inaugural meeting were representatives from ICANN, civil liberties organizations, intellectual property groups and a handful of other constituencies, all attempting to steer the course of the committee's investigations. After hearing from a panel that outlined the concerns of the intellectual property community in the development of next generation addressing systems, the committee heard from a pair of civil liberties proponents who said intellectual property owners have had too much say in the development of the current addressing system. "Domain names (are) the way people categorize their speech. (They are) where speech is located on the Internet," Electronic Frontier Foundation Executive Director Shari Steele said today. "It is amazing to me that trademark has gotten so much power in this process." While committee members grilled both panels on their assertions, they gave little if any indication on how much weight those comments would have in their deliberations. The committee intends to hold meetings around the country about once every two months until its Summer 2002 report deadline, study director Alan Inouye said today. Although the study was commissioned under a high-performance computing law passed by Congress in 1998, funding for the report was tied up in administrative limbo for more than two years. Since the legislation authorizing the study was drafted before ICANN was even incorporated, much of today's meeting was dedicated to redefining the study's scope.

*From Newsbytes, by David McGuire, 10 April 2001*

## BUSH PROPOSES USING NET FOR GOVERNMENT

Budget would create \$100 million 'E-government' fund - — President George W. Bush wants to use the Internet as a foundation for kick-starting a program aimed at improving the performance of the federal government, according the administration's 2002 budget proposal released Monday. To spur those efforts, Bush is proposing creating an "E-government fund" of \$100 million over five years.

*From MSNBC, By Brock N. Meeks, 10 April 2001*

## PKI STARTS TO DELIVER WHILE STILL COSTLY, THE TECHNOLOGY IS MAKING INROADS

On June 30, 2000, President Clinton made history when he [signed the Electronic Signatures in Global and National Commerce Act](#)—federal legislation legalizing digital signatures—into law. He also helped Chuck Chamberlain breathe a whole lot easier. Ten years ago, Chamberlain, manager of the U.S. Postal Service's NetPost Certified and e-Government programs, recommended that the USPS invest in PKI (public-key infrastructure) technologies. Until June, he was still anxiously waiting for that investment to pay off. Clinton's signature on the E-SIGN Act meant the Postal Service could officially use PKI to launch programs that include authentication of users so they can purchase postage over the Internet. "I've probably been waiting the longest for the digital signature act

to be signed," Chamberlain said. "It gives credibility to the idea of empowering our users to conduct secure and authenticated transactions over the Internet." Chamberlain certainly hasn't been the only one waiting for the promise of PKI to be fulfilled. For years now, the IT industry has eagerly anticipated the widespread adoption of PKI, once touted as a panacea for securing e-business that would, in one fell swoop, solve the problems associated with authentication, confidentiality and single sign-on. While the need for such an all-encompassing answer to e-business security problems is still undeniable, the reality is that, so far, most enterprises have either stayed away from PKI or limited it to pilot and small-scale deployments. That's because, for many enterprises, PKI technology has proved to be too expensive and too fraught with management and interoperability problems to be deployed on a large scale. But that's beginning to change. While many of the cost and management problems inherent in the technology still remain, IT managers like Chamberlain are finally enjoying some success in their efforts to justify PKI investments. Indeed, annual PKI product sales are expected to top \$1.2 billion by 2003, up from a mere \$125 million in 1998, according to International Data Corp., in Framingham, Mass. Much of that increased spending on PKI is due to the E-SIGN bill and new privacy regulations—such as the [HIPAA \(Health Insurance Portability and Accountability Act\)](#) requirements in health care—looming in many industries. And much of it is a result of a more pragmatic approach to PKI deployment being taken by many enterprises. Rather than contemplating large, enterprisewide PKI projects, early adopters such as the USPS, Visa International and PersonalPath Systems Inc. are using PKI much more selectively, and only where it can be shown to enable specific new e-business opportunities.

*From ZDNet, by Anne Chen, [eWEEK](#), 9 April 2001*

## FIRSTGOV LOOKS TO E-GOVERNMENT FUND

After receiving only \$3 million in the White House's fiscal 2002 budget proposal, leaders of the FirstGov Web portal are already making plans to draw on President Bush's new cross-agency e-government fund. The White House often uses FirstGov as an example of the kind of project the proposed \$100 million e-government fund is intended to support. The fund will be held by the General Services Administration, the agency that runs FirstGov, but it will be administered by the Office of Management and Budget. The \$3 million budgeted for FirstGov will pay for 16 full-time employees and work to plan enhancements to the portal, said John Sindelar, deputy associate administrator of GSA's Office of Governmentwide Policy. But to deploy the enhancements, the FirstGov team is going to apply for part of the \$20 million that will be available in the e-government fund in 2002, Sindelar said. "In the scheme of things, \$3 million is a rounding error," he said. OMB is still drawing up guidelines for what types of programs will be approved for e-gov funding, but officials have said that the process will work much the way applications for Year 2000 funding did: Agencies will have to provide justification to OMB, and Congress will approve disbursements. FirstGov's plans include expanding integration with state and local government sites, providing authentication and other security and privacy measures, adding the ability to personalize the portal for users, and developing a more robust automated feedback capability for the agencies, Sindelar said.

*From [Federal Computer Week](#), by [DIANE FRANK](#), 13 April 2001*

## E-GOVERNMENT IN ACTION – BUSINESS COMMUNITY BENEFITS

A joint initiative between Ontario and the Canada Customs and Revenue Agency (CCRA) now makes it possible for businesses to register online with both levels of government in one step. This new service significantly reduces the time and effort needed to start or expand a business. Service delivery times for businesses have improved significantly in Ontario. What used to take up to six weeks now takes just 20 minutes. This joint initiative is another example of the governments' commitment to provide Ontario businesses with service when, where and how they want it. "This initiative is exactly what businesses have asked for," said the Honourable Martin Cauchon, Minister of National Revenue and Secretary of State responsible for the Economic Development Agency of Canada for the Regions of Quebec. "Businesses want fast, easy electronic access to government services, regardless of the jurisdiction. This partnership between Ontario and the CCRA streamlines registration and delivers single-window services from both levels of government." "Ontario is committed to simplifying the way businesses interact with government," said Ontario's Minister of Consumer and Business Services Norman Sterling. "By combining our services, the two governments have increased access to services and simplified the business registration process. Cutting red tape makes it easier for businesses to grow and create new jobs. Integrated electronic service just makes good business sense." Businesses planning to operate in Ontario can use the new joint CCRA/Ontario Business Connects service at self-help computer workstations across Canada. This new service is available at 48 CCRA offices throughout the country, 16 of which are in Ontario. Entrepreneurs can register for or renew an Ontario Business Name and apply for Ontario Retail Sales Tax, Ontario Employer Health Tax and Ontario Workplace Safety and Insurance Board accounts. They can also register for four major CCRA business programs. Those programs include goods and services tax/harmonized sales tax, corporate income tax, payroll deductions, and import/export accounts. The new service complements existing registration methods like telephone, fax and counter service. Fact Sheet: New service integrates federal-provincial business registration, Partnership: Businesses can now register for both Ontario and Canada Customs and Revenue Agency (CCRA) business programs during a single computer session. Integrated online registration eliminates the need for businesses to provide different levels of government with the same information, and simplifies the registration process when starting up or expanding a business. The CCRA has partnered with the Ontario Ministry of Consumer and Business Services' Ontario Business Connects to provide integrated registration services to their common business clients. Both levels of government are committed to improving client service, increasing efficiency, and reducing administrative costs. From self-help workstations across the country, businesses can register or apply for the following government programs: CCRA programs - goods and services tax/harmonized sales tax account - corporate income tax account - payroll deductions account - import/export account. Ontario programs: -

Ontario Business Name - Ontario Retail Sales Tax Vendor Permit - Employer Health Tax - Workplace Safety and Insurance Board account - Service channels and locations. The integrated service is available from self-help workstations located in 48 CCRA offices throughout the country. In Ontario, CCRA offices are located in Toronto Centre, Scarborough, Mississauga, North York, Barrie, Hamilton, St. Catharines, London, Windsor, Kitchener, Thunder Bay, Sudbury, Peterborough, Belleville, Kingston, and Ottawa. The workstations complement existing registration methods, such as telephone, fax, and counter service. Payments/credit cards: During the registration session, the users will be asked to provide their credit card number (VISA, Mastercard, or American Express only) to pay for the \$60 fee Ontario Business Connects charges for a Business Name registration request. Confirmation of registration: CCRA Registration Summary - The CCRA Registration Summary, printable from the self-help workstations, provides a business its Business Number and its account number. It also includes telephone numbers to call if additional information is required. Ontario Master Business Licence - At the end of a successful Ontario Business Name registration, the client can print an Ontario Master Business Licence. This licence is a legal document that can be presented to financial institutions as proof of a Business Name. The following information appears on the licence: the nine-digit Business Number, the legal name of the business, the business type, address information, the Business Name registered, the Ontario Business Identification Number assigned, and the effective and expiry dates of the Ontario Business Name. Partnership with Nova Scotia: To date, both Nova Scotia and Ontario have partnered with the CCRA to provide single-window access to registration for business programs. From the same self-help workstations across the country, businesses can also register or apply for Nova Scotia programs. They can initiate a Nova Scotia Business Name reservation, apply for various Nova Scotia licences and permits, and apply for a Workers' Compensation Board of Nova Scotia account. For further information: visit: [www.ccr.gov.on.ca/obc](http://www.ccr.gov.on.ca/obc) or [www.ccra.gc.ca/bro](http://www.ccra.gc.ca/bro); For media information: Michel Proulx, Media Relations, Canada Customs and Revenue Agency, (613) 946-3461; Suzanne Théberge, Press Secretary, Office of the Minister and Secretary of State, (613) 995-2960; Gail Smith, Ontario Ministry of Consumer and Business Services, (416) 326-0273; Brian Kelcey, Minister's Office, Ontario Ministry of Consumer and Business Services, (416) 326-3001 Ontario Ministry of Consumer and Business Services has 81 releases in this database.

*From Times, 13 April 2001*

## **BILL CLINTON EXPECTED IN SOUTH AFRICA TO ADDRESS CIVIL SOCIETY**

[Panafrican News Agency](#) - The expected arrival in South Africa of former US President Bill Clinton to address a Civil Society Initiative (CSI) gathering Tuesday has been met with angry protests from the Confederation of South African Trade Unions (COSATU). The CSI is a loose grouping of diverse professional people, religious leaders and a range of business people. Clinton, expected to deal with issues surrounding civil influence on governments, is scheduled to speak alongside former South African president Nelson Mandela at the opening of the CSI in the Johannesburg suburb of Sandton on Tuesday. The Institute for Democracy in South Africa is co-hosting the event. COSATU will not attend the gathering organised by retired politician Roelf Meyer through his CSI. The trade union, which claimed it had not been invited, accused Meyer - a former deputy leader of the United Democratic Movement - of dubious motives for hosting the CSI. "He is trying to resurrect his failed political career by claiming to represent the civil society," said a COSATU statement. Meyer played a leading role along with businessman Cyril Ramaphosa during the country's transition period. They were at the forefront of negotiations that led to a peaceful settlement between the former apartheid regime and black liberation movements. "The conference will therefore be an unrepresentative jamboree, whose decisions will in no way reflect the views of the real South African civil society," said COSATU spokesperson Siphwe Mgcina. SANGOCO - an umbrella body of about 400 non-governmental organisations - added its voice to the growing discontent with the CSI. "Meyer is failing to be transparent about the nature of the CSI, its stakeholders, funders and participants," said SANGOCO in a statement. "This undermines the very principles of transparency and accountability that progressive sections of civil society strive for," it added. South African business and the European Union are said to have funded the gathering. Although Mandela has not commented on the matter, the controversy has threatened to put a damper on the CSI's image. But Meyer says COSATU and SANGOCO have misunderstood the intentions of the CSI. "We are aiming at creating awareness among South Africans, and inspire them to become active in civil society. Nothing less, nothing more," said Meyer. He said he had no political ambitions and was not seeking a comeback through the CSI. "They think we are in competition with them. They fail to understand that this conference is just a dialogue," said Meyer. He said it was not true that COSATU had not been invited. "COSATU had been invited to the conference in December and its president, Willie Madisha, had responded to the invitation some time ago," said Meyer.

*From [AllAfrica.com](#), 23 April 2001*

## **CANADA, U.S. AMONG TOP COUNTRIES FOR E-GOVERNMENT**

Governments have begun to close the gap between political rhetoric and reality as they bring their e-government visions to life, but they aren't there yet, according to the second annual global e-government study by [Accenture](#). Accenture's report, "Rhetoric vs. Reality -- Closing the Gap," surveyed 22 countries and found they still have a long way to go. The countries were put in four categories, Innovative Leaders, Visionary Followers, Steady Achievers and Platform Builders. Accenture categorized Canada, the United States and Singapore as Innovative Leaders, which means they have completed less than half of the work required to develop and provide fully mature online government, both in terms of service and delivery models. All three nations have introduced nationwide portals to provide citizens a single point of access to government. Canada secured its leading positioning as a result of the government's adoption of a cross-agency approach to e-government. This approach is intended to make it easier for citizens and businesses to interact electronically with government. "Overall, the innovative leaders and other countries paving the way to e-

government achieved their status as a result of the political will asserted by their government leadership. They have set targets and timetables to ensure that their visions are being translated into reality," said Vivienne Jupp, Accenture managing partner, Global eGovernment Services. "It was political will that enabled the innovative leaders to outline and begin delivering on its e-government vision, making Canada, Singapore and the United States global leaders in this area." Understanding and use of e-government is moving up the maturity curve, although it has a long way to go. Only in rare instances, such as Ireland's Revenue On-line System, can businesses transact with government via the Internet. Some government organizations are employing more sophisticated techniques, such as customer relationship management, founding their e-government programs on intentions-based designs and developing portals to provide online services across agencies from a single Web site. Among the few government organizations demonstrating this level of delivery maturity and employing customer relationship management is the U.S. Postal Service. Its customers can establish an online postal account to purchase stamps or pay utility bills. Similarly, postal organizations in Finland and the Netherlands ranked highly in the provision of electronic services. Sites posted by Norway, Australia, Finland, Netherlands and the United Kingdom were classified as Visionary Followers, demonstrating both a high number of services online and moderate sophistication. New Zealand, Hong Kong, France, Spain, Ireland, Portugal, Germany and Belgium are categorized as Steady Achievers, as they offer a large breadth of services with significant opportunity to mature their service level and delivery model. Japan, Brazil, Malaysia, South Africa, Italy and Mexico are labeled Platform Builders with low levels of online service, positioning them well to develop a coordinated cross-agency Web presence.

*From [uk.internet.com](http://uk.internet.com), 18 April 2001*

## GLOBAL

### PUTTING MANAGEMENT CONTROLS IN PLACE

A well designed and operating management control team can provide assurance that an organization will reach its long-term and daily objectives. Management controls are an integral part of an organization's operations. They are the methods employed by management to help ensure the achievement of an organization's objectives. They are tools used by managers everyday. The management function consists of planning, organizing, implementing and controlling writing procedures to encourage compliance with assigned responsibilities. Locking your office to discourage theft, and reviewing your monthly account statement are common management controls employed to achieve specific objectives. Management control is broadly defined as a process put in place by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: - Effectiveness and efficiency of operations. - Reliability of financial reporting. - Compliance with applicable laws and regulations. Standards for management control - An organization must establish a system of management control that is appropriate for its needs. A system of management controls is an arrangement, set, or collection of concepts, parts, activities, and/or people that are connected or interrelated to achieve objectives and goals. The system of management controls encompasses all actions taken by management to enhance the likelihood that established objectives and goals are achieved. Management discharges its management control responsibilities by planning, organizing and directing the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved. The primary objectives of management control are to ensure: - The reliability and integrity of information. - Compliance with policies, plans, procedures, laws, and regulations. - The safeguarding of assets. - The economical and efficient use of resources. - The accomplishment of established objectives and goals for operations or programs. Each organization should design its own system of management control to meet the needs and environment of the organization. Significant control weaknesses - A significant control weakness, is the level of importance or magnitude assigned to an item, event, information, or problem by management auditors or other company personnel. Significant audit findings are those conditions that, in the judgment of the director of management auditing/management control, could adversely affect the organization. Significant audit findings (as well as weaknesses cited from other sources) may include conditions dealing with irregularities, illegal acts, errors, inefficiency, and ineffectiveness, conflicts of interest and control weaknesses. Reasonable assurance - Management control, no matter how well designed and operated, can provide only reasonable assurance to management and the board of directors regarding the achievement of an entity's objectives. The likelihood of achievement is affected by limitations inherent in all management control systems. These limitations may include faulty decision-making with respect to the establishment or design of controls; the need to consider costs as well as benefits, management override; the defeat of controls through collusion, and simple errors and mistakes. Additionally, controls can be circumvented by collusion of two or more people. Finally, management has the ability to override the management control system. Reasonable assurance is provided when cost-effective actions are taken to restrict deviations to a tolerable level. This implies, for example, that material errors and improper or illegal acts will be prevented or detected and corrected within a timely period by employees in the normal course of performing their assigned duties. Management considers the cost-benefit relationship during the design of systems. The potential loss associated with any risk is weighed against the cost to control it. Control processes: Corporate governance - The board of directors establishes an organization's governance process through written policy statements that define the roles to the board, senior management, management audit and others. The role of the board is to oversee senior management's activities and, with the assistance of the management and external auditors, to secure assurance concerning the state of the organization's system of management control. Senior management is responsible for overseeing the establishment, administration and evaluation of management controls. Management auditing - Management auditors examine and evaluate the planning, organizing and directing processes to determine whether reasonable assurance exists that objectives and goals will be achieved. Such evaluations, in the aggregate, provide information to appraise the overall system of management control. All systems, processes, operations, functions and activities within the organization are subject to the management auditors'

evaluations. Such evaluations should encompass whether reasonable assurance exists that: Objectives and goals have been established. Authorizing, monitoring and periodic comparison activities have been planned, performed and documented as necessary to attain objectives and goals. Planned results have been achieved (objectives and goals have been accomplished). Management auditors perform evaluations at specific points in time but should be alert to actual or potential changes in conditions that affect the ability to provide assurance from a forward-looking perspective. In those cases, management auditors should address the risk that performance may deteriorate. Typical practices forming the basis to determine the system of management control's adequacy of design and effectiveness of operation are listed below. Self-Assessments - Managers assess the system of management control in their areas, and both the performance and results of such evaluations are normally documented. The internal auditing department should obtain assessments prepared by management and compare the consistency of such self-assessments with the results of the internal auditing program. To the extent the management auditor wishes to rely on such self-assessments, tests should be made of the completeness and accuracy of the self-assessment process. Management controls checklist - Management controls cannot ensure success - bad decisions, poor managers, competition, collusion and override of controls can still present problems. Good controls do, however, help organizations get where they want to go while minimizing pitfalls and surprises. The control environment sets the tone of an organization and provides the foundation for an effective system of management controls. An effective control system enables management to be apprised of and manage significant risks, as well as monitor the reliability and integrity of financial and operating information; and ensures that the audit committee be a powerful and proactive agent for corporate self-regulation. The following checklist will help you in assessing the management controls of your organization. Ethical environment - Do board members and senior executives set a day-in, day-out example of high integrity and ethical behavior? Is there a written code of conduct for employees, and is it reinforced by training, top down communications, and requirements for periodic written statements of compliance from key employees? Are performance and incentive compensation targets reasonable and realistic, or do they create undue pressure on achievement of short-term results? Is it clear that fraudulent financial reporting at any level and in any form will not be tolerated? Are ethics woven into criteria that are used to evaluate individual and business unit performance? Does management react appropriately when receiving bad news from subordinates and business units? Does a process exist to resolve close ethical calls? Are business risks identified and candidly discussed with the board of directors? Risk identification management - Is relevant and reliable management and external information timely identified, compiled, and communicated to those who are positioned to act? Are risks identified, analyzed, and actions taken to mitigate them? Are controls in place to assure that management decisions are properly carried out? Management controls effectiveness - Do senior and line management executives demonstrate that they accept control responsibility, not just delegate that responsibility to financial and audit staff? Does management routinely monitor controls in process of running the organization's operations? Does management clearly assign responsibilities for training and monitoring of management controls? Are periodic, systematic evaluations of control systems conducted and documented? Do personnel with appropriate responsibilities; business experience and knowledge of the organization's affairs conduct such evaluations? Are appropriate criteria established to evaluate controls? Are control deficiencies reported to higher levels of management and corrected on a timely basis? Are appropriate controls built-in as new systems are designed and brought on stream? Audit committee effectiveness - Has the board recently reviewed the adequacy of the audit committee's written charter? Are audit committee members functioning and, in fact, independent of management? Do audit committee members possess an appropriate mix of operating and financial control expertise? Does the audit committee understand and monitor the broad organizational control environment? Does the audit committee oversee appropriateness, relevance, and reliability of operational and financial reporting to the board, as well as to investors and other external users? Does the audit committee oversee existence of and compliance with ethical standards? Does the audit committee or full board have a meaningful but challenging relationship with independent auditors, management auditors, senior financial control executives, and key corporate and business unit operating executives? Management auditing function effectiveness - Does management auditing have the support of top management, the audit committee, and the board of directors as a whole? Has the written scope of management auditing responsibilities been reviewed by the audit committee for adequacy? Is the organizational relationship between management auditing and senior executives appropriate? Does management auditing have and use open lines of communication and private access to all senior officers and the audit committee? Are audit reports covering the right subjects distributed to the right people and acted upon in a timely manner? Do key audit executives possess an appropriate level of expertise?

*From [Newsbytes](#), 10 April 2001*

## **GLOBALIZATION CAPABILITY APPRAISAL: HOW DO COMPANIES GET STARTED?**

The Web globalization process is initiated by an assessment of a company's current or planned globalization strategy. Aberdeen research shows that many organizations, to date, have not yet coordinated or created a comprehensive globalization strategy. For those companies that do have an existing strategy, prior to implementation, a readiness assessment enables them to evaluate the strengths and weaknesses of that strategy. The readiness assessment targets the following in an organization: Globalization plan; Business practices; Business processes; and Technical and cultural issues. To determine if company's Web design or implementation can be readily translated or adapted to local market requirements, Web globalization assessment carefully examines the current state of a company's Web site. A typical evaluation includes a review of a company's Internet infrastructure, as well as the current authoring processes and content-sharing relationships. Aberdeen has identified the following 6 deliverables as the key output for readiness assessment: Definitions of international marketing and e-Business objectives; Definitions of globalization business rules; Assessments of the current readiness of Web content and related infrastructure technology; Determination of level of infrastructure internationalization required; and Detailed architecture recommendation and action plan with

milestones and deliverables. As a result, Aberdeen Group recommends organizations looking to engage a firm for a globalization readiness assessment ensure that the above elements are covered.

From [Aberdeen Group](#), 6 April 2001

## TECHNIQUES OF THE 21st CENTURY WEBMASTER

Today's webmaster is faced with many challenges: managing time, answering email, maintaining fresh content, etc. I get e-mail from webmasters asking what they should do to be successful. The following are some of my suggestions. These are based on my experiences only, so some techniques discussed below might not work for everyone. Remember, most things are trial and error.

**1. Deal With Email... Quickly** - Responding to email should always be number one on your list of things to do. If you put it off for too long, it might seem overwhelming. The best way to deal with it is to use email filters or sort your email into different categories. For example: **Personal** Email from friends and family, **Web Site Submissions** Things that your web site visitors might want to contribute to the site, **Business Enquiries** People asking for work from you, **Newsletters** Newsletters/ezines that you receive, **Important** Things that must get accomplished TODAY, **Miscellaneous** Emails that don't fit into any other category. Now, you must prioritize each category and respond (if necessary) to all of the emails. Important, Business Inquiries, Web Site Submissions, Miscellaneous, Personal, Newsletters. You may prefer to put the personal emails first. As I said above, arrange these categories as you see fit. Now onto the fun stuff: spam. Don't you just love it? I have found [this great article by Harmony Major](#) about how to deal with spam to be very helpful.

**2. Keep The Content of Your Web Site Fresh** - Visitors of web sites seem to be very demanding at times. They always want fresh content. They don't want to read yesterday's news; they want this minute's news. A way to do this is to subscribe to a news service such as Moreover (<http://www.moreover.com>). Moreover is a fairly new service that basically works in the following manner: You sign up for the news feeds you want and choose the format in which you want them displayed. You paste HTML code into your web site that pulls the news headlines off of Moreover's servers. Your visitors see the headlines as links and then click to read the full story. Your web site's visitors will keep coming back to see new headlines. This means more traffic to your site, which means that advertising space is more valuable, which means that you will make more money. There are many other services that provide free news feeds as well as other types of free syndicated content. Email me for the links to these services' web sites.

**3. Use Autoresponders to Your Advantage** - Most of us have used an autoresponder at one point or another in our Internet adventures. For those of you who haven't, you send a blank e-mail to a specific address and you receive a response within a couple minutes that is a pre-formatted message. Some examples for using an autoresponder are as follows: **Provide tutorials and other training materials** - Share your knowledge of topics that you are familiar with. **Send a "buyer's remorse" letter** - When somebody makes a large purchase, they go through a period where they wonder if they should have bought the product or not. Use an autoresponder to tell somebody that the decision to buy the product was a good one and that they shouldn't worry about wasting money. **Follow up on advertising sales** - If you sell advertising on your web site, send a letter to an advertiser asking them if the results of their campaign were good. Ask them to send you testimonials or suggestions to make the advertising more worthwhile. You can get an autoresponder at several places for free including the following: <http://www.autobots.net> <http://www.biz-reply.com> <http://www.sendfree.com> (Highly Recommended) <http://www.autorespond.com> <http://www.getresponse.com> <http://www.smartautoresponder.com>. Most web hosting companies offer free autoresponders as well. Contact your host and ask them. (This is usually a better alternative because there is no extra advertising in your response message and it looks more professional with the @yourcompany.com address.)

From [eCommerceBase](#), by [Corbbmacc O'Connor](#), 24 April 2001

## Public Finance

### ASIAPACIFIC

#### FINANCE COMMISSIONS TO BE FORMED: MINISTER

Peshawar: Federal minister for local bodies, labour, manpower and overseas Pakistanis, Omar Asghar Khan, on Tuesday dispelled the impression that the government is considering revival of the octroi system, abolished by the Nawaz Sharif government. Speaking to businessmen at the Sarhad Chamber of Commerce and Industry, he said the government had decided to constitute provincial finance commissions to distribute financial resources among the districts on population basis. This would be a step towards the devolution of power, he said. He said that 60 per cent councillors, elected in local bodies polls, were new entrants. This trend would help in ending decades old dynastic rules, he said. The permanent hold on various elected forums by a handful of feudal families had diminished the chances of middle-class people contesting elections in the country, he observed. "We want to make an effective change into the electoral system by shifting powers to grassroots level," he said. He urged the businessmen to prepare themselves for the challenges posed by the World Trade Organization. He said the linkage of exports, by the developed nations, with the working conditions and pollution in the poor countries would have a negative impact on their export volume. "We do not give much importance to better working conditions for which we incur two billion dollars' loss annually," he said. The industrial waste was not disposed of properly, which had polluted the environment to a great extent and the solid waste was a permanent source of several diseases, he said. He said that some industrialists had made an investment of Rs850 million to combat pollution in sugar, textile and chemical sectors. The minister said that the government was considering proposals to spend Workers Welfare Funds either on the construction of the technical and vocational centres for workers or on health centres for them. The businessmen drew the attention of the minister towards the condition of labour colonies and the large number of Afghan refugees who, they said, had outnumbered the local businessmen in every sector.

From [DAWN Group](#), 25 April 2001

### EUROPEICIS

#### TURK MINISTER UNVEILS STRICT ECONOMIC PLAN

Calling for privatization, banking reforms and cuts in state spending, Turkey's economy minister unveiled a recovery program Saturday with measures aimed at overcoming a crisis that has led to mass layoffs and demonstrations nationwide. Meanwhile, in Istanbul, some 10,000 Turks protesting rising prices urged the government to resign. Demonstrations were banned in 20 other provinces after clashes between police and protesters left more than 200 injured in Ankara earlier in the week. Kemal Dervis, Turkey's new economy minister, warned Saturday of "tough times" for the next three months, adding that "compromises are required, but there is no need to be pessimistic." Turkey's economy was expected to shrink by 3 percent this year but grow by 5 percent in 2002, Dervis said. Inflation was expected to reach 57.6 percent this year but drop to 16.6 percent in 2002, he said. Cutting state spending - by 9 percent this year - was the most important part of Turkey's new fiscal policy, said Dervis, a former World Bank vice president brought into the government since the lira's collapse in February. State banks, now burdened by some \$20 billion in bad loans, must be reformed, he said. Money-losing branches should be closed and some state bank workers offered retirement packages, he said. Dervis also announced a freeze on public hiring, except in health, education and security, and no salary raises for public sector employees beyond the inflation rate. Privatization must move forward, he said. Turkey was seeking \$10 billion to \$12 billion from international institutions and the country's trade partners, but Dervis said it was unclear how much aid Turkey would receive. "I am very hopeful. I believe the program will receive great support, but I can't give you a figure for the time being," said Dervis. The recovery program was being submitted to the International Monetary Fund on Saturday, he added. In a televised address moments after Dervis' news conference, Prime Minister Bulent Ecevit pledged his support for the program. Many analysts had questioned whether the government has the will to carry out harsh economic measures. "We have a tough time ahead," Ecevit told a news conference. "We believe that with this program, we will beat the inflation monster, save our country from debts and interest and our people from poverty and corruption." Ugur Bayar, the head of the privatization board, said Turkey was prepared to privatize the state-owned airlines, oil refinery company and sugar factories if market conditions improve. Turkish markets have plummeted during the current crisis. Although Dervis had said earlier that Turkey was willing to sell a controlling interest in its fixed line telecommunications monopoly, Turk Telekom, he backtracked Saturday and said a foreign investor will not be allowed to buy more than a 49 percent share in the company. The military, which largely relies on Turk Telekom for communication, had objected to selling Turkey's controlling interest. Ali Kilci, the head of the Chamber of Trade in the central Anatolian city of Kayseri, said he was disappointed with Dervis' initiatives. "The program is very general and there are many holes in it," he said. "The Turkish nation is losing its patience." Some 500,000 people have lost their jobs since the lira collapsed in February, losing some 40 percent of its value. Turkish workers have complained of rising prices, and there have been repeated calls from union and business groups for the government to resign or at least reshuffle the Cabinet. Although public discontent with

Ecevit's government is growing, opposition parties are tainted by past scandals and crises of their own, and are poorly placed to take advantage of the situation. "Turkey has no other option but this program," said Hasan Ozmen, the head of the Chamber of Trade of the Aegean port city of Izmir.

From [Nando Times](#), by Selcan Hacaoglu, 15 April 2001

## UK ACHIEVES RECORD PUBLIC SECTOR SURPLUS

Gordon Brown, the chancellor, achieved a record public sector surplus of £16.5bn (\$23.8bn) in the past financial year - exceeding the £15bn forecast made only last month in his Budget speech. The surplus was boosted by a record March figure for Inland Revenue tax receipts of £10.5bn - in a possible sign that the economy has not yet been hit badly by the global economic downturn. The impression of a still healthy economy was supported by trade figures, also released on Monday morning, showing a 1.6 per cent rise in exports in the three months to February. While the increase is lower than the levels reached last year, it still implies that the impact of the global slowdown has so far been limited. The Office for National Statistics said exports to the US - source of the supposed global slowdown - were up 3.7 per cent in the first quarter. Mr. Brown had earlier predicted a much lower surplus for the past financial year than for 1999-2000, but Monday's ONS figures showed that the public sector net surplus for the year to March surpassed the previous year's surplus by £1bn. This figure measures spending and receipts using standard business accounting practices. The government's cash surplus for the year - boosted by £22.5bn in receipts from the auction of mobile phone licences - was a record £37bn. News of healthy government finances was paralleled by signs that the general public are also taking steps to improve their finances. Britain's major banking groups said on Monday that lending to individuals fell to £913m in March, almost half February levels. However, Britain continued to buy more than it sold according to the latest figures. The trade deficit reached £4.9bn in the three months to February - £0.4bn wider than in the previous three months.

From *Financial Times*, by David Turner, 23 April 2001

## MIDDLE EAST

### LATEST INTERNET SOLUTION BRINGS BANKING HOME

Three companies jointly launched on Wednesday a new internet banking solution for banks who want to offer customers more flexible services. Beirut-based Trinec, one of two application service providers in the Middle East, is one of the companies involved. ASPs host applications on giant secure servers and charge companies a monthly subscription to use them. Medium-sized companies who use an ASP no longer need to purchase, upgrade, and maintain expensive software because their ASP will do it for them, cutting their costs by at least 50 percent. The internet banking solution presented to Lebanese banks would allow them to offer their customers internet banking services, provided on a user-by-user basis through Trinec. Thus the bank can offer the latest services without investing in expensive and highly specialized internet banking software. After all, Lebanon has just 85,000 internet users, under 700,000 bank account-holders and 60,000 credit or debit card-holders. Trinec can afford to do so because it will work with a number of banks, benefiting from economies of scale. Currently, anything more complex than a cash withdrawal requires a morning at the local branch interacting with a cashier through a perforated screen. But by 2002 every bank in Lebanon will be legally required to be online with all its branches linked to each other and to the Central Bank. The other two partners who foresee increasing demands for round-the-clock banking services are Mideast Data Systems Lebanon which already provides application solutions to banks in the Middle East, Africa, and Eastern Europe and CR2. With its headquarters in Ireland, CR2 has built its business entirely around banking software. It is responsible for BankWorld, a centralized, integrated internet banking system used by many of the world's top banks including ABN Amro, Barclays, and Standard Chartered. BankWorld allows customers to access, through the internet, their bank accounts, to transfer funds, pay bills, and check balances from PCs, WAP-enabled cell phones, digital organizers and potentially through interactive digital television. The service uses digital signatures, as well as firewalls and other online security systems, to protect customers' financial information. But internet banking has a long way to go. Security specialists say no system can be completely safe, and while the latest technologies can now ensure good protection against hackers from inside and outside the company, convincing customers that their money is safe can prove notoriously difficult.

From [Dailystar](#), by [Lin Noueihed](#) Daily Star staff, 13 April 2001

## THE AMERICAS

### FINANCE MINISTERS PREDICT TAX CUTS WILL LIMIT ECONOMIC SLOWDOWN IN U.S., CANADA

Tax cuts that have already been implemented in Canada, as well as those that are likely to be implemented in the United States, should limit an economic slowdown in the two countries, according to an official statement issued after an April 5 meeting in Toronto of Western Hemisphere finance ministers. The ministers, who concluded four days of talks that afternoon, also predicted some slowing in the Latin American and Caribbean areas. They expressed their support for the proposed Free Trade Area of the Americas, the focus of the Summit of the Americas meeting in Quebec City later in April. Canadian Finance Minister Paul Martin, who chaired the conference, said he was impressed by the degree of support for trade liberalization at the meeting.

From [tax.org](#), 5 April 2001

## BANKING ON E-FINANCE SOLUTIONS

The acceptance of Internet banking by financial institutions and their customers has grown substantially over the past five years. Financial institutions now market the service as diligently as they market checking accounts as a means to drive greater participation by their customers. And why shouldn't they? Public acknowledgements by leading financial institutions like [Bank of America](#) (NYSE: [BAC](#)) and [Wells Fargo](#) (NYSE: [WFC](#)) have pointed out that their Internet banking customers use more products and services than non-Internet banking customers, they keep higher account balances, they cost less to serve, and, of course, they are more profitable. Additionally, as Bank of America recently pointed out when it announced that its Internet division operates in the black, the notion of an Internet banking initiative not being profitable for a financial institution is simply not true. These announcements, coupled with aggressive, incentive-based marketing programs throughout the U.S., have caused other financial institutions to stand up and take notice. We believe fear of competition from nontraditional financial institutions will also drive traditional financial institutions to adopt new technology solutions. One thing that is clear in the financial services industry is that traditional financial institutions will either embrace new technologies or be disintermediated by nontraditional competitors like [Yahoo](#) (Nasdaq: [YHOO](#)), [AOL Time Warner](#) (NYSE: [AOL](#)), [Merrill Lynch](#) (NYSE: [MER](#)), [American Express](#) (NYSE: [AXP](#)), State Farm, or the hundreds of other companies looking to expand upon their customer relationships. A financial institution can thus elect to ignore Internet banking altogether and risk losing its customers, or it can remain competitive by implementing an Internet banking solution. Many are choosing the latter. According to Martin Stein, former vice chairman of technology at Bank of America, "the most important factor in modern banking is the use of technology to deliver service products to clients." This belief is shared by others like David Pottruck, co-CEO of [Charles Schwab](#) (NYSE: [SCH](#)), who states: "We have barely scratched the surface in understanding how to improve the client experience in terms of integrating technology and people. The people who do that are going to be the people who win." It is our opinion that financial institutions understand the importance of integrating new-economy technologies into their existing infrastructure and are rapidly moving to the Internet to better serve their customers and lower business costs. Although this is not a new strategy -- banks have offered PC banking for quite some time -- the repeal of the Glass-Steagall Act has dramatically altered the competitive landscape, creating new opportunities for traditional and nontraditional financial institutions to position themselves as one-stop shops for businesses and consumers. Today, just over 20,000 financial institutions exist in the U.S. alone. Of these, approximately half have \$1 billion or more in assets. More important, approximately 60 percent of financial institutions with over \$1 billion in assets offer their customers Internet banking, whereas just 10 percent with under \$1 billion in assets offer such services. According to a recent study by *American Banker*, the number of financial institutions offering their customers an Internet banking solution is expected to escalate to almost 16,000 by the end of 2003, leaving a significant amount of decision making to be carried out over the next two and a half years. Clearly, this is an industry with large potential for growth. Although electronic banking has been around for many years in the form of PC banking, the Internet-based e-finance industry is very immature. We believe that industry conditions are just beginning to fall into place to make this an exciting sector for years to come. Although a number of service providers offer Internet banking solutions to financial institutions, we believe only a small number of them are positioned well enough to survive in such a competitive marketplace. [Celent Communications](#), an independent, third-party research organization focusing on the financial services industry, recently published a new report highlighting the main service providers in the Internet banking enablement space titled, "Ranking the U.S. vendors of Internet banking solutions: an update." In this report, Celent listed the top Internet banking vendor solutions targeting a given financial institution's asset size: large institutions with assets greater than \$10 billion, midsize institutions with assets between \$2 billion and \$10 billion, and small institutions with assets under \$2 billion. The top four companies ranked in order of each class were as follows: large financial institutions -- [Financial Fusion](#) (which is a subsidiary of [Sybase](#) (Nasdaq: [SYBS](#))), [Brokat Technologies](#) (Nasdaq: [BROA](#)), [S1](#) (Nasdaq: [SONE](#)), and [Corillian](#) (Nasdaq: [CORI](#)); midsize financial institutions -- Corillian, [Digital Insight](#) (Nasdaq: [DGIN](#)), Financial Fusion, and Brokat; and small financial institutions -- Digital Insight, [FundsXpress](#), S1, and [Online Resources](#) (Nasdaq: [ORCC](#)). But even some of these companies face a significant challenge. Given the demise of many dot-coms -- both in stock value and absolute numbers -- financial institutions have come to place more emphasis on the long-term viability of their service providers rather than the price of their solution. We believe a dichotomy has thus occurred in the industry, with well-capitalized companies enjoying solid bank sign-ups and undercapitalized companies struggling to gain customers. After all, a financial institution looking to implement an Internet banking solution does not want to risk disrupting its product offering with a bankrupt service provider. This possibility has become all too common in the recent "dot-bomb" environment and is substantiated by NorthPoint Communications's recent announcement that it would discontinue its DSL service to its 100,000 customers, sending them scurrying for a new service provider. At the end of December, the majority of companies mentioned in the Celent report were well enough capitalized to remain financially solvent for the foreseeable future, in our opinion. In alphabetical order, these companies were: Brokat with \$119.0 million in cash; Corillian with \$49.2 million; Digital Insight with \$81.7 million; Financial Fusion with \$314.0 million; and S1 with \$150.0 million. The other two companies, FundsXpress (which is privately held) and Online Resources, have lower cash balances, which may or may not be sufficient to meet their cash-burn obligations. We estimate FundsXpress had between \$10 million and \$20 million in cash at the end of December, whereas Online Resources had \$21.5 million in cash at that time. Of the companies mentioned above, we favor Digital Insight as a play on the growth in the small- and mid-tier financial institution market. As a play on traditional and nontraditional financial institutions both domestically and internationally, we favor S1. We believe both of these companies should benefit from increased penetration in the marketplace by financial institutions as well as increased consumer adoption rates. The acceptance of Internet banking by financial institutions and their customers continues to accelerate as people become more comfortable with using the service. Financial institutions are beginning to understand how offering their customers an integrated banking solution is important for succeeding in today's competitive marketplace. If one can have access to a brick-and-mortar bank, ATMs, and an Internet bank, all integrated under the same brick-and-mortar institution where a relationship is already established,

and the loan officer knows the customer's family, interests, etc., then why would that individual choose another, less-comprehensive banking solution? There is still something to be said for personalized service and old habits -- the service is hard to leave, and the habit is hard to break. That's why we believe Internet banking will continue to prosper, with well-capitalized vendors best positioned to benefit. Jeffery B. Baker is the senior e-finance analyst for WR Hambrecht. To access his research, click [here](#). WR Hambrecht is a financial services firm involved in the underwriting of e-finance companies. At the time of this writing, WR Hambrecht made a market in the securities of Digital Insight, S1, and Yahoo.

From [Red Herring](#), b Jeffery B. Baker, 5 April 2001

## TAX REFORM PLAN POSSIBLE BY 2002

Lexington - Members of the state legislature's budget committee promise they'll take a bipartisan approach to overhauling Kentucky's tax system, but they can't guarantee they'll have a proposal ready for the 2002 General Assembly. "We hope to do something in 2002," said Rep. Harry Moberly, D-Richmond, chairman of the House Appropriations and Revenue Committee, which oversees the state budget. "But we wouldn't want to move forward unless we had an agreement." Moberly is co-chairman of a task force set up to study comprehensive tax reform and one of four legislators who discussed the issue Monday on "Kentucky Tonight," a live weekly forum on Kentucky Educational Television. Rep. Jim Wayne, D-Louisville, Rep. Mark Treesh, R-Philpot, and Sen. Richie Sanders, R-Franklin, also participated in the televised discussion. Wayne and Treesh are on the House Appropriations and Revenue Committee, and Sanders is chairman of the Senate Appropriations and Revenue Committee and co-chair of the tax reform task force, which meets for the first time April 26. Gov. Paul Patton has called for comprehensive tax reform in the past and renewed his plea in his State of the Commonwealth address in January. After the KET program, Moberly and Sanders said everyone will be involved in the process - both parties, both chambers and members of the executive branch. "We wouldn't be able to do anything comprehensive without the executive branch," Moberly said. During the hour-long program Monday night, the four legislators seemed to agree on several topics. But what they agreed on most was that Kentucky needs tax reform that is fair and relieves the lowest paid Kentuckians. "Kentucky taxes its working poor people worse than any state in the union in certain categories," Wayne said. "It's a scandal for the entire commonwealth." Wayne has prefiled a bill for 2002 that would give a federal earned income tax credit to low-income families. "When you talk about working poor, you're talking about the people who change your oil at the Jiffy Lube," Wayne said. "You're talking about the folks who are cleaning the rooms at the Holiday Inn. You're talking about waiters and waitresses. You're talking about the people who really keep this economy going on the front lines." Kentucky begins taxing at \$5,000, Wayne said, which keeps those people impoverished. Kentucky's tax structure has been criticized for being unbalanced, haphazard and unfairly strict on Kentucky's working poor. The issue has been studied extensively, Moberly said, but a changing economy warrants a new look at the state's tax structure. "I do think our economy has changed since then. We're in a new economy, a technology-based economy," he said. Most legislators - and the governor - want reform to be revenue neutral, meaning revenue lost in tax cuts must be made up somewhere else. One goal, Rep. Wayne said, is "to guarantee that we're going to have adequate revenues." "If we're going to continue to provide these services in the state from state government, we're going to have to make sure the bucks are there," he said. Treesh has prepared a bill for 2002 that would simplify income tax filing by aligning Kentucky's income tax rates with federal rates. It would also eliminate the state's portion of the vehicle property tax - about 30 percent of what vehicle owners pay every year - and reform the telecommunication tax. Moberly said Treesh's idea is a good start, but is too expensive. "I like his approach, But I think it has about a \$200 million price tag," Moberly said.

From [Kentucky Post](#), by Courtney Kinney, 4 April 2001

## SOCIAL ISSUES OF CONCERN AT WESTERN HEMISPHERE FINANCE MINISTERS MEETING

Toronto) - Globalization is more than free trade and needs to address social issues such as health and poverty, Finance Minister Paul Martin said Tuesday as he prepared to meet the other finance ministers of the Western Hemisphere. Martin said he believes activists fighting against a proposed hemispheric free trade deal have a "legitimate case to make" and those concerns will be addressed as part of the two-day warm-up meeting for the Summit of the Americas later this month in Quebec City. The meeting of finance ministers from 34 countries - ranging from Argentina and Ecuador to Mexico, the United States and Canada - kicks off in earnest Wednesday. The ministers will also meet one-on-one, which Martin expected would be the most valuable aspect of the gathering. "I can tell you that the issues that they're raising in terms of the global economy, globalization, how countries treat each other, the gap between the rich and the poor - those are very much the issues that will be dealt with at this particular meeting," Martin told a news conference. "Essentially what we're saying is you can't build sustained economic growth on a fragile foundation, it has to be built on a very strong social foundation. Ministers of Finance have got to deal with that." While more than 500 protesters took part in a staged protest in Ottawa earlier this week outside the Department of Foreign Affairs and International Trade, there were more police officers outside the Toronto hotel than activists Tuesday. Ontario unions had staged a demonstration that began at the provincial legislature and ended at the nearby hotel where the ministers are meeting, but Martin arrived before the protesters. They're angry that the proposed trade deal is being negotiated behind closed doors and want to know if human rights, social issues and the environment are being considered in the talks on global trade. "This agreement undermines the ability of our governments to deal with issues that affect us, like education and health care," said Sarah Lambie, 22, a student of international relations at York University. "People are also starting to question why the government is putting up barricades," added Margaret Rao, 48, a member of the Affinity Faith Group. Hundreds of police, some dressed in full riot-gear and armed with tear gas canister guns, were stationed outside the hotel where the ministers are meeting. The protesters, who numbered perhaps 400, called the police presence excessive. Martin, meanwhile, said the meeting is an opportunity "to say that globalization, if it's going to work, has to be more than

simply trade. There has to be, at the same time, strong investment in health care and in education. We have to recognize that different countries are going to have to follow different sequences and this is a very important part, we believe, of these meetings." But little is anticipated in the way of direct actions resulting from the formal event, which won't stray far beyond broad economic discussions. Topics for the talks will certainly involve the falling American economy plaguing countries like Canada and Mexico which rely on the U.S. for a heavy portion of their exports, as well as trade concerns. Martin said the group won't likely approach issues surrounding the falling currency values around the world, despite the fact Canada's own loonie has dropped close to its all-time low. "Currencies are not on the formal agenda," Martin said, adding Canada's dollar is being affected the same way as other world currencies while the U.S. currency is propped up in the midst of an economic slowdown. "We're in the middle of a global phenomenon. Quite clearly, people seek refuge in the strongest currency and that's affecting everyone's currency." The meeting is Martin's first chance to sit formally alongside U.S. Treasury Secretary Paul O'Neill and Mexican Finance Minister Francisco Gil Diaz, both appointed under new administrations. The ministers could try to reach consensus on supporting free trade in the western hemisphere in advance of the Quebec City summit April 20-22. Unanimous support for free trade of the Americas could fall short with Brazil, which has expressed reluctance to speed up the formation of such an agreement. The U.S. has been pressing for a Free Trade of the Americas to be established by 2004 instead of the original 2005 target. Discussions will also centre on the crisis facing Argentina, facing its worst recession in a decade. The country's senate gave sweeping powers to Economy Minister Domingo Cavallo this week to reduce massive foreign debt, boost production and attract investment through tariff and tax changes. Martin applauded Cavallo for already taking "important steps" to stabilize its economy. Cavallo met with bankers in New York on Tuesday morning in an attempt to attract investment. "The new minister of the economy has essentially taken the steps which are required in order to establish confidence within Argentina and outside of Argentina's borders," Martin said. On the eve of the event, Martin announced a \$13-million aid package for Caribbean countries to promote financial-sector reform in the region, including technical assistance on budget management and bank supervision.

*From [Ottawa Citizen](#), by Paula Arab and Steve Erwin, 4 April 2001*

## ACCENTURE TALLIES SCORECARD ON E-GOVERNMENT INITIATIVES

Washington - Consulting firm Accenture this week released a report on how e-government initiatives stack up around the world. Its scorecard-style evaluation covers the 22 most active countries online. Entitled "eGovernment Leadership, Rhetoric vs. Reality -- Closing the Gap," the report bequeaths the highest marks on Canada, Singapore, and the United States, in that order, for efforts each country has taken to provide online services and information to citizens and businesses. Accenture's report calls the three countries "Innovative Leaders" in e-government because Accenture's researchers found they do the most to deliver interactive or transactional services online, in addition to simply publishing large volumes of government information. According to Accenture, there is also a group of countries that are close behind the leaders with their own national efforts. These countries earned the second-tier ranking of "Visionary Followers." Norway, Australia, Finland, The Netherlands, and the United Kingdom fall in this category, Accenture says. Steve Rohleder, managing partner at Accenture's USA government division, explained the methodology the consulting firm undertook for the global evaluation. "In January we had 100 researchers in 22 countries and gave them 10 days to act like citizens and businesses using e-government online," Rohleder said. "We had them evaluate 165 separate services segmented to include things such as tax collection, human services, or postal. The question was, how many services did a particular government support online?" While Accenture's scorecard ratings gave eight countries out of the 22 surveyed pretty high marks, the remainder appeared to be putting less energy into their e-government efforts at present. Rohleder said most are still simply publishing government information on the Web, but don't conduct transactions or interact with citizenry and business in any broad way. These countries -- which Accenture dubbed "Steady Achievers" -- are New Zealand, Hong Kong, France, Spain, Ireland, Portugal, Germany, and Belgium. In its final category -- blandly labeled "Platform Builders" -- Accenture lists countries that have so far shown limited progress in publishing or managing transactions via the Web. In Accenture's report, these are Japan, Brazil, Malaysia, South Africa, Italy, and Mexico. Rohleder emphasized that there are many impediments to creating an e-government presence online. "There are ongoing challenges, such as regulatory issues, the digital divide, privacy and security concerns, and of course, budget," he noted. But to have any progress, it's critical that top management in government - such as a country's president as well as its CIO in charge of technology deployment -- set goals and make it a priority. Otherwise, government agencies are not likely to move forward in the hard job of going online. Top government support drove e-gov in Canada, Singapore, and the United States, Rohleder said, adding that the U.S. ranking has actually slipped a bit since Accenture first did this e-government study last year. Rohleder said industry and government agencies are eager to hear from the Bush Administration on how it will proceed with e-government now that the Clinton Administration, which had Vice President Al Gore as its e-gov enthusiast, has departed. All around the world, e-government is a rapidly changing phenomenon, Rohleder pointed out. "Norway, the Netherlands, and Ireland have made significant gains in our e-government leadership ranking," Rohleder added. "And Norway wasn't even on the list last year." A challenge is the need to adopt practices and technologies to provide customer relationship management as citizens and businesses turn to the Web more frequently to gain government services. "This is certainly one of the main areas that needs to be addressed," Rohleder concluded. For more information about enterprise networking, go to Network World Fusion at [www.nwfusion.com](http://www.nwfusion.com)

*From IDG, by Ellen Messmer, Network World Fusion, 5 April 2001*

## MEXICO TO PROTECT SHAREHOLDERS



Mexico's government is proposing a crackdown on insider trading and greater protection for minority shareholders as part of financial legislation sent to Congress last week aimed at resuscitating the flagging stock market. Authorities say that with virtually no public offerings in recent years, the bourse is at risk of becoming irrelevant as a tool of corporate finance if it is not given a shot in the arm. On Friday, Agustin Carstens, deputy finance minister, unveiled financial sector reforms that included penalties of up to 12 years in jail for insider trading, and measures to protect minority shareholders from the abuses of owner-managers. He said studies suggested greater shareholder protection could double the market's capitalisation and attract five times the number of companies issuing stock. About three quarters of trading in the Bolsa is carried out by foreigners, but analysts say they are increasingly disenchanted by shortcomings in corporate governance. Trading volumes are at half the level of six years ago, and Mexican companies, which raised an impressive \$16.6bn in the market between 1991-1994, have shunned new issues since. Last week the lack of legal protection for minorities was underscored when Vodafone of the UK paid \$973.4m (£685.5m) for a 34.5 per cent stake in Iusacell, the Mexican wireless operator, in an off-market transaction with Iusacell's family owners. Minority shareholders were outraged at being excluded from the deal in which Iusacell shares changed hands at almost three times the traded value. Jorge Familiar, of Mexico's National Banking and Securities Commission (CNBV), said Vodafone was urged to offer the transaction to all shareholders, but Mexican law permitted it to keep it private. "It wasn't the best," he admitted. Under the proposed rules, the CNBV would be able to decide if an offering was public. It would also be able to limit the number of non-voting shares and ensure that at least 25 per cent of board directors were independent and that audit committees were comprised mostly of independent directors.

From [Financial Times](#), by Henry Tricks in Mexico City, 8 April 2001

## FLORIDA BILL WOULD GIVE TAX INCENTIVES TO COMPANIES THAT PAY FOR LOW-INCOME STUDENTS TO ATTEND PRIVATE SCHOOL

The Florida Senate has approved [giving \\$50 million in tax credits to companies that help send low-income children to private schools](#). The plan, which is similar to a bill that has passed the House, could shift thousands of students from public to private schools. Despite heavy opposition from Democrats, Republican supporters say it will give educational choices to parents of low-income children.

From [American School and University](#), 14 April 2001

## CHENEY INCOME AT \$36 MILLION; BUSH: \$894,880

President Bush and his wife, Laura, released their federal income tax returns for 2000 today, showing that they received \$894,880 in income and paid \$240,342, or 26.9 percent, in taxes. Vice President Dick Cheney and his wife, Lynne, reported income of \$36,086,635, on which they paid \$14,295,058 in federal income taxes, or 39.6 percent. Most of the president's income came from interest earned on his profits from the sale of his investment in the Texas Rangers baseball team in 1998, while the Cheneys' income reflected the closing out of Mr. Cheney's accounts at Halliburton, the global oil services company where he was chief executive until he resigned on Aug. 10 to run for office. No law requires presidents or vice presidents to release their income tax returns. The tradition began in 1977 with President Jimmy Carter and was prompted by the fraudulent \$576,000 tax deduction that President Richard M. Nixon took during his first year in the White House. Mr. Nixon was never charged, but Edward L. Morgan, a White House lawyer and a Treasury assistant secretary in the Nixon administration, pleaded guilty to tax fraud in 1975 and served four months in federal prison. Mr. Bush earned \$70,554 as governor of Texas after declining his salary for those days that he was campaigning for the presidency. The forgone salary was about \$40,000, said Robert McCleskey, an accountant in Midland, Tex., who has long prepared the tax returns for the Bushes. Most of the couple's income came from a trust, administered by the Northern Trust Company in Chicago, which shields them from knowing what assets they own. The couple reported \$549,236 of taxable interest, which suggests that a large portion of their holdings are still in the Treasury bonds and other federal government debt that they bought in 1998, when the sale of the baseball team stake gave them an income of more than \$18 million. The 2000 tax return also showed \$61,546 of dividends and a \$138,358 capital gain from the sale of the Bushes' former lakefront home on leased land about a two-hour drive from their ranch near Waco, Tex. The odds and ends of closing two of Mr. Bush's past businesses generated a small amount of income. The oil business that Mr. Bush once ran reported sales of \$733 and a profit of \$314. A small royalty interest in another oil investment allowed the couple to take a \$733 depletion allowance, a tax break the oil and mining industries were given by Congress to compensate for the fact that minerals extracted from the ground are not replaceable. The Bushes were not allowed to take all of the itemized deductions they listed because Congress limits such tax breaks for high-income taxpayers. The tax return listed \$143,300 in charitable gifts, \$11,536 in property taxes on their Texas ranch, \$2,500 in income tax preparation fees and \$33,738 in fees for managing their money. Their deduction was limited to \$150,198 of these \$191,074 in expenses. The 16 percent of their income the Bushes donated included substantial gifts to the Boys Scouts, Girls Scouts, Boys and Girls Clubs of America and Girls Inc. Mr. Bush received a \$75,000 advance for his campaign book, "A Charge to Keep." He listed the royalty as income and paid taxes on that money, but gave away the full amount. Of the \$36 million in income the Cheneys reported, \$34,367,375 was wages and salary, almost all of which reflected closing out his accounts at Halliburton. His salary as chief executive for part of the year was \$806,332. The rest of their earned income came from the \$948,738 Mrs. Cheney earned

from her writing and speaking as a cultural commentator and the \$443,730 paid to Mr. Cheney as a corporate director and consultant by Electronic Data Systems, Union Pacific Corporation, AT&T Media One and US West. The couple also reported \$225,140 in dividends, \$84,036 in taxable interest, \$55,481 of taxable pension income and \$10,000 in book royalties. They also had \$112,032 in tax-exempt interest from municipal bonds and \$144,352 in tax-exempt pension income. The Cheney's apparently paid more in federal income taxes than the law requires. The portion of their income paid in federal income taxes was 39.6 percent, a rate that applies only to earned income of more than \$250,000. Because some of their income was long-term capital gain, taxed at 20 percent, their tax bill could have been lower. Mr. Cheney would not be the first nationally elected official to, with his spouse, pay more in taxes than the law required. In 1997 and 1998 President Bill Clinton and his wife, Hillary, paid more than twice as much in federal income taxes as the law requires because they took as income royalties from Mrs. Clinton's first book, paid taxes on the money and gave away the difference. The book, "It Takes A Village," generated more than \$1 million in royalties, a sum that exceeded the limit Congress has set on charitable gift deductions, which is 50 percent of income. Last year the Cheney's gave \$41,616 to charity, or one-tenth of 1 percent of their income. But Mr. Cheney also gave to charity the after-tax value of his remaining Halliburton options on Jan. 18, three days before Mr. Cheney was sworn in as vice president. The options are controlled by a lawyer for the Washington firm of Williams & Connolly, Phillip Ward, who will exercise them, pay the taxes owed by the Cheney's and give the rest to three charities. The Cheney's will not receive a tax deduction for this gift, and their lawyer, Terrence O'Donnell, also of Williams & Connolly, said they had instructed their tax advisers to "calculate to the penny" on the taxes due so that they do not receive any financial benefit from the options. The value realized from the options will go to the University of Wyoming, George Washington University Medical Faculty Associates in Washington, and Capital Partners for Education, which gives aid to poor high school students in the nation's capital. Mr. Cheney has been treated for heart disease at the George Washington University Medical Center. Mr. Cheney also received a \$1.4 million bonus from Halliburton that was paid in January and will be reflected on the tax return the Cheney's file next April, Mr. O'Donnell said. Tax returns filed by presidents, including Franklin D. Roosevelt, can be viewed at [www.tax.org](http://www.tax.org).

*From [New York Times](#), by David Cay Johnston, 14 April 2001*

## **BUSH MOVES TO MIDDLE ON TAX CUTS**

The governor suggests some simple division - by two - to jump-start budget negotiations tangled in tax cut talk. Tallahassee -- For the first time, Gov. Jeb Bush signaled Monday he is willing to compromise on tax cuts and suggested a way to break the deadlock between fellow Republicans who control the Legislature. The governor's simple solution: Pick a number in the middle. With the House stuck at \$355-million in proposed tax cuts and the Senate officially at zero and unofficially willing to accept a \$49-million cut, Bush said there is plenty of room for compromise. "Between \$355-(million) and zero, there is a range there where I think both sides can declare victory," he said. Bush initially proposed a \$313-million tax cut that included another tax-free holiday for back-to-school shoppers and a reduction in the intangibles tax. He would not offer specifics Monday on how he would split the difference between the House and Senate. "Divide by two," he said. That would mean a tax cut of about \$177-million. State budget negotiations are stalled over the tax cuts, and talk is increasing that the Legislature may be forced to meet beyond its scheduled May 4 adjournment. In an effort to jump-start negotiations, Bush pitched his proposal in a meeting with House Speaker Tom Feeney and talked about the budget deadlock by telephone with Senate President John McKay. "It sounds like an attempt at compromise," said House Appropriations Chairman Carlos Lacasa, R-Miami, "and it couldn't come at a better time." Despite the governor's unusual intervention, there appeared to be little movement on either side. Feeney was non-committal after hearing Bush's suggestion, and Senate Republicans are not expected to agree to any tax cuts worth more than \$100-million. "I think it's way higher than we can go," Senate Majority Leader Jim King said about a tax cut in the neighborhood of \$175-million. "It ain't gonna happen," said Senate Rules chairman Tom Lee, R-Brandon, who is sponsoring the bill in the Senate that would cut the intangibles tax. He said his bill would cut the tax by some \$230-million, but he is no longer willing to go that far. Lee said the governor's approach is arbitrary and ignores the fact the Senate's resistance to tax cuts is based on principle. "This isn't some kind of mating dance," Lee said. Senate Appropriations Chairman Jim Horne, R-Orange Park, indicated that he could go along with Bush's proposal. "That would be fine with me," he said. "But the Senate president is not anywhere near that yet." Late Monday night, Horne said a budget agreement appeared closer. He said negotiators have identified about \$75-million more they think can be squeezed out of tobacco companies that settled with the state to reimburse it for the cost of treating sick smokers. Several senators said McKay has been asking them what cuts they would be willing to approve. Bush, who presided over tax cuts worth more than \$1.6-billion during his first two years as governor, indicated legislators could cut taxes by \$177-million without cutting spending in public schools or harming Medicaid recipients. "We can have real increases in education funding," he said. "We can assure that anyone who is on Medicaid right now will not have a cut in their services." Bush conceded that the Legislature still would have to grapple with the cost of prescription drugs and that Medicaid payments for health care providers might have to be cut. But with Democrats framing the budget debate as a choice between tax cuts for the rich and health care for the poor, many Republicans are eager to restore some proposed cuts aimed at Medicaid recipients. House Majority Leader Mike Fasano, R-New Port Richey, said Monday that the House is unlikely to go through with a \$37-million Medicaid cut that would take away benefits from some 190,000 poor adults who now get eyeglasses, hearing aids and dentures from the state. McKay said last week that he has told his budget staff to restore a Medicaid cut that would take away broad health care benefits to some 1,800 people. There still are hundreds of millions of dollars in additional cuts in health and human services programs in the House and Senate budget plans for next fiscal year. The Legislature has had to struggle with a nearly \$1-billion shortfall in the Medicaid program. House Democratic Leader Lois Frankel said Monday that any tax cuts are unwise, because she believes neither chamber has adequately funded public schools and health care.

*From [St. Petersburg Times](#), 24 April 2001*

## CAPITAL GAINS CALCULATION MAKES THIS YEAR'S TAX RETURN ESPECIALLY TRICKY

Each year brings a myriad of changes to the taxes that Canadians must pay. But changes to the way taxes are calculated on capital gains could make filling out this year's tax return an especially complicated effort this time around. So what makes this year different? At the start of 2000, the capital gains inclusion rate – that portion of a gain on the sale of securities or property that is subject to tax – stood at 75 per cent. That means three-quarters of any capital gains would be taxable. The remaining 25 per cent is not. But when Finance Minister Paul Martin delivered his budget last February, he lowered the rate to two-thirds. And he didn't stop there. In October, Martin got to his feet in the House of Commons and lowered the rate again, this time to 50 per cent. The cuts will leave more money from capital gains in the pockets of Canadians. But they also make for some complicated tax calculations because there are three different inclusion rates covering three periods of this year. Here's how things work: Capital gains triggered in Period 1 (Jan. 1 to Feb. 27) carry an inclusion rate of 75 per cent. Capital gains triggered in Period 2 (between Feb. 28 and October 17) carry an inclusion rate of 66 2/3 per cent. Capital gains triggered in Period 3 (after October 17) carry an inclusion rate 50 per cent. Got that? Before you start pounding the calculator keys, you'll need to know three things: what the investment cost to buy, the date when it was sold and the sale price. Don't forget to adjust for commissions on purchases and sales when figuring out net capital gains or losses. For example, commissions paid when buying a stock are added to the purchase cost. Conversely, commissions paid when a stock is sold are deducted from the proceeds. Once you know your capital gain or loss for each of the three periods in question, you can calculate your inclusion rate and taxable capital gain for the year. This is where things can get complicated, especially if you've got capital gains and losses in each period. To make things easier, several free calculators are available on the Internet. They'll help you calculate your inclusion rate and capital gains subject to tax for the entire year. Here are a couple: [KPMG Capital Gains Tax Wizard](#) [AIC Funds Capital Gains Inclusion Rate Calculator](#). The Canada Customs and Revenue Agency has an in-depth site on capital gains and inclusion rates. The government site goes through examples of how to manually calculate inclusion rates and capital gains depending on when the gains were realized. You can reach this site at: [Canada Customs and Revenue Agency Capital Gains Explainer](#). Because of the changes to the inclusion rates for 2000, the capital gains tax form is four pages long. So even if you're normally a do-it-yourselfer, this year's complications may prompt you to consider tax preparation software. As an added bonus, many of the software packages are cheaper to download from the Internet than they are to buy in stores. Popular online tax software packages include: [TaxWiz](#) [QuickTax](#) [COOLtax](#) [UFile](#) [GriffTax](#). The deadline for filing your 2000 tax return is Monday April 30 at midnight local time.

*From CBC, 24 April 2001*

# Private Sector Development

## ASIAPACIFIC

### LAND MANAGEMENT TO BE PRIVATIZED

The Treasury Department is preparing to privatise land management of some 12.5 million rai in state landholdings to help increase revenues for the government, according to Wisudhi Srisuphan, the department's director-general. A huge amount of state owned land remained unused and untapped, including dozens of prime sites located in the centres of major urban areas, he said. Despite the sluggish property market, the department believes numerous locations have strong potential for development. A survey of holdings in Phuket, for example, showed 20 locations with promising commercial development value. Mr. Wisudhi said past development efforts had been led by civil servants, resulting in problems not just in terms of limited personnel but also a lack of commercial expertise in maximising project benefits. He said the department was now looking to increase private-sector participation in developing state properties, including roles in project design and devising contract terms.

From [Bangkok Post](#), 9 April 2001

### RAIL PRIVATIZATION DERAILED

Sydney (Dow Jones)-The A\$1.6 billion privatization of National Rail Corp. and FreightCorp. is under pressure following disagreement between the federal government and the government of New South Wales state, reports the Australian Financial Review Monday. The federal government last year agreed to a parallel sale of the two rail freight operations, but industry and government sources claim the state government now want a joint sale in which the two operations would be sold as one.

From [Dow Jones via Yahoo](#), 9 April 2001

### PAKISTAN PICKS FIN ADVISER FOR KARACHI ELECTRIC PRIVATIZATION

Pakistan has appointed PricewaterhouseCoopers (X.PWC) as financial adviser for the privatization of Karachi Electric Supply Corp., a government statement said. The statement issued in Islamabad late Monday said the agreement was signed between the state Privatization Commission and Asian Development Bank in Manila recently for assigning the advisory services to the accounting firm. ADB has been pushing Pakistan to privatize its troubled state power sector, with cash-strapped KESC heading the list. The statement said the government wants to privatize KESC by June 2002. The bank recently disbursed \$350 million to Pakistan for restructuring its power sector. KESC's share price closed up 0.20 rupees (\$1=PKR61.15) to PKR5.50 Monday.

From [Dow Jones via Yahoo](#), 24 April 2001

### INDIA TO PRIVATIZE MAHANAGAR TELEPHONE IN FY02

India's Department of Disinvestment has said that the government will sell down its 56% stake in Mahanagar Telephone Nigam Ltd., to 26%, reported Press Trust of India Tuesday. The share sale is expected to be completed in the current fiscal year, PTI quoted the department's report for the fiscal year ended March 31. The government has set a target of 120 billion rupees (\$1=INR46.82) for the 2001-02 fiscal year which is to be met through privatization. Separately the report said there are plans to sell some units of Steel Authority of India. The sale will be considered during the current year. The report said it favors selling a majority stake in all 47 public sector companies because no potential buyer would be interested in paying large sums of money for a minority stake.

From [Dow Jones via Yahoo](#), 24 April 2001

### PAKISTAN TO PRIVATIZE NATION'S BLUE-CHIP TELECOM

In an attempt to repay some of its foreign debt, Pakistan announced plans Saturday to privatize the country's blue-chip telecommunications company by selling 26% of its shares to a private investor. The government will invite expression of interest from the world's leading firms from Monday to sell shares of the Pakistan Telecommunications Company Ltd (C.PTL), Zafar Ali Khan, secretary of the Privatization Commission, told a news conference. The deadline for submitting bids is June 31. The government hopes to complete the privatization process and transfer management to the successful bidder by the end of this year, he said. "The privatization process will be fair, transparent and above the board," Khan said. "It's in the best national interest to privatize the company to make it more viable and responsive to its clients." The government, which sold 12% shares of the PTCL on stock exchanges in 1994 for around \$900 million, will continue to hold its 62% stake. Pakistani stocks have taken a severe beating since the country conducted underground nuclear tests in May 1998 in response to similar tests by uneasy neighbor India. The tests resulted into international economic sanctions on the two poor South Asian nations. While India's robust economy shrugged off the impact of sanctions, Pakistan was at the brink of default on the repayment of its \$34 billion foreign debt. But the U.S. eased sanctions, paving the way for a bailout package for Pakistan from the International Monetary Fund. The military-led

government, which seized power in October 1999, has vowed to revive the country's ailing economy and announced plans to repay foreign debt by privatizing state run companies. The PTCL, which has a monopoly on the land lines till December 2002, is on top of the auctioning list. Khan gave no estimates how much the government hopes to receive by selling 26% PTCL shares. The PTCL operates 3.2 million lines and runs two subsidiaries, including a cellular telephone company. With around 57,000 regular and 9,000 contractual employees, the PTCL has the ratio of 64 connections per employee -the highest in the region. Elsewhere in South Asia, the average ratio is 100 telephone connections per employee. Khan said the problem of overstaffing will be left for the new management to tackle.

*From [Dow Jones via Yahoo](#), 21 April 2001*

## SEVEN RULES FOR PRIVATIZING GOVERNMENT ASSETS

When approaching a major decision relating to new laws or measures, leaders should give careful consideration to existing examples of efforts by other countries to solve the same underlying issues and their subsequent success or failure. In the case of privatization of public entities, a wealth of knowledge has already been accumulated. Even in China, where one may not automatically assume that the government would privatize its various enterprises and functions, cases abound, the largest being China Unicom Ltd. Japanese leaders should examine cases on the assumption that, as examples from many countries demonstrate, there really is no publicly owned "special purpose entity," or SPE, that cannot be successfully privatized. In this installment of my series of articles on reform, I will elaborate further on privatization abroad and the ramifications for Japan's approximately 160 SPEs. The increased level of privatization that I propose would not be truly trial and error in our case. In fact, Japan is not new to the idea of privatization. As I pointed out in the first article in this series (April 2), Japan has performed since 1980 privatizations of several major Japanese government entities, such as NTT, Japan Airlines and the Japan National Railways, which combined are worth nearly \$143 billion in value when added to other Japanese cases. By contrast, in the same time period the U.K. and France lead the way in total privatization cases with 47 and 34, respectively, though their total values were about \$60 million and \$49 million. The industries covered by these transactions include, in order of decreasing size: telecommunications, utilities (electricity/gas/water), banks and countless others. The names of many of the enterprises involved you will no doubt recognize: British Telecommunications, France Telecom, Thames Water, and many more. The reason for the disparity in the value of privatizations emanates from the tremendous size of Japanese government entities. We should learn lessons from other countries. Serco Group plc, a private company that assists with many of these transformations, has compiled such a list, culled from their experiences and those of others. 1. All government services can be delivered by the private sector. 2. Political will is very important in successful privatizations and outsourcings. 3. Competition for delivering services produces great savings (and improved customer service). 4. It is important to establish an independent body to manage the process. 5. Involving the private sector early in the process will help ensure a successful outcome. 6. Notice to the market means that anything can be privatized or outsourced (It gives the sector time to prepare.) 7. Staff transfer issues must be dealt with thoroughly, early and sympathetically. In light of these lessons and considering the success of many privatized companies, the post-privatization failure factor becomes less daunting. Consider a hypothetical situation in which an SPE such as the Japanese Post Office goes private. What concerns would arise? Perhaps with the post office run as a truly capitalist private entity, people wishing to receive mail on the more distant islands of Japan would lose service due to lack of cost-effectiveness. Alternatively, the charge for sending mail to or from them would increase dramatically. Holland effectively dealt with these issues in the privatization of their national post office, now the KPN. Along the lines of Lesson 2, they exercised their political will in establishing an Enabling Act, which set the minimum standards to be upheld. One such requirement is that a 500-gram package sent within Holland must arrive within one day of shipment, regardless of destination. In reality, high standards of service are antithetical to cost-effectiveness and reasonable pricing. Nonetheless, while maintaining such standards by increasing tax revenues is not the answer, competition may be. To rephrase, as stated by Ted Gaebler in the Australian Financial Review, Oct. 30, 1996, "This is not between the private and public sectors, but between competition and monopoly, and between good flexible management and bureaucratic, rule-governed management." In a sense, we should not be concerned with form over function. Considering the hypothetical post office case, customers made to wait excessively at the largest post office company would instead walk down the street to an adept competitor (Lesson 3). While it may be argued that the private sector is not primarily concerned with the public good, watchful government agencies should help rein in abuses. If watchful government agencies don't prove sufficient, maybe a private agency could be used to monitor the situation. Consider the fact that in the U.K., Serco handles the early warning system for nuclear attack. It defies the imagination to think of any service that could be more urgent than providing a 4-minute window for detecting a missile attack and taking countermeasures. The U.K. shows the ultimate commitment to Lesson 1. One group who may oppose privatization of SPEs is the employees of the SPE itself. Their fears would likely be the loss or instability of employment, lack of compensation or other previously non-existent risks. Serco has encountered similar apprehension, recalling Lesson 7. These concerns should be addressed thoroughly, early and sympathetically as the French have done. The French demonstrate an excellent model for not only assuaging fears of decreased pay but for motivating former government employees through the use of corporate stock plans. A French law passed Aug. 6, 1986, ensures that 10 percent of the shares of privatized companies will be reserved for employees of those groups. In addition, they gain entitlement to defer payment and receive a discount, say 5 percent, that rises to 20 percent if the shares are held for 2 years. As a result, unlike a bureaucratic approach where the reward for insightful or substandard work could be the same paycheck and a tenure-based increase, the employee reaps the bounty of their efforts in financial form. This is a development they no doubt welcome. France also shows us how to achieve privatization smoothly. The French government, more precisely the Ministry of Finance, formed a privatization committee for this purpose, adhering to Lesson 4. With a small committee of seven members, the process was greatly accelerated. If input were gathered by individual politicians who had interests in each transaction proposed, the result would likely be significant delays, an improper offering price and deal-making for the benefit of constituencies unrelated to the

transaction itself. Of course, such a committee should represent a triumvirate of interests: those of the government, the company (or SPE) itself, and necessary experts from the legal, accounting and banking sectors. To allow competitors the chance to prepare, notice should be given to them (see Lesson 6). This committee could best decide on what is proper notice, based on its background in the industry. While I realize that the privatization process is not as simple as it seems, it is necessary for our country. The greater goal to be served lies in our struggle to bring about economic recovery, the most urgent of matters. I think that the countries that have tried privatization will agree that economic recovery does not necessarily come from increasing spending on public works, but in reducing government controls, as more cost-effective services are created along with a number of truly viable, globally competitive companies. Tomoo Nishikawa practices law at the Komatsu, Koma & Nishikawa Law Firm. He served as a House of Representatives lawmaker from 1996 to 2000. Elected from the No. 3 district of Kanagawa Prefecture, Nishikawa was policy affairs council chief for the Kaikaku Club and worked on financial legislation with members of the ruling coalition.

*From The Japan Times, by Tomoo Nishikawa, 23 April 2001*

## EUROPEICIS

### ARMENIA: BIDDERS QUIT ENERGY PRIVATIZATION RACE

The success of long-time government efforts to privatize Armenia's power distribution networks is today in doubt. With two weeks left before the expected selection of a winner of the international tender for state-owned utilities, only one of the short-listed bidders looks certain to stay in the race. RFE/RL correspondent Emil Danielyan reports from Yerevan. -- Foreign interest in one of the few functioning sectors of the Armenian economy has rapidly declined over the past two years. Analysts say that repeated delays, coupled with an unprecedented politicization of the privatization issue, are now taking their toll on Armenia's chances to attract badly needed investment in its aging energy infrastructure. What the Armenian government hoped would become a showcase for a transparent and effective privatization -- following a series of similar deals mired in scandal - has turned into a torturous, prolonged process whose outcome is uncertain. A state commission handling the tender is scheduled to disclose bids for a 51 percent controlling stake in Armenia's four electricity companies in two weeks (20 April). But the very idea of competitive bidding was called into question last week when one of the finalists, the Swiss-Swedish engineering concern ABB, pulled out of the contest without giving any reasons for the move. Another bidder, Spain's Union Fenosa, is now said to be having second thoughts about its further participation. If Union Fenosa withdraws, that would leave only one contender -- the U.S. company AES Silk Road. Government officials admit in that case the sell-off could be simply cancelled. On Wednesday (4 April), Vartan Movsesian, the head of the state Regulatory Commission on Energy, addressed the possible annulment of the privatization plan: "No possibility should be ruled out, including the possibility that nothing will be privatized at all." Movsesian says that things got even more complicated after the issue was again debated in the Armenian parliament 2 April. Left-wing factions lacked only some 25 votes to scuttle the sell-off. Movsesian says the foreign bidders have not failed to take notice of the anti-privatization rhetoric that is so abundant in Armenian public life these days. "This will once again force the potential competitors to reconsider their participation and the risks involved." The World Bank's spokesman in Yerevan, Vigen Sargsian, used even stronger language. He asked: "How serious can a country be [in the eyes of foreign companies] when it debates a privatization deal only three weeks before the end of the [bidding] process - a process that has been going on for two years?" Sargsian says that foreign investors who entered the bidding for Armenia's utilities almost two years ago (summer 1999) have since been scared off by the uproar that has surrounded the process. He told our correspondent that what he regards as continual government dithering over the issue only reinforced bidders' fears. And their interest in Armenia, he said, further decreased as other former Soviet republics also put their energy sectors up for sale. The first alarming signal came late last year when the fourth short-listed company, Electricite de France, withdrew from the tender. That prompted World Bank officials to urge Yerevan to be "more responsive" to the other bidders. But the warning does not seem to have been taken seriously by the authorities. One factor that made opponents of the sell-off particularly unhappy was the exclusion a year ago of two Russian consortia from the final phase of the tender. The government made the decision at the insistence of Western aid donors, which argued that Gazprom and other Russian energy monopolies lacked the experience and resources to run the energy networks. But for local pro-Moscow groups, this was another sign of what they call their country's "colonization" by the West -- a sentiment shared by many impoverished Armenians. Support for the privatization is far stronger among energy officials and specialists. The Armenian energy sector underwent substantial reform in the mid-1990s, allowing the country not only to end crippling power shortages but also to begin exporting electricity to Georgia and Iran. Armenian energy exports now boast one of the highest rates of bill collection in the former Soviet Union -- but they remain a loss-making business. Movsesian estimates the annual losses in tens of millions of dollars. Other experts put the figure at \$50 million, or one-tenth of the state budget. Much of the losses are attributed to rampant corruption and fraud in the energy sector. Experts warn that without massive capital investments in the Soviet-era power networks within the next few years, Armenia may again be faced with a severe energy crisis. Armenia's energy-privatization woes also raise the broader question of the country's openness to greater foreign investment, which economists see as the shortest way to economic recovery. The experience of a handful of large Western companies currently doing business in Armenia is hardly encouraging to other potential investors. The Hellenic Telecommunications Organization, for instance, has been locked in a bitter dispute with the government ever since it paid more than \$140 million to buy the ArmenTel telephone operation three years ago. The French Pernod Ricard group last year had a hard time battling with the government over exclusive cognac brands to which it was entitled under the terms of its \$30 million takeover of the Yerevan Brandy Factory in 1998. One official (unnamed) involved in the process says: "Nobody cares what huge damage the failure of this [Pernod Ricard] deal would inflict on Armenia." The damage could be felt next month in New York at an international forum on investment opportunities in Armenia, which the government has organized jointly with the World Bank. Energy is one of the main areas where Armenian officials would

like to see more Western investment. But with the privatization process all but in tatters, there seems little chance they will be able to showcase it in New York.

From [Radio Free Europe](#), by Emil Danielyan, 9 April 2001

## GOVERNMENT NAMES STATE TARGETS FOR PRIVATIZATION

MOSCOW - Prime Minister Mikhail Kasyanov has signed off on a list of state companies the Cabinet wants privatized in the first half of this year, the Property Ministry said on Monday. Among the chosen are four oil and gas enterprises, including Orenburgeologiya, Nizhneartovsk nef te gaz and Slavneft-Megionneftegazgeologiya, of which the state hopes to sell, respectively, 15.5 percent, 4.73 percent and 3.28 percent. Also listed are coal producers Kuz bassugol, Kuznetskugol and Kha kas sugol, where 79.73 percent, 80.67 percent and 43 percent of shares are planned to be sold. Moscow River Shipping Co.'s 21.3 percent, Kovdorsky alumina plant's 24.8 percent, Yuzhuralnikel's 23.35 percent and Novokuznetsky aluminum plant's 14 percent will also be put on the block. A stake of 50 percent minus one share of Rosgosstrakh - the former Soviet Union insurance monopoly now fully owned by the state - is also for sale. It is not clear, however, whether the list is going to be approved by the State Duma, as required by the law "On Privatization." A spokesperson for Kasyanov told Reuters on Monday that the government didn't need the Duma's approval. For years, the Property Ministry has effectively been selling state stakes without the Duma's official consent. But Yevgeny Ishchenko, deputy head of the Duma's Property Committee, told Interfax late last year that the government was violating the law by doing so. "For the last three years the government has promised to provide the Duma with a draft privatization plan along with a list of stakes it intends to sell, but it has never given it," Ishchenko said. In March, the Duma revolted: It approved a special article in the 2001 budget that forbids the sale of any stake in a state enterprise - including subsidiaries and affiliated companies - with assets more than 50 million minimal salaries, or \$350 million. Property Ministry spokesperson Natalya Skorodumova could not say Monday how much money the sales are expected to raise or how many of the 19 enterprises will be affected by the article. The stake in Rosgosstrakh might fall under restrictions: Its managers said at the end of 1999 that if privatized, it could bring \$1 billion to \$1.5 billion. But Viktor Mayevsky from the Renaissance-Insurance Group said those figures are unlikely. "We don't even have a market capacity of \$1 billion," he said. According to the 2001 budget, the state expects to raise 18 billion rubles, or \$600 million, from privatization for the whole year. Last year's budget forecasted 15 billion rubles, but raised twice as much. "We hope that the Duma will abolish that article soon, while we are still preparing the stakes for sale," Skorodumova said. The article is already losing its force with each rise in the official minimal salary. In December, when the minimum salary was set at 84.5 rubles, enterprises with assets of about \$150 million were restricted. That level rose to \$350 million in January, when the minimal salary level was boosted to 200 rubles. The numbers are set to change again this summer, when the government plans to boost the minimum salary to 300 rubles, which would raise the restriction level to \$500 million. This level would automatically allow the government to sell stakes in nearly all its companies except major ones such as Gazprom and LUKoil.

From [St. Petersburg Times](#), by Yevgenia Borisova, 13 April 2001

## POWER COMPANY PRIVATIZATION WILL RAISE POPULATION'S ENERGY BILLS

The planned privatization of Ukraine's regional power supply companies, or oblenergos, plus updated methods for calculating energy supply tariffs, are likely to push energy prices up for Ukraine's consumers, Forum Internet newspaper reported on Thursday. The report says that in May, the new oblenergo shareholders will turn to the National Electricity Regulation Commission to suggest their own higher power supply tariff rates. According to Credit Suisse First Boston, the international investment bank that advises the State Property Fund on the privatization of Ukraine's regional power companies, potential investors are skeptical about their ability to earn profits from only industrial consumers, since the latter are large consumers of electricity. CSFB says that large electricity consumers would be profitable for oblenergo owners if they are kept under operation on a continual basis, which means giving them discount rates for the power they use. Based on preliminary forecasts, electricity tariff rates for private consumers, following new calculation methods, will rise by 5-25 percent, depending on the region, power company's debts and a number of other factors, the Forum report said.

From [KPNews.com](#), 13 April 2001

## TIME FOR REAL PRIVATIZATIONS

One of the most important inventions of the government's economic policy in recent years has been the part-privatization of public enterprises through the stock market. Through this method, the government puts a bit of money in the public purse while retaining control and management, as though nothing had changed; it's like having its cake and eating it too. Particularly when the going was good in the stock market, the government managed to amass huge sums which partly helped the economy achieve convergence with entry into the eurozone. However, as is usually the case, all good things are short-lived. This particular policy cannot continue any longer. The purchase of shares of state-run enterprises no longer seems attractive to the public. The part-privatization of Agricultural Bank required large mobilization and the shares remain very lowly traded. The IPO of the State Lottery and Pools Organization (OPAP) attracted only half of the initially estimated sum, and the future of the stock looks bumpy. The other planned listings of public utilities, such as the Public Power Corporation, have not made much headway, while the government has been forced to buy back shares to support the price. In all, what began as a clever invention, breaking outdated ideological and political molds, no longer works. The question is no longer whether it was right or mistaken; it simply does not work. The time has come to leave the beaten path. It is time to take the stigma out of real privatization. It increases employment, it reduces public spending

and, therefore, taxes. It can create growth and income. And it needs only one prerequisite to be kept for all these advantages to be realized: that conditions of authentic competition prevail in the market. In reality, the issue is neither political nor ideological; it is simply a matter of siphoning the state. It is no coincidence that neither the socialist ministers nor the mayors affiliated to the liberal right have given any signs of supporting real privatization. They simply exhaust their energies in obtaining funds from the public purse which they then disburse through "flexible" municipal companies, in other words, arbitrarily. We have not seen municipalities wrest from the government the deregulation of services, such as, for example, the removal of abandoned cars or the assignment of management of a public park to private companies. This statist virus has spread throughout public life. The fine line is one of attitude: On the government's side, they are proud of this policy and make no bones about it; on the opposition side, they are also proud of it but do not admit it in public. However, the impasse into which this policy has led will force everyone to open up new paths; this is the only way that things evolve: under the pressure of reality.

*From [eKathimerini.com](http://eKathimerini.com), by Seraphim Constantinidis, 13 April 2001*

## THE AMERICAS

### NORTHERN TELEPHONE ANNOUNCES SPECIAL MEETING OF SHAREHOLDERS TO VOTE ON PRIVATIZATION

Montreal, Quebec - Northern Telephone Limited ("Northern Telephone") today announced that the board of directors has expressed its agreement with the recommendation of its special committee dealing with the privatization of Northern Telephone. A special meeting of shareholders has therefore been called for May 29, 2001 and notice will be sent to shareholders of record as at April 23, 2001 in order to vote on the privatization of Northern Telephone, which is proposed to be accomplished by way of amalgamation. Upon the amalgamation, public shareholders of Northern Telephone will receive redeemable preference shares of the resulting company on a 1:1 basis and such shares will be immediately redeemed for a consideration of \$17.50 per redeemable preference share. The consideration in question was determined by the special committee and ratified by the board of directors of Northern Telephone based upon a range of prices provided by Deloitte & Touche subsequent to their valuation of Northern Telephone. The management proxy circular dealing with the privatization is scheduled to be mailed out to all shareholders of Northern Telephone by the end of April 2001. The board of directors will recommend to shareholders that they vote in favour of the amalgamation.

*From [e-News Services](http://e-News Services), 9 April 2001*

### SENATE KILLS PRIVATIZATION BILL OVER PROCUREMENT AMENDMENT

A bill to give state and county government more latitude to contract out for services was killed Thursday in the Senate because of an amendment dealing with procurement. The Senate voted 13-11 to kill the measure, saying an amendment inserted by Sen. Cal Kawamoto to favor local contractors over outside contractors would jeopardize the move to reform government operations. The House approved a privatization measure and that is the vehicle that will be used when the two sides try to resolve their differences in conference. The amendment by Kawamoto, D-Waipahu-Pearl City, would require contractors doing business with the state to have at least 85 percent of their employees be Hawaii residents, and also would allow local contractors to charge up to 13 percent more on its bids without being penalized. Kawamoto says the bill is needed to level the playing field for local contractors, who he says compete with big mainland companies that don't have to pay the same taxes and health benefits the local firms are required to. The House killed the Senate bill dealing with the procurement issue, and Kawamoto says the privatization bill was a good vehicle to piggyback the bill to, since there is support in both chambers for allowing greater privatization of government services. "Look at all the testifiers that came. There was not one no vote," Kawamoto says. "This bill gives breaks and opportunities for people that live in Hawaii." Opponents say the procurement amendment, besides being unconstitutional, bad for local companies and harmful to taxpayers, also would make it possible for opponents to privatization to muster support against that measure. "I opposed this in 1996, 1997, 1998, 1998, 2000 and again in 2001," says Sen. Avery Chumbley, D-E. Maui-N. Kauai. "It's still a bad bill." Opponents also cited provisions that would bar contractors from competing for government bids for five years if they violate provisions of the procurement law's residency requirements. Others say those requirements infringe on the privacy of company employees by making them certify they are state residents and are current with their tax payments. "I have a problem with the privacy issue," says Sen. Colleen Hanabusa, D-Barbers Point-Makaha. "For my boss to file as a state contractor I have to give up my privacy, show I paid my taxes." Sen. Fred Hemmings, R-Kailua-Waimanalo, says the Legislature is better to cut taxes and regulations for local contractors so they can better compete with mainland companies, rather than trying to protect them with measures that send the signal that isle companies can't be competitive without state help. "If we really want to help, let's create a more fertile environment here," Hemmings says.

*From [Pacific Business News](http://Pacific Business News), by Ben DiPietro, 13 April 2001*

### BRAZIL STATE GOVERNMENT TO PUBLISH SALE TERMS FOR CESP PRIVATIZATION

Rio de Janeiro - The sale terms for the privatization of Brazil's [Companhia Energetica de Sao Paulo](http://Companhia Energetica de Sao Paulo), will be published on April 17, officially kicking off the second attempt by the government of Sao Paulo state to auction off a controlling stake in the utility, a government official said. Cesp, as the utility is known, is slated to go on the auction block on May 16, carrying a minimum price of 1.74 billion reais. Cesp is Brazil's third largest energy generator, supplying power to the industrial hub of Sao Paulo. The

government of Sao Paulo failed in its first attempt to sell the utility when all qualified bidders pulled out just hours before the auction, citing concerns about environmental and financial risk. According to government spokeswoman Virginia Murano, Sao Paulo state's energy secretary Mauro Arce said there are at least three interested bidders. This time, she said, he doesn't foresee judicial hurdles blocking the sale. In March, the state government said eight foreign groups and one local consortium had expressed an interest in bidding for a controlling stake in Cesp. Potential bidders include [AES Corp.](#), [Duke Energy Corp.](#), [Southern Co.](#) and [NRG Energy Inc.](#) of the U.S. and European groups [Electricidade de Portugal](#), [Electricite de France](#), [Endesa SA](#) and [Tractebel](#). The sole interested local bidder is VBC Energia, a consortium comprised of industrial conglomerate Votorantim, the country's largest non-government bank Bradesco SA, and construction group [Camargo Correa](#). Preferred shares in Cesp fell 2.02% to 19.40 reals in light trading Wednesday while the benchmark Ibovespa index slipped 2.15%. Meanwhile, Cesp said it moved forward the beginning of operations of a 100-megawatt turbine in its flagship Porto Primavera power plant. The move is part of a government plan to boost energy output and avoid a possible crisis that could lead to power rationing in the coming months. A company spokesman said the turbine went online Tuesday, more than two months before the originally scheduled date of July 1, and increased Porto Primavera's installed capacity to 907 MW. This is the ninth turbine to go online, out of a total of 18 machines which will produce 1,814 MW of energy. Concern is mounting in Brazil that it soon will face a crisis, as the country relies on hydroelectric power to supply about 92% of its energy needs. Brazil's key reservoir water levels are lower than expected for this time of year after little rainfall during the wet season, which will end in late April.

From [Yahoo!](#), 13 April 2001

## PARENTS EXPLAIN REJECTION OF PRIVATIZATION AT 5 SCHOOLS

In the days after parents overwhelmingly defeated efforts by Edison Schools Inc., a private company, to take over five failing New York public schools, many educational policy makers and politicians called the rebuff illogical and self-destructive. Why, they asked, would parents preserve a public school with abysmal test scores, or refuse free computers to improve their children's academic progress? Interviews with dozens of parents at the five schools last week suggested a surprising and complex set of answers. Some parents said they did not know the schools were in trouble; in fact, their performance was so low they were on the state's list of failing schools. Others said that while they knew the schools were failing, they felt powerless to do anything to improve them. Some said they liked their children's relationships with the teachers. Still others attributed the problems to the many immigrants in the school rather than the instruction. Nearly all said they were afraid that their children would be used as guinea pigs in a business experiment. "I had no

idea this school was failing," said Rosa Rosario, whose son John, 8, is a third grader at Public School 161 in central Harlem, one of the schools considered for privatization and the one where the opposition was strongest. She said that her daughter Natalie, 13, graduated from the school and had done well. "If it was such a bad school, my daughter would not have been able to go to Frederick Douglass Academy, one of the best middle schools in the city." John Perez, 31, whose daughter Jalisia, 8, is a third grader at P.S. 161, said the Edison proposal to take over the school gave him the motivation to get more involved in school affairs. He had always wanted to know that he had support in any effort to improve the school, and that if he did not have it, "then I wasn't going to fight at all," he said. "But this year, there was a group that was always with me: my family. We decided to fight together, and we won." While most parents did not vote, 80 percent of those who did voted to reject Edison. For Edison to win the contract, parents of more than 50 percent of the students at a school had to vote in favor of converting to charter status. Mayor Rudolph W. Giuliani, a vocal advocate of privatization, said parents were shortchanging their children by rejecting the proposal and said they were victims of a misinformation campaign. Most of the parents interviewed had children at P.S. 161, which in many ways is characteristic of all five schools. The other four schools were P.S. 66 in Crotona Park East, the Bronx; Middle School 246 in Flatbush, Brooklyn; M.S. 320 in Crown Heights, Brooklyn; and Intermediate School 111 in Bushwick, Brooklyn. The teachers' union and the Association of Community Organizations for Reform Now, or Acorn, a small but vocal group with a strong presence in Flatbush and Bushwick, led a fierce campaign against Edison, saying the company wanted to make a profit from the city's children. Various city and state politicians and community leaders also lobbied against Edison. They saw privatization as a threat to their power over community school boards and the hiring of aides and administrators, who often play important roles on their campaigns. Now parents like Mr. Perez are saying they plan to take a role in the schools, making decisions about textbooks and spending plans even though they have no experience in running schools. Before the Edison proposal, many said, they were too busy to notice how badly the schools were doing. Some of the parents are single mothers, struggling to make ends meet. Others are illegal immigrants and hence afraid to play a prominent public role lest their status be revealed. P.S. 161, a squat four-story building on a bustling commercial and residential street in central Harlem, has a student body that is largely black and Hispanic; 6 percent are recent immigrants from the Dominican Republic. One challenge facing P.S. 161, as well as at least two of the other schools, is the rapid turnover of students. Some students live in homeless shelters, or move often because their parents cannot afford to stay in one place long enough to pay the rent. The turnover undercuts continuity, a significant problem at a time when schools are judged based on their standardized test scores. Until two years ago, the five schools had a problem with the turnover of personnel. But since their low performance placed them in a special category known as the Chancellor's District, they have been staffed with



Justin Lane for The New York Times

In February, opponents protested a private takeover of Public School 161 in Harlem that was voted down in March.

certified teachers and new principals who are committed to staying for a specified period. Class sizes were reduced, and scripted curriculums for teachers were adopted. Those changes were cited by those who said the school was starting to improve. Edison faced its strongest opposition from P.S. 161, which did not even have a proper Parent Teacher Association before the privatization plan arose. Now, Mr. Perez, 31, a party planner, has helped parents form a P.T.A. and a committee to help overhaul their school, he said. Only about 20 percent of the students at P.S. 161 met city and state standards in reading and mathematics, making it among the lowest-rated schools in the city. The percentage of students meeting city and state standards in English rose to 20.4 percent last year from 16.3 percent in 1999. In mathematics, however, the percentage of students meeting state and city standards fell to 20 percent from 24 percent. Standing outside the school on a crisp spring day as the carnival-like music of an ice cream truck drifted through the air, Elizabeth Rodriguez, 27, an unemployed mother of four children, professed her support for the school: it had, she said, improved her daughter's reading. She voted against Edison because she had heard that the company planned to bus low-performing and bilingual students out to Brooklyn schools, she said. That, like rumors that tuition would be charged at the new charter schools, was not true. Ms. Rodriguez, who worked at a McDonald's until she gave birth to her son Nicholas, now 2 months old, said her daughter Amanda Zapata, 10, a fourth grader, has made great strides in reading during her three years at P.S. 161. Previously, she had been enrolled at P.S. 129 several blocks away and had made little progress there. "She's gone from reading at a kindergarten level to reading at her grade level," Ms. Rodriguez said. "They did a lot of damage to her at the other school. They held her back and did not encourage her. That's not happening here."

*From [New York Times](#), 13 April 2001*

## **SOME WEST VIRGINIA CITIES FIND SUCCESS PRIVATIZING RECYCLING**

Little, no profit to be made in service - When it comes to meeting a state recycling mandate, at least five of West Virginia's towns have found privatization is the best answer. In addition to Charleston, the state had 14 cities in 1990 with 10,000 or more population, the level at which the mandate kicks in. At least five of the 14 cities -- Huntington, Morgantown, Fairmont, Clarksburg and Moundsville -- let a private company handle the recycling program. Don Kleppe, executive assistant to Huntington's mayor, said the city tried several alternatives before it decided to switch to a voluntary curbside subscription service operated by Browning-Ferris Industries. When the city tried to do curbside collection, the program cost too much. When it tried using drop-off boxes, the ratio of plain garbage to usable recyclables was too high. When the cost of transporting recyclable materials to a market is added to the cost of collecting and sorting them, it's clear that a program probably can't break even until it includes a population of about 350,000 to 400,000 people, he said. "You cannot run a program just on the money you get from selling the materials," Kleppe said. Dan Boroff, Morgantown's city manager, said Morgantown also contracts with BFI because the company is large enough to make recycling work. While Huntington residents have to subscribe for a recycling pickup, the pickup is part of the regular service in Morgantown. The city switched from public to private garbage collection in the early 1990s. At the time, the city was expecting to increase garbage rates from \$8 to \$12 per month to pay for the recycling program as well as its regular garbage handling. With BFI as the exclusive agent for the city, residents are only paying \$10 per month, he said. "It's worked real well here," Boroff said. Frank Ferrari, Clarksburg's finance director, said Clarksburg has a similar arrangement with USA Waste, which bills residents \$31.65 per quarter for garbage and recycling service. Moundsville City Manager Oliver Jenkins said American Disposal Services of West Virginia charges Moundsville residents \$12.99 per month for the same service. On the public side, cities have tried to make their recycling programs as minimal as possible. Orville Browning, the public works supervisor for St. Albans, said the town shifted four of its workers from regular sanitation to recycling so that its overall waste handling costs wouldn't increase. "I'm doing it, actually, with the same manpower," he said. With about 30 percent of the residences participating by putting out recyclables, the program gathers about 520 tons per year, according to county records. "For just being voluntary, I think we're doing pretty good," he said. Like Charleston, St. Albans does curbside separation. Browning said it uses a standard garbage truck to pick up paper, and the truck hauls a 12-foot, six-compartment trailer behind it to receive the other recyclables. Because it received a state grant to buy the trailer, the town's costs have been negligible. On the other hand, it saves some money by sending 520 tons to the Slack Street facility, he said. "We save \$38.75 a ton every time we take it there instead of the landfill," Browning said. Beckley Mayor Emmett Pugh said his city has also opted to take its recyclables to the Raleigh County recycling center instead of trying to sell it to a private company because it's cheaper. When the city was running a program comparable to Charleston's, including operating its own sorting and handling facility, it was spending about \$180,000 a year to make about \$25,000 from sales. "The sad fact is that it is cheaper to bury (garbage), but recycling gives everybody that warm and fuzzy feeling because they're doing something for the environment," he said. During a budget crunch, the city shut down its facility, laid off its recycling crew and started having its public works crews pickup the recyclables at curbside and take them to the county facility. Now, the only cost the city has is the time the public works crews spend picking up recyclables when they would otherwise be paving streets, mowing grass or otherwise maintaining the city's public areas, he said. Like St. Albans, Beckley has about a 30 percent participation rate among residences. It contracts out its business recycling program -- which picks up corrugated cardboard -- to Beckley Garbage, a private hauler. The hauler pays the city \$250 per month for the use of the city's truck, and it keeps whatever it makes from selling the cardboard. Frank Mullens, South Charleston's public works director, said the city spends about \$100,000 on a recycling program that allows it to avoid about \$10,000 in landfill fees. "I can't see where it's a money maker, particularly on the city side," he said. On the other hand, most city services aren't moneymakers, and the point of living in a city is to have such services, he added. "We don't have it set up to make money. We set it up to provide a service," he said. Like Beckley, South Charleston has moved away from trying to sell the materials itself and now just drops the recyclables at the county facility, Mullens said. Recycling managers at four of the 14 cities -- Wheeling, Parkersburg, Martinsburg and Vienna -- couldn't be reached for comment Wednesday and Thursday.

*From [Charleston Daily Mail](#), by Brian Bowling <[brianbowling@dailymail.com](mailto:brianbowling@dailymail.com)>, 13 April 2001*

## IDEA OF PRIVATIZING SOCIAL SECURITY APPEARS TO BE DYING

Support is waning for privatizing Social Security through a measure that would permit individuals to plow money into the stock market in an effort to snare higher returns, boost retirement incomes and shore up the threatened federal program. And women appear to be critical players in how that proposal, pushed by candidate Bush before he became President Bush a month after Election Day, moves through the halls of Congress. An Associated Press poll last month showed that 49 percent support a plan to give people the option of investing some of their Social Security contributions, while 44 percent oppose it. Polls taken late last year had people supporting the move by a 2-to-1 margin. In the new survey, men supported the privatization move more than women -- 57 percent vs. 41 percent. And those ages 18-34 liked the idea twice as much as people older than 65. That's understandable. Social Security plays an extremely critical role for women, who represent 60 percent of all Social Security beneficiaries and 72 percent of all beneficiaries age 65 and older, according to U.S. Sen. Mary L. Landrieu, D-La. At the same time, nonmarried women over age 65 rely on Social Security for 72 percent of their retirement income, with 40 percent of that group relying on Social Security for 90 percent or more of their retirement income. The impact is even greater among unmarried minority women who rely on Social Security for an average of 81 percent to 83 percent of their income. "Because the average woman earns less and lives longer than men, older women are more likely to face financial strains during retirement," Landrieu says. "In fact, without Social Security, more than half of our nation's older women would be forced to live a life in poverty." Judy Davis sees that firsthand in her job as money management supervisor for the Area IV Agency on Aging and Community Action Program in Lafayette. "The gender issue is real," said Davis, who has been in her current job for seven years. "Women haven't had the opportunity to earn as much as men. We're making progress, but we're not there yet." Beyond the issue of sex, no one doubts the solvency problems awaiting Social Security. The 76 million baby boomers -- those born between 1946 and 1964 -- will create wave after wave of new retirees beginning in 2010. And with people living longer, the number of retirees is projected to double to 70 million by 2030. At the same time, Americans are having fewer babies, so the growth of the labor force will slow. Today, there are 3.3 workers for every Social Security recipient. By 2030, that ratio is expected to fall to a little more than 2 workers per recipient. With the retired population expanding faster than the number of workers, eventually there won't be enough tax coming in to cover benefits going out. Under current trends, the system will reach that point in 2015, according to government projections. As baby boomers retire, the expected annual shortfall soars from \$33 billion in 2015 to \$248 billion in 2020 and to \$973 billion in 2030. Lafayette retiree Jerry Carter, president of the Hanna chapter of the American Association of Retired Persons, said he doesn't think the Social Security program is that broken to invite a change to let people put money in the stock market. "I'm more or less in favor of leaving it the way it is. You can lose your shirt when you take risks in the stock market," says Carter, a 30-year Lafayette resident who has worked for years as a security guard and at Alcoa. "And there are quite a few women I know who work with the AARP locally who rely on Social Security for most of their income." Davis at Area IV said she also opposes privatization, arguing many people need to know the money will be there for them, whether the stock market rises or falls. "To ask the average John Q. to adequately invest the money they put into Social Security in stocks is asking a lot for some people," she says. "Even if they just break even, that won't be the guaranteed returns we see now."

*From [Journal and Courier Online](#), by Phillip Fiorini, Journal and Courier, 15 April 2001*