

GOVERNANCE WORLD WATCH

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

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Public Economic Policies & Globalization

ASIAPACIFIC

PYONGYANG: ECONOMIC REFORM

At Sunan airport outside Pyongyang, Persson was greeted by the North's No. 2 official, Kim Yong Nam, and a military band that played music on the tarmac and goose-stepped past them. The ceremony on the tarmac was complete with a red carpet and several hundred well-wishers, including women wearing colorful traditional Korean dresses and carrying pink floral arrangements, and men in smart suits. From the main terminal building, a big portrait of the late founding president Kim Il Sung, Kim Jong Il's father, looked out over the tarmac. Big red signs also had been installed, with one saying: "Long live friendship and solidarity between the peoples of Korea and Europe!" in English and Korean. Two Korean-language ones read: "Long live the great leader, Kim Jong Il" and "The great leader, comrade Kim Il Sung, is always with us!" E.U. and North Korean flags also flew from flagpoles at the airport terminal, near a row of Air Korea planes.

From [AP via New Jersey Online](#), 2 May 2001

NEW ZEALAND'S PARLIAMENT CONSIDERS TELECOMMUNICATIONS REFORM BILL

Wellington-Legislation to reform the regulation of telecommunications services in New Zealand has been presented to the country's parliament, Commerce Minister Paul Swain said Wednesday. The Telecommunications Bill encapsulates the recommendations of last year's ministerial inquiry into the telecommunications industry. The new law will establish an Electronic Communications Commissioner with the power to regulate prices in areas such as interconnection between telecommunications companies and the wholesaling of fixed network services provided by the country's main telecommunications operator Telecom Corp. (NZT) Commerce Minister Paul Swain said he expects the Telecommunications Bill to become law by September.

From [Dow Jones via Yahoo](#), 2 May 2001

KOIZUMI'S POLICY: NOTHING SACRED IN STRUCTURAL REFORM

Prime Minister Junichiro Koizumi will once again break with tradition in his first policy speech to the Diet on Monday, sources said. The nation's new leader will make the theme of his policy speech "structural reform with nothing sacred" and emphasize the need for immediate changes, the sources said. Koizumi's predecessors, the late Keizo Obuchi and Yoshiro Mori, stressed the need for economic recovery measures. Koizumi will switch the emphasis to reforming the nation's finances, the sources said. Koizumi plans to make the policy speech different from those of past prime ministers. Instead of including policy proposals pushed by central government ministries, Koizumi has told aides he will focus only on policies he wants to see implemented. One of those policies is the early implementation of an emergency package of economic measures, which the government and ruling coalition approved April 6, the sources said. A key component of the package is the two-year limit for major commercial banks to write off their bad debt. At the same time, Koizumi will also call for a review of budget allocations to comply with his campaign promise of limiting the issuance of new government bonds to under 30 trillion yen a year. But the main thrust of the speech will be structural reform, which Koizumi said during the Liberal Democratic Party presidential campaign would be crucial to economic recovery. To establish a safety net for those hurt in the reform process, Koizumi will propose an expansion of the unemployment insurance system; strengthening of personnel development through occupational training programs; and measures to create jobs through the support of entrepreneurs. Sources said Koizumi will also promise to further study his pet project of privatizing the postal system's mail delivery, savings and insurance programs and the introduction of a direct election system to pick the prime minister. Koizumi will express his intention to establish a study council to consider how to establish a direct-election system. Another important theme of his speech will be environmental policy; Koizumi will stress the need to cohabit with nature. As for national security, Koizumi will express his desire to pass legislation to establish a structure to deal with military emergencies, the sources said.

From [Asahi.com](#), 2 May 2001

PAKISTAN MINISTER OUTLINES ECONOMIC STRATEGY

Washington - Finance Minister Shaukat Aziz told a forum on Pakistan at the Georgetown University Monday that reinvigorating growth, restoring macroeconomic stability, reducing poverty, and improving governance will be the central pillars of the government's economic strategy. In a keynote address he gave a rundown of the dire situation found by the incoming government in October 1999, said the rot had been halted, a process of renewal and recovery was well underway and making impressive progress. He called the 1990s as Pakistan's lost decade when the country had lurched from crisis to crisis. He said Pakistan's economic problems were structural in nature but no serious attempt was made to address them. Pakistan's credibility with the donor community had suffered and the poor state of governance had reduced the effectiveness of public expenditures and contributed to high levels of corruption. There was a lack of transparency in decision-making and there was misrepresentation of fiscal data to international agencies. This process of decay had been arrested. The present government has succeeded in restoring Pakistan's

relations with international financial institutions and resolved outstanding issues involving international power companies, including the Hubco issue, the minister recalled. Shaukat said an initial attempt was made in 2000 to arrest the declining trend in economic growth. There was a modest recovery in agriculture but it was not likely to be sustained in the current fiscal year because of a protracted drought. Over the medium term, he predicted, economic growth would remain constrained because of balance of payments difficulties. The real challenge was how to step up growth from four per cent to 5.5 per cent. The second most important challenge, the minister said, was the rise in poverty and human deprivation. Overseas remittances had fallen. Growth, accompanied by macroeconomic stability offered the best hope for poverty reduction. However, direct poverty reduction measures had to be taken and the creative energies of the people unlocked. There had to be investment in human capital, particularly in primary education and basic health. Industrialized countries had a duty to help developing ones reduce poverty. They must allow free access to their markets by countries that were engaged in fighting poverty. He then referred to Pakistan's repeated attempts to induce India to open a dialogue with Pakistan to resolve the core issue of Kashmir. He also stressed that the present government was fully committed to democracy but it believed that structural reform of the political system was also essential. The devolution plan was the first step in that direction. Turning to the debt burden, the finance minister described it as a major challenge which had reached crisis proportions. He said, "I believe that there is no magic solution to our debt problems." Pakistan will have to live with the macroeconomic consequences of heavy debt burden for several years. He said the government had brought about transparency in economic decision-making, one example of which was the release of the agreement with the IMF which was once treated as a top secret. It was now on the web for anyone to read. Monthly economic updates were also being issued and it had also been decided to make the Debt Committee report public. The finance minister at this point dwelt on two issues that he said were agitating the minds of investors. The first was what would happen to the reforms now being implemented after October 2002? He said there will be no rollback of any reform initiated by this government. The second question that worried investors was, will there be a riba-free economy after June 2001 as laid down by the Supreme Court? The answer was that the government had set up three task forces, one dealing with the financial system, the second with government finances, and the third with law. These three task forces had yet to submit their reports. Once those were in, they would be carefully looked at and the government would decide what could be implemented. Even if a riba-free economy came to be established, all existing commitments and financial obligations would be honoured and international transactions would remain unaffected.

From [DAWN Group](#), 2 May 2001

WORLD BANK LINKS FUTURE AID TO GOOD GOVERNANCE

Islamabad: The World Bank has asked the government to change its "governance strategy" to rebuild the existing faulty federal and provincial administrative structure. Informed sources told Dawn that major international donors, especially the World Bank, has linked its future assistance with good governance and advised the government to urgently change its development and governance strategy. The World Bank has committed \$45 million (Rs2.7 billion) Technical Assistance (TA) separately for bringing improvements in all the major economic ministries, divisions and the provincial governments to ensure good governance. The Ministry of Finance has worked out all details to design new policies focussing on macro economic and structural reforms, poverty reduction strategy and poverty monitoring, debt management and re-orientation of the role of the government. The plan also includes civil service reforms, devolution, tax reforms, inter-governmental and provincial fiscal reforms, provincial structural reforms, governance and accountability, IT and e-government, public enterprises and privatization reforms, private sector development including provision of essential public services. According to an understanding between the World Bank and the government of Pakistan, the following agencies would be responsible for the implementation of the proposed Technical Assistance programme: Finance Division, Establishment Division, Privatization Commission, Security and Exchange Commission of Pakistan (SECP), Economic Affairs Division, IT&T Division, and provincial governments. The Finance Division will be responsible for preparation and implementation of the monitoring of the economic revival programme by implementing the recommendations of the economic advisory board (EAB) through the new technical assistance programme. The Establishment Division has been given the task to improve the skills and change the mindset of the senior civil servants for achieving the objectives of good governance and ensuring the success of the economic revival programme. This will be done through a multi-pronged approach centred on the training of all civil servants primarily through six training institutions spread over the country. The Establishment Division is currently engaged in examining and revising the curriculum of major/core courses offered by these institutes which also includes Civil Services Academy, National Institutes of Public Administration, Pakistan Administrative Staff College to make them more meaningful and focussed in relation to the economic reform programme. The Privatization Commission has been entrusted with the job of implementing the government's policy of strengthening the private sector role's in the provision of goods and services. Its endeavour to sell the federal government's assets - such as its shares in banks, industrial units, public utilities, oil and gas companies, and infrastructure service providers - in an open and transparent manner. The World Bank's technical assistance programme will strengthen the institutional support within the privatization commission to facilitate smooth and transparent privatization.

From [DAWN Group](#), by Ihtashamul Haque, 26 April 2001

HONG KONG - SFC CHIEF-2: TO UPGRADE GOVERNANCE TO INTERNATIONAL STANDARD

Hong Kong's chief market regulator on Thursday said the Hong Kong market is considering introducing a quarterly reporting system. The Hong Kong Exchanges and Clearing Co. (H.HEC), which operates Hong Kong's stock and futures markets, is thinking about introducing quarterly reports, said Andrew Sheng, chairman of the Securities and Futures Commission. Companies listed on Hong Kong's second board, the Growth Enterprise Market, already issue quarterly reports. The rule was adopted because GEM

companies have less stringent rules with regard to profits. Sheng said he hopes a quarterly reporting system happens "very quickly," though establishing regulations will require input from several channels. To Upgrade Governance To Intl Standard Sheng said Hong Kong is also working to upgrade its level of corporate governance to meet the highest international standards. In some ways, he said, this process is being driven by the companies themselves because investors reward companies with better corporate governance. "Investors are willing to pay a premium for better corporate governance," Sheng said. The SFC is working closely with the exchanges to ensure enforcement of listing rules and to enhance disclosure and minority rights, he said. Sheng also said Hong Kong is closely watching the development in the U.S. of Regulation FD, a new rule designed to prevent selective disclosure of important information to analysts. The fair disclosure rule has come under fire for prompting companies to clam up with investment banks. The U.S. Securities and Exchange Commission said recently it will review the rule. In Hong Kong, Sheng said the SFC is looking "very closely to make sure we have fair disclosure as well as good implementation." The market regulator also said that the face of companies in Asia and in Hong Kong has been changing since the Asian financial crisis provided a shock to the market. He said family-owned companies still control 60% of market value in Asia, though in Hong Kong the figure has slipped to 24% from 37% in 1997. Institutions are playing a bigger role, and now control 26% of market value compared with 12% when the Asian crisis hit. Such changes will prompt more dialogue on corporate governance, he predicted.

From [Dow Jones via Yahoo](#), 26 April 2001

VIET NAM NEW GEN. SECRETARY REITERATES REFORM COMMITMENT

Hanoi - Communist Party General Secretary Nong Duc Manh, has reiterated his intention to continue reforming Vietnam's economic systems, the English-language Vietnam News said Monday. In a front page story, the paper quoted Manh as saying that "the party and state are committed to the ongoing reform process" which is now considered "strategic policy." Manh was elected General Secretary in April during a closed-door session of Hanoi's Ninth Party Congress. He has replaced Le Kha Phieu, who was widely viewed as opposed to large-scale change. Observers say Manh is expected to be more willing than Phieu to undertake the serious reform efforts Vietnam needs if it is to grow properly. According to the Vietnam News, Manh made his comments recently during his first official visit to Vietnam's southern economic hub, Ho Chi Minh City.

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

MINISTER YANG MOVES TO REGULATE SK, KOREA TELECOM

Information and Communication Minister Yang Seung-taik said yesterday the government would step up asymmetric regulations in order to efficiently reorganize both fixed-line and wireless telecommunications industry. The move is viewed as a significant blow to the dominant service providers SK Telecom and state-run Korea Telecom. "In a bid to cement a proposed three-way competition system, the government will implement asymmetric regulations about market share of telecom operators," he said in a press conference. For instance, he indicated a possibility to regulate SK Telecom's market share even through the deadline for a mandatory reduction of subscription rate below the 50 percent is over at the end of next month. However, Yang refused to disclose specific plans for the regulations, saying the measures will be confirmed after synchronous-mode operator is selected. Separately, to sagging interest in synchronous third-generation (3G) telecommunications or IMT-2000 licenses, he reaffirmed that the government cut bid price for an would-be operator. The auction for one 15-year licenses-originally slated for February-was delayed indefinitely because of lack of interests from bidders and uncertainty over the business perspective. The current timetable-which is widely known as the end of next month-is voluntarily decided as a result of bidders' intention. He said the ministry would consider a cut in IMT-2000 mobile license fees for the synchronous-mode operator if LG group bids for such an auction. "SK Telecom has a combined 45 MHz spectrum with 11 million subscribers and KTF owns a 40 MHz with 800 million users," he said. "With some four million subscribers and the 10 MHz spectrum, LG cannot compete with SK Telecom or Korea Telecom on an equal footing if it has to pay the same license fees." "I am ready to review every possible measure, including a cut in license fees, if it helps develop the industry," said the minister. However, he denied the looming speculations that the government is likely to impose a favor on a certain company, such as LG Telecom, saying it is an unreasonable question that the company has only 10 percent of market share. Yang recently told a news program that the government might allow the last 3G operator to partially pay fees over the next 15 years. Last December, the government awarded two 3G licenses based on Wideband- CDMA or asynchronous-mode technology, which is being dominated by European mobile carriers, to consortia led by state-run Korea Telecom and SK Telecom. Unlike today's 2G networks, 3G networks are designed to transfer larger volumes of data at higher speeds, ten times faster than current technology. The incoming technology should enable users to exchange e-mail, visit e-commerce websites on the bus or subway, and send or receive multimedia files such as video-on-demand and CD-quality music. Top candidate for the remaining one ticket, LG group is now mulling over participation in the auction, changing its initial stance. Internet service provider Hanaro Telecom also welcomed the government's move to ease bidding condition, including a cut in license fees estimated at 1.3 trillion won. Currently, LG Telecom is allegedly in talks with an unidentified U.S. company to form an alliance in its drive into the synchronous-mode IMT-2000 mobile telecom business. The company plans to attain a synchronous mode license from the government to operate third-generation mobile phone services. People close to the situation also said British Telecom (BT) intends to sell its shares in LG Telecom sometime this year. The acquisition price of the stock holdings held by BT, the company's second-biggest share holder, is likely to fetch 10,000 won per share.

From [Korea Times](#), by Kim Deok-hyun, 11 May 2001

INDIA: GOVERNMENT GETS BULLISH ON REFORMS

In a major liberalisation exercise, the Government has opened up defense production to the private sector besides allowing hundred percent FDI in various sectors including pharmaceutical and drug industries, civil aviation and urban development. The FDI limit in the banking sector has been raised to 49 per cent from 20 per cent. Briefing the media following the late evening Cabinet meeting, Parliamentary Affairs Minister Pramod Mahajan said the Government was liberalising the FDI policy to attract greater flow of funds from abroad. The Union Cabinet tonight also decided to allow up to 49 per cent FDI in the banking sector on an automatic route, but subject to the guidelines of the Reserve Bank of India. As per the earlier rule, NRIs were allowed up to 40 per cent while the FDI cap was 20 per cent. "Now FDI from all sources — in the combination of FDI and investment from NRIs or only FDI — are allowed up to 49 per cent," Mahajan said. In the hotel and tourism sector, the 51 per cent-FDI limit has been raised to 100 per cent and FDI can be brought in through automatic route with no stipulation for disinvestment, Mahajan said. Corporations involved in the building of mass rapid transport systems, like the Delhi Metro Rail, can henceforth raise 100 per cent FDI for automatic routes in metro cities and for development of stations. While the courier services can get 100 per cent FDI for metros, the distribution of letter (services) has been excluded from the purview of the new FDI policy, Mahajan said. In the sphere of urban development and town-planning, the Government will now allow foreign companies and NRIs to bring in 100 per cent FDI. But it has to be under the guidelines of the relevant urban development authority and in order to develop infrastructure and increase the availability of townships, roads, bridges hotels and five-star resorts. In the telecom sector, the FDI cap has gone up from 49 to 74 per cent, the minister said. The ceiling has been enhanced for internet service providers (ISPs), radio paging and end-to-end bandwidth. But the FDI hike in the telecom sector would be subject to the approval of the Foreign Investment Promotion Board (FIPB) along with stipulations of licensing and security requirement. In the drug and pharmaceutical sector, the government has decided to remove the 74 per cent ceiling and allow 100 per cent FDI. But licensed and bulk drugs will not be covered under the new FDI policy. "The present stipulation of disinvesting 26 per cent in a certain period (five years) in drugs and pharma has been removed and put on the automatic route," Mahajan said. In the civil aviation sector, the Government has decided to allow 100 per cent FDI as against the earlier ceiling of 74 per cent. While 74 per cent FDI is on the automatic route, 100 per cent FDI will require FIPB clearance.

From [The Indian Express](#), 10 May 2001

CHINA'S PRESIDENT JIANQ CALLS GLOBALIZATION DOUBLE EDGED SWORD

Hong Kong - Unfair international politics has made globalization both a blessing and a bane for Asia, Chinese President Jiang Zemin said Tuesday in a speech to corporate leaders championing the trend toward a global economy. In a keynote speech to the Fortune Global Forum, Jiang described globalization as a "double-edged sword" that, due to what he called an "unfair and unreasonable international and political order," had made developing countries more vulnerable to economic turmoil. The increasingly global economy offers poor countries easier access to international capital, new markets and opportunities to acquire advanced technology, Jiang said. At the same time, Jiang said the gap between rich and poor countries was widening and developing countries had become more prone to shocks such as the Asian financial crisis. Jiang didn't elaborate, but China often accuses the U.S. and other Western countries of economic and military imperialism. Those denunciations have intensified since the collision of a U.S. spy plane and a Chinese fighter jet over the South China Sea last month. Still, Jiang noted no country can develop in isolation. He pledged China would continue to open its own economy, particularly its banking, insurance and telecoms industries, and reiterated Beijing's determination to join the World Trade Organization. He reassured executives gathered for the three-day conference that Beijing would "continue to improve its investment climate and attract more foreign capital." From 2001 to 2005, China will import an estimated U.S. \$1.4 trillion of equipment, technologies and other products and its development will "present huge business opportunities," Jiang said. Jiang gave a positive appraisal of Hong Kong and its political leader, Chief Executive Tung Chee-hwa. Hong Kong's freedoms and its capitalist way of life have remained intact following the former British colony's return to Chinese rule in 1997, he said. Shielded by intense police security from protests by pro-democracy activists and members of the Falun Gong meditation sect, which is banned on the Chinese mainland, Jiang praised Tung for his "wisdom" and attacked groups he accused of trying to "create tension." Jiang didn't specifically mention Falun Gong, which remains legal here and, under tight police control, is demonstrating against Beijing's suppression. Jiang said Beijing would avoid interference in Hong Kong's internal affairs. With its "relatively sound banking regime, market mechanisms and legal system" Hong Kong would remain a bridge between mainland China and the rest of the world, he said.

From [Dow Jones via Yahoo](#), 8 May 2001

JAPAN LEADER OUTLINES MAJOR REFORM PLANS

Tokyo -- In his first major policy speech, Japan's new prime minister on Monday sketched a wide-ranging plan of painful reforms to jolt the stagnant economy back to life - and held out the possibility of direct popular elections for prime minister. Junichiro Koizumi pledged to deliver reforms "without sanctuary" to forge a more competitive economy and sharply reduce government spending on bridges, dams and roads - steps he said were vital to restore Japan's prosperity. The speech appeared aimed at drawing the outlines of reforms on a revolutionary scale that the 59-year-old Koizumi promised when he rose out of the ranks of the ruling Liberal Democratic Party and defeated the party power brokers last month to take office.

From [Charlotte Observer](#), 8 May 2001

EUROPE/CIS

G7 WELCOMES ECONOMIC GROWTH IN RUSSIA, SAYS MORE STEPS NEEDED

The Group of Seven nations Saturday welcomed the pace of economic growth in Russia but said further reforms were needed to help encourage investment. A communique issued after a meeting of G7 finance ministers and central bank governors said they "welcome the continued growth of the Russian economy and encourage the Russian authorities to step up the pace of economic reforms that are necessary for sound and sustainable economic development." The International Monetary Fund forecast that the Russian economy would grow at a 4.0 percent pace this year, after 7.5 percent in 2000. But the G7 said Russia needed "to take steps to create an economic environment conducive to investment, both foreign and domestic, such as enforcing the rule of law, promoting the free flow of information, attacking non-payments and barter, strengthening the banking system and improving corporate governance." The G7 also welcomed Russia's ratification of the Strasbourg anti-money laundering convention and urged Moscow "to move quickly to remedy the deficiencies identified by the Financial Action Task Force in June 2000, in particular by passing a comprehensive anti-money laundering law."

From [Russia Today](#), 30 April 2001

GERMAN PARLIAMENT APPROVES LANDMARK PENSION FUND REFORM

Germany's ruling centre-left coalition won parliamentary approval on Friday for crucial legislation on landmark pension reforms, heralding private retirement provision in the country invented the state pension. Bundestag deputies, led by the Social Democrat-Green majority, voted 295 to 252, with four abstentions, in favour of the reform. The decision was later ratified in the Bundesrat. Under the plans, state pensions will be reduced gradually to 67% of average earnings from 70.1%, while workers will be encouraged to build up private contributions to complement what the state gives them. The government viewed the reforms as necessary because Germany's rapidly ageing population is putting increasing pressure on the state pensions system. The pension reforms are intended to keep state pension contributions below 20% of wages until 2020. Workers will be allowed to make additional voluntary contributions (AVCs) of up 0.5% of their gross salary from 2002, rising to 4% by 2008. It has estimated that the proportion of retired people to workers will rise to 56% in 2040 from 25% in 1999. Bundesrat approval was viewed as the final hurdle for Chancellor Gerhard Schröder in pushing through the reforms. Last summer, he fought, and won, a similarly hard battle to get a major package of tax reforms approved. The labour minister, Walter Riester, described it as "It is the greatest social reform that has been undertaken in the postwar period". However, the reforms have met with some scepticism. Manuela Preuschl, an economist at Deutsche Bank AG in Frankfurt said, "These are significant restrictions that diminish the effectiveness of the plan. Deeper reform will be needed." The opposing Christian Democrat Party voted against the reforms and even described it as "pension fraud".

From [Handelsblatt](#), 11 May 2001

MIDDLE EAST

KUWAIT FORGES AHEAD TO DRAW UP CYBER LAWS

Kuwait is working on "identifying the requirements" for its proposed cyber laws, which would then be passed on to the legislature for approval, said a senior official responsible for IT policy. "Once the proposals are placed before parliament, identification of specific dates to pass legislation on cyber laws will rest with the legislative body," said Fahad Jafar, director-general of the Ministry of Interior's Information and Computer Systems Department. "The ministry is now working on identifying the requirements which will form the basis for the laws." Other Gulf states are also in various stages of developing cyber laws. Kuwait, meanwhile, is expected to start awarding major contracts to develop its IT and allied systems in the third quarter. Investment in these projects - which cover e-governance, telecommunications, Internet software, smart cards and mobile telephones - is budgeted at \$45-\$50 million. The value of the contracts available to the winning companies would be in the \$30 million range. Four to six major contracts will be awarded on the projects, expected to be completed in 16 months, Jafar added. "We have seen active private sector participation in IT development. For instance, the sector is trying hard to get into our outsourcing projects, especially at the front end." Jafar is one of the speakers at the two-day "The Middle East CIO Summit - Taking IT to New Heights" which opened yesterday in Dubai. The event is organised by Middle East Global Advisors (Mega) and hosted by Microsoft, Computer Associates and Acer. Companies have seen an exponential increase in IT budgets in the past five years, with the Y2K factor and Internet fever being just two contributing factors. In certain industries - banking and finance and oil and gas - budgets have risen by at least 100 per cent during the period. With the recent emphasis on IT security and storage, which carry premium charges at the moment, chief information officers (CIO) are grappling desperately trying to balance the books.

From [Zawya.com](#), 13 May 2001

THE AMERICAS

WHITE HOUSE IS TAKING AN INTEREST IN POSTAL REFORM, BURTON SAYS

Rep. Dan Burton told a packed house at the opening session of the Direct Marketing Association/Internet Alliance's 2001 Government Affairs Conference yesterday that he has spoken with a White House representative about the U.S. Postal Service's financial woes, and they are willing to listen. Referring to the USPS' possible \$3 billion deficit -- among other USPS problems -- Burton said, "We are facing a serious problem. I contacted the White House yesterday and spoke with Don Evans [secretary of the Commerce Department], and he assured me that he was going to bring this up at the next cabinet meeting." Burton, R-IN -- who is chairman of the House Committee on Government Reform, which oversees the postal service -- also offered his views about the importance of postal reform. "Reform must preserve the [ability] of the postal service to provide universal service of all classes of mail to the American public at affordable rates," he said. Burton said the USPS needs flexibility over its "people, prices and products" and that "postal customers need assurances of rate stability and service quality" from the USPS. He also noted that "any reform must ensure a level playing field between the postal service, [its] people and the private sector." Burton said the postal service currently does not provide incentives for efficient management. "Under the current statutory framework, if the postal service needs funds, it looks to higher rates," Burton said. "The postal service should be required to meet performance standards and goals, and there need to be consequences for not meeting those goals." Burton said that in order for postal reform to be passed, it must take a bipartisan approach. As a result, Burton asked members of the postal employee unions to talk to the Democrats. "I'm working with the Republicans to try to make sure that although we have strong differences on a lot of other issues, we realize the importance of the postal problem," he said. Burton said he is meeting today with the postmaster general, William J. Henderson, along with "former mayor of Indianapolis [Steven] Goldsmith, who may be the next postmaster general, to make sure that we let them know all of the issues we are discussing." Burton said he "has heard reports that Steve Goldsmith may be the next postmaster, and I feel very strongly after having worked with him when he was mayor of Indianapolis that he would make an outstanding postmaster general because he did a lot of reform work in Indianapolis." Finally, Burton said there would be another hearing on postal reform and postal financial issues on May 16. The hearing will include representatives from labor organizations and from the major mailing groups. These groups were not present at the Committee on Government Reform's first hearing, which took place last month.

From dmnews.com, by Melissa Campanelli, melissa@dmnews.com, 2 May 2001

ELECTION REFORM CALLS FOR COMPROMISE

Felons' voting rights were a casualty of an election reform compromise Tuesday night, but negotiators may back out of the deal this morning if they can't agree on campaign financing issues. The negotiations are part of the Legislature's attempt to pass an election reform package before Friday's end of the 60-day session. The joint committee has already agreed to do away with the second primary, ban punch-card balloting systems and give counties money for new equipment. Senate negotiators offered to give up the Senate's stance on restoring felons' voting rights, making supervisors of elections nonpartisan and prohibiting members of canvassing boards from campaigning, if the House would give up an increase in campaign contribution limits, new limits on how much taxpayer-backed campaign funding a candidate can get and a measure making it easier for minor party candidates to get on the ballot. Those issues were added to the House package at the last minute by the House Procedural and Redistricting Council. Council Chairman Johnnie Byrd, R-Plant City, said he couldn't agree to the compromise without first talking to House Speaker Tom Feeney. The conference committee will meet at 8 a.m. today. "Personally, I think campaign finance is a big issue," Byrd said. "I don't want to crowd out candidates from raising money that's the lifeblood of the campaign." The House wants to raise contribution limits from \$500 per election cycle to \$1,000, a net increase of \$500 per election when the second primary is eliminated. But Senate Ethics and Elections Chairman Bill Posey, R-Rockledge, compared raising the limits with "nuclear arms proliferation." He took the House to task for loading up the bill. "We tried to focus on fixing what was broken in the last election and made every effort not to go outside that box," Posey said. "We just tried to concentrate on what was broken." Restoration of felons' voting rights after they have served their sentences was one of the priorities of the Black Caucus this year. But conference committee members agreed a constitutional amendment giving them automatic restoration of rights would be unnecessary if the current application process through the state Clemency Board was improved. Earlier on Tuesday, the Democratic National Committee released a report describing election violations, problems and reforms in all 50 states. They ranged from the arrest of an Alabama sheriff for buying absentee votes with alcohol in a dry county to reports of intimidation of black voters in Texas and Michigan. Florida Democratic Party Chairman Bob Poe, delivering a copy to Gov. Jeb Bush's office, blasted Bush for being "strangely silent" and the Republican Legislature for waiting until the last week of the session to move election reforms forward. "The governor is willing to take the heat on initiatives he feels are important," Poe said. "If it were a priority for him he would be out there, fighting on this issue; he'd be out there twisting the arms of Tom Feeney and John McKay and saying 'Let's get it done.' Bush spokeswoman Liz Hirst called Poe's allegations "completely false." "He kicked off the legislative session with a press conference on it," Hirst said. "He works the telephone; he works the hallways to push his priorities and election reform is one of them."

From Tallahassee Democrat, by Nancy Cook Lauer, 2 May 2001

GHOST TOWNS MARK GLOBALIZATION'S PATH

[WASHINGTON](#) Surveying with undisguised distaste the union hacks and Starbucks anarchists who sought to disrupt the Summit of the Americas in Quebec last week, the globalist-pundit Thomas L. Friedman sniffed on The New York Times op-ed page (*IHT, April 25*) that "this anti-globalization movement is largely the well intentioned but ill informed being led around by the ill intentioned and well informed." What the ignorant and malign anti-globalists do not understand, Mr. Friedman lectured, is that global trade expansion is "the only route out of poverty for the world's poor" - not only a commercial good but a moral one, too. Mr. Friedman's assessment is important because he is as close as there is to the voice of the globalization establishment. The establishment view, as it has evolved in the face of increasing criticism, is that globalization is great not only because it creates wealth in developed countries, but because it spreads wealth and freedom among the less blessed nations. Last week in Quebec, President George W. Bush summed up the perceived wisdom: "We seek freedom not only for people living within our borders, but also for commerce moving across our borders. Free and open trade creates new jobs and new income. It lifts the lives of all our people, applying the power of markets to the needs of the poor. ... And open trade reinforces the habit of liberty." This argument is true as far as it goes. As Mr. Friedman's paper is reporting in a series on free trade, the blessings of unfettered commerce are a great deal less than munificent. But trade does bring jobs - sweatshop jobs, but still jobs - to places where there were none, and free trade has historically pulled freedom in its wake. The problem with this argument is that it is a very fat herring of the reddest hue. It is beside the central political, economic and moral point of the whole debate. Mr. Bush gave the game away in unscripted remarks on his proposal to create a Free Trade Area of the Americas. Addressing demands for minimum standards of worker treatment and environmental protection, Mr. Bush said the agreement must not contain "codicils to destroy the spirit of free trade." He added: "While I understand that some unionists are interested in making sure there's labor protections, I don't want those labor protections to be used to destroy the free trade agreement." As Mr. Bush inadvertently let out, the purpose of globalism is to allow corporations to make more money by manufacturing their goods in dirt-wage, low-regulation undeveloped countries instead of in high-wage, high-regulation developed countries. This is globalism's reason for being; the spread of democracy and wealth is a by-product. This means three things: Manufacturing jobs must migrate from developed countries to undeveloped countries; worker and environmental standards in undeveloped countries must remain lower than those in developed countries; and, as undeveloped countries develop, manufacturing jobs must migrate again - to countries still lower on the ladder. In short, what unionists know is that globalization ultimately depends on driving manufacturing jobs out of the country where they live. This may result in what Mr. Friedman calls "real jobs for real people" in Africa, but it also results in the loss of real jobs for real people in, say, Akron, Ohio. More than that: When, as has happened all across America, a factory shuts its doors and shatters a town, turning a productive community into a ward of the state, what does that cost America? Over time, many, many millions, a price that globalists ignore. Finally, globalization results in the loss of what was quaintly known as the American way of life. You know: Get out of high school, go down to the factory, get a job, buy a car, get married, buy a house, send the kids to college, retire on a decent pension. In the long run, global free trade may be, as its boosters say, to the greater good of all. But in the short and even medium run, in any developed country, it is to the greater pain of many for the greater gain of a few. Those who do not understand this may be well intentioned but the people who live in globalism's ghost towns must consider them shockingly ill informed.

From [International Herald Tribune](#), by [Michael Kelly](#), 26 April 2001

WHITE HOUSE OUTLINES NEW ENERGY POLICY

White House officials last night unveiled a national energy policy that seeks to build support for controversial increases in oil drilling and energy production by linking such provisions to alternative and renewable energy sources favored by environmentalists. The recommendations are part of the much-anticipated energy plan President Bush will announce today in Minnesota. The proposal, which reflects an unprecedented federal commitment to increased energy supply, begins what is likely to be a fierce battle in Congress over the environmental ramifications of increased production. As expected, Bush will call for increased production of oil, gas, coal and nuclear energy, but the plan also sprinkles in tax credits for fuel-efficient vehicles and alternative energy supplies. Bush will seek oil and gas exploration in Alaska's Arctic National Wildlife Refuge and, for the Federal Energy Regulatory Commission, the property-claiming power of eminent domain in the placement of power transmission lines -- two of the most controversial measures in the package. But with recent polls showing environmental issues to be a significant vulnerability for Bush, the plan carefully matches more controversial measures such as drilling on federal land with funding for alternative energy initiatives that are popular with environmental groups. For example, \$1.2 billion in revenue produced by leasing parts of Alaska's National Wildlife Refuge for oil and gas production would be used to fund alternative and renewable energy sources, including wind, solar, biomass and geothermal. Bush would provide new funds to the Low Income Home Energy Assistance Program with oil and gas royalty payments. And he contemplates lifting limits on access to federal land, but for the production of renewable energy. The report's recommendations are largely general, and the White House chose to put off some of the toughest calls for agencies or Congress to ponder later. The task force provided no targets for energy production or the building of new power plants. It called for further study of the thorny issues of global warming, fuel economy standards, the handling of national monuments and the status of government lawsuits against power plants that expand without permission. "America in the year 2001 faces the most serious energy shortage since the oil embargoes of the 1970s," the report says. "A fundamental imbalance between supply and demand defines our nation's energy crisis. . . . This imbalance, if allowed to continue, will inevitably undermine our economy, our standard of living and our national security." Senate Majority Leader Trent Lott (R-Miss.) said he hoped to get the package approved by July 4, but cautioned that some of Bush's proposals "will be hotly debated." Environmentalists last night criticized the plan for stressing production over conservation and alternative energy sources. "I think there are a few good things on efficiency and renewable fuels,

but they don't outweigh the damage done both by the production subsidies and the environmental exemptions and drilling in the Arctic," said David Hawkins of the Natural Resources Defense Council. "If you're a seller of energy, this is a good plan," he added. "But if you're a consumer of energy or a breather of air, like all of us, it's a bad plan." Bush will begin with an executive order directing federal agencies to expedite permits for new power plants and other energy projects, administration officials said. A second executive order will direct agencies to prepare an "energy impact" statement -- much like the environmental impact study -- for "any regulatory action that could significantly and adversely affect energy supplies." Those orders are among 105 recommendations in the report to be issued today by an energy task force that Bush convened four months ago under the direction of Vice President Cheney. The report foresees a national gas pipeline system and a national electric power grid and reopens the possibility of reprocessing spent nuclear fuel, a practice not contemplated for decades. To expedite the building of power plants, the administration would eliminate what it calls "redundant" permitting requirements between federal, state and local authorities. Bush also wants to encourage the expansion of nuclear plants and to upgrade nuclear plants. The plan also contemplates spending an additional \$6.3 billion over 10 years on alternative energy sources, with \$4 billion going for tax credits for fuel cell cars and hybrid cars. That would be in addition to the \$5 billion of energy spending Bush sought in his budget request, including \$2 billion for clean-coal technology. Credits include incentives to make homes more efficient and to use for electricity the methane gas from landfills. Most of the proposals would require further congressional or regulatory actions. Forty-two of the recommendations deal with conservation and alternative fuels, 25 with international efforts to increase energy availability, and 35 with increasing supply and improving energy infrastructure domestically -- although an administration official acknowledged that such tallies don't necessarily reflect the report's emphasis. On the eve of today's formal unveiling, the White House, in a last-minute turnabout, argued for the first time that Bush's energy proposals will have a short-term benefit that could alleviate this summer's expected energy crisis. "My plan helps people in the short term and long term by recognizing the problem and by expediting energy development," the president asserted yesterday. Bush advisers, facing criticism from anxious Republicans in Congress, now contend that their proposal will cause a moderating of short-term energy prices as the market anticipates growing long-term supplies. Some energy experts were skeptical of that reasoning, arguing that oil markets have already accounted for the long-term supply increases Bush envisions. But Bush advisers may be calculating that prices are expected to moderate in the coming weeks because of supply-demand changes that have nothing to do with Bush's energy recommendations. The Energy Department, in its latest forecast, argued that "supplies are expected to improve and the chances that spot and retail prices will calm down [perhaps even decline some from current levels] are good." The shift in message from the White House came on the same day that Sen. Frank H. Murkowski (R-Alaska), chairman of the Senate Energy and Natural Resources Committee and a solid administration ally, sent colleagues a memo listing six "short-term options," which he argued "will solve our energy problems in the short term." Republicans in Congress are worried that the White House is insufficiently concerned that voters will blame them for energy shortages and rising prices. Bush and Cheney may be particularly vulnerable because both were oil executives. Murkowski's possibilities, for which he listed pros and cons, were suspending the 18.4 cent-per-gallon federal gasoline tax; increasing imports of refined petroleum from Canada, Mexico and Venezuela by removing environmental requirements for reformulated gasoline; reducing the EPA's categories of "boutique" fuels to three regional blends; waiving the "oxygenate mandate" in fuels, another environmental provision; increasing the legal per-mile deduction for business or charitable gasoline use; and asking states temporarily to waive tolls on major roads during peak travel. Murkowski said he agreed with the White House that Bush's plan "will send a strong psychological message that we finally have someone in the office who knows something about energy." But, he added, "I think we all need to come together and identify as much as we can on the short term." Addressing the short-term problem yesterday, Bush called on the Federal Trade Commission to make sure no one was overcharged for energy. "We can make sure that any entity will not illegally overcharge," Bush told reporters after a Cabinet meeting at which he received the completed plan. Meanwhile, Democrats and environmental groups are gearing up for a major assault on the plan, including a national television, radio and newspaper ad campaign and door-to-door canvassing in some states to get across their message.

From [Washington Post](#), by Dana Milbank and Eric Pianin, Staff writer Mike Allen contributed to this report, 17 May 2001

ADB DONORS WANT BETTER GOVERNANCE FROM BORROWERS

Honolulu - The Asia Development Bank's richest donors want the bank to become a more prudent lender by applying stricter performance criteria to its loans and insist on higher standards of governance from its borrowers in the Asia-Pacific region. At its annual meeting in Hawaii, which closed Friday, officials from the U.S. and Japan - the ADB's largest shareholders - clearly staked out their vision for the Manila-based development bank under the new administrations of President George W. Bush and Prime Minister Junichiro Koizumi. Washington wants the ADB and other multilateral lending agencies to be more selective lenders and keep a closer watch on how borrowing countries are using loans. Japan, meanwhile, urged the ADB to get more involved in promoting regional economic cooperation and integration, and prevent emerging economies in the region from falling behind on developments in the information technology sector. The U.S., represented at the meeting by Treasury Secretary Paul O'Neill, said poverty reduction should be achieved by delivering higher levels of economic growth. "A key theme behind my ideas for reform of the multilateral development banks is that they be more focused on the objective of increased income per capita through higher productivity growth," O'Neill told delegates of the bank's 59 shareholding countries. This vision, however, runs somewhat against the broad grain of the ADB's own policies, which place greater emphasis on poverty reduction by direct intervention - and it didn't strike much of a chord with some of the bank's developing-country borrowers. "Emerging from a severe downturn with millions of Asia citizens suddenly lacking jobs, simply waiting for the benefits of prosperity to trickle down to the poor, may not be enough to maintain harmony in society," warned Philippine Central Bank Governor Rafael Buenaventura, who called for a "more direct approach to poverty reduction" in line with the ADB's vision. ADB President Tadao Chino made clear that promoting sustainable economic growth in the region is one of the key pillars of the bank's new poverty-reduction strategy, along with promoting social

development and good governance. The ADB estimates two thirds of the world's poor live in Asia, where some 900 million people try to get by on less than one dollar a day. The bank is a regional cog in a global effort by multilateral agencies to reduce poverty levels by half by 2015. Another Financial Crisis Not Expected - Meeting under the clouds of faltering economies, senior finance and monetary officials from across Asia, as well as the ADB itself, agreed that despite the region's vulnerability to a recession in the U.S. and Japan, there won't be a repeat of the 1997-1998 slump. While the bank expects growth in developing Asia to slow to 5.3% in 2001 from 7.1% last year, the ADB's Chino said fears of a new crisis are exaggerated and the risks are manageable. One significant outcome of the ADB meeting occurred on the sidelines of the gathering, when Japan announced currency-swap agreements would be signed with Malaysia, Thailand and South Korea as part of an Asia-wide move to repel the kind of speculative attacks that roiled the financial markets during the 1997 crisis. Japan is in talks with China and the Philippines to draw up similar pacts. "Countries in our region must strengthen financial cooperation," said Jin Nyum, South Korea's Minister for Finance and Economy. "The synchronization of financial markets and the herd behavior of market participants make small, open economies susceptible to financial crises." The ADB's Chino said the creation of an Asian Monetary Fund - a regional agency to cope with future crises - is still a distant prospect, however. "Asian countries are much more resilient than before the (1997) crisis," said Chino, noting that many economies have introduced more flexible exchange-rates systems, reduced short-term borrowings and beefed up their currency reserves since then. "So I think that an Asia Monetary Fund may not be very urgent at the moment," he said. Governance issues were also a dominant theme at the meeting, with officials from several donor countries demanding higher moral stands from governments tapping ADB loans, as well as companies working on bank-funded projects. After probing allegations of fraud and corruption on ADB-funded projects, the bank has barred over 40 firms and individuals from doing business with the bank over the past two years. In the context of Asia's emerging markets, good governance covers a range of issues including pro-poor economic policies, clean government, sound fiscal management, effective public services and the enforcement of contractual and property rights. A senior Japan Ministry of Finance official said the ADB, which approved loans of close to \$6 billion last year, should improve its own governance by strengthening its "compliance mechanism," a reference to the ADB's proposal to link a country's governance performance to tapping the bank's soft-loan Asian Development Fund. "Governments are on notice that governance performance is a criteria for soft funds," said Cedric Saldanha, who heads the ADB's poverty-reduction unit. Although Japan and the U.S. have equal stakes in the ADB, Tokyo gets extra leverage by choosing the ADB's president as part of an informal agreement that also ensures a European runs the International Monetary Fund and an American heads the World Bank. The U.S.' O'Neill also made clear that the Bush administration expects the ADB and the other multilateral agencies to improve their own governance standards, making them more "responsive, open and accountable" to shareholders and taxpayers. O'Neill's call, however, was a far cry from the drubbing the ADB received from the U.S. at last year's meeting in Chiang Mai, Thailand from a senior Clinton-era treasury official, who berated the bank for not matching its rhetoric on poverty with performance. Demonstrations against the ADB by anti-globalization protesters and lobby groups claiming the bank is increasing the indebtedness of poor nations were far fewer than expected. Amid tight security, some 500 protesters were allowed to stage a brief demonstration Thursday outside the Hawaii Convention Center, with ADB President Chino accepting a petition demanding the bank change its policies of fighting poverty by funding big-ticket projects such as dams and power plants. Chino was criticized for a public-relations blunder at last year's meeting, when he declined to meet with anti-ADB demonstrators.

From [Dow Jones via Yahoo](#), by Alastair McIndoe of Dow Jones Newswires, 13 May 2001

TREASURY'S O'NEILL STRESSES ROLE OF ASIAN DEVELOPMENT BANK

The Bush administration views the Asian Development Bank as having "a critical role in economic development" in the Asia-Pacific region, Treasury Secretary Paul O'Neill said at an Asian Development Bank (ADB) meeting in Honolulu, Hawaii May 10. Institutions such as the ADB "are well placed to help countries put in place policies to meet the new development challenges of the 21st century such as strengthening social safety nets, financial sectors, capital markets, corporate governance, and commercial legal systems," O'Neill continued. O'Neill said he takes seriously the responsibility to ensure that the American economy, the world's largest economy, performs "at an optimal level." While the nation's economy has slowed, "economic fundamentals - productivity growth, the flexibility of our labor and capital markets, and low inflation -- remain strong," O'Neill said. O'Neill added that the United States "is working to put in place macroeconomic policies supportive of growth." O'Neill also called on Japan to achieve "strong, stable growth." The Bush administration welcomes Japanese Prime Minister Koizumi's recent statements indicating "his commitment to reform and look forward to seeing Japan take the steps needed to trigger an enduring recovery," he said. O'Neill added that East Asia's recovery from the financial crisis "has been encouraging." The Asia-Pacific region has become "increasingly important to the United States," particularly as trade and investment ties have expanded, O'Neill said. According to O'Neill, Asia's share of U.S. trade increased from roughly 10 percent in 1980 to over 20 percent currently. That figure excludes America's trade with Japan, the world's second largest economy. U.S. foreign direct investment in Asia rose from \$1-2 billion in the early 1980s to roughly \$12 billion currently, he said. Following is the text of O'Neill's remarks: It is a pleasure to welcome the Asian Development Bank, member country delegations, and honored guests to the United States and to the beautiful host city of Honolulu, Hawaii. Let me join President Bush in thanking Governor Cayetano and Mayor Harris for their warm hospitality. I am honored to be chairing the thirty-fourth Annual Meeting. The Bush Administration views the Asian Development Bank as having a critical role in economic development in the Asia and Pacific region. Since its founding in 1966, the Bank and the region have undergone momentous changes. No one understands this better than my esteemed colleague, President Tadao Chino, who was involved in the founding of the Bank and is now leading the institution into the 21st century. I am honored to join President Chino in opening this meeting. I would also like to make a few remarks as the Governor for the United States. I am very mindful that we all live in a globalized and interconnected world economy. As Secretary of the Treasury of the United States, the world's largest economy, let me assure you that I take seriously the responsibility that the United States perform at an optimal level, for its own people and for the world. While

the U.S. economy has slowed, I have full confidence in its resilience. Economic fundamentals -- productivity growth, the flexibility of our labor and capital markets, and low inflation - remain strong. In addition, the United States is working to put in place macroeconomic policies supportive of growth. The Administration's proposed tax cuts will provide some stimulus now and, more importantly, increase economic efficiency to underpin long-term economic growth. The U.S. Federal Reserve has demonstrated resolutely its willingness to ease monetary conditions as needed. Although global growth has slowed over the past year, it is important not to lose sight of the sound foundation for recovery that is already in place. Nonetheless, a healthy global economy requires all of us to perform to our full potential, and, at the moment, all of the major economies are operating below their long-term potential. It is important for Japan, after ten years of sluggish growth, to achieve strong, stable growth. We welcome Prime Minister Koizumi's recent statements indicating his commitment to reform and look forward to seeing Japan take the steps needed to trigger an enduring recovery. East Asia's recovery from the financial crisis has been encouraging. Per capita incomes in most countries are now well above their pre-crisis level. The risk of further balance of payments crises has declined significantly as most countries have built up foreign currency reserves, reduced short-term external debt and adopted more flexible exchange regimes. Yet, like a receding tide, the decline in global demand, particularly for high technology products, has revealed more clearly the drag weak banking and corporate sectors have on growth. In South Asia, the information technology and heavy manufacturing sectors have grown strongly. The challenge now is to provide a more supportive environment for private-led growth in other sectors. The development challenges in Central Asia are also significant. While the energy sector has been a bright spot, countries are grappling with low growth, widespread poverty, and mounting debt burdens. Asia has become increasingly important to the global economy, accounting for about a third of global trade and receiving a third of foreign investment in developing countries. Asia has also become increasingly important to the United States. Trade and investment ties have expanded, with Asia's share of U.S. trade increasing from about 10% in 1980 to over 20% currently (excluding trade with Japan), and U.S. foreign direct investment flows into Asia rising from \$1-2 billion in the early 1980s to about \$12 billion currently. I'm an optimist. People around the world want higher living standards - and they will get there if they are exposed to the right incentives and opportunities. The differences between living standards in adjacent countries all over the world dramatizes how important certain fundamentals are. With the right policies, there is no good reason why such drastic differences in living standards need to be permanent. I firmly believe that we will look back at the Asian crisis as a temporary setback in one of the most amazing success stories in economic history. The fundamental factors which contributed to the "Asian Miracle" of the seventies, eighties and early nineties, are still in place: a commitment to sound macroeconomic policies; free trade and open investment policies which expose companies to international competition; generally low levels of taxation; high levels of investment in human capital through sustained public sector commitment to health and basic education; a strong sense of entrepreneurship; and a high propensity to save. Institutions such as the Asian Development Bank are well placed to help countries put in place policies to meet the new development challenges of the 21st century such as strengthening social safety nets, financial sectors, capital markets, corporate governance, and commercial legal systems. A key theme behind my ideas for reform of the multilateral development banks is that they be more focused on the objective of increased income per capita through higher productivity growth. In this regard, the Bank can help countries move toward a second generation of productivity enhancements, building on the lessons learned and on the policies that have been successful in the past. We welcome the Bank's new Private Sector Development Strategy, which the Board of Governors approved last year. While still in its early stages of implementation, it envisions a Bank that strives to promote private sector investments at every opportunity. Bank support for human capital development, including cost effective social safety nets, is an important complement for this work. While the ADB can make an important contribution to improving governance in the region, we also need to build on internal initiatives to improve corporate governance in the ADB and other multilateral development banks, making them more responsive, open, and accountable to shareholders and taxpayers. Similarly, while the ADB and other MDBs can play a large role in helping countries increase the efficiency of investments, they also need to increase the efficiency and effectiveness of their own lending through greater selectivity, better coordination with other lenders, and more effective monitoring of performance. I look forward to working with my fellow governors and the management of the Bank to achieve these goals. (end of the text). (Distributed by the Office of International Information Programs, U.S. Department of State. Web site: <http://usinfo.state.gov>).

From [Washington File](#), 12 May 2001

GREENSPAN URGES SLOW REFORM OF SAFETY NET

Chicago - Alan Greenspan, chairman of the U.S. Federal Reserve Board, said yesterday the safety net protecting the financial system in the United States, including customer deposit insurance and bank regulation, needs to be improved, although changes should be made with care. "While valuing the benefits of stability that the safety net confers, we nonetheless need to recognize that the benefits are not without cost. In this context, reform of the safety net must remain on the agenda," Mr. Greenspan said at a banking conference here. "I believe this means being very cautious about purposefully or inadvertently extending the scope and reach of the safety net." He did not touch on the economy or the outlook for U.S. monetary policy. The Fed's interest rate setting committee is set to meet next Tuesday and is widely expected to cut rates for a fifth time this year. Depression-era banking safeguards, such as deposit insurance, as well as extensive regulation of financial institutions by regulatory agencies, have allowed investors and creditors to be lax about banks' attitudes toward risks, Mr. Greenspan said. But the perception the government will bail out banks and their creditors should things go awry has enormous potential for problems, he warned. "As financial consolidation continues, and as banking organizations take advantage of a wider range of activities, the perception that all creditors of large banks, let alone their affiliates, are protected by the safety net is a recipe for a vast misallocation of resources and increasingly intrusive supervision," Mr. Greenspan said.

He also said the Fed continues to push financial companies to disclose the risks to their balance sheets as a way to allow free market forces to determine how much those organizations should ultimately pay for capital.

From [National Post Online](#), by Melissa Goldfine, 11 May 2001

DEMOCRATS CALL FOR NATIONWIDE ELECTION REFORM

Riviera Beach — Democratic Party leaders on Monday urged nationwide election reform following the Florida Legislature's decision last week to ban punchcard ballots as part of an overhaul of the state's election system. The Democratic National Committee came to Palm Beach County, ground zero in last November's election controversy, to hold the first of four hearings scheduled nationally to discuss possible solutions to problems it sees in the way Americans cast ballots. The DNC's Voting Rights Institute heard from party activists, who said thousands of voters in Florida and elsewhere were disenfranchised last November when faulty ballot systems did not count their votes or they were erroneously told they were not registered. President Bush defeated former Vice President Al Gore by 537 votes in Florida when the U.S. Supreme Court halted a manual recount of undervotes. That victory put the Republicans in the White House. "There is nothing we can do about the last election — we won that election and they stole that election," DNC Chairman Terry McAuliffe said. "President Bush tells us to get over it. Well, we're not going to get over it." Al Cardenas, the chairman of the Florida Republican Party, called the Democrats' hearing "a contrived, irrelevant sideshow." "The fact that the DNC is still trying to use last year's election for some small measure of political gain is a sad commentary on just how detached the DNC leadership is from the people," Cardenas said. "We're moving forward. The people are moving forward. Somewhere in the rearview mirror, getting smaller by the day, sits the DNC." Many of the problems discussed at Monday's hearing — punchcard ballot systems and their hanging chads, voters being erroneously told by poll workers that they weren't registered and unclear standards for manual recounts — were dealt with in an election reform package adopted by the Legislature last week. It is awaiting the approval of Gov. Jeb Bush, who says he will sign it. But more needs to be done in Florida and across the nation, the Democrats said. McAuliffe and the institute's chairman, former Atlanta Mayor Maynard Jackson, said that after the hearings the party will compile a list of problems and suggest solutions. For example, they said, hundreds of Florida voters were mistakenly purged from their county's election rolls after a Texas company hired by the state incorrectly listed them as convicted felons. Ion Sancho, the Leon County elections supervisor, said that of the 590 residents of his county that the company listed as felons, only 33 actually were. McAuliffe said that if any of the voters wrongly identified as felons wanted to sue the company for slander, the DNC would join them. The Democrats said that more also needs to be done to educate voters on how to properly cast ballots. Sancho said his county spends thousands of dollars on mailings and public service advertisements to educate voters — which paid off with 9.8 percent of the ballots cast in his county mistake free. The error rate was much higher in other counties. The state, on the other hand, spends \$30 million annually to promote the Lottery, but nothing on voter education, the Democrats said. "The priorities are simply not correct," Sancho said. Future hearings are scheduled for May 21 in Newark, N.J., June 4 in Albuquerque, N.M., and an undetermined June date in Detroit.

From [Naples Daily News](#), by Terry Spencer, 8 May 2001

FEDERAL REGULATIONS PAY OFF, OMB REPORT SAYS

The benefits of federal regulations tend to outweigh their costs, according to a draft report by the Office of Management and Budget. OMB estimated that the costs of the federal regulatory apparatus range from \$82 million to \$5 billion a year. The estimated benefits ranged from \$50 million to \$25 billion a year. Agencies' calculated their estimates of the benefits of their regulations in a number of ways. For example, the Housing and Urban Development Department calculated the benefits of its lead-based paint hazards rule to include both the avoidance of costs of medical treatment for affected children and the estimated increase in lifetime earnings of children with lower levels of lead in their blood. The draft report published in the *Federal Register* last Wednesday analyzed the costs and benefits of 31 major federal regulations issued between April 1, 1999 and March 31, 2000. Experts in cost-benefit analysis have been asked to review the study, and public comments will be worked into the final report to Congress. EPA regulations accounted for the bulk of the cost-benefit analysis. OMB estimated that the agency's new motor vehicle emissions standards will amount to benefits between \$13.7 billion and \$25.2 billion a year by 2030, with a cost of \$5.3 billion per year. HUD's regulation on lead-based paint hazards was estimated to provide benefits of \$715.6 million for its first five years, while it would cost Americans about \$564.2 million during the same period. Congress has required the annual report from OMB since 1997. OMB's last three reports have estimated that the benefits of federal regulations probably outweigh their costs. However, OMB has voiced concern over the methodology of its own analysis, acknowledging its inability to quantify and translate into dollar amounts certain types of costs and benefits. The agency solicited comments from the public on improving the accuracy of its cost-benefit estimates. In previous years, some comments have suggested the agency use its own independent estimates of costs and benefits instead of agencies' estimates. OMB currently works with agencies during its review to help them improve their cost-benefit estimates. Beginning in 2002, OMB will have to update its analysis annually and submit it along with the federal budget to Congress.

From [Government Executive](#), by Kellie Lunney klunney@govexec.com, 8 May 2001

GLOBAL

THE IMF, THE WORLD BANK AND THE WTO ARE HELPING

[WASHINGTON](#) The IMF and the World Bank and now the WTO are not just about exchange rates, financing infrastructure projects, eliminating trade barriers and structural reform. No. Fundamentally, these instruments are about securing the blessings of liberty and prosperity for more and more ordinary human beings on this planet who wonder if society is there for them. Of course, 57 years ago at Bretton Woods, no one was talking about globalization. But that is what they were discussing in reality, globalization in its basic sense, an interconnected world in which national identity and sovereignty are preserved but in which all countries work together to meet challenges and harvest opportunities, from which no country working alone can derive full advantage. Globalization, free trade, open markets, the technology revolution, economic and political reforms - the potential they hold for humankind is incredible, and the Bretton Woods institutions and the WTO can help the world's people realize it. Here I want to talk about an enormous challenge that is before us all in this new century, and that is eradicating world poverty. It is a goal that technological advancement and economic growth can put within our grasp at last. Certain fundamental understandings are necessary if in this century we are to liberate more and more of the world's people from the prison of poverty. We must acknowledge first that engagement with the global economy, opening up to trade and investment, is the engine of poverty-easing growth. The last thing nations should do in response to the desperate needs of the ill-housed, ill-fed, uneducated and unhealthy is to adopt policies that have the effect of slowing growth. That is why President George W. Bush supports the launch of a new round of multilateral trade negotiations in the WTO. International economic institutions and the industrialized world must work together with developing economies to help them grow faster. Official assistance and private investment can play catalytic roles in poverty reduction, provided that they flow to societies that embrace openness to trade, social investment and good governance. The hard truth is that assistance and investment are ineffective in societies that are closed, corrupt or callous. The IMF is working to ensure that the macroeconomic framework supports growth at micro levels. In close collaboration with the World Bank, it has explicitly taken on the task of supporting global poverty reduction strategies. World Bank-led efforts in East Timor are helping to reconstruct a devastated economy through loans to small enterprises, and through grants that are rehabilitating basic infrastructure at the village level, that lowest level where people live and where people need hope. In Brazil, World Bank loans are helping rural workers realize their lifelong dream of owning land. The bank's projects help the government accelerate its land reform program through a market-based mechanism in which communities of landless families themselves select and negotiate the purchase of land. Educating women has been found to be the single most effective way to reduce poverty. The World Bank-funded Senegal Pilot Female Literacy Project helps nongovernmental organizations expand their programs in this regard. Since the project began in 1996, the number of literacy programs has doubled, and 90 percent of the participants are women. The government of Senegal is on track to more than halving the female illiteracy rate from 66 to 30 percent by the year 2005. The WTO is working to bring the economy in transition in East and Central Europe, the post-Soviet states and Asia into the global trading system, freeing the potential of hundreds of millions of people to seek their own destiny and to realize their dreams. In countless ways, the IMF, the World Bank and the WTO are helping countries institute kinds of policies that will enable them and ourselves to take advantage of the rich rewards that derive from globalization. This comment by Secretary of State Powell has been excerpted by the International Herald Tribune from an address last Friday at the annual meeting of the Bretton Woods Committee.

From [International Herald Tribune](#), by [Colin Powell](#), 2 May 2001

GLOBALIZATION'S ALSO-RANS OUGHT TO BE SCRAMBLING ON BOARD

[GENEVA](#) Speak up, developing countries. Stop dwelling on past inequities and recognize where your future interest lies. The World Trade Organization badly needs political backing if its November ministerial meeting in Doha, Qatar, is not to end in a Seattle-style flop, without the riots. That means getting an agenda for a new round of negotiations on liberalization agreed upon by the end of July. That in turn means capitals giving their ambassadors in Geneva authority to stop wrangling over obscure points and cut deals. Or perhaps Director-General Mike Moore and his successor Supachai Panitchpakdi should not wait for a consensus but hammer out what they see as a workable agenda and persuade states to sign up. For sure, nothing can happen without the European Union and the United States. Both are in theory in favor of a new round but have concerns, about labor rights and competition policy in particular, that go beyond what is acceptable to others in a body where decisions are reached by consensus through horse-trading. A consensus now among major developing countries about the need to press ahead would improve the chances of the round taking place and put them in a stronger position to influence the outcome. Developed countries are dragging their feet partly because they see no domestic political advantage. The anti-globalization protests in the West may not have mass support but they have made governments defensive. The developing world needs to dissociate itself as far as possible from anti-WTO activists in rich countries, the protectionists who masquerade as supporters of the poor under the guise of defending labor rights and the environment. Developing countries' wariness of the WTO is understandable. Many are still bogged down trying to figure out, let alone carry out, some of the Uruguay Round commitments. They continue to resent the shocking distortions of farm trade, to be harassed by developed countries' anti-dumping measures, to resent the persistence of protectionism on textiles, in which they are strong, while being forced to open up service industries in which they are weak. They rightly blame over-rapid liberalization for financial sector instability. They resent the lack of input that they have had into past rounds. But they still have more to gain than to lose. They, not the demographically challenged old rich, are the future of world trade growth. The WTO is not an organization that can stand still. Either it progresses or it retreats. Moving now is important because conditions will probably become less favorable. If the United

States goes into recession, trade tensions will increase. Next year elections are due in many rich countries that will delay decision-making. China should finally be a WTO member, and its huge presence will make consensus more difficult. Now is a good time because agricultural disasters have made it easier for Europe to accept the need for radical policy reform. Meanwhile, European business, as represented by the European Roundtable of Industrialists, recently told a meeting of the Evian Group, a high-powered trade policy forum, that it favored a new round even if the agenda is not as comprehensive as Brussels has demanded. Some of the more influential developing states ought to have particular reason to want a new round without waiting for issues left from Uruguay to be resolved. One reason is the forward march of regional pacts, which may have a trade liberalizing effect but will be dangerous if the WTO agenda cannot keep up. That would be particularly damaging to some influential players. India belongs to no significant regional grouping. Brazil, given the importance of its trade with Europe and South America compared with that with North America, should be more interested in global arrangements. East Asian countries may hanker after an Asian regional bloc, but, given Japan's negative stance and China's dependence on the U.S. market, it is unlikely to emerge. Asians anyway need global markets where their competitiveness can shine. It should not be beyond the wit of WTO delegates to construct a realistic agenda. Labor and environment could get a mention - but subservient to the respective UN bodies which deal with them. Complex new issues like competition policy could be left to major developed countries to discuss among themselves. Freer trade in goods is irrelevant to many developing countries which lack the means to participate. But for the majority who do, China most conspicuously, it is time to take a more forceful and flexible approach to see that the West does not let the WTO process stall.

From [International Herald Tribune](#), by [Philip Bowring](#), 2 May 2001

PLANNING FOR 10th ANNIVERSARY OF EARTH SUMMIT

United Nations -- In the years since the landmark Earth Summit in Rio de Janeiro, the world has forged ahead to feed, clothe and house its people -- at a steep environmental expense, organizers of the next summit said. A decade after Rio, world leaders and environmentalists will gather again in Johannesburg, South Africa, in the fall of 2002 to review the outcome of the ambitious goals adopted in 1992. They will be tackling new issues, as well -- chief among them globalization. Organizers of the World Summit on Sustainable Development, meeting for a first planning meeting Monday, said they were keenly aware that policy-makers have failed to carry out many of the Rio goals. Some environmental issues -- such as so-called "greenhouse gases" blamed for global warming -- have garnered global attention over the decade, but deforestation and other destruction continues, said Emil Salim, the newly elected chair of the summit. Meanwhile, the gap between rich and poor is wider than ever, and hunger and poverty persist worldwide, summit organizers said. "What Rio did was to generate a sense of hope, and I think we all have to accept that there is a certain disappointment in the fulfillment of that," said Nitin Desai, the U.N. Under-Secretary-General for Economic and Social Affairs. "Sustainable development" -- taking the social and environmental impact of every economic decision into account -- was the touchstone of Rio, an unprecedented gathering of leaders from 178 countries, including more than a hundred heads of state. Five years later, the Kyoto Protocol sought to reduce the level of greenhouse gases, which many scientists believe are raising temperatures, by asking industrialized countries to cut heat-trapping emissions. President Bush decided late last month to pull out of the Kyoto treaty, saying stricter limits on gas emissions could weaken the U.S. economy. Next year's Earth Summit delegates also will have to deal with a new driving economic force: globalization of national economies. "Globalization was not a term known in 1992," Desai said. Representatives of non-governmental organizations urged summit organizers to focus on the social impact of environmental destruction, particularly poverty. No date has been set for the 2002 summit. Organizers are planning regional preparatory meetings throughout the year.

From [AP via New Jersey Online](#), by [Jean H. Lee](#), 1 May 2001

UNITED NATIONS UNIVERSITY CALLS FOR OVERHAUL OF UN, IMF AND WORLD BANK

The United Nations, the World Bank and the International Monetary Fund are outdated institutions that need to be overhauled, according to a report by the United Nations University. The report, which was released Wednesday, said the U.N. bodies set up at the end of World War II had failed to change despite the end of the Cold War and a move toward globalization. "The process of globalization has given rise to new problems and governance needs" but the U.N. system has yet to adjust, the Tokyo-based think-tank for the U.N. system wrote. The report also said the moral authority of the United Nations is "seriously undermined because its laws or principles are enforced selectively when it suits the interests of the rich and powerful." It called for repeal of the veto power enjoyed by the five permanent U.N. Security Council members the United States, China, Russia, Britain and France which allows them to block resolutions. The United Nations University prepared the report with input from the U.N.'s Division for Social Policy and Development and Finland's ministry for foreign affairs. The findings are likely to fuel calls by disgruntled foreign governments and international organizations, pushing for reform within the three powerful institutions, which have long been accused of being overly bureaucratic, slow to respond to crises and ineffective. The report said the United Nations should move away from its current system of financing, where nations pay annual dues. The world body should have an independent source of funding which would "loosen the reins of political control now exercised by the powerful member states," it said. The study called for the establishment of an "Economic Security Council," as a means of governing globalization and to provide a platform for discussions on international economic policy. It also suggested setting up a permanent peacekeeping force, which would allow the United Nations to respond urgently to humanitarian crises, without having to muster troops from foreign countries, a process that often takes months. The report said the IMF and the World Bank which lend money to governments often on condition of economic reform also need to change. The institutions sometimes do not help countries they are trying to assist, but make their problems worse, it said. "It is time to reform the reformers," the study said. The World Bank should stop lending money and instead should "transform itself into an

institution more concerned with development" in poor countries, the report said. The IMF should play a constructive role in managing and stabilizing the international financial system, "not only through crisis management but also through crisis prevention," it said. The report called for an end to the IMF's secrecy-shrouded operations and programs, and greater public scrutiny and independent evaluation of its activities. It said greater representation and accountability at the World Bank are "imperative."

From Associated Press, 3 May 2001

'GOVERNANCE, PEACE AND SOCIAL STABILITY' ADDRESSED IN THEMATIC SESSION AT BRUSSELS CONFERENCE ON LEAST DEVELOPED COUNTRIES

Third UN Conference on LDCs- Brussels, 14 May -- The Third United Nations Conference on Least Developed Countries held an interactive thematic session this afternoon on "Governance, Peace and Social Stability", with high-level panellists providing practical examples of good governance and reconfirming the need to build a culture of democracy, with transparent and accountable institutions. In his keynote address to the session, the Administrator of the United Nations Development Programme (UNDP), Mark Malloch Brown, pointed out that good governance was not a panacea, but only one element of a solution. It mattered only if it was tied to strategies to secure much-higher growth rates. It was a means by which society could decide on the allocation of resources and make development an effective process, instead of a violent one. But, problems could not be resolved at the national level without redressing the problems on the global scale. For that reason, he continued, imbalances in international development needed to be addressed, including the lack of access to markets and the lack of foreign investment. To that end, a Trust Fund for Democratic Governance was being launched, and he hoped it would be supported. Partners from both the North and the South were important for the work of such a Trust Fund. Mary Robinson, United Nations High Commissioner for Human Rights, said the importance of the role of human rights in development and governance was no longer accompanied by a question mark. An important shift had taken place in the views on the relevance of the issue. Other speakers had agreed that human rights, in a holistic sense, were becoming an integral part of a broad international consensus. The representative of Malawi, speaking on behalf of some 40 LCD members of the Africa Caribbean Pacific (ACP) Group of States, cautioned about any euphoria regarding benefits to be reaped from trade opportunities. "How can we talk of free trade areas when most LDCs have very little, if nothing, to trade"? he asked. The ACP wanted to see the rapid disbursement of funds aimed at debt relief and also the cancellation of all debt. Among other issues raised this afternoon were migration and refugees, gender equality and participation of civil society and the private sector, capacity-building, anti-corruption efforts and decentralization. The session was organized in two panels. The panel on improving the parliamentary and electoral systems and improving human rights and access to justice included State Minister for Foreign Affairs of Bangladesh, Abu Hasan Chowdhury; United Nations High Commissioner for Human Rights, Mary Robinson; United Nations High Commissioner for Refugees, Luud Lubbers; and a member of Parliament from Uganda, Benedict Mutyaba. The panel on public sector institution performance to enhance good governance, peace and stability consisted of Nepal's Minister of Finance, Ramsharan Mahat; J. Chicote of Angola; Maj-Inger Klingvall, Minister for Development Cooperation, Migration and Asylum of Sweden, Brunson McKinley, Director-General of the International Organization for Migration; and Cheryl Gray, Acting Vice-President and Director, Public Sector Reforms, World Bank. The event was co-chaired by Anne Kristin Sydnes, Minister of International Development of Norway, and Leonardo Santos Simao, Minister for Foreign Affairs of Mozambique. On Tuesday, 15 May, the Conference will hold thematic sessions on: enhancing productive capacities -- the agricultural sector and food security; and intellectual property and development -- an instrument for wealth creation. **Thematic Session: Governance, Peace and Social Stability** One of the session's co-Chairs, Leonardo Santos Simao, Minister for Foreign Affairs of Mozambique, said that over the last 10 years the international community had witnessed a dramatic political, social and economic transformation, which had had a significant effect on the situation in the least developed countries (LDCs). Institutional deficiencies, debt burden and the deepening of poverty were among the impediments standing in the way of achieving good governance, peace and social stability. Appropriate guidelines were needed to achieve those goals. As each country had its own peculiarities, no single formula could be found, however. Among other priorities, he mentioned the importance of decentralizing the system of governance and the participation of interest groups. The rule of law was also an important element, which could be achieved through strong democratic institutions. Governments should be involved in efforts to eradicate poverty and create a culture of peace. Most LDCs lacked the resources to achieve their development needs. The LDCs and their development partners should devote their efforts to improving the standards of living and eradicating poverty. He hoped that the event would result in the adoption of an action-oriented and effective document. **Anne Kristin Sydnes**, Minister of International Development of Norway, and also a co-Chair for the session, said there was broad consensus that governance mattered as a means of: preventing and resolving conflict; providing social stability; promoting economic growth; enhancing public sector management; and promoting sustainable human development. She said the urgency of the issue of governance was underscored by findings of the high-level panel that reviewed the LDC plan of action for the 1990s. That panel found that weak governance in the LDCs had manifested itself in, among other things, poverty, corruption, erosion of norms, and the culmination of socio-political conflicts. There were also, however, some positive changes in a number of the LDCs. Some had embraced democracy and various civil society organizations promoting good governance had flourished, as well. The starting point for good governance was political will, she said. Governments must seek policy responses that reflected national will. She emphasized that the role of donors might also not always be as positive as it was claimed to be at international conferences. She further observed that aid for improved governance in the past might have been overly concentrated on the executive sector. She asked, "Have we done enough to support the building of legal and institutional systems?" The plan of action would commit LDCs and their development partners to take sustained action for good governance. The task today was not to hold an academic discussion, but to create a sustained platform that would deliver. In a keynote address, Mark Malloch Brown, Administrator of the United Nations Development Programme (UNDP), said that good governance had to be looked at in the context of the last 30 years

of economic development. The number of LDCs had, in fact, increased over that period, and many in the 1990s had suffered financial losses. There had been a sharp reduction of official development assistance (ODA) and foreign direct investment (FDI), as well as LDC share in the world trade. It was in that context that good governance had to be stressed. He said, however, strengthening of government institutions in the context of worsening poverty was not "a happy context". Good governance was not a panacea, but only one element of a solution. Tied to strategies to secure much higher rates of growth, it mattered. It was a means by which society could decide on the allocation of resources and make development a transparent and effective process, instead of a violent one. In the view of the UNDP, there was no such thing as a solution at the national level without redressing the problems at the global level. As pointed out this morning, many LDCs had followed the way prescribed for them, liberalizing their economies and opening their markets, yet their performance had not led to an improved economic performance. Some countries, including Mozambique, had been rewarded with strikingly high rates of development, but other LDCs had not been blessed with the same rate of success. For that reason, the imbalances in international development needed to be addressed, including the lack of access to markets and lack of foreign investment. He said a Trust Fund for Democratic Governance was being launched. In many areas, he said, the UNDP was working with other international organizations, including the World Bank and the European Commission. Partners from both the North and the South were important for the work of such a Trust Fund. The building of partnerships should be encouraged for the development of capacity-building. Work against corruption and decentralization was also needed. Efforts were continuing in the development of indicators, which would allow evaluation of the situation in developing countries. He hoped that an international campaign would be built, and that both civil society and the private sector would participate in the international efforts towards poverty reduction, education and health.

Panel I: Improving Electoral and Parliamentary Systems **Abu Hasan Chowdhury**, State Minister for Foreign Affairs of [Bangladesh](#), said transparency, responsiveness and accountability to the people were still the basic foundations for good governance. By their very nature, the states of development in LDCs were extremely varied and circumstances affected processes. He said ensuring an impartial and transparent electoral process was vital for people to exercise their will. Bangladesh was the only country that had instituted a neutral, non-partisan caretaker government. In his country, the electoral process was not a farce and it was the mandate of the people that selected the Government. A grass-roots revolution had been started. There were now 13,000 elected women and members of parliament.

MARY ROBINSON, [United High Commissioner for Human Rights](#), said the importance of the role of human rights was no longer accompanied by a question mark. An important shift had taken place in the views on the relevance of the issue. She said that first there was the broad and balanced approach to human rights that placed equal emphasis on all human rights. That was the approach that made sense to LDCs. She said development agencies were increasingly adopting rights-based approaches. Those were simple approaches, which were grounded in the Universal Declaration of Human Rights, the two main Covenants, the four key human rights treaties, and encouraged governments to report to the various treaty commissions and committees. She also emphasized that the recent thinking on poverty eradication by the international financial institutions drew on human rights directives, such as empowerment. She also drew attention to the growing demand by people in LDCs for human rights education. The human rights community was very focused on governance and even had a resolution on the issue. One priority area for her Office was helping LDCs strengthen the rule of law and prison administration. Achieving that, however, required expertise and support. The Conference must, therefore, be used to double support for the priorities mentioned. She concluded by saying that if "deliverables" were not delivered during this Conference, then coming here today would have been a waste of time.

Ruud Lubbers, United Nations High Commissioner for Refugees, said that refugees were people without a government to take care of them in situations of war and armed conflict. The mission of the Office of the United Nations High Commissioner for Refugees (UNHCR) was to protect them. That was also a duty of governments, acting together. As one of the most vulnerable groups, refugees should be treated with respect. Not many development projects took into consideration the needs of the refugees and internally displaced persons, he said. What was really needed was to avoid such an approach when dealing with the needs of LDCs. A modest percentage of development assistance should be distributed towards refugees and internally displaced persons. People who wanted to once again participate in human life should be taken into account. They had an enormously rich potential for the goals of development and conflict resolution. He thanked countries for their humanitarian assistance and added that changes were needed to return refugees to their countries, where they could play a key role in reconstruction and development.

Benedict Mutyaba, Member of Parliament of [Uganda](#), said that parliamentary institutions and an independent electoral system were needed to bring about good governance and accountability. In many LDCs, such mechanisms were very weak. One of the limitations to their establishment was the lack of resources. That was where the international community could assist developing countries. Civic institutions and political activity were essential components of democratic society. With more than half the LDCs' population illiterate, there were no structures to ensure interface among legislature, government and civil society, he said. Uganda had made sure that youth were represented in Government. One third of any council had to be women, and quotas existed for women in all government structures. People with disabilities were also represented. People needed access to justice. It was imperative to introduce government agencies with investigative functions, to redress the wrongs suffered by people unable to go to court. That had been done in his country. Village councils were useful in conflict resolution, which were empowered to make decisions on minor human rights issues.

Panel II: Improving Public Sector Institution Performance **Ramsharan Mahat**, Minister for Finance of [Nepal](#), said his country had started serious decentralization after the establishment of democracy. Stakeholders were the principal actors and the development process was more demand-driven. Decentralization was a long process and involved the gradual transfer of authority. As such, there were still more than 50 laws, for example, that needed amendment. He went on to say that, nevertheless, from this year onward, full responsibility and authority for primary health care and education had been transferred to local bodies. Twelve per cent of the national revenue had also been transferred to local bodies. Yet, although resources had been put at the disposal of those local bodies, many were hesitant to take decisions for decentralized activities. The Government was, therefore, still called upon to play a key part. He said measurable indicators had also been developed to define the responsibility of civil servants. He said Nepal had suffered from armed conflict through underground attacks by underground Maoist movements. Thousands of lives had been lost. Violence was

preached openly, especially on media, and that was undermining the task of guaranteeing human rights. J. Chicote (Angola) said in the last decade Africa had experienced 19 conflicts and seen about 7 million of its people turned into refugees. The challenge for the continent's governments today was, therefore, how to prevent conflict through sustainable political measures and how to manage policies of national reconciliation. That was the case for Angola in all of its 25 years of independence. Most of all it needed to find solutions to a long-lasting conflict through democratic means. He said his Government had not given up on possibilities for peace through dialogue and negotiation. It had developed a global strategy for peace. It had also identified that the potential for conflict was bred by poverty, exclusion, and lack of education and information. Angola had put \$20 million into a national programme for reintegration and reconciliation that would enable all ex-combatants to start a new life. His Government had also created a \$150 million fund dedicated to poverty eradication. Maj-Inger Klingvall, Minister for Development Cooperation, Migration and Asylum of Sweden, said that to achieve change, it was important to: identify the scale of the problem of poverty; have information and knowledge; and have an effective plan of action. Poverty-reduction strategies were in place to guide national efforts and ensure international support. It was also necessary, however, to challenge the structures that presented obstacles and to prevent armed conflicts. Peaceful mechanisms for conflict resolution must ensure a balanced outcome acceptable to all. Good governance was a tool for bringing about the desired results through political means and, as such, it entailed clear decision-making procedures and transparent structures, she said. That meant that both women and men must take part in the democratic process and that gender mainstreaming should be at the centre of attention. Responsible use of the resources available was also needed to achieve good governance. To that end, Sweden was planning to increase its contribution to development assistance. Brunson McKinley, Director-General, International Organization for Migration, said that the migration issue in the context of LDCs was increasingly important, because those countries were particularly vulnerable to such phenomena as "brain drain" and population loss through migration. No government was dealing with migration in a completely effective way, but all were trying. Among the challenges were having the management capacity for migration, the problem of diasporas and migrants' human rights, he continued. The problem could hardly be resolved on a single-nation basis, and integrated policies were needed for management. The human rights of refugees were not respected in many cases, and countries could hardly defend the rights of their citizens abroad. In the context of the development agenda, the role of migrant communities needed more attention. Cheryl Gray, Acting Vice-President and Director, Public Sector Reforms, World Bank, said the message here was that more aid, trade opportunities and governance were critical. Governance, in particular, provided the opportunity to take better advantage of the former two. The Bank had recently adopted a strategy on public sector reform. It was a multi-pronged approach, since there was no one to answer when addressing the issue of governance. It involved getting government's role right, horizontal and vertical checks and balances, good economic policies and good public sector management. Yet, that was only one part of the equation, she continued. The second part was the bottom-up approach -- addressing the voices that created the demand for reform, paying attention to feedback from citizens and providing transparency. The third part was the forgotten element of competition, which included both the private and public sectors. The second theme of the Bank's new strategy was being cognizant of the fact that there was no one size fits all. One had to understand what was on the ground and look for opportunities. There was no perfect recipe for reform. The representative of Malawi, speaking on behalf of the 40 LCD members of the Africa Caribbean Pacific (ACP) Group of States, said he wished to formally submit a ministerial declaration on behalf of those 40 nations. The Conference was another attempt to address the special needs and challenges of world's poorest countries and to help them move out of the LDC category as soon as possible. The Conference should, thus, chart a path for the graduation of the ACP's 40 LDCs from the list of the 49 poorest countries. The ACP was not proud of the fact that 40 of its members were on the LDC list, and on 12 May ministers of those countries had met in Brussels to examine the challenges before them. The result was the ACP Brussels Declaration that was now before the Conference. The ministers and heads of delegations felt that in the Declaration it was prudent to stay close to issues identified in the programme of action. The issue of poverty eradication was, thus, at the core of development efforts. The root causes of poverty were multifaceted. The ACP firmly felt that for poverty to be eradicated there must be peace and security at the global level. Also, without good governance, collective efforts to stem the tide of poverty would prove futile. He cautioned about any euphoria regarding benefits to be reaped from trade opportunities. "How can we talk of free trade areas when most LDCs have very little, if nothing, to trade?" he asked. Capacity-building should be addressed first. In addition, the issue of the debt cancellation had taken on more prominence and urgency. The ACP wanted to see the rapid disbursement of funds aimed at debt relief and the cancellation of all debt. In his closing statement, Mr. BROWN said that today's discussion could have hardly been possible 10 years before. There had been a sea-change in attitudes, for even less than 10 years ago good governance had not been considered a necessary ingredient for achieving sustainable development. Practical examples had been presented today of good governance in action, and the vital importance of building a culture of democracy and transparent and accountable institutions had been reconfirmed. A truly global movement towards decentralization was becoming obvious. Speakers had stated that local control was needed to resolve the problems of poverty with the involvement of local communities. Summarizing the discussion, he said that it had stressed the overwhelming importance of human rights, including the human rights of refugees and migrants. The importance of global action and development cooperation had been stressed. A minister from Sweden had announced her country's intention to provide additional assistance to LDCs, and he hoped that many countries would follow suit. He hoped many countries would support a trust fund, which was being established to the benefit of democratic governance. There was also demand for advisory support from governments. It was important to establish real respect for democracy and the rule of law, but that would not be an overnight achievement. It was necessary to slowly build on the achievements. Ms. Sydnes agreed with Mr. Brown that over the last few years consensus had developed on important issues relating to good governance. Human rights in a holistic sense were becoming an integral part of such a broad international consensus. She summarized the preceding discussion, stressing the problems of refugees; institution-building; gender equality; and participation of civil society and the private sector. Common moral obligations were increasing due to the fact that more was known about poverty and more resources were available to fight that phenomenon than ever before. In conclusion,

Mr. Santos Simao added that the list of LDCs should decrease with years, and if the spirit of today's discussion prevailed, the next Conference would be able to address the problem of fewer poor countries in the world.

From UNHCHR, 16 May 2001

CUBAN PRESIDENT DENOUNCES GLOBALIZATION DURING MALAYSIA VISIT

Kuala Lumpur - Cuban President Fidel Castro called globalization a form of plunder Friday, and held talks with Malaysian Prime Minister Mahathir Mohamad, another prickly critic of the U.S. The Cuban leader received an extra-red carpet welcome at the start of his three-day visit to Malaysia and was greeted by an honor guard, saluting cannons and the country's king. Taking a page from Mahathir's speech book, Castro gave a foreign policy address and said the U.S.-led drive toward freer trade and globalization were enriching wealthy nations at the expense of the poor. "Neo-liberalism and globalization and the way they are being implemented today are tantamount to new and sophisticated forms of plundering," Castro said. Castro had met Mahathir at a hotel before the two men boarded a limousine together for official talks at the prime minister's office in his opulent new capital city, Putrajaya. They witnessed the signing of a framework agreement on economic, scientific and technical issues. Malaysia, the world's largest palm oil producer, will extend another \$15 million of palm oil credits to Cuba. "They talked a great deal about creating a more just and equitable world order," Malaysian Foreign Minister Syed Hamid Albar told reporters. "The meeting was very successful." Both Castro, 74, and Mahathir, 75, share a deep suspicion of the U.S. But Castro's communist Cuba is one of the Western Hemisphere's poorest nations, while capitalist Malaysia is one of Southeast Asia's richest. The U.S. is Malaysia's largest trading partners, while Cuba languishes under a four-decade trade embargo. Castro urged Malaysian businessmen to invest in his poverty-stricken country, especially the tourism sector, and expressed hope that Cuba can emulate Malaysia's progress, Syed Hamid said. Castro was also impressed by Putrajaya. Syed Hamid quoted him as saying that "history will show that it's the correct project." Critics have called the creation of a new capital city from scratch wasteful. Mahathir has a penchant for large projects, building the world's tallest buildings and an ultra-modern airport. The visit to Malaysia comes a year after a summit of 77 developing countries in Cuba which Mahathir attended.

From [Dow Jones via Yahoo](#), 11 May 2001

THE GLOBALIZATION DEBATE

Regarding "Why Sentimental Anti-Globalizers Have It Wrong" by Paul Krugman: Mr. Krugman risks finding himself just as guilty of oversimplification as he claims the Summit of the Americas activists to be. Why portray these activists as so simple-minded that the best argument they can make is "simple outrage against global trade"? Maybe there are aspects of globalization and free trade that are worth thinking critically about, which the protesters are rightly trying to bring to the public eye. In thinking critically about the changing world, are the Quebec activists "doing their best to make the poor even poorer," or simply expressing one valid viewpoint, within a democratic system, on the very complicated issue of global equity? Even very difficult labor at incredibly low wages is often the best alternative for people in developing countries. But this is not to say that every aspect of globalization is good for everyone, and that there is nothing left to think critically about. We should not assume that there is no alternative, that all of the hard decisions on globalization have been made and all that is left to do is accept the reality. Maybe the questions of global equity are complex enough for Princeton professors, heads of state and liberal protesters to all have a fair say. Regarding "Ghost Towns Mark Globalization's Path" (Opinion April 26) by Michael Kelly: Mr. Kelly sounds like someone who has had too much of a good thing and does not want to share it. Globalization is an extension of the ideals that America has long been trying to sell to the world and has often failed to practice at home. Those in the United States who are against globalization are also against allowing poorer countries the access to the same process that gave the American people their way of life. Having a car and retiring on a decent pension is the aspiration of all, not a preserve of Americans. Mr. Kelly should be reminded that the United States became rich with the hard work of immigrants from the very countries that may now benefit from globalization.

From [International Herald Tribune](#), 8 May 2001

Governance Systems and Institutions

AFRICA

GHANA: HERE COMES THE SUN

The good news from Ghana, the West African state from which so many black Americans trace their roots, is that after decades of political mismanagement it is finally following the first rule of holes. The first rule of holes states: "When you're in a hole, stop digging." Having had its first-ever peaceful, democratic transition from one elected government to another last December, Ghana's new president, J. A. Kufuor, has a clear mandate to stop digging. Mr. Kufuor was elected by a solid majority by calling for improved governance, an end to official corruption and a renewed effort to expand trade and attract foreign investment. That's the good news. The bad news is: The hole Ghana has dug itself into is really, really deep. Half of Ghana's government budget goes to pay just the interest on its domestic and foreign debts, accumulated over years of idiotic African Socialism, plunder by leaders and weak governance, compounded by poor oversight by the I.M.F. and World Bank. "The problem for us," President Kufuor said in an interview at his home, "is that you feel like you're in a hole, and you want to get out, and you hear all these noises and all this activity coming from the top of the hole. It leaves you feeling that everyone up there is busy and active and you feel very much alone. I want to feel that there is someone out there with some humanism to stretch back to me and help me out." What is encouraging about Ghana is that the impulse for reform here was driven by the people below, not just the pols above. What worries Ghanaians, though, is that after so many years in the third world they may not be able to compete in the Fast World. I gave a talk at the University of Ghana, and afterward one student asked me: "Will the world have empathy for us?" — as Ghana tries to go down this new path. "No," I said, "the world will have no empathy for you, but that's not what you want anyway! You want to appeal to greed. You want to create a sense of opportunity here that will attract wealthy Ghanaians to bring their money back home and create jobs. You want investment, not pity." The dependency culture here is so deep, though, this logic is very new. Then another student asked: If it's true that in the age of globalization the big don't eat the small but the fast will eat the slow, what is Ghana to do? "We're naturally slow here," he said. "We eat slow. We talk slow. We sing slow. We like things slow. How will we compete in this world?" Direction is more important than speed, I argued. Ghana has been on the wrong road for so long its per- capita income is now \$1 a day. It needs to get on the right road and go at any pace it can. Ghana is rich in human and natural resources. What it has lacked are good fundamentals: institutions, decent schools and legal frameworks to get the most out of those resources. The secret for success in globalization is all about building good fundamentals — not modems or bandwidth. "The lack of good governance is the bane of Africa," said Papa Owusu-Ankomah, deputy majority leader of the Ghanaian Parliament. "Without strong institutions we can't check abuses of power, and that has been the source of all our problems." But generating institutions is not easy. Historically there are two ways: One is the way America got them — through evolution: 200 years of slowly evolving the habits and laws to govern a modern society. The other way is how India or postwar Germany and Japan got them — through imperialism: someone comes from abroad and imposes democratic structures until they take root. The problem for Ghana, and the rest of Africa, is that it is too early for evolution — that takes decades — and it is too late for imperialism. It will have to find the energy from within. Mr. Kufuor's election signals that Ghanaians want to try. Mr. Kufuor says he intends to try. The Bush team should go out of its way to help Ghana — now — with conditional aid. That is, aid, and debt relief, tied to the building of real institutions. The dawns are always spectacular on the vast African continent, but false dawns abound here as well. Just look at Nigeria and South Africa, whose democratically elected leaders are slowly sinking away. Ghana now offers the best chance to establish an African model for free-market democracy. Here comes the sun. Let's hope it's really rising, and if it is, let's do our part to keep it up there.

From The New York Times, by Thomas L. Friedman, 4 May 2001

BOTSWANA TO JOIN HANDS IN FIGHT AGAINST CORRUPTION, SAYS MOGAE

President Festus Mogae has called upon Botswana to join hands in the fight against corruption because in so doing they would also be fighting poverty, illiteracy and all the vices that are a product of a corrupt society. Opening the P25 million headquarters of the Directorate on Corruption and Economic Crime (DCEC), Mogae said the building is a measure with which government views acts of corruption and economic crime. Mogae said the headquarters, built within 10 years of DCEC's existence, shows the organisation's determination to combat the twin evils. He said the office accommodation would not only serve the headquarters needs of the DCEC but also as a monument of government's commitment to ensure that the department has resources for operational efficiency and effectiveness. "This is proof, if any is needed, of our political will to continue to suppress corruption for as long as it takes to eradicate it completely," he said. Mogae emphasised the need to ensure that corruption must never be allowed to germinate and take root in any society and must be nipped in the bud before it becomes sophisticated to a point where it threatens the fabric of that society. In a society where corruption has reached endemic proportions, nothing is done without greasing peoples palms such that a bribe to the right person will enable one to pass exams, get a driver's licence, land a contract or even win a law-suit. The president further said the anti-corruption posture adopted by government is to ensure that corruption does not erode the gains achieved over the years which are fruits of national principles such as promoting social harmony, good governance, respect of human rights and the rule of law. Transparency International currently ranks Botswana as one of the least corrupt countries in the

world. Mogae, however, warned that this ranking should not make Botswana complacent. "I would be very pleased indeed if it were possible for DCEC to eradicate corruption to a point where it would never reoccur and Katlholo and his team could be re-deployed," he added. President Mogae said Botswana should not delude themselves about the nature of corruption because in the foreseeable future DCEC will be at the cutting edge of fighting it and those departments eyeing the DCEC headquarters will have to wait patiently. Tymon Katlholo, the director of the DCEC, said the headquarters building is one of the milestones of government's effort to support DCEC. Katlholo said when the department started it operated from rented accommodation which did not meet special operational needs unique to an anti-corruption unit such as security.

From [Republic of Botswana](#), 14 May 2001

ASIAPACIFIC

IN INDONESIA, CORRUPTION IS A WAY OF LIFE

The arrest in Indonesia this month of former Suharto cabinet minister Ginandjar Kartasasmita on suspicion of corruption is a refreshing development. He was charged with causing a \$US24.8 million (\$A47.89 million) loss to a state-owned oil company when he was mines and energy minister. The arrest of the hitherto healthy Ginandjar coincided with his visit to a Jakarta hospital for an undisclosed illness. Ginandjar is probably laying the foundations for wriggling off the hook, but at least for now he is on it. There have been all too few arrests in Jakarta for corruption, given that the country is rife with it. Ginandjar is one of many former cabinet ministers and other senior officials who should be investigated. Ginandjar's brother Agus, for example, developed the Catur Yasa group of companies whose interests bore a striking resemblance to the sorts of activities in which Ginandjar's ministry was responsible for doling out tenders in engineering, mining services and construction. Leaving the Suharto cabinet with great wealth and with one's family owning a conglomerate after entering it with little was usual practice. But while top-level corruption tends to get all the press, it should not be forgotten that in Indonesia every strata of society is riddled with it. Indonesia's judiciary is perhaps more corrupt than anywhere else in the world. New bankruptcy laws were introduced after the economic crisis. But they have been a miserable flop. As usual, the problem is not with the laws but their enforcement. Many and probably most Indonesian judges take bribes, and judging from the results of recent bankruptcy hearings, corruption is at play here, too. In March, even a unit of the World Bank lost a claim against a local finance company to which it had lent money, after the finance company could not repay the World Bank because it had lent \$US160 million to a company whose directors address turned out to be a north Jakarta noodle and rice porridge shop. This farcical situation is far from isolated. Many positions in Indonesia's bureaucracy effectively are auctioned. These include the more desirable positions for traffic police, customs and immigration officials, and court clerks. Junior officials must pay their superiors a quota from their earnings to secure these spots. Money raised by taking bribes from the public over and above their agreed quotas, they keep. Those who fail to meet their quota are moved on and replaced by those who can. The practice is similar to what occurred in the Christian church in 11th century Europe. The position of bishop made a man wealthy and powerful, so many were prepared to pay to become one. If you could not pay up-front, you could usually negotiate to pay the agreed sum to the ruler who had nominated you, after you had been appointed. The practice was known as simony. Even Indonesia's embassies are not immune from the Indonesian version of simony. Some consular staff buy their positions around the world and use them to raise cash from people who need to renew a visa to return to Indonesia and the like. To avoid deliberately slow processing, many applicants have learnt that they must pay an additional fee. Most diplomat postings are for three or four years but it is not uncommon for Indonesian diplomats to stay in a post for much longer. Sometimes it is because they are exceptionally good at their jobs and are serving their country well. Other times it is because they have bought the right to stay there, and use it to haul in cash. Immigration officials at any of Indonesia's international airports frequently and brazenly ask for bribes from people as they present their passports for stamping. Next to the row of immigration counters at Jakarta's international airport is a small room to which any foreigner or Indonesian national whose papers are not in order are directed, and where entry to Indonesia routinely can be bought for as little as \$US50. Business travellers are most at risk of being asked for bribes, as are Indonesia's minority Chinese. Jail wardens too are well-placed to collect bribes. On the rare occasion that important business people are jailed in Indonesia, they often can bribe themselves out on regular day release to attend to work matters during the day. A recent acknowledgment of the practice came just a few weeks ago when it was announced that one of the few corporate miscreants to actually go to jail, the corrupt Suharto crony and businessman Bob Hassan, would be transferred from a Jakarta jail to one on an island. Hassan, it was rumored, had been seen playing golf once too often when he should have been in jail. On several occasions when I have given speeches in Asia, audience members have sought to point out that corrupt behavior exists everywhere. Just look at Alan Bond in Australia, they say. But Bond was jailed. And he could not bribe his way out for day release because he felt like going to a nice restaurant or playing a round of golf. But corruption is why remarkably few of Indonesia's corporate criminals have fled Indonesia. The criminals can use bribes to ensure they are not charged. In the unlikely event that this fails and they have to go to jail, they know they can bribe their way out. This is why the Suharto clan has not fled. Haile Selassie of Ethiopia, Ferdinand Marcos of the Philippines, and Francois Duvalier of Haiti fled. But not Suharto. Staying at the scene of the crime was his safest option.

From [Melbourne Age](#), by Michael Backman, 2 May 2001

MUMTAZ SLAMS GOVERNMENT FOR RESURRECTING DISCARDED PARTIES

Chief of Sindh National Front (SNF) Sardar Mumtaz Ali Bhutto has claimed that the present government during its one-and-a-half-year tenure has dashed expectations of masses they had pinned on it following the ouster of Pakistan Muslim League (PML)

government on October 12, 1999. In a statement issued here Monday, he asserted that the people had taken a sigh of relief after the military take over. Moreover, the loud promise of putting the sagging economy on right track, ensuring good governance and rooting out perennial tensions between provinces earned the government a welcome from the masses. However, within a short span of one and a half years, the government landed itself in serious trouble by giving new lease of life to "discarded parties" like PML and PPP through illogical and arbitrary policies which aggravated masses' woes, he added. According to him, the government is seeking to prolong its rule by seeking support of the "rejected parties" like PML and PPP. This can be gauged from the fact that it has reorganized the worst faction of the Muslim League consisting of professional turncoats who stabbed Nawaz Sharif in the back while he was in jail besides holding dialogue with the PPP to gain its support, he observed. Citing various turnabouts which took place in the country's history, he said the U-turn taken by the government has no precedent. The promises of taking to task corrupt, incompetent and discredited politicians were hollow slogans aimed at hoodwinking the masses as they all were moving scot-free without facing any trial, he added.

From [DAWN Group](#), 30 April 2001

CORRUPTION 'NO LONGER MORALLY ACCEPTABLE' IN SOUTHEAST ASIA

Corruption must be tackled if Southeast Asia is to become more economically competitive and woo business back to the region, says Simon Tay, chairman of the Singapore Institute of International Affairs. The issue is now being discussed at a two-day conference which opened in Singapore Thursday. Political turmoil in the region is a sign of things to come, as people start to rebel against the notion of corruption in government. Corruption has become increasingly morally unacceptable since the Asian financial crisis in 1997, Mr. Tay said. "Whatever the problems are today -- about Wahid's Bulloggate, investigation of Thaksin, allegations against Estrada and plunder - this shows that people are no longer taking this as part of the normal way things are done, that rightly or wrongly, they're going to go after their top leaders for these kinds of problems and if that comes true, things have happened more quickly than we think," he said. Geni Achnas, executive director of Yayasan TIFA (Indonesia), added: "People are aware now that they should not be giving bribes for a service which is free, for example. So yes there is in Indonesia, it's promising but then it's promising from the civil society end because we're now aware of our rights but I don't see such promise in the way the government is working right now." Dr Nam Viyaketh, Deputy Auditor-General of Laos' State Audit Authority, said that from his country's own experiences, tackling corruption is a "difficult" task that will take long time. Opening the conference, Minister of State for Home Affairs and Law Ho Peng Kee described Singapore's constant vigilance, in spite of high ratings by international agencies for its efforts.

From [channelnewsasia.com](#), by Hwee Goh 10 May 2001

ECCENTRICITY NO BAR TO GOOD GOVERNANCE IN TAMIL NADU

Tamil Nadu in south India has been run for 34 years by a succession of scriptwriters and matinee idols. When its voters elect a new state assembly and government on Thursday, among their choices will be two ruling coalition candidates called Stalin and Napoleon. Yet the Tamils have simultaneously managed to create a relatively successful and balanced economy, with comparative social harmony and little of the sectarian strife that has scarred other regions of India. Eccentric politics does not, in this case, appear to be a bar to good governance. The goodness of the state's governance is, again, relative. Jayaram Jayalalitha, the actress and former chief minister, who is staging an impressive comeback, was recently convicted of taking kickbacks from the sale of state land. Electoral officials therefore barred her from standing, but she says this is no impediment to her holding office should her coalition win, as the polls suggest it will. Fighting against her is Muthuvel Karunanidhi, the current chief minister and an acclaimed scriptwriter, popularly known as the *Kalaingar* or artist. Indeed, so great is the hold of the film industry on local politics that Mr. Karunanidhi's son and presumed heir, the aforementioned Stalin, is now being pictured in party propaganda with a pen in his hand. Celluloid politics is all pervasive, from the huge film-poster cut-outs of the principal leaders across the Madras skyline, to the *tableaux vivants* that the rival cadres stage in the villages to enact the sins of their opponents. Both Mr. Karunanidhi and Ms Jayalalitha emerged from the Dravidian movement, a Tamil and south Indian cultural nationalism that in its origins was militantly secular, egalitarian and opposed to the Brahmin-dominated caste system. Film emerged as the movement's main propaganda weapon and became rooted in local politics after M.G. Ramachandran, screen idol, captured power in 1972, wooing his millions of followers with an almost para-religious iconography still visible across the state. Now, however, both Mr Karunanidhi's DMK and Ms Jayalalitha's AIADMK are, in effect, one-person parties with nothing to separate them but their larger-than-life leaders. Cho Ramaswamy, an independent conservative, editor of a local weekly and also, inevitably, actor and scriptwriter, says: "There is no ideological difference between the two - all that divides them is their egos". Despite this odd set-up, Tamil Nadu last year overtook Maharashtra in western India as the country's biggest magnet for private investment, according to the Centre for Monitoring the Indian Economy, a think-tank. One reason for its success is that multinational investors in the state have not been shaken down for "contributions" to party funds - a practice common throughout India. Local officials and businessmen say, for instance, that specific instructions were given to "leave Ford and Hyundai alone". The two carmakers set up big plants in the state in the 1990s, attracted by a high level of skills, good infrastructure and a high density of components companies. Professor R Natarajan, director of the elite Indian Institute of Technology in Madras, says an important part of the recipe is "the enlightened approach of the bureaucrats". "It is a very well-oiled machine," says a leading software developer. On the east coast of peninsular India, the Tamils also have a long trading and entrepreneurial history. Venu Srinivasan, chairman of Sundaram Clayton, an internationally benchmarked car components manufacturer, says by way of illustration that he has a collection of Roman counterfeit coins dating back 1,800 years. "We have always lived on our wits," he says. Unlike Bangalore and Hyderabad, rival information technology hubs in south India, the

foundations of Madras's prosperity were laid by private rather than public investment. Bangalore, for example, hosted national aerospace and nuclear institutes before moving on to software. This difference has tended to give the Tamil economy greater balance and diversity. Venkataram Raja heads Ramco Systems, a fast-expanding software company. Unlike many rivals, however, it grew organically, beginning as a service to "old economy" businesses in the Ramco group. From this platform, it has taken off. "I have to expand by 700 to 1,000 people in the next six months if I am to meet my commitments," Mr. Raja says. He attributes part of the success of his business and the state economy to the existence of quality engineering colleges. "Talent here is good, we have probably one of the best education systems in India." Tamil Nadu spends more than double the Indian average, or about 6 per cent of its budget, on education. But "it's not just the higher education that makes the difference, it's that the schooling system is better in south India," Mr Raja says. Local businessmen cite two other important ingredients in Tamil Nadu's success: a degree of land reform that has spread some prosperity to the countryside, and greater social mobility than the Indian norm of rigidly stratified castes - though that may be changing now the two main political blocs have started forging caste alliances. But an overarching feature of Tamil Nadu's progress is the progressive leakage of power from the centre to the regions. "The states are now emerging as key players in their own destiny," says Mr. Karunanidhi, who typifies the greater assertiveness of regional leaders in the age of coalition politics. His DMK is allied with the ruling Bharatiya Janata party (BJP) in Delhi and he and other southern leaders have used the alliance at the centre shrewdly to boost local leverage, a trend that looks set to continue. "We have a federal constitution but it has several unitary aspects to it," says Cho Ramaswamy. "Ultimately, these features may have to go and we shall become fully federal."

From [Financial Times](#), by David Gardner, 8 May 2001

EUROPEICIS

TURKEY: LOANS BRING NEW HOPE AMID SCANDAL

New loans for Turkey have brightened the outlook for the country's economy, but the resignation of its energy minister could mean dark times for the government. A widening corruption scandal in the nation's energy sector may also put the pipeline plans of Caucasus countries and Russia at risk. Turkey found hope for economic recovery Friday with the pledge of new loans, but a cloud of corruption continued to hang over the country as its energy minister resigned. The news was mixed for crisis-torn Turkey as markets celebrated a pending package of \$10 billion in loans from the International Monetary Fund and the World Bank. The aid, which has been sought by Economy Minister Kemal Dervis, could help the country snap back from the fiscal crisis of the past two months. Turkey's currency has plunged since February, when a row erupted between the president and prime minister over corruption in the nation's banks. In addition to loans, the IMF has given Ankara a positive forecast in the past week, predicting that the tattered economy will rebound in 2002 with growth of 4.9 percent. But not all the news has been good. According to several reports, the United States has opposed any bailouts by the G7 group of industrialized countries. Such aid normally accompanies large rescue plans that are led by the IMF. The New York Times quoted one unidentified person involved in negotiations as saying, "The U.S. has made clear that it's three strikes and you're out." Turkey has also agreed to implement 15 legal reforms in order to win release of the loans. Although no link has been shown, it may be no coincidence that a scandal in the country's energy sector has also come to a head. At a press conference Friday in Ankara, Energy Minister Cumhur Ersumer announced that he had resigned. Ersumer, who fought off a censure motion in January, was cited last week in an official bribery and kickback investigation, code named "Operation White Energy." The probe of contracting for power plants and energy projects led to indictments of 15 individuals last week. Officials targeted by the investigation have named Ersumer, who blamed the actions of subordinates for steering contracts to favored firms. Ersumer, who denied wrongdoing, has so far been shielded by immunity as a cabinet member. It is unclear whether prosecutors will be able to pursue him without parliamentary consent. But the corruption allegations in the energy sector could affect countries from Russia to the Caucasus and Central Asia, all of which are depending on Turkey as a market for exports of oil and gas. Turkey's many promises to buy gas from Russia, Iran, Azerbaijan, and Turkmenistan all rely on building power plants to use the fuel. The country is far behind schedule and likely to slip further because of the economy and the investigation. Ersumer has also been a key figure in negotiating the construction of Caspian pipelines. Most of the lines are still in the planning stages. But Russia's controversial Blue Stream gas project has also come under scrutiny. Turkish prosecutors said in January that they were looking into tenders for work on the pipeline, which has been largely completed on land but has yet to cross the Black Sea. The underwater section would be the deepest pipeline in the world. Last week, industry analyst Ferruh Demirmen raised a series of troubling questions about Blue Stream in a commentary for the Turkish Daily News. Most of the suspicions are based on reports that Turkey's pipeline monopoly Botas made a \$52-million advance payment to the consortium that was hired to build the line from the Turkish port of Samsun to Ankara. Demirmen said the unusual pre-payment took place six months before construction began. The OHS consortium, which has been linked to Turkey's Motherland Party, was chosen without competitive bids. Demirmen also raised doubts about the 1997 gas purchase agreement signed by the former prime minister and Motherland Party member, Mesut Yilmaz, with Russia's Gazprom. Yilmaz is now deputy prime minister in the current coalition government. Ersumer, who also belongs to Motherland, briefed parliament on the contract, including the gas price, last June. But the meeting took place in closed session with the records sealed for 10 years by law. Demirmen cited reports that Blue Stream gas will cost far more than fuel from either Turkmenistan or Azerbaijan. Demirmen also argued that Blue Stream has caused Turkey to minimize purchases of cheaper Azerbaijani gas because the country is now committed to buying more gas than it can use. It is not clear how many of the problems are due to poor planning or bad intent. But there is little doubt that Turkey's injured economy can ill afford to buy gas from the most expensive source. At this critical point, Turkey's energy plans seem to be facing a host of problems that could threaten completion of pipeline plans. Investigations may slow the building of power plants, while fiscal discipline may force an end to the excessive commitments to buy imported gas. The government also faces the crucial test of whether it will allow

investigations to proceed. Foreign lenders seem to be coming to Turkey's aid, as they have in the past. But they could prove reluctant to keep financing a system that has created so many problems for itself.

From [Radio Free Europe](#), by Michael Lelyveld, 1 May 2001

CORRUPTION IS AN INSULT TO THE POOR

BRUSSELS Most of us who enter politics do so because we hope to change things for the better. Tackling world poverty is an obvious ambition. Yet in the world today millions of people continue to live in conditions that most Westerners can barely imagine. This week the European Union is hosting a UN conference on the problems of the so-called least developed countries. All the richer nations should shoulder their responsibility. In recent years development assistance has actually decreased. The European Union recently decided to grant duty-free and quota-free access to all products from the LDCs except arms. It is a radical step, and a major contribution to those countries' development potential. I urge other industrialized countries to follow suit. But trade is not the whole story. We must ensure that gains from increased trade really will be used as a tool to combat poverty. The EU has recently adopted some concrete initiatives that I hope will give others food for thought. I would like to stress good governance and the fight against corruption. No amount of money from the rich West will help unless our anti-poverty strategies are combined with a drive for democracy, human rights and the supremacy of the rule of law. Corruption is an insult to the poor, and we should all put the fight against corruption at the core of our policies. May this conference lead to a global program in which the LDCs and their partners agree on an overall framework for sustainable development. A long, hard fight against poverty will stretch into the years ahead. As always, it is not words at the comfortable conference table that will make the difference, but action and long-term political commitment.

From Romano Prodi, president of the European Commission, 16 May 2001

MIDDLE EAST

IRAN'S KHAMENEI CALLS FOR ANTI-CORRUPTION DRIVE

Iran's supreme leader has called for a crackdown on rampant corruption, rejecting concerns that tough action may discourage investors, the official IRNA news agency reported Tuesday. Ayatollah Ali Khamenei ordered security forces and state auditors to work together to "eradicate financial and economic corruption." "The crackdown will not undermine guarantees for economic activity and investment," Khamenei said in a letter to the president, judiciary chief and parliament speaker. "Some may wrongly believe that a campaign against corrupt people and those who misuse our national wealth may lead to economic insecurity and a flight of capital. "On the contrary, this drive will create a secure economic atmosphere and confidence for those who want to have sound economic activities," Khamenei added. Economists have said that a similar campaign launched in 1997, which led to the arrest of several Tehran city officials and wealthy real estate developers, had scared away investors. The reformist government of President Mohammad Khatami has repeatedly called for the creation of safe conditions for private investment to lift the economy from recession. Reformists have accused conservative-led courts of targeting pro-reform officials in the anti-graft drive, a charge denied by the judiciary. Khamenei said there should be no discrimination in the fight against corruption. "No institution or person can exempt themselves from investigation by using their supposed ties to me or any other official," he said. Khamenei, whose powers dwarf those of the president, appoints the heads of a number of government bodies and state-affiliated foundations which control large sections of Iran's economy. Khatami, who still enjoys public support despite political setbacks in the face of hard-line opposition, has not yet announced whether he intends to seek re-election in a presidential election next month.

From CNN, 2 May 2001

THE AMERICAS

PUSHING FOR A BETTER GOVERNMENT – VOLCKER TOUTS PUBLIC SERVICE

Newark - Students should consider entering public service and the world's richest nations should help the poorest, the nation's former banking chief said Monday. Former U.S. Federal Reserve Chairman Paul A. Volcker, who is credited with crushing the nation's double-digit inflation during the 1980s, appeared at the University of Delaware, where he received an honorary doctor of laws degree and spoke to students and faculty. In the morning, he gave a lecture on globalization and finance. During the afternoon, he talked about the importance of government and public service. Volcker was Fed chairman from 1979 to 1987. The prospect of a career in government, he said, has lost much of the luster it held when he graduated from college in 1949. "The interest and enthusiasm is, I'm afraid, sharply diminished," Volcker said. Today's culture puts a high value on careers in private companies, he said, adding that cynicism about Washington politics discourages young people from seeking government jobs. "I know it's the private sector that guides the economy," Volcker said. But he added that all citizens have a responsibility to improve the way government works. The U.S. economy would not be as strong as it is, he said, without government agencies such as the Securities and Exchange Commission to help protect investors and without anti-trust enforcement to preserve competitive markets. Student Nicole Bennett, 20, listened to Volcker's speech at Mitchell Hall and agreed, saying many young people feel alienated from government. "I think the government doesn't focus on young people, so our interests aren't taken into account," she said. Volcker

said he is concerned there might not be enough people willing to replace a retiring generation of civil service workers. But student Laurel Kozeradsky, 21, said she believes there will be enough young people who want the satisfaction of serving others. Monday morning, Volcker discussed the growth of global trade and finance, an unstoppable trend that he said is fueled by worldwide communications. "I have personally come to the conviction that the full implication of a truly global system of trade and finance will ultimately be a common currency encompassing most of the world," he said. "But I am realist enough to know that is not a project for my lifetime." He said the world's richest nations can work toward a common currency by stabilizing significant swings in the exchange rates of their currencies. That would help small, developing nations grow and encourage them to relinquish independent monetary policies. He cited the European Union and its currency, the euro, as an example of how nations are coming together economically. Volcker was appointed Fed chairman in 1979, serving two terms under Presidents Jimmy Carter and Ronald Reagan. One of his most significant moves was to change the Fed's approach to fighting inflation. Rather than pursuing stable interest rates, Volcker controlled money supply. That led to interest rates of more than 20 percent in 1981. It drove a recession but broke the back of inflation, which had exceeded 13 percent in 1979. By 1986, inflation had fallen to 1.1 percent. It has since remained in the range of less than 4 percent. Many observers credit Volcker with laying the foundation for the decade-long economic expansion of the 1990s. He retired in 1987 and was succeeded by the current Fed chairman, Alan Greenspan.

From www.delawareonline.com, by Bill Yingling, 1 May 2001

CUBA'S ANTI-CORRUPTION MINISTRY



Castro began an anti-corruption drive six years ago - The Cuban Government has set up a ministry to root out corruption and improve efficiency in its economy. An official statement said the new Ministry for Auditing and Control's aim would be to elevate and guarantee honesty and discipline in the administration of state resources. It is the biggest step so far in a campaign begun six years ago by President Fidel Castro to reduce corruption and black market activity in the country's tightly controlled state-run economy. One of the main reasons Mr. Castro was swept into power more than 40 years ago was because of the enormous public discontent with the massive corruption under the Batista regime and most previous Cuban presidents. Today's Cuban leaders do not lead ostentatious

lifestyles and are keen the Cuban public sees them as honest and clean-living. When corruption among senior officials does come to light, it is dealt with harshly. The country's fishing minister was recently removed from his post for receiving what were officially called unacceptable gifts. Nothing has been heard from him since. Cubans have been legally allowed to hold US dollars since 1995, and the dollar now operates in Cuba in a kind of two-tier economy alongside the Cuban peso. The peso buys basic food items, the dollar buys almost everything else, from electrical goods and cars to clothes and meals in the better restaurants. Cuban officials fear that some Cubans, especially those who deal with foreign companies, may be tempted by the lure of the dollar. Foreign businessmen operating in Cuba, however, say levels of corruption are far lower than in most other countries in Latin America - in a recent speech, President Castro challenged critics to try to find a foreign bank account being held by any Cuban leader. He had earlier warned that corruption played a big role in the collapse of the former Soviet Union. He imposed a strict ethics code for officials, new laws against white-collar crime and measures to improve accounting practices. The setting up of the new ministry is another warning from the Cuban Government that corruption will not be tolerated.

From BBC, by Daniel Schweimler in Havana, 4 May 2001

'WE'RE TRYING TO STOP CORRUPTION...'

They were white and black, old and young, Protestant and Catholic, but all came with the same message: Violence and racial tension will not be tolerated in Beaver County. About 150 people gathered in Beaver Falls on Saturday to speak out against the killing of Aliquippa police officer James Naim. While it was Naim's killing that brought them together, the folks singing and quoting Scripture on Seventh Avenue said the murder was only a symptom of a wider problem. "We're trying to stop corruption in Beaver County before it gets to the point of what happened to officer Naim," said Lynwood Alford of Beaver Falls. "We want to cut it off." That and the racial tension that surfaced after the execution-style slaying of Naim, 32, in Aliquippa's Linmar Terrace housing plan on March 15. Residents in the predominately black housing project complained that white police officers verbally abused them in the hours after the shooting. Naim was white, and his accused killers are black. The residents have filed formal complaints with the Beaver County chapter of the National Association for the Advancement of Colored People. "There's an undercurrent going on here," Alford said. "It's one of these 'we won't talk about it' undercurrents." The point of Saturday's "peace in the valley" event was to show that all Beaver Countians - white and black - care that a police officer was killed and want to do something so it won't happen again. "I believe this is like a disease," said Wyman Dean, youth pastor of the Holy Spirit Fellowship Church in Beaver Falls. "If you're going to cure it, you've got to do something about it." Alford said he was asking for divine guidance after the Naim killing and came up with the idea for a series of events across the county where people from all races, denominations and walks of life could come together with a message of unity. The first happened Saturday outside the Beaver Falls Carnegie Library. The next is scheduled for August, also in Beaver Falls. But Alford said more events in other parts of the county would follow. "We love one

another here," he said. "That's why we want to reclaim the future for peace in the valley for Beaver County." Representatives from about 17 county churches organized the event, which featured a religious program of singing, preaching and praying. Musicians and speakers performed on a large flatbed trailer that was parked on the curb. Thirteen members of a youth group from the Wayman Chapel in New Brighton performed mime to music. Known as the Covenant Keepers, the kids said they act out the words in the name of Christ. "We're hoping to minister to people our age and maybe older," said Desiree Bentley of Beaver Falls. But not everybody on hand came as part of a church group. Karen Rogers of North Sewickley Township, who had a passel of foster children in tow, said she was just passing through town and was curious about the commotion. "I found out it was gospel, and I said, 'We're here.' Beaver County needs it." Bob Bauder can be reached online at bbauder@calkinsnewspapers.com.

From Times, [By Bob Bauder](#), 13 May 2001

BRAZILIAN GOVERNMENT SEEKS TO BLOCK CORRUPTION PROBE

Brazil's labor minister took a leave of absence Wednesday to return to the legislature, where he hopes to lobby against a proposed inquiry into high-level corruption that has already prompted one government minister to resign. Francisco Dornelles asked for time away from his post to return to the Chamber of Deputies, where he will try to rally pro-government forces to prevent the creation of a bicameral committee to investigate government corruption. President Fernando Henrique Cardoso opposes forming such a committee, saying it would keep Congress from taking up pressing economic reforms and would turn into a political circus in the run-up to next year's national elections. To head off the probe, he recently appointed a special investigator to examine all charges of corruption. On Tuesday, Fernando Bezerra, a minister of regional economic development, resigned abruptly amid charges he misused public funds and accepted favors from a business group he once directed. Bezerra said he felt betrayed by his Brazilian Democratic Movement Party -- part of Cardoso's ruling coalition -- and said he would endorse the corruption investigation to clear his name. Dornelles accuses supporters of the inquiry of trying to "revert the process of government reforms and the privatization of state companies." Cardoso's adversaries say they have enough support in the Chamber and the Senate to open the inquiry. On Wednesday, Cardoso met with Cabinet ministers for two hours at the presidential Alvorada Palace to map out a strategy to block the inquiry, which would require "turning" legislators who already have said they will support it. Cardoso is widely perceived to be personally honest but tolerant of corruption in his administration. Two key senators in the governing coalition were accused last month of tampering with a secret vote to expel a former senator accused of misusing public funds. The Senate Ethics Committee now must decide whether to open expulsion proceedings against Senator Jose Arruda and former Senate President Antonio Carlos Magalhaes. Current Senate President Jader Barbalho is also accused of corruption. Federal police found indications that Barbalho's family members benefited from massive fraud in the government-run Amazon Development Agency, or Sudam.

From [AP via New Jersey Online](#), by Adalid Cabrera Lemuz, 10 May 2001

Civil Services & Ethics in Public Sector

ASIAPACIFIC

MALAYSIA UNION URGES GOVERNMENT TO STOP FOREIGN WORKER HIRING

Warning that the country faces massive layoffs due to the U.S. economic slowdown, Malaysia's largest labor organization urged the government Monday to protect local jobs by stopping the recruitment of foreign workers. The Malaysian Trade Union Congress, marking the international Labor Day holiday, said more than 90,000 Malaysian workers will soon lose their jobs in the electronics sector due to the slowdown in the U.S., this Southeast Asian country's largest trading partner. Congress President Zainal Rampak said in a Labor Day message that the government should "immediately freeze the further entry of foreign workers" and send home those who have completed their contracts. Separately, Prime Minister Mahathir Mohamad warned Malaysian workers that globalization was a threat, with unrestricted market access enabling capitalists to move their businesses from one country to another in search of higher profits, leaving workers in a lurch. More than 1 million foreigners, mostly from Indonesia, Bangladesh, and the Philippines, toil in the plantation, construction and manufacturing sectors, jobs that Malaysians generally shun. Mahathir has often lamented the job-choosy attitude of Malaysians and said the foreign workers were needed to fuel exports. The American appetite for Malaysia's exports of electronic goods helped Malaysia recover from the 1997-98 Asian financial crisis, but the slowing U.S. economy is expected to crimp Malaysian growth this year. Government officials say several thousand workers have already been laid off from factories and the figure is expected to increase. Zainal accused employers of ignoring local workers during difficult times, citing their refusal to support the union's proposal for a National Retrenchment Fund. The proposal calls for workers and employers contributing equally to a fund to help workers laid off from bankrupt or relocated companies. Mahathir, in a Labor Day address, said the country needed to increase its productivity to cope with globalization but warned local workers to be wary in embracing unrestricted free markets. Mahathir said that globalization was created by capitalists "in their desire to control and exploit the world." He said the capitalists wouldn't have any qualms to move their businesses from one place to another just to pay lower wages.

From [Dow Jones via Yahoo](#), 1 May 2001

NO JAPAN TRIP FOR PUTNAM COMMISSIONERS, ETHICS PANEL RULES

Putnam County officials should not accept a free trip to Japan from Toyota, the state Ethics Commission said Thursday. Toyota officials had offered to pay for Putnam County's three commissioners and the county's administrator and lawyer to visit their corporate headquarters and Lexus manufacturing plant, said Commissioner Jim Withrow. Members of the Ethics Commission voted unanimously to advise the county officials not to accept the free trip. They said the personal benefit to the county commissioners and employees outweighed the public benefit. "It is clear that the County Commission had no existing plan to send its personnel to Japan to enhance their understanding of, or sensitivity to, the cultural differences confronting the corporation's personnel," the opinion states. "It does not appear that the County Commission would, on its own, pay the cost of such a trip...." Withrow said commissioners might decide to visit Japan anyway, even if they have to pay for it themselves. He said the trip would help build better relations with Toyota executives that could lead to more investment in the county. Toyota recently announced it would begin building engines for its luxury line, Lexus, at its Buffalo plant. "If they felt we were that interested in Toyota to come over there, that has to help future expansion," Withrow said. Also Thursday, the Ethics Commission put off a decision about whether Putnam County commissioners could show their support for a regional airport by putting bumper stickers on county vehicles, signs on county property and promotional materials in county offices. County commissioners also would ask employees to wear pro-regional airport buttons. Several ethics commissioners expressed reservations about allowing county property and employees to become billboards for the regional airport. But Richard Alker, the commission's executive director, said he believed the ethics law allows it. "The County Commission's actions are aimed at bringing the most public good to their constituents," Alker said. Putting pro-transpark stickers on county vehicles doesn't benefit commissioners financially any more than the average resident of the area, he said. County boards of education can put signs in front of schools supporting a bond or levy election, Alker said, and this issue is no different. Withrow said the materials would come from the "Just in Time" committee, a nonprofit organization that supports the Lincoln County airport. Several Ethics Commission members questioned whether private individuals might benefit from the county's display of pro-transpark materials. "I have a problem with this," said ethics commissioner Bradley Crouser. "This will profit a certain group of people one way or another." Some members wondered if county commissions would start advertising for a certain brand of toothpaste. Alker said that would not be allowed under the ethics law. The commission voted to postpone a decision until its June 7 meeting.

From [Charleston Gazette](#), by [Scott Finn](#), 4 May 2001

LB CANDIDATES ASKED TO ABIDE BY CODE OF ETHICS

The Chief Election Commissioner, Justice Abdul Qadeer Chaudhry, has said the candidates contesting the local bodies polls should not use the platform of political parties during their election campaign. He hoped they would strictly abide by the code of ethics during the campaign, which is already under way in 20 districts, where elections would be held on May 31. The spokesman for the CEC, Kanwar Mohammad Dilshad, said here on Sunday that the CEC had directed the election authorities and the district administration in the provinces to ensure compliance of election rules and regulations, including the code of ethics. He said it was mandatory for all candidates for the third phase and for remaining phases of the local bodies elections to adhere to the code of ethics. The CEC had advised the candidates that they should not indulge in "corrupt practices" and offences prohibited under the election laws, such as bribing voters, intimidation, impersonation, canvassing within 200 meters of a polling station. He said the candidates should not hold public meetings or rallies on main streets, roads and chowks to avoid traffic jams and public inconvenience. They could, however, hold corner meetings to announce their programmes for the uplift of their areas, he added. Any candidate involved in unlawful activities could be disqualified and brought to book, he added. The CEC further drew the attention towards the code of ethics that says, "The candidates and their agents shall not obstruct or break up corner meetings organized by the rival candidates nor interrupt speeches or prevent distribution of handbills and leaflets." Carrying of lethal weapons and firearms should not be allowed in corner meetings and official regulations should be strictly observed. Use of crackers and other explosives at any such meeting should not be allowed. No candidate, for the purpose of holding corner meetings, would use any religious place i.e. mosque, Imambargah, church or temple etc. No candidates should call the opponent candidate or his workers or supporters "Kafir" or traitor. Candidates should refrain from speeches calculated to arouse parochial and sectarian feelings and controversy or conflicts between genders, sects, communities and linguistic groups. The candidates should refrain from deliberate dissemination of false and malicious information and their workers shall not indulge in forgeries and disinformation to defame other candidates. The candidates should not propagate any opinion or act in any manner prejudicial to the ideology of Pakistan, or the sovereignty, integrity or security of Pakistan, or morality, or the maintenance of public order, or the integrity or independence of the judiciary. The candidates should act with a sense of responsibility and dignity befitting their status. While propagating their own views and programmes, they should not interfere with the freedom of others to do the same as that would be the negation of democracy. The candidates or their supporters should not criticize the private or personal life of opposite candidates or level false allegations. No candidate should use for his election the platform, flag, symbol and financial or material resources or support of a political, religious, ethnic or sectarian party, formation or organization. No candidate or his agent should affix hoarding, posters or banners of any size or cause wall-chalking as a part of election campaign. No election camp should be set up on any road or place meant for the use of public. Election camps should, as far as possible, be simple. The processions of buses, trucks or any other vehicles or torch procession should not be brought out by any person in favour of a candidate, or by the candidate himself.

From Pakistan-DAWN Group, 14 May 2001

HARIRI WARNS OF GLOBALIZATION DANGERS AT CONFERENCE

Prime Minister Rafik Hariri led a series of officials Thursday in warning Arab countries to boost coordination or else face the challenge of globalization. Hariri, who was chairing a round table on Globalization And Regional Integration held at UN House, also told participants that linking investment and development would have unpleasant shortcomings. "First," he said, "this will weaken our decision-making capabilities. Second, it will provide Arab ministers with an excuse to shirk their responsibilities." "It would be good if peace comes," the premier added, "but in case it doesn't, we will go on the same track." Hariri said Arab countries must join forces in order to compete at the international level, since the new trend in international economies relies heavily on the smooth, rapid of transfer of capital, products and people. "It has become impossible for any single participant, no matter how powerful he is, to survive without joining the new order," Hariri said. "Integration is happening quickly, and we will have to overcome our individual characteristics ... not only because we belong to the same nation, but because our interests and our future will depend on our unity." "This is what other countries have done in Europe and East Asia, and this is what we have to do in order to benefit from the new world economy and to overcome its challenges and perils." Hariri also urged Arab countries to hold regular meetings, to adopt a mechanism that will enable them to achieve their goals. He cited the European Union as an example of the success that could be reached by similar efforts. Thursday's event, which was organized by the Economic and Social Commission for Western Asia, brought together a number of regional media representatives, politicians and financial experts. Among them was ESCWA's executive secretary, Mervat Tallawy, who said Western Asia's extensive resources made it one of the first regions to be effected by globalization but the abundant resources have yet to spur development significant enough to protect new generations from the negative effects of globalization. "It is for this reason that people in this part of the world are not receiving a fair share of global economic growth," she said. To combat this, she suggested that regional countries increase integration, strengthen their competitive capabilities and develop a strong social safety net. Egyptian Finance Minister Mukhtar Hattab agreed with Hariri, stressing the need for coordination between Arab countries. "While Arab countries have missed many steps, they are now trying to save themselves a place at the top of the ladder and join countries that have been working for long years to make it there," he said. Mervat Badawi, the representative of the Arab Fund for Economic and Social Development, spoke about the importance of reform and technological development for the Arab world, warning about the danger of falling behind in the technology race. "There is one computer in the Arab world for every 1,000 computers in the US, and one computer in the Arab world for every 700 computers in Europe," she said. Rima Khalaf, the representative of the United Nations Development Program, said that although a review of the economic achievements of the Arab world over the two last decades was depressing, the situation was not without hope.

"We have failed in many areas," she acknowledged, "but ... there are many opportunities that can be seized."

From [DailyStar](#), by [Alia Ibrahim](#), 11 May 2001

AUSTRALIA'S PM REAPPOINTS PUBLIC SERVICE HEAD

The head of the Commonwealth public service has been reappointed to the job for another five years. The Prime Minister has announced he is signing Max Moore-Wilton to a new contract as head of the Department of Prime Minister and Cabinet until May 2006. Mr. Moore-Wilton was first appointed to the role in 1996 and the reappointment ends speculation about Mr. Moore-Wilton's career intentions. Community and Public Sector Union National Secretary Wendy Caird says the reappointment means the public service will be hit by further cutbacks. "We've seen the debacle of the outsourcing of information technology, we've seen the loss of 30,000 jobs from the Australian public service while the queues grow longer in all of the critical agencies," she said. "We can only expect more of this while Max Moore-Wilton's at the helm." "This man has presided over the biggest attack on the public sector in our history and in the year of federation when we're talking about government role and government services, it's an indication that there's more and worse to come."

From [ABC Online](#), 11 May 2001

'WHISTLEBLOWER CENTER' TO HELP EMPLOYEES FIGHT CORRUPTION IN GOVERNMENT, BUSINESS

Korea's first "whistleblower center" is nearing completion, providing a place of refuge for citizens who want to disclose corruption and misconduct within their companies or the government. Lee Ji-moon, 33, who revealed election irregularities in the military, will open the Korea Whistleblower Research Center (KWRC) this September. Lee reported military voting irregularities in the 1992 general elections. He was an active-duty first lieutenant at the time. "People have the right to disclose any wrongdoing that threatens the public's well-being, whether it's committed by the government or by the company they work for," Lee said in an interview with The Korea Herald. "More people will be less afraid to do so if there is a center that can assist and protect them." Because many whistleblowers risk losing their jobs, as well as being ostracized by co-workers and society, the center will provide counseling and various protection programs, guidance, and legal aid, Lee said. Such services will be given with the cooperation of lawyers, certified public accountants, licensed tax accountants and other specialized counselors. "An employee for the office of Korean National Railroads committed suicide last summer after alerting people to the wrongdoings within his agency, because he ended up feeling that the whole world was against him," Lee said. "I wish I could have helped him then." To help similar victims, the KWRC will also provide information on the rights of whistleblowers, and information on corruption cases, as well as links to other related websites. These sources are available on its Internet home page, www.whistleblower.or.kr, which opened Thursday. Lee said whistleblower centers have already been in existence worldwide as nonprofit, educational and advocacy organizations promoting environmental protection, nuclear safety, civil rights, government accountability, and protecting the rights of whistleblowers. "I hope to spread the practice of whistleblowing across the country and let everyone know they have the right to speak the truth as employees," Lee said. (sohjung@koreaherald.co.kr)

From [Korea Herald](#), by [Yoo Soh-jung](#), 12 May 2001

Rs 135 BILLION PROPOSED FOR PUBLIC SECTOR DEVELOPMENT PROGRAMME

Islamabad - The Planning Commission has worked out a Rs135 billion Public Sector Development Programme (PSDP) for 2001-2002. Official sources said here on Tuesday that Planning Commission has proposed Rs135 billion PSDP for the next financial year which will be Rs15 billion higher than the current development programme. The ministry of finance has, in principle, agreed to keep the size of PSDP at Rs135 billion for the next fiscal. But it was still to be thoroughly discussed and approved by the National Economic Council, the highest body on economic decision-making in the country. The officials of the Planning Commission have asked for fully protecting the PSDP funding from any mid-of-the-year cut. Some of the officials of the Planning Commission have called for necessary legislation so that no government could slash the development budget. Major funding in the new PSDP will be made available for education, health, rural development and information technology. The PSDP for the current financial year has been cut from Rs120 billion to Rs110 billion to reduce budget deficit which was still over 6 per cent of the GDP (Rs 180 billion). Donor agencies have opposed applying cut on development budget. During the ongoing talks with the IMF, the issue has reportedly figured prominently with Mr. Clausse Lenders, head of the delegation, saying that cutting the size of the PSDP did not contribute in reducing budget deficit. Rather, he said, the cuts have caused more poverty and that the government should contain its unnecessary expenditure instead. In this regard the Fund officials also called for reducing the number of federal ministries and divisions.

From [DAWN Group](#), by [Our Staff Reporter](#), 16 May 2001

MALAYSIA: OPTIMISE USE OF OLDER CIVIL SERVANTS

The Government should optimise its use of the talent pool among older civil servants, the Penang Senior Citizens Association said. Association president Datuk Lim Cheng Tatt said the country needed capable people in its move towards globalisation and Vision 2020 and those in their 50s represented a wealth of expertise and experience. "There is a need for a more proactive effort to consciously identify these people and make use of them rather than training new people and letting existing resources go to waste,"

he said. He was responding to Prime Minister Datuk Seri Dr Mahathir Mohamad's recent statement that the Government planned to extend the retirement age in the civil service to between 58 and 60. Society of Active Generation of Elders president Chin Sek Ham said the society's repeated calls for an extension of the retirement age had fallen on deaf ears. Many retirees, he said, were still fit.

From thestar.com.my, 10 May 2001

JAPAN: NO TAX INCREASE IN NEAR FUTURE

Tokyo - Given current weak economic conditions, it isn't possible to raise taxes in the coming one to two years, Japanese Finance Minister Masajuro Shiokawa reiterated Wednesday. "Prime Minister Koizumi has said that it is impossible to increase taxes in the coming 1 or 2 years as the economic recovery is more important. It's not appropriate to discuss the issue now," Shiokawa told a regular press conference. Shiokawa noted that the government may consider increasing taxes as part of a process of fiscal reform in the future, while stressing that the government won't consider this unless the economy firmly recovers. "In a process of fiscal reform (in the future), the issue may be picked up if the economy recovers," Shiokawa said.

From Dow Jones via Yahoo, 9 May 2001

EUROPEICIS

CIVIL SERVANTS PUT DOWN MARKER FOR EXTRA MONTH'S PAY

Middle ranking civil servants are to demand an extra month's pay and more flexible working hours to cope with mounting traffic delays. At their conference in Waterford tomorrow, they will also seek a special compensation scheme for public servants assaulted at work and consider abolishing any advantage given to Irish speakers in promotions. The Public Service Executive Union (PSEU) plans to warn the Government that if it gives any special concessions to the striking secondary teachers it will lead to the collapse of the benchmarking exercise. The union will set out a list of detailed demands at its conference. Some delegates are opposed to the concept of benchmarking with a motion that "all existing relativities be maintained and no further erosion of relativities be tolerated". Members in the Department of Environment have tabled a motion that the union should lodge a similar 30pc pay claim if the ASTI teachers or any other public sector unions get a rise above the terms of the PPF. There is expected to be full support for the start of a campaign to secure "a 13th month" pay similar to that given to some public servants in Germany, France and the Netherlands. PSEU general secretary Dan Murphy explained that it took the form of a two-week bonus at Christmas and another in mid-summer. Such a scheme would effectively increase the public service pay bill by 8pc on top of the 21pc under the PPF. Other sections are seeking special payments because of the shorter nine-month tax year and for the introduction of the euro next year. There will also be pressure to "pursue vigorously a claim for an information technology gratuity for staff working in IT areas". Like other public service unions there are concerns over Government plans to increase the retirement age to 65 for new recruits while some older members want more than the two-thirds pension payout if they serve for over 40 years. Isolated assaults on PSEU members have fuelled demands for a special compensation fund similar to those for gardai and prison staff. In one case, a social welfare inspector was shot in both legs while there have been incidents of customs officials and court clerks being assaulted at work. The Government has indicated it is agreeable to a demand for extended flexi-hours from 8am to 7pm for civil servants who want to avoid the increasing traffic.

From Unison, Gerald Flynn, Industrial Correspondent, 26 April 2001

REFORMING PUBLIC SERVICES



Private companies could take over wards under Labour Tony Blair has given the clearest indication yet that he is prepared to hand over many of Britain's schools and hospitals to private contractors, if Labour wins a second term. Speaking at the launch of his party's manifesto, Mr. Blair said he wanted to massively increase the role of the private sector in the delivery of public services. Although he stressed that education and medical care would remain free at the point of delivery, he said that many of those services could be provided in partnership with private companies. Labour in office has embraced

private-public partnerships, although so far this has been confined mainly to capital projects. In opposition, Labour derided the 'backdoor privatisation' of the Conservatives' Private Finance Initiative (PFI). But, in power, PFI has become Labour's favourite way of paying for new schools and hospitals. Labour has also experimented with the contracting out of failing schools and education authorities, and ancillary parts of the health service. And it has increased the NHS's use of private hospitals in the battle to reduce waiting lists. So far the management of clinical health services and mainstream secondary education has remained firmly within the public sector. But it is now clear that Labour is ready to move to the next level. On Wednesday Mr. Blair told the BBC: "Already through the Private Finance Initiative we have involved the private sector very greatly. "We see an ability to expand that role in the future, still providing services free at the point of use within the national health service, but with different ways of providing those

services. "For example, there are certain services we can provide in partnership with the private sector. "Or where we are setting up new hospital units that can do the non-emergency operations - whether the management of those should be in the public or private sector should be an open question. "What matters is delivering the best service for the patient." Mr. Blair is convinced that structural changes are needed within the NHS and other public services to prevent the extra cash the government is pouring into them being wasted. According to a report leaked to the Guardian newspaper, New Labour is planning to introduce private contractors into the management of key services, if it wins a second term. The report - drawn up by the influential centre-left think tank the Institute of Public Policy Research - is, according to the Guardian, being held back until after the election. It says private contractors could be brought in to run local health authorities and primary care groups. And it suggests that the private sector should be allowed to bid for the contracts to replace 3,000 GP premises. It even suggested that an entire district general hospital could be run by a PFI. In education, the option to contract out the management of schools should be available to all schools, not just failing ones, the report says. Taken together, these policies would fundamentally change the role of government from a provider of public services to a facilitator. When Mr. Blair talked recently of being more 'radical' in a second term, this may have been what he had in mind. With an election looming, he has staked his reputation on delivering better public services. But he clearly does not trust the existing infrastructure alone to deliver the results he will need to see if his party is to win a third term. Only the profit motive, he seems to be saying, can cleanse the NHS of its crippling inefficiencies. Shadow chancellor Michael Portillo could only respond to Mr Blair's proposals on increased privatisation by claiming that he would fail to deliver the promised changes. Meanwhile, the Lib Dem leader, Charles Kennedy, attacked Chancellor Gordon Brown for his 'timidity' in not raising taxes to fund a major public spending spree. PFI was dreamed up by the Conservatives in 1992 as a way of funding infrastructure developments without running up debts. Rather than borrowing to fund new projects, John Major's government entered into a long-term leasing agreements with private contractors. Under a PFI, companies borrow the cash to build and run new hospitals, schools and prisons for a period of up to 60 years. So far, about 150 PFI contracts have been signed, worth more than £40bn, with many more in the pipeline. PFI is often portrayed as using private money to pay for improvements in public services. But, critics argue, it is still paid for through the public purse. It is not new money. Furthermore, the critics say, private finance is, by its nature, more expensive than public capital. The government of the day may feel it is getting a hospital or school at a bargain price but the country will pay more in the long run.

From BBC, 16 May 2001

CIVIL SERVANTS CHIEF WARNS OF '40PC PAY GAP'

Increases in the order of 25pc to 40pc in average senior civil servant salaries are necessary to match similar management positions in the private sector, it was stated at the weekend. General secretary Sean O'Riordan revealed the statistics at the Association of Higher Civil and Public Servants annual conference in Dublin to highlight his fears regarding senior civil servants' position now in the benchmarking process. He also questioned the validity of the Buckley Report, a pay review sent to the Benchmarking Body as part of the Coalition's recommendation on pay increases for civil servants. His organisation's submission to the body totally rejected the report's approach, which would see senior civil servants earning far less than their counterparts in the private sector. "The Buckley Report means that if you spend your life in the civil service and aspire to senior or top posts, you can now confidently expect 90pc of people doing the same job in the private sector will be paid more than you," Mr. O'Riordan told conference. If the outcome of the benchmarking process for higher civil and public servants was not fair and reasonable, then the "sledgehammer" would not be confined to disaffected teachers, he warned. Mr. O'Riordan called upon Taoiseach Bertie Ahern, who attended the conference, to lend the weight of his office to help resolve this problem as the union viewed this as of critical importance in the context of women aspiring for promotion to Principal and Assistant Principle grades. Mr. Ahern agreed with the need to look at increasing flexibility in whole-time work patterns if early progress was to be made in reaching such targets. However, he believed this needed to coincide with the public's right to expect services to be delivered outside of "normal working hours".

From [Unison](#), Bill Corcoran, 14 May 2001

IRISH GOVERNMENT FACES £30M CIVIL SERVICE PAY BILL

The Government faces a £30 million bill to put right a major anomaly in Civil Service pay structures. About 6,000 civil servants will benefit, costing the State an extra £12 million a year. Because the original claim was made in 1990, arrears will add another £18 million to the bill. The Civil and Public Service Union has secured the increases as the result of an appeal to the High Court against a Labour Court recommendation last year which had rejected a CPSU equality claim. The deputy general secretary of the union, Ms Rosaleen Glacken, gave details of the award to the union's conference in Galway at the weekend. The claim was to secure parity for clerical staff with paperkeepers, who earn £40 a week more for similar work. Predominantly a male grade, paperkeepers received the differential on the basis that they had no promotional outlets whereas clerical staff had what the Labour Court recommendation described as "unlimited promotional opportunities". The union is also considering legal action in pursuit of a claim that overtime rates for clerical staff should be calculated on the basic 34.75 hour week rather than the gross week of 41 hours, which includes lunch breaks. If successful, the claim could boost overtime earnings from £9.29p an hour to £10.96p at the top of the scale and could have knock on effects for thousands of other workers in the public sector. Meanwhile, the CPSU has secured commitments from the Department of Justice, Equality and Law Reform that a further 560 clerical positions within the Garda are to be "civilianised", including almost 150 upgrades. More than 800 clerical officers working in Garda stations receive £70 a week less than gardai doing identical work. Industrial action in the Department of Agriculture over the contracting out of work to combat foot-

and-mouth is being considered by the CPSU. Its general secretary, Mr. Blair Horan, stressed no action taken would hinder the Government's campaign against the disease.

From [Irish Times](#), by Padraig Yeates, 13 May 2001

HAGUE PLEDGE TO FREE PUBLIC SERVICES

The promise of freedom from central control for local authorities and NHS staff, and a bigger role for the private and voluntary sector in the provision of public services is held out by the Tories in their election manifesto published today. Local referendums on council tax increases and £500m boost for charities are the highlights of the party's plans for the public and voluntary sector, outlined in a document dubbed the "most ambitious Conservative manifesto for a generation". "We will ...free those who use public services to choose what is best for them and free those who work in our schools and hospitals and police service from endless political interference," party leader William Hague says in his introduction to the manifesto. Chancellor Gordon Brown attacked the manifesto as "irresponsible" and claimed that it contained £6bn in uncosted tax promises that "put stability at risk and threaten schools, hospitals and mainstream public services". The biggest surprise was the proposal to require councils to hold local ballots before imposing "large" increases in council tax, a measure which follows recent local referendums in which voters have voted against tax increases. Mr. Hague said the initiative would "make the worst councils more responsible to ordinary people". The Tories also gave a big boost to the charitable and voluntary sector which would be £500m better off as a result of reforms to the current VAT tax regime. The cost to the exchequer would be met from cash the Tories believe the government has set aside to introduce the euro. A Tory government would set up an office of civil society to give families, faith communities and voluntary groups "a voice at the heart of government". Mr. Hague said: "It is common sense that our communities are stronger when the state does not elbow aside people who are trying to help each other." Plans for the NHS include scrapping the waiting list initiative and replacing it with guaranteed waiting times for a range of treatments, starting with cardiac and cancer services. GPs will be allowed to refer patients to the hospital of their choice, and will be given the right to opt out of primary care groups. There are measures to encourage more council house ownership, inject more competition into the housing association sector, and relax planning laws for regeneration. Liberal Democrat leader Charles Kennedy said: "William Hague's manifesto should come with a health warning. It threatens to undermine the NHS, education and the basic state pension. "The Conservatives have already admitted that, under their plans, the NHS can no longer be a comprehensive service, free at the point of delivery."

From [SocietyGuardian](#), by Patrick Butler, 11 May 2001

PUBLIC SERVICES 'WORSE UNDER LABOUR'

Most of Britain's front-line public services are thought to have got worse rather than better under Labour, according to a poll published today. The sharpest criticism is reserved for public transport. In the NOP, survey conducted at the weekend for Channel 4's Powerhouse programme, more than twice as many people say it has deteriorated rather than improved over the past four years. These are the figures for each of the four services tested by NOP: Schools: 31 per cent say they have improved while 26 per cent say they have got worse and another 26 per cent say they have remained about the same. Police service: improved, 21 per cent; got worse 28 per cent; stayed the same 40 per cent. Health: improved 22 per cent; got worse 36 per cent; stayed the same 37 per cent. Public transport: improved 19 per cent; got worse 47 per cent; stayed same 23 per cent. Overall, education is the only major service where praise outweighs criticism - but even then ministers receive something less than a standing ovation, with just one person in three positively thinking standards have improved. As worrying for Tony Blair is the fact that large minorities of Labour supporters think services have deteriorated since the Conservatives left office: 25 per cent in the case of health, and as many as 44 per cent in the case of public transport. Of course, a government's record on public services is only part of the election mosaic. Management of the economy matters; so does the reputation of the opposition. What these figures show is how tough a job Mr. Blair would have on his hands winning re-election if the economy were weaker and the Conservatives stronger.

From [Evening Standard](#), by Peter Kellner, 9 May 2001

DOZENS OF UKRAINIAN POLICE OFFICERS SENTENCED ON CORRUPTION

[The Associated Press](#) - Dozens of Ukrainian police officers have been sentenced or face court proceedings on corruption charges, a senior official said Monday. Deputy Interior Minister Mykola Anufryev said a total of 55 policemen have been sentenced so far this year for corruption, and another 127 face legal proceedings. In addition, 14 ministry administrators have been dismissed and another 57 have been disciplined, he said. Ukraine's badly underpaid police force, like those in other former Soviet republics, is notorious for corruption - a subject of many popular jokes in the country. Corrupt practices include extorting bribes from motorists and small businessmen, and taking money to ignore criminal activity. Anufryev said that the overall number of criminal cases against police officers decreased nearly by half over the first four months of 2001 from the same period last year, and now totals 475. He gave no breakdown of the other cases. So far in 2001, 10 police officers have been killed and 138 were wounded while on duty, the deputy minister said.

From [KPNews.com](#), 8 May 2001

THE AMERICAS

ETHICS PANEL EYES E-MAIL ON PAY RAISE

Sen. Ken Chlouber says his integrity was wrongfully questioned when a lobbying firm sent an e-mail to the state's 63 county assessors claiming he and another senator wanted a county pay-raise bill killed. Lobbyist Patrick Boyle said an "honest mistake" was made and the county assessors were notified the missive was in error as soon as he found out about it. Chlouber, a Leadville Republican, and Boyle, of Ringel & Boyle Policy Strategists, testified Monday before a three-member ethics committee investigating a complaint against the lobbying firm. The e-mail was written by Tim Ringel, the son of lobbyist Joanie Ringel, who is working as a clerk for their company. "Tim chose the words he used very poorly," Boyle said. "It was a mistake. But we reject categorically the charge that Tim ever attempted to deceive anyone." The e-mail stated Chlouber and former Sen. Gigi Dennis, R-Pueblo West, were trying to kill a bill that would give raises to county elected officials. Chlouber said that wasn't true, and he got phone calls not only from the eight county assessors in his district but also county clerks, coroners and others who thought he had changed his support for the bill. One message "started and ended in a lot of four-letter words," Chlouber said. The Ethics Committee will forward their findings to the Executive Committee, made up of the leadership in the House and the Senate. Spence pointed out that transcripts of the Senate floor debate showed Dennis said the bill could end up getting killed, and Chlouber also expressed concern because commissioners were upset about pay raises to the coroners.

From [Rocky Mountain News](#), by News Staff, 1 May 2001

POSTAL SERVICE NEEDS OVERHAUL

President Bush had been in the Oval Office for six weeks when noxious leftovers from the previous administration belatedly landed on his desk. The nine governors of the U.S. Postal Service, seven of them appointed by former President Bill Clinton, on March 2 sent the new president this warning: "We are facing a Fiscal Year 2001 deficit likely to exceed \$2 billion and a financial crisis that cannot be averted by management alone." Before the change in administrations, there had been no hint of such a dire financial state for the government service used by most Americans. Indeed, the Postal Service last November was projecting a \$150 million surplus for this year, thanks to a new rate increase that pushed the cost of first-class postage to 34 cents. Now, the postal governors want yet another rate hike--or service cuts. Rep. Dan Burton of Indiana, whose House Government Reform Committee oversees the Postal Service, is calling for basic reform of a bloated, dysfunctional agency in thrall to powerful labor unions. "The ability of the Postal Service to continue to fulfill its statutory mission is in jeopardy," Burton wrote Bush last week. The president ultimately must consider whether to seek a privatized service for the 21st century. Since a 1970 act abolished the old Post Office Department, its successor agency is supposed to be self-supporting. But its present debt totals \$12.9 billion, and an estimated \$3 billion loss this year will push it over the \$15 billion statutory debt limit (with an estimated loss of another \$3.5 billion next year). While the Postal Service is asking for a new rate increase to 37 cents or 38 cents for first-class mail and unlimited authority for future rate increases, it is threatening to recoup \$3 billion this year by ending Saturday deliveries. Burton has contended that the Postal Service's "first response to every financial shortfall appears to be to raise rates." Competition from the Internet and faxes does reduce postal revenue, but bigger problems are political: labor unions that maintain a fat payroll of more than 900,000 and congressional insistence on keeping small post offices open (out of 40,000, about 26,000 lose money). The Postal Service's claim to the president that "management alone" cannot cure its financial ills is contradicted by the General Accounting Office, the nonpartisan congressional watchdog. Its report issued in January notes that postal productivity has increased only 11 percent over the last three decades. The GAO bluntly calls for a reduction in employees and an end to "decades of adversarial labor-management relations." At a recent meeting of the Burton committee, freshman Rep. Butch Otter of Idaho asserted that "a lack of accountability and oversight has given the United States Postal Service free rein to stray from its core mission of delivering the mail." While it earns \$50 billion annually from its letter mail monopoly, the service has sought additional revenue by trying to sell telephone cards, videos, T-shirts, neckties, baseball caps, stationery, greeting cards and advertising on mail trucks. The net result of such ventures last year: a loss of \$85 million. Otter last week wrote Postmaster General William Henderson about a PriceWaterhouseCoopers report revealing that \$1.5 billion is lost each year in processing "undeliverable as addressed" mail but adding that modern technology can save \$1 billion. The Postal Service has resisted confrontation with labor unions that would result from such technology. Burton is pressing for a postal reform bill that would attempt to impose price caps to control postal rates while offering incentives for greater efficiency. He also would like to move toward privatization by creating a private corporation to manage the service and giving postal employees a chance to own shares of the business. That could prove a daunting project for Bush, but the alternative of postal business as usual may be even worse. The answer may well be putting former Indianapolis Mayor Steve Goldsmith in charge of the Postal Service as successor to the retiring Henderson. He was brilliantly innovative and courageous in taking Indianapolis further toward privatization than any other city. Goldsmith might be the man to save Bush from going postal.

From [Chicago Sun-Times](#), by Robert Novak, 30 April 2001

PUBLIC SERVICE WAS JAMERSON'S LEGACY

When Douglas Jamerson became the first black legislator elected from Pinellas County in 1982, few could have predicted there would be many more "firsts" to follow. Even with his many pioneering efforts, however, Jamerson was foremost a public servant.

Jamerson, who died last weekend at 53, served in the Florida House for 11 years in the 1980s and early 1990s, representing primarily south Pinellas. Before entering politics, he served in the U.S. Air Force for four years and was a public school teacher and counselor. The late Gov. Lawton Chiles appointed him state education commissioner after Betty Castor resigned the post in 1993. When he lost the seat in the 1994 election, he was appointed labor secretary, serving until the election of Gov. Jeb Bush in 1998. Jamerson was a driving force in the state's Blueprint 2000 school reform plan that legislators passed in 1991. As labor secretary, he was also instrumental in implementing welfare reform, with an emphasis on technical and vocational education for those with limited experience in the work force. So it is safe to say he directly affected the lives of many Floridians over the past two decades. Those who worked with Jamerson, and those of us who frequently interviewed him, remember him as good-natured and, more important, a good listener. We can only regret his life of service was cut short at such an early age. He will be remembered for his energy, candor and generous spirit.

From [Tampa Tribune](#), 26 April 2001

USPS OFFERS UP POSTAL REFORM PLAN

The U.S. Postal Service has submitted to Congress a postal reform plan that aims to protect universal service and revamp the collective bargaining process. The four-page plan was sent Tuesday to the Senate Committee on Governmental Affairs and the House Committee on Government Reform, both of which held hearings on postal reform this week. In the plan, the USPS calls for the maintenance of universal delivery at affordable prices by updating pricing regulations. The current process of instituting rate change is cumbersome, often taking the majority of two years to implement, whereas postal competitors can adjust rates gradually, the USPS said. The process should be replaced with a pricing system that allows the USPS to operate in accordance with the market. For types of mail for which the USPS is required to provide universal delivery, the USPS said it should have a simple pricing system that provides incentives for the postal service to perform efficiently. For other types of mail and services, the USPS should have a free hand to adjust prices and introduce new products, the agency said. "To maintain financial integrity, the postal service will have to be able to function as a thriving business in the marketplace," the plan states. The USPS' reform plan also calls for a change from the public-sector model of collective bargaining, which features binding arbitration, to a model more like those found in the private sector. If negotiations fail, the plan calls for extensive mediation by a national board. Failing that, the president would appoint an emergency board to issue a report and impose cooling-off periods, after which employees could strike only if Congress failed to intervene. But union leaders have told Congress that in no way will they support a reform plan that eliminates binding arbitration in exchange for the right to strike. "Binding arbitration enables our members to do their job and, when management is not willing to achieve a negotiated settlement, provides letter carriers with a fair way to get a fair contract for their work," Vincent Sombrotto, president of the National Association of Letter Carriers, said in testimony to the House Committee on Government Reform yesterday.

From [dmnews.com](#), by Scott Hovanyetz, scotth@dmnews.com, 17 May 2001

APD OFFICERS GO TO ETHICS CLASSES - PREVENTION: UNION, DEPARTMENT WANT TO NIP PROBLEMS IN THE BUD

A rush to employ more police officers in a distant city leads to the hiring of a drug user. The man starts ripping off drug dealers. Later he kills. His fellow officers don't report his crimes; many join in. Within the same department, the street crimes unit is known for abducting people, binding them with duct tape and throwing them off a bridge. Once these actions come to light, 76 officers are charged with felonies. A decade later, five officers in another city are charged with murders. One cop in particular had developed notoriety on the street for torture. Both these case studies were presented to Anchorage Police Department employees during ethics training seminars recently. As frightening as they sound, they are true stories. And not from some totalitarian nation. The departments involved were Miami in the 1980s and New Orleans in 1994. The Anchorage Police Department Employees Association brought in Neal Trautman, executive director of the Longwood, Fla.-based National Institute of Ethics, to conduct the training. The department co-sponsored the seminars. Detective Bob Glenn, association treasurer, said that a number of union members were concerned by a perceived double standard in discipline and a promotion system seen as based on politics, not ability. Though department morale appears to have improved under Mayor George Wuerch's administration and with the selection of Walt Monegan as police chief in January, Glenn said, the union arranged the training as a preventive measure. "We could see the potential for problems, and we want to prevent them if we can," Glenn said. "When people feel that they're not proud of where they work, if they feel they're not being treated fairly, that leads to rationalization of misconduct." Trautman, a former police officer in Florida, said it's the first time a labor organization set up such training through his institute. Commanders, not employees, had invited him before. Often a department calls him when its integrity has already been compromised, he said. "It's just refreshing to go to departments that are doing it for all the right reasons," Trautman said. "They're trying to be proactive and prevent bad things as opposed to something bad happened two months ago and now they're trying to pick up the pieces." Sgt. David Brown, who went through the training, said ethics have to be the No. 1 issue for the department. "If a police officer doesn't have integrity, he's of no value," Brown said. Lt. Steve Smith, present for a two-day session with Trautman for command staff and union leaders, said it helped to learn signs of corruption to look for. "Honesty and integrity are very important, even in those little things," he said. "That's where it starts." Trautman began teaching police ethics seminars 10 years ago. That was shortly before a onlooker videotaped Los Angeles police officers beating Rodney King. That incident helped prompt a national suspicion of police and their motivations. That distrust grew stronger with the felony arrests of 38 New Orleans officers in 1994. "Today it is the most sought-after training topic in law enforcement," Trautman said during one workshop earlier this month attended by 14 officers, supervisors, detectives,

dispatchers and clerks. "We've come to realize as a profession this is the single most devastating thing that happens to us." Trautman gave seven eight-hour sessions in Anchorage. About 150 Anchorage Police Department employees attended the training, including Monegan and all of his command staffers. Trautman described the two case studies from Miami and New Orleans as the worst examples of law enforcement corruption in the United States. His message to the Anchorage Police Department: Major scandals like those in Miami and New Orleans began with a lack of integrity. You must be vigilant to root out even the smallest corruption within the force or it will spread and destroy you, he said. Each employee has a responsibility to protect the reputation and integrity of the entire department, he said. "Hundreds of people knew of the corruption in New Orleans and Miami," Trautman said. "No one tried to stop it." He said employees who see misconduct must confront it. Too often bad behavior becomes normal and a code of silence develops around the offenders. "Stop somebody from doing something stupid that will destroy their lives and their families," he said. "We don't have more corruption than other professions," Trautman said. "But when we do something bad, it will be publicized. Your family will be devastated." Trautman divided the group into four teams for quizzes. The groups aced some questions but were all way off on others. For example, guesses of the number of police officers stripped of their certifications from 1990 to 1995 -- usually meaning they were jailed -- ranged from 12 to 750. The actual number: 2,296. The most common offense of jailed officers nationwide: cheating on overtime. It's one small way disgruntled officers see to get back at their department. Those caught are charged with embezzlement. Morale problems breed corruption, Trautman said. As officers lose pride in their jobs and cease caring about their duties, they become bitter. Misbehaving is seen as a way to right the perceived wrongs done against them. "Most problems are caused by leadership," he said. Low morale was a root cause of the scandal in New Orleans, Trautman said, as low pay and low standards created an angry police force. In addition to anger, Trautman cited lust, greed and peer pressure as major factors in police misconduct. He praised the Anchorage department for maintaining high hiring standards at a time when many law enforcement agencies are lowering them because of recruiting difficulties. "If you hire a bad guy, there's nothing you can do to counteract it," he said. Lower standards across the country are bound to lead to more misconduct, he said. "The future looks bleak," he said. "There will be more scandals, and they're going to be worse." Reporter Lucas Wall can be reached at lw@adn.com or 257-4321.

From [Anchorage Daily News](#), by Lucas Wall, 14 May 2001

NATIONAL ACCOUNTABILITY BUREAU BID TO STRIKE DEAL WITH MANSUR-UL HAQ

Washington - Hearing in the Admiral Mansur-ul Haq extradition case was on Thursday put off till next week in a court in Austin, Texas, where the former Pakistan Navy chief is detained since last month. Admiral Haq is wanted by the Pakistan government for corruption charges relating to a submarine deal negotiated during his tenure as naval C-in-C. He was taken into custody by US federal agents in April following a Pakistani request to the US government for his extradition. In the meantime, there have been reports that the National Accountability Bureau has been negotiating a deal with the admiral under which he will agree to pay back the money he is alleged to have acquired through illegal means. The bureau has come to similar agreements in some other cases concerning corruption by former senior officials and others. A lawyer, representing the Pakistan government, was present in the Austin court on Thursday and he reportedly said that negotiations were being held with the admiral's attorneys to discuss arrangements under which it might be possible for Mr. Haq to return voluntarily to Pakistan. NAB might not be keen to have corruption charges against a former military official exposed in an American court of law during publicly-held extradition hearings. The government lawyer sought time for discussions with the former naval C-in-C's attorneys to proceed, and the court agreed to adjourn the case till next Thursday, according to reporters for the Austin American-Statesman newspaper contacted from Washington.

From Pakistan-Dawn, by Our Staff Correspondent, 11 May 2001

PUBLIC SERVICE AWARDS HONOR THREE FEDERAL PROGRAMMES

Three federal programs took top honors at the 17th annual Public Service Excellence Awards ceremony held Monday on Capitol Hill. Federal programs operated by the Health and Human Services Department, the Border Patrol and the Air Force at the Royal Air Force base in Lakenheath, Great Britain were lauded during the 2001 awards program. Overall, seven government programs out of 213 nominations from the federal, state and local levels earned kudos for their contributions to public service. The awards are sponsored by [Public Employees Roundtable](#), a nonprofit group committed to promoting civil servants and public service careers, and recognize innovation and excellence in federal, state and local governments. The winners were honored at a "Breakfast of Champions" sponsored by GEICO insurance company. Comptroller General David Walker said government employees' commitment to the greater good is unique in a society that often emphasizes the bottom line. "While there are many things you can privatize in government, one thing that can never be privatized is the public servant's loyalty to the greater good," he said. Walker was joined by Stephen Cohen, acting director of the Office of Personnel Management, and Rep. Tom Davis, R-Va., chairman of the Government Reform Subcommittee on Technology and Procurement Policy. The 2001 federal award winners, who picked up the top prizes in the federal, international and community service categories, are: **Federal:** The Health and Human Services Department's Ricky Ray Program won for reducing its start-up administrative costs and for providing an additional \$3 million for a compassionate payment fund established by Congress in 1988. The Ricky Ray program helps people with blood-clotting disorders, such as hemophilia, who were treated before 1988 and contracted HIV from their treatments. **International:** The U.S. Border Patrol, part of the Immigration and Naturalization Service, teamed up with Canada Customs Border Services to combat organized crime, catch international criminals and seize drugs smuggled across the Washington state-British Columbia border. The Integrated Border Enforcement Team seized 132 pounds of marijuana in July 2000 alone. **Community Service:** The U.S. Air Force's 48th Medical

Operations Squadron at Lakenheath, Great Britain, provides support to American children with disabilities and their families living on military bases overseas through its Educational & Developmental Intervention Services Program. The 48th Squadron, which cooperated with European service organizations, also donates its time to several other community service ventures abroad. Monday's award ceremony kicked off this year's [Public Service Recognition Week](#). Federal agencies will exhibit their programs for the public on the Mall in Washington from May 10 to May 12.

From [Government Executive](#), by Kellie Lunney, klunney@govexec.com, 8 May 2001

AUDITOR RAISES ETHICS QUESTION: EX-WAYNE COUNTY OFFICIAL CRITICIZED IN METRO LIGHTING DEAL

Lansing - A former Wayne County official's handling of an airport lighting job may have broken the county's ethics ordinance, the state auditor general said in a report released Monday. The report questions the actions of Wilbourne Kelley III, who was the county's deputy chief operating officer overseeing construction at Detroit Metropolitan Airport and elsewhere. Possible ethics violations, the report said, include his role negotiating a \$1.2-million settlement with American International Inc., a company that hired his son in 1998 and that he joined in January 2000. He also failed to disclose, as required by the ordinance, his son's employment with the contractor, the report said. Overall, the cost of the American International job to install new runway lights and signs increased from \$11.1 million to \$19.9 million -- an increase the contractor, the airport and the Federal Aviation Administration all blame on a speedup ordered by the FAA. But John Wyke of Joba Construction, a subcontractor on the job, alleges that American International massively overcharged the county. The Michigan Court of Appeals is today expected to consider Wyke's request for the appointment of a grand jury to investigate the case. The new report from Auditor General Thomas McTavish says only a detailed independent audit can determine whether the county overpaid for the work between 1994 and 1997 and whether Kelley's conduct was inappropriate. GOP legislators have been checking into allegations of cronyism and inflated costs at the airport since 1999. State Sen. Glenn Steil, R-Grand Rapids, who chairs the senate committee investigating the airport, could not be reached Monday to say whether the state will order the detailed audit recommended by McTavish. The committee has been using McTavish to help it probe airport operations. Michael Conway, an airport spokesman, said airport officials just received the report Monday and wouldn't comment until they'd had time to study it. Kelley said he welcomes a full-blown audit of the lighting and sign project, "just to put people at rest." Before Kelley left his county position, he "actively and substantially participated and directed the negotiation process" that led to the airport's \$1.2-million settlement in 1997 with American International to conclude outstanding issues, the report said. Kelley appeared to be the county official who "exercised exclusive authority over American International's airfield lighting and signage contract." Kelley left his county job on June 12, 1999, and eight months later, in January 2000, became executive vice-president of American International. Even after leaving the county, Kelley in February 2000 signed off on the final \$8,000 adjustment to the lighting contract, but this time in his role as an American International official, the report said. "This former county official's conduct raises serious questions," the auditor's report states. Kelley also didn't disclose in annual forms required under the county ethics ordinance that Best American Industrial Services, a division of American International, hired his son Wilbourne Kelley IV. American International is headed by Frank Vallecorsa, who sits alongside family members of Wayne County Executive Edward H. McNamara on the board of the McNamara Scholarship Fund. Vallecorsa, his employees and family members have contributed more than \$20,000 to McNamara campaign funds in the past five years, records show. The county's ethics ordinance requires county officials to report whether immediate family vendors hold key positions with county vendors. If it's an oversight, failing to report such a tie is a civil infraction that brings a fine of up to \$500. If deliberate, it could be a criminal misdemeanor punishable by up to 90 days in jail. American International reported the hiring of Kelley's son, as required by the ordinance, which governs the relationships between current and former county officials and vendors. Kelley said Monday he didn't know that Best American and American International were both parts of the same company. And Kelley, who noted American International requested a final contract settlement of more than \$3 million, said there was no link between him approving the \$1.2-million settlement and later going to work for the company. Kelley's 1995 ethics form did report that his daughter Krystal Kelley worked for APCOA Inc., the former airport parking contractor fired by the county in 1999 amid over-billing allegations. Wayne County Commission Chairman Ricardo Solomon has testified APCOA was allowed to over-bill the county because it hired relatives of county officials; county officials have confirmed the FBI is probing APCOA's actions. Kelley said his daughter worked for APCOA for about one year and his position with the county was not a factor in her hiring. Besides Kelley's conduct, the auditor's report also addresses problems with American International's billings of the county. "Our review of the contractor's certified payrolls submitted to the airport for payment showed weekly labor hours that appeared excessive," the report said. For example, one American International employee reportedly worked an average of 80 hours a week from Jan. 4, 1995, to May 2, 1995, and worked as many as 115.5 hours in a single week.

From [Detroit News](#), by Paul Egan / The Detroit News, 8 May 2001

Management Innovation & Trends

AFRICA

TAX DEPARTMENT'S COMPUTERIZATION PROCESS TO IMPROVE EFFICIENCY

Taxpayers who have been complaining about delays in the assessment of tax returns can heave a sigh of relief as the Department of Taxes is about to complete a computerisation project that caused the problem. All is expected to be well by the end of August, according to a tax officer at the department's head office, Mbezhi Chiepe. "There were delays for the tax year ended June 30 1999 due to the computerisation of our system. At first, the system was slow but it is working even though we are still in the second phase of our computerisation," he said in an interview. Chiepe urged taxpayers to submit their tax returns by the end of August each year lest they risk being penalised. He said late submission or failure to furnish tax returns was an offence punishable by law. Generally, he said compliance by all taxpayers that include traders, farmers and individuals had been slow. Therefore, the department has embarked on a countrywide taxpayer education campaign beginning with full council meetings. "We intend to hold seminars for councillors so that they can help us in selling the department as they are in frequent contact with the business community and know the business operations in their wards," he said. Any farmer with 300 head of cattle and more or a dryland farming of 100 hectares or more was required to pay tax. Chiepe however explained that dairy, stud and poultry farming as well as the rearing of sheep for wool or pelts and irrigated agriculture were taxed regardless of the number.

From [Republic of Botswana](#), 11 May 2001

ASIA/PACIFIC

E-GOVERNMENT TO BE MARKET LEADER

The following is a speech delivered yesterday by Rhee Shang-hi, chairman of the National Assembly's standing committee for science, technology and information and telecommunication, on the Global Business Dialogue on Electronic Commerce (GBDe) conference held in Madrid, Spain-- ED. "A toothless tiger" is an old Korean saying that in the 21st century could refer to an old-fashioned inefficient government. Apparently, an oversized system no longer has any dignity or efficiency. Today, the government faces the daunting challenge of building fresh structures based on the Internet and brainpower. Actually, Korea achieved rapid economic development and growth in the last decades despite its bureaucracy-heavy government. However, the Korean economic structure has become fundamentally unstable, especially in this information society. To make matters worse, the Asian financial crisis in 1997 struck a severe blow to the Korean economy and manifested a clear need for restructuring in both the economic and public sector. Furthermore, the emergence of an information society and the spread of globalization strongly pushed the government to reorganize the present system into a new one based on the Internet. It is e-government that is now considered the perfect solution for all of these growing needs. The very first step in achieving this goal is 'e-organization' of the existing branches. Presently, the Korean constitution provides for the separation of the executive, legislative and judicial branches of the government. We would then have two ways of reorganization _ combine them into one large 'e-organization' or build separate ones for each branch. This era of information is often labeled "the era of speed." But, so many simultaneous changes everywhere may bring about a kind of big bang and black hole all at once. The government should be a role model. It is important that the leadership carry out policies timely to meet the immediate needs. E-government will make this possible, utilizing technologies and accelerating public services for people with one-stop or nonstop administrative service that is prompt, precise and convenient. The National Assembly has passed a law containing 9 articles to provide such services as online processing of civil affairs and administrative information exchange via the Internet, just to name a few. These laws are the precursor to achieving 'e-administration' and eventually actualizing 'e-government'. However, I believe that the realization of e-government will directly affect the realization of a healthy democracy in the 21st Century and pave the way toward a new 'e- democracy'. Also, the world is now a "global market". Government must serve as a manager in the global market, a helper to its domestic economy in order to spur market forces. Therefore, just as national boundaries have faded under the pressure of economic forces, the boundary between the government and market economy should be brought down as soon as possible. In Korea however, like in many other countries, the strict civil service exam with its extremely fierce competition as well as the mandatory rotation of positions hinders the development of experts. To lead the market economy, government should be more open to experts from industry. In conclusion, e-government should be organized based on the Internet, a network like the human nervous system. Using this network, combining specialized and creative brainpower will generate competitiveness. Consequently, the government will be able to appropriately provide the best services for the people and be a leader in global marketing. To gain momentum in this pursuit, a 'Forum for the Legislation of e- government' has recently been established in order to bring together international and domestic experts to study the prospects for e-government. It would be good to take a further step by organizing a "global forum for e-government." Global research on this issue will allow us to set up a global standard for e-government, which will have a profound impact on human welfare and market economy worldwide.

As an old saying goes, "Many hands make work light." I believe the cooperative efforts of nations can make the work not only light, but also right for the future of humankind.

From [Korea Times](#), by Rhee Shang Hi, 26 April 2001

NEW ZEALAND: E-GOVERNMENT COMING ON INTERNET

The Government has announced details of a \$16-million e-government strategy that aims to make its services more accessible to the public and businesses. Prime Minister Helen Clark said it was envisaged that most people would access government services through the Internet by 2004. "The e-government strategy will guide us in using the power of the Internet to change the way governments work, to improve the quality of what it does and to provide better opportunities for people to have their say," she said. The government has set aside \$16-million over four years to fund the State Services Commission e-government unit which is guiding the strategy/State Services Minister Trevor Mallard said the strategy was flexible and would be reviewed every six months to make sure it kept abreast of changes in technology. The strategy aimed to have a new e-government Internet portal built by the middle of next year, while Mr. Mallard said there was a real possibility people could vote over the Internet in the 2005 general election.

From [NewsRoom](#), by staff Reporter Patric Lane, 26 April 2001

KORVAC IMPLEMENTS PAYMENT BACKBONE FOR MALAYSIAN E-GOVERNMENT INITIATIVE

Singapore-based Korvac International Systems has integrated its Korvac Payment Gateway (KPG) into the backbone of the Malaysian government's e-payment systems. The payment gateway operates as the secure technical infrastructure that is integrated into payment systems implemented by Konsortium Multimedia Swasta Sdn. Bhd. (KOMMS), a consortium of companies tasked with implementing various e-government projects for Malaysia. The country's e-government vision aims to speed up the growth of its much-publicized Multimedia Super Corridor (MSC). Said Jeremy Tan, chief executive officer of Korvac International Systems, "The Korvac Payment Gateway works as a payment switch; it capitalizes on existing credit card settlement infrastructure, namely the (ISO-8583) protocol, which has been in use for over 30 years. The complementary use of new and existing technology results in a robust system that is easy to implement." Korvac integrated its KPG into KOMMS payment systems to enable the payment of utility bills and summons by credit cards through kiosks and on the Internet, the company said in a statement. The KPG system is able to handle major credit cards - Visa, MasterCard, American Express, Diners and JCB. It also accepts multiple currencies and is bank independent, giving merchants the freedom to switch or to remain with existing financial providers. Added KOMMS project director Teh Chee Hoe, "Korvac's payment gateway was chosen for this project due to its ease in implementation and its potential for further enhancements. There are plans for expansion of this current system to include direct-debit card payments. "In addition, other avenues such as transactions through short message service (SMS), wireless application protocol (WAP), and interactive voice recognition (IVR), are being considered. One advantage of the KPG is its capability to support all these channels."

From [Internet News](#), by Elaine Ee, 16 May 2001

EUROPE/IGIS

GOVERNMENT E-TROOPS RALLY ROUND UNINSPIRING LEADER

The government e-envoy Andrew Pinder tried his best to put some life into his troops at the Government Computing annual conference in London today. Despite his brave words though, there remains an indisputable smell of mediocrity in the air. Giving the keynote speech at the conference - held in the Business Design Centre and promising to offer "a greater understanding of the new initiatives and leading edge approaches" to e-government - Pinder slipped into New York-style argot. "We've got to walk the talk," he told lacklustre civil servants. "E-government will change the way that citizens interact with government - forever. Getting the very best out of new technology means that we must innovate - not just automate," he continued. No, please, Andrew, don't encourage them to come up with new ideas - they're having a hard enough time just copying everyone else. He went on for a bit like this, spelling out the grand scheme that we've all heard mooted a hundred times before, and finishing with the killer line: "Good information age services will blur boundaries between layers of government, departments, sectors and nations. In order to stay ahead of the game we must plan now for the long term changing role of government." Such is the government's IT record and so unlikely is it to win any awards that it has to rely on its own Government Computing Awards ceremony. We reckon that UK Online will sweep the board, mostly because it's the only one *on* the board. Last week, yet another Home Office project was lambasted as a waste of money, and when we heard an important e-government site was being shut down, no one in Whitehall seemed to know who actually ran it. Also, we couldn't help but notice Kablenet - the "leading free, continuous e-government news service" is down at the moment. Of course, if Andrew Pinder would like to put the record straight and persuade us of the government's e-success, we would *still* be delighted to talk to him.

From [The Register](#), By: Kieren McCarthy, 1 May 2001

WORLD BANK AWARDS GRANTS TO FIVE NGOs IN GEORGIA

The World Bank has awarded a total of \$30,000 in grants to five nongovernmental organizations (NGOs) in the Republic of Georgia to help implement projects on poverty reduction, environmental protection, human resource development, anti-corruption and governance, and private sector development. Following is the text of an April 27 press release naming the winners of the 2001 Small Grants Competition: - World Bank Provides Grants to NGOs in Georgia – Tbilisi - Five Georgian non-governmental organizations (NGOs) today were awarded World Bank grants totaling \$30,000 for the implementation of projects focused on critical development issues. The World Bank Country Office announced here earlier the results of the year 2001 Small Grants Competition. The 96 submissions were carefully reviewed by project staff and final decisions were made by a selection committee, comprising representatives of several international organizations in Georgia. The following NGOs are the winners of the World Bank Small Grants Program in Georgia for 2001: - Georgia Health Law and Bioethics Society Implementing the Patient Rights Legislation in Georgia; - The Center for Strategic Research and Development of Georgia Protecting Public Environmental Rights; - Public Interest Protection League Internet Cafe for IDP and Local Vulnerable Youth; - Georgian Union of Mountain Activists Support for the Social-Economic Development of the Mountainous Regions of Georgia to overcome Poverty; - GRID Tbilisi (Global Resource Information Database) Initiating and Implementing the Water Use/Web-Data-Base. The Small Grants Program was created to promote dialogue and dissemination of information on development, and to enhance partnerships with key players in the development arena. This Program supports non-profit NGOs. The program finances activities related to the organization of conferences and seminars, specialized publications, production of audio-visual materials, and other innovative networking efforts that small organizations generally find difficult to fund through their regular program budgets. The grant activities are focused on socioeconomic development problems such as poverty reduction, environmental protection, human resource development, anti-corruption and governance and private sector development.

From [Washington File](#), 30 April 2001

E-ENVOY TRIES TO BOLSTER E-GOVERNMENT

The UK's e-envoy has insisted that the Government must "walk the talk" when it comes to implementing e-government. Speaking at the GC2001 conference, Andrew Pinder re-emphasised the Government's commitment to bringing 100 per cent of its transactions with citizens onto the internet in just three and half years' time. "Getting the very best out of new technology means that we must innovate - not just automate. And that means innovation within Government as well as between Government and citizen. We've got to walk the talk," said Pinder. "Services should be packaged in a tailored, customer-focused fashion, often in partnership with the private sector, so that the citizen or businessperson is offered real benefits by transacting online, and as a consequence comes back to use more and more online services," he added. Fred Baron, e-government research officer at the Improvement and Development Agency, which supports technical changes in local government, said the critical thing for e-government is to raise the awareness of those with power. "Network managers understand the possibilities. At SocITM conferences, we're preaching to the converted. Most people I've spoken to are concerned about whether the good ideas they have are being listened to," he said.

From [VNU](#), By Paul Allen, Network News, 14 May 2001

ILOG COMPONENTS SUPPORT E-GOVERNMENT

Paris - ILOG (ILOG; Nouveau Marche France) the world's leading supplier of Java and C++ software components, today announced the launch of a campaign to support e-government projects with advanced technology, based on the successful implementations within state and federal government systems in France, Hong Kong, Portugal, Singapore, Spain, and recently the United Kingdom and United States. "Governments around the world are turning to high-tech solutions to fulfill the growing public demand for accessibility, as well as to achieve greater efficiency and reduce spending," explained Jean-Michel Issakidis, ILOG Government Marketing Director. "Accessibility is what e-government is all about, and ILOG's best-of-breed e-business technology is suited to extend the benefits of the information revolution to online services for individuals, communities and businesses that deal with local, state and federal governments." Confirming this position, British Prime Minister, Tony Blair, has set a 2005 deadline for all public services in the United Kingdom to be accessible online. President George W. Bush, in his 2002 budget report, emphasized that "the US Department of Defense and other government agencies must review opportunities to expand the use of commercial practices and products that will facilitate the modernization of military forces to lower costs and utilize market-based solutions wherever possible..." Spain's Prime Minister, Jose Maria Aznar, has launched the INFO XXI development program, based on the e-Europe initiative approved by the European Council meeting of Lisbon March 2000. This program calls for the implementation of more than three hundred actions and projects between 2001-2003 to stimulate high-tech development in Spain. Several government contractors, such as INDRA Sistemas, who utilize ILOG technology in its e-government workflow package, have already begun preparation for INFO XXI initiatives. Two of the products in ILOG's e-government support portfolio are ILOG JRules and JViews. The first, a highly scalable, Java-based business rule engine, can fire more than 10,000 parameters per second, enabling it to provide full personalization and data correlation to web applications supporting thousands of simultaneous connections. In the United Kingdom, Capita is applying ILOG JRules for an authentication and certification system developed for the Criminal Record Bureau. The second product, ILOG JViews, is a visualization tool supporting advanced web technologies, including DHTML and EJBs, for online modeling and monitoring. Developers generally save 80% in programming time with JViews, while end users commend the intuitive displays and outstanding performance. ILOG JViews was critical to the French Government's cartographic information system developed by Eurocis. "Governments are increasingly using Internet technologies to track end-user information

and link legacy systems. Integrating these technologies across several functions increases the value of self-service and the two-way flow of information," said Issakidis. "This takes robust, flexible technology able to build, model and manage advanced workflow-based applications. ILOG JViews and ILOG JRules enable organizations to rapidly model and automate complex internal processes across the web as well as front- and back-office systems. They also provide the ability to modify the business rules governing those processes on the fly." Rounding out the high-tech software supporting e-government is the Optimization Suite, ILOG's most popular product line, which allows developers to create powerful solutions for resource optimization, scheduling, logistics, planning and configuration. The United States' Internal Revenue Service has already integrated the ILOG Optimization technology into their workforce scheduling system, as has the Lord Chancellors Department of the United Kingdom. Jean-Michel Issakidis points out that, "The citizen-as-customer approach to e-government involves improving operations to better fulfill needs. Most of the benefits of e-government will be lost, however, if Internet applications are only used as front-end showcases. They should also support interaction, enabling customers to access resources and work with agencies. With ILOG optimization an agency can easily address the complexity of high-level operation planning, because of the unique technologies that seamlessly blend mathematical programming and constraint programming together, for both long- and short-term planning solutions. They also enable decision-making for applying resources." Part of ILOG's e-government campaign includes participation in the May 10th Electronic Public Information 2001 conference in West Midlands, UK. This year's event, organized by the Society of Public Information Networks (SPIN), whose members include local authorities, health agencies, libraries, museums, central government departments, voluntary organizations and private sector companies, comes at a time when the interest of e-government is at a record high. ILOG has seven offices around the world, including France, California and Virginia.

From Internet.Com, by [Michael Sedge](#), 10 May 2001

THE AMERICAS

GET READY FOR E-GOVERNMENT

In a bipartisan effort to improve citizens' access to government services and information, Senators Joe Lieberman (D-CT) and Conrad Burns (R-MT) have introduced legislation that will bring the federal government more fully into the electronic information age. The E-Government Act of 2001 is an attempt to maximize the organization, accessibility, efficiency and quantity of online information pertaining to the federal government, while at the same time reducing costs. As new technologies are developed, new opportunities are created for the government to improve services. The legislation would establish a federal Chief Information Office to promote e-government and implement new electronic policies. Other goals of the measure are to improve upon the centralized online portal and establish an online directory of federal Web sites and indexes of resources. The legislation would also institute an online national library, require federal courts to post opinions online, encourage compatibility of electronic signatures and provide for new and stronger privacy protections. More than \$200 million a year would go to supporting interagency projects and innovative uses of technology. Acknowledging that private sector is way ahead of the government in utilizing new technology, the senators are nonetheless willing to forge ahead. "The U.S. government has been a sometimes unwilling participant in the technological revolution of recent years," Burns said. "The legislation we are introducing today will change that by creating online service to make government more efficient, accessible and accountable to the citizens it represents. "The private sector has benefited tremendously from the application of information technology," said Lieberman. "Now it's government's turn. We can and must take full advantage of the Internet and other technologies to overcome arbitrary boundaries between agencies, so government can provide the public with seamless, secure online services."

From [CBS News](#), 1 May 2001

SENATORS PROPOSE E-GOVERNMENT BILL

First there was e-mail, then e-commerce. Now get ready for e-government. A bill proposed Tuesday would increase the federal government's efforts to put more services and information online to make Uncle Sam more efficient, accessible, and accountable to U.S. citizens, sponsors of the bill said. Sen. Joseph Lieberman, D-Conn., and Sen. Conrad Burns, R-Mo., outlined the bill at a news conference, saying it was ground-breaking legislation designed to answer the demands of a public that wants access to government information and services around the clock. "If the federal government is to be a positive presence in society, and best serve the people it represents, it must aggressively harness these new technologies," Lieberman said. Many government agencies use the Web extensively already, but Lieberman said the federal government must avoid creating a confusing maze of programs presented at an array of disjointed Web sites. At this early stage, e-government, including the state and local levels, is a loose-knit mix of ideas, projects, and affiliations that are often uncoordinated and sometimes redundant, he said. The Electronic Government Act of 2001 would attempt to change this by establishing a federal CIO in the Office of Management and Budget, whose job would be to promote e-government and implement governmentwide information policy. The CIO would have authority to lead e-government efforts, working in conjunction with state and local governments and private and nonprofit sectors. He or she would review government agencies' IT planning and performance, ensure compliance with existing information statutes, and address privacy and computer security issues, Lieberman said. The bill authorizes \$200 million a year for an e-government fund to support interagency projects and innovative uses of IT. This is modest for a government that spends an estimated \$40 billion on IT, Lieberman said. The legislation also would institute an online national library and require federal courts to post opinions online. In addition, the bill would build on the FirstGov.gov Web site, launched last year, designed to let citizens access their government through a single,

centralized portal. The bill would produce more integrated sites, linked to FirstGov.gov, and would create a directory of government Web pages so citizens can find the help they need with a few clicks of the mouse rather than by searching, Lieberman said. The bill was immediately endorsed by the Center for Democracy and Technology (CDT) and Microsoft. "Incredible as it may seem, this is the first bill ever to comprehensively require the federal government to use the Internet to serve citizens," Ari Schwartz, CDT senior policy analyst, said in a statement. Microsoft pledged to continue working with Lieberman, Burns, and other congressional leaders who support e-government initiatives to help the federal government build a world-class e-government infrastructure.

From [IDG](#), 2 May 2001

SALT LAKE GAMES CORRUPTION TRIAL GOING HIGH-TECH

Salt Lake City -- The Olympic bribery trial will be turned into an electronic courtroom where computer monitors will display some of the government's nearly 1 million pages of documents. Federal prosecutors are asking the defense to share the cost of the setup and proprietary computer software designed for managing trial evidence. In a case built largely on documents, Justice Department trial attorneys Richard Wiedis and John Scott say the electronic approach is best for a case charging Salt Lake bid chief Tom Welch and deputy Dave Johnson with bribery, conspiracy, fraud and racketeering. Welch and Johnson's trial is scheduled to start July 16. They are accused of paying \$1 million in cash, scholarships, travel, medical care and other inducements to International Olympic Committee delegates who awarded Salt Lake the 2002 Winter Games. The government will open its case with a chart summarizing IOC members' benefits and an overall of Salt Lake's alleged conspiracy, according to a brief Wiedis and Scott filed in advance of a trial conference scheduled for Tuesday. The Justice Department already has hired a company to equip the courtroom and run the computer system. Wiedis on Monday refused to say who the government hired or how much it will cost to outfit the courtroom. He also refused to say what video evidence the government plans to play at trial. His brief mentioned that evidence without elaborating. "The presentation of evidence in this manner will shorten the length of the trial and will significantly ease the burden on the jurors, (who) will not be required simultaneously to handle evidence books, transcripts, headphones and other logistical distractions typically associated with complex white-collar cases," Wiedis and Scott wrote. Their statement said they plan to introduce records of foreign banks, apparently to show the money trail to IOC members. Prosecutors and defense lawyers were due back in court Tuesday morning to discuss housekeeping matters with Magistrate Ronald Boyce. Prosecutors plan to submit for the court's approval a questionnaire exploring potential jurors' attitude and exposure to the high-profile case.

From [Standard Examiner](#), by Paul Foy, 1 May 2001

LAWMAKERS TRIM BUDGET FOR E-GOVERNMENT INITIATIVES

Jefferson City, Mo. -- Like a dot-com company in a tumbling stock market, a proposal to post nearly all of Missouri's government services on one Internet site has suffered a financial setback. Legislators looking for money in a tight budget have trimmed a \$21 million e-government proposal to less than \$8 million for the fiscal year that starts July 1. Now, if the one-stop Internet site is to be created, it likely will be a year later than originally proposed and require help from the private sector, said Gerry Wethington, the state's chief computer official. Yet Wethington, who presented a grand proposal to lawmakers in January, is putting the best construction on the decision that legislative budget negotiators arrived at last week. "What we're doing is going at a slower pace," he said. "In the process, we minimize our risk and we build credibility and we build the confidence of those who have the responsibility of funding these processes." The ultimate goal is a single state government Web site that would allow people to register vehicles, bid for state contracts and even get death certificates online.

From [STLtoday.com](#), 30 April 2001

THE INNOVATION RECESSION

You've heard the news of shrinking profits, low sales, and dire predictions for the PC industry. Many of the most prominent hardware vendors -- including Intel, Compaq, and (even as it passes Compaq for first place in global PC and server sales) Dell -- have announced major layoffs and cost reductions. Demand for computer and communications hardware seems to have almost totally collapsed, leaving inventory at historically high levels. What's behind this market downturn? Certainly the dot-com collapse and North American economic uncertainty are playing a contributing role, but there's another factor the industry needs to address: the loss of innovation. Anyone who's followed the computer scene for long will remember similar economic downturns in the past, followed by corresponding recoveries and returns to brisk sales and prosperity. Though healthy economic indicators were present when market fortunes reversed, the industry also provided the impetus by introducing innovative "killer technologies" that attracted customers and reinforced the need to purchase new PC hardware. The shift from the ISA/EISA to PCI bus is one such example, as was the introduction of a dedicated AGP port for video or Enhanced IDE or SCSI for internal data transfer. The advent of 3D graphics had a profound effect on home computing, and the introduction of USB shook up the industry and hastened the exit of many serial-port scanners, external storage devices, and game controllers. These new technologies offered significantly enhanced capabilities, features, and speed over last-gen "legacy devices" -- and were greeted with mass acceptance by both vendors and consumers. That term "legacy device" carries a lot of weight with the buying public, especially with the all-important "early adopter" market. Early adopters are those computer users who camp by their local PC stores waiting for the next hot release; they happily put up with potential incompatibilities, driver issues, or installation problems just for the honor of living on the cutting edge. These heat-seekers help drive the computer industry, and newer, faster, and better technologies also serve to demote yesterday's hot stuff -- creating legacy devices -- as a byproduct. The introduction of USB had a compelling effect on my own hardware purchases, as its

faster data transfer and ease of installation spurred an upgrade of not only my computer and operating system (Windows 98 Second Edition), but also a scanner, printer, mouse, and game controllers. USB is a technology that enhanced my computing experience, and I was more than willing to pay the price in return for its added benefits. By contrast, in today's desktop environment, we're increasingly offered solutions that basically amount to MOTS (More Of The Same), only in smaller packages or with faster speeds. Both AMD and Intel have been raising the bar for CPU performance, but this strategy leads to diminishing returns as consumers have increasingly taken an "it's fast enough" stand against buying a new PC based solely on processor speed. Both companies look to change this by introducing 64-bit processors, but these releases are still far in the future. New technologies such as double-data-rate (DDR) or RDRAM memory and ATA-100 EIDE are certainly requirements for a new performance PC, but their nominal performance benefits have attached the "legacy" tag to previous PC133 or ATA-66 devices. One highly successful hardware manufacturer, Nvidia, has taken this reaction to heart. The graphics leader's new GeForce3 will offer enhanced features and technology in lieu of yet another incremental jump in video processing speed. New and Improved? This innovation-versus-legacy phenomenon is one of the main reasons notebook PC sales continue to climb. Since portables are usually a generation behind desktops in terms of overall functionality, mobile consumers are now experiencing the sort of innovations (3D video, digital sound, DVD playback, faster CPUs, and so on) that the desktop crowd was so excited about not too long ago. Where there is innovation, there is growth, and the burgeoning portable market is a testament to this. I expect the surge in the mobile market to continue, at least until the "bag of tricks" has been exhausted. Shopping for comparable novelties in the desktop aisle, we see that USB 2.0 is simply an enhancement of current USB technology. While innovative, Bluetooth has been beset with low adoption rates, a dearth of available hardware, and incompatibilities between devices from different manufacturers. Microsoft has not helped the cause by announcing that the initial release of Windows XP will support neither of these technologies. Even the much-ballyhooed IEEE 1394 or FireWire interface is only new to the PC sector, as the Mac has included this interface for some time. Standing apart from the fray is the 802.11b wireless Ethernet standard, which represents the closest thing to a "killer tech" that we'll likely see for some time. The prospect of achieving a totally wireless workplace, or even a home computing setup, is an incredibly attractive one, and I admit to pricing wireless kits quite extensively lately. But there's the rub: A wireless network does not inherently require a new PC or any of the future interfaces such as USB 2.0 or FireWire. Existing PCI, PC Card, or USB interfaces seem to have the lion's share of the market, and should keep it for the foreseeable future. Once the wireless spec is updated to 802.11e, with its potentially greater bandwidth requirements, that may help drive the sales of new PCs with faster ports; until then, wireless networking vendors will get rich, but the economic spinoffs to traditional hardware vendors may be minimal. At this juncture in the road, many computer companies seem to be turning on the cruise control and just admiring the scenery. Customers have caught onto this strategy, and seem unwilling to play the upgrade game without being offered tangible benefits in return. Today's technological revolution was built on companies taking chances on innovative technology, and the industry itself going along for the ride. A return to these times of inspiration and innovation is a far more productive goal than simply waiting for cyclical economic prosperity to return.

From EarthWeb.com, by [Vince Freeman](#), 1 May 2001

STATE LIMPS BEHIND EU FOR HEALTH SERVICE, SAYS STUDY

Public spending on health service here is significantly less than other EU states, according to a survey out yesterday. Spending on health care as a percentage of GDP in Ireland stood at 6.2pc compared with 6.7pc in Britain, 7.5pc in Spain and 9.8pc in France. The study by private health insurance company BUPA shows that France gives the best publicly-funded service. Its state health care is available to the entire population and accounts for around 80pc of treatment costs. The scheme is funded through 6.8pc tax on employees' salaries and 12.8pc contribution from employers. In Spain around 98.5pc of the population are covered by a state-run health insurance system. Around 10pc of those covered by state run systems also take out additional private medical cover. BUPA said, however, that even though France is top of the health care league it does not mean that other countries should follow that model. The French spend very heavily on their health care and they have no waiting lists but there is considerable duplication of services. The report stated: "There is a high satisfaction rating among the public but of course the population is not so keen on the high cost of paying for it." The study also found that expenditure on health care continues to increase at a faster rate than incomes in all countries. People are living longer, technology is improving and patient expectations are growing, said BUPA.

From [Unison](#), [Eilish O'Regan](#), Health Correspondent, 26 April 2001

EL PASO RANKS SECOND FOR DELIVERING PUBLIC SERVICES IN NATIONAL STUDY

When it comes to efficiently providing city services such as fire protection and street maintenance, El Paso is second only to Phoenix according to a national study of 44 U.S. cities. El Paso Mayor Carlos Ramirez said he was "pleasantly surprised" with the city's report card. "On the other hand, I'm not surprised because this is what we strive for — to make our government more efficient," he said. The Competitive Cities Report Card, by the Reason Public Policy Institute, a Los Angeles-based think tank, was released Wednesday. Adrian Moore, the institute's executive director, said the highest rankings went to cities that used the fewest staff and least money to provide each service. "The cities holding their city departments accountable for what they are doing with their money and people turn out to be more efficient," said Moore, a study researcher. Los Angeles was ranked last. Data from 1993 through 1998 were used to evaluate municipal services. El Paso met the minimum criteria for the study, which required that a city provide at least three years of data on each of three city services. Service areas included building management, emergency medical service, fire protection, vehicle fleet management, libraries, parks and recreation, police, solid waste and streets. El Paso ranked as the most efficient city for fire protection and street maintenance. It was, however, the least efficient city in fleet

management. Researchers had wanted to evaluate the municipal services provided by the 50 largest U.S. cities, but because of incomplete and incompatible data, the number of cities evaluated was reduced to 44.

From [Reporter News](#), 26 April 2001

BLASTING AWAY BUREAUCRACY: E-GOVERNMENT OFFERS THE PROSPECT OF PROFITS FOR BUSINESS AND ADDED CONVENIENCE FOR CONSUMERS

Those long, teeth-grinding waits in line at the California Department of Motor Vehicles could soon be a thing of the past. Ditto with filing out permits in person or paying government fees and taxes by snail mail. Governments from Sacramento to London are going electronic, and high-tech vendors such as Microsoft, Sun Microsystems and Cisco Systems are embracing what executives say is a robust and rapidly growing market. The upshot, observers say, is a win-win-win situation. Government wins by being more efficient. Business wins by snaring more business. And citizens win by saving time navigating the bureaucracy. Governments are going electronic with varying degrees of sophistication, depending on their level of enthusiasm and the size of their budgets, but the trend is definitely upward. E-government spending in the United States in 2000 totaled \$1.5 billion, according to the Gartner Group. By 2006, an estimated 14,000 e-government systems will be deployed in the United States, primarily by the nation's numerous local governments, according to Forrester Research. Two of the world's largest and most ambitious projects have been started since the first of the year. The United Kingdom, which has the world's fourth-largest economy, kicked off a variety of online services at www.ukonline.gov.uk on Jan. 25, with Microsoft as a major partner. California, which has the world's sixth-largest economy, introduced a state government portal, www.ca.gov, four days later, using a cluster of California companies to provide software and consulting. The first phase of the California portal, which cost \$2.1 million to build, succeeds a maze of disparate state agency Web sites, says Arun Baheti, the state's director of e-government, who says the portal is on pace to register 1 million visitors during its first year. "The public response has been phenomenal. Since we launched, we've been in the top 10 sites in the world, as measured by E-Metrics. Not just the top 10 government sites," Baheti says. "When people talk about e-government, they are talking about several different things," Baheti says. "Some states, especially small states on the East Coast, use it to jump-start economic development. Some use it for internal government efficiencies. Some to build reputations as being tech-savvy. "We're California. We are the technological center for the world. The real purpose of e-government for us is customer service," he says. Californians with access to the Internet at home, work or school -- 65 percent of state residents, according to Sacramento officials -- can schedule an appointment at the DMV online, pay their taxes, shop in the Park Department's store, access information about campaign finance reform, reserve a camp site, review discipline reports about doctors and more. "Making appointments at the DMV, that's our killer app," Baheti says of the first three months. "You can register your car online, but you still have to go to the DMV to take your eye exam. But now you can be in and out in 20 minutes, instead of waiting hours. That's an hour or so you can spend doing something else, an hour you can spend with your kids." PERSONALIZATION - Part of the software package the state has purchased enables registered users to customize the site, under a "My California" option, by requesting specific information to be pushed to the user. "The business of state government is as much informational as transactional," Baheti observes, adding that a surprising amount of public interest in campaign finance reform prompted his office to ask state librarians to revise parts of the My California site to make campaign finance information easier to access. The state hired only California companies to build the portal, though having a Golden State pedigree wasn't a requirement for signing a contract. According to Baheti, "We wanted best-of-breed, and they happened to be California companies." San Jose's Cisco, Menlo Park's Broadbase Software, and the Deloitte Consulting office in Sacramento are among the companies tapped to build and manage the system. Cisco, which has also consulted on the United Kingdom's Government Gateway system, sees e-government as a strong market, says Cisco spokesman Kent Jenkins Jr. "I can't put a dollar value on it, but it's definitely significant." The main advantage to governments and their customers, Jenkins says, is "You can do it at your leisure, 24/7. Otherwise, you can only interact with government offices during regular business hours." CISCO HELPS UNITED KINGDOM - Cisco has provided both consulting help and networking software to the California portal. The company, through its Internet Business Solutions Group, is also involved in the government initiative in the United Kingdom, where 35 percent of households and 81 percent of businesses have access to the Internet. "John Chambers has consulted with Prime Minister Tony Blair about the U. K. (British) system," continues Jenkins, referring to Cisco's chief executive officer. "John frequently cites it as prime government leadership in using technology." The United Kingdom, with 60 million people to California's 34 million, has started a drive to put all government services online by 2005. To this end, London has appointed an ambassador to international technology companies, called an e-envoy. The post is filled by former Prudential and Citibank operations and technology officer Andrew Pinder, who reports directly to Blair. Pinder, who visited San Francisco and Silicon Valley recently after sharing a stage with Microsoft Chairman Bill Gates at a Microsoft-sponsored conference for government leaders in Seattle, said the United Kingdom is spending \$1.5 billion to put government services online during the next four years. "This is the e-equivalent of the late 18th century building of the railroads in the United Kingdom or the 20th century interstate highway system in America," Pinder said. "Here's another revolution coming on; we can either sit on our coattails or lead it." The United Kingdom maintains a cluster of Web sites to explain its approach to online government and provide access to it. (General background is available at www.ukonline.gov.uk. A site providing information to businesses is www.ukonlineforbusiness.gov.uk.) Britain has paid Microsoft \$21.5 million to install software that links a variety of existing systems. It aspires to join all national and local government agencies electronically and help people who don't own home personal computers to go online. The United Kingdom plans to install some 7,000 publicly accessible PCs around the nation, many of them in the countryside and small towns, Pinder said. "We want all government services online. And not just online, but being used. We are putting PCs in libraries, community centers, the back rooms of pubs and football clubs. We have one in a Hindi women's collective in Coventry." Pinder's director for industry, Richard Barrington, is an executive at Sun Microsystems, which has 4,000 employees in the United Kingdom. Barrington, who is on loan to London from Sun, says the goal of

UK Online is to make dealing with government easy. "At different points in your life cycle, you are going to be touched by government. We want that to be as simple and painless as possible." ONE PASSWORD DOES IT ALL - To that end, users can now employ a single password for all of their online government interactions instead of building individual profiles with each department. Presently, British subjects can use the system to pay taxes electronically, farmers can apply for subsidies and businesses can pay their sales taxes online. More options will be made available as the system evolves, Pinder and Barrington say. Microsoft has more than 1,000 employees worldwide working on e-government projects in software design, sales, marketing and consulting. The company uses a proprietary system called BizTalk "to integrate existing systems, using core Internet standards," according to Chris Atkinson, Microsoft's vice president of its Government Enterprise Solutions Group. "The problems with big enterprises like government is you probably have code written 15 years ago," Atkinson says. "Governments don't want to throw those legacy systems away. BizTalk enables old systems to talk to new systems." Atkinson describes the UK Government Gateway as "one of the top projects going on in the world. It is a very, very ambitious project." The United Kingdom's ambitions aren't restricted to its own territory. Pinder says the Blair government hopes to split royalties with Microsoft to sell a system based on the British experience to other governments around the world. Atkinson confirms that discussions between London and Redmond, Wash., are taking place, but says there is no deal yet. LEADERS GET ON THE NET - In the meantime, Blair, the charismatic impresario of Cool Britannia, who was ribbed in the press a year or two back for not using e-mail, is apparently online nowadays in his office at 10 Downing Street, London. "Number 10 only communicates with other branches of government electronically," Pinder says. In California, Gov. Gray Davis was similarly satirized for not using e-mail. But now, Baheti says, citizens can e-mail Davis through the California portal. Baheti says users are giving the new state portal 90 to 95 percent approval ratings, but he allows that the site has a way to go before it is comprehensive. With 10 state agencies represented online in the state portal, there are 110 agencies to go.

From [San Francisco Chronicle](#), [David Armstrong](#), [Chronicle Staff Writer](#), 14 May 2001

INTEL'S GROVE: NEXT FIVE YEARS WILL BE BIG FOR INTERNET

Despite all the hype and billions of dollars spent on the Internet in the last few years, the industry is only 10 percent of the way toward where it will be in 5 years' time, according to Andy Grove, chairman of Intel Corp., speaking Thursday in an interview at Stanford University's Business School, monitored in Tokyo. "I think the impact of the Internet in the next five years in practical terms, not in stock market terms, is going to be bigger than it was in the previous five years," he said during a public interview at the business school chaired by Wired magazine's John Heilemann. Grove writes in and appears on the cover of the magazine's June issue. Grove, who had earlier spoken of his admiration for the customer service management employed by Amazon.com Inc., added he holds this view because the number of companies that are still truly benefiting from the Internet in the way they interact with customers is small. "It is going to be bigger simply because right now, I couldn't think of the second candidate to extol after Amazon in terms of customer relationship management (CRM), and I couldn't even think of the first candidate who is really the epiphany of supply chain management (SCM) that I could hold up in an Amazonian role and fashion," he added. "The impact of this thing is precisely proportional to the portion of the economy that participates in the benefits of these two factors (CRM and SCM), so we are less than 10 percent of the way there," he said. This backlog is not for a lack of money. The billions of dollars plowed into the industry over the past few years, most of it raised in the stock market, has laid the ground for coming improvements, he said. "Roughly 25 percent of the necessary investment has been made, and we've got 5 percent of the benefits so far." In fact, the money that arrived in the industry, and particularly Silicon Valley, solved one of the largest problems facing the first inhabitants of the Internet economy: Who is going to pay for all of the infrastructure needed? "In the early Nineties, if you think back to the time people were thinking of the information superhighway, the question everyone wanted answered was, who is going to pay for the deployment of the information superhighway? Is the government going to pay, are companies going to pay? The whole thing didn't make any sense, and then all of a sudden investors rushed to pay for it and put it in place," he said. "The boom was a healthy thing because the infrastructure that is needed for (CRM and SCM) depends on hundreds of billions of dollars of infrastructure investment that ordinarily would not have been available. What bank would lend, in a short period of time, money to companies to invest in a business model like Amazon or the European telcos buying up digital spectrum licenses? The answer is none. Those things wouldn't have happened or would have happened at an infinitely slower speed." "The money may be gone, but the infrastructure is there, and the infrastructure was put there in record time," he said.

From [IDG](#), by [Martyn Williams](#), 11 May 2001

STATE STUDIES 'E-GOV'

Already, Kentuckians can buy a hunting or fishing license online. Companies looking to locate in the state can find facts about potential sites. And some forms are readily available online, saving residents a trip or call to Frankfort. Still, the e-government revolution has yet to sweep state services. Just wait, says Aldona Valicenti. It will. Ms. Valicenti is heading up the newly named Kentucky Information Technology Advisory Council, which first will inventory what government services already are online and then map out what's next. **Q: Following last November's national election debacle, some stepped up the call for voting by personal computer. Is that realistic?** A: Not in the near future. What is a near reality is to vote online in a centralized place. But to vote out of your own home still has challenges. For instance, how do you prove you are who you are? There are packages to do that out there, but to do that across the entire state is very costly. I do think you'll begin to see candidates use the Internet more effectively to market themselves. They may provide forums online. They could use Web-casting. I think we'll see that happening as an evolution, rather than a revolution. **Q: Why is this advisory panel necessary, if we already have experts like yourself at the**

Governor's Office for Technology? (Ms. Valicenti also serves as chief information officer for the Governor's Office for Technology.) **A:** The advisory council is really intended to be a help for the Governor's Office for Technology and for me, because if you really look at business you see they get input from customers all the time. Government also needs that kind of input. We have advisory council members who are in state government. We also have people from local government, because citizens expect service that is seamless across those boundaries, in many cases. We have people from the private sector so that they would help us focus on certain areas where we need to provide service, maybe in a different way. **Q: What kind of electronic government is available through the state's Web sites now?** **A:** We put hunting and fishing licenses out there a long time ago. But are there other services we need to look at? We put forms out there so that people don't have to drive to Frankfort and get them. But maybe other services haven't been put on our radar screen. We'll get council members' input to see what makes sense, and what would citizens want first. **Q: How does Kentucky government's use of information technology compare to that in other states?** **A:** I think what we're offering in e-government online already is pretty comparable with what other states have. In other words, you can actually get on there and do things, order stuff, or get certain licenses. But we still have some important things to do. For instance, I think we don't always look as pretty as other states online. A lot of that is because we started early into this and each area of government kind of did its own thing. **Q: Which state government departments work best online now?** **A:** We're doing an assessment right now. There's some wonderful information on there now, for instance with the economic development site, where you can find site-specific data. Other states have actually wanted to copy that. **Q: Which kinds of things don't work in e-government?** **A:** Some western states wanted their sites up quickly, but they didn't have the money to do it. So then they started to charge high fees for the services. That was useful at the beginning when they got a lot of traffic. But, then the traffic died down. So there's a level of what you can charge for convenience, and what's not going to work. We try to stay away from that. **Q: Cost has been a barrier to many online services. Will advisory council members also address those issues?** **A:** Yes. For instance, for most children the Internet is in their schools already. But the schools get locked up at night. We've already put this in the libraries, but maybe there are other places. For instance, maybe we could provide something in a Wal-mart store. I don't know. But we have to think of creative ways to reach citizens. Maybe in centers for senior citizens or other places. We've got to explore.

From [Kentucky Post](#), by Shelly Whitehead, 7 May 2001

GLOBAL

PUTTING CITIZENS ONLINE, NOT IN LINE

Although governments hardly stand at the forefront of Internet innovation, their use of the Net to deliver services has experienced something like a quiet explosion over the past five years. During that time, more than 500 electronic-government initiatives have been launched around the world—up from three in 1996. In many cases, the early results have been promising. A few years ago, for example, obtaining an import or export license in Singapore required applicants to fill out 21 different forms and then wait 15 to 20 days for 23 government agencies to process the request. But since the government launched TradeNet, applicants have had to submit only one online form, and they receive a license as soon as 15 seconds later. To gain a better understanding of e-government's potential, we examined major initiatives around the world and undertook a significant amount of research. We found that the real value of e-government derives less from simply placing public services online than from the ability to force an agency to rethink, reorganize and streamline their delivery before doing so, much as the redesign of core processes in the 1980s transformed many businesses. And it isn't just the Internet-savvy industrialized nations that can benefit; e-government programs can introduce world-class technology players to developing economies. Better, cheaper government - When citizens and businesses get online instead of waiting in line, they can obtain faster, more convenient access to government services, and with fewer errors. Singapore's eCitizen portal, for example, allows people to access all government services from a single Web site. Moving? Just type in your address once, and it is automatically sent to all government agencies, such as the post office and the police department. Starting a small business? With just a few clicks, you can apply to Singapore's Ministry of Law for a patent and to the country's Trade Development Board for an import license, and you can post job vacancies with the Ministry of Manpower. While Singapore is perhaps furthest ahead in the e-government game, the United Kingdom, the U.S. state of Washington, and many other places are close behind. Our experience suggests that just 15 percent of e-government's benefits stem from technology; the rest come from streamlining the delivery of services. The two together can produce dramatic cost savings per transaction. In Arizona, processing a vehicle registration renewal online costs the state only \$1.60, while the cost is \$6.60 for customers who renew in person. And the Web site hasn't cost taxpayers anything: It was created and is maintained by IBM, which receives 2 percent of the fee for each online renewal. These fees save the state's Motor Vehicle Division nearly \$2 million a year, and the amount could easily double or triple as more people choose to renew their licenses on the Web. The U.S. Internal Revenue Service can process an electronic tax return for just 40 cents, while a paper return costs the IRS \$1.60. On average, 40 percent of the expenditures of state governments in the United States pay for the delivery of services, so the potential savings are enormous. The savings come mostly from using a rule-based decision engine to issue permits or to perform other tasks automatically, provided the user meets specific requirements. Singapore's TradeNet, for example, can issue no less than 95 percent of its import-export licenses automatically, allowing the government to reduce the size of its work force or to enhance service by redirecting employees to more valuable activities. Additional cost savings come from capturing information more accurately. Electronic filing with the IRS, for instance, eliminates the need to scan handwritten tax forms, thus reducing the incidence of data errors and audits. Receiving tax and other payments online allows the government to invest the funds immediately. Paper and document storage costs fall dramatically. E-government can cut procurement expenditures as well. Federal, state and local governments in the United States spend a total of \$568 billion annually on materials and services. By aggregating procurement and putting it online, private companies have found that they can cut costs

by as much as 20 percent to 25 percent. If the U.S. government achieved commensurate economies, it could save \$100 billion or more. This tantalizing prize explains why several e-government efforts have focused first on procurement and only later on interactions with the public. Ultimately, going online promotes better public decision-making and more responsive government. In some countries, e-government can also spark the growth of the New Economy because governments that are committed to putting their services online must build a public infrastructure, create a regulatory and legal framework for online transactions, and promote Internet penetration. Local high-tech ventures depend on all of these factors. Getting to *E* Once a government has decided to reinvent itself online, it faces a continuum of options. At one end of the spectrum, it merely puts existing government services on the Internet; at the other, it creates a megaportal that offers both government and commercial services. Which option makes sense depends on how committed public officials are to overhauling government, on their vision of e-government, and on their ability to execute. Putting services online The least costly form of e-government, and the easiest to carry out, is to put existing services online. Led by individual departments, these efforts require little or no cross-department cooperation and only a moderate redesign of processes. Such services might include obtaining a work permit, renewing a vehicle registration or filing a tax return. Online delivery typically reduces costs by 20 percent to 25 percent and improves the quality of service and convenience for customers. Most e-government efforts in the United States, for example, fall into this category. Because these efforts are relatively straightforward, many government departments--at little or no cost to taxpayers--outsource the entire task of building and maintaining their Web sites to private companies. Governments can pay companies a percentage of the value of online transactions (as Arizona's Motor Vehicle Division does) or a combination of fixed and variable fees; either way, it is important that companies receive financial incentives to increase online usage. If the department decides to build the online application itself, this typically costs \$30 million to \$45 million, which covers building the portal as well as automating the service-delivery process. But simply transferring existing services to the Internet leaves significant value untapped. Government functions remain in their silos, leaving the burden of integrating services to consumers. Citizens would be better served if, for example, they could simultaneously take care of two related chores, such as renewing their vehicle registration and paying their outstanding parking tickets. Where interdepartmental politics and lack of leadership make more sophisticated online integration impossible, Web sites for individual departments represent a step forward. Departments don't have to take on the enormous task of redesigning the delivery of their services and coordinating the functions of different agencies; many can achieve quick wins on their own. This observation may hold especially true for functions, such as tax payments, that are largely independent of other government services.

From the [McKinsey Quarterly](#), 25 April 2001

Public Finance

AFRICA

PROVIDE EFFICIENT SERVICE, GAOLATHE SAYS

Minister of Finance and Development Planning Baledzi Gaolathe has called on public officers to provide efficient service to members of the public. Addressing public officers under his ministry in Palapye, the minister reminded officers to look at members of the public as "bosses not as servants". Gaolathe said government had introduced Performance Management System (PMS) as a way of improving the quality of service and reward officers who delivered the goods. "Our vision after 50 years of independence is that our economy must be three times richer but this is possible if each one of you is contributing," he said. The minister advised industrial class workers to study after hours to improve their education and also advised them to protect themselves against HIV/AIDS. Earlier, revenue officers had complained of inadequate security both at the workplace and at home. They said because of shortage of staff they were overworked. Officers of the Department of Customs and Excise complained of shortage of both residential and office accommodation. Supplies officers seconded to other departments accused supervisors of the host departments of flouting rules and regulations and not taking hand overs seriously. For storekeepers, the main complaint was hazardous working conditions, which saw them sharing offices with poisonous chemicals, gas cylinders and dirty stretchers and mattresses. Minister Gaolathe promised to have their problems looked into.

From [Republic of Botswana](#), 2 May 2001

ASIA/PACIFIC

PUBLIC FUNDS TO SURPASS W160 TRILLION THIS YEAR

The entire size of public funds that will be used by the end of this year will surpass the 160 trillion won level. "The amount of public funds will amount to more than 160 trillion won by the end of the year should the public money used by the Korea Asset Management Corp. be added to those already used," said Byon Yang-ho, director in charge of financial policies at the Ministry of Finance and Economy (MOFE). He rebuffed the allegation that public funds would increase by 10 to 20 trillion won compared with the previous estimate. Critics have been hitting the government for having failed to appropriately operate public funds, alleging the amount would surge by 10 to 20 trillion won. He went on to say that non-performing loans of financial organizations have continued to decrease, prompted by corporate restructuring at the financial sector. The Korea Asset Management Corp. is set to withdraw some of the taxpayers' money for re-use in some other organizations. Given this background, the corporation's use of public funds would not be so great as alleged by some critics, said Byon. He hinted the possibility that the Korea Deposit Insurance Corp. will issue its bonds in the process of injecting public funds into some marginal financial organizations. Regarding Hynix Semiconductor's request for a guarantee for its 1 trillion won worth of convertible bond, he said it would be better for the creditor banks of Hynix to permit the ailing firm to go ahead with the bond issuance without a guarantee from the state-run Korea Credit Guarantee Fund. "I know that the creditor banks are now preparing measures to cope with the matter, initiated by the Korea Exchange Bank," he said. He indicated the measures would include attracting investment from abroad. "The creditor banks have not officially made the request for the guarantee while the corporation has also shown negative response to the proposal," he said.

From [Korea Times](#), by Shim Jae-yun, 2 May 2001

STREAMLINE AUDITING STANDARDS IN PUBLIC SECTOR INSTITUTIONS – WORLD BANK ADVISER

Sri Lanka needs to streamline its auditing standards in the public sector institutions in order to enhance good governance, said Brad Herbert, Operations Adviser for Sri Lanka of the World Bank. He was addressing a press conference after presenting the Country Report for the year 2000 in Colombo on Monday. "Good auditing is essential for decision makers. If auditing is to be useful it must also be timely, he said stressing that the Auditor General's Department needs to find some way of moving quickly into auditing the current fiscal years and clear the longstanding backlog. Mr. Herbert said the Auditor General has a vision of enhancing the auditing standards in Sri Lanka with the help of foreign auditors to assist in the process. 'Good governance is good auditing', Mr. Herbert said and added that the World Bank hopes to work on a more comprehensive development framework. He said the World Bank will in future be more selective in assisting projects, which they think will have a competitive edge over other donors. The Bank, he said will in the future focus its attention more on non-lending issues and focus more on providing technical assistance and expertise to borrowing countries through the vast resource base of expertise available with the World Bank. Mr. Herbert said that in the context of South Asia the utilisation of money on projects in Sri Lanka is not enough. The disbursement ratio stands at 14 per cent today. However, the portfolio has been restructured with a commitment to increase it by 26 per cent in the coming years, Mr. Herbert said.

From [Lake House](#), by Pravin Mendis, 2 May 2001

FIJI'S FINANCE MINISTRY SAYS IT'S ELIMINATING MISMANAGEMENT

Fiji's Finance Ministry claims it's eliminating financial mismanagement. As Ofa Kaukimoce reports from Suva, the comment follows the release of a Public Accounts Committee report. The Finance Secretary, Sila Kotabalavu stressed that in 1998 the Finance Ministry had established a new unit, the Financial Management and Audit Division, to monitor and strengthen the financial management within various ministries, departments and government entities. However, Mr. Kotabalavu reveals that the Financial Mismanagement and Audit Division did not have the capacity to make a significant improvement in the financial management of public funds in its early days. The Finance Secretary claims the department is now in a better position to respond to cases of abuse of funds. The country's security forces were among government departments specifically mentioned in the Public Accounts Committee report on severe abuse of funds.

From [ABC Online](#), 4 May 2001

CAMBODIA WORRIED ABOUT NEW ADB POLICY ON SOFT LOANS

Cambodia says it's worried that foreign aid levels will shrink after the Asian Development Bank decided to tie soft loans to results. The bank has said that loan approvals for its soft-loan window, the Asian Development Fund, would be allocated based on a member country's degree of poverty, population size, and performance rating related to "governance". Cambodian ADB governor Keat Chhon has told an annual meeting of the Bank in Honolulu that Phnom Penh is worried about how the policy will be applied to countries with massive poverty and weak institutional capacity. Last week, the bank released a critical report on the state of governance of Cambodia.

From [ABC Online](#), 13 May 2001

CHINA TO CONTINUE PURSUING ACTIVE FISCAL POLICY: FINANCE MINISTER

China will continue to implement an active fiscal policy to consolidate the sound growth momentum, Finance Minister [Xiang Huaicheng](#) said Thursday in Honolulu. It will issue 150 billion yuan of government bonds in 2001, for investments in such public good areas as infrastructure, environmental protection, science and education, he told a country presentation program on the sidelines of the 34th annual meeting of the Asian Development Bank's Board of Governors. Summing up last year's performance, Xiang said China's GDP reached 8.94 trillion yuan, exceeding for the first time 1 trillion U.S. dollars, or over seven times that of 1978, the year when China began the policy of reform and opening to the outside world. He said that in 2001, the first year of the 10th five-year plan aiming at a 7 percent annual GDP growth, China had a good beginning. He said that in the first quarter, GDP grew 8.1 percent and foreign trade rose 15.9 percent totaling 113.8 billion U.S. dollars, exceeding the 100 billion dollar mark for the first quarter of a year. In the meantime, he stressed that China is ready to take effective measures to cope with any impact that the global economic slowdown may have on Asian economies. China's development is of positive regional and even global significance, the minister said. After the outbreak of the Asian financial crisis in 1997, China resolutely adhered to the policy of maintaining stable RMB exchange rate and vigorously adopted an expansionary policy that helped maintain rapid growth, thus contributing to the recovery and restoration of the Asian economy. China, he said, has been working hard to reduce poverty and improve its people's life through economic development, and thus contribute to the United Nations' goal of global poverty reduction. He said that in 2005 which is the last year of the 10th five-year plan, foreign direct investment in China is expected to be 40 billion U.S. dollars and total trade volume is projected at 680 billion dollars. Difficulty in Developing Countries' Exports - China said Thursday that a reduction in U.S. imports implies a shrinking of exports for developing countries and thus the latter should be prepared to respond to any adverse impact that the external economic environment may bring on them. "We noted that the U.S. economy posted an unexpected 2 percent growth in the first quarter of 2001, but half of the growth was due to an import reduction, and that implies a contraction of export markets for developing countries," Chinese Finance Minister Xiang Huaicheng told a session of the 34th annual meeting of the board of governors of the Asian Development Bank (ADB), now being held in Honolulu, Hawaii. He described the future of Asian economies as bright, on condition that Asian countries will strive for stability and development, adopt structural adjustments, open up regional markets, strengthen economic cooperation, increase capability to ward off external risks and explore and find appropriate development models. Xiang voiced his hope that the ADB will review as soon as possible its capital adequacy to ensure its financial capacity to satisfy borrowers' poverty reduction needs when two thirds of the world poor live in Asia. In this regard, he urged developed shareholders in the ADB to do their own part in meeting commitment to poverty reduction. "Bestowing ADB the mandate to reduce poverty, the shareholders should have more responsibility to enable ADB to do its job properly," he said.

From *China-People's Daily*, 11 May 2001

EUROPEIGIS

BELGIAN FINANCE MINISTER CALLS FOR EU TAX

The European Union needs to levy a direct tax on citizens to fund new responsibilities for defence and foreign policy and to pay for EU enlargement, according to the Belgian Finance Minister, Mr. Didier Reynders. Irish officials were taken by surprise at the announcement yesterday at the Brussels Economic Forum. The Government swiftly dismissed the idea as unworkable and

unrealistic. As opponents of the Nice Treaty last night seized on the proposal as ammunition in their campaign, a Government spokesman insisted the idea "doesn't have a hope of being taken seriously by other member-states, including Ireland". Belgium assumes the EU Presidency for six months in July and Mr. Reynders, who currently presides over the euro-zone group of finance ministers, said discussions on the new tax would start early in the presidency. He said EU leaders would make a final decision at a summit in the Belgian royal palace at Laeken in December. Britain and Ireland are likely to be the most vociferous opponents of the Belgian proposal, which needs the unanimous support of all 15 member-states to be implemented. Mr. Reynders suggested EU citizens would accept the new tax as an extension of the system in many member-states where tax is paid at local, regional and national levels. For Irish taxpayers, the closest equivalent is the 2 per cent health levy. Belgian officials say a new EU tax would initially complement the present system of funding the EU but could eventually replace it. They argue citizens would see a direct EU tax as a more transparent way of funding the activities of the European institutions. Mr. Reynders's proposal comes in the context of a fledgling debate about Europe's future shape that will culminate in a treaty-making summit in 2004. He remained vague yesterday on the level of the new tax and whether it would take the form of a tax on income or on sales. He said such details would be worked out among EU finance ministers. There is little chance of the measure securing the necessary approval this year for its introduction. But Belgium believes it is important to put the idea on the European agenda now in the hope it could form part of a package of reforms later.

From [Irish Times](#), by Jane Suiter, Denis Staunton, in Brussels, and Mark Brennock, 4 May 2001

OECD SAYS TAX CRACKDOWN NOT AIMED AT DICTATING TAX POLICY

Paris - An international initiative to crack down on tax evasion shouldn't interfere with any nation's internal tax system, the head of the Organization for Economic Cooperation and Development said Friday. Donald Johnston, secretary-general of the Paris-based group, said the OECD's goal is to identify countries with laws that encourage secrecy and illegal tax avoidance, not to tell countries what their tax rates or codes ought to be. "Harmonization has never been a part of the OECD agenda," said Johnston said. His statement comes on the heels of remarks published Thursday by U.S. Treasury Secretary Paul O'Neill, who said efforts by the OECD are too broad and aren't in line with the tax and economic priorities of the Bush administration. "I am troubled by the underlying premise that low tax rates are somehow suspect and by the notion that any country, or group of countries, should interfere with any other country's decision about how to structure its own tax system," O'Neill said in the statement. In 2000, the OECD published a list of 35 tax havens and said it would consider sanctions against them if they did not amend their tax laws to be more in line with international standards. The Clinton administration, which applauded the tax haven blacklist, said it supported the project by the OECD to curb use of offshore subsidiaries, bank accounts and other arrangements to illegally evade taxes. Johnston said he believes the Bush administration remains committed to that end. "As far as I can judge, the U.S. has not backed away from that," he said. One of President Bush's cornerstone issues is cutting taxes in the United States by more than \$1 trillion over 10 years.

From [AP via New Jersey Online](#), by Pamela Sampson, 11 May 2001

INCOME TAX DECLARATIONS DROP SHARPLY

The deadline for filing individual income tax declarations has passed. And fewer people filed than in the past two years. But the Tax Ministry is unworried. Backed by a Kremlin drive to increase tax take through a new flat 13 percent income tax, the ministry said Monday that next year would be better. The Tax Ministry said 2.4 million people filed their 2000 income tax declarations by the May 3 deadline, sharply down from the 3.3 million filers last year and 4 million in 1999. Russia has 70 million working citizens. The ministry said it would disclose the amount of income tax collected at the end of May. Deputy Tax Minister Salavat Aminev said the drop in tax declarations was linked largely to an increase in year-end filers. Some 1.25 million people filed separate tax statements based on imputed income and did not have to file personal income taxes in May. Sergei Parkhomenko of the Association of Taxpayers advocacy group said other factors were to blame for the decrease in filers, mainly the government's decision last year to raise the lowest amount of income that people have to declare from 30,000 rubles to 50,000 rubles. Also, unlike years past when the tax authorities ran advertising campaigns warning Russians that they faced jail time and even impotence if they didn't pay, this time around the ads were low key, he said. "When there is no pressure, many people decide not to fill out the declarations," said Parkhomenko. "The problem is that the procedure still takes so much time, and energy." Most Russians get their income taxes automatically paid for them each month by their employers, as required by law. But any additional income that would take that amount over the 50,000 ruble mark must be declared separately. To supplement their incomes, many Russians hold second and even third unofficial jobs, such as selling goods on the streets or working as gypsy taxi drivers. This income has created a thriving gray economy that the Tax Ministry desperately wants to tap. In a bid to bring such earnings out of the shadows, the government last year announced the 13 percent flat income tax, which took effect Jan. 1, 2001. Filers on May 3 had to pay under the former tax regime, which slapped a top tax bracket of 35 percent on earnings over 100,000 rubles (\$3,400). The new tax regime is seen by some as the single most important piece of economic reform that has been introduced to date under President Vladimir Putin. In February, Putin reiterated the priority of tax collection reform at a meeting with top tax officials, and last month he promised that the 13 percent rate would "remain in place for years." The aim, Putin said, is to set taxes so low and the penalties for evasion so high that compliance by individuals becomes the only feasible option. The government is already seeing improved collection under the 13 percent tax rate, saying it collected two-thirds more revenues in the first quarter of 2001 than in the same period last year. But since those income taxes were paid by employers — individuals will not get to pay under the 13 percent rate until next May — some critics say the government's decision to target individuals is somewhat misguided. "The government needs to consider the logic of

employers, otherwise it won't work," said Parkhomenko. "Citizens will always consider them too high and unfair due to their firm conviction that the state is corrupt and irresponsible," said Marina Krasilnikova, an analyst at the Russian-European Economic Policy Center.

From [Moscow Times](#), by Alla Startseva, 8 May 2001

MIDDLE EAST

FINANCE MINISTRY SET TO SHARPEN ITS AXE

The Finance Ministry urged all ministries and public institutions Wednesday to gradually reduce current expenditures and increase revenues. In a circular to all ministries, it said that controlling spending was part of an effort to reconsider the size of the public sector and assess its importance to the national economy. Reducing spending in public departments is seen by analysts as an attempt by Prime Minister Rafik Hariri to cut the budget deficit, which is expected to reach 50.8 percent of spending at the end of this year. "The government wants to reduce the gap between expenditures and revenues in order to achieve a good primary surplus," the circular said. It added that the government want to increase revenues to cover part of the debt servicing, the single-biggest spending item in the budget. The ministry asked all departments to submit lists of staff who are productive and to disclose their end-of-service benefits. Many economists urged the government to reduce the number of government and public sector staff, estimated to be more than 160,000. An attempt to reduce the size of the public sector will need the support of leading political factions in the country, as a large number of public sector appointments are thought to be political. More than 30 percent of the government revenue covers the salaries in public departments. The European Union and the World Bank are currently helping the Lebanese government restructure the ministries.

From [DailyStar](#), 26 April 2001

THE AMERICAS

BUDGET DEAL SETS TAX CUT AT \$1.35 TRILLION

House and Senate Republicans today reached agreement on a budget that provides for \$1.35 trillion in tax cuts over 11 years. resident Bush had sought \$1.6 trillion in tax relief over 10 years. The budget compromise reached today calls for tax cuts totaling \$1.25 trillion from 2002 to 2011. The plan also includes an economic stimulus package that would provide an additional \$100 billion in tax relief spread over this year and next year. The budget plan only sets the overall size of the tax cut. It will be up to the tax-writing committees in the weeks ahead to propose specific legislation. The House has already approved several bills that contain most of the major elements of the Bush tax plan. Senate tax-writers are expected to meet next week to draft their own version. It remains to be seen what elements of the Bush plan will be scaled back in order to fit within the new budget limit. The budget agreement represents a compromise between the House and Senate budget blueprints. The House plan provided for the full \$1.6 trillion in tax cuts that Mr. Bush had been pushing for the past year. The Senate plan authorized only \$1.2 trillion in tax cuts over 10 years. The compromise on tax cuts was lower than Mr. Bush had sought. But he was unable to woo enough Democratic support in the evenly divided Senate for a tax-cut figure closer to his original plan. Nevertheless, Mr. Bush hailed today's tax-cut agreement as "a great day for the American people and the American taxpayer." "I congratulate the members of the Senate and the House, Republicans and Democrats, who have worked so hard to achieve this bipartisan agreement," the president said. "You all deserve great credit for agreeing to provide the American people with meaningful, significant, sweeping tax relief – the most tax relief in a generation." House Speaker Dennis Hastert (R-Illinois) said the budget agreement "marks a tax relief victory by any measure." He noted that Vice President Al Gore proposed only a \$500 billion tax cut during the presidential campaign, and that Congressional Democrats said earlier this year that they would back a tax cut of no more than \$900 billion over 10 years. Senate Democratic Leader Tom Daschle of South Dakota said the agreement to trim the Bush tax cut was a "step in the right direction." But he said many Democrats remain concerned that the proposed tax cuts are still too large and wouldn't leave enough money for health care, education and other spending priorities.

From [TaxPlanet.com](#), 2 May 2001

U.S. WAVERS ON TAX HAVEN REFORM



The US has withdrawn support for key parts of an international crackdown on tax evasion in a move that casts doubt on the initiative's future and causes tension with European countries pressing for reform. Paul O'Neill, US Treasury secretary, voiced concern on Thursday about the campaign, which aims to persuade offshore financial centres to reform their tax systems and improve transparency. His comments are a blow to the Organisation for Economic Co-operation and Development, which has given 35 centres it identified last year until July 31 to commit to reform or face sanctions. The US move follows fierce lobbying in Washington by rightwing, free market advocates, who say the initiative's aim is to drive up US taxes. They want it scrapped. In a newspaper article, Mr. O'Neill backed the need for greater transparency and improved exchange of information between countries

to prevent illegal tax evasion. But he deliberately omitted supporting efforts to eliminate tax breaks that lure foreign capital but exclude domestic capital from benefiting. The OECD project goes beyond stamping out illegal evasion. It wants offshore centres and member states to close loopholes, ending "harmful" practices. The Clinton administration had pledged its full support. Mr. O'Neill confirmed fears in European capitals that the US position had weakened. "In its current form, the project is too broad and it is not in line with this administration's tax and economic priorities," he wrote. He called for the initiative to be "refocused on the core element that is our common goal" and, in an apparent concession to political pressure, added he was "troubled by the underlying premise that low tax rates are somehow suspect". The softer US stance, while falling short of demands by Republican hardliners, threatens to jeopardise the OECD drive. Only three of the 35 centres have committed to reform. Others are expected to follow, but more recalcitrant jurisdictions may use Mr. O'Neill's comments to resist change. The US government would wage war against "tax cheats". But Mr. O'Neill was concerned "about the potentially unfair treatment of some non-OECD countries". Member states held back from direct criticism of the US. But the issue is certain to come up at meetings between government officials in coming weeks. In London, the UK Treasury said: "Our position is absolutely clear. We support the initiative. The US concerns will be discussed in the OECD." Bruno Gibert, a French official and co-chairman of the OECD committee leading the work, said member countries would consider how to respond "in a constructive way". The more sceptical US line will be welcomed by many offshore centres, though support for greater transparency will be unpalatable to some Caribbean and South Pacific centres. The International Trade and Investment Organisation, a body that includes nine havens on the OECD list, said it was encouraged by the US statement.

From [Financial Times](#), by Christopher Adams and Michael Peel, 11 May 2001

ONTARIO PROMISES A TOUGH BUDGET

Ontario's newly minted finance minister will deliver a budget today that will be long on restraint and short on goodies. "I'm not worried - what I am is prudent," Jim Flaherty said of his approach to Ontario's books. He added that his real job is to try to control spending increases, rather than make steep cuts. But along with the new theme of austerity and accountability, Flaherty promises a modest income tax cut, a boost for colleges and universities, an increase in health spending and plans to privatize at least one public asset. The budget will be in marked contrast to last year's, when then-finance minister Ernie Eves triumphantly unveiled a balanced budget for the first time in more than a decade and sent rebate cheques of \$200 to every taxpayer. Flaherty, who has held the job since February, faces a tougher task, with this year's growth rate expected to be 2.3 per cent - less than half last year's rate. At a pre-budget photo opportunity yesterday, Premier Mike Harris hinted that Ontarians can expect some tough love in the budget and that there would not be a repeat of last year's deep tax cuts - 67 in total. "We have never shied away from the tough decisions. We've made the right and responsible choices and I am here today to tell you we will continue to do so in tomorrow's budget," Harris told reporters. Promises still left undelivered from the 1999 election campaign document Blueprint include a further 10 per cent provincial income tax cut and a 10 per cent cut in the education portion of residential property taxes. But the Tories have until the end of their mandate to keep those promises. Last year, Ontarians earning less than \$30,000 received the lion's share of tax relief and those earning more than \$60,000 saw no new tax cuts. The provincial surtax, called the Fair Share Health Care Levy and introduced in 1996, will be included in the regular tax rates of higher-income earners as of this year. The first phase of that extra tax applies to those earning more than \$51,940. Higher-income earners were rewarded with drastic cuts to capital gains taxes last year. The one area that Flaherty singled out for special spending consideration in the lead-up to this budget was post-secondary education. The minister has been lobbied hard for months by colleges and universities that say without a cash injection to enable them to hire professors and teachers, they will not be able to meet the need of the next generation of students. Education insiders say those people will not be disappointed and the province is prepared to give them a large portion of what they were asking for. Flaherty has also confirmed that he will announce plans to privatize at least one public asset. "Competition, open markets, those are words that I think are positive words that augur well for our economy, for business, for job creation, for investments, for savings, for higher standards of living in Ontario," Flaherty said, hinting strongly that electricity assets owned by the government may be among the first things to go. Money earned from the sell-off will be spent paying down the province's \$112 billion debt. The province has also considered whether to sell the LCBO and TVOntario, the provincially owned educational broadcaster. The constant in provincial budgets is the ever-increasing health care budget, which last year ballooned to more than \$22 billion. While both Harris and Flaherty have spent the past three weeks repeating that the medicare system as it exists is unsustainable and needs to be reviewed, no serious changes in health funding are expected. In a sign that the Conservatives plan to once again lobby the federal Liberals for more health cash, Harris last week said Ottawa must contribute an immediate \$1.2 billion to pay for skyrocketing costs. Liberal MPP Gerry Phillips (Scarborough-Agincourt), his party's finance critic, said he worries that the government is too fixated on slashing corporate taxes in a bid to lure investment from the United States to stave off a prolonged economic downturn. But Phillips said Ontarians want competitiveness strengthened through improved education and health services, not necessarily tax rates that are lower than neighbouring states.

From [Toronto Star Online](#), by Caroline Mallan, 9 May 2001

IN SEARCH OF FAST-TRACK AUTHORITY

The Bush administration yesterday began the process of negotiating in earnest with Congress on the administration's quest to obtain legislative authority for new trade deals, privately showing lawmakers a set of principles the White House hopes will guide a major trade bill later this year. The principles, which the White House plans to make public this week, drew muted praise from a key Democrat, Sen. Max Baucus (Mont.), the ranking minority member of the Senate Finance Committee. He told reporters he was "encouraged" by the White House's willingness to consider issues of concern to Democrats. But sources familiar with the principles

said they were extremely vague on the most contentious issue dividing the two major parties - whether future trade agreements should include strictly enforceable provisions protecting worker rights and environmental rules in participating countries. President Bush promised last month at the 34-nation Summit of the Americas to pursue efforts to obtain "trade promotion authority" soon. His administration needs to negotiate new trade deals including a Western Hemisphere-wide free-trade zone, one of his key priorities. Trade promotion authority, also known as fast-track authority, would oblige Congress to vote future trade accords up or down without amendments, assuring U.S. trading partners that the deals they strike with U.S. negotiators won't be picked apart on Capitol Hill when they're submitted for congressional approval. Winning congressional support for the negotiating authority is shaping up as a particularly tough sell for the administration in the House of Representatives. Several dozen House Republicans are deeply leery of trade deals, and the Democratic moderates whose support the administration needs are adamant that the legislation reflect their desire for trade pacts to protect labor and environmental standards both at home and abroad. The thorniest problem of all concerns the way labor and environmental standards would be enforced under a trade agreement. Business groups and many free-trade Republicans fear that if Democrats get their way, a country violating the labor and environmental provisions could be punished with duties on its products, which might create a new excuse for protectionism. The GOP congressional leadership, along with the administration, is opposed to using trade sanctions to enforce such provisions, preferring less drastic remedies -- among them fines that might be slapped on an offending government. The administration's principles sidestep this issue, stating that labor and environmental provisions should be enforced by "measures appropriate to circumstances," according to people familiar with the principles. The administration's paper doesn't support any particular enforcement mechanism. Referring to U.S. Trade Representative Robert B. Zoellick, whose office drafted the principles, Baucus said: "I'm encouraged by Ambassador Zoellick's general principles on fast track. Of course, the devil is in the details." A Democratic congressional aide who requested anonymity was more pointed. "It's good that we're talking about the right issues, but we're very far from any kind of legislative language or a final deal," he said. At a hearing before the trade subcommittee of the House Ways and Means Committee, Zoellick indicated that the administration was deliberately avoiding taking an overly specific line as part of its effort to mobilize a bipartisan consensus on trade. "We have consciously taken an approach of stressing consultation, first without things on paper, and the next step is to come up with an outline of ideas but still short of a bill," he said. "And I know from my earliest meetings here, there was some concern the administration might move very quickly, present bills and create a more difficult environment. And this was a conscious effort by us to now, after three months, put words on paper, but to still create an opportunity for a full exchange about transforming that into a bill."

From [Washington Post](#), by Paul Blustein, 9 May 2001

Private Sector Development

ASIAPACIFIC

THAI GOVERNMENT REAFFIRMS 3 STATE COs TO BE PRIVATIZED IN '01

The Thai government reaffirmed plans to privatize three state enterprises during 2001 at a cabinet meeting Tuesday, government spokesman Yongyut Tiyapairat said. Yongyut told a news conference that Finance Minister Somkid Jatusripitak told the cabinet that there will be no delays on the government's privatization projects from which it expects to raise a total 83.66 billion baht (\$1=THB45.497) this year. The government has earlier announced plans to float an additional 13% stake in Thai Airways International PCL (H.TAI), valued at THB8.7 billion and sell stakes in Petroleum Authority of Thailand and internet service provider Internet Thailand Ltd. The government expects to raise THB74.78 billion from PTT's privatization and THB176 million from Internet Thailand, Yongyut said. The projects are part of a two year privatization program totalling some THB700 billion. Yongyut said that Somkid also assured the cabinet that the government's Thai Asset Management Corp., which will undertake the management of bad debt, will be ready to operate on schedule with the related legal framework to be approved within June.

From [Dow Jones via Yahoo](#), 16 May 2001

KOREA GAS-LNG13: LNG SALES, PRIVATIZATION TALKS EXPECTED

Korea Gas Corp.'s (Q.KGS) chief executive said Friday he hopes to see active discussions on bringing terms and conditions of liquefied natural gas contracts into line with changes in buyers' demands, during a 4-day gas conference in Seoul that begins Monday. According to a statement released by Kogas, the state-run gas monopoly's chairman, president and chief executive Kim Myung-Kyu said the energy industry is rapidly changing due to deregulation in the global LNG industry and fast-improving energy related technologies. Kim will be one of the keynote speakers at the 13th International Conference & Exhibition on Liquefied Natural Gas, or LNG13, next week. LNG13 is an international conference held every three years, where the world's major LNG buyers, sellers and government officials gather to share their views on issues such as supply, demand, policy, technology and prices. This year's LNG13 participants include energy ministry officials from Qatar, Oman, Brunei and Australia and senior-ranking executives from Royal Dutch/Shell Group (RD), BP PLC (BP), ExxonMobil Corp. (XOM), Indonesia's state-run oil and gas company Pertamina (P.PTM) and Malaysia's state-run Petroliaam Nasional Bhd. (P.PET), or Petronas. Kim said in a recent interview that Kogas wants to diversify its LNG suppliers, and is seeking shorter LNG gas term contracts, to help it cope with supply disruptions. South Korea is the world's second largest LNG importer after Japan.

From [Dow Jones via Yahoo](#), 11 May 2001

JAPAN TO SET POSTAL SERVICE PRIVATIZATION PANEL IN MAY - KYODO

Japanese Prime Minister Junichiro Koizumi's administration will set up a panel as early as this month to study the possibility of privatizing the nation's postal and savings services, said a senior government official, Kyodo News reported Tuesday. Members of the panel will be decided by the Prime Minister's office as the Ministry of Public Management, Home Affairs, Posts and Telecommunications still holds a rather cautious stance on the issue, the report said. In his maiden policy speech to Parliament Monday, Koizumi expressed his intention to set up the panel soon in order to show concrete ideas on the issue. As also mentioned in his policy speech, Koizumi also hopes to set up another panel to consider introducing soon a popular vote to pick the nation's premier, the report added.

From [Dow Jones via Yahoo](#), 8 May 2001

EUROPE/CIS

SCOTTISH POWER/BRITISH ENERGY: FIGHT DUE TO POOR PRIVATIZATION MODEL

Scottish Power's move to seek legal recompense over long-term generating contracts is a result of the structure the authorities imposed when a privatizing the industry over 12 years ago. It's another sign that the model adopted in Scotland - privatizing utilities without splitting transmission, generation, distribution and retail - is flawed. ScottishPower has issued a formal summons taking British Energy to court over its refusal to renegotiate a long-standing agreement over the commitment and price paid for nuclear power. In 1990, both ScottishPower and what was then Scottish Hydro-Electric (now Scottish and Southern) were obliged to take 75% of Scotland's nuclear output. This is through the power stations at Hunterston and Torness. They had to pay British Energy the average wholesale price applicable to England and Wales, calculated by an extremely complex formula. ScottishPower now believes that this is unfair and that it is paying too much for nuclear generated power. This is especially the case since the introduction of the New Electricity Trading Arrangements (NETA) in England and Wales, which ScottishPower believes should lead

to a renegotiation of the pricing formula with British Energy. Unsurprisingly, British Energy has been less keen to renegotiate. The problem has arisen owing to the structure of the deregulation of the electricity market in Scotland at the outset of privatization. A different model was placed on the Scottish market, where ScottishPower and Scottish Hydro were allowed to remain responsible for generating assets, transmission, distribution and retail. The then Government, being aware of the potential for market abuse, thus forced both companies to agree to the long-term contract with British Energy. In one aspect, the different model of privatization has helped both Scottish companies as many companies south of the border have complained of the difficulties in entering the Scottish market, owing to the power of the incumbents. But if, as ScottishPower believes, there are also financial disadvantages for the incumbents, it is difficult to see overall what the benefits of this separate Scottish model have been.

From Datamonitor, 02 May 2001

ESTONIAN RAILWAY PRIVATIZED AT LAST

Baltic Rail Services and the Estonian Privatization Agency signed an agreement on the privatization of the Estonian railway company Eesti Raudtee on April 30, the final day the privatization could be concluded. BRS acquired 66 percent of the shares of the national railway monopoly for 1 billion kroons (\$57.5 million). According to the contract, BRS must immediately deposit 100 million kroons as a collateral on the deal, and the rest of the sum will be paid in the next few months by BRS and a syndicate of Estonian and international banks financing the deal. Hansapank and Swedbank lead the syndicate. In the opinion of BRS shareholders and its advisers the consortium has no legal or other obstacle to the signing of the Eesti Raudtee privatization agreement. The agreement was signed despite the decision of a Tallinn administrative court that suspended the privatization on April 16. BRS, however, stated that the ruling on April 16 did not ban the conclusion of the privatization contract. Katrin Kivi, spokeswoman for the privatization agency, said there is no need to start the privatization tender all over again, and that the privatization agency has fulfilled its main task – Eesti Raudtee is now privatized. The Estonian railway company owns the facilities – the railway tracks, the engines and some warehouses. Several companies like Edelaraudtee maintain passenger transportation. The conditions for passenger and cargo transportation are likely to improve, according to BRS. The company plans to replace all engines within one year and further develop the Tallinn-Narva transit line, which provides the most transit income.

From [Baltic Times](#), by TBT staff, TALLINN, 4 May 2001

SHIPPING COMPANY PRIVATIZATION FAILS

The fourth attempt to privatize the state-owned Latvian Shipping Company has failed unexpectedly, as no potential bidders paid the required security deposit of \$5 million by the deadline of April 27. One of the bidders had sent the Latvian Privatization Agency a package of documents, confirming its board's resolution about further participation in the privatization process and indicating that an order had been made to transfer the required security deposit before the deadline. Privatization officials expected the payment over the weekend but it had not arrived by April 30, ensuring the disqualification of the bidder. The other potential bidder sent a letter, saying that the minimum sales price for a 68-percent block of the company's shares as established by the government was too high. The government had set the minimum sales price at 70 million lats (\$111.5 million), the prime minister's spokesman Arnis Lapins confirmed to BNS. The responsibility for the privatization failure of the shipping company should be taken by the government and the privatization agency, along with the privatization consultant, BDO New Markets, Latvian President Vaira Vike-Freiberga said May 1 after her return from the United States. She suggested involving a well-known international investment bank as a consultant, but it hasn't been done, the president stressed. The over-politicized environment around the privatization process is blamed for the failure by Latvian Shipping Company's representatives. "The political environment leaves an impression on everyone who would like to invest in Latvian shipping," said the company's spokesman Sandris Grasis. He stressed that the Latvian Shipping Company is in desperate need of investment in order to stay competitive on the world market. The privatization agency will ask the shipping company's privatization adviser to prepare recommendations to the government about a further course of action. The government will be asked to decide on further steps in the privatization of the Latvian Shipping Company on May 8. Latvian Privatization Agency's Director General Janis Naglis told reporters April 30 that the shipping company privatization cannot be regarded as being over yet as there was no government resolution about stopping the privatization process. The shipping company has a registered capital of 200 million lats divided into just as many shares at a par value of 1 lat. The company's uncommitted funds are estimated at \$43 million. The auction for 68 percent or 136 million of the company's shares was set for May 11. This is the government's fourth attempt since 1995 to sell one of Europe's major oil-products transporters. The issue was crucial to several governments and the sell-off failure last year triggered the collapse of the governing coalition.

From [Baltic Times](#), by TBT staff, RIGA, 4 May 2001

TURKEY PASSES TELEKOM PRIVATIZATION LAW

Turkey passed a law last Saturday to privatize Turk Telekom, a step demanded by the International Monetary Fund (IMF) in return for some US\$10 billion in new international lending for the crisis-racked country. The Telekom law sparked bitter wrangling between Economy Minister Kemal Dervis, who drafted the plan to win new loans, and the Nationalist Action Party (MHP) wing of the coalition government. The law passed on Saturday reduces powers of the MHP-controlled Communications Ministry over Telekom and a telecommunications sector that will be liberalized once more than half of the company is privatized. Its passage follows that of a banking reform law on Friday and means Turkey has now completed the bulk of its pledges to the IMF in return for approval of the US\$10 billion in new IMF and World Bank loans. Turkey needs the money to restore international confidence and help with the

rehabilitation of a wobbly banking system that collapsed into crisis in late February. Parliament held an unusual Saturday sitting to debate the Telekom law, which Dervis wants ready before the IMF meets to approve the lending today. Opposition deputies criticized the government for bowing to the demands of international lenders, but Prime Minister Bulent Ecevit's government has a large majority in the 550-seat assembly. The law sets no timetable or method for the sale of the company, giving that authority to a tender commission. But the law reserves a "golden share" for the Turkish State to allay military fears over the sale of what they see as a strategic asset. It also limits any foreign ownership of Telekom to a maximum of 45 per cent. Research carried out in 1998 by investment bankers Goldman Sachs put an estimated US\$10-billion price tag on the company.

From [China Daily](#), 16 May 2001

NORWAY ANNOUNCES STATOIL PRIVATIZATION DATE, STRONG PROFITS

The Norwegian government set June 18 as the target date for listing the state-owned oil company Statoil ASA on the Oslo and New York stock exchanges after it offers up to 20 percent of the concern's shares to private investors. The planned date was announced Monday just after Statoil reported strong profits for the first three months of this year, its last quarter as an entirely government-owned company. The ministry of oil and energy said an offering of shares would run from May 31 through June 15 for private investors and from May 29 through June 15 for institutions. A final price will be set at the end of the period. "Listing stocks gives us more and new owners, access to resources in the international capital markets, and thereby increased ability to act. I look forward to further developing Statoil with new stockholders in and outside Norway," Statoil chief executive Olav Fjell said. Earlier this month, Statoil agreed to buy 15 percent of the government's direct holdings in Norway's offshore petroleum fields for \$4.29 billion. The government plans to sell 21.5 percent of its offshore petroleum interests, of which 15 percent is going to Statoil while the rest is earmarked for 44 percent state-owned Norsk Hydro ASA and other companies. Norway is the world's second largest oil exporter, after Saudi Arabia, and the government controls most of the vast petroleum reserves off the nation's west coast through State's Direct Financial Interest and through Statoil. On Monday, Statoil said net profits for the three months ended March 31 had increased to 4.3 billion kroner (\$478 million) from 3.6 billion kroner for the same period of 2000. Statoil said the improved results reflected higher natural gas prices and improvement in its refining and marketing business. "Statoil's first quarter result is good. Taking over parts of the State's Direct Financial Interest has strengthened the company. This establishes a good basis for the process of introducing new owners to Statoil," Fjell said. Statoil, founded in 1972 to protect the nation's petroleum interests, has about 16,400 employees and business activities in 21 countries. It is based in the southwestern coastal city of Stavanger.

From [AP via New Jersey Online](#), 14 May 2001

PRIVATIZATION FAILURE OFFERS TOUGH CHOICES

After the fourth failed attempt to privatize the state-owned Latvian Shipping Company, the government has to decide now whether to extend the deadline for the only potential bidder, to make new privatization rules and a new tender or leave the company in the state's hands. Meanwhile, Latvian politicians are looking for scapegoats. After the Social Democrats failed to oust Economics Minister Aigars Kalvitis on May 3, Latvian Privatization Agency's head Janis Naglis came under fire. Four of 12 members of the Latvian Privatization Agency's council will propose to dismiss Naglis during an upcoming emergency meeting of the agency's council on May 10, blaming him for choosing the wrong consultant for the shipping company's privatization process, which, they say, resulted in failure. The proposal was submitted to the agency's state proxy, Kalvitis, by LPA council members Normunds Lakucs, Judite Oskalne, Orvils Henins and Sergejs Dimanis. Politicians should take full responsibility for all activities linked to the Latvian Shipping Company since 1992, including the recent failure to privatize it, Kalvitis said in interview on Latvian state radio May 7. He said that in-fighting and intrigue surrounding the company would continue until its privatization is complete. "Economic and political powers in Latvia have merged, and therefore the Latvian Shipping Company should be privatized in order to discontinue such relations," the minister explained. Kalvitis' party's chairman, the People's Party's Andris Skele, said the shipping company's privatization had been discredited from the start with allegations of bribery. "No serious investor willing to invest funds in Latvia would do so in a company of which such things are spoken of in society," said Skele.

From [Baltic Times](#), by TBT staff, 10 May 2001

MINISTERS BATTLE EU PLAN TO SELL CITY UNDERGROUND

Ministers have pledged to fight the threat of a partial sell-off of the Glasgow Underground contained in a draft European transport directive. Under proposed regulations, private firms would be allowed to bid to run trains on the 104-year-old subway, which is the third-oldest in the world. The move would separate train services from ownership of the track, stations and tunnels, like other parts of the rail network, which is split between train operators and Railtrack. However, transport experts said the scheme would do nothing to improve the six-and-a-half mile circular system, which has been recently dogged by a series of faults that have disrupted services. Sarah Boyack, the transport minister, yesterday confirmed that she had "absolutely no plans" to privatise the underground. Her opposition to the move follows protests against the regulations in several countries, including France and Germany, two other powerful members of the European Union. The pledge was welcomed by Strathclyde Passenger Transport (SPT), which operates the system. The regulation is similar to one which has forced the Scottish executive to put Caledonian MacBrayne's west-coast ferry services out to tender because the company operates a monopoly and receives state aid. SPT said it had been lobbying MEPs over the issue in an effort to have the proposed regulation adapted to suit Britain's transport network, which has already been deregulated and privatised more than in much of Europe. The transport authority, which sets rail service

levels and is run by councils in the former Strathclyde region, said the directive would also allow for specific exemptions, which could keep the Underground wholly in public hands. SPT also stressed that the proposals were at odds with other government policies, such as the fiercely contested plans to privatise both trains and track on some London Underground lines. SPT predicted the widespread opposition in Europe would mean substantial alterations as the legislation went through the European Parliament. Malcolm Reed, its director-general, said: "While SPT is keen to explore any avenues to increase investment in the system, it is confident that it can make a strong case for maintaining unified control of the operation of the infrastructure and of train services within the public sector. "The transaction costs of splitting service operations from infrastructure provision would be very high, and are unlikely to yield any ongoing financial benefit, particularly when the engineering uncertainties of operating within Victorian tunnels are factored into the financial equation. "It is also worth pointing out that the formula which the regulation requires - the contracting-out of service operations while responsibility for infrastructure remains with the public sector - is completely at variance with the government's present proposals for the London Underground." Dr Jon Shaw, a transport academic at Aberdeen University, said privatising underground trains was unlikely to benefit the system. He said: "The idea was that selling off the railways would make them more efficient, but the system had already been trimmed to the bone and there were few extra savings to be found. The same applies here." Dr Iain Docherty, a transport policy specialist at Glasgow University, said: "Privatisation will not lead to the improvements in services that people might think it should. "There are no advantages to be gained because the system is too small to benefit from the economies of scale. Trains run on a narrower gauge than the rest of the rail network, increasing costs of production and preventing the two systems being linked." A spokesman for Ms Boyack said: "We are aware the European Commission is at the early stages of preparing a transport draft regulation which may look at how the operation of public transport is tendered for. "Officials have made the minister aware of its potential consequences, such as for the Glasgow Underground. However, it is far too early to speculate what the final version may hold - nothing has been set in stone."

From [Scotsman Online](#), Alastair Dalton (adalton@scotsman.com), 11 May 2001

TURKISH MILITARY AGAINST FULL PRIVATIZATION OF TURK TELEKOM

Turkey's military on Wednesday warned the government not to allow Turk Telekom, slated for privatization in a key part of Turkey's IMF-backed economic recovery program, to end up under foreign control. Top military officials visited Deputy Prime Minister Husamettin Ozkan on Wednesday to pass on army anxiety over the planned sale of Turk Telekom, private NTV television reported. The visit came as ministers hurried to complete work on the details of the sale, which is seen as crucial for securing international loans to back the program. The army said no more than 45 percent of the company should be sold to foreigner investors, while Telekom's subsidiary Turksat, which owns two satellites and launches others, should remain in state hands, NTV reported. Military concerns are shaped by a belief that control over telecommunications is a potentially crucial strategic resource in times of conflict, and should remain in Turkish hands. Turkey plans a block sale of up to 49 percent of Telekom shares, with foreign investors among the potential purchasers. Economy minister Kemal Dervis, the architect of the recovery program, told investors in New York Thursday that 99 percent of Telekom would be sold, with the remaining shares possibly offered to employees and small investors. Deputy Chief of Staff Yasar Buyukanit informed Dervis of military concerns over Telekom in a telephone conversation Wednesday, NTV said. Dervis said later Wednesday that the state would retain a "golden share" in Telekom after privatization, giving it a veto on key strategic decisions. "That will ensure Turkey's security in every way," he said. Selling less than a majority share could make Telekom less attractive to buyers. Earlier efforts to sell Telekom foundered as investors stayed away, concerned they would not be in control of the company. Disagreement between Dervis and Transport and Communications Minister Enis Oksuz on the scope of the sell-off has delayed Telekom's privatization. Oksuz said Wednesday the draft law to privatize Turk Telekom would be ready "in the very near future." The Telekom law and another law which will restructure the banking sector are the two key components of Turkey's structural reform program, and must pass through parliament as soon as possible to convince international lenders of Turkey's commitment to the program, Dervis said last week. The International Monetary Fund has said it is ready to offer Turkey \$10 billion in fresh loans to back the program, but details of the loan package have not been finalized.

From [TVinsite](#), 5 May 2001

MIDDLE EAST

LATEST DEBATE OVER BEZEQ PRIVATIZATION REFERRED TO MINISTERIAL COMMITTEE

Communications Minister Reuven Rivlin and Yaron Jacobs, head of the Government Companies Authority, yesterday asked that the ministerial committee dealing with the privatization of Bezeq convene at the earliest possible date to discuss the tender for core control. At issue will be who should be allowed to bid and how much leeway the winner should then be given in future sales of the company's stock. Jacobs, who just returned from a round of consultation with foreign financial experts, including privatization consultant Merrill Lynch, HSBC, and Lehman Brothers, is seeking to ease restrictions on bidders given the beleaguered global telecommunications market. "They all said that Bezeq is a very attractive purchase, but the global market is problematic and any improvements will take time, so that if we move forward in the privatization, we will have few bidders, if any," said Jacobs. "As a result, I am going to ask the ministerial committee, headed by the prime minister, to meet on two issues: the disagreement between myself and the defense establishment, which is insisting that the consortium holding core control of Bezeq obtain approval from the Communications Ministry before selling even one share; and a proposal to check the possibility of allowing financial bodies to partner with telecommunication companies in the consortium that will bid in the tender." Jacobs holds that the defense

establishment's demand will further restrict participation in a tender, since few companies will agree to operate under such limitations. According to Jacobs, the Bezeq Law, which is being amended but currently demands ministerial approval for the sale of seven percent of Bezeq shares, is sufficient. Allowing financial partners to participate, Jacobs added, may be the only way to increase the number of potential bidders. "I will ask the committee to check out the possibility and see if it will be beneficial, or if we should stick to the original plan of only allowing telecommunication companies to participate," he said. Rivlin believes that the existing regulations, which call for the bidders to be made up of a consortium of companies with telecommunications experience and a minimum Israeli share of 20%, is the only way to go. In a statement yesterday, Rivlin said that financial backers are liable to break down the company into smaller bodies and thereby deprive Israel of a universal telecommunications provider. Jacobs and Rivlin, however, agreed that the privatization process should not be further delayed. Jacobs said he expects the ministerial committee to meet sometime next week. In the meantime, despite good intentions, the tender, originally scheduled for the end of last year and already postponed due to concerns about the global market and a police investigation into allegations that major shareholder Gad Ze'evi paid for his holdings with laundered money, will be further delayed.

From [Jerusalem Post](#), by Gwen Ackerman, 8 May 2001

THE AMERICAS

BUSH COMMISSION FRIENDLY TO PRIVATIZATION

President Bush made his case for private Social Security accounts Wednesday, saying younger workers "might as well be saving their money in their mattresses," considering the return they now get from the program's investments. "And the return will only decline further, maybe even below zero if we do not proceed with reform," said Bush, who named a commission to recommend ways to mend the system. Members include both Republicans and Democrats who favor partially privatizing the federal retirement plan. Democratic leaders oppose that idea. The commission is to present its findings to Bush in the fall, and should include a plan to allow younger workers to invest a portion of their payroll taxes in private accounts, he said. Any recommendation would be subject to congressional approval. The White House acknowledged that Bush stacked the commission with members who favor privatization, saying "it should surprise no one" that Bush wanted a commission that would embrace his ideas about preserving Social Security. "The president, of course, is going to appoint commissioners who will help him implement the promises he made in his campaign," said White House spokesman Ari Fleischer. He noted that past commissions that took up the problem often wound up "so divided that nothing gets done." Co-chairmen will be former Democratic New York Sen. Daniel Patrick Moynihan and Richard Parsons, AOL Time Warner's co-chief operating officer. "Until this point I never believed I was going to get anything out of Social Security when I retired," said Parsons, 48. "This is a stacked, completely orchestrated effort to come to a desired result," said Senate Democratic leader Tom Daschle. By 2016, Social Security is expected to start paying out more than it collects because of an influx of baby boom retirees. The fund will run out of cash after 2038. Bush has proposed salvaging the program by letting younger workers voluntarily invest some of their payroll taxes in private accounts. Supporters say the stock market will provide a much greater return over time. Opponents point to recent stock market volatility as ammunition. They also argue the private accounts would drain too much money from the program. "After the last six months in the stock market I am shocked that the president would really be trying to move forward with this proposal," House Minority Leader Dick Gephardt said. Many commission members share similar philosophies about property rights, control of your own money and wealth accumulation, said Michael Tanner, health and welfare studies director of the Cato Institute, a Washington think tank promoting privatization. They want to tackle broader reform, not just solvency, he said. "This is not your open-ended commission, your typical Washington do-nothing commission that issues a report that collects dust," Tanner said. Moynihan and another member, former Rep. Tim Penny, D-Minn., have long supported private retirement accounts. "Lower-income people would come to retirement and they'd have a little wealth," Moynihan said last year. Others on the new commission have written books, papers and columns advocating privatization. The optimistic scenario is to get a bill to Congress by year's end for quick action before next year — an election year. But Tanner said that more realistically, the issue likely would be tackled in 2003.

From [USA Today](#), 2 May 2001

SURVEY SHOWS BUSINESS ETHICS ARE IMPROVING

Victorians rate ethical behaviour the most important attribute for business leaders. "Morally fair dealing" topped the list as the most important quality for business people, in a survey of 1,200 people commissioned by the Institute of Chartered Accountants. The institute's Michael Nazarri says the survey does not necessarily reflect the opinions of business leaders, as participants were randomly selected. But Mr. Nazarri says business ethics are improving. "I think that you're finding that there is a lot more notice being taken by business in making sure that their activities are not only technically based, but...also cover a whole multitude of what we might call subjective or soft skills," he said.

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

GOVERNOR SEEKS TO PRIVATIZE SMALL BOAT HARBORS

The Ala Wai and Ke'ehi small boat harbors may be among the first operations to be contracted out under a new state privatization law, Gov. Ben Cayetano said yesterday. For the past several years, the Cayetano administration has proposed privatizing one or

more of the state's small boat harbors, but has never been able to get the state Legislature to go along. With the new law allowing for privatization, Cayetano said he's considering moving ahead with the idea. "If we privatize the Ala Wai and Ke'ehi, we believe that we can generate enough revenue to upgrade the facilities in the other small boat harbors throughout the state," Cayetano said. "So, we're not talking about privatizing the entire system." Cayetano also said the state may impose a floor on the wages that government contractors would have to offer their employees. He said he is concerned that when the state privatizes services, government jobs with decent pay and benefits would be replaced by low-paid jobs with private companies. "For example, clearly we could probably privatize janitorial service right now, because janitors in the private sector are probably paid the minimum wage," Cayetano said. "But that to me would be creating bad jobs or poor jobs at the expense of good jobs." The state's small boat facilities are generally in need of repair. Ala Wai was built in 1951, and Ke'ehi in 1962. Maintenance of those harbors is financed mostly out of mooring fees and boat ramp permits. A recent state auditor's report found the state charges considerably lower mooring fees than many comparable Mainland boating facilities, and the state hasn't had the money to make the kinds of harbor improvements it would like, said Gilbert Coloma-Agaran, chairman of the state Board of Land and Natural Resources. The state estimates it would cost about \$12 million a year to maintain the facilities at an "acceptable level," but now spends only \$1.3 million a year on repairs and maintenance. Cayetano said mooring fees for small boats in the harbors need to be "dramatically" increased to raise the money necessary to maintain the harbors. He said the state is also interested in finding a firm that would want to manage and develop state lands at the harbors to raise more money. Reaction to Cayetano's plan was mixed yesterday. Jeffrey Hossellman, a Honolulu lawyer and boat owner who has used Ala Wai harbor for more than 20 years, said he hopes a private company can do a better job of maintaining the harbor. "I think they realize that it would be better operated by experts rather than bureaucrats," he said. Hossellman also said he has no quarrel with the plan to allow some commercial development on available harbor land. But Richard Johnson, chairman of the Ala Wai Marina Board, said there are legal restrictions on the use of the Ala Wai lands that prohibit commercial projects there. Those lands are to be used only for recreational purposes, he said. Johnson said he also would like to see a private company manage the day-to-day operations of the Ala Wai, but wants the state to limit how much the company can charge in mooring fees. He said the state should pay for the necessary harbor improvements and maintenance. Cayetano rejected that idea, arguing: "If you use it, then you should pay for it." Advertiser Staff Writer Lynda Arakawa contributed to this report.

From [Honolulu Advertiser](#), by [Kevin Dayton](#), 16 May 2001

PRIVATIZATION NOT ALWAYS THE RIGHT ANSWER FOR BUSINESS

Businesses often bow down at the altar of privatization. This makes sense. After all, private businesses largely drive our economy and form a fundamental basis of the American dream. Plus, given the private sector's profit-driven incentives to succeed and grow efficiently and effectively, we generally default in favor of taking care of business privately. By contrast, most view government and the public sector -- while critically important in many areas -- as less efficient and less cost effective than the private sector. Imagine our surprise then, when an independent national research firm recently concluded that Arizona's privatization experiment in welfare reform, in its third year of a four-year experiment, measured largely the same as its public counterpart. "There is no evidence that either program (public or private) was clearly better from the standpoint of employers and service providers," stated the independent evaluation. Here's the kicker. Cost estimates from the Arizona Department of Economic Security suggest it costs Arizona over \$1 million more per year to pay the private company than if DES ran the program itself. So what gives? How could our assumptions be so wrong? Several factors are at play. First, the independent evaluation found that the private and public programs operated quite similarly. The programs -- which run the state's welfare program in different parts of Maricopa County -- each include a strong work focus, use similar rules to determine eligibility, and use identical application forms and procedures, and even the same automated system. The report also found the "two programs appear to use many similar procedures for preparing clients for work, linking clients to employment, monitoring progress, providing post placement services and imposing sanctions." In short, the programs operate in principally the same fashion. Largely as a result, the independent evaluator concluded the private sector program "did not increase earned income and did not reduce reliance on (welfare payments) among the full sample of families studied for this report." Plus, it found the private program "did not increase the percentage of adults who were ever employed and did not increase average quarterly earnings of adults." In other words, no net gain in effectiveness for the private-sector program -- despite built in economic and performance incentives designed to achieve this. Second, cost and efficiency factors must be analyzed. Interestingly, public programs often benefit costwise from generally lower wages for government employees. Many might suggest this necessarily leads to lower quality workers. However, given the above conclusions, this doesn't appear to be true here. In fact, public employees often have powerful non-financial incentives to succeed. Many are quite motivated by the intrinsic satisfaction they receive from helping others, especially in the social welfare context. Another factor affecting the cost equation is that government usually has no financial profit incentive to achieve its goals. Profits for private companies, by contrast, likely increase their costs vis-à-vis comparable public programs. Finally, there's the question of competing priorities between fairness and profits. In the private sector, we understandably value and prioritize profits above almost everything. We should. It's the nature of business. Public companies even have a legal obligation to their shareholders to do so. The public sector, however, often has different priorities and goals. While efficiency and cost effectiveness are important, government often more highly values fairness to the individuals affected by the program. In the long run, this supports the continued legitimacy of the government. I was surprised when this study concluded that Arizona's welfare privatization effort had not yet produced the efficiencies and benefits expected. While one might consider this bad news, I viewed it differently. Frankly, the study confirmed the effectiveness and efficiencies in some aspects of government. It also confirmed the importance of independent studies challenging our presumptions. I still strongly believe in privatization. But it has to be done the right way and with the right program. It won't -- and doesn't -- work in every instance. In short, bowing down at the

altar of privatization will sometimes be a false move. Marty Latz is the founder of the Latz Negotiation Institute, a national negotiation training and consulting company. He can be reached at 602-870-9301 or at Latz@NegotiationInstitute.com.

From [Phoenix Business Journal](#), by Marty Latz, 14 May 2001

BUDGET BRINGS OUT PRIVATIZATION FOES

Before last week's provincial budget, Premier Mike Harris was angling for a medicare war. One purpose was to get more federal money. Harris said that health costs are going up \$2.4 billion this year and Ottawa should pay half. But his second was to inject more private profit making into our system of publicly financed health. With Finance Minister Jim Flaherty now delivered of his budget, the stage is set for Harris to pick up the fight again. But he's on a lot weaker ground than he was a week ago. The reason, surprisingly, lies in his plan to provide tax credits to parents who take their children out of public schools. It has provoked an unexpectedly angry response, even among Harris supporters. So the Premier is now in a two-front war — health and education. And both fronts are politically dangerous, even for a politician who seems to delight in disrupting the lives of ordinary people. Flaherty's budget puts the government in a particularly weak situation on health. Both Harris and Health Minister Tony Clement are trying to swallow whole their health arguments of the last month and find new words to match post-budget realities. Despite declaring that costs would go up by \$2.4 billion, there is no such increase in spending coming. And Ottawa, according to Flaherty's budget, has already anted up its \$1.2 billion share. Clement's problem is just as bad. In April, hospitals totalled up their budgets and estimated that just keeping even this year will cost \$650 million more — to treat more, older patients, for higher drug and surgical costs, and to pay higher wages needed to attract enough nurses, among others. Clement's response was that he didn't believe that number. They need closer to \$378 million, he said a week before the budget. What did the hospitals get? Clement says they got "more, more, more." They say they took a cut of \$100 million. The difference? Flaherty shifted nearly \$300 million from one accounting category to another, which added not a cent of new money for hospitals. What is clear is that hospitals didn't get the added \$378 million that Clement says they need — much less the \$650 million they say they need. Flaherty did the same thing to inflate overall health spending by \$1.2 billion, or 5.4 per cent. With accounting games stripped out, the increase was only \$913 million, or 4 per cent. Moreover, the entire health allocation was federal money. Flaherty at least passed Ottawa's transfer payment this year, unlike previous years when Queen's Park used it for other things, such as tax cuts. And how are hospitals, home and community care organizations to cope with not enough money, plus a law making deficits illegal? There really is only one way. It is to cut services, close beds and, déjà vu all over again, lay off nurses. This is an insidious way to undermine public confidence in medicare. Fortunately, Ontarians are catching on to Harris' tactics.

From [Toronto Star Online](#), 14 May 2001

SENATE PRESIDENT PUSHES TAX REFORM

Orlando - Senate President John McKay wants to revamp what he calls Florida's antiquated tax structure, an appealing move to most Floridians. But part of his platform includes an unpopular idea: reinstating a service tax on professionals such as lawyers and accountants. Florida's tax structure -- a hodgepodge thrown together in large part to cope with financial emergencies -- is in need of repair, McKay said. The Bradenton Republican said he plans to gear up this summer to get businesses, special interests and the public to agree that the time is right to reform the system. "My plan is to build enough momentum that it will take on a life of its own," McKay told the Orlando Sentinel. If McKay can persuade the House and Republican Gov. Jeb Bush to get on board, he predicts Floridians can see the elimination of dozens of exemptions to the state's sales tax and even reductions in sales and property taxes. McKay also wants to steer the reform into unpopular territory by making some services, such as those provided by lawyers and accountants, subject to the state's 6 percent sales tax. It's been tried before -- by Gov. Bob Martinez in 1987 and Gov. Lawton Chiles in 1992. The outcry from special interests killed the efforts and arguably ended Martinez's political career as well. For now, McKay wants to limit debate to the structure of the state's tax system and worry later about whether the money generated by the system is enough to meet state needs. Bush said he'll listen but remains cautious. House Speaker Tom Feeney, R-Oviedo, a hard-core proponent of tax cuts, said he'll support any plan that would "return tax dollars to taxpayers." The concern of McKay and Senate appropriations chairman, Sen. Jim Horne, is that the current state sales tax is subject to a downturn in the economy. Services remain largely untaxed in Florida, and there are more than 300 sales tax exemptions in state law, more than double what there were in the 1970s as a result of intense lobbying by special interests. The exemptions add up to an estimated \$20-billion annual state revenue loss -- far exceeding the \$14-billion expected to be collected this year. The exemptions -- once limited to groceries, farm commodities, fuels and a few other items -- now include such things as race horse and dairy cow feed, Super Bowl and World Cup soccer game tickets and bottled water.

From [St. Petersburg Times](#), 14 May 2001

GLOBAL

EFFECTIVE PRIVATIZATION NEEDS CONSUMER PROTECTION GROUPS

In a series of articles that previously appeared in The Daily Star, we discussed the effects that privatization could have on both the micro and macro economic levels, if the privatization program were properly implemented. Also, we exposed the negative aspects showing that if the privatization program were poorly administered, it would lead to disastrous results. However, in all these articles,

the case of the end user, the consumer, who is meant to be the main focus behind privatization programs, was briefly mentioned. In this article, we will discuss the effect that privatization has on the individual consumer. We will analyze the various benefits and threats the consumer faces from privatizing state-owned enterprises (SOEs). The case of Lebanon is examined in detail. Proponents of privatization see in it improved service effectiveness due to increased competition. Also, it is assumed that competition between private companies enhances the quality of service over that of the public sector. On the other hand, opponents point out that quality is difficult to monitor in some service activities. Maintaining consistent quality across the entire service area may be undermined as private firms seek to maximize returns by focusing service delivery on those markets easiest to serve. It is believed that if the privatization program were implemented and monitored properly, consumers will benefit in the majority of cases. Efficiency improvements are usually passed on to the consumer in the form of lower prices. For example, the Chilean electric utility, which has been privatized, was able to reduce prices sharply by limiting the amount of stolen or unbilled electricity. Moreover, no longer hindered by investment constraints, privatized enterprises were able to provide the public with new products and services. Consumers can suffer from a poorly implemented privatization program. In the early 1990s, the Argentinian government began privatizing public service enterprises such as gas, transportation and water. However, after a decade of economic instability and hyperinflation, the government had trouble attracting investors. To compensate for this, the Argentinian president offered investors a unique opportunity. Investors were guaranteed they would be able to raise prices every six months in accordance with increases in a US inflation index. Investors jumped at the offer and have been raising prices ever since despite the fact that there is zero local inflation. From these examples and many others, one can see how privatization, supposed to bring efficiency, sometimes brings about negative counter effects. Bringing the local privatization programs into the scope of discussion, Lebanese consumers sensed the efficiency of improvements, enjoying greater access to goods and services in the communications, postage and garbage collection industries. As for the postage industry, which was privatized in June 1998 through a tender offer, the service has improved dramatically ever since. Moreover, privatizing the garbage industry by transferring it from the municipalities to a private company, Sukleen, made the districts where this company operates far cleaner than those where garbage collection is still in the hands of local municipalities. In the communication industry, the installation and repair services improved significantly ever since they were put under the responsibility of OGERO. Also, Lebanese consumers enjoyed the benefits of cellular phones when they were introduced in 1995 by two private companies through the use of the build-operate-transfer (BOT) agreement. However, what is the cost of these enhanced services? Many argue that the cost is excessive. They believe that political interference increased the cost, and they support their arguments by comparing the Lebanese with the Egyptian cellular phone privatization project. These critics argue that the Egyptian government received more proceeds from the private companies than the Lebanese government did, and that the service provided to the Egyptian consumer is much cheaper than that provided to the Lebanese one. Zuhair Berro, president of Consumers Lebanon, makes an insightful argument regarding cellular phones in Lebanon. He argues that basic economic principles state that with the expansion of technologies and a rise in the number of users of that technology, prices should go down. Apparently, these principles do not apply to Lebanon. The number of subscribers increased from around 125,000 to 760,000 users from 1995-2000. Yet the direct cost per minute charged by the two private companies to the consumer has been rising at approximately 5 percent per year ever since the cellular phone was introduced in Lebanon. The rates supplied by Cellis are in the table. The direct cost per minute rose from \$0.05 to around \$0.14, if you include government and municipality taxes during the six-year period. Moreover, you should add to the \$0.14 some of the indirect costs, which are the partial minute charge. That is, if you use your cellular phone for 2 minutes and 1 second, you are charged for 3 minutes. What is the rationale for this outrageous increase in prices? Where is the government oversight? This is an example of an oligopoly. It is against the principles of privatization, which is supposed to bring competition not a cash cow to be milked by two private companies working in tandem. How can consumers protect their rights against private companies? The answer may lie in consumer activists' groups. Ralph Nader is a typical example. In the 1960s, through political influence, auto industry leaders had delayed laws mandating seat belts, safety design, and air bags. Ralph Nader, a young lawyer, influenced the passage of such laws. In 1965 he published "Unsafe at Any Speed," a detailed description of the dangers of the Chevy Corvair, and the car safety debate went public. In response to the public outcry prompted by Nader's work, Congress ultimately passed the safety legislation, empowering the Department of Transportation to issue minimum standards on auto safety. In Mexico, for example, a consumer activist group called "Women for Mexico" has waged a campaign to force Mexico's privately-owned local phone service giant, Telmex, to cancel a system by which customers were charged for the duration of local calls, provide devices that track the number of phone calls made from homes, and ensure that economically disadvantaged groups have access to both public and private telephones. Women for Mexico's demands have been raised through lawsuits, hunger strikes, and the occupation of Telmex offices. Telmex finally responded to some of these criticisms. It installed new public telephones free to people who get a special card. Many SOEs are set to be privatized in Lebanon by the end of this year, and more next year. Are we going to follow the cellular phone example? What is the price that we as consumers are going to pay for electricity once it is privatized? The answers to these questions depend on the privatization program and the method being implemented by the Lebanese government. The success of any privatization program is not judged by the ability to sell the SOEs that's the easy part. Success is measured by the continued monitoring and oversight by a government entity far from political intervention, because a smart consumer would be very careful before signing a contract with an exclusive dealer offering a cheap price for an item today and having the discretion of setting the service and maintenance charges in the future. Dr. Assem Safieddine is a professor of finance at LAU, and Zein Balhas is an MBA student at LAU. They wrote this article for *The Daily Star*

From The Daily Star, by Assem Safieddine and Zein Balhas, 16 May 2001