

GOVERNANCE WORLD WATCH

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

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TABLE OF CONTENTS

Public Economic Policies & Globalization

Asia/Pacific

- Lower House Panel Oks Education Reform Bill 4
- Why Communist Regimes Find Restructuring So Difficult ... 4
- Bilingualism and Multilingualism in Globalization 4
- Singapore: New Regulations Governing Internet 6
- HAS Review Health Supplement Regulations 6
- Government Set To Ease Regulations 6

Europe/CIS

- How Would You Change Parliament? 7
- Italian Chief Worried About Summit Protests 8
- Labour Plans Public Service Reform Role For Birt 8

Middle East

- Saad Insists Government 'Will Not Give Up Drive' For Reform 9
- UN Survey Says Red Tape Scaring Investors Away 9
- Restrictions In Iran To Stop Internet Use 10

The Americas

- Beware Of Government Reforms To Access Act 10
- Content Management Enhanced With New Release 10
- Federal Accessibility Law May Have Broad IT Impact 11
- Telecommunication Tax Brings Rules, Regulations 11
- Government To Promote G2B Transactions 12
- Latin America Needs Attention 12
- A Global Audience 13

Global

- Economic Globalization Widens Wealth Gap: UN Official.. 14
- Globalization Is Everywhere 14
- Globalization And Decent Work 15
- Amnesty Focuses On Globalization 15
- Globalization Of Standards 16
- Globalization And The Public Spirit 16

Governance Systems and Institutions

Africa

- Good Governance Essential For Economic Growth 18
- Lesotho Tries To End Corruption Culture 18
- Algerian PM Blames West For Corruption 19

Asia/Pacific

- Macapagal Wants Council Vs Graft 19
- Nepal PM Under Pressure 19
- People Discover Strength In Self Reliance 20

Europe/CIS

- Initiative Aims To Help People To Tackle Corruption 20
- A Culture Of Corruption 21

The Americas

- Distrust Of Government Rampant In Guatemala 21
- Democrats Lead Governance Fight 22
- Can Francisco Barrio Break The Culture Of Corruption? ... 23
- Corruption Probe Nets 1st Conviction 23
- Group Moves To Scrap City's Civil Service Rules 24

Global

- ICC Accept All Anti-Corruption Unit's Recommendations .. 25
- Poor: 'The Victims Of World Corruption' 25

Civil Services & Ethics in Public Sector

Africa

- ECOWAS Justice Ministers Move Against Corruption 27
- Nzimande Makes Anti-Corruption Call 27

Asia/Pacific

- Media Minister Calls For Restructuring Of Public Service .. 27
- Shiokawa Repeats Japan's Public Works Must Be Cut 28
- Prime Minister Denies Hiding His Assets 28
- Golf Ban For South Korea Bureaucrats 28

Europe/CIS

- Turkey's Anti-Corruption Crusader Quits 29
- Pledge On Reform Of Public Services 29
- Mr. Blair's Inaction Show How Little He Value The Integrity of Public Servants 29
- Civil Servants Win Pension Ruling 30

The Americas

- Bush Allows State Awards 30
- Separation Of Departments Stirs Controversy 31
- Ex-Mayor's Ethics In Question 31
- Ethics Panel Disciplines County Worker 32
- Bipartisan Ethics 32
- Mexican President Fights 'Towel War' 33

Management Innovation & Trends

Asia/Pacific

- Entering An Era Of Innovation 34
- Government Outsourcing: Get With The Program! 34
- Korean Conditions Excellent For IT Development 35
- Government To Boost Internet Competition 36
- IT Training, Faster Internet Access Urged 36

Europe/CIS

- E-Envoy To Speak At MS-Sponsored UK Summit 36
- E-Government Plans Are Doomed To Failure 37
- Electronic Is The Engine, The New Economy The Motor ... 37
- Business Guide To The New Government 38
- High-Tech Service Will Be Civil 38
- E-Envoy Criticizes E-Government Target At MS Summit ... 39
- Council Gets Help With E-Government 39
- Countries Join EU Vision For E-Government Services 39
- Councils To Take 6 Years To Meet E-Gov. Targets 39

The Americas

- Technology Center Developing E-Gov. Tools 40
- New Rules Burden Government Contractors 40
- Siebel Targets E-Government 41
- States To Spur E-Gov Projects By Sharing Software 42
- One-Stop Gateway Would Bring Government Into Home .. 42
- Take Responsibility, Follow Through On Service 43
- Web Solutions Are Sky-High 43
- U.S. Puts Deadline heat On E-Government 44
- Bush Taps Unisys VP For E-Government Post 45
- County Government Wants Virtual Reality 45
- Bridge To Bureaucracy 45
- Government IT ' Accessibility' Effort Begins 46

Global

- The Best Countries For Internet Business..... 47

Public Finance

Asia/Pacific

- Sri Lankan Crisis Deepens 48
- Jin Promises To Ease Bank Ownership Limit..... 48
- Government Makes Considerable Progress..... 49
- Special Fund To Be Created To Finance Balanced Regional Development Projects..... 49
- Government To Allow Online Payment Of Taxes..... 49

Europe/CIS

- New Laws On Leader's Allowance 49

The Americas

- Web Tools That Work: Taking On The Sales Tax 50
- Lawmakers Give Reasons For Missing Information 50
- Council Eyes Finance Plan 51
- Give Finance Good Tools And Get Out Of The Way..... 51
- Let's Get Facts Straight On The Tax Credit..... 52

Private Sector Development

Africa

- Anya Defend Privatization Amidst Opposition 53
- Ghana: Water Privatization 53

Asia/Pacific

- Powercomm Builds Post Privatization Future..... 55
- Advisory Panel Starts Discussing Postal Privatization 56
- Panel Ponders Postal Privatization..... 56
- State Can Be Valuable Captain In Privatized Firms 57
- JR East, West Top Privatization List..... 58
- Kepco Privatization Raises Concern Over Loan Default 58
- Analysis/Postal Privatization Faces Hurdles..... 58
- Koizumi, Ishihara Agree On Privatization 59
- Government Taps Private Group For Help In Sale..... 59

Europe/CIS

- Snecma To Be Partly Privatized 60
- Government Stalls Nova Hut Privatization..... 60
- Blair Lashed Over Private Sector Plan 60

Middle East

- Committee Allows Bezeq To Inject \$40M. Into YES..... 61
- 'Privatization UN-Islamic' 61
- Government Insists Leumi's Privatization Still Viable..... 62

The Americas

- Colombia To Privatize No. 2 Bank Bankcafe By October... 62
- Arbitrary Privatization Doesn't Make For Better Gov. 62
- Plurality In U.S. Support Privatized Social Security..... 63
- School Board May Consider Privatization 63
- Peru's Energy Minister Calls For Privatization..... 63
- Privatization Puts Focus On 'Core Mission' 64
- Icahn: Pushing 'Privatization', Wall Street Tyrant Makes Takeover Bid – For City Schools 64
- County To Study Possibility Of Privatizing Defenders..... 66
- Job Privatization Might Be Key to Budget Deal 66
- Report Cites Flaws In Privatization Efforts At Lackland 67
- Baltimore Council Approves O'Malley Job Privatization 68
- IBM Again Tops Supercomputer Rankings..... 68
- Google Deploys Basis Technology Solutions 68
- Building For The Future 69

- The World On Public/Private Real Estate Partnerships.....69
- Schuber May Veto BCUA To Call Off Privatization Talks ...70
- Paving The Way For Privatizing Social Security71

Public Economic Policies & Globalization

ASIAPACIFIC

LOWER HOUSE PANEL OKs EDUCATION REFORM BILLS

The House of Representatives education committee approved Wednesday three education reform bills advocating voluntary community service for students in elementary, junior high and senior high schools, committee officials said. The Education, Culture, Sports, Science and Technology Committee passed the bills by a majority vote of members of the three ruling parties and the main opposition Democratic Party of Japan (DPJ).

From Kyodo News, 14 June 2001

OBSTACLES TO REFORM – WHY COMMUNIST REGIMES FIND RESTRUCTURING SO DIFFICULT

China is sifting through the lessons of the Soviet Union to see how best to go forward with reform, the review reports this week. Separately, the magazine also reports on the state of corruption and the culture of out-and-out cheating in China. (See "New Lessons" and "People's Republic of Cheats" on pages 26 and 59, respectively.) From the first report, many outside China will be heartened by Beijing's desire get reform right, and from the latter to draw comfort from the surmise that China surely must see this to be a compelling issue. This set us thinking. Though we couldn't agree more that reform is crucial to China, we are less than sanguine that it can restructure itself in the manner hoped for by its boosters outside the Great Wall. In the eight-decade history of communist governments, beginning with the 1917 Russian revolution, no communist regime has ever reformed. Perestroika was an attempt to restructure, but if this had succeeded there would still be a Soviet Union and an Eastern European bloc anchored by Moscow. Instead, glasnost would represent the thin end of a wedge that unleashed forces to fell Soviet communist rule. The domino theory didn't work out in the 1960s with successive nations in Southeast Asia falling to communism, but instead in the serial fall of communism in Soviet client states in the 1990s. And without intending to mess up a neat little theory, it's interesting to note that the destruction of communism has led to the rise of liberalism--a full circle never intended by Marx. So whether the determinacy of Marxist historicism? Here in Asia, *doi moi* similarly was an attempt by the Vietnam's communists to stay relevant. Has it succeeded? Why communist regimes can't reform is easy to understand. Communism is an unvirtuous system of rule. Therefore, "reform" must mean becoming virtuous. However, the virtues that properly belong to regimes are antithetical to Marxism. The best anyone can hope for of a communist regime's attempt at reform is partial success. But that means it becomes only less odious; degrees of success simply imply a government that is less bad by shades, not more good. If a communist regime reformed without qualifications, it would put itself out of business. Is the Chinese Communist Party that stupid? No. It is made up of a cadre of canny rulers with a well-honed sense of survival. What they advertise today as "reform" are simply old instincts repackaged for a new era; no more than measures for regime survival, the perpetuation of the status quo. (And not a hint even of glasnost to fuel hopes of unintended consequences.) We would be ecstatic if we believed the current trajectory of reforms would change the regime. Instead, we'd advise those who have swallowed the line from Beijing to swot up on their history.

From [Far Eastern Economic Review](#), 14 June 2001

BILINGUALISM AND MULTILINGUALISM IN GLOBALIZATION: ISSUES & DIRECTIONS

The Philippines is a multilingual community, composed of many ethnic communities. The last count, from a linguistic viewpoint, was done by the American linguist Curt Mc Farland and stood at 120. These languages may be subgrouped under two main groups or branches, the Northern Group and the Central Group, with others mostly in Mindanao as yet not fully determined in their groupings and relationships. The groups in Luzon and the Visayas are quite clear. The languages are genetically related but different enough not to be mutually intelligible and are therefore separate languages, not dialects (or varieties of the same language which are mutually intelligible). We still need a more detailed dialect geography comparable to the one done by Mc Farland for the languages of the North. In terms of mutual intelligibility, tests have been done by the Summer Institute of Linguistics to determine dialect and language boundaries better. The census of the Philippines has used the number of native speakers as guide to consider some languages major and some minor, the criterion being one million speakers each. Although Maranao and Maguindanao are considered dialects of the same language, in self-identity, the Maranaos and Maguindanaos consider themselves separate communities, each one with almost a million speakers; so that there are now 9 rather than 8 major languages which are used for language planning purposes (at least during the period 1957-1974 when a mother tongue vernacular teaching medium prevailed in the Philippine educational system, and now again as we embark on the Vernacular Education Project for the first two years of formal schooling). Based on a small sample surveyed in 1993 (SWS 1994) and commissioned by the Linguistic Society of the Philippines, we estimate the number of speakers of English as a second or foreign language to be 56%, a dominant 73% read English, a majority of 59% write in English. The number of speakers of Filipino (Tagalog, Pilipino) is estimated at a conservative 84% of the population (Gonzalez 1999). Bilingualism in the Philippines exists primarily in Tagalog-speaking areas, where the citizens and students entering school are fluent in Filipino (a colloquial variety) and where the more formal variety is taught and learned in school, together with English. In non-Tagalog areas, pupils come monolingual in the community language or bilingual in the home

language and the lingua franca of the community and then forthwith learn Filipino and English in school, resulting in either bilingualism, trilingualism or even quadrilingualism. Portrait of the Filipino as a speaker - The Filipino monolingual is the exception rather than the rule and occurs only if the person lives isolated in the mountains or in remote islands without access to mass media, at least the radio, and without schooling of any kind or schooling which has been so abbreviated that he returns to illiteracy. The usual Filipino is bilingual in at least his home language and the lingua franca of the larger community or in Filipino, through contact with radio and, where available, TV. If he has sufficient schooling of at least 5 or 6 years, then he will also have some basic competence in English, thus making him trilingual or even quadrilingual if he learned two languages before schooling, picking up another two in school. For purposes of globalization, he has to go to school to learn English, the main language of international contact for Filipinos. Even for the educated Filipino, to learn or to be competent in another non-indigenous language beyond English is rare since foreign languages are not the foci of concern in most of the high schools of the country; attention is paid to becoming bilingual in English and Filipino excluding study of other languages. Except for some few Filipinos who are still Spanish-speaking at home, Spanish is no longer in the linguistic repertoire of the average Filipino, even the educated Filipino. In school, for a few, other non-indigenous languages are learned: Japanese, French in that order, and for Filipino-Chinese, Mandarin in school but Fookien at home. In the schools, the official policy since 1974 has been to use two languages as media of instruction (Filipino and English) according to domains, with Mathematics, Science and English Language and partially Music and Arts as the domains of English. English as the medium for globalization - Given the specific social and economic as well as political situation in the Philippines, the way of globalization is through the English language. Based on current trends this will continue to be so, since determined efforts towards the use of Filipino in higher domains of business, academic life, and diplomacy have been for practical purposes nil. Foreign languages other than English are neglected; global awareness and consciousness are made possible through social studies (technically in Filipino), through World History, Asian History, and Geography. Although Filipino supposed is to be used for Economics, many economic lessons because of their quantitative nature are taught in English. And at the university level, even with the valiant efforts of some leading universities, the medium for all subjects (including social sciences) continues to be predominantly English or a code-switching variety of English and Filipino. Moreover, the intellectual sources for university work and research, especially at the graduate level, continue to be publications from the United States, Canada, Australia, and the United Kingdom and hence are in English. It would be a rare Filipino student who can read German, French and even Spanish although students who have become Mombusho scholars in Japan learn the elements of Japanese kanji and kana but soon forget them on their return; students of ethnic Chinese origin born in the Philippines study Mandarin as a foreign language, learn Chinese kanji, but soon after schooling return to illiteracy in kanji as a result of non-use. In sum, except in English, the prospects for globalization and internationalization in outlook through other foreign languages are limited; with the spread of English and its increasing use as well as the homogenization of the language through the Internet but likewise its diversification from now legitimized local varieties, one foresees that this route to globalization will be functional for Filipinos at least in the twenty-first century. Issues and directions - Given this thumbnail sketch of the sociolinguistic situation and media of instruction and language study in the educational system in the Philippines, what are the issues of concern to us on bilingualism, multilingualism and globalization? In language education, we are faced with a painful choice. Our pre-university system is the shortest in the world, ten years composed of 6 years of elementary and 4 years of secondary schooling. Our policy now is to teach essentials, master them well, and not pay close attention to the non-essentials. For us, the options are limited: with so little time we have no reserve periods for the study of foreign languages and must concentrate our efforts on mastering content in Filipino and in English, with focus on critical reading and thinking skills and the development of higher order cognitive skills in the two languages. Hence, the study of second and foreign languages will have to be done outside of the regular curriculum in special tuition schools and through summer programs, study abroad, and pre-university training if the students are planning to study abroad. I would likewise make the point that much as we want the local vernaculars preserved and for local culture to become part of the content of social studies in basic education, we have to teach the local content in Filipino and in some cases in English rather than the Vernaculars, since we do not have resources to develop teaching materials in the Vernaculars at the higher levels of elementary and in secondary schooling. This country does not have the resources to develop the Vernaculars other than to conserve them and to collect their literature and to encourage private individuals to continue publication and production of vernacular literature, a task given to the Komisyon sa Wikang Pilipino. Directions - Our aim is to produce good communicators in Filipino and in English and to build societal bilingual competence. We need to develop interpreters as a new profession as in other countries and train people for translation work (oral and written) to enrich our efforts at globalization by having specialists in our universities and translation bureaus in languages other than English, including the official languages of the UN and languages of emerging significant political entities such as China and Japan, the Bahasa areas, and Spanish, so as to have the resources to give us a globalization edge. At the same time, we must unabashedly accept the need to maintain and enhance English competence in this country since it is the only means that we have at for globalization present. For global competition, we also need English to gain access to the world of science and technology, for international relations, and for maintaining our contacts and cooperative ventures with multinational bodies. In the meantime we must develop Filipino as a language of scholarly discourse and must put out resources (human and financial) to be able to make access to Filipino possible especially for those who will not stay in school for the full length of ten years or who will not enter college. For our survival we need not only to maintain and enhance English competence among our educated population but likewise develop Filipino as a language of education and even higher education for the many Filipinos who because of circumstances will not be able to reach a level of English adequate to our needs for science and technology and the knowledge economy in this century. Larger questions - Larger questions which scholars should attempt to tackle in the years ahead include such questions as: Given our population and our composition as well as the needs of our society, on the principle that not all members of the community ought to have the same level of competence, how much multilingualism should be targeted for members of our society and for which sectors? How many Filipinos or what percentage or what sectors are needed to know more than one language and at least English as a second language for globalization needs? How long will English remain dominant and its role in our society maintained? There is the same

sociolinguistic process going on in English as in any world language in history such as Greek and such as Latin, namely, the break-up into mutually unintelligible varieties as a result of local features including the now present local varieties of English. What are the genuine prospects for Filipino to become a global language? How far should it develop? How much science should be aimed for to be done in Filipino as opposed to doing it in English or some other world language to gain access to state-of-the-art knowledge of science? In the case of a country such as Japan, access to science is made possible through the use of interpreters and translators, for example.

From [Manila Bulletin](#), by Andrew Gonzalez, 16 June 2001

SINGAPORE GOVERNMENT FORMULATING NEW REGULATIONS GOVERNING USE OF INTERNET DURING ELECTION TIME BY POLITICAL PARTIES

In anticipation of the impending General Elections in Singapore, new regulations are presently being formulated by the Singapore Elections Department to regulate the use of the Internet by political parties at election time. The Department promised that the rules would be implemented in a few months time, and definitely in time for the next General Election. This announcement came from Deputy Prime Minister (DPM) Lee Hsien Loong at no less an appropriate time than the launch of the official website of the ruling People's Action Party (PAP) at www.pap.org.sg on 8 June 2001. DPM Lee explained that the proposed rules were sorely needed, as the present set of election rules pre-dated the Internet and did not allow political parties to post election materials on their websites during campaigning. DPM Lee also expected that people would rely on the Internet as a source of political news, but was worried that stories could spread indiscriminately on the Internet.

From [Mondag](#), 25 June 2001

HSA REVIEWS HEALTH SUPPLEMENT REGULATIONS, WANTS MORE ACCOUNTABILITY

The Health Sciences Authority (HSA) is reviewing the regulatory framework for health supplements for greater accountability. Its CEO, Dr Clarence Tan, told reporters this after speaking at a conference by the International Society of Pharmaceutical Engineers. The HSA said the review is needed because more health supplements are being marketed in a way that is closer to traditional pharmaceuticals - in terms of the shape, form and manner. Dr Tan said, "Do they need to be assessed in the same way comparatively or do we need to draw boundaries? So we say: Look, beyond this boundary, if you want to cross this boundary, then you have to go through the full regulatory process of a drug." To raise the level of accountability, Dr Tan feels it is important to identify the party responsible for supplying the product, so that it can be accountable should the situation warrant it. An example would be if there are adverse reactions from users. The HSA also wants to determine if the products actually measure up to their claims. But it is a complex issue because supplement producers are unlikely to use the same validation methods as their drug counterparts. So officials are studying how the US Food and Drug Administration and Australia's Therapeutic Goods Administration are tackling the issue. The HSA is also holding dialogues with industry groups and expects to propose some legislative amendments after the review is completed by year's end. But it stressed it does not want to inhibit the growth of the health supplement market as it recognises that there is a legitimate growing demand from consumers. At a global level, the HSA is focusing on regulatory harmonisation. Similar to ISO standards, its purpose is to establish a common basis for comparing evaluation methods. This could help form the basis for trade negotiations, and potential Mutual Recognition Agreements. MRAs allow the products from one country free access into the other, similar to free trade agreements.

From channelnewsasia.com, by Fiona Tan, 25 June 2001

GOVERNMENT SET TO EASE REGULATIONS TO BEEF UP SERVICE INDUSTRY

Various regulations on the service industry are likely to be eased or lifted as part of government efforts to strengthen the promising sector. The Ministry of Finance and Economy said yesterday in a report that it is necessary to ease or lift a state monopoly or dominance on gas and electricity supply, price control on services and restrictions on business licenses. "The nation's service industry plays an important role in creating jobs and boosting the economy," a ministry official said. He said that the ministry plans to push for regulatory reform for the service industry in order to maximize its growth potential. The official also said that the ministry is studying ways of providing more tax breaks and financial support to businesses engaging in the industry. He admitted that the country has somewhat neglected strengthening the service sector because of its lopsided concentration on the export-driven manufacturing industry over the last 30 years. The industry has a far greater growth potential than the manufacturing sector, the ministry said. It stressed the country ought to focus more on the development of the service sector than conventional smokestack industries. The ministry quoted a recent report by McKinsey & Company, an international consultancy agent, as predicting that the service sector will create 3.7 million jobs in Korea from 2001 till 2010. In particular, law, accounting and financial services are expected to offer job opportunities to 1.2 million people during the 10-year period. According to available statistics, the ratio of employment growth over overall economic growth stood at 0.61 for the service industry, much higher than 0.25 percent for the manufacturing sector, between 1995 and 1998. Especially the finance, insurance and real estate sectors boasted a far higher rate of 1.21 percent. The figure indicated that the service industry contributed to creating more jobs than the manufacturing sector. The McKinsey report forecast that e-commerce and e-trade will grow by an annual average of 76.4 percent during the first decade of the 21st Century. Telecommunications services are expected to rise 10.8 percent on average every year, while electronic games, movies and music record industries are predicted to increase 7.6 percent. The advertising industry is also set to expand 7.3 percent. On the other hand, conventional manufacturing industries, including steel making, are projected to grow by an annual

average of 2.9 percent. The service sector accounted for 41.8 percent of the nation's gross domestic product (GDP) last year, far lower than the figure of advanced countries. The figure was down from 43.5 percent in 1998 and 43.6 percent in 1997. The ratio of the service industry's output over the total GDP stood at 70.7 percent in the U.S., 69.2 percent in France and 58.5 percent in Japan on average during the 1988 to 1998 period. Despite the service industry's greater potential, the country will have to solve the problem of lower trade and a deficit in the industry's account balance of payments. Korea's services trade with other countries represented 18.9 percent of the total foreign trade in 2000, much lower than the average of the U.S., France and Japan, which stood at 29.2 percent, 28.6 percent and 15.8 percent respectively in 1988-1998. The service industry will have to tackle the problems of lower productivity and smaller investment, compared with other industrial sectors. The nation posted a deficit of \$3.97 billion in services trade with foreign countries last year, up from \$650 million in 1999 and \$1.02 billion in 1998. The shortfall was attributed to the fact that Korea had to pay \$5.1 billion in royalties and licenses in 2000 for the use of advanced technologies and business rights as well as management consulting fees in the process of financial and corporate reform. The shortfall was in stark contrast to a trade surplus of \$11 billion last year, \$22.4 billion in 1999 and \$40.3 billion in 1998.

From Korea Time, by Park Yoon-bae, 25 June 2001

EUROPE/CIS

HOW WOULD YOU CHANGE PARLIAMENT?

Parliament has been left behind by far-reaching social and constitutional changes and needs a radical overhaul, says a new report. The 18-month review by the Hansard Society commission concludes there are serious gaps in the way MPs can keep the government in check. The findings come amid growing calls from senior politicians for Parliament to reassert its authority. The society says its proposals, which include making the prime minister answer to a select committee once a year, should provide a route map for reform. **What changes need to be made to Parliament? Should the prime minister be more open to scrutiny from MPs? How can the government be held to account?** I think to run a modern Parliament, the first step would have to be to stop using the current chamber for all but ceremonial purposes. Its layout encourages the "us versus them" attitude of the Opposition and makes serious bipartisan debate impossible. What's more, the chamber isn't big enough by a long way to seat all the MPs. Surely this is absurd, not to mention impractical. What we need is a modern hemicycle chamber with proper facilities, seating for all, and a big public gallery, which citizens are encouraged to use. Perhaps something along the lines of the European Parliament in Strasbourg - *Pierre Werner, UK*. Perhaps we could reduce the number of MPs. India has about the same number of MPs but it has 1 bn people compared to our 55 m. We need to replace redundant MPs at Westminster with more local government which would be closer to the people and their desires. Devolve power from Westminster! - *Tom, UK*. Partisan politics, although important in creating rivalry among competing parties in order to produce better policies, sometimes leads politicians to put party interests ahead of national benefit. While the House of Commons should be fully elected to represent the people according to party affinity, the House of Lords should be an appointed chamber with all the parties concerned having the same number of representatives. This will give the Lords a much more broad and bi-partisan spectrum in which to undertake its 'advisory' role in British politics. - *T. J. Won, South Korea*. I would not rush to eliminate the PM's question time. Even if the style is now "gladiatorial" as suggested, that is not necessarily a bad thing, particularly when so much of politics today is just fluff and spin. The country can learn much about the PM when he or she is directly confronted with questions from the opposition, unable to hide behind a spokesperson. We do not have anything resembling this in the States. I wish we did. - *Richard La Belle, USA*. Introduce compulsory voting a la Australia, but have a "none of these" option. This would encourage politicians to put up real candidates, rather than simply cardboard cut-outs of their leader. Institute real referenda for major decisions. It is the responsibility of government to inform the people of the issues, not force them into unpopular options. Make all votes in parliament secret ballots and abolish the whip system, so that MPs at least have the option of voting for their constituents' good, rather than the party line. Finally, link the pay of the politicians to their success in making good their election promises. If they can't do what they said they would do, they should not be paid (same as everyone else in the economy). - *Kevin, England*. Surely our MPs could function far better as our representatives if they lived full-time in their constituencies, away from the temptations and isolation of Westminster. So why, in the 21st century, do we still need a physical Parliament - why not have a "virtual" Parliament that meets in cyberspace? Then our MPs can stay closer to the people and issues that should matter most to them. Security would be an issue for such a system, but it could be a separate, secure network similar to those used by the intelligence agencies to share information. - *Alex Duggan, UK*. How about fewer MPs, which means they're less anonymous, and with larger constituencies we get more marginal seats? I would suggest 400 MPs and a 100-strong US-style upper house. - *Keith, UK*. Make the terms two years instead of four. MPs would then be compelled to be much more in touch with their constituents. - *T.J. Cassidy, USA*. Michael Kilpatrick has said it all! Politicians need to stop bickering and work together for the good of the country, rather than for their own interests. A revamp of Parliament would help. Stop waving your bits of paper around and jeering at each other, and do some work! - *Tony Bittan, UK*. The House that arrogantly styles itself the Mother of all Parliaments is perhaps the most undemocratic, anachronistic and confrontational parliament in existence. Its pathetic inability to wake up to the 20th century, never mind the 21st, is summed up by the manner in which votes are often performed by MPs filing out of the chamber for 30 minutes! What a gross waste of time! It takes Chris Tarrant 30 seconds to "Ask the Audience"! The Commons needs PR, far fewer members (how can 659 people hold a worthwhile debate?) and a complete refit to remove the 2-sided bench layout that reinforces the yah-boo partisan, childish behaviour of the MPs. I have far more respect for the monarchy and the Lords than I do for the Commons. - *Michael Kilpatrick, Cambridge, UK*. Make PMQT tougher on the PM. No advance notice of the questions. That should show how good a statesman the PM really is. Also, give the Monarch greater political power, with the right to veto legislation that, in the Monarch's view, does not represent the will of the

people. - **John Atkins, England.** Parliament as a democratic institution cannot be taken seriously when half of its members are not elected, but appointed behind closed doors. A fully elected House of Lords is essential if Parliament is to retain its credibility. - **Matt, Wales.** I'd like to see the performance of the Government independently assessed against their manifesto pledges to make sure they are delivering what they promise. Too much of the news about government progress is spin and half-truths. If an independent body assessed the Government, the electorate would get a much better picture of their actual performance. - **Michael Thomas, UK.** How about making a start on ensuring that Parliament is truly focussed by ridding it of much of the laughable medieval ritual that we see. It's about time the pantomime season came to an end and we entered the 21st Century. - **Robert Crosby, Nottingham, UK.** The Prime Minister must be held to account for the Government and a twice yearly appearance before a select committee is the way to do this. Equally the House of Lords must act as a check on the Government. The process of passing bills to the upper chamber should be much stronger and Parliament must not be allowed to pass any bill that has been rejected by the Lords without full examination by an all party select committee. - **Ian Vickery, UK.** The big question is - who elects the members of the select committee? Surely, the whole point of democracy is that MPs and governments are elected to represent the people who voted for them. They are required, at least theoretically, to provide a manifesto stating what their political ideologies and intentions are and are thus accountable to the voters anyway at each election. Why should we then have an unelected select committee taking away some of the control, which has been democratically given to the MPs by the voters? - **Andy, Nottingham, UK.** I think one of the things we have to do is stop regarding Westminster as the only political body which matters. We need to recognise that devolution is a reality in Scotland, Wales and London, that local government is systematically undermined and that the regions have strong political cultures - which very often are much more connected to the real world rather than the hothouse gossip of Westminster. This will only increase as the Government moves towards regional assemblies. - **John Adams, England.**

From BBC, 19 June 2001

ITALIAN CHIEF WORRIED ABOUT SUMMIT PROTESTS

Worried about a repetition in Italy of the violent protests that occurred at a European Union meeting in Sweden last weekend, Prime Minister Silvio Berlusconi said today that he wanted to open a dialogue with demonstrators who are planning to march at the Group of 8 summit meeting in Genoa next month. In a maiden speech before the Italian Parliament to present the goals of his new government, the prime minister also had to deal with a continuing debate about his extensive media holdings. A conflict-of-interest debate that began after his speech will end with a confidence vote in the Senate on Wednesday. But today, Mr. Berlusconi seemed more preoccupied with how his government would deal with the next major international meeting when more than 100,000 anti-globalization demonstrators are expected to converge on the medieval port city. Mr. Berlusconi, like other leaders, was alarmed by fierce clashes between anti-globalization demonstrators and the riot police in Goteborg, Sweden, last week. Concerned that something similar — or worse — could happen when he plays host to President Bush and other world leaders on July 20-22, he met with his interior minister on Saturday to review security measures. Clearly worried that his government might be blamed for any violence in Genoa, Mr. Berlusconi went on the offensive, telling reporters that any problems there would be "the responsibility of the preceding governments." Genoa was selected as the site for the meeting in 1999, when Massimo D'Alema was prime minister. But when the issue came up for a vote in Parliament last year, Mr. Berlusconi's center-right opposition also voted in favor of Genoa. Although Mr. Berlusconi wants to open a dialogue with the protesters, few expect him to be able to soften their attitudes. "No dialogue, no participation in fake negotiating tables," Luca Casarini, a leader of an Italian anti-globalization group, said today in the Milan newspaper *Corriere della Sera*. "After Seattle, the point is to block the meetings, not tame them." Even inside Parliament, there were signs of defiance. Hard-line Italian Communists view the summit meeting as an elitist club that undermines the United Nations General Assembly. As Mr. Berlusconi spoke, a few Communist lawmakers held up red signs saying, "No to the G-8." Members of Parliament also reacted to the prime minister's defiant tone in announcing a draft law to resolve potential conflicts of interest involving his media companies. "The situation I find myself in was well known to the 18 million Italians who voted for me," said Mr. Berlusconi, a conservative media tycoon who owns Italy's three largest television networks. He said he would propose a law before the summer recess, but added, "My history as a communications entrepreneur and my personal conscience permit no one to suspect that my institutional goals would be contrary to the common good." That phrase drew scattered applause, and some hissing.

From [New York Times](#), by Alessandra Stanley, 18 June 2001

LABOUR PLANS PUBLIC SERVICE REFORM ROLE FOR BIRT

Tony Blair is planning to give John Birt, the controversial former director general of the BBC, the job of heading a new Whitehall unit to drive forward reform of public services. Lord Birt, who was accused by critics of introducing a more centralised and bureaucratic structure during his BBC tenure, will be tasked with ensuring departments "deliver" on policy objectives. Mr. Blair has become increasingly frustrated that the legendary "Rolls Royce" civil service machine is better at formulating policy than seeing it through to the point where it impacts beneficially on areas such as health, education and transport. He has spoken of the need to "refocus" the civil service on project management and delivery, away from its traditional role of detailed day-to-day policy advice. Some reports speculate that new unit will be a policy delivery unit attached to the Cabinet Office, but which will report directly to Mr. Blair. Labour's Holy Grail for a second term is the strategic delivery of policy goals, partly through "joined-up-government", partly through devolution of policy implementation, Lord Birt's job will be to help develop and direct strategic capacity at the centre in pursuit of those goals. Lord Birt, a crossbench peer who retired from the BBC last year after a turbulent tenure, has emerged as a Blair ally, partly because of a little-known piece of work he has done since for Downing Street. He so impressed Mr. Blair with his analysis of

what is needed to beat crime that the prime minister rated it one of the best reports of its kind that he had read. According to Blair allies, however, the report was smothered by the Home Office, which incorporated it into Jack Straw's 10-year crime plan, published to a fanfare in March. Mr. Blair's plans for shaking up Whitehall departments, their ministers, officials and structures are still not complete, though they will start emerging by the weekend if Labour wins. Lord Birt is not expected to be involved directly in specific policies, the so-called "wicked issues" such a poverty and drugs which thwart government's everywhere, but in creating a strategy and structure.

From [SocietyGuardian](#), by Michael White and Patrick Butler, 6 June 2001

MIDDLE EAST

SAAD INSISTS GOVERNMENT 'WILL NOT GIVE UP DRIVE' TO REFORM

The government has no choice but to proceed with administrative reform to overcome the country's economic and political difficulties, Minister of State for Administrative Development Fouad Saad said Tuesday. "The government is very serious about its adoption of reform measures and does not, and will not, give up this drive," the minister told a news conference at his office in Starco. Saad admitted that there were many obstacles to his ministry's work but said the issue should not be politicized, "because the situation is critical and Lebanon can no longer afford to waste time in accomplishing reform." Asked about developments in terms of determining surplus employees in the different ministries, Saad said that the four-month deadline to identify such staff had not yet expired and that the project was still continuing. He also said that employees in all ministries had been asked to complete a form to be used in the process of identifying excess staff. According to Saad, surplus employees already identified in the Ministry of Information were still receiving salaries until a special committee, in the process of being formed in the Civil Service Council, has dealt with their case, adding that in "a short time the problem will be solved." Such issues, he continued, could not be dealt with overnight because of the human angle they represented. Saad said similar measures would be taken in other public institutions, including Middle East Airlines, stressing these measures would not be politicized. "There is an honest will to proceed with these projects. In the past it was possible to avoid drastic measures because the situation was not as bad as it is today," he said, reminding of both internal and external pressures applied on Lebanon to achieve reform. On a different level, Saad outlined recommendations of a workshop entitled A New Vision For the Role of the State in Lebanon: The horizons of partnership with the civil and the private sectors, which was recently organized by the Administrative Reform Ministry. Saad said that participants, who included both local and foreign experts, agreed on the necessity of defining a new role for the state in order to overcome its problems, particularly increased expenditures and a higher national debt. He said that while a partnership should be created between the private and public sectors, the state should not give up its role as a supervisor. Updating obsolete laws, reducing red-tape and speeding up judicial processes were also on the workshop's list of recommendations while privatization was strongly advised as a global trend toward the provision of more efficient services. "Designing national policies should, however, remain in government hands, as well as social security policies which the private sector is either unwilling to do or incapable of doing," Saad said. Noting the possible adverse effects of privatization, the minister said the government should concentrate on controlling cost of living increases and reducing unemployment rates. He also said that bids for the privatization process should be made through legal channels and that priority should be given to local companies. Saad emphasized the need for regulatory bodies with qualified candidates to supervise the privatization process. He provided information on projects which his ministry is currently undertaking, including the development of the Auditing Department, the Central Inspection Department and the Civil Service Council

From [DailyStar](#), by [Alia Ibrahim](#), 6 June 2001

UN SURVEY SAYS RED TAPE SCARING INVESTORS AWAY – REPORT WARNS POLITICAL AND ECONOMIC CLIMATE NOT INDUCIVE TO INVESTMENT

Corruption, lack of transparency, slow customs procedures and inconsistent economic policies are among the main factors discouraging investors from doing business in Lebanon according to a survey conducted by a United Nations body. Some 50 foreign investors were surveyed by the Beirut-based Economic Social Council for West Asia (ESCWA) in February and January this year. The findings of the survey were released during a two-day foreign investment conference that started Tuesday at UN House. The government of Prime Minister Rafik Hariri claims its new investment-friendly policies are acting as a catalyst to growth, but foreign investors in Lebanon have already begun to tear at the government's economic policy. The recent reduction in the customs duties will be meaningless as long as the slow administrative procedures and delays in clearing imported cargoes at the ports are not resolved, the survey said. Kamal Hayek, head of the Investment Development Authority of Lebanon (IDAL), confidently explained Wednesday that the much-touted investment draft law was "the first of its kind in Lebanon," but foreign investors have given it bad reviews although the bill has yet to gain parliamentary approval. "Some representatives of foreign investors criticized the new draft law on investment, which is said to enhance and legalize the discretionary interference of the government in the FDI (foreign director investment) approval process," said the survey. According to the survey, investors said that the law opens the door to corruption and discrimination and allows the government to select winners and losers. Foreign investors were not the only ones to criticize the law. Kamal Shehadeh, an economist who is a consultant to a number of ministries, has also sounded the alarm about the new investment draft law, which gives IDAL the green light to issue licenses without going to ministries. "The new law will allow the government to intervene in joint ventures, this is dangerous," said Shehadeh. "There should be limits to how much the government can interfere. Why should IDAL do the paperwork now? Can't the government do away with it altogether?" The survey

also quoted investors as saying that they have chosen to terminate their business ventures in Lebanon and move elsewhere due to its investment climate. A number of investors in Lebanon said they have paid up to \$1 million a year in additional costs due to the government's bureaucratic delays while others have done away with the services of Electricite du Liban and are operating on power generators. "The overall procedures for starting a business venture in Lebanon takes four times longer than Dubai and Tunisia," one investor was quoted as saying. One Kuwaiti investor who wanted to set up a food chain in Lebanon had to discard the idea because new appointments at a municipality led to a change of municipal laws. "Our company paid more than its capital to cover the costs of procedures to obtain the necessary permit to start up the activities," the survey quoted an investor as saying. "We face problems with customs procedures because we cannot entertain bribery in our company system," said another. Compared to countries such as Jordan and Bahrain, Lebanon is ranked as the most corrupt, bureaucratic, and costly country to set up a venture, according to the survey which also interviewed investors in Jordan and Bahrain and compared their views with their counterparts in Lebanon. Investors in Lebanon also complained that successive governments tend to change the economic policies of their predecessors. This prompted many investors to refrain from doing business in the country. The annulment of contracts is also giving Lebanon a bad name in international business circles, the survey said. Few of the investors said Lebanon had significant financial advantages. Lebanon's only advantages are its proximity to regional markets and its human resources, particularly the cheap Syrian laborers in Lebanon. One economist noted that total reliance on foreign investments for economic growth is not sufficient to revive the economy. Peter Nunnenkamp, an economist at the German-based Kiel Institute for World Economics, said there is no clear evidence that direct foreign investments will create economic growth. "Some governments offer better incentives to foreign investors than the local ones," said Nunnenkamp. "Moreover, governments often offer concessions (such as tax exemptions) to foreign investors at a high fiscal cost." According to UNCTAD's World Investment Report 2000, Lebanon's foreign direct investments contributed to only 3.1 percent of the gross domestic product in 1998. "National governments often forget that local investors form the basis of the economy and that foreign investors are supplementary," said Nunnenkamp.

From [Dailystar](#), by [Dania Saadi](#), 14 June 2001

RESTRICTIONS IN IRAN TO STOP INTERNET USE

Iran's state telecoms monopoly has ordered tough new restrictions on Internet use, requiring service providers to block some sites and barring access to the Web for under-18s, newspapers said. Regulations issued by the Iran Telecommunications Company order Internet Service Providers (ISPs) to filter all materials presumed immoral or contrary to state security, including the Web sites of opposition groups, the 'Hambastegi' newspaper said. The new rules say ISPs who do not strictly comply risk losing their licenses and facing court action. The heads of several ISP companies contacted by Reuters said they had not received official notification of the new by-law and had only seen the newspaper reports. Telecoms officials were not immediately available for comment. Police closed down more than 400 Internet cafes in Tehran last month demanding owners obtain licenses to stay in business. There are estimated to be around 1,500 Internet cafes in the capital, with more in other major cities. The cafes are popular with the overwhelmingly youthful population of the Islamic Republic, where the state media are tightly controlled by conservatives.

From Reuters, 25 June 2001

THE AMERICAS

BEWARE OF GOVERNMENT REFORMS TO ACCESS ACT, SAYS INFORMATION COMMISSIONER

Canadians should be wary of Liberal promises to reform the Access to Information Act given the "hostility displayed by the government leadership," the Information Commissioner said Tuesday. John Reid's annual report, tabled in the Commons, was another scathing indictment of government attitudes toward transparency, openness and accountability. Reid said reforms to the act soon to be released by a government task force could be "a wolf in sheep's clothing." "Better to have no reform of an act designed to improve government accountability than to make it more government friendly," Reid said in a release. Reid said his relationship with top government agencies remains adversarial and confrontational. The Prime Minister's Office is appealing to the Supreme Court of Canada to stop Reid from examining Prime Minister Jean Chretien's personal agenda books to determine whether they should be released under the access act. "It is particularly difficult to understand the hostility displayed by the government leadership since the commissioner has no power to disclose records, but only the authority to recommend to ministers that withheld records be disclosed," said Reid.

From [National Post Online](#), 12 June 2001

CONTENT MANAGEMENT ENHANCED WITH NEW RELEASE

IntraNet Solutions, a provider of Web content management solutions, is releasing version 5.0 of Xpedio Content Management system. Xpedio 5.0 includes enhancements to the system's enterprise development tools, globalization features, enterprise platform support and contribution and conversion capabilities. Scheduled to ship end of June, prices vary between \$100,000 to \$250,000 USD. "Return on investment has become a critical consideration for our clients in selecting content management systems," says Andrew Warzecha, vice president at META Group. "Ease of use and support for native authoring tools are key in product selections we see occurring. Vendors like IntraNet Solutions that can address these areas in their offerings will find a ready market." New functionalities include: **Enterprise Development Tools** Xpedio 5.0's workflow enhancements include a Visio graphical

development interface that allows users to graphically design workflows. Users are also able to trigger the execution of external applications from within the workflow process Java Server Pages (JSP) server that enables users to develop Web sites and customizations using JSPs. This standards-based approach enables end-users and system integrators to more readily deploy, customize and manage Xpedio-based sites. The new product also integrates with the popular Web design program Dreamweaver, allowing Web developers to design Web sites in Dreamweaver and deploy them using Xpedio. **Globalization Features** Xpedio's globalization features in version 5.0 include a localization kit, which enables the company and selected partners to produce versions of Xpedio in different languages. IntraNet Solutions will be releasing French and German versions of Xpedio, and Japanese, Korean and Portuguese versions are being produced for IntraNet Solutions by its partners. **Enterprise Platform Support** -Expanded support for widely used enterprise platforms. The product incorporates the second release of a Java 2 Platform Enterprise Edition (J2EET). Xpedio has already been integrated into the BEA WebLogic Application and Personalization Servers, the Sybase Application Server and IBM WebSphere. In addition, Xpedio 5.0 includes added support for Microsoft platforms, including the Active Directory security model. **Contribution and Conversion Capabilities** Expanded contribution and conversion capabilities enhance , a Web-based Distributed Authoring and Versioning (WebDAV) server, which allows users to directly contribute and access content from WebDAV-enabled clients, such as Office 2000, HTML Editors and XML Editors, into Xpedio. Additionally, Xpedio 5.0 features enhanced XML conversion that automatically converts content to XML when it is checked into Xpedio, so the content is readily available for use in a variety of applications. The product also supports the automatic conversion and management of additional new file formats, including cHTML, the format for NTT DoCoMo's i-Mode service in Japan. **Xpedio Content Tracker** Xpedio 5.0 also includes a new module, Xpedio Content Tracker. The module tracks content usage within an organization and generates reports based on metadata and user profiles. For example, Content Tracker will track the files a specific user has accessed or the users that have accessed a specific file.

From [Content-Wire](#), 6 June 2001

FEDERAL ACCESSIBILITY LAW MAY HAVE BROAD IT IMPACT – ALL COMPUTER EQUIPMENT WILL BE AFFECTED

The federal government is expected to usher in new regulations next week that require all electronic and IT equipment used by federal agencies and departments to be accessible to all people. Among those standing to benefit is Beth Ostrowski, a federal employee who is blind. Ostrowski, a manager at the Health Care Financing Administration, uses a screen reader, which converts text to speech, to read Web pages. But she found that her own agency's Web site, Medicare.gov, didn't work well with screen-reader software because the information couldn't be easily translated into a linear format. "It had no logic to it," she said. That's been changed, and Medicare.gov now offers a screen reader version of its Web site that's dynamically generated whenever changes are made to the Web site. "The webmaster doesn't have to maintain a second version," said Stephen Jones, project manager at contractor American Management Systems Inc., a Fairfax, Va.-based vendor. Web sites aren't the only things that must be accessible under the law, referred to as Section 508 of the Rehabilitation Act. Beginning June 21 (or possibly June 25, depending on who's interpreting the law), all electronic products purchased by the government, ranging from fax machines to enterprise software, must be accessible to people with disabilities, with some limited exceptions. Although the merits and goals of this law are widely praised, trade groups are concerned that the law's requirements don't give vendors clear guidance in meeting the rules. "My worst-case fear is there is arbitrary dropping of products because they are not 100 percent compliant," said Bartlett Cleland, a vice president at the Information Technology Association of America, an industry trade group. For federal agencies, the law has prompted systems reviews reminiscent of Y2k projects, and with some of the cost. The U.S. Environmental Protection Agency's Envirofacts Web site, for instance, which provides environmental data, estimates that the cost for complying with the law is US\$125,000, said Jerry Carrillo, who's coordinating the Section 508 initiative at the EPA. The U.S. Agency for International Development has been using a combination of manual and automated techniques to ensure that its 50,000-plus Web pages are compliant. Among the steps the agency has taken were to modify large data tables to enable them to be read with assistive technologies and to provide training on the law's requirements for employees who provide content. The impact of the rule on the private sector remains to be seen, but it could be broad. The law "is going to drive private-sector behavior," said Greg Pisocky, a business development manager at San Jose-based Adobe Systems Inc., which has made the latest version of Acrobat software accessible to the disabled. "Although we are not designing products exclusively for the government, we are attempting to make this very large customer of ours satisfied, and as a result the ancillary benefits will be derived by our commercial customers." The private-sector Web sites that aren't accessible are missing out on business, says Ostrowski. "The more accessible the site is, the more business sense it makes," she said. Patrick Thibodeau covers state and federal government, antitrust, legal issues, and politics for Computerworld.

From [IDG](#), by Patrick Thibodeau, 14 June 2001

TELECOMMUNICATION TAX BRINGS RULES, REGULATIONS

A new state telecommunications tax goes into place Oct. 1, but technology businesses and some retail outlets that pay it must begin registering to collect the tax in July. The new law replaces previous state and local taxes and fees, stated the Florida Department of Revenue, the agency in charge of administering the collection. Subject to the more than 9-percent tax (local government figures are still being calculated) are communication services including: mobile telephone services; pager and beeper services; facsimile machine retailers; and long-distance or toll-telephone services. Exempt are: Internet access services; e-mail services; Web hosting services and electronic publishing. "The integrated tax is designed to bring in neither more nor less revenue to state and local

governments than the taxes and fees it replaces," stated a release from the Department of Revenue. Biotech Update - "Pioneering the Biotech Age" was the theme of a June 12 University of Tampa seminar. Sponsors were the John H. Sykes College of Business and the UT Master's in Business Administration Association. Biotech continued to be viewed as the lynchpin in technology's future by speakers including Tony Frudakis, chief scientific officer at DNAPrint Genomics in Sarasota. The company develops individual genetic technology. Also featured was Timothy Ganey, president of co.don Tissue Engineering Inc. in Tampa. A "compelling need and vital product" was how Ganey described his firm's research as the baby boomer population ages. Ganey is leading a team seeking regulatory approval for cell-based medical technology, including cartilage regeneration alternatives to plastic and mechanical hip and joint replacements. Attending were Patrice Cunningham, division manager for competitive analysis for AT&T Data and Internet Services in Tampa, and Ralph Hinson, an associate with Hyde Park Capital Partners LLC, also in Tampa. Tech Talk - Large firms are increasing their Internet-related spending budgets even as information technology spending is generally decreasing, said Jerry Jasinowski, National Association of Manufacturers president, during a recent association e-business forum in Cleveland. "The era of eyeballs, IPOs, and billionaires is over," Jasinowski said. "But there's gold among the ruins for manufacturers smart enough to take advantage of all the new infrastructure and applications that the dot-bombs have left behind. "The Internet may not have lived up to the overnight hype of the dot-com era but is nonetheless a revolutionary tool that smart companies are investing in today for major growth and productivity gains." Florida ranks No. 5 in nationwide high-tech employment, shows the Cyberstates 2001 study recently released by the high-tech trade group AeA and the Nasdaq. Florida ranked 13th in research and development expenditures with more than \$4 billion in spending in 1998. Tampa made the hot spot list in the May 1 Business 2.0 Cybercities lineup. The Tampa Bay area's high-tech employment sector grew by 29 percent between 1993-1998, showed the trade publication's research. That's more than Orlando at 28 percent, Fort Lauderdale at 16 percent and Miami at 13 percent. The American Bar Association's ABA Journal June issue cover story focuses on how lawyers can learn from failed Internet ventures to advise dot-com clients. When the next round of technology start-ups hits, lawyers need to pay attention to the insolvency issue, stated the article. Recognizing the symptoms of insolvency early might mean the difference between a Chapter 11 bankruptcy reorganization and a Chapter 7 liquidation, the article reported.

From [Tampa Bay Business Journal](#), by Pamela Griner Leavy, 18 June 2001

GOVERNMENT TO PROMOTE G2B TRANSACTIONS

As part of its plan to form an electronic government, the Ministry of Planning and Budget announced Monday that the government has finalized a timetable to institute a system to promote G2B (government to business) transactions. Under the first-phase of the plan, the government will select a contractor to undertake the job of redesigning all government procurement procedures and drawing up a detailed business plan to promote government-to-business transactions over the Internet by early July. The government will award the contract for this work through a public tender on June 11. Information on bidding procedures can be found in local newspapers and at the homepage of the Public Procurement Service. The second-phase of the project calls for completing the G2B infrastructure by August of 2002 with service starting in September. The ministry expects that the G2B transaction system will greatly contribute to boosting e-commerce in the private sector while saving the government money and enhancing the transparency of government procurement procedures.

From [Digital Chosun](#), 18 June 2001

LATIN AMERICA NEEDS ATTENTION – FREE TRADE COULD STOP THE SPREAD OF POLITICAL INSTABILITY

Leaders from 34 states gathered for the Summit of the Americas in Quebec City in April, a coming of age for the Western Hemisphere. Military dictatorships were once *de rigueur* in Latin America, but by 1989 the only dictator in Latin America was Fidel Castro. Economically, after the oil shock of the 1970s and the "lost decade" of the 1980s, trade openings replaced the once-reigning import-substitution model. The Quebec Summit was marred, however, by anti-globalization protests, a sour portent. Indeed, now that President Bush and his foreign policy team are back from showing the flag in Europe, they ought to look south. Latin America, while not exactly aflame, is clearly smoldering. • Colombia, South America's second most populous country, is gripped by civil war. This is not merely a "war on drugs." The terrorist groups FARC and ELN, whatever their drug funding, are Marxist-Leninist guerrillas seeking to overthrow the government and controlling perhaps 40% of the country. In a new study "Colombian Labyrinth," RAND analysts Angel Rabasa and Peter Chalk predict this is likely to become "the most serious foreign and security policy crisis in the Western Hemisphere since the Central American wars of the 1980s." In a near-total emphasis on anti-drug efforts, they add, U.S. policy "misses the point." The marriage between drugs and revolution becomes increasingly clear. In April, Colombian authorities captured Brazilian cocaine king Luiz Fernando da Costa ("Fernandinho"), who has been talking of paying the FARC some \$10 million a month to supply cocaine. In May the U.S. Coast Guard seized 13 tons of cocaine from a ship on the high seas 1,500 miles South of San Diego; the crew consisted of eight Ukrainians and two Russians, suggesting connections between Latin revolutionaries and the ex-Soviet "mafia." • Oil-rich Venezuela is now run by a "populist" leader. President Hugo Chavez may or may not eventually become "a new Allende," as [Carlos Ball](#) declared in our Americas column. The [Venezuelan ambassador](#) replied by pointing to free-market initiatives during his administration. But Mr. Chavez, a former paratrooper who unsuccessfully tried to stage a coup in 1992, has been busily rewriting the Venezuelan constitution to consolidate his personal power. The ambassador did not deny his president's membership in the São Paulo Forum, an alliance of leftist parties instigated by Fidel Castro in 1990 as his answer to the fall of the Berlin Wall. Mary Anastasia O'Grady, editor of our Americas column, [reports](#) that the Colombian military says it has captured guerrilla arms with a Venezuelan brand. (See below for additional stories on South American.) • Elsewhere in

the Andes, Peru is about to inaugurate an untested new president, Alejandro Toledo. Former President Alberto Fujimori, who suppressed the notorious Shining Path guerrillas and opened the economy, mailed in his resignation from Japan amid revelations of bribery by former intelligence chief Vladimiro Montesinos, whose whereabouts is still unknown. Ecuador had its last president removed in a bloodless coup and the previous one voted out by Congress as mentally incompetent; suffering hyperinflation, it experimented with adopting the U.S. dollar, but the economy remains in the doldrums pending more fundamental reform. In Central America, Sandinista leader Daniel Ortega, another member of the São Paulo Forum, is poised to win an election in November, not least because many voters in former Contra territory have not been registered, and because U.S. foreign aid has been routed through Sandinista hands. The open-market government in El Salvador, meanwhile, has been shocked by two huge earthquakes. In Guatemala, U.S. Ambassador Prudence Bushnell has pressured the government into a set of labor standards reflecting the AFL-CIO trade stance, for example a minimum-wage law. • Mexico is anchored safely to the U.S. economy through Nafta, and has just elected Vicente Fox under the banner of the PAN, ending the 71-year dominance of the PRI political machine. But President Fox may have blundered in trying to negotiate an end to the rebellion in Chiapas, legitimatizing "Subcomandante Marcos," whose Zapatistas also attend the São Paulo Forum. Argentina again totters on the economic brink, with Domingo Cavallo pulling rabbits out of a hat to preserve the dollar-linked convertibility law in the face of persistent recession. Former President Carlos Menem has just been detained on charges of running arms to Ecuador and Croatia while president. Brazil has caused much of the Argentine economic problem through ongoing devaluation of its currency, the real, which declined 19.5% against the dollar so far this year after 7.7% in 2000 and 32.8% in 1999. Argentina, with Uruguay and Paraguay, is linked to Brazil through the customs union Mercosur, which has open internal trade and common external tariffs. A falling real will artificially increase Brazilian exports and limit imports, in what economists call a "beggar-thy-neighbor" exchange-rate policy. In the longer run, though, this spells inflation and other problems for Brazil as well. The hemisphere calls out for U.S. leadership, but in Washington most of the relevant desks sit empty. The nomination of Otto Reich as assistant secretary of state for the Western Hemisphere is widely expected to be the first casualty of the new Democratic majority in the Senate. Key Democratic staff members want his scalp in refighting Sandinista-Contra wars of the Reagan administration. John Negroponte, the nominee as U.N. ambassador also attracts opposition over his role in Central America during the Reagan years. At the Pentagon, meanwhile, the nominees for policy posts are held up in arguments over arms control. And top Treasury spots are held up by Jesse Helms to block textile imports. The Latin momentum was lost when the Clinton administration jettisoned trade opening after Nafta, and the chief answer to spreading political instability is reinvigorating hemispheric trade. President Bush's request for authority for a new round of trade negotiations faces the usual AFL-CIO artifice of labor and environmental "standards." But in response to the immediate Argentine crisis, he could offer to negotiate a bilateral trade package, along with another for deserving Chile. If a pact could be concluded it would solve the Argentine emergency, and its mere announcement would at least show that the Bush administration understands it has trouble in its own backyard.

From [OpinionJournal](#), by Robert L. Bartley, 18 June 2001

A GLOBAL AUDIENCE

Light years away from the video-clip channel that debuted 20 years ago, MTV International today showcases "grass-roots globalization" - a concept its top executive insists is the key to the success of the world's largest television network. Tuning in to diverse cultures and top-notch creative talent have helped MTV connect with audiences the world over, capture emerging markets and intensify recognition of the MTV brand, Bill Roedy, president of MTV Networks International, told a rapt audience Wednesday during the opening of the PROMAX/BDA conference in Miami Beach. "Music is the heart and soul of MTV," said Roedy. "But our emphasis is on local music. We don't steamroll U.S. rock on the world." Currently, 80 percent of MTV's viewership comes from outside the United States. Its channels reach 340 million homes in 140 countries and its global audience tops one billion viewers. Roedy's comments kicked off the annual combined conference of PROMAX, the television industry's leading marketing, promotion and branding association, and BDA -- the world's leading association of electronic designers. The conference has drawn some 4,000 television executives from across the globe to South Florida. Roedy urged those responsible for promoting and branding networks to focus on creativity and take risks if they want them to become household names. Despite mistakes made along the way, many of MTV's riskier ventures -- including shows like Real World, Beavis & Butthead and Jackass -- have proved successful. One miscue: showing nude wrestling in Taiwan. MTV decided to pull the plug on the show. "Don't know borders, just your audience and don't shy away from controversy," said Roedy. MTV -- which was called a fad when it was launched in 1981 - today is valued at \$20 billion. Internationally, it's found success by localizing each of its channels. Viewers in India get a steady diet of Hindi video clips and those in China get the Mandarin Music Awards. In Italy, a show called MTV's Kitchen, where artists cook and discuss music, is broadcast. Viewers in soccer-crazy Brazil see Rock e Gol, a music and soccer-oriented show. "We empower local management to define creativity in local terms," said Roedy. "Each channel is created from the ground up in terms of content, brand interpretation and music. We reflect the diversity of our global audience." The network, which is owned by Viacom, is focusing on that global strategy to grow its presence around the world. Its main focus right now is on emerging markets in China, India and Brazil. In Asia, MTV Networks' presence is growing at a rapid pace, reaching nearly 130 million homes. The future for MTV, said Roedy, is closely tied to technological advances -- digital platforms, the Internet and cellphone technology. All are actively being pursued by the network. MTV has 19 localized websites and a broadband-only channel, MTV Live. "The universe is next," said Roedy.

From [Miami Herald](#), by Cynthia Corzo, ccorzo@herald.com, 21 June 2001

GLOBAL

ECONOMIC GLOBALIZATION WIDENS WEALTH GAP: UN OFFICIAL

Economic globalization has been of little benefit to developing countries but instead has intensified the world's wealth disparity, according to a UN official. Under the globalization trend, talented personnel, technology and large amounts of trade and investment gradually pool into the developed countries which exercise a mandate over the world economy, said Division Chief Lai Shian Lung for Social Policy and Development under the UN Department of Economic and Social Affairs. Addressing the International Workshop on Networking and Capacity Building for Social Development in Northeast Asia recently held here, Lai observed that due to historical reasons, developing countries are forced into unfavorable conditions by economic globalization, which, although in the long term, promises a comprehensive lifting of living standards and national strength. Expert Liu Jinchang with the UN International Labor Organization agreed with Lai that people in the world's economically backward areas have yet to enjoy benefits from the economic globalization. Driven by profits, the developed countries, grudging at transferring technologies, only shift outdated industries with low added-value and heavy pollution to the developing countries. Workers, without technical training and necessary social welfare, are faced with the constant risk of unemployment under harsh working conditions. According to estimates, the world's developed countries, while supporting less than 20 percent of the world's population, yield almost all of the world's technological creations. In sharp contrast, some one third of the world's population can neither seek creations at home nor acquire advanced technologies from abroad. According to estimates, today, the developed countries control 90 percent of the world's total direct investment and the mutual trade among their trans-national companies alone accounts for over 80 percent of the world's total. What's even worse, instead of acting in accordance with the market rules, the developed countries have set many of non-tariff trade barriers, which have inflicted large economic losses on developing nations. A U.N. report shows that the income disparity between the world's richest 20 percent of the population and the poorest 1/5 widened from 30:1 in 1960 to 74:1 in 1997. Another report released by Britain shows there are still 1.2 billion people in the world whose daily income stands below one US dollar. UN officials participating at the meeting believe that since economic globalization is an irrevocable trend, the developing countries should, proceeding from their specific situations, adopt an active attitude and continuously upgrade their international competitiveness. Robert Huber, advisor to the U.N. Department of Economic and Social Affairs, suggested that the developed countries should, on the other hand, also offer economic assistance and open their markets to developing ones. By doing so, he believes, they would not only help the developing countries optimize their economic structures but also create a broader and more stable market for themselves.

From [Peoples Daily Online](#), 9 June 2001

GLOBALIZATION IS EVERYWHERE, AND EVERYWHERE A MIXED BLESSING

It took Fastrak and a seriously upset stomach to push me to an appreciation of the fine points of globalization. As a hi-tech aficionado from the San Francisco Bay Area, I know about the global reach of technology and multinationals' drive to envelop new markets. But the last place I expected to see the robot toll collectors was on the broad, landscaped highway to town from Kuala Lumpur International Airport -- after all, we just got the contraptions a few months ago back home. A few days later, when local microbes made themselves comfortable in my digestive tract, I raced for a remedy at a familiar refuge that seemed to be on every corner: 7-11. After that, I passed on such specialties as nasi goreng and kari ayam for the safer McDonald's -- although I can't remember the last time I ate at one back home. These were packed with locals, many of whom perceived eating and working at the western establishment a sign of status. But it is the poor who benefit most from globalization, according to Goran Lindahl, special advisor to the UN Secretary General for the Global Compact, speaking at a regional business conference in Hong Kong. They gain because jobs are created, and mobility and technology are improved. But just a peek beneath the surface of Malaysia's shiny high rises and ambitious "Multimedia Supercorridor" reveals that not all the poor are better off. In the microchip plants of such companies as Motorola, Texas Instruments, Seagate and Harris Semiconductors, young women from poor rural areas of Malaysia spend long hours staring through microscopes configuring miniature circuit boards. They do it until their vision begins to quiver and blur. These women -- about 90 percent of the workers in these factories are women -- were chosen because they exhibited a high tolerance for the task, employers say. But Irene Fernandez, founder of the 10-year-old Tenaganita (Women's Spirit), thinks women are hired because they are too docile to protest against the damaged vision that often results from the intense work. Over the more than 20 years that Fernandez and others have worked to establish unions in Malaysia's electronics plants, they have heard complaints of health problems ranging from breathing difficulties and hair loss to miscarriages and stillbirths. Fernandez suspects all are the product of exposure to chemicals or radiation, but without systematic monitoring, her organization -- and doctors -- are helpless to demonstrate any connections. Another obstacle is that sick workers are paid a lump sum in exchange for a promise not to take legal action, she says -- typically \$26,000, a sizable sum for a worker paid \$132 per month. Such abuses have been well documented across Asia, and there seems little chance of any change. Yet at the business conference, some comments from a surprising source -- Prime Minister of Thailand Thaksin Shinawatra -- offered some distant hope. He warned that Asia's share "in the value chain of producing goods of the world" will face greater pressure to produce at ever-lower prices, "pitting our farmers and unskilled labor against each other in an unending and ruinous price war." He went on to say that the cycle of financial crisis and devaluation is actually brought about by the competition to sell human labor and skill at the lowest price. As the next leader of the World Trade Organization, Shinawatra is in a position to act on his understandings. He has suggested that Asian countries, including his own, reject dysfunctional patterns of dealing with multinationals. By referring to all of Asia collectively, Shinawatra is asking nations in the

region to band together to prohibit foreign companies from depleting their resources and then moving on -- just what is happening in the current downturn as many companies explore even cheaper labor markets. Shinawatra, 52, has since proven he is not afraid to act on his convictions. At the end of May he fired the governor of the Bank of Thailand after he rejected Shinawatra's plan to raise interest rates. The prime minister argued this would help a nation where people rely on their savings accounts. The International Monetary Fund opposes an increase on the grounds that low rates are needed to boost investment in the country and keep demands for exports high. Shinawatra, a former technology entrepreneur, won office in January on promises to rescue the great numbers of Thais still crippled from the Asian economic crisis, and has strongly pushed for self-sufficiency. Back home, I learn that a few miles away, in Silicon Valley, immigrant factory workers -- mostly from India, Southeast Asia and Latin America -- risk health and safety for very little money. And I realize I do not have to travel far to witness this aspect of globalization.

From [AlterNet.org](#), by Pueng Vongs, 9 June 2001

GLOBALIZATION AND DECENT WORK: CLASHING VIEWS IN GENEVA

The past three days I have alternated between sessions of the World Trade Organization sponsored by the Inter-Parliamentary Union (IPU) and the International Labor Organization (ILO), in which delegates saw the world in highly discordant, if not clashing perspectives. The WTO is all about free markets and a rules-based economic globalization regime. In the ILO, the dominant theme is "decent work" and the assertion of the fundamental workers' rights in the work place. The IPU meeting was called to bring together parliamentarians and trade experts and to give globalization a parliamentary dimension. After all, in democratic countries, it is the parliaments or congresses that have to ratify the treaties on international trade and it is not infrequent that disharmonies within a single government - say between experts and politicians - have impeded the approval and implementation of important agreements. On the IPU side, I have accepted membership in the executive committee of the InterParliamentary Union which is sponsoring the WTO conference of parliamentary leaders. But my heart lies with the ILO conference across the city where our own Secretary of Labor, Patricia Sto. Tomas, is presiding over the 89th Session of the International Labor Conference, the world parliament of workers, employers and governments at the ornate Palais des Nations. There the Philippine tripartite delegation was being swamped with congratulations over the election of Pat Sto. Tomas, by acclamation, the lone nominee from Asia, as the president of the conference. Yesterday, June 12, Pat looked stunning in her Filipina costume as she presided at the podium. Her acceptance speech, graceful and to the point, is the subject of coffee shop talk. It is a good day for the Philippines in Geneva. I caught the concluding part of the speech by Juan Somavia, the ILO Director-General from Chile who is now regarded as a world statesman of the first rank. He was instrumental, in the holding of the recent World Summit on Social Development. I think of Somavia as the lonesome bearer of the world's social conscience in a fast globalizing world, a veritable workers' St. Christopher of the United Nations system. As in the dawn of the first Industrial Revolution in a previous century, which left a trail of human wreckage in its wake, men and women of conscience are challenged once again to tame the beast of industrialism in its new rampage especially in developing countries. The role seems to fit the handsome Somavia who sports a flowing white beard in the fashion of the old biblical prophets. But Somavia has also obliged to recognize the role of trade as a source of workers' well-being. First he said you must create jobs or you will have nothing to protect. Somavia's call for decent work as the framework of new efforts to contain the worst effects of economic globalization and trade liberalization is now resounding throughout the world, echoed by both the trade unions and responsible employers who, together with governments, constitute the three pillars of the ILO. President Gloria Macapagal Arroyo would be very proud of her protégée, Secretary Sto. Tomas, at the apex of her success as president of the International Labor Conference. In a note that I left in her room at the Hotel de la Paix, I wrote to Pat: "It seems wonderfully apt that 25 years after you joined me at the Department of Labor, you have now succeeded me both as Secretary of Labor and as President of the International Labor Conference in Geneva. The whole country is proud of you, and I am proudest of all. Warmest congratulations." Decent work in operational terms refers to the core standards of the ILO, especially International Conventions 87 and 98, which provide for the right to organize and to bargain collectively. These standards are also emphasized in the Philippine Constitution, which I helped frame in 1986 under the administration of President Corazon Aquino. Our own Labor Code which continues to protect the rights of Filipino workers, at home and abroad, is a legacy from that era.

From [Manila Bulletin](#), 13 June 2001

AMNESTY FOCUSES ON GLOBALIZATION

London — Globalization has brought economic prosperity to some, but it has left too many others mired in debt, poverty and oppression, Amnesty International said Wednesday as it marked its 40th anniversary. Grim tallies of torture and extrajudicial killings in Amnesty's 2001 report were accompanied by a little soul-searching as the group examined the past and charted the future of its struggle for universal respect for human rights. "The human rights movement has grown in strength and numbers, and consciousness of human rights is undoubtedly greater than ever. Yet repression, poverty and war devastate the lives of much of humanity," Amnesty Secretary-General Pierre Sane wrote in the report. The London-based group said governments must not back away from protecting rights even as globalization puts more power in the hands of others, such as international corporations and financial institutions. "States have to confront their cowardice, their cover-ups and their efforts to shirk responsibilities," the group said in a statement. "They have the power, despite external constraints, to deliver human rights if they have the political will." Amnesty International was born on May 28, 1961, when The Observer newspaper in London published a piece by London lawyer Peter Benenson calling for the release of "prisoners of conscience" incarcerated because of their beliefs or origins. Forty years later, Amnesty employs more than 350 staff and has an annual budget of almost \$28 million. It says it has so far dealt with the cases of 47,000 prisoners of conscience. This year's annual report documents extrajudicial executions in 61 countries; prisoners of

conscience in at least 63 countries; and cases of torture and ill-treatment in 125 countries. The cases occurred against a backdrop of post-Cold War globalization that once promised "a new world order that would bring freedom and prosperity for all," Sane said. Instead, globalization has brought worker exploitation and economic instability to many countries, Amnesty said, noting that more than 80 nations had a lower per capita income in 2000 than they had in 1999. But the effects of globalization haven't been all bad, Amnesty said. The group applauded the birth of a new network of protest movements that use the Internet and other new technologies. "The forces against human rights may be formidable," the group said, "but the outrage at injustice that led to the founding of Amnesty International 40 years ago continues to motivate millions of people to tackle governments with a determination to build a better world."

From [Environmental News Network](#), 1 June 2001

GLOBALIZATION OF STANDARDS

The decision to create and abide by a set of standards was based on the need to harmonize, simplify, and make more convenient the interaction between people. More specifically, by establishing internationally recognized guidelines regarding the shape, size, quality, method of production, method of measurement, and conditions for safety, this enhances a firm's productivity and its overall competitiveness. In addition, compliance with international standards benefits the consumer in terms of qualitative improvements to the product along international standards. It is conformity to international standards which serves to facilitate and add to the fairness of international commerce. On an international level, the phenomenon of cross-border trade involving the promotion of goods and services and the enhancement of cooperation in the intellectual, scientific, technical, and economic realms are well underway. To facilitate this development, the International Organization for Standardization (ISO) is playing a role in promoting worldwide harmonization of each country's standards by developing international standards, acting as an intermediary for the exchange of information between member countries and technology committees, and seeking cooperation between related international organizations. However, Korea's standards regime, which should be contributing to the development of international trade, is under sharp criticism from overseas. The brunt of the criticism lies with the closed mindset. This entails the perception that a strict and independent standards regime is necessary to asserting the sovereignty of a nation. For example, even though an import tire has already been approved by a credible and stringent international standard such as by the U.S. Department of Transportation (DOT), Korea, still requires that the DOT- approved tires pass Korea's inspections separately. The absurdity of this cumbersome system could be made even more poignant if Korea required that such internationally renown football stars such as Maradona or Pele undergo inspection before being allowed to join Korea's football team. Thus, the need to re-test imported products that have already passed internationally acknowledged standards such as the ISO is totally unnecessary. Korea's standards system also lags behind the rapidly changing technological environment. In the case of disinfectants for foods and dishes, products are constantly being upgraded and changed with the advent of cutting edge technology. The inability of Korea's standards system to keep pace with changing realities results in an incomplete and inadequate food standards system, which gives rise to unreasonable results. In many advanced countries, a person may eat the food after it has been disinfected with a chemical solution. As there are no legal provisions related to edible disinfectants in Korea, people are still required to rinse food and dishes with water even after applying the disinfected solution. All this, even though the disinfected solution has been deemed safe in advanced countries. This is like using a dirty public towel for washing one's hands. The act of rinsing the already disinfected food and dishes with water is so absurd. Even if the standards system is revised to reflect changes, the correct application and interpretation of the law by the relevant government organization is another matter. A company importing food colors was not able to make it through customs because the food colors were not listed. Some time later, the law was revised to permit the importation of food colors. However, the customs officers narrowly interpreted the revised law as strictly applicable only to newly imported food colors and thus, didn't allow for the entry of formerly imported food colors. This is just the tip of the iceberg. There are a host of complaints dealing with inconsistent application of the law according to region, assigned officers, and types of importers. The rationalization of standards and the harmonization of the application of laws are both important. The standards system should be made to reflect the stage of economic development or the maturity of the particular society rather than just aiming at the best one. Korea's standards system tends to excessively benchmark the American standard, which is noted for being the strictest in the world. Due to this tendency, even products, which are consumed widely in Western Europe, occasionally are rejected and deemed unsuitable for circulation under Korean standards, which mimic overly strict U.S. standards. To reduce the import barriers, Korea should improve its standards system through a multilateral solution along the lines of an OECD agreement among advanced countries so that it promotes transparency, harmony, rationality and reasonableness in overseas eyes.

From [Korea Times](#), by Kim Wan-soon, 13 June 2001

GLOBALIZATION AND THE PUBLIC SPIRIT

AT the outset, I would like to express my gratitude to the member states of the Asia and Pacific group for endorsing my candidature. I wish to thank the Association of Southeast Asian Nations and our dialogue partners in the region - China, Japan and the Republic of Korea - for their support. May I also personally thank those who have just spoken, His Excellency Li Qiyang, Chairperson of the Government Group, Mr. Funes de Rioja, Spokesperson of the Employers' Group, and Lord Brett, Spokesperson of the Workers' Group. I appreciate the honor and opportunity of this Presidency for myself but more importantly for my country. As you may know, the past four months under President Gloria Macapagal-Arroyo constitute a determined struggle to reform and rehabilitate an economy and society that seems to have lost much of its historical moorings. Given rising internal demand of 78 million people for economic goods and social services and given a global order that exacts total competitiveness on all fronts, we

welcome every opportunity to articulate our vision for the Philippines and to seek assistance for its early realization. Mantra of the new millennium - Globalization is the mantra of the new millennium all it means is that we have to produce more, serve better and do both at the lowest possible cost. The theory is that if competition were unhampered by tariff and nontariff barriers, it would be a better world or would it? Consider that we are not starting the race at the same time some have already achieved a significant headstart consider that others proceed with handicaps, some of which are historical ideological, resource-based or information-driven, sometimes all of the above. The so-called digital divide may not be so formidable because technology may soon provide the appropriate bridge as is being experimented in India. What is alarming is the possibility of a global black hole, that which no amount of polevaulting or leapfrogging can prevent us from falling into, if poverty, disease, ignorance and disunity remain unresolved and intractable are we then doomed to perpetual and rank inequality? Human history gives us reason to be optimistic - Difficult times always bring about a revival of the public spirit which I define as enlightened self-interest or proper selfishness those among us who watch the landscape of governance know that in the past decade, we have been a blossoming of volunteerism of a grouping amorphously labeled as civil society collectively and often serving for free, they act as advocates, watchdogs, supporters and fundraisers for a variety of causes that lie in the public domain workers' organizations probably constitute the forerunner of this emerging group. It is in our best interest that, in our effort to consult with our traditional social partners - governments, employers and workers' organizations - we also actively engage other interested parties, globalization, after all, should be a call for inclusion, not exclusion. The historical imbalance in national, regional and international development may probably best be redressed by focusing on those who need it the most in the Philippines. We hope to establish povertyfree zones in our poorest provinces supported by our tripartite partners and utilizing the particular strengths of each while encouraging support from other sectors trade unions promise to do the social organizing while our employer partners will take care of marketing communitygenerated products and mainstreaming the same. Through these demonstration communities, we hope to establish that with concerted effort, it is possible to improve the quality of life and incomes of our poorest countrymen. Minimum basic standard of globalization - Within the ASEAN structure, we have unanimously decided that the newer entrants to our regional grouping should enjoy greater amount of support and assistance from us. Because most of them come from backgrounds that do not allow immediate adjustment to a free market system, we believe that they should receive preferential attention, even from donors external to ASEAN. Globalization, like golf, requires a handicapping system that allows the new players to catch up. In the end, globalization requires minimum basic standards that preclude exploitation or reverse protectionism. Universally accepted standards, such as the fundamental principles and rights at work, allow for equal protection of vulnerable sectors that are most affected by globalization, whenever they might be from our national experience, these would include the informal sector, migrant workers and child workers. It is essential however that when these standards are established, as wide a net as possible is cast so that the broad range of opinions is explored. The International Labor Organization remains at the forefront of establishing minimum and enforceable labor standards. We are confident that under the ILO's continuing mandate, labor standards would constitute our ultimate protection from the problems brought about by globalization. Our agenda for this conference reflects many of these concerns. For a long while, safety and health were issues for industry and others in the formal work sector alone. We are now recognizing the dangers that lurk in the working conditions of those who are in agriculture and related areas. Cooperatives constitute a useful partner to the trade unions and expand the possibilities for improving the income and the quality of life of workers. In some parts of the world, workers' enterprises or employe mutuals are now being set up so that workers are becoming their own employers as well. In the formal sector, is now being examined for its reach and coverage. While problems regarding benefits as well as contributions continue to be a major concern, variations on social insurance are being explored. Decent work, of course, is the rubric under which all these issues are being examined. We must, at this point, thank the good Director-General for providing us with a framework and reference point for this session's discussion. His lucid and comprehensive exposition on decent work remains the definitive study on this all important concern. Part of my work as President of this conference is to ensure that these agenda items receive the examination they deserve and the discussion that will illuminate future debates. Your elected officials - myself, together with the Vice Presidents for government. For the workers and for the employers whom you will elect shortly will do just that. This early, I wish to thank the technical staff of the ILO for seeing us through the legal and technical processes of the ILO. Gratitude, we are told, is the memory of the heart long after this 89th Session is over, this heart will long remember the memories of the next three weeks. Again, thank you very much.

From [Manila Bulletin](#), by Secretary Patricia A. Sto. Tomas, 7 June 2001

Governance Systems and Institutions

AFRICA

GOOD GOVERNANCE ESSENTIAL FOR ECONOMIC GROWTH

Durban - President Festus Mogae says democracy, transparency and good governance are essential for economic growth and investment in the region. Mogae was speaking at the Southern Africa Economic Summit in Durban during the discussion on democracy and good governance as a basis for growth and investment. He further said Botswana's economic success had been due to the adherence of such principles, along with others such as the rule of law, a free press and the rights of interest groups such as women and children. However, he said although democracy was a necessary condition for investment, it was not a sufficient condition. He pointed out that in the past Botswana had attempted to attain regional strength by retaining the customs union even in the face of hostility from a neighbour that was also a member of such a union. "Given the relative weakness of a country such as Botswana, it is appropriate for it only to engage in persuasion with a neighbour considered to be following an unacceptable undemocratic course rather than to condemn it", said Mogae. He said the benefits of economic policies often came too late for politicians who introduced them to be in office at the time when they were enjoyed. Mogae acknowledged that African countries' markets were often too small to attract foreign investors. On how political parties should be funded, the president agreed with the principle that it was a responsibility of the state. He said an appropriate formula needed to be worked out to determine the distribution of funding. Mogae also told SABC 2 Morning Live programme that SADC was making efforts to promote inter-regional trade to improve the region's market viability. He also talked about the HIV/AIDS scourge that it would seriously affect productivity in the region and said the region's leaders had created a regional health sector where Ministers of Health meet to discuss common strategies of how to combat the epidemic.

From [Republic of Botswana](#), 8 June 2001

LESOTHO TRIES TO END CORRUPTION CULTURE

Kingdom breaks the mould by putting western contractors on trial for bribery. Multinational companies are about to go on trial in Lesotho accused of paying huge bribes to a local official, a case virtually unprecedented in Africa. European and Canadian engineering companies, four of them British, are alleged to have paid an official about £3m for contracts for one of the continent's biggest engineering projects, the £1bn construction of huge dams to supply water and electricity to South Africa, which entirely surrounds the mountainous kingdom. The British companies - Balfour Beatty, Sir Alexander Gibb and Co, Stirling International Civil Engineering and Kier International - are charged either individually or as members of consortiums created for the project. Corruption trials are rare in sub-Saharan Africa, where oil companies routinely greased the palms of Nigeria's military dictatorships and diamond dealers ensured that President Mobutu Sese Seko of Zaire got his cut. Officials in Kenya or Ghana may occasionally be hauled before the courts to give the illusion that the government was fighting corruption, but trial for those believed to have paid the bribes is unheard of. The Lesotho attorney general, Fine Maema, said in an interview before the trial: "We have taken the big companies by the horns. We cannot say because of the bigness of these companies they should not be prosecuted. "People are quick to point the finger at Africa but if someone is taking the money then someone is paying it and they must be held accountable too. You can see from this case that it is not only Africa that is corrupt." If convicted, the companies will almost certainly be barred from bidding for contracts funded by the World Bank and the European Union, and these are the main sources of income for some of them. The case began last week with the trial of Masupha Sole, who has pleaded not guilty to 16 counts of bribery and fraud. Mr. Sole was appointed chief executive of the Lesotho highlands development authority in 1986 when the dam project began. His primary responsibility was to award contracts worth hundreds of millions of pounds to foreign construction companies. According to the indictment, the accused companies paid him about £3m over a period of 10 years. It says: "The evidence will show that not only were payments involving millions of maluti [the currency of Lesotho] made by the contractors through the intermediaries to Accused 1 [Mr Sole] secretly, but also that they coincided with events leading up to the award of major contracts. "The court will be asked to draw the inescapable conclusion that the payment of these monies to Accused 1 by the other accused were intended and constituted bribe money." Mr. Sole allegedly maintained at least three Swiss bank accounts. The variety of currencies deposited - sterling, French francs, German marks, US and Canadian dollars - reflects the extent of the alleged conspiracy. The prosecution says the companies were connected by a web of corruption and collusion and that graft became a standard practice in awarding contracts for the Lesotho dams. The biggest bribes were allegedly paid by the Lesotho Highlands Project consortium, in which Balfour Beatty was a partner. The consortium is accused of depositing more than £1m in Mr. Sole's accounts over three years. The first payment, in 1991, was made weeks after it won a contract worth £135m. A fortnight before it won another contract, for £41m, another big deposit was made. Two other British firms - Kier International and Stirling International - are members of another consortium, Highlands Water Venture, alleged to have paid Mr. Sole £250,000. Sir Alexander Gibb and Co is accused of paying £51,478.01. Canadian, French, German, Italian, Swiss and South African companies are also charged. The companies are accused of using middlemen - two South Africans and a Frenchman - to move the money through front companies registered in Panama. The companies and their alleged intermediaries will be tried once Mr. Sole's case has been heard. They have not yet

been asked to plead but, in public statements, have strenuously denied paying bribes. The prosecution says the onus is on the accused to establish that the transfers were not bribes. Although the evidence of a link between the payments and contracts is circumstantial and largely based on coinciding dates, the prosecution argues that it was illegal for Mr Sole to hold the Swiss accounts and a breach of contract by the accused companies to make payments to Lesotho officials connected with the project.

Apartheid's legacy - The dams have been controversial from their conception 16 years ago by the South African apartheid regime. International funding was initially routed through hidden accounts to disguise the fact that it was going to a racist government. Thousands of people who lost grazing land and their homes to the project have complain of inadequate compensation. Few of those who live under the huge pylons carrying power to South Africa have electricity themselves. The prosecution has the backing of the EU and World Bank, but both have played equivocal roles in the case. When the allegations first came to light the World Bank, which lent about £100m for the construction project, suggested that no action should be taken for fear of undermining the scheme. "When they heard we were going to do it, they actually doubted it," Mr. Maema said. "Through various meetings we had with them, you could tell people were doubting whether that would be a reality. We were not under anyone's pressure at all." The case is likely to increase the pressure on European countries to enforce international conventions aimed at holding companies that pay bribes responsible in their own countries. Britain has one of the worst records for combating corruption by its companies overseas, and is the only European country not to implement the Organisation for Economic Cooperation and Development's convention against corruption. "This is a test case of the will of these countries to take own companies to court," said Stiaan van der Merwe, southern Africa representative of the anti-corruption organisation Transparency International. "It is covered by the OECD convention on the bribery of foreign public officials. The case has implications for the effectiveness and political will on bribery of foreign officials. "I think this case will undoubtedly change the kaleidoscope on corruption internationally. If it is easily said governments in the south are corrupt, what is the moral judgement that should go to countries in the north to address this problem? Let the north not be so pontificating." Others may follow Lesotho's lead. The trial in Maseru coincides with public hearings in South Africa on alleged corruption by European armaments companies and politicians and officials in connection with a £4bn order.

From [Guardian Unlimited](#), by Chris McGreal in Maseru, 19 June 2001

ALGERIAN PM BLAMES WEST FOR CORRUPTION

The Algerian prime minister, Ali Benflis, says corruption is eating away at Algerian society and must be eliminated. In an address to parliament, he said the government would take courageous measures against it - and he blamed corruption for some of the recent unrest, which has spread from Berber areas to the country as a whole. He also blamed foreign multi-national companies for paying bribes to corrupt officials in developing countries, including Algeria. Mr. Benflis added that it would take time for the government to ease the social problems behind the recent unrest, which has also focussed on housing shortages and unemployment.

From the newsroom of the BBC World Service, 27 June 2001

ASIA/PACIFIC

MACAPAGAL WANTS COUNCIL VS GRAFT AND CORRUPTION IN GOVERNMENT

President Gloria Macapagal Arroyo wants to create a special advisory council to be composed of respected leaders from the private sector to monitor transparency and fight graft and corruption in government. In a statement, the President said the members of the council will have fixed terms, will be completely private and will not receive salaries from government. "It will use its stature to reform corporate and government behavior, using such instruments as codes of conducts, awards programs and policy roundtable," the President said. Among the programs that may be developed and promoted by the Council will be the promulgation of a Philippine Code of Corporate Governance, the development of a Philippine corporate awards program, the crafting of a code of ethics to guide anti-corruption practices and a study of tax evasion and reforms, she said. The President also expressed hope the proposed advisory council will emphasize her administration's serious concern to address the issue of corruption in government. The proposed council shall be called Advisory Council on Good Governance, the statement also said.

From [Philippine Daily Inquirer](#), 13 June 2001

NEPAL PM UNDER PRESSURE



King Gyanendra will address parliament for the first time. A crucial session of the Nepalese parliament begins on Monday with an opposition threat to disrupt proceedings. They are demanding that Prime Minister Girija Prasad Koirala step down over allegations of corruption and inefficiency. Mr. Koirala has refused to bow to the opposition pressure but has pledged to hold talks in an attempt to let parliament function smoothly. The present session of parliament is very crucial for the government, and for the future course of politics in the country. Nepal is still reeling under the shock of the recent palace killings,

in which King Birendra and several members of the royal family were murdered. The new king, Gyanendra, will address the parliament, for the first time since he ascended the throne early this month. He will outline the government's annual plans and programmes. The fiscal budget for the next year will also be presented in the present session. The palace killings have given the opposition yet another stick to beat the government with. They say the prime minister must take moral responsibility for the killings. The opposition have not decided yet if they will start from where they had left off in the winter session last April - when the entire session was disrupted to press for Mr. Koirala's resignation. The main opposition leader, Madhav Kumar Nepal, has however warned that the present session will not be smooth, if Mr. Koirala does not step down. There are no indications as yet whether Mr. Koirala will oblige. Instead, he has called for a national consensus to resolve the country's crises. Disruption of normal parliamentary proceedings will make it difficult for the government to get its annual plans and programmes and the fiscal budget through. Failure to pass them could trigger political instability in the country which has seen six prime ministers and 10 governments since parliamentary democracy was set up a little over a decade ago. Fresh instability could prove fatal to Nepal's young democracy which has already been under violent attack by Maoist rebels.

From BBC, by Sushil Sharma in Kathmandu, 25 June 2001

PEOPLE DISCOVER STRENGTH IN SELF RELIANCE

Villagers in the desert state of Rajasthan have built as many as 4500 dams by themselves turning 90 villages drought-proof. This fine example of "people power" has been set in the drought prone Bhikampura and nearby villages in Alwar district. The dams in 800-900 villages, covering seven to eight districts, have been made by funds collected by the villagers and their "shramdan" (work-donation). Ms Madhu Kishawar, social activist and editor of "Manushi" spoke to UNI about the potential of these dams in overall development. Apart from the obvious agricultural benefits, they should lead to "prosperity, diversification of skills and establishment of agro-based industries," she said. "This task involves undoing the damage done in the past 400 years...this is reversing the process of transfer of power. Self governance was the key to Indian civilization. Even 400-500 years ago, people used to do the same thing. But now they have to fight the government to do so", she added. The potency of such water resource management and conservation procedures can be gauged if one considers that in its absence poor peasants are often forced to migrate to towns and cities in search of sustenance and contribute significantly to the vicious cycle of unemployment, frustration, crime and a general chaos in the society. Mr. Rajendra Singh, founder of the NGO "Tarun Bharat Sangh" which helps the people in their labor of love, points out that the government cannot claim to have made a single construction in Thanagazi area (Bhikampura is a part of it) which can irrigate 10-50 "bighas" of land. It might have made some small ponds though. At present 500 to 700 dams are made every year. Ninety villages are now completely drought proof, claims Mr. Singh. These dams have been made of mud and stone and cost only about Rs 7-8,00,000 compared to the huge sums in million that the government would spend on concrete dams. These small dams, with proper maintenance, could last for hundreds of years, claim the proud people. They have made "gram sabhas" (village councils) in the villages to look after the maintenance of these dams. The success of the arrangement could be gauged from the fact that even those dams constructed way back in 1986, when this work first started, still continue to be in good condition. The area that was declared a "dark zone" by the government --with very low ground water levels where no wells were to be drilled--now has five rivers, which have been made perennial by these dams--Ruparel, Bhagani, Sarsa, Jahajwali and Arvari. These dams prevent the rain water from being washed away in no time, carrying the rich top soil with it, and also help increase the water level of the wells in the region. However, the progress has not always been smooth. Mr. Singh said that in 1996, when the fish population registered a dramatic increase in the dam area, the Fisheries department gave a fishing contract. The people fought for 126 days, protesting against the action. The dams were theirs, the water theirs, how could the government collect money for the fish? Even now, the government has served a notice to the people, claiming that the dam at "Lava Ka Baas" on the "Ruparel" river was illegal. Mr. Singh said the role of this NGO in the construction of these dams was limited to the extent that they only help to organize and mobilize the people. Barring one or two instances they have not given financial help. Even details like the design and engineering are looked after by the people themselves. He claims that the people do not even accept the interference of organizations like the ECO and UNDP, which provide them some help. In fact, they start working in a village only after the residents of the village approach them because it reflects their preparedness to meet the challenge. The people collect the money, contribute labor and sometimes, when the beneficiaries of these dams also include rich landlords, the laborers even charge a minimum wage--Rs 62 per day, Mr. Singh said. When the money is not enough, the construction gets delayed till the requisite amount is managed.

From indiaexpress.com, 18 June 2001

EUROPEIGIS

INITIATIVE AIMS TO HELP PEOPLE TO TACKLE CORRUPTION

A new citizens' initiative to fight corruption was launched at weekend meetings in Dublin and Galway. More than 160 people attended the two meetings, which were held with the aim of making politicians and public servants more accountable. The inaugural meeting in Dublin heard calls for the setting up of a permanent commission to investigate corruption and the removal from county councillors of the power to rezone land. Mr. Colm Mac Eochaidh, a barrister and planning activist, said the commission would have the technical skills necessary to carry out complex investigations. Unlike the tribunals, it would work in private; this was because it was difficult to address allegations in public without damaging the good name of those involved. Mr. Mac Eochaidh said the Government would like to believe that corruption was "a part of the past and had nothing to do with them". But this "wasn't good

enough" and he hoped the Irish people would look for "better answers" in the next general election. He criticised the Taoiseach for "standing over the appointment of Ray Burke in the full knowledge that he took £30,000" when Mr. Ahern had said he had been "up every tree in north Dublin" and found no evidence of a payment. Mr. Mac Eochaidh said Fianna Fáil was "a formerly great party" which had been "taken over" by people whose agenda had little in common with the public interest. "The public interest has become the back-seat passenger of Irish politics and people have been turned off by it." In 1995, Mr. Mac Eochaidh and a colleague offered a £10,000 reward for information on planning corruption, which led to the establishment of the Flood tribunal. Last year, his name was linked to the setting up of a new political party. Because the system of rezoning could not be guaranteed to operate in the public interest, this power should be removed from local authorities and given to a national land use commission, Mr. Mac Eochaidh told the Dublin meeting. Existing legislation against corruption, dating from Victorian and Edwardian times, was "virtually useless". He doubted any convictions would be secured against people who featured in the tribunal. Mr. Gerard McHugh, who organised the meeting, called for "action, not words" by the Government to fight against corruption.

From [Irish Times](#), by Paul Cullen, 11 June 2001

A CULTURE OF CORRUPTION

The attitude toward bribery marks one dramatic difference between the average Russian and the average Westerner. My experience with foreigners suggests most Westerners consider honesty to be the best policy. There are, of course, exceptions. On the other hand, Russian behavior seems based on the precepts that life is unimaginable without theft and bribery; and that everybody steals and takes bribes on the job. Here, too, one finds exceptions. Kjeld Andresen, a man with whom I once worked, described to me the depressing realities of his pragmatic Motherland. "If you offer a bribe to a traffic policeman in Denmark, he is likely to arrest you on the spot. You would end up with serious problems that could ruin your career." I mumbled in reply something about the inhumanity of Danish law and order. "The Romans said, 'Let the world crash down, but the law must triumph,'" he replied pensively. "Otherwise world order will inevitably collapse. We have to stick to the law at all costs if we are to have a chance to save the world. Maybe." I have been driving for nine years and have often been stopped by the traffic police. I was only 18 the first time this happened, and I foolishly tried to argue with the officer over whether the light was yellow or red. The punishment was severe — it took me three months to get my driver's license back. I learned my lesson. Subsequent encounters with the traffic police were less painful, as now I was willing to solve the situation *po-chelovechesky*, like a human being. In most instances, I ended up slipping the policeman half the official fine in cash, hand to hand. No paperwork necessary. One time I was stopped with no vehicle documentation and no photo identification. I took pride in haggling that particular bribe down to 50 rubles. Not long ago, I parked right under a "No Parking" sign to wait for my companion to finish her shopping. The other cars there looked abandoned in place. Suddenly a traffic cop materialized. "You are in violation of parking rules. I will have to fine you 40 rubles." "Captain, let's do this *po-chelovechesky*," I said urbanely. "Take 20 and forget about paperwork." He surprised me with his refusal: "If you don't have 40 rubles, I'll give you a receipt for 20. But no bribe." Feeling guilty and ashamed, I paid him 40 rubles. I even thanked him for fining me. "Our country is doomed by deals made *po-chelovechesky*," he said sadly at parting, leaving me with my first fine receipt in nine years. Sometimes it is hard to see the problem with such "human relations." When somebody bribes a state official and in return gets a valuable factory or oil well for a song, the flaw is apparent. A mutually profitable deal involves two counterparts, but in this case another 150 million Russians are losers. They do not receive pensions and salaries from the budget, which did not receive proper compensation for its property. Or, perhaps they get shabby goods, since bribery kills competition. We have two sides benefiting from market evasion, but their benefit was stolen from somebody else. The same is true when a student bribes a professor for a good grade. Should he then become a doctor, it is the patients who will suffer. Bribing a traffic policeman does no great financial harm to the country, but it seduces a state servant and contributes to the culture of bribery. This culture has abased Russia's law enforcement bodies, the courts and the state itself. It is a dog-eat-shark society, with interest groups attaching to those with power and influence. Recently I witnessed a classic example of the *po-chelovechesky* system at a meeting in a Dagestani district center. Voters were berating the deputy to the parliament they had elected two years earlier. He promised state-funded gas pipelines to supply remote villages and money for district roads, but he forgot his promises once elected. Responding to the complaints, the deputy, a young "New Russian" of the local variety, was blunt. "Did anybody here not get a sack of flour or 200 rubles from me the day before elections? Nobody, I see. It was you who sent a delegation asking me to treat voters *po-chelovechesky*. I did, paying for everybody's votes. You were satisfied. And now you want more. Is that *po-chelovechesky*? Anyone will tell you otherwise. So, everybody shut up and leave me alone." Suddenly I realized what a great deal the deputy had made. He got four annual Dagestani budgets, and voters got 200 rubles each.

From The Moscow Times, by Nabi Abdullaev, 18 June 2001

THE AMERICAS

DISTRUST OF GOVERNMENT RAMPANT IN GUATEMALA

Corruption, crime, high taxes all contribute to growing crisis - Despite last week's conviction of three soldiers for the murder of a Roman Catholic bishop, Guatemala is facing its most serious crisis of trust since the country's civil war ended five years ago. The country's top politicians are enmeshed in scandal, its justice system is under violent attack, and its people are showing increasing signs of frustration with corruption and the failure of peace accords to deliver promised reform, according to political leaders, judicial officials and human rights groups. The situation is so bad that thousands of Guatemalans have begun wearing black on Fridays to

protest government corruption and higher taxes. "This country is about to fall apart," said Frank La Rue, head of one of the country's most prominent civil rights groups, the Center for Human Rights Legal Action. On the political front, coup rumors circulate monthly. Congressional leaders are struggling to find a constitutional way to replace the current president, Alfonso Portillo. Business leaders are threatening a general strike in the face of a proposed new series of taxes. On the judicial front, crime is soaring; judges, lawyers and politicians have been lynched, bombed and shot in recent months, and the government has ordered the army into the streets to supplement the police force. The economic news is equally grim. Several banks are on the verge of collapse. A recent International Monetary Fund report showed that despite fiscal reform, more than 60 percent of the population lives below the poverty line. Nearly two-thirds of the country's land remains in the hands of 2.5 percent of its population. The country's gross domestic product growth has declined several years in a row. "The situation here is like tinder," said retired Gen. Otto Perez Molina, a popular politician whose son, daughter and wife have all survived machine-gun attacks in recent months. "All that's needed is a match." One possible source of combustion relates to the case of Bishop Juan Jose Gerardi, who was bludgeoned to death April 26, 1998, just two days after releasing a human rights report that blamed the military for the vast majority of deaths in the country's 35-year war. Last week, a sergeant and two top-ranking officers, including a former head of military intelligence, were found guilty of Gerardi's murder and sentenced to 30 years in prison without parole. A priest was also convicted of covering up the crime. The results are sure to reignite a long-simmering feud between the military, which has seen its power slip since the peace accords, and left-leaning social reformers, some former guerrillas. Church officials successfully petitioned the judges deciding the case to continue the investigation to determine the involvement of other high-ranking political or military figures. Among those the church is seeking to pursue is former President Alvaro Arzu. Bishop Mario Rios Montt, who replaced Gerardi as head of the church's human rights office, is certain that those who ordered the killing have yet to come to justice. "We have the ones who committed the crime," he said. "But in the chain of command, we don't have the ones who gave the order." One reason for the focus on the Gerardi trial is that faith in the justice system has already been shaken by a series of political scandals that have avoided a judicial resolution. For instance, the current president of Congress, Gen. Efraim Rios Montt, a former dictator, managed only a few weeks ago to escape prosecution for his role in a scandal involving alcohol taxes. Rios Montt, the bishop's brother, allegedly engineered a change in the tax after its approval by Congress, cutting the rate in half. Although the country's Constitutional Court found enough evidence to move ahead with the case, a local prosecutor refused, saying there was insufficient proof. The tax case's abrupt end left many Guatemalans wondering how a panel of justices could examine evidence and reach one result while one prosecutor could decide the opposite. Despite the lack of trust, some Guatemalans still turn to the country's justice system to solve their grievances. Last week, more than 300 members of the country's Maya population filed a suit charging Rios Montt with genocide in connection with a series of massacres that took place under his rule in the early 1980s. Growing crime is one of Guatemala's most pressing problems. From 1999 to 2000, the number of muggings more than doubled. Murders have gone from seven a day in 1999 to 11 a day this year. Partly, the government's inability to tackle the country's problems stems from deepening internal political divisions. Portillo won election as president last year with strong backing from Rios Montt, the former dictator. Since then, however, the two men have had trouble agreeing on almost everything. Then there is the issue of the peace accords themselves. Five years after they were signed, only a few of the accords have been realized, such as a reduction in the size of the armed forces. Other, more sweeping reforms have been put on hold for several years. In response, some indigenous groups in nine areas have seized land they believe was promised them as part of the reforms. And in San Marcos province, a band of armed men has identified itself as a new leftist guerrilla group.

From [Houston Chronicle](#), by T. Christian Miller, 12 June 2001

DEMOCRATS LEAD GOVERNANCE FIGHT

The bid to derail the GOP-inspired university system overhaul is top-heavy with Democrats. A committee that wants to halt the reorganization of Florida's higher education system includes a former governor, seven former chairmen of the state Board of Regents and several people with close ties to U.S. Sen. Bob Graham. Almost all are Democrats, setting the stage for what is expected to be a decidedly partisan battle over the future direction of Florida's colleges and universities. The group will register itself as a political action committee on Wednesday, and begin raising money later this month, Robin Gibson, a committee spokesman, said Monday. He said the goal is to get an initiative on the November 2002 ballot that would throw out the Republican-led overhaul, which abolishes the regents and splits its powers between a new state Board of Education and new university boards of trustees. Gov. Jeb Bush, who helped devise the new structure, will appoint most of the board members. That gives him unprecedented influence over Florida's education future. Gibson said that feature is one of the many flaws in the new structure, which goes into effect July 1. "The major weakness of this system, and the largest danger, is that it will be controlled by politicians," he said in a conference call with several state newspapers. "This has to be taken out of the political arena." Supporters of the reorganization are not surprised by the challenge, which came at the direction of Graham, a Democrat who twice vetoed attempts to abolish the regents when he was Florida's governor. But they dismiss the challenge as arrogant and elitist. They say it will only harm students, who they think will benefit from a system that incorporates everything from kindergarten to post-graduate work under one governing structure. "You don't hear these people talking about students," said Phil Handy, who chaired a state task force that recommended many elements of the new structure. "They don't know what the people of this state want." Gibson said the committee -- which is calling itself the "Education Excellence Initiative" -- will hold focus groups and do extensive polling over the next several months. He said the research is not intended to determine how best to sell a constitutional amendment that will require about a half-million signatures and up to \$6-million to get on the ballot. "We want to determine the will of the voter," Gibson said. He was asked what would happen if the research indicates voters are content with the new structure. "I think that's unlikely," he said. "The legislation is pretty repulsive. That certainly motivates a lot of people." Gibson said the committee -- which includes several Graham aides, former University of South Florida president Betty Castor and State Sen. Kendrick Meek, an African-

American who has been harshly critical of Bush's efforts to eliminate racial preferences -- already has settled on the broad outlines of its proposal. It will call for the creation of a new "Board of Governors" similar to the regents but with constitutional status to prevent its elimination by state lawmakers. The governor still will appoint its members, but to terms considerably longer than four years. Gibson said that will make it difficult for any governor to stack the board. The committee did make one nod in the Republican's direction; it voted Monday to retain university boards, which in the new system will have authority to hire and fire presidents, set budgets and create new degree programs up to the masters level. But the governor will have considerably less control over who sits on those boards. He will get to name only one-third of the members. Each university's student body president will have a seat, and the Board of Governors will name the rest. Gibson said the committee rejected the idea of taking legal action to halt the restructuring. Though members think the plan is unconstitutional, the group does not have legal standing to challenge it, he said. That would have to come from a party that is directly affected, such as students, parents, teachers, or school boards.

From [St. Petersburg Times](#), by Barry Klein, 5 June 2001

CAN FRANCISCO BARRIO BREAK THE CULTURE OF CORRUPTION?

This Cabinet member has the toughest job in Mexico - Francisco Barrio admits that he misses the open desert of his native Chihuahua. But when President Vicente Fox invited him to come to Mexico City and join his cabinet last December, this norteño could not refuse. Barrio, 50, has taken on one of the toughest jobs in the new administration: anticorruption czar. Barrio brings the can-do attitude of Mexico's north to his work, yet he is clear-eyed about what he can accomplish: "We won't be Finland. But we want to see a measurable reduction [in corruption]." Corruption is a fact of life for all Mexicans, whether it involves a bribe to a traffic cop or a "fee" to a school that should be free. Kickbacks pad government contracts. Crooked judges let drug dealers and other criminals walk free. Mexico ranked a lowly 59th out of 90 countries in the annual corruption survey by Transparency International. Barrio estimates that corruption shaves as much as 9% off Mexico's gross domestic product. Like every President before him, Fox has vowed to combat corruption more forcefully than his predecessors. But as a political maverick who ended 71 years of one-party rule, Fox is taking a new tack. Presidents typically jail a few prominent figures at the start of their term. Fox has yet to do that. Instead, he tapped Barrio to undertake an overhaul of the Federal Comptroller's Secretariat (Secodam), an agency long regarded as ineffectual. A longtime member of Fox's center-right National Action party, Barrio earned a reputation for clean government as Chihuahua state governor in the 1990s. His mandate now is not just to hunt down wrongdoers, but to design measures to prevent future corruption. Barrio has already dispatched almost 700 auditors to pore over the books throughout the government bureaucracy. Last month, for example, Barrio's auditors discovered that employees at state-owned oil monopoly Petróleos Mexicanos were selling subsidized marine fuel as industrial diesel, a scam that was netting \$100,000 a day. Barrio also zeroed in on the customs service, where he says some 100 top officials have been fired. He is ferreting out shady business practices, too. His agency has coordinated a crackdown on illegal imports from Asia. A probe of garment assembly plants found that some 2,000 companies were importing fabric duty-free, supposedly for reexport, and instead selling it on the domestic market. "Fox is giving renewed hope to furthering investment because of what he's doing with corruption," says Charles A. Hayes, Chairman of Guilford Mills Inc., a Greenboro (N.C.) textile maker that operates in Mexico. APATHY. The biggest problem Barrio faces is apathy. "[People] tell you it has always been like this, that it's natural," says Federico Reyes Heróles, president of the local chapter of Transparency International. That's why Secodam has kicked off an ad campaign that features an apple with a bite taken out of it, a reference to a *mordida*, the slang for a bribe. Barrio is also working with Transparency and several Mexican universities to devise indexes that measure corruption at the state and federal levels. Barrio doesn't hesitate to enlist outsiders' help. The Federal Electricity Commission and the Bank Savings Protection Institute have both signed on to a new Secodam program that has independent monitors scrutinize public bidding processes. Meanwhile, a proposed freedom-of-information law will give the press and citizens' groups a powerful new weapon. "We want to create a climate that increasingly rejects corruption," says Barrio. Some argue Barrio's focus on prevention isn't enough and that he needs a few high-profile cases. "It's important politically to see that the 'big fish' go to trial," says Gustavo González-Báez, Mexico director for Decision Strategies Fairfax International, a corporate investigative firm. Some analysts believe that the Fox cabinet is divided over how to handle potential scandals left from the previous administration. Still, Barrio must be doing something right. These days, he travels with a bodyguard. When you're fighting corruption, if you don't make enemies, you're not doing your job.

From [Business Week](#), 11 June 2001

CORRUPTION PROBE NETS 1st CONVICTION AS FEDS TRACK WEB OF GIFTS, CONTRACTS

New Haven -- Federal authorities, after years of investigation, on Wednesday charged that a wide-ranging web of corruption -- including shakedowns, kickbacks and bribes at Bridgeport City Hall -- influenced the awarding of lucrative municipal contracts. The allegations are contained in a 15-page criminal complaint against Paul J. Pinto, 30, of Easton, a close friend and political ally of Mayor Joseph P. Ganim. Pinto pleaded guilty in federal court to a scheme in which the Ganim administration is accused of awarding contracts based on money and gifts being paid to city officials and aides. While Pinto is the only individual named in the complaint, a powerful Elected Official, who received cash and goods in exchange for favorable action on a variety of issues, is at the center of the web. Sources involved in the case say the unnamed Elected Official is Ganim, but the mayor Wednesday vigorously denied any wrongdoing. Neither Ganim nor any officials of any of the companies cited in the complaint have been charged. When asked why he didn't identify the individuals and companies involved, Supervisory Assistant U.S. Attorney Ronald S. Apter said it is department policy not to name people who aren't charged yet. Shortly before 4 p.m., Pinto, standing next to his lawyer, H. James Pickerstein, waived his right to a federal grand jury indictment and pleaded guilty three times, to participating in a racketeering conspiracy, mail

fraud and income tax evasion, before U.S. District Court Judge Janet Bond Arterton. Pinto, described as a self-employed political consultant, public relations specialist and real estate developer, faces up to 28 years in prison followed by three years special release, \$1 million in fines and \$300 in special assessments. He also agreed to pay \$400,000 or forfeit a home at 963 Fairfield Beach Road and \$75,000 in equity in Lot 1 at Burrwood Common in Fairfield, as well as pay \$300,000 in additional federal income taxes he owes for the years 1997-2000. Arterton allowed Pinto to be released on \$100,000 non-surety bond and restricted his travel to the continental U.S. She set sentencing for Dec. 17. Pinto is the first person charged in the investigation. It became public in December, when the FBI raided the offices of the Kasper Group, a Bridgeport architectural firm where Pinto is an executive; United Properties, a major Bridgeport developer that imploded the old Days Inn before constructing a strip mall on Lafayette Boulevard; and the law offices of Willinger, Willinger and Buccì. And with the precision of one of United Properties' implosions, Apter tore down an administration that prided itself on rebuilding Bridgeport. According to Apter, Pinto received payments from Individual A, kept a portion and then forwarded the remainder to Elected Official. Sources close to the probe claimed this could happen Only in Bridgeport, the title of a book authored by the man they claim is Individual A -- Leonard Grimaldi, a public relations and political consultant, author and former campaign manager for Ganim. Grimaldi runs Harbor Communications in Redding. Apter described the alleged conspiracy, which included many city actions recently reported by the Connecticut Post. The first involves a \$495,000 payment on June 4, 1999, to Harbor Communications -- identified only as Company A -- from Company B, which operates and manages the city's waste-water treatment facility. The operator of the city's sewer facility is Professional Services Group, which Grimaldi represented as a consultant in 1996 when the city was considering bids to privatize the operation. Grimaldi employed Pinto as a public relations specialist. The Post reported Wednesday on a series of events that ended with the mayor pulling approval of the contract from the city's Common Council. In May 1996, Apter charged, Pinto -- acting on behalf of the Elected Official -- caused Grimaldi to advise PSG that unless they agreed to pay a kickback to Pinto and others, the Elected Official would perform his official duties in a manner that was adverse to PSG obtaining the contract to manage the city's waste-water treatment facility. PSG officials could not be reached for comment Wednesday. According to the U.S. attorney: On May 14, 1997, PSG issued a check for \$70,000 to Harbor Communications. Two days later, Harbor paid Pinto \$58,500. On May 20, 1997, Pinto then paid \$29,250 to a company with which Pinto was associated. On Dec. 5, 1997, PSG issued a \$136,396 check to Harbor. Ten days later Harbor issued Pinto two checks in the amounts of \$50,000 and \$33,000. Pinto then issued a check for \$25,000 to Company C, which sources said was United Properties. And it didn't end there. On June 4, 1999, PSG paid Grimaldi \$495,000. He, in turn, wrote checks of \$251,000 on June 12, 1999; \$31,000 on June 28, 1999 and \$31,000 on July 7, 1999 to Pinto. The document charging Pinto with the racketeering conspiracy claims \$156,000 of that money was destined for the Elected Official. On July 29, 1999, a company involved with the construction of the city's sports arena -- which sources identified as C.R. Klewin, construction manager -- wrote a \$25,000 check to Harbor Communications. On Aug. 9, 1999, Harbor issued a check for \$17,667 to Pinto. Of that money, \$8,800 was intended for the Elected Official, according to the complaint. Then there was the life insurance scheme, which the Post exposed in April. At that the time, the Post reported the city paid \$821,000 to purchase \$2.6 million in life insurance policies for the mayor; Dennis Murphy, his chief administrative officer; Jerome Baron, the city's finance director; Robert Kochiss, the city's director of policy and management; John Marsilio, the public facilities director, and Michael Freimuth, the economic development director. The policies were purchased through Frank W. Sullivan, a broker now on leave from Salomon Smith Barney in Greenwich and a boyhood friend of the mayor. The purchase was presented to the Common Council as a line-item paragraph hidden within nine pages of budget transfer entitled Harbormaster budget transfer from gasoline for vehicle to uniform allowance account. Several council members said they were unaware of what they did on June 21, 1999, until the Post pointed it out to them nearly two years later. The city officials later said they canceled the policies. So far, according to Chris Duby, a Ganim spokesman, the city has received about \$120,000 back for the canceled policies and is expecting more shortly. Apter charged that in May 1999 Pinto informed The Broker [Sullivan] that unless he kicked back a portion of his \$32,000 commission, he would not be considered favorably by the city for additional city business. Sullivan then paid Pinto \$5,000, which was split with the Elected Official, according to the complaint. Sullivan later became broker of record for the multi-million dollar city police and fire pension funds. Regarding the tax return charge, the government claims Pinto falsely reported on his 1999 federal tax return \$100,000 in income received from Harbor Communications as his, when in reality it was intended for the Elected Official. Meanwhile, Pinto omitted \$155,000 in income from his consulting business. Pinto also admitted to committing federal mail fraud by accepting kickbacks in an elaborate scheme involving the removal of asbestos from 90 city-owned buildings. Pinto convinced another city official to award asbestos survey work to one company and the removal work to another. The survey company then charged the city \$1,000 more per building than it normally would have charged. Pinto was paid nearly \$53,000 in kickbacks, the government claims. Michael P. Mayko, who covers legal issues, can be reached at 330-6286.

From [The Connecticut Post](#), By Michael P. Mayko, mmayko@ctpost.com, 14 June 2001

GROUP MOVES TO SCRAP CITY'S CIVIL SERVICE RULES

The same group that spearheaded the Cincinnati strong mayor campaign now wants to scrap the way city employees are hired and fired. Members of Build Cincinnati say the current system, which promotes based on test scores and offers lifetime protection to city employees, has contributed to stalled developments, bureaucratic roadblocks and a lack of administrative control over employees. Next week they will introduce a proposal to City Council that, if approved by voters in November, would change the city charter and scrap the 75-year-old civil service rules. "We hear the same thing over and over," said Councilman Pat DeWine, who helped drive the successful campaign to directly elect the mayor three years ago and is now pushing for the reforms. "People love the city, but they know city government doesn't work." The latest plan is a spinoff of a proposal to give the city manager new power to hire police and fire chiefs that council members endorsed shortly after the April race riots. But Build Cincinnati members say that is like sticking a bandage on a severed limb and that the reforms need to go much further. "Neighborhood Services is almost nonexistent," said

Jeff Cramerding, Build member and executive director of the Charter Committee of Greater Cincinnati. "The city doesn't work with neighborhoods. There is no plan, no vision." Under the group's plan, all professional employees in the neighborhood services and economic development departments could be hired and fired at will. It would also give all department heads, including the police and fire chiefs, the ability to choose their assistants instead of promoting city employees based on test scores. Neighborhood Services Director Peg Moertl said, at face value, the proposal has many positive aspects. "It would allow us to move out people whose skills don't match," she said. "My concern, though, is that these positions don't end up being filled through political pressure." City Manager John Shirey unveiled his own plan for changing the civil service system on Tuesday. While it differs from the one proposed by Build Cincinnati, Mr. Shirey's proposal could also go before council next week. Mr. Shirey supported a similar move in 1997 that was overwhelmingly defeated by voters. Because charter amendments require voter approval, at least six council members have to agree to put the plan on the ballot by September. Mr. DeWine said that if council won't agree then he will organize a petition drive to get the issue on the ballot. The city's civil service system, which determines how employees are hired, promoted and disciplined, is required by the city charter to mirror the state system. Build Cincinnati members say Cincinnati is the only major city in Ohio to use state guidelines, and they want to lift those restrictions so the city can enact local guidelines. "It sounds like most of the people affected by it would not be in our bargaining units," Robert Turner, regional director of the American Federation of State, County and Municipal Employees Union said Wednesday. The proposal would have to be reviewed before the union takes a position, he said. Build Cincinnati member Elizabeth Korosec, director of Cincinnati Bell Communications, said Cincinnati's employment system is archaic and is at least partially to blame for why Cincinnati is lagging behind other cities in economic development. "It's a closed system. There is no fresh blood," she said. "You can't build new life into the system."

From [Cincinnati Enquirer](#), by Robert Anglen, 21 June 2001

GLOBAL

ICC ACCEPT ALL ANTI-CORRUPTION UNIT'S RECOMMENDATIONS

The International Cricket Council has agreed to accept all 24 recommendations for its reform from the Anti-Corruption Unit (ACU) headed by former London metropolitan police chief Paul Condon. "We have accepted all 24 recommendations contained in Sir Paul's report," ICC president Malcolm Gray told a news conference at Lord's. The ACU's first report into match-fixing called for the ICC to become "more open, transparent and accountable". "The ICC will be in a stronger position if it continues to evolve from its origins as a loose and fragile alliance into a modern regulatory body whose role is clarified and whose transactions are more transparent and accountable," Condon said. A five-man ICC inquiry panel, which fully endorsed Condon's report, was more scathing. "It has become apparent that the present structure of the ICC is inadequate to run international cricket and to manage the vast sums of money it now receives from television rights and other sources," said a panel statement. Condon's inquiry was set up after former South Africa captain Hansie Cronje admitted taking money from bookmakers. Cronje and two other former international captains, Salim Malik (Pakistan) and Mohammad Azharuddin (India) were subsequently banned for life after judicial and criminal inquiries.

From [Sport365](#), 18 June 2001

POOR: 'THE VICTIMS OF WORLD CORRUPTION'

Rich and poor countries are blamed for corruption crisis.



Bangladesh is the most corrupt country in the world and Finland the least corrupt, according to a league table issued for the year 2001. The Corruption Perceptions Index (CPI) was published by a non-governmental organisation - Transparency International (TI) - based on a survey of 91 countries. "There is no end in sight to the misuse of power by those in public office, and corruption levels are perceived to be as high as ever in both the developed and developing worlds," said Transparency's chairman, Peter Eigen. "There is a worldwide corruption crisis." He said the world's poorest were the greatest victims of corruption, but added that many developed nations "are in no position to preach to poorer

countries on integrity in government". Mr. Eigen also warned that governments "ignore the index at their peril". **The poor** - The annual survey awarded Finland 9.9 points out of a possible 10. Following Finland were Denmark at 9.5 and New Zealand with 9.4. At the lower end of the scale Bangladesh scored 0.4. Then came Nigeria with one point and Uganda and Indonesia, each at 1.9. Poor nations in Africa and Asia are seen as the world's most corrupt, followed closely by many former Soviet states in Eastern Europe. "The new CPI illustrates once more the vicious circle of poverty and corruption, where parents have to bribe underpaid teachers to secure an education for their children and under-resourced health services provide a breeding ground for corruption," the TI chairman said. The report said that in African countries struggling with Aids the situation was made worse by the fact that corruption was perceived to be very bad. The CPI registered very high levels of perceived corruption in the countries in transition, in particular the former Soviet Union. Scores of 3.0 or less were recorded in Kazakhstan, Uzbekistan, Russia, Ukraine and Azerbaijan. **The 'corrupt' rich** - Several developed countries - including European Union members - figure prominently in the list which did not

reflect "secret payments to finance political campaigns or the complicity of banks in money laundering or bribery by multinational companies". "The United States and France exemplify that governments in the top third of the index are still plagued by misuses of power," said Laurence Cockcroft, chairman of TI's British branch. Mr. Cockcroft referred to the case in France involving former Foreign Minister Roland Dumas, who was convicted last month of receiving illegal funds from oil giant Elf Aquitaine between 1989 and 1992. "From the loans and campaign contributions scandal at Bankgesellschaft Berlin that has just brought down the Berlin city-state government to the pardoning of campaign donors' relatives by a US President, there is a gaping deficit of accountability," the TI statement said. In his last day in office, President Clinton pardoned fugitive businessman Marc Rich in a much-criticised move. Mr. Cockcroft added that the scrapping of the Kyoto Protocol by President George W Bush reinforced international perceptions that U.S. leaders too often sacrifice better judgment to finance increasingly costly election campaigns. The group said Germany slid three spots in its latest ranking, citing well-publicised party financing scandals - including one involving former Chancellor Helmut Kohl - and irregularities in awarding public building contracts. Last month 180 countries adopted a declaration against corruption at a meeting in The Hague.

Most corrupt
Bangladesh
Nigeria
Uganda and Indonesia
Kenya, Cameroon, Bolivia and
Azerbaijan
Ukraine
Tanzania
Ecuador, Pakistan and Russia

From BBC, 28 June 2001

Civil Services & Ethics in Public Sector

AFRICA

ECOWAS JUSTICE MINISTERS MOVE AGAINST CORRUPTION

[The Guardian](#) (Lagos) - Nowhere in the West African sub-region or beyond will looters of state treasuries find a hiding place when resolutions reached at a two-day meeting of Attorneys-General of the sub-region are finally implemented. The joint session of the justice ministers held in Accra, the Ghanaian capital called for international, diplomatic and multilateral co-operation that would embolden and enlarge the erstwhile ambiguous and cumbersome legal procedures that had impeded actions directed at securing the recovery and repatriation of "our countries" wealth being stashed away in banks, financial or investment institutions in foreign countries. The move, according to an ECOWAS statement, intends to seek the support of the international community in the prosecution and extradition of those involved in the looting of member states' treasuries. The declaration involved an outright condemnation of corruption as a "moral and criminal issue which not only impacts negatively on our national and international development but which deserves collective efforts for suppression." The meeting urged member states to strengthen and harmonise their individual national laws into a community protocol against corruption which, among others, includes the provisions for "extradition, financial disclosure and judicial processes." It called on governments in the sub-region to "demonstrate manifest political will and resolute leadership in the implementation of viable national and international strategies on corruption within the bounds of the rule of law and tenets of democracy. Earlier, a list of undisclosed top government officials with fat foreign accounts was submitted to the presidency by the United States Secret Service, for police investigations. In collaborating against corruption towards effective strategies and mechanisms, the ministers recommended that heads of state and government direct the ECOWAS secretariat to "elaborate on a comprehensive community protocol on corruption" which would provide the framework for a sub-regional effort to combat the hydra. In pursuit of this objective, therefore, they agreed to encourage collaboration groups, private and non-state actors, including free and responsible media operating within a liberal legal environment. They also resolved to adopt an all-embracing approach to corruption control which encompasses diagnostics and research, investigation and prosecution, civic education, mobilisation of public opinion as well as institutional and legal reforms. The declaration formed the basis of the sub-region's input into the just concluded four-day Global Forum II Conference held at the Hague, Netherlands.

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

NZIMANDE MAKES ANTI-CORRUPTION CALL

SA Communist Party (SACP) general secretary Blade Nzimande has called on trade unions to lead a concerted anti-corruption campaign that would include whistle-blowing on corrupt government officials. "The beneficiaries of corruption are none other than the elite. They benefit at the expense and detriment of our people, at the expense of a better life for our people," Nzimande said. He was addressing delegates at the Police and Prison Civil Rights Union's (Popcru) fourth national congress at the Aventura conference centre in Mpumalanga. Nzimande said workers had a revolutionary duty to fight and expose corruption without fear and favour inside and outside the movement, government and the private sector. "But our fight against corruption is not opportunistic and aimed at scoring political points as some reactionary forces have now made a career of. "Our's is a principled fight which seeks to undermine the rationale on which capitalism is based. The SACP calls on all Popcru members and public sector workers to fight corruption and all its manifestations in order to safeguard our revolution and its objectives," he said.

From [iafrica.com](#), 14 June 2001

ASIA/PACIFIC

MEDIA MINISTER CALLS FOR RESTRUCTURING OF PUBLIC SERVICE

"Unless and until the public service is re-structured to bring about an orderly management, the challenges of the present day cannot be overcome. The politicization of the public service is a great hindrance to safeguard the concept of transparency of Government Policy. The PA Government will not allow this short-sighted tendency to continue. Our object as a Government is to build up a properly managed public service that will deliver the goods according to the aspirations of the people." So said Information and Media Minister Anura Priyadarshana Yapa addressing a meeting recently held at Kawudumunna Maha Vidyalyaya, Pannala. This meeting had been organized to find prompt solutions to the problems of the rural masses and included the participation of residents of several Grama Seva Niladhari Divisions. The Divisional Secretary concerned, Police Officers, Electricity Board and Transport Services officials, Pannala Pradeshiya Sabha Chairman Ranjith Lansakara along with Pradeshiya Sabha Members attended the meeting. The Minister was able to take steps to solve many of the problems confronting the people of this area at this meeting. Minister Yapa further said that most of the problems faced by the people today are due to the inefficiency and negligence of the public servants and that all the successive Governments so far came into power should take the responsibility for the present abyss

of public service. He also said that the PA Government has now launched a farsighted and flawless programme to resuscitate the public service from this degradation and that the Government will leave no stone unturned to achieve this objective. Similar meetings to solve rural problems at rural level are intended to be conducted in other parts of the electorate in the future.

From [Lake House](#), 13 June 2001

SHIOKAWA REPEATS JAPAN'S PUBLIC WORKS MUST BE CUT

Tokyo, (Reuters) - Japanese Finance Minister Masajuro Shiokawa reiterated on Thursday he wants Japan's public works spending to be slashed to U.S. and European standards over the next 10 years. That would mean lowering spending to around one-third of the current amount as a proportion of gross domestic product (GDP). "We want to lower public works spending to U.S. and European standards, which is about two to three percent as a proportion of GDP, over about 10 years," he said in parliament. He said last week that Japan's current spending worth about 6.2 percent of its GDP was too much, compared with around 1.9 percent in the United States, 1.4 percent in Britain, 2.8 percent in France and about two percent in Germany. Reviewing fiscal spending has been the main policy platform of Prime Minister Junichiro Koizumi, whose promise of "reform without sacred cows" swept him to power in April. But weaker economic data, such as a 0.2 percent contraction in January-March GDP announced on Monday, has given ammunition to arguments by opposition politicians that fiscal tightening would push Japan's economy down further.

From [iWon](#), 14 June 2001

PRIME MINISTER DENIES HIDING HIS ASSETS

Bangkok, Thailand -- He talked of his mother. He said he was ready to die for his country. He said he had been confused. He said he was so rich "it is just impossible for me to keep track of my fortune." In an emotional appeal to a 14-judge panel that was televised live to the nation Monday, Prime Minister Thaksin Shinawatra seemed on the verge of tears as he fought for his political life against a charge of corruption. His case, a landmark in Thailand's democratic evolution, has brought growing respect for the rule of law face-to-face with the country's most popular politician, elected five months ago with the only absolute majority ever won by a Thai prime minister. If the Constitutional Court upholds a ruling by a government anti-corruption commission that Thaksin intentionally concealed his assets, he faces immediate removal from office and exile from politics for five years. "I had no intention to conceal my assets," Thaksin said. "I simply did not understand the asset forms. It was purely an honest mistake." Summing up the prosecution's case on the last day of hearings, the chief of the anti-corruption commission, Klanarong Chanthick, brushed aside that defense. He said Thaksin and his wife transferred shares worth millions of dollars to domestic staff in order to conceal wealth, evade taxes and speculate on some listed shares when Thaksin was in the Cabinet in 1997. The anti-corruption commission is the product of a new reformist constitution that seeks to do away with the graft and patronage. But Thaksin is so popular the streets outside the courthouse were filled with supporters waving banners and shouting slogans. "The country will fall apart without Thaksin," read one sign.

From [Charlotte Observer](#), by Seth Mydans, 19 June 2001

GOLF BAN FOR SOUTH KOREA BUREAUCRATS

Tee off: Final round for civil servants - South Korean civil servants have been ordered to stay away from golf courses and luxury bars and restaurants for the time being, or face disciplinary action. The directive issued by the office of the Prime Minister, Lee Han Dong, said some officials had demonstrated behaviour which went against public sentiment at a time when the nation was suffering difficulties, including drought and a general strike. The move follows several controversial incidents, including one in which Korean defence chiefs were reported to have been playing golf during a North Korean security alert. As in many Asian nations, golf has become a popular pastime in South Korea and one in which people say they can combine work with pleasure. But golf has suddenly become a dirty, four-letter word. On Tuesday, President Kim Dae Jung publicly reprimanded his defence chiefs for playing golf while North Korean vessels entered South Korean territorial waters. The opposition Grand National Party has been calling for the dismissal of the defence minister who finished his game of golf while the North Korean shipping incursions were first reported. Other government officials were criticized when they were found to have been playing golf on Memorial Day, when the country pays homage to soldiers killed in action. Newspapers speculated they had a problem with official discipline, noting that the country was struggling with a serious drought and a national strike. A golfing ban for those in public office was once introduced under former president Kim Young Sam, mainly because of the perception that golf was an expensive game enjoyed only by the rich elite. But today it is estimated that around ten million people visit golf ranges every year in South Korea. However, the latest government directive indicates that many still feel the sport is primarily for a privileged minority and should not be played by civil servants when the country is facing difficulties.

From BBC, by Caroline Gluck in Seoul, 27 June 2001

TURKEY'S ANTI-CORRUPTION CRUSADER QUILTS



Tantan's resignation bodes ill for Motherland Turkey's minister in charge of anti-corruption measures has resigned from his party and the government a day after demotion in a cabinet reshuffle. Sadettin Tantan, formerly interior minister, had been appointed to take charge of customs and excise. Mr. Tantan had earned public support for his anti-corruption drive, but correspondents say he angered his own Motherland Party (ANAP) by the vigour with which he pursued some of his investigations. Many observers had foreseen his resignation, which they say is the result of mounting tension between Mr. Tantan and Deputy Prime Minister Mesut Yilmaz, who heads the centre-right ANAP. The two have been long been at odds, particularly so

following an investigation into the ANAP-held Energy Ministry which resulted in the resignation of the former energy minister in April. "I am resigning from my new office because my appointment to another ministry is incompatible with my personal principles and understanding of politics," Mr. Tantan said in a statement. "I also resign from Motherland." His move seems likely to stir further political and market uncertainty as the country struggles to meet the terms of a \$15.7bn rescue loan package. **Diplomatic concern** - Mr Tantan's campaign had reached high into the bureaucracy and administrations of failed banks and helped produce instability that sparked a financial crisis in late November. It was watched closely by the European Union and IMF who see corruption as one of the chief ills afflicting Turkey. Mr. Tantan's departure, part of a limited reshuffle of Motherland ministers, was also noted with concern by diplomats in Ankara worried now by a succession of public conflicts related to the fulfilment of IMF terms for disbursement of loans. Economy Minister Kemal Dervis said on Tuesday Turkey was standing by the new programme agreed last month. It was not immediately clear what political future Mr. Tantan, a former police commander with a reputation for leading from the front, saw for himself. He once said that elements in his party, the smallest of three partners in the coalition, were hampering his corruption probe. Internal tensions also run high in the second-biggest party, the rightist Nationalist Action Party (MHP).

From [BBC](#), 6 June 2001

PLEDGE ON REFORM OF PUBLIC SERVICES

The deputy prime minister, John Prescott, and the home secretary, David Blunkett, indicated yesterday that the government will listen to unions' concerns about plans to contract out some public services to private sector managers. But they also warned that the government needed to consider "drastic reforms" if the alternative of a flight to full private sector provision is to be halted. The reassurances came as leaders of Unison and the Transport and General Workers Union broke their silence to warn ministers against further contracting out. TGWU general secretary Bill Morris said there had to be an ideological bar to handing public services to the private sector. In a letter to Tony Blair, Dave Prentis, the general secretary of Unison, which holds its annual conference this week, warned: "If Labour thinks it has been given a mandate to go ahead with further privatisation of public services, then it had better think again." Mr. Prescott told BBC's Breakfast with Frost: "Public-private finance has been an important initiative. It is the best use of public and private sector financing within a number of areas." Mr. Blunkett said the aim was not to privatise public services, but to improve them, adding that one aim would be to try to engage local communities more in their delivery.

From [The Guardian Unlimited](#), by Patrick Wintour, 11 June 2001

Mr. BLAIR'S INACTION SHOWS HOW LITTLE HE VALUES THE INTEGRITY OF PUBLIC SERVANTS

"We have to be very careful," Tony Blair said three years ago, "that we are purer than pure." He was responding to the furore over claims of influence-peddling by the lobbyist Derek Draper. So careful has the Prime Minister been, in fact, that the tightening of the rules governing contacts between ministerial advisers and lobbyists which he promised then is only now about to be published. Mr. Blair told the House of Commons on 8 July 1998 that he had instructed the Cabinet Secretary "to revise the rules that we inherited that govern such contacts and to strengthen them in any way that he thinks fit". When Sir Richard Wilson had completed this urgent and important task, the strengthened rules would be published. "Anyone found breaching them will be out on his ear," the Prime Minister ringingly declared. Or they would have been, had there been any rules to breach. This is no trivial point. One of the distinguishing features of the Blair governing style has been the greater use of explicitly political advisers at the interface between ministers and the permanent civil service. The Draper affair turned on whether he a former adviser to Peter Mandelson in opposition had exploited his close personal contacts with this stratum for personal gain. There is nothing wrong, in principle, with a politicised cadre helping ministers implement their programme. Harold Wilson introduced political advisers in 1974 as an experiment, and they have proved their worth. Their numbers have increased sharply under Mr. Blair, and especially at the centre, in No. 10. One of Alastair Campbell's virtues is that he did not pretend, as did previous prime minister's press secretaries, from Joe Haines to Bernard Ingham, to be an impartial civil servant. It is welcome, too, that Charles Clarke, an able and articulate minister, should join the

Cabinet with an explicitly political brief as Labour Party chairman. Democratic government is all about enacting a party-political programme, and we should not confuse rules on civil service impartiality with Sir Humphrey-style inertia and obstruction. But there are clear dangers in politicising the machinery of government: that is why it is quite right that Mr. Clarke's salary should be paid from Labour funds. There are dangers in over-reliance on special advisers too. They can become such creatures of their minister that they see their primary task as being to advance his or her interests over those of rivals within the government. And the potentially great influence they wield is not as tightly regulated by official rules as is the conduct of either ministers or civil servants. It is disgraceful that it has taken Mr. Blair so long to do something about it. Not only did the Prime Minister fail to tighten the rules when he said he would in 1998, he even managed to secure favourable headlines by promising a code of conduct for special advisers last year. The Committee on Standards in Public Life, chaired by Lord Neill, had recommended that there be a limit on the number of special advisers and a code of conduct which would put a duty on them to respect the impartiality of the civil service. But only now is the Government finally going to act. Better late than never, of course. But the slowness with which Mr. Blair has acted to ensure probity, both in terms of contact between special advisers and financial interests and in terms of regulating the public money spent on the salaries of party-political appointees, speaks far louder than the rhetoric of "purer than pure" of the Prime Minister's ethical standards.

From [Independent](#), 18 June 2001

CIVIL SERVANTS WIN PENSION RULING

£20,000-a-year, non-working State employees to challenge attempts to pension them off - Seven civil servants who have not worked for nine years but continued to draw their salaries yesterday won High Court permission to challenge the Government's attempt to pension them off. The dispute arose after their jobs disappeared following the abolition of the Land Commission and they were unhappy with the alternative work they were offered. The group has been involved in a disagreement with the Department of Agriculture since 1992, while being paid salaries of around £20,000. In an attempt to end the impasse, the Government tried to pension off the seven in March but the men, in their fifties and early sixties, went to court to stop it. Mr Justice Butler yesterday granted the group leave to seek an order, by way of judicial review, quashing the Government decision to remove them as "established" civil servants and apply pension regulations. The men were all estates officers and helped to manage land. Their solicitor, Eamon Murray, said in an affidavit his clients understood they would be given agricultural duties in their new posts. This was the position until 1987 when the Government tried to reassign them to the Department of Justice. The men mounted a legal challenge and following High Court proceedings a settlement was reached. By 1991 they were back in the Department of Agriculture at various local offices. But Mr. Murray said that while the men were provided with office accommodation they were not given any work to do and no one in authority would accept responsibility for them. The men told him their salaries were artificially suppressed and they were deprived of certain terms of national wage agreements. Various proposals were made by government departments between 1992 and 1998 concerning redeployment and/or early retirement. The seven considered the terms unreasonable and in breach of the 1990 settlement. Mr. Murray believed the men's constitutional rights had been infringed and that there had been a breach of their contracts. The seven in dispute are: Denis Murphy, Rosbarra, Deerpark, Cork; David Crowley, Oakley Park, Tullow Road, Carlow; Stephen Kenny, Larchfield Avenue, Penmore, Co Galway; Enda McGowan, Kirryfottle, Cavan; Seamus O'Leary, Rigsdale, Ballinhassig, Co Cork; Laurence McCarroll, Eskragh, Omagh, Co Tyrone; and Christopher Reid, Petitswood Close, Mullingar, Co Westmeath. Their union, IMPACT, met the estates officers on Friday when they discussed the Government's pension offer, which includes a lump sum of two years' salary worth around £40,000 each. "They gave us the mandate to engage the department in relation to their severance," said assistant general secretary Stephen O'Neill. "We have accepted that mandate and we will be looking to have a meeting with the Department." The Department of Agriculture last night declined to comment on the case because a spokesperson said it had not been made aware of the court proceedings.

From [Unison](#), 26 June 2001

THE AMERICAS

BUSH ALLOWS STATE AWARDS – LAW WON'T STOP FINAL YEAR OF PROGRAM

Gov. Jeb Bush intervened Tuesday to salvage cash bonuses and special awards for state employees. When he signed the "Service First" legislation overhauling the state's Career Service system May 14, Bush didn't intend to deny plaques and cash to state workers who did more than expected in the current fiscal year. But some state agencies didn't pick their outstanding achievers until late last month, expecting to hand out awards in the final weeks of the fiscal year. Employees at the Fish and Wildlife Conservation Commission notified Bush last week that, because their awards committee had met May 17, Comptroller Bob Milligan's office had refused to pay for bonuses and plaques. The new civil-service law eliminated the Meritorious Service Awards Program and replaced it with a savings-sharing plan and bonus program, effective July 1 with the new state budget. "However, implementation of this new program DOES NOT prevent agencies from moving forward with the last year of the Meritorious Service Awards Program," said a memo distributed to all state agencies. "If the agency had initiated the process of making awards prior to May 14, the agency may complete that process. The comptroller has released an amended memorandum regarding this issue." Managers at the Fish and Wildlife Conservation Commission said their awards committee planned to recognize one \$1,000 "Employee of the Year" winner, one \$900 "inter-governmental coordinator" award winner and three \$500 winners for "sustained performance," "personal initiative" and a "team player." Some plaques had already been engraved or ordered for other employees, FWCC managers said. It was not

known how many other state agencies or employees might have been denied awards, under the rescinded edict from the comptroller. Dawn Griffin, a planner for the FWCC, wrote to Bush on Monday to say she had nominated two staff members for awards. Because her agency's awards committee met three days after Bush signed the new law, she said, the payments were blocked. "It was hoped that we could deal with this setback by simply waiting until July 1, and then giving our approved awards under the new system," she wrote to Bush. "The old program was thrown out without a replacement. A committee is to be formed some time next January to design a state program, and with awards not being made until June 2002." But the governor's office said the new policy would allow agencies to go ahead with awards if the agency process had been started by supervisors under the old Meritorious Service Program before the Civil Service bill was signed. Contact Bill Cotterell at bcotterell@taldem.com or (850) 599-2243.

From [Tallahassee Democrat](#), by Bill Cotterell, 6 June 2001

SEPARATION OF CIVIL SERVICE AND PERSONNEL DEPARTMENTS STIRS CONTROVERSY

It pays to be hired by the boss. The head of the group that governs most city of Alexandria hires said some employees were able to skirt civil service hiring procedures and make more than normal starting pay because Mayor Ned Randolph initially hired them. The issue ties into a city plan, approved by the state Legislature earlier this year, to separate civil service and personnel duties currently run by one department head. It will cost the city \$40,000 to \$50,000 or more per year for another department head. And that's not counting salaries for support staff. William Ford, an Alexandria attorney, heads the five-person, unpaid Civil Service Commission that hears grievances when city employees believe they've been wronged on the job. Civil service regulations, he said, also ensure the city hires qualified employees. He said six employees were hired in late 1999 directly by Randolph for the Community Services Division. Randolph determined all six salaries, which is within the mayor's discretion when he hires temporary employees or department heads. But four of the six were moved to civil service in April by a 2-1 vote of the Civil Service Commission, and they have salaries thousands of dollars, or 7 to 12 percent, above what they would make if they'd gone through civil service procedures, Ford said. At the April meeting, two board commissioners, John Cumella and Keith Rabalais, voted to absorb the four into civil service. Two commissioners, Glyn Vercher and Theodore Fontaine, were absent. Ford voted not to bring the employees under the civil service shield. "I thought it was a bad idea," Ford said. At a City Council committee meeting Tuesday, council members also debated whether those employees must be issued a check for vacation pay. According to rules, they technically are leaving an old job and entering a new one, even though their work environs will remain the same. Civil Service vs. Personnel Currently, Director of Personnel Pam Saurage wears two hats - the city's primary hiring manager and the city's civil service director. By city charter, she's the only department head under the civil service umbrella. She's also the only department leader who can't be fired without due process. The 14 others in charge of their departments, such as the fire chief and director of finance, and their assistants are not classified civil service employees, meaning the mayor can fire them. All other permanent city employees are classified, including police and firemen who have their own civil service organizations. Through a bill authored by Speaker of the House Charlie DeWitt, D-Alexandria, the Legislature separated the city's civil service and personnel departments at the urging of Mayor Randolph and City Council members, Randolph said last week. House Bill 1532 is sitting on Gov. Mike Foster's desk waiting to be signed into law, DeWitt's office said Friday. Alexandria has the second oldest civil service organization in the state, Randolph said, and the city must modernize the way it hires workers. Separate personnel and civil service divisions are the way most cities are set up, he said. "I think it's well worth the money to make the city run better than it has," Randolph said. "Things are antiquated. Things have changed." A personnel department would concentrate on human resources specialties like employee training, merit appraisals, recruiting and employee service contracts, Randolph said. On the civil service side, Saurage's duties will be streamlined, as will her staff, with some moving over to the new department. Saurage would continue to handle salary grades and employee grievances, Randolph said. "We needed a clear delineation between the two" departments, Randolph said. Saurage said last week that her department operates just fine, though she could use more staff members. Currently, 513 of the city's 889 employees work under her department's umbrella. Firemen and police officers account for another 316. The remaining 60 employees are unclassified; either they're department heads, secretaries or temporary workers. Mayor Randolph said the new personnel director will cost the city at least \$40,000 a year, probably closer to \$50,000 or more. And, Randolph will hire the director. He said he's not chosen who that will be and that the city "might" advertise for the position. "Several people have expressed an interest" in the job, Randolph said. No plans for the new division have been formed yet, because "I may want him to be on board to create the division," the mayor said. New division problems Ford, the Civil Service Commission chairman, said separating the departments is a "mistake." Procedures now make city job candidates take tests, undergo interviews and have legitimate job experience. Saurage delivers the best three job candidates' applications to the mayor's office, and one of them is chosen. Ford said separating personnel from civil service "weakens" the department.

From [Daily Town Talk](#), by Billy Gunn, 18 June 2001

EX-MAYOR'S ETHICS IN QUESTION

Cincinnati City Council Member Chris Monzel wants the city to investigate whether former Mayor Dwight Tillery has violated state ethics laws by receiving tens of thousands of dollars annually from a contract that he voted on while in office. At today's City Council finance committee meeting, Monzel plans to introduce a motion asking city staffers and others about the payments Tillery receives through his involvement with the Grass Roots Leadership Academy. The academy - a private, nonprofit firm based in Avondale - offers training and other services to low-income residents, primarily young African-Americans. In 1997, Tillery voted in favor of a \$288,250 contract for Grass Roots. The contract did not go through the city's competitive bidding process. Tillery, a Democrat, left

his City Council seat in early 1999 due to term limits and, within a few months, began receiving about \$45,000 annually from the academy for consulting services. Tillery, a registered lobbyist, represents other clients at City Hall, including the African-American Chamber of Commerce. State ethics laws bar elected officials from benefitting from no-bid contracts they authorized until they have been out of office for at least a year. Monzel, a Republican, wants City Council to question city staffers Carleton Maddox and Steve Kurtz, who oversee payments to the academy. Maddox recently asked for an opinion from city attorneys about Tillery's involvement. Monzel also wants to question Jenny Laster, the academy's director. "We need to start holding our government and staff accountable about how they oversee taxpayer money," Monzel said. "With a projected \$25 million shortfall in the city's budget, we need to make the most of our resources and demand they be spent wisely." Tillery could not be reached today for comment. When The Post questioned city attorneys about Tillery's arrangement in the summer of 1999, they said it did not violate any state ethics rules. Ms. Laster was part of a group organized by Tillery after April's riots that made a list of demands for City Hall to help poor, black neighborhoods. Noting that city law prohibits contractors from being involved in partisan political activity, Monzel also wants to know whether Tillery's actions in that matter violated the law.

From [The Cincinnati Post](#), by Kevin Osborne, 19 June 2001

ETHICS PANEL DISCIPLINES COUNTY WORKER FOR SHARING PRIVATE DATA

A longtime county Public Works employee has been disciplined for turning confidential county data over to private businesses that he worked for on the side. Glen Burnie resident John C. George III, a geographical information systems technician for the Public Works Department's Bureau of Engineering, signed a consent order with the county Ethics Commission last week admitting he knowingly violated department policies and procedures. The Ethics Commission found Mr. George also "used confidential information for the economic benefit of his secondary employers and for his own economic benefit..." according to the consent order. Mr. George, a 34-year county employee who earns \$40,311 annually, refused to comment Friday when reached at his home. According to the consent order, Mr. George was disciplined by Public Works officials, but the nature of that punishment was not detailed. Public Works Director John Brusnighan could not be reached for comment Friday. Matt Diehl, a spokesman for County Executive Janet S. Owens, said Mr. George was not fired. But Mr. Diehl would not comment on the punishment taken, calling it a personnel matter. However, a source with knowledge of the incident said Mr. George was suspended. The source did not say for how long or whether the suspension was without pay. According to the consent order, Mr. George who is subject to the county's Public Ethics Law has worked for the past several years for a number of outside employers, making drawings for them that they then submitted to other county departments for review and approval. Some of those drawings were ultimately filed with the Bureau of Engraving. In making some of those drawings, Mr. George provided his outside employers with digital and hard copy data that was owned by the county and not publicly available, according to the consent order. Under that order, the Ethics Commission prohibited Mr. George from working for any outside employers or any entity required to buy data from Public Works or that is under the oversight of the department or has a contract administered by the department. In addition, the consent order bars Mr. George from using any county property, facilities or resources for outside employment. Mr. George's case is the third recent case involving misconduct by a county employee. Circuit Judge Nancy Davis Loomis in March disciplined a roads supervisor and about a dozen employees who sold \$1,000 worth of scrap metal to buy T-shirts, coffee products and funeral flowers. Former county warehouse supervisor Christopher Lee Middleton of West River received a suspended three-year prison sentence in February after racking up \$26,896.62 in personal purchases on his county-issued credit card. Mr. Diehl said county officials support the system in place for preventing these type of abuses. "Certainly, Ms. Owens won't stand for anything like (this)," he said. "There are methods in place that take care of this."

From [HometownAnnapolis.com](#), by Sara Marsh, 18 June 2001

BIPARTISAN ETHICS

Senior administration officials continue to act as if conflict-of-interest and other ethics-in-government standards they are happy enough to apply to others somehow don't apply to them. The latest example is senior presidential political adviser Karl Rove. In March, while still the owner of more than \$100,000 worth of stock in Intel Corp., he met privately at the White House with the chief executive and other officials of the company, one of whose concerns was winning government approval of a merger between a Dutch company and an Intel supplier. The merger was ultimately approved. Mr. Rove, through a spokesman, says he played no part in the decision, merely referred the Intel executives to other government officials whose responsibility it was. He thereby "avoided any discussions that specifically or materially affected his holdings," the spokesperson said. He might have avoided them even more clearly had he declined to meet. His holdings have since been sold. He had been unable to sell them earlier, he said, because he hadn't been issued the certificate he needed to roll them over tax-free, a privilege granted to government officials lest they be penalized in setting up blind trusts meant to preserve them from conflicts. Mr. Rove is not the only official to have been a little slow to divest himself of stock. Treasury Secretary Paul O'Neill at first refused to sell millions of dollars worth of stock in Alcoa, of which he had been chairman, saying he could avoid conflict of interest by recusal. He backed down when that proved impractical, but apparently still has not completed the divestiture. Mr. Rove and other officials also owned sizable amounts of stock in Enron Corp., the energy company, while helping to shape administration energy policy. Republicans were indignant during the last campaign about what they portrayed as the ethical shortcomings of the Clinton administration. The president campaigned in part on a promise to "restore honor and integrity to the White House." The capacity for indignation has since faded. When Vice President Cheney used his residence for some Clintonsque stroking of campaign contributors that Republicans might earlier have found offensive, then Senate Majority Leader Trent Lott said: "I'm sure it's being done in an appropriate way, or Dick Cheney wouldn't do

it." But it was no more appropriate than was Mr. Rove's meeting with Intel. Now some Democrats are talking about holding mirror-image hearings of the Republican administration, but that's hardly the ideal solution. Having rightly announced high standards, these folks should just live up to them.

From [Washington Post](#), 18 June 2001

MEXICAN PRESIDENT FIGHTS 'TOWEL WAR'

The Mexican President, Vicente Fox, has ordered an investigation into the cost of refurbishing the presidential residence following revelations of high spending on luxury items. Mr. Fox, who has pledged to combat corruption and extravagance, said his government will look into the very high prices paid for many items, from bath towels to curtains. President Fox said the disclosure of the purchases on a government website was evidence of his commitment to transparency and accountability. Correspondents say many Mexicans believe corruption was behind the excessive prices paid in what the local media has called the "towel war".

From BBC, 21 June 2001

Management Innovation & Trends

ASIA/PACIFIC

ENTERING AN ERA OF INNOVATION

Published here is a speech Anand Panyarachun, the former prime minister, delivered at yesterday's 'Thailand Innovation Day' organised by the World Bank, to promote rural development through information technology. Our grandchildren are the true IT generation. It is my hope that they will remember the end of the last century not as a period of economic crisis, but as a period of progress. A period in which we determined, once and for all, to unite as a nation and address human rights, the equitable distribution of income, to reform our governance to place true power in the hands of ordinary people, and to document the reform in the Constitution. Our Constitution is a revolutionary document because it empowers people with real tools of governance-rights, accountability and representation-in in ways unimagined in the 15 Thai constitutions that preceded it. The difference between this Constitution and the previous trail is participation. People, rather than vested interests, are its true architects. Armed with that experience and document, we enter the Century of Knowledge. The Era of Innovation. We have seen the great benefits of the technological change in reducing poverty throughout the world. Children in Brazil are learning about democracy through computers, African artisans are selling their crafts over the Internet, and health care is delivered more efficiently in India through handheld devices carried by rural health providers. Citizens throughout the world are doing their business with the government online, and companies are conducting shareholder voting through the Internet. We have seen businesses become more competitive, reacting more quickly to create new and innovative products in response to the market. Ideas are the currency of the day. Now Thais are known for many fine qualities, but speedy technological innovation has not been high on the list. We still have some way to go in terms of education, awareness and access of all of our citizens to basic telephone service. But we have started on the path, led by the example of Her Royal Highness Princess Maha Chakri Sirindhorn, who has empowered many underprivileged communities and schools with access to information technology. Seeing how many proposals have appeared in such a short time, it is clear that Her Highness' efforts have raised awareness, and that perhaps our reputation in the field of innovation will be changing soon. The finalists (who took part in the 'Thailand Innovation Day' contest) have demonstrated clearly the benefits of information technology in rural areas. The finalists' proposals intend to provide economic opportunity, share knowledge more rapidly, document local wisdom, and provide basic services. Our rural people, who outnumber our urban population by far, lack these benefits more than our city-dwellers. Yet for every 10 Internet users in Thailand, only one is rural. Such is the way of the market, and this is why we must take action on the digital divide. Information technology has its risks as well. Many in our society fear unintended consequences of the wrong type of information reaching our rural communities, which are the cornerstone of our society. This is an important concern that government, civil society and local communities should tackle jointly. But this does not mean that we need to turn our backs on global information. We all know that change is inevitable. In Buddhist philosophy there is a saying, "All things are in flux and nothing is permanent." We need to prepare our new generation to harness the tools of change confidently, openly and, as a community, to ensure that change happens in a way that is consistent with our ideals. Thailand Innovation Day represents an important step forward, because it demonstrates that people from all walks of life are able to use the power of information and networking for positive change: To improve the quality of life in the rural community, to provide the right type of information "content" that does not exploit but empowers. I am pleased that the government also recognises this imperative, and that the World Bank is supporting the government's efforts. Through our Constitution we have determined that our democracy and society will survive, and thrive, based on the pillars of knowledge, good governance and the empowerment of people. I am pleased to say that we are entering the Century of Knowledge determined to build our information infrastructure on the same foundation. We will shortly name a selection of winners from this group community innovators. One such prize will be given to the finalist whose proposal best embodies the virtues of good governance and empowerment of citizens using information technology. I would like to thank all the judges who have been working very hard in this innovative process and also thank the American Corporations in Thailand (ACT) for donating this gift in my name. All of the finalists are winners and, in fact, Thailand is the real winner. Congratulations to all the finalists who have shared their ideas, which are increasingly our most valuable asset.

From [Bangkok Post](#), 12 June 2001

GOVERNMENT OUTSOURCING: GET WITH THE PROGRAM!

Current government outsourcing methods are behind the times according to Unisys Australia, which believes a re-focus on business desires rather than cost savings need to be deployed if the public sector wants to operate in the e-government world. "Government IT contracting is still the same as it was 40 years ago," Unisys general manager public sector South Pacific Group Alan Koehn said. Koehn believes current outsourcing agreements between government and industry are no longer relevant. "A cost savings approach to outsourcing restricts the government's ability to improve its business", he said, limiting the service it provides to citizens, business and government employees. "If you are going into [outsourcing] just for the cost savings, then you will get exactly what you pay for," Koehn said. According to Unisys, government's specifications-based approach is no longer applicable when it comes to IT outsourcing, as it is not flexible enough to move ahead with the times. From conception to the point a contract is implemented

can take up to two years, by which time the business needs of the government agency has changed, as well as the technology itself, Koehn said. The answer is simple according to Unisys; instead of contracts being built around IT systems, such as implementing a particular technology, partnerships need to be based on a 'risk and reward' structure. Koehn says that under such a structure, the vendor and government share in the savings or profits, only if the implementation is successful. The government can be confident the vendor will meet expected outcomes as they have a vested interest in the end result, and the vendor has a more flexible arrangement to meet the changing needs of the government's business requirements. "Contractors shy away from arrangements they don't understand and struggle to implement, and government is cautious about adopting new methods that rely on increased trust," Koehn said. The partnership relies on the government agency trusting that the contractor knows what it is doing and the contractor trusting that the government will live up to its end of the bargain, "otherwise they do not get paid."

From [ZDNet](#), by [Megan McAuliffe](#), [ZDNet Australia](#), 8 June 2001

KOREAN CONDITIONS EXCELLENT FOR IT DEVELOPMENT

The following is part two of the full text of a keynote speech delivered by Hanaro President and CEO Shin Yoon-shik, to be delivered at the Global Information Summit 2001 in Tokyo today. How could the broadband Internet service turn out to be so successful in Korea in such a short period, less than three years? First, the tariff rate is one of the lowest in the world. In Korea, ADSL service is offered at the price of \$30 per month. I am told that the monthly rate in Japan is 5,000 yen, or about \$40. Second, we have a large number of Internet cafes which is very unique to Korean society. Internet cafes started sprouting up all over Korea in 1999 and now we have over 20,000 across the country. Young people were able to get their first taste of the fascinating speed of broadband Internet through a wide range of multimedia games. Third, there has been a noticeable change in the pattern of economic activity. The drastic increase in the number of people using online systems for stock trading and banking transaction are but a few examples. Looking at the demand side, it may be interesting to know that the country's unique housing environment has been the first element that has contributed to the growth of broadband Internet service. As over 70 percent of the total population of the country lives in the seven largest cities, including Seoul, Internet access providers were able to focus on the high demand areas in their initial network deployment. Moreover, the high ratio of large apartment complexes in the major cities has facilitated the deployment of fiber optic networks and ADSL services. Second, demand for the wide spectrum of multimedia content ranging from video on demand to video chatting increased drastically among young people. We have particularly noted that certain multimedia/network games, such as Starcraft, accelerated the pace of broadband Internet diffusion. The government's strong policy drive for Internet service promotion and its positive measures to guarantee fair competition has contributed significantly to the spread of broadband Internet. President Kim Dae-jung in his inaugural address placed emphasis on the importance of an information society and such strong will and continuous concern by the country's chief executive has served as the prime mover for the early realization of Korea's information society. Last year I had the opportunity to give a lecture to high-ranking prosecutors, including the prosecutor general. Given their age, they belonged to the PC illiterate generation. Many of them were, therefore, unable to use the Internet personally, since they normally depended on their assistants when they needed to retrieve information from the Web. However, they could not afford to remain PC illiterate any more, because the president demonstrated his strong will by personally sending e-mails to the minister of justice as well as to the prosecutor general. In an effort to construct a nationwide broadband Internet infrastructure, the government completed in the year 2000 the deployment of a broadband backbone network that linked the whole country together. It also linked up all public agencies and schools with fiber optic cables. In addition, the government has cleared up all the legal and other regulatory obstacles to form an information oriented society, thereby paving the way for the spread of the Internet. The government has also endeavored to promote the IT industry and to put computers and the Internet to wider use. Most important of all is the introduction of competition in the broadband Internet market. It was on the strength of the government's consistent policy toward liberalization that Hanaro Telecom came into being in 1997 as the second local exchange carrier. During the initial preparatory period of one and a half years, we came to realize that the voice market had reached the saturation point and, therefore, Hanaro Telecom should set its goal on the data market instead, which was then an untapped market. This is how Hanaro Telecom concentrated its efforts on the ADSL-based broadband Internet market and succeeded in commercializing for the first time in the world ADSL service, thereby building the inertia for creating a boom in the broadband Internet. In tandem with the expansion of the broadband Internet, we are facing a number of counter effects of informatization, and it is expected that they will get worse as society becomes more digitally sophisticated. Cases of privacy invasion and circulation of unhealthy information are on the rise, and cyber terrors such as the dissemination of viruses and hacking are increasing. In particular, illegal sites, such as suicide sites and bomb making sites, victimize innocent Web surfers. On the other hand, however, we are faced with the problem of the digital divide and it is incumbent upon us to solve it. The digital divide widens as the rich get richer and the poor get poorer, emphasizing the chasm between class, region, and generation. It has been revealed that people in low income brackets, or those are 50 or older, or farmers and fishermen, housewives, and the handicapped, are comparatively less fortunate in gaining access to information and in developing their ability to make use of computers. To solve the problems arising from these negative effects of informatization, the Korean government has launched a variety of policies. To overcome the problems arising from the counter effects of informatization, Korea has intensified public and private information protection systems. As part of efforts to solve the problems arising from the digital divide, Korea has built up an infrastructure for broadband Internet facilities in remote areas and is now utilizing post offices in small and medium cities throughout the country for offering training courses on computers and the Internet free of charge. Telecommunications have normally been based on voice transmission through wire. Recently, however, the telecommunications service has gradually been gravitating toward the transmission of data through wireless systems. With the technological advances, broadband Internet through wire will eventually evolve into fiber optic cables leading to every home. It might also be integrated into IMT-2000, which will be put into service quite shortly. Bearing this new trend in mind, Hanaro Telecom wishes to pursue business opportunities in the 3G business with a view to help make a real Internet world of anytime, anywhere

Internet access in the near future. And I strongly believe it is incumbent on Hanaro Telecom and other telecom service providers to exert their efforts to achieve this aim of making a real Internet world as early as possible. I have learned that even in Japan ADSL-based broadband Internet service is expanding rapidly with a good number of service providers. The Japanese ADSL service market will probably experience rapid growth as has been experienced in Korea for the last 2 to 3 years. It should be noted, however, that the rapid growth of broadband Internet services may give rise to a number of problems. The government should play an important role here to minimize the impacts of these problems. The government should readjust various laws and regulations in such a way as to avoid excessive competition and the resultant overlapping of investments, as well as prevent any counter effects that may be brought about as a consequence of the wider use of the Internet. Viewed as such, the Japanese government is on the right track as it is pursuing the vision of "e-Japan". It is in this context that today's forum takes on a great significance. In that respect, I suggest to arrange regular meetings where broadband access providers from both Japan and Korea meet and discuss solutions to the counter effects of digitalization and moreover mutually cooperate for the strategic development of services.

From Korea Time, 21 June 2001

GOVERNMENT TO BOOST INTERNET COMPETITION

Tokyo - Japan's telecom ministry plans to revise rules and regulations to make it easier for companies other than mobile phone operators to launch Internet-access business, ministry officials said Tuesday. The proposed revision by the Ministry of Public Management, Home Affairs, Posts and Telecommunications is intended to prevent a monopoly of the booming Internet-linked mobile phone business by mobile phone operators by ensuring fair competition, the officials said.

From Japan Today, 27 June 2001

IT TRAINING, FASTER INTERNET ACCESS URGED

Tokyo - A government panel on information technology (IT) adopted Tuesday a program for fiscal 2002 that calls for more IT skills training and the promotion of Internet access in areas that have yet to enjoy the benefits of IT. The proposals are among five points outlined in the "e-Japan 2002 program" adopted by the IT Strategy Council. Other suggestions include the establishment of infrastructure necessary for realizing an e-government, and promoting international cooperation over IT.

From Japan Today, 27 June 2001

EUROPE/CIS

E-ENVOY TO SPEAK AT MS-SPONSORED DIGITAL UK SUMMIT

The Office of the e-Envoy is now sending out a revised statement on the Government Gateway and its little problem with non Microsoft browsers and operating systems, but Government Gateway Statement2.doc (still in Word format, natch) adds little or nothing to the feast; meanwhile it emerges that e-Envoy Andrew Pinder is a featured speaker at the Digital Britain Summit 2001. The [Digital Britain Summit](#) is an invitation-only event headlined by Steve Ballmer and organised by Microsoft, and Pinder will be speaking on "Delivering the e-government vision." The UK's Government Gateway was headline news for Microsoft at its (also invitation only) Government Leaders Conference in Seattle in March. The participants list for *that* event included a contingent from Pinder's office and related areas. Names [from the list](#) that pique our interest include the following: - John Dodds, UK Treasury. - Bob Evans, Office of the e-Envoy, programme director UK Online. - Alan Mather, Cabinet Office, Government Gateway project manager. - Javan Morris, director, Police Information Technology Organisation. - Andrew Pinder, Office of the e-Envoy, as himself. - Jamie Rentoul, Performance and Innovation Unit, Cabinet Office. - Ann Steward, Office of the e-Envoy, director, e-Government. A guest list for Digital Britain 2001 would certainly be of interest to *The Register*, and we're sure somebody out there will be able to help. But what is it? Helpfully, the consultancy involved in "securing high level Government involvement" in the first one last year seems to have knocked up a proud case study. The objective is: "To educate and inspire UK senior business decision makers about the role Government is playing to further the e-revolution in the UK. To align Microsoft with Government and be seen as a senior commentator and 'thought leader' in the business decision maker space. To continue to build relationships with key influencers." Nice and impartial-sounding, no? No. There's more: "Working closely with Microsoft, we organised a private meeting between Steve Ballmer and Neil Holloway, Managing Director, Microsoft Ltd (UK) and [e-commerce minister] Patricia Hewitt and Alex Allan [last year's e-Envoy, they're talking about Summit 2000 here].... The private meeting between Hewitt, Allan and Ballmer and Holloway was also highly successful." Pat herself was persuaded to knock off an article for Microsoft's supporting mag and aside from that, seems to have helped sell the event to some people: "In addition, we also secured Terry Leahy, CEO, Tesco, as a keynote speaker by offering him time with Patricia Hewitt." Meanwhile, back at the Microsoft-only Government Gateway one eliseb of Isis Marketing is claiming in statement2.doc that "The Government Gateway is based on open ? not proprietary standards Through these open standards, the Gateway is already successfully interoperating with a range of operating systems ranging from UNIX to Windows 2000, and providers ranging from Microsoft through to Apache and BEA Weblogic.... The solution is architected on W3C and IETF standards, such as XML, XSLT and digital signatures etc. Almost all IT vendors now support these standards within their products so that government organisations are not tied to particular suppliers offerings." So that's all right then. But down at the bottom in a section now somewhat truncated by the foregrounding of positive spin, eliseb concedes that yes, you can only get the full service with Microsoft operating systems and browsers. Which is what the techie who wrote statement 1 said in rather more detail. The

sign-off, however, is worth noting: "Microsoft understands that the Office of eEnvoy will be testing a number of other browser and operating systems combinations over the year which will be released as soon as possible. The intention is to provide choice for users, and not to limit them to particular flavours of technology." So if we understand this correctly, the task of getting the UK's e-government portal working with non-Microsoft systems is to be handled by the client, not the contractor. Surely some mistake? And finally... Back at the Office of the e-Envoy, we find [this page](#). Slide your way down, down, deeper and down until you get to "Framework Policies" then click on the links that follow. That's right, they're all broken, and to our knowledge they have been so for at least the past five days. As our informant (thanks Steve) said: "who the hell is looking after this web site, and, more to the point, what are they getting paid for not doing so?" But maybe they're in conference...®

From [The Register](#), by [John Lettice](#), 5 June 2001

E-GOVERNMENT PLANS ARE DOOMED TO FAILURE

As we enter election week, a leaked report reveals major flaws in Labour's online ambitions - More doubt has been cast on Labour's ambitious e-government plans as a report leaked to the *Guardian* newspaper predicts it will fail in its goals. The draft report -- compiled by a selection of politicians, civil servants and high-tech workers known collectively as Eurim (European Infomatics Markets group) -- criticises the government for its reliance on putting services online, claiming this is merely a means to an end rather than an end in itself. The report is not due for publication until after the election. The government has congratulated itself in recent months for being on track to put all government services online by 2005, but not everyone is convinced the strategy has any real power to change the relationship between state and citizens. Earlier in the year, left-wing thinktank Demos condemned the government's obsession with targets and called on it to make a more radical shift in the way information was used and disseminated in the electronic age. "This [report] is a vindication of what we have said that this obsession with targets is setting the government down the wrong track," said a spokesman for Demos. "The growth of e-government should be put at the centre of government as it will be fundamental for everything they do." The man charged with overseeing the government's digital plans -- e-envoy Andrew Pinder -- has also come in for a roasting from a select committee of MPs, who accused him of being caught up in red tape. "The e-envoy has been absorbed into the machinery of Whitehall and is now an adjunct of the e-minister," the Trade and Industry select committee report concluded. "We are concerned at this mini-empire growing up in the shadow of the e-envoy. We greatly fear that the original concept of the e-envoy has been captured, tamed and bureaucratized." UK Online is the government's flagship citizens' portal. It offers information, or what the Web site describes as a "helping hand" on important milestones such as moving home, bereavement and having a baby. It also has a forum in which citizens can express their views on government. Getting services online forms the major part of Labour's e-commerce manifesto pledges. Broadband, on the other hand, gets only a passing mention. This has infuriated industry watchers, most of whom regard a high-speed infrastructure as by far the biggest issue if the government wants to fulfill its targets of being an e-commerce world leader. The Cabinet Office remains convinced that putting all services online is the best way for government to play its part in the knowledge economy and a spokesman is bullish about hitting the 2005 deadline. "A clear target has been set by the prime minister for all government services to be available electronically, and in a customer focused form, by 2005. The latest findings [from Autumn 2000] show that 42 percent of central government services are now delivered electronically and 73 percent will be enabled by 2002," he said.

From [ZDNet](#), 5 June 2001

ELECTRONIC IS THE ENGINE, THE NEW ECONOMY MUST BE THE MOTOR FOR GROWTH, SAYS YIANNOS PAPANTONIOU

The new economy is expected to be the engine of growth for Greece in the coming years, National Economy Minister Yiannos Papantoniou said yesterday at a conference on e-government organized by The Economist. "Economic growth up to now has been driven by the combination of a stable environment, infrastructure projects, market deregulation and structural reforms. As these programs come to fruition in the next few years, the new economy will be expected to provide the stimulus for growth," he stressed. The state on its part is already taking action to speed up the adoption of technology in public administration. The minister pointed to the improved quality of state services and the greater degree of transparency in transactions involving the government and civilians, the result of the widespread use of technology in public administration. The taxation system, known by its acronym TAXIS, has already made life easier for taxpayers, allowing them to submit their tax declarations, pay their levies and even acquire various certificates via the Internet. Speed and convenience aside, the Internet has proven to be more precise and accurate in processing tax claims than the traditional manual method, said Deputy Finance Minister Apostolos Fotiadis, speaking at the same conference. "Technology has helped speed up the settlement of tax claims. The most significant benefit however is the reduction in the margin of error, less than 1 percent compared with 15 percent for manual transactions," he said. Encouraged by the success of Internet-based tax transactions, the state plans to include other transactions, such as the levy on salaries and businesses, shortly. Technology will form the cornerstone of the Social Security Foundation's (IKA) restructuring program, governor Miltiades Nektarios told delegates at the conference yesterday. Beginning next year, employers will be required to submit social security payments to IKA in electronic or handwritten form, putting an end to the present "ensima" system, the social security stamps that workers need to accumulate every month to validate their retirement benefits. The new system will make it easier for IKA to keep tabs on the insured and help it crack down on shirkers, Nektarios said.

From [eKathimerini.com](#), 13 June 2001

BUSINESS GUIDE TO THE NEW GOVERNMENT



Just days after his re-election, Tony Blair has dramatically reshuffled his cabinet. New people are in charge, and government departments themselves have been overhauled. BBC News Online explains what the changes mean for UK business. Gordon Brown, the Chancellor of the Exchequer, has again spread his net widely across the other economic departments of government. His own ministry, the Treasury, undergoes only minor changes, with a former Bank of England official, Ruth Kelly, becoming economic secretary in charge of financial regulation and euro preparations, while the Treasury's first black minister, Paul Boateng, moves over from the Home Office to become

economic secretary. At the Department of Trade and Industry, under new Secretary of State Patricia Hewitt, a key Brown ally Douglas Alexander - Labour's campaign co-ordinator - becomes the number two, in charge of competition policy and e-commerce. The combination of the two roles reflects the importance the government now gives to both e-commerce and competition. For the latter a new bill will take competition decisions out of politics - although before it goes through, Patricia Hewitt will still have to make some key rulings, for example on the Lloyds TSB-Abbey National bid. Another key appointment is Baroness Symons, the former head of the First Division Association of civil servants, who becomes trade minister (a joint appointment with the Foreign Office) - part of the drive to ensure that the UK remains an attractive location for inward investment. Former trade unionist, Alan Johnson of the Communications Workers Union, keeps his role as employment relations minister, but is promoted to minister of state, adding regional development to his brief. Completing the ministerial team at the DTI is Brian Wilson, a member of the "Scottish mafia", who becomes industry and energy minister with responsibility to ensure that another BMW-Rover bombshell does not destabilise the government. And junior ministers Nigel Griffiths (sacked earlier as competition minister) and Melanie Johnson (previously a Treasury junior minister) also have links to the Chancellor. The DTI has gained some new responsibilities - notably for regional development agencies from the former DETR - but failed to gain control of communications policy from new Culture Secretary Tessa Jowell. Ministry for Work and Pensions - Meanwhile, the new department for work and pensions (DWP), under the Chancellor's former ally and chief secretary to the treasury Alistair Darling, is reshaped in Mr Brown's image. The former DSS has taken employment policy from the Education Department, and now will try and implement Labour's policy of making work pay - with job centres being merged with benefit offices, and everyone under retirement age urged to look at job opportunities rather than welfare. The key ministerial appointment is Nick Brown, the former agriculture minister, who is demoted to become minister for work. Another early Brown supporter, Ian McCartney, becomes minister for pensions, while the second of the Eagle sisters, Maria Eagle, becomes a junior minister in the department. Joined-up government? However, responsibility for many key policies affecting business remains split among several other government departments. Most importantly, planning remains with the shrunken Department of Transport, Local Government and Regions (DTLR) - and planning delays have been widely blamed for hold-ups in government investment projects. Stephen Byers, the former trade secretary, has taken over that ministry, with a key role to improve the UK's failing infrastructure. Environmental regulation - another concern of business - has been transferred to a newly strengthened Department of Environment, Food, and Rural Affairs (DEFRA) under Margaret Beckett. Former left-winger Michael Meacher, however, remains environment minister, while former Welsh first minister Alun Michael becomes rural affairs minister with responsibility for agriculture. The DEFRA also gains responsibility for tourism from DCMS. And training - of key importance to Gordon Brown - remains in the Department for Education and Skills under Margaret Hodge. Finally, regulation of the communications industry - including a new bill to create a single regulator - remains shared between the Department of Culture, Media and Sport under Tessa Jowell - and the DTI.

From BBC, 12 June 2001

HIGH-TECH SERVICE WILL BE CIVIL

The adoption of new technology in public administration will help speed up the dissemination of information while allowing easier access to state agencies and local government, Interior Minister Vasso Papandreou said yesterday. She pointed to the substantial sum set aside for modernizing the civil service, amounting to about a third of the budget for the information society program. "Out of the 1 trillion drachmas planned for the program, 300 billion will be used to computerize public administration," Papandreou told a conference on e-government organized by the Economist magazine. The minister said the state plays an essential role in the technologically driven revolution, especially in view of globalization which threatens to lead to a digital social divide, separating the knowledgeable from the uninformed. "We need to maximize the benefits of the technology revolution and minimize the disadvantages while ensuring that everybody has equal access and opportunities," she said. Papandreou also stressed the new jobs expected to result from the adoption of new technology. At the same time, the state should see a reduction in expenditures by the numerous committees. Equipped with new technology, state agencies will be able to expand into new areas such as organizing electronic polls and holding virtual meetings. Municipalities and prefectures around the country are also expected to benefit from the ministry's computerization drive via the Ariadne and Syzeuxis programs, both aiming to link up local government to the Internet.

From eKathimerini.com, 12 June 2001

E-ENVOY CRITICIZES E-GOVERNMENT TARGET AT MICROSOFT SUMMIT

E-envoy Andrew Pinder has admitted that Tony Blair's target of full electronic service by 2005 is "unhelpful" in the push towards e-government. Pinder came out of general election purdah to make the admission at the Digital Britain Summit on Friday. He said, "I know the government will not appreciate me for saying this but there have been some unhelpful targets set, particularly the main one of full electronic service by 2005." The e-envoy also gave a clear indication that he believes the controversial 2005 target will not be met, by announcing his own more realistic target. "I would be more than happy if, by the target date, we could have the main government services online with full citizen participation," he explained. Following the Labour government's re-election, Pinder said he would wait and see what ministerial changes would be made before discussing any possible changes to the e-government agenda. "I have had a very good and productive relationship with the e-minister Patricia Hewitt, but there will be some ministerial changes and they will have their own personal views," said Pinder.

From CW360.com, 8 June 2001

COUNCIL GETS HELP WITH E-GOVERNMENT

Local authority IT directors are to be assisted in their battle to make sense of the government's Best Value directives. Since its publication in January 2001, local government has struggled to interpret the BVPI 157 directive, which is now seen as one of the major barriers in the struggle to meet Tony Blair's e-targets. Steve Palmer, IT head at Hillingdon LBC, said, "There are some small hurdles to overcome in order to hit e-government targets but the confusion over BVPI 157 stands out as a real barrier. Socitm [The Society of IT Management] is working hard to help local authorities tackle the problem but there are still clarification difficulties." Socitm has this week launched a Web site to help worried local authorities pick their way through the minefield of seemingly contradictory central government demands. A Socitm spokesman said, "We hope this Web site will develop into an interactive repository of good practice, which will be of practical assistance to local authorities." The creation of the new site comes hot on the heels of a BVPI 157 guidance publication launched last week. The publication was a joint effort between Socitm's Best Value Group; the government's Improvement and Development Agency; the Local Government Association and the Department of the Environment, Transport and Regions. It aimed to provide clarification to local authorities confused by BVPI 157's definitions of "electronic services" and the number of interaction types that needed to be measured and tracked. The document suggests reducing the number of interaction types to six generic items. These capture the core functions of a local authority's interaction with citizens. However, any such changes must be discussed officially as part of the Best Value review process and, even if they are adopted, they will not be effective until next year. The six items are: Information provision (such as public transport) Making applications (such as planning consent) Booking a service (such as a squash court) Payments in (such as council tax) Payments out (such as benefits) Feedback (such as complaints). The BVPI 157 confusion has put additional pressures on local authorities that are already concerned with the stiff challenge of delivering full electronic service by 2005 despite funding and staffing difficulties. John Serle, chairman of the Socitm Best Value Group, said, "The previous guidance created complexity in the minds of those in local government. We have reduced this to six key items so that local authorities can concentrate on delivering e-government. The new guidance would also help them to see where they need to invest in the future in order to meet targets."

From CW360.com, by Bruce Ackland, 15 June 2001

COUNTRIES JOIN EU VISION FOR E-GOVERNMENT SERVICES

The governments of 28 European countries have agreed on a set of recommendations for the development of on-line public administrative services. Countries from Eastern Europe and the European Economic Area seeking [EU](#) membership embraced the idea along with the EU member states, which have included the promotion of public services online in the 2002 eEurope Action Plan. The [European Commission](#) has said all of the countries are launching some [e-government](#) services. The recommendations touched on the need for internet security and openness.

From Europemedia.net, 20 June 2001

COUNCILS TO TAKE SIX YEARS TO MEET E-GOVERNMENT TARGETS

Society of Information Technology Management (Socitm) president Robin Carsberg has joined e-envoy Andrew Pinder in voicing concerns about e-government deadlines. Speaking at the recent Socitm president's dinner, Carsberg said, "For a local authority that has the capacity to change and a clear idea of where it is going, the timetable to support the delivery of 100% of services electronically is likely to be between three and six years." The shortage of finance and project- and programme management skills could extend this timescale for some councils, he warned. Comments made earlier this month by Pinder suggest that it will not be easy for local authorities to meet the Prime Minister's goal of getting all services online by 2005. The e-envoy said that government targets are "unhelpful". "I know the Government will not appreciate me for saying this, but there have been some unhelpful targets set, particularly the main one of full electronic service by 2005," he said. Pinder also gave a clear indication that he believes the target will not be met, by announcing his own, "more realistic" target. "I would be more than happy if, by the target date, we could have the main government services online with full citizen participation," he said. Concern over deadlines is set to dog the e-government strategy over the next few months. Research from specialist consultancy Parity Solutions recently suggested that 60% of councils will fail to meet the July deadline for having prepared an e-strategy document. The Department of Transport, Local Government and the Regions has asked every local authority in England to prepare a statement on implementing electronic

government by 31 July. Central government officials insist, however, that the 2005 deadline will be met. A Cabinet Office spokesperson said, "There is no reason to suggest that local authorities will not meet the deadline that has been set."

From CW360.com, 21 June 2001

THE AMERICAS

TECHNOLOGY CENTER DEVELOPING E-GOV. TOOLS

Fresh from launching an Internet-based resource for enabling state and local governments to use new technology to make their operations more efficient and accessible, the Center for Technology in Government is embarking on a new phase. Called "E-Government: Creating Tools of the Trade," the program by the center, which is based at the State University of New York at Albany, will develop a host of new projects, from awareness sessions to guidebooks. Last fall, the center completed the resource "Using Information in Government," available at its Web site at <http://www.ctg.albany.edu>. Included in the new program will be a report on real life examples of successful case studies, a report on managing electronic records and more Web-based resources. The center, which has an annual budget of \$785,000 from the state, works with state and local governments to improve the quality of services and reduce the risks of innovation, according to spokesman Mark LaVigne. The center's work encompasses everything from management problems to technology issues, he said. The center also does work with the National Science Foundation, the Department of Justice and the National Archives. "People tend to think only in terms of the Internet. It can be a whole lot more than that," said LaVigne. Examples of e-government could include the implementation of kiosks, new telephone systems or intranet systems, he said. Governments are at different stages in using technology to make a complete transformation in the way they do business, a process that could take 10 to 15 years, he said. "The speed at which public policy moves is relatively slowly, and for a reason," he said. Before government agencies will be able to collaborate more effectively, some privacy laws will have to be changed to allow data to be shared and ensure it won't be misused. For example, there are laws restricting how information can be used for some state social service programs that get federal money. "What you have are years and years of funding streams that are laws," he said. Implementing e-government principles requires addressing organizational, political and policy issues, he said. Managers not only have to identify and implement needed changes, they also need to secure funding. "There is a bureaucratic culture that has been doing things for more than a hundred years. That all has to change," he said. "We have the technology, but it's the other things that are the big challenges that make it more complex." The center hopes to complete the latest phase of its work in 12 months, in what LaVigne described as a self-imposed deadline.

From [Capital District Business Review \(Albany\)](#), by Marco Leavitt, 4 June 2001

NEW RULES BURDEN GOVERNMENT CONTRACTORS

The federal government imposes many conditions on businesses that seek to do business with it. Among these conditions, perhaps the most burdensome are the Affirmative Action requirements placed on federal contractors. Under these requirements, federal contractors are obliged to develop affirmative action programs. This involves drafting formal affirmative action plans, monitoring the recruitment, hiring and retention of minority and female employees, and setting goals for the employment of minorities and women. Recent changes in Affirmative Action requirements significantly alter the responsibilities of federal contractors concerning affirmative action. New Department of Labor regulations went into effect recently that change the format and content of Affirmative Action plans and alter the manner in which Federal contractors must provide information to the Department of Labor. The new regulations are designed to reduce paperwork and to improve the compliance evaluation process. But in the short run the new regulations will increase the time and effort spent by Federal contractors to comply with the regulations. They will also likely result in more federal contractors being found out of compliance with the Affirmative Action requirements, and facing possible sanctions. The regulations that went into effect are revisions of the Office of Federal Contract Compliance Programs regulations that were originally issued in 1978. The prior regulations required each federal contractor to adopt a formal Affirmative Action program that required the contractor to review its employment practices to ensure equal employment opportunity and to implement efforts to hire women and minorities. Covered employers also had to file a written Affirmative Action plan. Under the prior regulations, the Affirmative Action plan was a cumbersome document that could easily run over 70 pages. The content of the Affirmative Action plan included: An analysis of the Contractor's work force by job group, compensation, race, and gender. A complex 8-Step analysis intended to compare minority and female representation in the Contractor's workforce with eligible minority and female workers in the surrounding community. A series of charts tracking the minority and female percentage of applicants, hires, terminations, and other employment practices. Numerous pages in which the contractor showed its compliance with the Affirmative Action regulations and pledged continued Affirmative Action compliance. The new regulations simplify the analysis of the contractor's work force by limiting it to a more simple comparison of the minority and female representation of the contractor's work force and eligible employees in the surrounding community. They cut down on required statements by employers pledging Affirmative Action compliance, and remove the tracking of minority and female employment data from the Affirmative Action plan. The new regulations allow current contractors to simplify their Affirmative Action plans, but nonetheless recommend that many of the prior statements pledging Affirmative Action compliance be retained. The goals of the new regulations are to emphasize the practical operation of the contractor's Affirmative Action program and provide the OFCCP with new tools for monitoring compliance with federal Affirmative Action obligations. Several of the changes to Affirmative Action Plans warrant specific discussion. Perhaps the most important change for Contractors concerns the so-called 8-Factor Analysis, also known as the Job Group Analysis. Under the old regulations,

the 8-Factor analysis was a complicated and convoluted multipage analysis that required Contractors to group employees with similar job duties and work conditions into "job groups," and to compare the availability of minorities and women in each job group to the overall workforce in the geographic area, to the unemployed workforce, and to the workforce with the requisite skills. The analysis also required the Contractor to analyze the availability of training, as well as other factors. In the new regulations, the 8-Factor Analysis is replaced by a two factor analysis that seeks to compare the percentage of minorities and women in the employer's workforce with (1) the percentage of minorities or women with requisite skills in the reasonable recruitment area, and (2) the percentage of minorities or women among those promotable, transferable, or trainable within the employer's organization. However, in order to arrive at the two factors described above, the Contractor will still need to use many of the factors of the 8-Factor Analysis. With regard to the requirement that Contractors group their employees into "Job Groups," under the new regulations, small employers (those with 50-100 employees) will be permitted to use EEO-1 categories for their job groups, rather than being required to craft particular job groups tailored to their company. The EEO-1 categories come from the Equal Employment Opportunity reports that federal contractors must compile. The use of the EEO-1 categories will make preparation of the affirmative action plan somewhat faster. A change that is optional for Contractors concerns the Workforce Analysis. The Workforce Analysis section of the Affirmative Action Plan requires the Contractor to break down its entire workforce by department, and within each department to organize each position in hierarchical order showing the number of employees in each position, their ethnic and gender make-up, and their rate of pay. Under the old regulations, the Workforce Analysis was in the form a chart running page after page accounting for each position. Under the new regulations, this information can be provided in the form of a corporate flow chart showing the departments within the company and the positions within each department, and also including ethnic and gender information, and pay rates. This change will benefit Contractors that already produce corporate flow charts, but will be complicated and time consuming for other Contractors. Finally, the new regulations streamline the Affirmative Action Plan by deleting several required Contractor statements that were formerly part of the affirmative action plan. These statements include the Contractor's reaffirmation of its EEO policies, the Contractor's explanation of how it disseminates its EEO policy to its employees and to the public, the Contractor's statement of goals, objectives and timetables by organizational unit, the Contractor's statement of the manner in which it supports community equal employment opportunity programs, and the Contractor's statement that it considers minorities and women not currently in the workforce. As mentioned above, although these statements are no longer required, the new regulations recommend their retention. Note that the new regulations only change Affirmative Action Plan requirements concerning the employment of minorities and women. There are separate Affirmative Action Plan requirements for the employment of veterans and the disabled under the Vietnam Era Veterans Readjustment Assistance Act (VEVRAA) and the Rehabilitation Act. Affirmative Action Plan requirements under these statutes remain unchanged. EEO survey - Although the revised regulations simplify Affirmative Action Plans, they create a new burden on Contractors in the form of an Equal Employment Opportunity Survey issued by the OFCCP. The survey will be sent to approximately one-half of all nonconstruction contractors each year. The survey asks for detailed race and gender information concerning applicants, hires, promotions, terminations, and employment as well as average compensation and the range of compensation (lowest paid and highest paid) based on race and gender, as well as employment tenure. The purpose of the survey is to target Contractors for review and to develop allegations of pay disparity. Contractors must be careful in providing information under the survey. In the past, a contractor submitting an Affirmative Action Plan was not required to certify its accuracy. In contrast, the EEO survey requires the signature of a company representative certifying its accuracy and that it was completed in accordance with instructions. The survey further threatens that making willfully false statements is "punishable by law." In light of this, contractors completing the survey should note any areas in which employer recordkeeping deviates from OFCCP instructions. Contractors must also now keep records of race, gender, and ethnicity for each employee and "where possible" each applicant. Contact James Francis Barna, with the Memphis law firm Weintraub, Stock, Bennett & Grisham, P.C., at 526-0431 or at jimbarna@weintraubstock.com

From [Memphis Business Journal](#), by James Francis Barna, 11 June 2001

SIEBEL TARGETS E-GOVERNMENT

Siebel Systems is shoring up its commitment to eGovernment. Today the CRM giant rebranded its ePublic Sector Group to Siebel eGovernment and made three key personnel appointments to invigorate the division. New to Siebel's Board of Directors is Marc F. Racicot, former Governor and Attorney General of the State of Montana, and current lawyer in the field of government relations and public policy resolution. Siebel's two new executives are Michael C. Maibach and James F. McGuirk, II. Maibach, designated SVP of Government Affairs, will handle Siebel's worldwide public policy strategy out of a new Washington D.C. office. Maibach was formerly VP of Government Affairs for Intel. He has also been on the Illinois State Senate staff, the National Advisory Committee on Semiconductors, and the Commission on Industrial Competitiveness. Maibach ran for Congress in 1992. James F. McGuirk, II was named VP of Federal Sales. He is a 30-year veteran of Unisys, where he was GM of North America Sales and Services. Siebel already has a number of clients in the public sector. State customers include California, Kentucky, Virginia, Michigan, and Florida. Other customers include the U.S. Army, Census Bureau, Department of Defense, Department of Education, FAA, INS, and the Postal Service. Siebel Chairman and CEO Thomas Siebel said that his company is "increasingly well-positioned to meet the complex and growing needs of this important and rapidly growing market segment."

From [Line 56](#), by [Demir Barlas](#), [Line56](#), 9 June 2001

STATES TO SPUR E-GOV PROJECTS BY SHARING SOFTWARE COMPONENTS

State chief information officers are looking to accelerate the pace at which they move government services online through a new program that will enable states to share software components of successful e-government projects. The CIOs hope by August to sign a contract establishing a central repository, called the National Software Component Exchange that would be operated by ComponentSource Inc. of Kennesaw, Ga. The company plans to charge each state a fee of \$1,750 to participate, said Chris Dixon, digital government coordinator for the National Association of State Chief Information Officers, an organization representing state CIOs. The concept of component sharing is not new, but previous attempts have met with limited success, said government and industry officials. Also, some in the information technology industry worry that proprietary software and applications will not be protected. Georgia CIO Larry Singer, who is leading the initiative, said the new program potentially could reduce cost, risk and the amount of time required to bring software to market, and allow states to share best practices. Component-based development ultimately "could result in hundreds of millions of dollars a year saved [by states] throughout the country," he said. At the technical level, a component is a relatively simple set of instructions provided in computer code that supports a particular process. A large information system is composed of many different components to support various functions and requirements. Components that could be shared among the states might include software for business permits and professional licenses, motor vehicle services and eligibility for social services. "The benefit of the component approach is that it gives the client flexibility as to how it implements systems," said Mike Titmus, vice president and chief operating officer for state and local solutions at American Management Systems Inc., Fairfax, Va. "Anything that states can do to reduce costs is a worthwhile endeavor," said Milford Sprecher, business development manager for SAP Public Sector and Education Inc., Newtown Square, Pa., and a member of NASCIO's corporate leadership council. A software exchange would give smaller technology companies who specialize in manufacturing components a chance to enter or increase their sales in the state market, Singer said. He noted that many of these companies believe they have limited or no access to the state and local market because they can't afford the bond necessary to cover the risks of multimillion-dollar development projects. This is not just about swapping state to state, but [about] providing an exchange that gives vendors a channel to state governments," he said. Systems integrators are not likely to see a dramatic drop in existing or new business because of the initiative, said government and industry officials. Although companies dealing with the state and local market may notice some lost opportunities here and there, the effect on their businesses as a whole won't be that profound, Sprecher said. The work of systems integrators "is more about gluing together components than it is creating big chunks of code," said Matt Chambers, general manager for administrative and process management at Electronic Data Systems Corp., Plano, Texas. Still, some members of the NASCIO corporate leadership council have voiced their concern over whether proprietary software would be shared, Singer said. Steve Holdridge, director of business development for state and local consulting at Oracle Corp., Redwood Shores, Calif., said there is "no issue" with states sharing components they have developed themselves, but his company is concerned over the reuse and sharing of components developed by vendors for states. "We don't want to restrict what a customer is doing regarding selling to other agencies, but we also want the right to reuse it for other projects," Holdridge said. "We wouldn't want that software to get into the hands of other vendors." But states won't be taking proprietary software and putting it on the Web, said Dixon. "This won't be Napster for components," he said. Industry officials also identified other problems that could hinder component sharing. EDS' Chambers noted that the lack of standards and resistance to cultural change may limit the ability of states to share components among themselves. He said the different ways that states collect and record data, and the differences in workflow procedures are going to limit the ability to reuse a component. Also, a component's size can be a problem in and of itself because of the challenges associated with manipulating large amounts of code in the larger components. Sprecher said states in the past have attempted to promote component sharing through partnerships with individual companies. Under these arrangements, the state would serve as the initial location for a new system and help fund its development; the state then would share in the profits when the company sold the system to other states. "I am not sure any of these projects have been a rousing success," he said. Although Singer is optimistic about the long-term benefits of the component-sharing program, he said states are just beginning to identify what components they might share with each other. Two pilot projects were conducted this year to test the feasibility of component sharing among states. In one, Arkansas shared three components for an online motor vehicle registration service with Georgia, resulting in savings of about \$45,000. In another, Washington state shared a template for online boating permits with Pennsylvania, resulting in savings of about \$15,000, said the state officials involved. NASCIO officials said the push to bring services online is creating a strong demand for e-government component sharing among states. The processes associated with permitting and licensing are particularly suited for component sharing, because most of the code can be reused without modification to accommodate unique state requirements, said Charles Gerhards, Pennsylvania's CIO. Components also might be shared for federally funded programs, particularly those in the area of health and human services where the federal government advocates uniformity among state systems, he said. "Anything from the federal government that we all perform would be an opportunity," Gerhards said. The success of the project will rest partly on ComponentSource's ability to catalog and store the components in a way that states can match component capabilities against their requirements and standards, said state and industry officials.

From [Washington Technology](#), by William Welsh, 2 June 2001

ONE-STOP GATEWAY WOULD BRING GOVERNMENT INTO YOUR HOME

Washington - Bid to buy a burro from the Bureau of Land Management. Check a company's pollution record. Find the latest studies on heart disease or track the crime trends in your city. Take a technology training course. And do it all at your convenience, 24-7, by tapping into a one-stop Internet gateway designed to bring the behemoth that is the federal government quickly and easily into your home. That's the vision behind a measure just launched by Sens. Joseph Lieberman, D-Conn., and Conrad Burns, R-Mont.

Called the E-Government Act of 2001, the 90-page bill aims to make order out of the thousands of U.S. government Web sites now in existence and revolutionize the relationship citizens have with their country. We "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," Lieberman said. The ascension of Democrats to power in the Senate means Lieberman is in line to chair the Governmental Affairs Committee, a podium he has vowed to use to push his e-government reforms. That won't be easy. Already, the Bush administration has staked its opposition to the key plank of the measure - the establishment of a federal "chief information officer" to oversee a new Office of Technology. The senators, who have also been joined by Sen. John McCain, R-Ariz., say cyber-leadership is so anarchic that the federal government has more than 54 departmental and agency chief information officers - and nobody in charge overall. But Bush officials say no new bureaucracy is needed. They also object to the senators' call for a \$200 million-a-year technology fund to be used to "grow" e-government. The White House thinks spending \$100 million over three years will be sufficient. Other provisions in the Lieberman-Burns bill would: - Establish a centralized Internet portal, or gateway, that would offer an online directory of federal Web sites and indexes of resources. Now, for instance, there are more than 100 federal agencies that deal with foreign trade, most of which have their own Web sites, but no links between them. - Create an online national library. - Require federal courts to post opinions online, along with dockets and office information. - Promote the use of electronic signatures by federal agencies to cut costs and boost efficiency. - Make available to businesses and citizens the vast amount of government-collected "geospatial" information - which combines detailed maps and databases - on such things as population demographics, crime trends and population shifts, which can be used for product marketing, land-use planning and disaster management. - Streamline reporting by companies to federal regulatory agencies such as the Environmental Protection Agency and the Occupational Health and Safety Administration, and make such reports easier to track by citizens.

From [Record Searchlight](#), by Lisa Hoffman, 1 June 2001

TAKE RESPONSIBILITY, FOLLOW THROUGH ON SERVICE PROMISES

It was a bad car week for She-Who-Will-Not-Be-Denied. Her 1994 Red Rooster Rag Top was in bad need of a face lift. The renovation estimate from the body shop at Slippery Al's import dealership had been reasonable, the schedule manageable and the encounters civil -- until words became actions. Or in She's case, inaction. To make a long story short, the Red Rooster had to be dropped off on Sunday on the way to the airport -- in anticipation that it would be, as promised, done by She's return the following Saturday. A mid-week phone check garnered a cheery and confident "not to worry, it's almost done. Give me a credit-card number and you can drive it off the lot Saturday morning when you're back in town." But Saturday morning found no one at the dealership with a clue where the Rooster might be. "The body shop is a separate unit, you realize," said the receptionist. "We aren't responsible for their promises." That line, "not responsible" must be in Slippery Al's employee training -- everyone had it down pat. An hour later, a car runner who'd taken pity on She's plight spied the Rooster not waiting on the lot as promised, but languishing in the body shop - fenders off, partly primed and at least three days from completion. From there it got ugly. She-Who-Will-Not-Be-Gilled's temper edged dangerously near 212 degrees Fahrenheit. A Monday morning phone call to Dexter Dimwitty, the jovial, but vacuous body shop estimator, garnered a spate of denials and a service recovery performance memorable for its awfulness. "You can just come in here and look at our workload and you'll see I couldn't possibly have promised you your car would be done on time," and "I don't care what you wrote down when I talked to you, you're just wrong!" were the most memorable of his lame lines. Nowhere in that or subsequent conversations was to be found a single word of apology, a hint of remorse or an iota of empathy for the inconvenience he and Slippery Al's had created. The topper came a week after the work was finally finished, when Alice Dimmeryet called to survey satisfaction with Slippery Al's. She-Who-Holds-Grudges unloaded onto Dimmeryet, who began a counterattack. "You can't talk to me like that ... I don't know your exact circumstances" and the ever-popular "We're not responsible..." To this day no one from Slippery Al's has called back, apologized, attempted to appease or in any way reached out to She-Who-Will-Never-Buy-A-Rooster-Again-In-This-Lifetime. And that's too bad, because this was She-Who-Likes-Convertibles' third Rooster, a car she dearly loves to drive. Sadder still because a straightforward on-the-spot apology would have nipped this bad service soap opera in the bud. Too bad Slippery Al's doesn't seem to understand a complaining customer is a customer asking to be made whole -- and loyal again. Or that follow-up calls are an intervention that can work for -- or against -- the organization depending upon the customer skills the follow-up person is equipped with. I fondly hope that some morning in the not-too-distant future, idling down the 394 parking lot, I'll glance to my left and Slippery Al's will be no more. The irony is, Slippery and his bunch will undoubtedly blame location, demographics, changing traffic patterns or some econometric factor. But the simple answer will be they forgot to remember that cars are bought by human beings with long memories and no tolerance for bad service.

From [CityBusiness](#), by Ron Zemke, 25 June 2001

WEB SOLUTIONS ARE SKY-HIGH – BUT THE COST OF SATELLITES TO SERVICE RURAL AREAS NEEDN'T BE

Judging by the chorus of techno-hoopla over the past week, Canada must be the most connected nation on the planet. Ted Rogers, the country's most powerful cable baron, announced his 2.3 million subscribers will soon have access to a TriplePlay service converging the functions of television, telephone and computer. Not to be outdone, big telephone monopolies such as Bell Canada are poised to launch rival services competing on a commercial battlefield cluttered with technological buzz-words; specifically, high-speed, interactive, digital broadband Internet access. How invigorating to see competitive market forces at work. The race is on, finally, to roll out innovative broadband services to kick-start the digital revolution. Canada is well positioned to be on the technological forefront of the Information Age. Virtually every household in Canada has a telephone line, nearly 80% of households

are hooked up to cable TV and about 75% have access to high-speed Internet service. That's no small achievement for a country with such a vast geography. Despite this success, Ottawa's National Broadband Task Force believes a billion-dollar subsidy package is needed to remedy our digital divide. And Brian Tobin, the Minister of Industry, already seems to have bought in to this highly contestable subsidy scheme. Employing the characteristically Canadian language of technological nationalism, Mr. Tobin declared: "We've got to wire this country coast to coast." Don't expect the major telecom and cable interests that dominated Ottawa's broadband task force to say no to a billion-dollar subsidy bonanza that will help them lay capital costs on Canadian taxpayers. But if Mr. Tobin is concerned about universal availability of high-speed Web access, perhaps his senior officials should inform him this lofty objective can be achieved at no cost to Canadians. Ottawa's vaunted Information Highway policy has been muddled from the outset. At first, policymakers failed to understand the Information Highway was, in fact, the Internet. Since that realization, Ottawa bureaucrats persisted with the conviction that major telephone and cable companies -- the two titans -- will build Canada's electronic highways. Thus, Ottawa turned to entrenched monopolies with vested interests in the status quo as designated architects of Canada's bold technological future. Predictably, nothing happened for years. But when competition finally arrived in the late 1990s, the two titans began mobilizing by upgrading their networks. Like many Canadians, I have been a beneficiary of these competitive forces. And for the past several months, I have been conducting a consumer experiment comparing the broadband services of Canada's two biggest communications titans: Rogers and Bell Canada. Normally, I am a subscriber of Rogers' broadband services: digital cable TV and Rogers@home Internet access. A few months ago, Bell Canada provided me with a trial offering of its ExpressVu satellite television and Sympatico high-speed Internet services. After using both Rogers' and Bell Canada's residential broadband services, my unbiased conclusion is that each has advantages and disadvantages. Rogers digital cable, for example, is more reliable than ExpressVu because satellites sometimes fail during snowstorms and heavy rain. ExpressVu, on the other hand, has a full digital channel offering with crisp picture quality, while only premium and pay-TV channels on Rogers are digital. Still, Rogers has a superior electronic program guide that facilitates easier navigation and channel selection. On the high-speed Internet front, Rogers@home has been plagued by highly publicized glitches with its e-mail system. Like many Rogers@home subscribers, I have often found these service outages intensely frustrating. While Bell's e-mail is more reliable, I have found Sympatico frequently shuts down every telephone in the house. And losing telephone service is even more aggravating than dysfunctional e-mail delivery. On the whole, however, both Rogers and Bell Canada provide competitive broadband services -- as do Canada's other major cable and telephone companies. My conclusion, therefore, is Canadians living in cities should be perfectly happy with broadband services provided by a major cable company. Canadians in rural regions, on the other hand, might prefer Bell's ExpressVu -- or Star Choice -- satellite service due to the absence of digital cable TV. Still others, of course, will opt for grey market DirecTV. What about the 25% of Canadians with no access to high-speed Internet service? The National Broadband Task Force believes only billions in federal subsidies will provide the two titans with sufficient incentives to build their networks in Canada's remote regions. But a more obvious -- and less costly -- solution is available: Satellites. Just as ExpressVu's satellites put down footprints over every inch of Canada's massive geography, so do satellites capable of offering high-speed Internet access. In fact, Ottawa has just licensed Bell Canada-owned Telesat to provide high-speed Internet access via satellite within three years. Conclusion: The vast majority of Canadians already have access to high-speed broadband networks via the two titans, and their services will improve with interactivity and convergence. A third delivery system -- satellites -- can efficiently serve Canadians living in thinly populated rural regions where wireline build-outs are too costly. Mr. Tobin undoubtedly grasps this solution. But it will be difficult resisting the momentum in favour of handing out billions in subsidies to Canada's most powerful telecom and cable interests.

From [National Post Online](#), by Matthew Fraser, 25 June 2001

U.S. PUTS DEADLINE HEAT ON E-GOVERNMENT

A U.S. government agency's looming deadline to have all its contracted suppliers list their products on its online exchange is being seen as a big step in getting the government e-commerce ready. The July 1 requirement by the U.S. General Services Administration (GSA) will increase its Internet-enabled suppliers from 4,000 to 9,000 and will put about 4 million products on the agency's online exchange, GSA Advantage. But analysts say they believe the move is still a far cry from making federal business-to-government e-commerce a reality. Even with the 4,000 Web-enabled suppliers, only 0.2 percent of orders from suppliers on GSA contracts are handled online, according to a recent survey by New York-based research company Jupiter Media Metrix. But GSA officials insist the deadline is a major step in making online purchasing a reality for the federal government. The suppliers sell government agencies everything from office supplies, tools and equipment to information technology. "We think the world at large will be doing purchasing online more and more and this is a way to enable our customers to take part in that," said Pat Mead, the deputy director of acquisitions for the Federal Supply Service at the GSA. "This is a big move. We will be the only federal site to have this breadth of products and services for online purchasing." However, analysts say they doubt the GSA effort is enough to bring the federal government's purchasing processes online. "This is not the best approach," said Chris Baum, an analyst at Gartner. "They are looking at this in a shot-term way. They are not providing adequate support to make business-to-government work. They haven't provided best-practice tools and services to their contractors, but are still requiring them to get their catalogs online." Although the GSA does not handle all government purchases, most federal agencies rely on the agency to provide support in their individual procurement efforts, officials said. So by bringing its suppliers online, the GSA is bringing a lot of federal purchasing to the Web. Mead defends the agency's efforts in helping its suppliers get Web-enabled. She said companies are given a road map that explains how to get online, which is revised on a continuing basis. The agency has also held 18 training sessions for all of its contractors across the United States. The GSA said it expects to have a training lab up and running in Arlington, Va., by the end of the month, where suppliers can get consulting help for getting set up on the Web. The GSA Advantage Web site is one of the first federal government online exchanges. After launching the site in 1995, the GSA first pushed to bring its information technology contractors online and then moved forward with its other suppliers. Although it initially asked contracted suppliers to list

their products on the site in 1999, the agency put the July deadline in place last fall. After the deadline passes, the GSA will tell contractors who have not made an effort to place their price and product lists online that unless they make significant progress in 60 days, their contracts will be canceled. Although governmental online initiatives have grown in the United States during the past several years, little government procurement takes place online. For instance, a recent survey [found](#) that despite high-profile efforts by the Clinton administration to increase the number of transactions between businesses and the government, only 1 percent of federal spending occurred over the Internet in 2000. Analysts agree that one of the factors slowing federal business-to-government e-commerce is the lack of leadership and a solid methodology for getting government contractors online. In Jupiter's most recent survey on the business-to-government market--in which it [estimates](#) online purchasing will reach \$286.1 billion by 2005--the company found that prospects for a major push toward a business-to-government-enabled federal government are unclear. Although President Bush backs moving all major federal purchasing to the Internet, he has earmarked only \$100 million over the next three years for the development of government e-procurement, according to Tim Clark, an analyst at Jupiter who authored its latest government survey. "More needs to be done at a higher level," Clark said. "The need for a standard way of getting government contractors online is great." In the GSA's current effort, "the government is not helping enough with enabling vendors to list their products online," Gartner's Baum said. "They are also treating all vendors the same regardless of e-commerce experience, which means those who have experience...are put in the same category as those who are way behind."

From [Yahoo! via Yahoo!](#), by [Erich Luening](#), 14 June 2001

BUSH TAPS UNISYS VP FOR E-GOVERNMENT POST

Mark Forman, a vice president for e-business at Unisys Corp., was named associate director for information technology and e-government in the U.S. Office of Management and Budget (OMB) Thursday. In his position as associate director, Forman will be the administration's leading e-government official and will oversee efforts to use the Internet as a means of extending government access to citizens, the agency said. Additionally, Forman will administer the e-government fund, which was established in President Bush's budget, direct the CIO Council, a group made up of federal chief information officers, and monitor and consult on OMB technology efforts, among other things, the agency said. Forman will begin work at the OMB on June 25. At Unisys, Forman currently heads e-business and e-government initiatives and helps develop and implement e-government strategy for both U.S. and global clients. Prior to joining Unisys, Forman worked on global e-business issues in IBM Corp.'s Global Services Public Sector. Forman also has previous government experience, having worked as a senior staff member on the Senate Governmental Affairs Committee.

From [IDG](#), 16 June 2001

COUNTY GOVERNMENT WANTS VIRTUAL REALITY

Click. Scroll. Click. Scroll. That's you paying your property taxes and checking your jury duty status online. Welcome to E-Government. Riverside County provides some services over the computer but wants to expand its online offerings to serve members of the public at their convenience, 24 hours a day, seven days a week. Technology managers hope to one day reach a point where residents can conduct transactions -- for such things as permits, marriage licenses, death certificates and park reservations -- online or over the phone. "It's the whole philosophy of a virtual government to provide better services to the constituency," Chief Information Officer Steve Reneker said. The Board of Supervisors is being asked today to create an advisory council to plot and implement its vision of a click-and-scroll system. The panel would coordinate projects to avoid costly duplication of equipment and to ensure that all county Web pages have a consistent look and feel. The county already has blazed trails in electronic voting and holding public auctions online at the treasurer's Web site. "E-Government services will fundamentally change the way Riverside County provides governance and services to its citizens," Reneker wrote in a report to the board. "The success or failure of E-Government services will have an enormous impact on the public perception of the county." That report, which uses the word E-Government 44 times, now cannot be found on the county's Web site. To see it, residents must travel to Lemon Street downtown, ride 13 elevator flights, and ask for copies, or talk a clerk into faxing a copy. Clerk of the Board Gerald Maloney hopes to post such documents online to reduce paperwork -- resting on the floor, Planning Commission packages can sometimes reach mid-calf -- and to make it easier for citizens to peruse important public records.

From [Inland Empire Online](#), by [David Seaton](#), 18 June 2001

BRIDGE TO BUREAUCRACY

When Accela made a deal with the government of Puerto Rico three years ago, it in effect positioned itself to penetrate all Latin America with its products that link government to businesses. In 1998, the Administracion de Reglamentos y Permisos, called ARPE, wanted to improve the level of the agency's efficiency and broaden the scope of services that it provides the public of Puerto Rico. Accela is the U.S. market leader in products that allow local governments to issue permits online -- one sector of a growing area called "e-government" that links bureaucracy with citizens and to commerce. Upon winning a bid for the \$6 million contract in 1998, "our initial engagement was to bring our automated application, Accela Enterprise, into the fabric of operations of this permitting agency," said Julian D. Munoz, the company's senior vice president of business development and an architect. To fulfill its charge Accela developed its application for Puerto Rico in Spanish. "That functionality and software features were a new front end, portrayed in Spanish," Munoz said. Now armed with a product already in Spanish, the South San Francisco company has gone on to approach the governments of Costa Rica, Guatemala, Mexico and Venezuela. Munoz is especially hopeful of prospects

in Mexico where the new president, Vicente Fox, has made known his goal of achieving transparency in government. Presumably, an online function for the construction industry to obtain building permits would fit into this vision. French Caldwell, research director at Gartner Group in Washington, D.C., agreed that Mexico, through Fox's "e-Mexico" initiative "is a good place to be looking." But he cautioned that Mexico, as do the U.S., Canada and Australia, has a federal system where the state and local jurisdictions tend to wait to see what the federal government is doing before proceeding down the same path. But the various governments of Latin America are in many different stages of readiness to put their services online, with Brazil perhaps the most aggressive while El Salvador and Honduras are still trying to reinvent their infrastructures after recent natural disasters. Actually, Accela in Puerto Rico is also waiting to see what the government will do before it can clinch a deal for any expanded services. Accela has developed a new product that translates its permitting technology to the Web, making the company an application service provider where data sits on its servers rather than a desktop application where the user retains all the data on their own equipment. Munoz said this equips Accela to deploy its technology across all levels of government, not just construction. It's a tracking tool that can be applied to licenses and certifications among many other uses. Accela is hoping to interest Puerto Rico in a platform that cuts across all government agencies. This may not yet be the right time to conclude such an agreement, suggested Frederick J. Benitez, a consultant with SPS Group in Puerto Rico. A technology and management consultancy, SPS was retained by ARPE to implement Accela's technology. The recently installed governor, Hon. Sila M. Calderon, is a member of the Popular Democratic Party, a less conservative group than its predecessor, the New Progressive Party. "Politically we're going through a transition. ... (The new government) has expressed firm commitment in making the government "e-government" but they're just getting settled in," Benitez said. Still Benitez was optimistic about the weight Accela may carry based on its experience with ARPE. But doing business in Puerto Rico, no matter how close it is geographically and physically to the United States, is not at all like dealing with a U.S. municipality, county or state government. Accela claims 402 U.S. jurisdictions as its customers. "While the upper facets of governmental operations mimic ours to a large extent, the major difference we found is that there is a large gap in the capacity of existing government personnel to meet the missions statements of their management," said Munoz. While high-level administrators had been instructed from the top that "technology would be the new way of doing business," Accela has experienced some obstacles in getting that dogma to trickle down to people on the ground. "The people that the agency could afford to hire could always go across the street and double their salaries by working at private enterprise," Munoz said. This reduces the available pool of knowledgeable individuals -- one reason why Puerto Rico ultimately had to hire SPS to help implement Accela's product. But at the top-most level, the will is there, Munoz believes. "Each time we rolled out another major aspect of our technology, it was turned into a news event," Munoz said. And twice, then-governor Dr. Pedro Rossello came to the agency to conduct a press event touting the government's success in adapting new technology.

From [The Daily Review](#), by Francine Brevetti, 18 June 2001

GOVERNMENT IT 'ACCESSIBILITY' EFFORT BEGINS

A broad government initiative to drive the development of more IT products and services for people with disabilities kicked into full gear Thursday. All vendors selling to the federal government must now have equivalents for the products and services they offer that allow agencies to accommodate people with disabilities. A byproduct of the new regulations is an increased industry focus on accessibility, which is being built more and more into standard product offerings. As the largest single customer of many vendors, the federal government is using its muscle to highlight the importance of including all users when designing technology, said Olga Grkvac, executive vice president of the enterprise solutions division of Arlington, Va.-based ITAA (Information Technology Association of America.) "Because of other federal procurement laws in place, this will really change commercial products," Grkvac said. Specifically, government agencies must adhere to a set of laws and regulations designed to discourage vendors from coming up with one set of products for the government (called non-commercial items) and another for private sector customers. "The impact will really be on the entire population, but you won't see that until well after [new regulations] go into effect," Grkvac said. Hewlett-Packard's Denise Gant, program director of Palo Alto, Calif.-based HP's Accessibility Group, echoed that belief. "Industry is responding very positively to this initiative, which has crystalized the market demand for accessible technology," she said. The immediate goal among vendors, however, is to hang onto federal business. "It is a big hit in the pocketbook for companies that want to sell to the federal government, if they are not compliant," said Joy Relton, an engineer at the Unisys Assistive Devices Lab. In pointing out the merits of the initiative, Relton -- who is blind -- also underscored the fact that there is a 70 percent unemployment rate among the disabled population. "There are a lot of people not getting gainful employment because they don't have access to the latest versions of technology," she said. Others who say that more thought should be given to people with disabilities during the product design phase also allude to the fact that an estimated 54 percent of the disabled population is likely shut out of most e-commerce transactions. "That is a significant percentage of the marketplace, and we are seeing more companies looking to appeal to that community," said Louis Hutchinson, CEO and founder of Crunchy Technologies in Arlington, Va. Companies such as Crunchy Technologies are lining up government contracts designed to ensure Web site compliance with the new regulations. Crunchy has come up with PageScreamer, a development tool that combs through Web sites to turn up images or graphics that must have a text substitute to meet Section 508 requirements. Once a particular image is identified and tagged with corresponding text, PageScreamer's Image Control File can automatically make corrections. "Think about an image such as a company logo, which is on hundreds of pages. There may be 10 to 15 developers working on a site [to make it accessible], and each is giving their own text description to attach to the logo," Hutchinson explained. The new government regulations were passed by Congress several years ago as an Amendment to Section 508 of the Rehabilitation Act of 1973. Called simply 'Section 508,' the regulations force agencies to offer federal employees use of information and data that is comparable to that used by other agency personnel unless undue burden is placed on the agency in doing so. Also, there are exceptions for technology used in systems considered part of the national security efforts. Starting June 21, federal employees with disabilities are able to file complaints if not properly

accommodated. Accessibility standards developed by government-chartered Access Board, however, will not take effect as regulations until Monday, June 25. On that date, government buying officials must take into consideration the extent to which products meet criteria spelled out in Access Board standards for each purchase. Right now, however, most vendors are some ways off from full compliance with Section 508, many sources said. And at least initially, there is expected to be some variation among agencies on the interpretation of the "undue burden" clause of the regulations, Grkvac said.

From [CNN](#), by Jennifer Jones, 21 June 2001

GLOBAL

THE BEST COUNTRIES FOR INTERNET BUSINESS

In an in-depth study of 60 countries from across the world, the U.S. has emerged as the nation most ready to benefit from the e-commerce revolution. The Global e-Readiness report, conducted by The Economist Intelligence Unit and its Pyramid Research subsidiary, assesses 60 countries' "e-readiness" using a mix of six key categories: Internet connectivity, business environment, e-commerce adoption, regulations and laws, supporting e-services, and the social and cultural infrastructure. There are some surprises. Japan, despite its high-tech economy, languishes in 18th place, categorized as only a "contender" rather than an e-commerce leader. Australia outstripped all the European countries to rank as the second most e-ready country behind the U.S. Meanwhile, the world's other major global powers, Russia and China, are way off the leadership scale in 42nd and 49th places respectively. The study, released last month, is designed to give both national policy makers and information technology (IT) executives of multinational firms insight into the true market conditions for new Net services around the world. "What's useful about these readiness assessments is that they let a country look at itself and say, 'You know, if we really do want to seize this opportunity, we are going to have to make some changes,'" says Alan P. Larson, U.S. undersecretary of state for economic, business and agricultural affairs. For multinational companies, the benefits of entering the most e-ready markets can be more immediate. The technological experience that exists in a target market is only part of the equation, experts say: Local business and social conditions often make the most difference to strategic success. "The first thing multinationals must look at is where the international e-focus of their strategies should be. These results are not just about technology, and are not always consistent with other analyses," says Denis McCauley, Pyramid's director of Europe, Middle East and Africa research. "Multinationals may well be the driving force behind the new global economy, but they are still subject to local regulatory issues." Not everyone agrees with the EIU's findings that the U.S. has the pre-eminent position in the global e-sector. IDC, a research firm based in Framingham, Mass., worked with publisher World Times on its own 2001 worldwide e-readiness rankings, which showed the U.S. coming in at fourth place in the global list - behind a Scandinavian trinity of Sweden, Norway and Finland. IDC uses a set of key criteria for its assessments with more of a technology bent. Its rankings are based on four infrastructure categories: computer, information, Internet and social factors. The U.S. falls foul on most counts. It ranks only 10th in the Internet category, well behind the leaders Sweden, Singapore and Australia. It manages only ninth place in information infrastructure, behind Taiwan and the Netherlands, and it's back in 17th place in the social category, well behind Denmark, Norway, Hong Kong and Japan. Where the U.S. stands out is in computer infrastructure, though Australia and Singapore are hot on its heels. "Many people in the United States still don't have Internet access, and this is dragging down the country's total rating," says John Gantz, chief research officer at IDC. "It adds to its modest score in the information sector, and relatively low score in the social sector." **Sprechen Sie Net?** While the exact positions of various countries may differ, the general conclusions of both the EIU and IDC reports come through clearly. North America, Northern European countries, Australia and Singapore are becoming the true leaders of the global e-commerce economy, and they are potentially the most valuable e-services markets. Economic size and technological traditions are not the critical issue. Japan's technological and economic progress is legion, yet it suffers from some underlying obstacles, Pyramid's McCauley reckons. "Japan has some serious problems with connectivity, especially delivering broadband services and global content," he says. "And there are serious impediments to allowing new competitors to get involved in developing these broadband services for the future." Germany also finds itself with an uphill climb. Although it is Europe's largest economy and also its largest IT market, Germany ranks only 12th on the EIU e-readiness list. The country's business environment is not as conducive to Internet-based commercial opportunities as its northern counterparts, the study's authors say. These shortfalls in potential may be partly the result of the dominance of the English language among the EIU rankings. Each of the top four places is an English-speaking country. "It reinforces the view that the language of the global Internet is English," McCauley says. "Look at any Web site. If there are two languages, one of them is English." The EIU report has three other key conclusions: Liberal national policies on e-development and competition are paramount, especially in telecommunications. Business agility trumps economic size and wealth. And diversity is the global rule. Furthermore, the EIU report found that neighboring countries may have very different positions on the globally - for example, Australia is second but New Zealand is No. 20 - which underscores the need for highly targeted corporate e-commerce strategies in many regions. Although the Internet may eventually produce the Holy Grail of a truly global economy, the world isn't there yet, McCauley says. "The Internet is indeed a global phenomenon," he says, "but portals still exist within national boundaries, and it would be wrong for any multinational corporation to ignore the continuing importance of local conditions." Arguably, predicting which country will ultimately win the global battle for e-commerce supremacy may be an impossible - or pointless - task. But global e-readiness rankings can at least help point the way for corporate executives keen on using the Internet to expand into new markets. The challenge now is to focus international e-commerce investments where they will make the most difference as the world struggles to get its online act together.

From [ZDNet](#), by Paul Tate, 12 June 2001

Public Finance

ASIA/PACIFIC

SRI LANKAN CRISIS DEEPENS

Dambulla: Sri Lanka's newest Test venue - The former members of the Board of Control for Cricket in Sri Lanka are facing the likelihood of a criminal investigation over allegations of financial mismanagement. The BCCSL, headed by Thilanga Sumathipala, was sacked by Sports Minister Lakshman Kiriella in March and an interim panel was appointed to run cricket on the island. His decision followed a court ruling that the Board could not elect new officers at its annual general meeting, because notices for the election had not been properly issued. "It is the fault of the Board for not furnishing accounts properly," the minister explained. He subsequently appointed a five-member committee to look into the Board's affairs and report back. The report, which was made public on Friday, recommends that a criminal inquiry should take place. It alleges "four major acts of malpractice, corruption, misuse, and abuse of power, breach of trust and/or misappropriation of funds". Sumathipala was elected president of the BCCSL in 1998 and is the man behind the building of the Dambulla Stadium, the country's newest international venue. But the national team have banned from playing there by the Ministry of Buddhist Affairs, who say the temple which owns the land did not have the right to lease it to the Board. Sri Lanka were due to play three games at Dambulla during the forthcoming one-day series against India and New Zealand, but they have now been switched to Kandy. Sumathipala has yet to comment on the committee's findings but has in the past claimed they were likely to be hostile to him because they supported his opponents in past elections for the Board. Members of the Sri Lankan parliament are also seeking an inquiry in the sale of TV rights for Sri Lanka's matches.

From [BBC](#), 19 June 2001

JIN PROMISES TO EASE BANK OWNERSHIP LIMIT

Deputy Prime Minister Jin Nyum yesterday reaffirmed his determination to relax bank ownership limits, which have attracted criticism for favoring foreign investors. "Thus far, bank ownership has been strictly restricted under the principle of separating commerce and finance," Jin said during a seminar held in Yeoido, Seoul. "But now I believe it is time to review the practice." Finance Minister Jin, however, stressed that any move to ease the restrictions should be made in conjunction with strengthened credit regulations on holders of share blocks. Jin's remarks were interpreted as indicating that chaebol business groups would be allowed to become majority shareholders in commercial banks only under tightened credit regulations. Jin's comments came on the heels of similar remarks by Deputy Finance Minister Kim Jin-pyo, who said last week that the government would submit a bill to the National Assembly in September to ease the present bank ownership limit. Consequently, current laws, which ban domestic investors from acquiring more than a 4 percent stake in any commercial bank with nationwide operations, will most likely be altered so the ceiling rises to 10 percent - matching that for foreign investors - starting as early as September. Market experts said that the government's move is motivated in part by its desire to recover with relative ease part of the large amount of taxpayers' money injected into a number of commercial banks. More than 120 trillion won has been raised so far to bail out near-bankrupt banks and other financial institutions since the financial crisis in late 1997. The government has an 80.05 percent stake in Cho Hung Bank, a 100 percent stake in Hanvit Bank and Seoul Bank and a 17.8 percent stake in Korea Exchange Bank. The government plans to dispose of its stakes in commercial banks starting from late next year. Meanwhile, Jin also said those companies now put under debt-workout programs, court receivership, and court-mediated composition would be closed, sold off, or liquidated before the end of the year. In a related development, a high-ranking government official said that Jin's remarks are directed at those firms judged as nonviable. At the seminar, Jin also forecast that the Korean economy would grow at around 4-5 percent this year, down from the previous estimate of 5-6 percent. "The economy, however, would recover its potential growth rate of 5 percent in the second half of the year," he added. Jin also said financial regulations would be eased or lifted from now on to allow financial institutions to move into a wide range of cross-border services. "Nurturing investment banks is necessary, as the importance of direct financing grows," said Jin, adding that the government would first encourage the creation of investment banks focusing on the domestic market. Jin said that regulations on asset management would be changed to allow financial institutions to pursue high-reward, high-risk investments. As to worries about liquidity problems returning with a vengeance in the second half of the year, Minister Jin said, "There would be no serious problems in refunding corporate debts." According to him, primary collateralized bond obligations (CBOs) worth 16 trillion won could be placed to absorb 13.5 trillion won in corporate bonds that must be refunded in the second half of the year. He said the government would foster the junk bond market, while encouraging corporations to improve their credit ratings. "Through these measures, companies could be able to refinance their maturing debts on their own credit rating down the road," Jin said.

From [Korea Herald](#), by Park Sang-soo, (sam@koreaherald.co.kr), 19 June 2001

GOVERNMENT MAKES CONSIDERABLE PROGRESS IN TALKS FOR SALE OF SEOUL BANK

The government has made considerable progress on the sale of ailing Seoul Bank as the June 30 deadline for the sale approaches, an official of the Ministry of Finance and Economy said yesterday. "Significant progress has been made in the talks with one of the negotiating partners," the official said. "The Public Fund Management Committee will convene a meeting next week to discuss signing of a memorandum of understanding between Seoul Bank and the negotiating partner in question." The official, however, would not rule out the possibility of extending the June 30 deadline should the committee not approve the MOU between Seoul Bank and the would-be purchaser. "The Public Fund Management Committee will also discuss whether to extend the deadline for other negotiating partners," he said. The government decided in April to sell 51 percent of Seoul Bank shares to a financial institution by the end of June, with Deutsche Bank as the lead manager in the sale of the financially-strapped bank. The fifth meeting of the Public Fund Management Committee held in April had decided to allow the Korea Deposit Insurance Corp. (KDIC) and Seoul Bank to sign a contract to designate Deutsche Bank as the lead manager. The committee had concurred that Seoul Bank will be sold to a bank, or a consortium which includes a bank, and that the purchaser will be banned from sell the equities within three years. The price of the equities negotiated between the seller and purchaser will be fixed after approval by the Public Fund Management Committee. The government has made it clear that it will not offer a put back option to the buyer.

From Korea Time, 19 June 2001

SPECIAL FUND TO BE CREATED TO FINANCE BALANCED REGIONAL DEVELOPMENT PROJECTS

A special fund for balanced regional development is to be created later this year in order to narrow the wide gap between different provinces. At a meeting of economic ministers at the government complex in Seoul yesterday, the government decided to establish the fund to be operated under a special account of the national budget. Deputy Prime Minister Jin Nyum, who concurrently serves as minister of finance and economy, chaired the meeting. The ministers said the fund is designed to finance proportional regional development projects. They agreed to raise the fund by integrating diverse regional development budgets, which are earmarked by many government ministries and local autonomy units. The government is also studying ways to raise public funds to increase investment in projects aimed at promoting balanced development. However, it did not elaborate on the size of the fund. The government also decided to submit a draft bill on the fund to the National Assembly in September. If the bill gets approval from parliament, the country will be able to lay the legal groundwork for promoting balanced regional development. During the last three decades of government-initiated economic development and industrialization, the gap has widened between the southeastern Kyongsang provinces and southwestern Cholla provinces mainly due to political moves and favoritism. Since President Kim Dae-jung, whose power base is the Cholla province, took office in February 1998, he has pledged to narrow the gap in a move to attain balanced development throughout the country. The government also decided to establish a special committee for balanced regional development in the second half of the year in line with the fund. The committee will be composed of civilian experts and officials of the Ministry of Construction and Transportation, the Ministry of Commerce, Industry and Energy, and provincial authorities.

From Korea Time, by Park Yoon-bae, 9 June 2001

GOVERNMENT TO ALLOW ONLINE PAYMENT OF TAXES

The government has launched a project to establish an online payment system by the end of 2002, in which notification and payment of taxes and other public charges are made through the Internet, the Ministry of Finance and Economy said yesterday. Under the project, the government will also introduce by 2003 double-entry bookkeeping and consolidated financial statements for effective management of the national budget, assets and liabilities, it said. The government has already begun the process of conducting Business Process Reengineering (BPR) to review the financial management systems of various government agencies in a prelude to establishing a system that will offer online real time information on the management of state coffers, it said. The ministry hopes that the project will allow the government to save up to 117.5 billion won (\$90.1 million) in administrative costs per year.

From [Korea Herald](#), 26 June 2001

EUROPEICIS

NEW LAWS ON LEADER'S ALLOWANCE

New legislation has been published which could force political party leaders to make public how they spend their party leader's allowance. The move by the Minister for Finance Charlie McCreevy follows revelations at the Moriarty Tribunal at Dublin Castle about how former Taoiseach Charles Haughey used his allowance to pay for expensive meals and on expensive French shirts. The expenditure on shirts alone came to £16,000. Under the new rules, leaders will have to allow their accounts to be audited. The details will also be forwarded to the Public Office's Commission who may decide to make it public. However in addition to the crackdown there is also substantial increases in the allowances for the various party leaders.

From [Online.ie News](#), 11 June 2001

THE AMERICAS

WEB TOOLS THAT WORK: TAKING ON THE SALES TAX

For those who notice it at all, sales tax conjures images of fractions and aggravation. For an increasing few, sales tax is an area where the Internet's promise of inexpensive, near-instant convenience may be turning into reality. As the sales and use tax manager for O'Neal Steel, a steel reseller in Birmingham, Ala., Tom Tully knows from aggravation. He and his staff were spending 95 hours a month calculating and filing 300 sales tax returns for each of the state and local tax jurisdictions in which the company did business. When he saw a demonstration of a Web-based system for handling the whole process for a few dollars per return, he said, "Dang, man, this is good." The 95 hours fell to 65, and Mr. Tully expected the number to plummet further as the service expanded. The company offering the service is in Birmingham and called Nationtax Online, a leader in a field with few players. The prospect of working out the details of electronic filing with the 6,000 to 7,000 sales tax jurisdictions nationwide is daunting. Besides bringing in about \$200 billion for local and state governments, sales and use taxes impose a monthly clerical burden on the businesses filing them and on the governments collecting them. As the federal government is doing with income tax filing, states are starting to push for, and even require, electronic filing of sales tax. Lee Walthall, the chief executive of Nationtax, explained a crucial motivation: cost control. In California, he said, handling a paper sales tax return costs the state \$30. Online, the cost falls below a dollar. To that end, representatives from 39 states formed the Streamlined Sales Tax Project last year, seeking to simplify and standardize state tax codes as well as sponsor an online system for calculating and filing sales taxes. The first live tests of a pilot system are under way. Participants in the program include Taxware International and Vertex Inc., leaders in the offline sales tax software sector, and technology providers like the Hewlett-Packard Company and Pitney Bowes. Another participant is a new company, Esalestax.com, based in Englewood, Colo., whose main focus is calculating sales tax for online commerce. Thanks to a 1992 Supreme Court decision, e-commerce companies are not required to pay taxes for remote sales because of the excessive burden of figuring out what the tax would be and how to pay it. Thanks (or no thanks) to the Streamlined Sales Tax Project, and companies like Esalestax, that burden may ease. Online companies with a physical presence, called nexus, in a state are not exempt from collecting and filing sales tax for that state or a jurisdiction. The Esalestax software automates the process of determining the tax rate and the final tax amount, according to the company's chief executive, Shawn Fahey. He said the company planned to add the electronic filing component. At the same time, the established giants of the tax software fields, Vertex and Taxware, are slowly moving toward the Web. Taxware, which provides offline software packages to many online companies, offers rate calculation services online and is beginning to work with application service providers to provide direct online access. A competitor, Research Institute of America, a tax research and software company, has retooled its products, including sales tax computations, for Web access. But calculating sales tax has its own complexities, making full automation difficult. "Many subjective decisions are made in deciding whether to charge sales tax," said Jon Sappey, the director of corporate communications at Vertex. He gave marshmallows as an example. In some locales, large marshmallows are taxed as food, but small marshmallows are considered an ingredient and thus not taxed. A potential quandary arises, he said, when a merchant must consider taxing a bag of medium marshmallows. The taxing of marshmallows (or, for that matter, the roasting) may be too complicated to take place entirely over the Internet, but that won't stop other items from being taxed that way. Those on the paying and the receiving ends can expect to reap significant benefits.

From [New York Times](#), by Jonathan Fried, 13 June 2001

LAWMAKERS GIVE MANY REASONS FOR MISSING FINANCE INFORMATION

Although "the-dog-ate-my-homework" excuse didn't come up, the reasons given for not getting an A ranged from sickness to forgetfulness. These were legislators, not students, offering rationales for why they did not comply with campaign-finance laws as most of their colleagues did. A branch of the nonprofit group Citizen Action gave A's to 166 legislative candidates in the 2000 election for disclosing the employers of campaign contributors. The requirement, enacted in 1995 for individual donations of more than \$100, helps voters sort out who is bankrolling General Assembly and statewide candidates, said report author Laura Yeomans, research director for the Citizens Policy Center, Citizen Action's public-education affiliate. Employers were listed for 92 percent of the \$13.3 million contributed by individuals in chunks of at least \$100 during 1999 and 2000, the report issued yesterday said. A similar study by the same group showed 95 percent disclosure in 1998 and 92 percent in 1997. Acing the test by disclosing the employer for at least 90 percent of their contributions were some of the biggest names in Ohio politics: Gov. Bob Taft, Secretary of State J. Kenneth Blackwell, Treasurer Joseph T. Deters (who got an F two years ago), Auditor Jim Petro, Attorney General Betty D. Montgomery and Supreme Court Justices Alice Robie Resnick and Deborah L. Cook. Most legislative leaders also did well: A's went to Senate President Richard H. Finan, R-Cincinnati, and Senate Democratic leader Leigh E. Herington of Ravenna, with B's for House Speaker Larry Householder, R-Glenford, and House Democratic leader Jack Ford of Toledo. At the bottom of the grading scale with F's -- disclosing employers for fewer than 60 percent of their contributions -- were Sen. Robert F. Spada, R-Parma, and Rep. Shawn N. Webster, R-Hamilton. "We thought we met all the requirements but obviously we left something out," Webster said. The former school-board member, who said he is filing a corrected report, was one of a handful of freshman legislators to run afoul of the disclosure requirement. He noted he faced no such rules when he ran for school board. Spada did not return a call. Receiving D's -- disclosing employers for 60 to 69 percent of their donations -- were Assistant House Speaker Gary Cates, R-West Chester; Assistant Senate President Jay Hottinger, R-Newark; and Rep. Claudette J. Woodard, D-Cleveland Heights, another freshman. Hottinger's campaign treasurer suffered a stroke so his campaign-finance report was incomplete, a spokeswoman said. A spokesman for Woodard said she made some simple mistakes and "just missed a few" of the employer listings -- mostly for

retired contributors. Cates, who like Hottinger had earned an A two years ago, said he is filing an amended report with the required information because he did not have all the data when he turned in the original form. He criticized Citizen Action for issuing their study based on incomplete reports. drowland@dispatch.com

From [Columbus Dispatch](#), by Darrel Rowland, 12 June 2001

COUNCIL EYES FINANCE PLAN

Beaufort County hopes to contribute more to higher education without straining taxpayers, county officials said last week. The County Council will consider today a proposal to create a special tax district at the University of South Carolina-Beaufort's New River Campus on U.S. 278. The district would use tax-increment financing to pay for facilities and improvements in and around the planned campus. Tax increment financing borrows money to pay for public improvements, then uses growth in property values from those improvements to pay back the money. County Administrator John Kachmar said the proposal could allow both USC-B and the Technical College of the Lowcountry to transfer money they had planned to spend on building improvements and use it to pay for salaries and program costs instead. Kachmar and County Council Chairman Tom Taylor said the district would benefit the technical college as well as USC-B, because they believed the technical college could share some of the facilities at the New River campus or have its own building there, although no official plans exist for that arrangement. Administrators for both colleges said they are interested in the county's plan and would appreciate any help they can get in the face of possible aid cuts by the state. Both USC-B Dean Jane Upshaw and technical college president Anne McNutt came to the County Council this year asking for substantial increases in county aid. Although both colleges received increases of around \$100,000, neither official received what she requested. "We cannot give either of the institutions a larger increase in funding without raising taxes," Taylor said. Even though state aid is uncertain, it doesn't necessarily mean the county should take more responsibility for funding higher education, County Councilman Marvin Dukes III said. "Everyone on council recognizes how important higher education is. But it is a year that we're getting squeezed from all directions," Dukes said. "There's a feeling on council that these are state agencies, and that it's not up to the county to try to fix their state funding problems. It's difficult for us even to attempt to help them." Both colleges already have announced plans to raise tuition. The technical college had asked County Council for around \$5.5 million to help fix buildings on the campus and pay for some operations. According to the budget preliminarily passed by County Council last month, the college will get about \$1.85 million. While McNutt had hoped for more money, she said she appreciates the county's contribution. "We have always made a request that outlines what we really and truly need, and it's always been pretty substantial," she said. "Beaufort County's allocations to the college are increasingly important. They enable the college to serve the people of the community." McNutt said she will not know how services at the college will be affected until the state passes its budget. At USC-B, Upshaw had asked the county to allocate an additional \$850,000 to help the college hire faculty and staff to spur the university's conversion to a four-year school. Although the council did not grant her request, she said she thinks the tax increment financing plan will allow it to achieve the same goal. "Of course we're disappointed that we didn't get the extra funding," she said. "But I have great faith that Beaufort County is very supportive of USC-B's vision. We have to be more creative."

From [Island Packet](#), by Jon Segal, 11 June 2001

GIVE FINANCE GOOD TOOLS AND GET OUT OF THE WAY

WASHINGTON After the punishing financial crises of recent years, the danger of weak financial markets remains evident in many countries. It is also evident in the anemic contribution of stagnant financial systems to economic development in Asia, Africa and other regions. Getting major financial policy decisions right in emerging markets is a key challenge. Doctrinaire policy views can be unhelpful. Some people call for a return to a repressive regulatory regime for finance. Others rail against financial globalization and foreign capital, or point to errors of government as being at the root of financial sector weakness. What are governments to do? In the search for answers we have surveyed the financial sector's track record in countries around the globe, and the latest research in the field. We have brought them together in a World Bank report, "Finance for Growth: Policy Choices in a Volatile World." We believe that it provides a coherent picture of what is needed: a rethink of governments' role in the financial sector. Governments must work with the market, but in finance especially, where gambling with other people's money is all too easy, it cannot just leave things to the private sector. Some critics argue that the services in the formal financial sector benefit only the rich. But poor people suffer greatly from the side effects of a weak financial sector and from crises, even if they don't have bank accounts. Among the most striking findings of our survey are those showing that greater state ownership is associated with less financial sector development, less economic growth (and therefore higher poverty levels), a more restricted allocation of credit to a few large firms, and higher interest costs. Of course, getting privatization right is complicated, as experience in Mexico and elsewhere has shown, but it is a worthwhile goal. Blocking foreign firms from entering domestic financial markets is another policy that is popular with many governments but is usually a mistake. The financial systems of most developing countries are tiny; only China and Brazil account for more than 1 percent of the world total. As with air transport, software and other global industries, small countries need to decide what they can build themselves and what they should buy. Buying financial services from foreign-owned financial firms can lighten the rest of the financial system, by improving skills and quality and sharpening the competitive pressures that will help nudge local providers into exploiting their advantages in making loans to small firms. Most importantly, by bringing a more diversified portfolio, foreign banks can be a stabilizing influence in a crisis and in its aftermath. Governments need to concentrate on building the institutional infrastructures that help underpin an effective and safe financial system. This includes improving accounting, auditing and information disclosure, and ensuring that the legal system is geared to enforce laws governing financial contracts effectively and efficiently. The benefits to potential borrowers such as small firms and farmers are enhanced by recent technological

advances in credit information technology. These give banks the confidence to lend much more vigorously to a sector they have previously neglected - but only if they can be confident of contract enforcement. Governments should not insist on state ownership. Instead they should put in place the infrastructure and incentives needed for effective finance. If this is done, banking, credit and associated services can become potent forces for growth - and sources of real change for millions of people grappling with the daily pain of poverty. *Mr. Caprio, director of the World Bank's Financial Policy and Strategy Group, is a former U.S. Federal Reserve Board economist. Mr. Honohan, a World Bank lead economist, is a former economic adviser to the Irish prime minister. They contributed this comment to the International Herald Tribune.*

From [International Herald Tribune](#), [Gerard Caprio and Patrick Honohan](#) 6 June 2001

LET'S GET FACTS STRAIGHT ON THE TAX CREDIT

Public hearings on the government's proposed private school tax credit end tomorrow, but it is already safe to conclude they have been unenlightening. If anything, the public has been misled in the hearings by the advocates of the tax credit, including Finance Minister Jim Flaherty. Among the untruths that have been told are: *The tax credit will take "not one cent" from public schools.* The tax credit will cost the provincial treasury at least \$300 million, by the government's own admission. The purpose of government, in the classic political science definition, is the allocation of scarce resources. If the government chooses to spend \$300 million on one item, that means there is \$300 million less to spread around to everything else. The most that can be said is that the \$300 million will not come *entirely* from public schools. It will also come from hospitals, roads, universities, police and other public goods. *The tax credit is simply an attempt to give parents "choice" about where to send their kids to school.* "Choice" is a nice-sounding word. Flaherty liked it so much he used it seven times in a single page of his address to the legislative committee holding the public hearings. The Ontario Alliance of Christian Schools used it 21 times in a nine-page brief to the committee. But the fact is that parents already have a choice in education, public or private. This is unlike health care, where there is no private tier available for people willing to spend the money. What the government is proposing is, in effect, to subsidize the existing second tier in education. Of course, to the extent that tuition fees are a deterrent, the tax credit will enhance parental choice. But this argument collides with another one being advanced by Flaherty and other advocates of the tax credit: that it will not prompt an exodus from public schools to the private system. They cannot have it both ways. Either parents already have a choice and tuition fees are only a marginal deterrent, or the tax credit will mean a swelling of private-school enrolment with previously deterred applicants. *Five other provinces are already funding private schools, so Ontario is just "falling into line."* This is true. But none of the other provinces offers parents a tax credit. Instead, the money goes directly to the schools, with strings attached. The tax credit is both more alluring for parents considering a switch to private schools and more difficult for the government to set guidelines on how the money is spent. *The tax credit is designed to help moderate-income families or, in Flaherty's words, "ordinary, hard-working parents," not those who can afford to send their children to elite schools like Upper Canada College.* If so, why not subject the tax credit to a means test and disqualify upper-income families? This idea was floated by Tory backbenchers, but Flaherty tossed cold water on it. "Personally, I'm not inclined to ... discriminate against people on the basis of income," he said. "So-called rich people - people with higher incomes - already pay substantial taxes and pay a surtax." There's a double irony here: Last week, Premier Mike Harris raised the possibility of means-testing the government's prescription drug program for senior citizens. "If that's what society deems to be the most important thing - free drugs for the richest generation in the history of the world - I guess that's the consensus," said Harris. "I am questioning the consensus." *The tax credit is not a voucher.* Whether the parent takes a piece of paper to the school, which presents it to the government for payment (classic voucher system), or the parent pays the school and is reimbursed by the government (tax credit), the effect is the same. If it looks like a duck and quacks like a duck, it's a duck. In short, these arguments are false. The real reason the government decided to adopt the tax credit scheme has more to do with politics than public policy. This spring saw an extraordinary confluence of political events: Flaherty (a neo-conservative) replaced Ernie Eves (a moderate) as finance minister; the Tories were desperately searching for a new agenda to rebut critics who said they were drifting and had lost their ideological zeal; and the government was forced to capitulate to the teachers' unions on extracurricular activities and was looking for some payback. The tax credit for private schools flowed from these events. But don't expect the government to admit it.

From [Toronto Star Online](#), by Ian Urquhart, 18 June 2001

Private Sector Development

AFRICA

PETERSIDE, ANYA DEFEND PRIVATIZATION AMIDST OPPOSITION AT RIVERS ECONOMIC SUMMIT

[Vanguard](#) (Lagos) - Privatisation seems to have become synonymous with opposition and intrigues in Nigeria. Anywhere, anytime, it is mentioned it attracts flood of rioters reaction, perhaps because of what some Nigerians want it to be. It was not strange, therefore, that Mr. Atedo Peterside, the Managing Director of Investment Banking and Trust Company Limited (IBTC) was stretched beyond his professional limit with questions at the just concluded first Rivers State Economic Summit which took place in Port Harcourt recently. As an apostle of privatization which his company has participated actively in since the exercise commenced in the country, Peterside preached privatization as a way of ensuring a sustained economic development in Nigeria and in Rivers State in particular but it did not go down well with some participants. There were indications that the Rivers State government would soon embark on a full-scale privatization of some of its companies and establishment as a means of repositioning the state's economy. Many of the indigenes who maintained strong aversion to privatization raised some salient questions as: How does privatization take care of the interest of the masses? What nature of privatization is preferable bearing in mind the socio-economic objective of the exercise? Is it trading the equity in the capital market or the core-technical investor model? Are there assurances that the government of the day will not divert the proceeds for personal use? Is the economy, and Rivers State in particular ripe for privatization? In his paper entitled: "Rivers State Economy: A review of its strength, weaknesses and opportunities for growth and development in a global economy," Peterside identified privatization as the only veritable re-engineering economic exercise through which direct local and foreign investment could be attracted to the state. He averred that Port Harcourt, which he described as the capital of Nigeria's oil and gas industry yields over 90 per cent of Nigeria's export earnings. Also, as part of the strength of the city, there is good transportation links by air, road, rail and sea, with two airports and two seaports. Apparently raising questions on why the state should be foot-dragging in economic development with unique advantage, he stated that the consumers within reach and in oil industry have relatively high disposable incomes as well as the availability of educated work force. The presence of many well located and economically viable projects in Rivers State as, Bonny Allied (Rock Cement), Easter Bulk Cem (Eagle Cement), Michelin Tyres, Nigeria Liquefied Natural Gas (LNG), refineries, Eleme Petrochemicals, NAFCON, stands the state out with high investment inflow. As a way out of the present economic quagmire, he recommended that the government should make judicious use of state resources, and focus on areas of maximum impact on social infrastructure, and improve on physical infrastructure, while accepting "the incontrovertible logic of private sector led growth." He insisted that the state must be privatized to stimulate direct foreign investment activity in several sectors such as Hotel and Tourism, Agriculture and Industry, stating that "government has no business in investing in business." In a keynote address entitled: "Regional development, sustainable development and the future of Nigeria," Professor Anya O Anya, the chief executive officer of the Nigerian Economic Summit Group (NESG) and the key to economic development lies in a nation's capacity to compete successfully in international through value-added export of goods and services. He further noted that the dying days of 20th century revealed that in the emerging world economy a nation's endowment of national resources was no longer the critical factor that determined successful economic transformation and prosperity but the skills which are technical, entrepreneurial and intellectual of its citizens and the enabling environment which exists for the mobilisation and functional deployment of those skills. With this, he reasoned that human capital have become more vital ingredient than the conventional mix of land, capital and labour as the basis of national wealth, explaining that there is an exhibition of paradox of fortunes of the prosperous Japan and Singapore which have no natural resources and the fortunes of our resources-rich but poor country.

From [AllAfrica.com](#), by Kingsley Anaroke, 10 June 2001

GHANA: WATER PRIVATIZATION

[Africa Policy Information Center](#) (Washington, DC) – Press Release

Water is not a commodity! Water is life and life is for all! (May 31, 2001)

Dear Sisters and Brothers around the World: We call upon organizations and individuals around the world to express their international solidarity with the struggle of the Ghanaian people to stop the privatisation of their water services. World Bank policies require the Government of Ghana to privatise water in order to gain access to external assistance and soft loans. Five multinational corporations have bid for the urban water service in Accra, most of them with annual sales larger than the GDP of Ghana, and all of them with proven records of socially irresponsible practices. The National Forum on Water Privatisation took place in Accra, Ghana during May 16-19, 2001. At the end of four days of vigorous and exciting debate, the participants in the Forum founded the Ghana National Coalition Against the Privatisation of Water, called the 'Ghana National CAP of Water' and drafted the Accra Declaration, attached below. Express your solidarity! Show your support for the struggle to stop the worldwide attempt to commodify water for the profit and benefit of a few. Forward this message to others and then please take the following actions: * Sign-on to the Accra

Declaration. Send your name and organizational affiliation to global.challenge@juno.com * Write, fax or e-mail messages to the following people and tell them to: Please stop the process toward privatisation of water services until the people of Ghana have an opportunity to debate and discuss a wide range of water management options, including community/public partnerships. 1. His Excellency Mr. J.A. Kufuor Office of the President of Ghana Tel.: 233- 21-676923/4 ext.110; Fax: 233-21-676934, 666528 2. Honorable Mr. Kwamena Bartel Minister of Works and Housing Ministry of Works and Housing P. O. Box M27 - Ministries Accra Tel: 233-21-665323; Fax: 233- 21-663268 Email: mwh@ighmail.com 3. Mr. Peter Harrold World Bank Resident Representative, Ghana P. O. Box M27 - Ministries Accra Tel: 233-724/22037; Fax: 233-72-227887 Email: pharrod@worldbank.org 4. Trade Union Congress (TUC) Secretary General P. O. Box 701 Accra Tel: 233- 21-62568 or 669675; Fax: 233-21-763920 Email: luc@ighmail.com 5. Commission on Human Rights and Administrative Justice (CHRAJ) Old Parliament House Accra Tel: 233-21-662568 or 669675; Fax: 233-21-667161 6. Speaker of the Parliament The Speaker Parliament House Accra Tel. 233-21- 668514 Email: parclerk@ghana.com . Thank you very much and please send a copy of all your messages to the Ghana National Coalition Against the Privatisation of Water (National CAP of Water) at: Integrated Social Development Centre (ISODEC) P.O. Box 19452 Accra North, Ghana Email: isodec@ghana.com or ramenga@isodec.org.gh Fax: 233/21 311687; Tel: 233/21 30606. Sincerely, International Solidarity Committee for the National CAP of Water. * The Accra Declaration on the Right to Water (19th May, 2001) - At the end of 4 days of debate during the National Forum on Water Privatization in Accra, Ghana, which took place between the 16-19th of May, we the undersigned declare as follows: * We are a diverse group of individuals and organizations drawn from various parts of the country, and from other parts of Africa, Europe and the United States; involved in the private, public and voluntary sectors and working at varying levels of society. * We are united by the following common principles, beliefs and values: * That water is a fundamental human right, essential to human life to which every person, rich or poor, man or woman, child or adult is entitled. * That water is not and should not be a common commodity to be bought and sold in the market place as an economic good. * Water is a natural resource that is part of our common heritage to be used judiciously and preserved for the common good of our societies and the natural environment today and in the future. * Water is an increasingly scarce natural resource, and as a result crucial to the securities of our societies and sovereignty of our country. For this reason alone, its ownership, control, delivery and management belong in the public domain today and tomorrow. * The public sector is legally and constitutionally mandated and designed to represent the public interest. The essential purpose of the private sector on the other hand is to make profit not to promote the public good. Any public benefits arising from the private sector's activities are incidental not designed. As a result, the private sector cannot be trusted with the public interest. * Citizens have the right to effectively participate (as distinguished from being informed) in the shaping of public policies which fundamentally affect their lives such as the control of water, and that government has a responsibility to enforce this right. * Community participation in the management of water systems is valid/legitimate, essential and beneficial to the overall effectiveness in affordable and sustainable water delivery. * Water management policies should be designed to ensure social equity such as gender equity, public health and environmental equity. Guided by the above stated principles, we commit to: * Forming and promoting a Ghana National Coalition Against the Privatization of Water herein called "The Ghana National CAP of Water" which will be a broad coalition of individuals and organisations committed to the above principles and to the following objectives: * To conduct a broad-based campaign to ensure that all Ghanaians have access to adequate and affordable portable water by the year 2010. * To ensure that the right to water is explicitly guaranteed under the Constitution of the Republic of Ghana. * To ensure that the ownership, control and management of water services remain in public hands. * To promote public awareness and debate about the privatization process. * To promote alternative solutions to the problems militating against universal access to water including problems of public management efficiency. We recognize: * The important role that the local private business sector can play, and should play, in partnership with communities, Ghanaian artisans and experts and local government in ensuring efficient and effective supply of water services. * The inability of the Ghana Water Company Ltd (formerly Ghana Water and Sewerage Corporation) over the years to provide efficient and effective services resulting in public frustrations and some loss of faith in the company. However these perceived and real failures can only be appropriately understood within the context of the broader failure of governance and democracy over the years encompassing a wide range of institutions including the security services, the judiciary and many more. It is unlikely that the acceptable solution for the failures of these institutions will be to privatize them. * The severe shortage of investment in the water sector required to deliver adequate and affordable water to all. Whilst the severity of this resource problem is itself debatable, it has nevertheless led to solutions resulting in heavy dependency on foreign creditors (especially the World Bank) which has in turn compelled the country to accept rigid conditionalities that have limited our options for financing and reforming the water sector. * We recognize the close link between access to water and improved public health in view of the fact that nearly 70% of all diseases in Ghana are currently water related. We reject: * The view that privatization (the participation of foreign transnational corporations) is the appropriate solution to the problems bedeviling our water sector. * The view that "to be private is to be efficient, and to be public is to be inefficient" * The view that the public sector, in this case the GWC Ltd, is incapable of being reformed to deliver water services efficiently and effectively to all. * The view that the participation of communities in the management of urban water supply is not feasible and cannot be efficient. * The commodification of water. * Efficiency solutions which result in the violation of social and environmental rights and justice such as the rights of workers, women, children and the preservation of the natural environment. * The World Bank imposed policy of charging rural and small town communities an upfront contribution to capital cost. This policy discriminates against rural and small town dwellers as it does not apply to those who reside in large cities. The policy has also resulted in excluding poor communities incapable of paying from enjoying their right to consume portable water. We call upon: The Government of Ghana: * To reverse the decision to put the privatization process on a fast-track and to reconsider the broader decision to invite the participation of foreign companies into water sector. Instead, the GOG should investigate approaches which enhance and promote local businesses in cooperation with communities, local government bodies and the GWC Ltd. * Publish the terms guiding the bidding process as well as the profile of the companies currently pre-qualified to bid. * Put all relevant documents in the public domain, including World bank mission, project and evaluation reports, the so-called Stone and Webster Report and/or

the Transaction Advisor's Report etc. * Conduct a country-wide public debate on options for reforming sector, including but not limited to private sector participation. * Review the budget with the view to prioritizing allocation in favour of the water sector. Parliament: * Exert pressure on government to allow for broad debate and a possible review of the current decision to privatize. * Embark on wide-scale consultation with their constituencies and civil society in general. * Support a process of constitutional and legal reform to secure the rights of all persons to portable water. The Commission for Human Rights and Administrative Justice (CHRAJ). * Make the Right to Water central to their campaign on the right to life. The TUC, the PUWU and Organisations of working people. * Be at the fore front in the struggle for the right to water, and our right as a nation to keep our public utilities within the public sector. * Continue to work towards greater efficiency, accountability and good governance in all of our national life including the water sector. * To oppose the mortgaging of our water resources to foreign multinational companies, with proven record of the oppressions of workers rights and the promotion of corrupt and corrupting practices in other jurisdictions. Women's Rights Organisation - * To recognize and promote the right to water as crucial to addressing gender inequality and repression. The GJA and the Media Houses and Practitioners - * To call for and support an informed and broad-based debate on the water privatization agenda and its effect on the right to water by all Ghanaians. Religious Organisations, and all other sectors of Civil Society. * To raise the moral voice on the right to water and to lend their varied media to popular education and debate on the effects of water privatization. Ministry of Health * To join the campaign to ensure access to safe, affordable water as a fundamental aspect of the commitment to improve the public health of the nation. Donors, Creditors, Including the World Bank * To de-link external assistance and soft loans to the condition to privatize our water systems. * To commit to promoting true national ownership of policies as expected under the Poverty Reduction Strategy Paper processes currently being actively promoted by them. This requires, among others, respecting genuine national decisions which may not be in consonance with their opinion. * To fulfill the commitment made by the Ghana World Bank resident Representative, Mr. Peter Harrold, at the National Forum on Water Privatization, to make the eradication of guinea worm the number one priority. This will require that public health, rather than cost recovery determine investment in water services. We commit ourselves, under the banner of the Ghana National CAP of Water to pursuing these demands and commitments to their logical conclusions. We believe that under the new democratic dispensation we will be one with government in promoting zero tolerance to corruption, democratic participation, transparency and accountability. We, like the government believe that these are important tenants of democracy and good governance and are crucial to ensuring social justice and reducing waste. This material is being reposted for wider distribution by Africa Action (incorporating the Africa Policy Information Center, The Africa Fund, and the American Committee on Africa). Africa Action's information services provide accessible information and analysis in order to promote U.S. and international policies toward Africa that advance economic, political and social justice and the full spectrum of human rights. Documents previously distributed, as well as a wide range of additional information, are also available on the Web at: <http://www.africapolicy.org> To be added to or dropped from the distribution list write to apic@igc.org. For more information about reposted material, please contact directly the source mentioned in the posting.

From AllAfrica.com, 5 June 2001

ASIAPACIFIC

POWERCOMM BUILDS POST PRIVATIZATION FUTURE

Powercomm, a unit of state-run Korea Electric Power Corp. (KEPCO), is positioning itself as the centerpiece in the ongoing waves of restructuring spreading across the local telecom industry, building future business propositions for life after privatization. Powercomm president Seo Sa-hyeon, who took office in January last year, agreed it is time that the company develops a strategy to nurture global competitiveness. "Powercomm is preparing for the era of the digital economy with the hope of becoming the main hub that makes the country become a knowledge and information power," he said. The company retains 66,610 kilometers of fiber optic cable and 44,326 kilometers of hybrid fiber/coax (HFC) cable across the nation, leasing the lines to 11 private telecom companies. It also provides a cable television network with Internet connection service. Its corporate clients include SK Telecom, Dacom, Hanaro Telecom, Dreamline, SK Telecom, Thrunet and Onse Telecom. "We have a cohesiveness being built that's very important. Together with this, we will successfully complete the transformation of our company from a government-owned entity to a customer-driven organization," said Seo, 56. As part of its future business propositions, Powercomm announced a mid-term management reform last March, the "Vision 2005". It now plans to become a company that leads to create new values and that realizes what's beyond customer satisfaction - customer success by wrapping up the long-awaited privatization process. The company predicted net profits would jump more than 30-fold to 235.6 billion won on sales of 1.2 trillion won in the year ending March of 2005. Last year, it posted 6.9 billion won in net profits on sales of 256.5 billion won. It plans to invest more than 400 billion won annually into network infrastructure investment by 2005. Along with the improved profit outlook, the plan _ focusing on open, responsible and speedy management _ will rebuild Powercomm's corporate image as a leading innovative company in a knowledge-based society. "By commercializing the M-ISP, short for Multiple Internet Service Provider, for the first time in the world, Powercomm enables telecom service providers to easily build an inexpensive broadband network," he said. Last Tuesday, he got some good news. The government has virtually put off the privatization of Powercomm, originally scheduled for the year-end. But at a meeting of directors from the related ministries, the government excluded the sale of KEPCO's shares in Powercomm from the list of conditions for its licensing. KEPCO was to have sold its 30 percent stake in the affiliate by the end of this year. The government said the sale of KEPCO's stake would take place when the Planning and Budget Ministry, the Commerce, Industry and Energy Ministry and other ministries deemed it appropriate. An official from the Ministry of Information and Communication said Powercomm's privatization should come by the end of next year and the sale of KEPCO's stake could come by the end of this year as originally scheduled. In a positive sign for the company's privatization, the government added non-telecommunication

businesses and foreign investors to the list of eligible buyers for KEPCO's shares in Powercomm. The government also dropped a fine for violating licensing conditions. Powercomm had until the end of last year to sell 66 percent of its shares to private investors. The company has found buyers for only 10.5 percent of those shares but will not be penalized. So far, SK Telecom and steel giant POSCO have purchased the majority of Powercomm shares offered. "The restructuring of the telecom industry should be made under market principles," Seo said. What's more, he underlined that the government should ease restrictions on state-owned companies to help cope with worsening economic troubles and growing competition in a newly liberalized telecoms market. "The government will keep its reform framework intact but will ease some rules to promote exports and investment," he said, adding the restructuring should become a market-led self innovation in the context of market principles, not a government-led reform. He believed government obstinacy would only make it more difficult for companies to weather the economic storm that is developing. Especially, Seo expressed concern over the government's move toward the telecom industry restructuring by consolidating both strong and weak companies. "Currently, two strong players _ Korea Telecom and SK Telecom _ have dominated both the wired and wireless telecom market with a combined market share of between 80 and 90 percent," Seo said. For instance, even though the wireless communication market is referred to as being a three way race, between SK Telecom, KTF and LG Telecom, the market share ratio is not balanced and therefore it is erroneous to label the companies as the "Big Three," he added. In order to join the government's initiative to make honest three-way competition, the government should unload the ailing companies' financial burdens in an appropriate manner. Analysts said the timing for privatization will be important as Powercomm will need a strong private partner when it loses its decades-old monopoly over fiber optic leased line services in the near future with the entry of private firms into the sector. "Private sector interest in the Powercomm stake would be substantial, given the company's unrivalled infrastructure and manpower," said a Hanwha Securities telecom analyst Jin Young-wan. Jin predicted that any private company partnering with Powercomm will have a head start in a booming market. The tie-up with a private partner should also help Powercomm expand into new areas of operations such as high-speed Internet services. He said market conditions were not favorable for speeding up privatization of the company and cited the need to analyze already-completed deals and work out a new strategy of privatizing Powercomm. "Powercomm will have to get its act together, even in the area of the Internet, as a lot of private Internet service providers are now setting up gateways," said an official at the Ministry of Information and Communication. Private companies such as Hanaro Telecom and Thrunet are establishing Internet gateways with the aim of boosting the speed of connectivity and capturing a greater share of the market. "I don't think the stake sale will make a substantial difference to Powercomm's operations as the company has been performing well in the face of private competition," Jin said. However, other telecoms officials said private companies were still gearing up their operations, and the competitive heat will only be felt in two or three years. (kdh@koreatimes.co.kr)

From [Korea Times](#), by Kim Deok-hyun, 10 June 2001

ADVISORY PANEL STARTS DISCUSSING POSTAL PRIVATIZATION

Prime Minister Junichiro Koizumi launched an advisory panel Monday to discuss the privatization of postal services. The panel is a mixture of 10 members from the private sector and Cabinet ministers, including Koizumi. It will discuss the future of the three state-owned postal services -- postal, savings and insurance -- beyond 2003, when they are scheduled to fall under the operation of a public corporation. "Before, anyone discussing any change in the course of postal businesses used to get a good scolding from the Diet, the ruling camp and even the opposition camp," Koizumi said at the opening of the panel's first meeting. What's more, speaking about privatization was taboo. "I assume that the discussions here will largely influence other fiscal and administrative reform initiatives as well." Economic critic Naoki Tanaka, who heads the advisory body, said he personally thinks the postal, savings and insurance services that the postal authorities operate should be privatized. Tanaka is known as a major advocate of postal privatization. The panel, which also includes Kazuto Ikeo, a Keio University professor and Satoru Matsubara, a professor at Toyo University, will compile a report in a year after holding monthly meetings. Most of the private-sector members favor the privatization idea. Although discussions will probably develop in favor of Koizumi's initiative, actually carrying out the privatization will face fierce resistance from the prime minister's Liberal Democratic Party. Operators of rural post offices, who are largely against privatization, form the largest organized group backing the LDP. Panel officials said the minutes of its discussions will be posted on the Web site of the Prime Minister's Official Residence.

From [The Japan Times](#), 5 June, 2001

PANEL PONDERES POSTAL PRIVATIZATION DESPITE 'SACRED-COW' RESISTANCE

The fate of discussions on the privatization of the nation's postal services, which began Monday in a private advisory panel to Prime Minister Junichiro Koizumi, is likely depend on the outcome of a tug of war between the prime minister and Liberal Democratic Party members who work for the interests of the postal sector. Koizumi has charged the newly-launched advisory panel with discussing the future of the mail delivery, savings and insurance services. Koizumi has long held the view that the services should be privatized. However, the Public Management Ministry and the LDP's lobbying group for the postal sector are likely to resist privatization efforts. At the outset of the panel's inaugural meeting, which was held at the prime minister's official residence, Koizumi stressed the significance of putting the issue on the table. "(Postal) privatization has long been regarded as a taboo," Koizumi told the meeting. Calling continued state control of the services a "sacred cow," the prime minister said, "It will be a drastic change to start discussing (various postal service issues), including privatization, in my administration." The panel includes 10 private-sector experts, including economist Naoki Tanaka, who heads the panel. Tanaka, an enthusiastic advocate of the postal privatization, is expected to champion Koizumi's long-held theory. About five members of the panel in addition to Tanaka are considered pro-

privatization. These include Yoshiyuki Kasai, president of Central Japan Railway Co. (JR Tokai) who promoted the reform of the defunct Japanese National Railways. On the other hand, the panel also named two members of the Public Management Ministry's Postal Services Council, which is taking a cautious approach to privatization. One of them is Matsushita Electric Industrial Co. Chairman Yoichi Morishita. A senior Public Management Ministry official said the group's composition was well balanced. Koizumi has advocated privatization since he was the parliamentary vice finance minister about 20 years ago, according to close aides. In all three of the LDP presidential elections in which he ran, he called for the privatization of the postal services. As for the advantages of postal privatization, Koizumi expressed hope that it would lead to the reorganization and privatization of a number of public corporations, and eventually to thorough reform of the fiscal loan and investment system because of the massive amount of assets the postal services control. Having made the privatization of the postal services a pillar of his principle of "structural reform without sacred cows," the prime minister himself is to attend all the panel meetings, which will be held once a month. The Public Management Ministry and many LDP members remain wary. "Both the prime minister and the head of the panel are advocates of postal privatization. If discussions are held for the (preordained) purpose of privatizing the postal services, something is wrong with the group as an advisory panel," a senior member of the faction led by former Prime Minister Ryutaro Hashimoto said Monday. The LDP has an intraparty group that has significant influence on determining postal policies for the country. The group has long been headed by Hashimoto faction members, with former LDP Secretary General Hiromu Nonaka, a member of the faction, serving as the current chairman. Prior to Nonaka, former Prime Minister Keizo Obuchi headed the group. The group is against the privatization of the postal services, arguing that three postal services should be uniformly run by the central government. About 90 percent of LDP Diet members belong to the group. The panel is expected to reach a conclusion in about a year. Services dwarf private sector - The nation's three postal services control massive amounts of private assets and monopolize certain businesses. The three postal services are operated by about 300,000 officials at 25,000 post offices around the country. As of end of fiscal 2000, total postal savings balances stood at 250 trillion yen, accounting for more than one third of the country's private deposits and savings. The amount of assets held by the postal insurance service was about 117 trillion yen at the end of fiscal 1999, which is about four times more than the amount held by the Nippon Life Insurance Co., the country's largest private life insurer. For fiscal 2000, sales in the mail business are projected to reach 2.29 trillion yen, which is greater than the sales of Nippon Express Co., the country's largest transport firm. Previously, postal savings have been used as funds for fiscal loans and investment--dubbed the "second budget"--and have been made available as loans to public corporations, such as Japan Highway Public Corporation. Starting this year, however, the funds are being managed in the market by postal officials. However, funds are still flowing from postal savings to public corporations. For instance, about 40 percent of fiscal investment bonds issued by public corporations have been purchased with funds from postal savings. "(Postal savings) helps the inadequate management of public corporations," an observer said. The law on the reorganization of central government ministries and agencies stipulated that the three postal services be transferred to the control of a public corporation in 2003. In line with the change, letter delivery service, which is currently monopolized by post offices, will be made partly open to the private sector. In next year's ordinary Diet session, the Public Management Ministry is set to submit bills necessary to put postal services under the control of a public corporation, after specifying systems to operate the envisaged corporation, including the accounting methods, and areas which the private sector will be allowed to enter.

From [Daily Yomiuri](#), by Yomiuri Shimbun, 5 June 2001

STATE CAN BE VALUABLE CAPTAIN IN PRIVATIZED FIRMS

Despite Prime Minister Junichiro Koizumi's claims that privatization is a concept undergoing a rethink and should be considered carefully before implementation, the truth is privatization has been thriving for some time abroad. The administration of Margaret Thatcher offered many noteworthy programs that have impacted over 100 countries and made privatization part of their core economic and financial strategies. In fact, in major countries such as France and the United Kingdom, the conversion of nearly all government organs capable of being privatized is basically complete. As this article will attempt to show, the undeniable success of proper privatization should recast the current debate on "Why privatize?" to "Why not privatize?" Is it preferable to let the Post Office continue to exponentially deepen its operating loss? In the business world, such a practice wouldn't last very long. While there has yet to be a comprehensive study of Japan's many experiences with privatization, the information provided by a fairly recent study of 204 foreign companies indicates that privatization works. The improved profitability, efficiency, investment, output, employment, leverage and dividends at well over 50 percent of the non-Japanese companies that have been privatized is testimony to its benefits. The most common misconception about privatization is that the government is completely usurped in a fiscal coup d'etat. But experience has shown that government continues to have a role in privatized companies, and that its role is to lead. Imagine each preprivatized government organ as a boat. If the various oarsmen were political groups, they would probably row in different directions, for lack of a good pilot or captain. Worse yet, the rowing would be done with tax dollars. By comparison, the government serves better as a captain by adjusting the course of the boat to the degree necessary and lets the market and the companies involved row as hard as they wish. To an extent, the less the government steers, the faster the boat goes. But without a captain, the boat goes in circles. Along these lines, the government should provide only as much guidance as necessary without completely giving up the reins of control. This role is fulfilled by providing "output specifications." Please consider the following example, in which only the necessary amount of control was used to succeed. For the U.K.'s Ballistic Missile Early Warning System, a privatized government function, the government issued the following criteria: 1) The system must operate 24 hours a day, 365 days a year. 2) No more than two minutes of downtime at any one stretch. 3) Only two hours of total downtime per year. These are what are known as output specifications, project goals that are set out but pursued with freedom. What resulted was a very successful system designed with proper decision-making flexibility. In contrast, Nurrungar, the U.S.-Australian joint defense facility in Woomera, Australia, suffered from government requirements in the form of input specifications. The government required the presence of a certain number of communicators, generator operators, cleaners, cooks, and other personnel, which actually

increased the manpower required and produced no savings in the privatization. These criteria indicate how to reach a goal, like the captain of a boat continuously showing the oarsmen how to row. What is the risk of releasing the reins of power completely? Consider the recently privatized bus services in Auckland, New Zealand. Auckland is a geographically complex city whose public transportation system is largely dependent on buses. The New Zealand government legislated in 1989 that all bus services must be commercially provided or operated by competitive franchises. The competition for this business was initially hot, and many improvements resulted. The downfall occurred when competing bus operators failed to integrate services, leaving passengers confused about bus routes, transfers, destinations and other critical operations. The ensuing shakeout resulted in a monopoly. On the other hand, the Australian government in Adelaide hung in there by forming a public transit regulation organization called the Passenger Transport Board that designed the routes, monitored service and retained ownership of key assets to assure the bus system would work. The lesson here is that the government can't just sit back and enjoy the ride; it has to get in the driver's seat and let business turn the wheels. I guess I could try to list the Japanese government organs responsible for considering potential privatization candidates, or even the titles of the politicians who are engaged in the privatization debate. But the fact is the best privatization analysis groups are already private, and they simply need a good captain. So the next time the government asks "Why?", remember to ask "Why not?" Tomoo Nishikawa practices law at the Komatsu, Koma & Nishikawa Law Firm. He served as a House of Representatives lawmaker from 1996 to 2000. Elected from the No. 3 district of Kanagawa Prefecture, Nishikawa was policy affairs council chief for the Kaikaku Club and worked on financial legislation with members of the ruling coalition.

The Japan Times by Tomoo Nishikawa, 18 June 2001

JR EAST, WEST TOP PRIVATIZATION LIST

According to the Land, Infrastructure and Transport Ministry's plan, all government-owned stocks in either JR East and JR West will be put on the market next February, while the government's stocks in the other company will be sold off in July of the same year. The government plans to sell about 500,000 stocks in JR Tokai on the open market in September next year and to sell off the rest afterward, the sources said. The delay in selling JR Tokai stocks is mainly because the Nagoya-based company opposed full privatization unless the government took measures to help it repay its long-term debts. The government has decided it needs time to revise the tax system to comply with JR Tokai's request, the sources said. JR firms have been partly owned by the government since the debt-ridden Japanese National Railways was privatized and split into several smaller companies in April 1987. After JR East was listed on the Tokyo Stock Exchange in October 1993, the government sold some of its stocks in the three Honshu-based JR groups on four occasions. Currently, the government owns 500,000 shares, or a 12.5 percent stake, in JR East, 630,000 shares, or a 31.5 percent stake, in JR West, and 890,000 shares, or a 39.7 percent stake, in JR Tokai.

From [Asahi.com](#), 16 June 2001

KEPCO PRIVATIZATION RAISES CONCERN OVER LOAN DEFAULT

The spinning-off of six business units from the Korea Electric Power Corp.(KEPCO) has raised the possibility that it might default on some of its loans, but neither KEPCO nor the government appears concerned. There is a clause on a portion of its foreign currency-denominated loans that could face default if government ownership falls below 51 percent. This possibility was spotlighted early this month when the government decided to transfer some 3 trillion won worth of KEPCO's shares to the Korea Development Bank in exchange for the state-run bank providing KEPCO and the new power companies with payment guarantees. "What has basically happened is that in the process of spinning off the power generation units, KEPCO itself did not have the means to provide the payment guarantee, leaving the new subsidiaries with no choice but to provide each other with a payment guarantee," one KEPCO official explained. So what does this mean? Most importantly, the cross payment guarantees raise the individual debt-to-equity ratio from the actual 100 percent to something like 2,000 percent. "While we can certainly explain the unique nature of this arrangement, investors will be skeptical about the obligations of the six individual companies," the official said. As a result, it will become difficult to induce foreign investment and these conditions will act as obstacles in the power generating companies' bid to become independent and list their shares on the stock market as prescribed by the privatization plan. Consequently, the government decided on June 7 that the KDB will provide the payment guarantee to free the new KEPCO units, which are still owned by KEPCO of financial obligations. Everything appeared to be fine but the execution of this maneuver meant that the government's share in KEPCO is now reduced from 52.2 percent to just 31.8 percent. "It depends on how one looks at it but the legal interpretation is that the shares now owned technically by KDB are still under government control," the KEPCO official said. In addition, KEPCO and the government have negotiated with foreign creditors and a majority of them have accepted this interpretation and have agreed to not resort to invoking the default clause, he added. Should foreign creditors have disagreed, they could have demanded that the loans be repaid in advance prior to maturity, leaving KEPCO and the new units in financial jeopardy. KEPCO and the new power generating companies had a total of \$8.3 billion at the end of last year, \$7 billion of which is from foreign creditors and \$2.3 billion of which is bound by the default clause, the official said. "There are those who have expressed concern about the consequence of the government's decision but the facts are that they have not and cannot emerge as problems," the KEPCO official said.

From [Korea Times](#), by Nho Joon-hun, 19 June 2001

ANALYSIS/POSTAL PRIVATIZATION FACES HURDLES

Public Management Ministry officials are discussing the transformation of the postal service into a public corporation, set to occur in 2003, but major issues still remain unresolved. Such issues include fostering management efficiency and dealing with private-sector

competition. The public management minister is expected in early August to establish a private study group, which will be charged with completing proposals on the transformation by the end of the year so that the necessary bills can be submitted to the 2002 ordinary Diet session. Prime Minister Junichiro Koizumi has also formed his own private research group to study the future management of three major services formerly entrusted to the Post and Telecommunications Ministry--postal services, banking and life insurance. The prime minister's group, however, is looking at what will happen after the services are entrusted to the proposed Postal Public Corporation. The Public Management Ministry, therefore, is responsible for the process of putting the services under the envisaged public corporation. The ministry plans to require the proposed public corporation to annually disclose the market value of its assets, including real estate--a change from the current system, under which assets must be disclosed only once every 10 years. In addition, the market values of stocks purchased with funds obtained through postal insurance premiums must now be disclosed in another change from the current system. The ministry hopes to hire outside auditors to raise the transparency of the corporation's management to private sector levels. Discussions on the salaries of postal employees have led to a plan that will abolish the commission employees earn on savings accounts held by customers, but will link employees' salaries with work evaluations and the organization's earnings. The ministry will also discuss the level of taxes to be imposed on the public corporation. Previously, post offices have been criticized for not paying taxes. Three former public corporations, including former Nippon Telegraph and Telephone Public Corporation and Japan National Railway, had paid a portion of their property taxes, but had been exempt from corporate taxes. Most Public Management Ministry officials support taxing the proposed Postal Public Corporation at the same level as the former telephone and national railway corporations. However, some criticize the plan for being shortsighted. Employees of the proposed Postal Public Corporation will be considered public servants, which will be an unprecedented situation. Public corporations are established to boost efficiency while keeping a certain distance from the government. Therefore, those who support the organization's privatization say the corporation will remain dependent on the government and the salary system will remain the same as the rigid government system currently in place. Public Management Vice Minister Akira Shimazu has said that the government will still guarantee postal savings after entrusting the service to a public corporation. His comment is expected to raise criticism, as the postal ministry does not pay deposit insurance to offset a collapse of the organization, while private financial institutions do. The Public Management Ministry has also been discussing the degree to which it should allow private companies to operate mail services currently only in use by the government's postal services. Although the government has already passed a law allowing private courier companies to deliver letters, the Public Management Ministry hopes to limit the size of letters that private companies may handle, as they fear post offices would not be able to handle the increased competition. Koizumi, however, has insisted on fully liberalizing the mail business, and the debate between the prime minister's office and the ministry is expected to heat up, complicated by lawmakers championing the interests of the current postal system.

From [Daily Yomiuri](#), by Akihiro Okada *Yomiuri Shimbun*, 21 June 2001

KOIZUMI, ISHIHARA AGREE ON PRIVATIZATION

Tokyo - Prime Minister Junichiro Koizumi and Tokyo Gov. Shintaro Ishihara agreed Wednesday to promote privatization of organizations affiliated with the state and the Tokyo metropolitan government, central government officials said. "We would like to bring into play the methods of privatization in reviving the metropolis," Ishihara told Koizumi during 20-minute talks, the officials said. Koizumi was quoted as replying, "Let's do it together to change Tokyo, to change the country."

From *Japan Today*, 27 June 2001

GOVERNMENT TAPS PRIVATE GROUP FOR HELP IN MERALCO SALE

The Department of Finance has tapped the Investment Houses Association of the Philippines (Ihap) to help come up with the best option in disposing the government's remaining 10-percent stake in Manila Electric Co. Finance Secretary Jose Isidro Camacho said he has met with Ihap officials to discuss how the Meralco shares could be widely dispersed in the stock market. Camacho hinted that he was not in favor of a block sale of the shares. "We would like a wider distribution of the shares and promote the domestic capital markets," he said in a statement. The finance chief said he was still studying an option to offer warrants to maximize the gains from the sale of the blue-chip stock. Camacho said the sale of the Meralco shares would be a priority of the Privatization Management Office specially after the passage of the power reform bill early this month. "While the market may still be a little weak, we suspect that those interested in buying Meralco shares are more upbeat now because of the recent passage of the power bill," he said. Two years ago, Meralco shares were worth about P9 billion but with the market's steep decline, the Meralco stocks are now worth a little over P5 billion. Camacho explained the government could sell Meralco warrants at P50 per share with a call-strike price of P65 each and put-strike price of P40 per share. With the put-and-call option, say for three years, the government could buy back the shares at P65 per share if the price rises. At the same time, it could force the investors to buy the stocks at P40 each if Meralco shares plunge. He said this derivatives option would allow the government to have a share in any future improvement in the share price of the electric distributor or cap losses if the stock price deteriorates. Of the 10-percent stake, 16.7 million shares are being held by the Office of the President, three million shares are with the Republic of the Philippines and 45 million shares are with the Asset Trust Privatization. Meralco is the country's biggest electric distributor serving 3.1 million customers from Bulacan to Batangas, including the densely populated Metro Manila. The electric utility is controlled by the Lopez family through subsidiaries First Philippine Holdings Corp., Benpres Holdings and Lopez Foundation. Spanish firm Union Fenosa Acex accounts for close to 10 percent of the company. The charter of Meralco provides that only the Lopez family can own more than 10 percent in Meralco.

From [Philippine Daily Inquirer](#), by Clarissa S. Batino, 26 June 2001

EUROPE/CIS

SNECMA TO BE PARTLY PRIVATIZED

The French Government has decided to privatize about 25 per cent of Snecma, a leading manufacturer of airplane engines, Prime Minister Lionel Jospin announced on Saturday. The partial privatization is aimed at helping Snecma to secure alliances with other European manufacturers and prepare the company for a widely expected consolidation in the European aero-engines sector. Speaking on the last day of a major aeronautics show at Le Bourget, near Paris, Jospin said: "The consolidation in the engine sector has not yet energized. "This sale of about a quarter of the value will allow the company to participate actively in the consolidation of this sector in Europe." Snecma is the fourth biggest aero-engine manufacturer in the world after General Electric, Pratt and Whitney of the United States, and Rolls-Royce of Britain, and is 97.3 per cent owned by the French Government. Snecma's boss, Jean-Paul Bechat, has long argued that the group needs to forge alliances with other European industrial groups in order to compete with the three big US and British firms. A joint statement from the French economy, defense and equipment ministries said the stock would be released "in the autumn, if market conditions permit" and would give Snecma the "means to pursue its growth." "The dialogue is open" for a partnership with Snecma, French Defense Minister Alain Richard said. The decision to partly privatize Snecma follows the failure of merger talks with Fiat Avio controlled by the Italian Agnelli family.

From Xinhua Agency, 25 June 2001

GOVERNMENT STALLS NOVA HUT PRIVATIZATION

The government yesterday approved the temporary postponement of the privatization of Nova Hut until the cabinet has decided on the plan for restructuring the Czech steel industry, which it is expected to do by the end of July. According to an analysis by Ronald Berger Strategy Consultants for Nova Hut, the restructuring of the steel industry could be achieved for a cost of Kc 10 bln, instead of the Kc 32 bln it says the plan proposed by Eurostrategy would cost. Roland Berger envisages Trinecke Zelezarny, Nova Hut and the state jointly becoming majority shareholders of the merged companies and then searching for a strategic partner. (Pravo 13, MFD 15, HN B1)

From Czech A.M. 14 June 2001

BLAIR LASHED OVER PRIVATE SECTOR PLAN

Tony Blair will today suffer a big setback when Labour's favourite thinktank publishes a ground-breaking report which savages the government's reliance on the private sector to improve public services. As Downing Street fights off union demands for the government's growing dependence on the private sector to be watered down, the Blairite Institute for Public Policy Research calls for a "rethink" of flawed public private partnerships. It says hard lessons need to be learned from the government's much vaunted private finance initiative, the system for building new hospitals with private capital which is criticised as a Tory accounting trick. The report also questions the public private partnerships proposed for London Underground and air traffic control. Gavin Kelly, the institute's research director, said: "Partnership has an important role to play but government needs to be willing to rethink when and how partnership is to be used and must avoid sending out the signal that only the private sector has the answers to the challenges facing public services." The report will be particularly irritating for the government because the recently appointed Treasury minister, Ruth Kelly, sat on the commission which drew up the 285-page report over two years. As the government braced itself for the publication of the report, the Treasury last night issued a statement saying that Ms Kelly, the economic secretary, fully supported government policy. But Ms Kelly put her name to a report which makes grim reading for the government. It endorses the Blairite "third way" philosophy, which says that there should be no ideological barriers to public private partnerships (PPPs), by declaring there should be no "no go" areas for private companies. However, the report issues a stark warning that the government is in danger of going too far by adopting a "public bad, private good" view. "There has been a tendency to spray the demand for 'private sector involvement' across most new government initiatives without proper consideration of what the different partners would have to offer," the report says. "This has fuelled the partnership fatigue rather than unleashing new energy and innovation. "The record of PFI has been patchy. The evidence from PFI projects suggests that although they may not be performing as poorly as some critics suggest, many offer at best marginal value-for-money gains without delivering the promised innovation in the design and organisation of services. "The link made by government between PPPs and the part-privatisation of some public enterprises has also served to fuel suspicion among commentators that partnership and privatisation are one and the same thing and that partnership is a step towards full privatisation." To ensure PPPs provide better value, the report recommends an overhaul of the government's approach to working with the private sector, including stricter employment practices for private companies working in the public sector to prevent them making money by slashing workers' pay and conditions. The report will be seized on by union leaders and Labour traditionalists who are taking fright at the government's determination to press ahead with the privatisation of health and education provision. Lord Hattersley yesterday called on party members to rise up against Mr Blair's "coup d'état". Writing in the Observer, the former Labour deputy leader said: "One by one the policies which define our philosophy have been rejected by the prime minister ... Believing that the party does not belong to Tony Blair we [should] rise up against the coup d'état which overthrew the legitimate philosophy." His remarks were seen as an appeal to Unison, Britain's largest trade union, which voted last week to review its multi-million support for the Labour party in the light of the prime minister's growing reliance on the private sector. John Monks, the normally mild-mannered TUC general secretary, who will speak at today's launch of the institute's

report, warned that many unions were "doubling their sentries" because of worries over the government's admiration for the private sector. "The impression that's been created by people somewhere near the middle of the government is that we want to put the gloves on and have a scrap," Mr. Monks told GMTV. "That is entirely the wrong way to start." But Alan Milburn, the health secretary, sought to calm fears about the government's plans. "The core NHS principles are not up for sale," he said. "Care will still be based on clinical need, not the ability to pay, and services will continue to be free at the point of use."

From [SocietyGuardian](#), by Nicholas Watt and Charlotte Denny, 25 June 2001

MIDDLE EAST

PRIVATIZATION COMMITTEE ALLOWS BEZEQ TO INJECT \$40M. INTO YES

The ministerial committee for privatization today approved Bezeq's request to funnel \$40 million to satellite broadcaster YES, of which it presently controls 30 percent. The decision was contingent on Bezeq's agreeing to present the committee with a report justifying its investment in the satellite broadcaster within 120 days as well as the telecom's promise to aspire to balance the investment with its holdings within the same time period. Total investment in YES so far has been \$400m. of which Bezeq has injected \$120m. With the additional \$40m., Bezeq's total investment comes to \$160m. or 36% of the total. What the committee wants Bezeq to do is negotiate the dilution with the other shareholders and try to reach an agreement within 4 months. Bezeq welcomed the decision, which will allow it to give YES the financial boost it needs without having to commit to immediately buying out smaller, more silent shareholders. YES, which originally expected to break even once its subscriber base hit 200,000, has reassessed and now says it will break even only with 350,000 customers. Presently the satellite broadcaster has some 170,000 subscribers and, in the saturated market, will face the difficult task of trying to lure away at least 50,000 cable subscribers in order to move out of the red. As a result, the satellite broadcaster has found that many of its investors and shareholders -- already stretched in poor market conditions -- are reluctant to gamble on further investment. Bezeq, which sees YES as a strategic investment, initially received approval to increase its holdings in the broadcaster from 30% to 50%, then asked for permission to inject funds into YES without having to wait to buy out other shareholders. Communications Minister Reuven Rivlin said that YES is keeping competition alive in what otherwise would be a market monopoly held by the cables and that the satellite broadcaster is understandably important to Bezeq in an era where telecommunications is headed towards a blending of infrastructure and content. "If they would tell me that Bezeq invested in the satellite only so it could compete with the cables I would have said that Bezeq shouldn't be allowed to go ahead with such a plan. But Bezeq sees its investment as YES as strategic, just as the cable shareholders see their investment in the cables as a step into the telecom market," said Rivlin. "We are on course towards 3G, when content will be transmitted over the phone and telecom and content will be the same thing," the minister added. "Bezeq can't do without the multichannel broadcasting and the cables can't do without telecommunications. "In the future we will have a duopoly of Bezeq against the cables, an infrastructure creating a win-win situation in which the first to benefit will be the public."

From [Jerusalem Post](#), by Gwen Ackerman, 24 June 2001

'PRIVATIZATION UN-ISLAMIC'

The Hizb-ut-Tahrir, an Islamic organization struggling for the establishment of Caliphate in the Islamic world has termed, the privatization of the public sector units and collection of taxes, including income-tax and general sales tax (GST), as cruel and un-Islamic. The organization was founded by Sheikh Taquiuddin Ab-Banani in 1953 in Al-Khalil, Palestine. Its present chief is Abdul Qadeem Zaloom. The HT does not believe in geographical boundaries dividing the Muslim Ummah. It is opposed to the World Bank, IMF and the multinationals' interference in the internal affairs of the Muslim countries. The organization termed the absentee landlordism as un-Islamic. The Prophet Muhammad (Peace be upon Him) had declared the reservoirs of welfare, like, rivers, mountains (with all deposits) and oil as the common property of the Muslim Ummah, he added. Speaking at a news conference here at the Peshawar Press Club, Naveed Butt, a spokesman for the HT, criticized the tax policy of the government, privatization of public units, increase in the prices of pesticides and fertilizers, income tax in agriculture produce, ending subsidy on food items, re-scheduling of loans for the debt servicing and other agreements with the World Bank and the IMF. He said that the IMF had estimated a collection of Rs465 billion from taxes during the next financial year, which was 15 per cent more than the previous year. This income would be used for the payment of the interest on loan procured from the FDIs, he added. On IMF's recommendations, he said, the government had planned to increase the ratio of the GST up to 20 per cent on iron and steel by the July 1. The government would have to obtain further loan from the Asian Development Bank, World Bank and the IMF to meet its expenditures, he added. He said the government had also asked the ADB to loan US\$ 350 million dollars for its energy sector. This was linked to the retrenchment of 100,000 employees. "The privatization of different profit-earning units will fetch only three billion dollars, but it will empower the foreign companies to fix prices of utility services without the government's interference", he added. He alleged that the IMF was out to destroy the agriculture sector. By Sept 2001, the government will impose GST on seeds, fertilizers and pesticides, he added. He said: "He who does not cultivate his land has no right to retain it. He who cultivates it, is its owner". Islam was opposed to the absentee landlords, he added.

From Pakistan-Dawn, 24 June 2001

GOVERNMENT INSISTS LEUMI'S PRIVATIZATION STILL VIABLE

Although a senior source in the banking industry said recently that Leumi's privatization was "very unlikely" under the current political and economic situation, the government insists that Leumi's privatization is still on the agenda, albeit at a slower pace than originally planned. Yitzhak Klein, managing director of M.I. Holdings, the government body in charge of privatizing the banks, told The Jerusalem Post that "the bank's privatization timetable has been adjusted as a result of the current geopolitical and economic situation, but it is still in process." Originally the government had hoped to complete Leumi's sale by the end of the year, but now Klein admits that it is likely to run into next year. Klein said that "we will only proceed forward when we are sure that the procedure will be completed and that there will be enough bidders." He added that this stage had not yet been reached, despite commenting in the beginning of the month that a "milestone would be reached within weeks." At the time it was believed that a timetable for the privatization would be offered, alongside a short list of interested parties. He did note that a Board meeting was planned for today for "an update and discussion" on the bank's privatization process but did not expect that there would be any major announcements regarding the government's sale of its 41.7 percent stake of the country's second largest bank. A senior banking source said "there is a lot of noise, but no action when it comes to privatization of Leumi." He noted that we "no longer live in splendid isolation and no one is going to buy an Israeli bank at the moment." He further added, "they haven't even started talking about Leumi's price and already they are having difficulties attracting investors." Despite the current obstacles Klein said "we plan to privatize Leumi as efficiently and fast as we can." If the government is unable to attract foreign banks, it may open up the bidding to Israeli participants and non-banking institutions. Insurance magnate Shlomo Eliahu, who is the third largest shareholder in Leumi with a 6.6% stake recently criticized the government for not allowing its own citizens and non-banking institutions to compete in the process. Another alternative is to sell the government's share on the stock market to local and foreign investors, but for the time being the government is still committed to the planned bidding process.

From [Jerusalem Post](#), by Sharon Berger, 25 June 2001

THE AMERICAS

COLOMBIA TO PRIVATIZE NO. 2 BANK BANCAFE BY OCTOBER

Cartagena - Colombia will set a minimum price within days for state-owned bank Bancafe, allowing for an IMF-mandated privatization by the end of October, bank president Pedro Nel Ospina said on Friday. "Between September and October we hope to conclude (the sale)," Ospina told reporters on the margins of a conference on Colombia's banking sector in the coastal city of Cartagena. Colombia is committed to selling Bancafe, Colombia's second largest bank in terms of assets, under the terms of a three-year \$2.7 billion IMF loan agreement signed in 1999. In late April, the government injected \$111 million into Bancafe to prepare for its privatization. But experts have warned that, given the \$5.5 billion in unproductive assets weighing down on the banking sector, foreign investors have little appetite for Colombian banks. Ospina said Bancafe's solvency rate of 14 percent was higher than other Colombian banks, making it more attractive to investors. He added the government would offer to buy Bancafe's mortgage portfolio, estimated at about \$350 million, from the future buyer. Founded in 1954 by coffee growers, the bank was caught up in a financial crisis amid Colombia's 4.29 percent economic retraction two years ago. It had already been weakened by the steep long-term decline in coffee prices. The government, which took over Bancafe in 1999, injected \$477 million into the bank under a \$6 billion bank sector rescue plan. Bancafe was one of the biggest aid recipients. The bank is 99.9 percent owned by the government's Fogafin financial banking fund. Its valuation is being handled jointly by French banking group BNP Paribas and Colombian financial corporation Corfivalle.

From [ZDNet](#), Source: Reuters, 8 June 2001

ARBITRARY PRIVATIZATION DOESN'T MAKE FOR BETTER GOVERNMENT

As a member of the Coalition of Business Associations and the chairman of the local Democratic Party, I must respond to Mike Wallace's My View last Sunday, "Quit the whining about state jobs." Like Gov. Jeb Bush and his staff, Wallace just doesn't seem to understand government - and/or doesn't care. He, like the current administration, seems to suggest that the privatization of the state workforce is a good thing and we should just take their word for it. The current administration made the arbitrary decision to reduce the state workforce by 25 percent over five years, not including the numerous other positions that are not included in the "exercise" but nonetheless are being privatized. Yet they did so with no caring or understanding of the short- and long-term costs associated: monetary, level of service, employee self-esteem, etc., locally and across the state. Wallace seems to indicate that government should and can be "market driven," while failing to recognize that government is not profit and loss driven. It is driven by the needs of citizens and interest groups and their ability to acquire the support of elected officials in a political environment. Is the government being run efficiently when, for good public relations and possible short-term savings, we privatize and/or eliminate state employees? I would say no. Not since many of these Florida citizens will now find it necessary to accept positions at lower pay or without basic benefits such as medical insurance. These are costs that all Florida citizens will still pay for through Medicare and higher medical costs, while also still paying private firms to provide the services and to make a profit. I do not consider profit a four-letter word; however, profit is not what drives government. And since there has been no data provided to show that privatization can and will provide the citizens of Florida services equal to or greater than the services provided by state employees, I believe that Tallahassee needs to develop non-government opportunities - not low-paying service positions such as fast-food jobs - for our

citizens. We also we must work to ensure that the citizens of Florida recognize the vital and critical services that are best provided by professional Florida government employees, state, county and municipal. Wallace's position is harsh, especially since it fails to convey the differences between the government and private sectors and makes it appear that the entire business community accepts and approves of the changes rushed through by this administration.

From [Tallahassee Democrat](#), by Rick Eggers, 2 June 2001

PLURALITY IN U.S. SUPPORT PRIVATIZED SOCIAL SECURITY

Boston - Less than half of U.S. investors support the partial privatization of Social Security, the main U.S. welfare program, according to a survey by a leading mutual fund company released on Monday. The study by Putnam Investments, a unit of Marsh & McLennan Cos. Inc. ([MMC](#)), found that 43 percent of investors favor some privatization of Social Security, which has functioned since its creation on a pay-as-you-go system in which current workers pay for current retirees. U.S. President George W. Bush said during his campaign last year he wanted to partially privatize the system through the use of individual investor accounts. Last month, he appointed a special commission to come up with proposals. Putnam's survey of 1,500 U.S. citizens who hold retirement accounts found that overall 35 percent oppose privatization and 22 percent said they were not sure. The survey showed Americans 18 years old to 34 years old support privatization by 43 to 28 percent. Only 37 percent of those 55 and over support privatization while 47 percent oppose it. Men favor privatization 50 percent, while 32 percent oppose it. Women oppose the idea 40 percent, compared with 30 percent, who support it. The survey also showed 44 percent of investors believe their largest source of retirement income would be a 401k plan or an Individual Retirement Account (IRA). Overall, only 14 percent of those surveyed said they believed Social Security would be the primary source. The study found that the younger the investor, the more likely they were to discount Social Security's role in providing their retirement income. Fifty-seven percent of 18-to-34-year-olds said 401k plans or IRAs would probably provide the largest source of retirement income. Only seven percent of that group named Social Security. Of respondents between 35 and 54 years old, 44 percent said 401ks or IRAs would be the main source of retirement income while 14 percent said Social Security would be. But among those 55 and over, only 23 percent expected 401ks or IRAs to provide the bulk of retirement income. Twenty-four percent picked Social Security and 20 percent said defined-benefit pension plans.

From [iWon](#), 4 June 2001

SCHOOL BOARD MAY CONSIDER PRIVATIZATION

The Lafourche Parish School Board is expected to receive the superintendent's report on requesting privatization proposals. The plans, which would privatize the district's facilities management support staff, may be discussed during the monthly meeting Wednesday at 7 p.m. Floyd Benoit, spokesman for the School Board, said the proposals are being received so the board "can determine the best way to operate." Benoit said the board has 1,200 support personnel. However, he said, only approximately 500 of those employees would be affected if the board decides to send its business to a private agency. The proposals should include custodial, maintenance and ground services. "They are just accepting proposals to determine if privatizing all custodial services would save money," he said. "The proposals are their way of checking out the market and determining if that's the best way to go." In other business, Lafourche Parish School Superintendent Elmo Broussard is scheduled to recommend a replacement for newly appointed Thibodaux High School Principal Shelba Harlan. Harlan, who served as assistant principal of the high school for five years, is scheduled to begin working with present Principal Guy Harvey, who is scheduled to retire during the 2001-2002 school year. Harlan was named to the principal position during the May board meeting "to allow time for transition," Harlan said. Benoit said Broussard is expected to recommend Harlan's replacement during Wednesday's meeting. The appointment will become effective with the beginning of the 2001-2002 school year. Also Wednesday, the board is expected to approve revisions to the 2000-2001 Pupil Progression Plan. Benoit said revisions in the plan are being made at this time because the district recently received the final LEAP scores, which determined whether some pupils will progress to the next grade level. Louisiana instituted the Louisiana Educational Assessment Program for the 21st Century to test academic performance in the fourth and eighth grades. Most students must pass the English and mathematics portions to move on to the next grade. Students who score unsatisfactorily risk remaining in the fourth or eighth grade or entering a remedial program.

From [The Courier](#), by Eloria Newell James, 5 June 2001

PERU'S ENERGY MINISTER CALLS FOR PRIVATIZATION OF PETROPERU

Lima - Carlo Herrera, Peru's Minister of Energy and Mines said recently that the interim government will submit a plan to privatize the state-owned oil company, Petroperu. "It is an alternative that we will leave to the new administration whose responsibilities will be to take the necessary time to choose the best options," Mr. Herrera said in a statement. He said any sale of Petroperu should be tied to an investment of about \$400 million during the next four years, mainly in the refinery at Talara, which has been mentioned as one of the state-owned enterprises the new government could sell off. The investment would allow that refinery to process heavy fuels and meet international environmental standards. Petroperu's president, Raul Pasco, was quoted as saying in newspaper Gestion Thursday that a U.S. company and another Latin America firm could be potential bidders, but didn't identify them. Mr. Pasco also said Petroperu will replace the oven of the refinery Talara, which could cost \$20 million to \$22 million. In addition, Mr. Herrera said the state-owned Electroandes SA company will be sold July 20, separate from the 130 megawatt-hour hydroelectric power plant at Yuncan, currently under construction with Japanese financing. He said in a statement that there are seven companies interested in bidding on Electroandes. The government commission in charge of privatizations, or Copri, has approved a base price

of \$120 million for the sale of Electroandes. The winner of the auction for 100% of the shares also must assume \$19.5 million in debt and commit to investing \$17.5 million across a five-year period.

From eveforenergy.com, 25 June 2001

PRIVATIZATION PUTS FOCUS ON 'CORE MISSION'

What privatization means in human terms is summed up in four large stacks of three-ring binders and file folders at the Department of Management Services. It means some people working for the state are going to lose their jobs and, if they catch on with the new private vendors doing the same work, they'll make a lot less money. And it means the state wants agencies to outsource anything not directly related to their "core mission" responsibilities. Bids on custodial services at four large state office complexes give credence to the arguments of Leon County legislators, and Democrats generally, who reflexively oppose any privatization of state jobs. But the bid evaluations also bolster the argument of Republicans, who tend to view every government job a net subtraction from the public weal. Last month, the state notified at least 54 custodial workers that their jobs were being privatized in the fiscal year starting July 1. The employees earned an average of \$17,838 a year, but some were making as little as \$11,000. DMS has chosen winning bids for cleaning the Florida Department of Law Enforcement complex on Phillips Road, the Turlington building downtown, the Rhode Building in Miami and the Hurston Building in Orlando. The state hopes to save about \$500,000 annually on the cleaning work - but that's not counting food stamps, Medicaid and other welfare costs of the displaced employees. At FDLE, the regular custodial jobs will pay \$7 an hour. A couple of supervisors will make a buck more, while three "floaters" on six-hour shifts will make 50 cents less. At Turlington, the Florida Education Center, one project manager will make \$12.44 an hour and three daytime custodians will make \$7 hourly. Most of the work, though, will be done by 19 night custodians, who'll make \$6 to \$6.50 an hour, working four hours a night. In Miami, it's \$6 to \$7 an hour, mostly part time. In Orlando, there will be one full-time project manager at \$12 an hour, but most of the regular custodians will be part-timers on the night shift at \$6.25. Do the math - at even \$7 an hour full time, that's \$14,560 a year. Since the vast majority of these jobs are part time and pay less than \$7 hourly, it's pretty obvious that they are intended for people who have something else during the day or some family members bringing home other incomes. Well - as some old legislators used to say, when a rookie grasped the obvious - we just cracked the code. The first big goal of privatization (which didn't start with Bush, by the way) is to get good service, cheap. Providing good jobs is not the state's concern. The second driving concept behind outsourcing (which a lot of private companies also do, by the way) is to have state agencies concentrate on their "core missions." Corrections locks up bad guys. Environmental Protection cleans up the air and water. Children and Families takes care of at-risk kids. Transportation paves whatever holds still. Anything that takes up tax money without delivering tangible results for the public (like personnel services, with about 1,100 jobs already going private) will be put on the auction block. Will it be cheaper? Probably. Will it be better? That depends on whom you ask. The people losing their jobs will say it won't, but the folks letting the contracts - and getting them - believe privatization is the way to go.

From Tallahassee Democrat, by Bill Cotterell, 25 June 2001

ICAHN: PUSHING 'PRIVATIZATION,' WALL STREET TYRANT MAKES TAKEOVER BID - FOR CITY SCHOOLS

If the Guardian Angels celebrating their 22nd anniversary at Tavern on the Green wasn't an incongruous enough sight, there were the four famous New Yorkers, from wildly disparate walks of public life, standing on the small stage in the restaurant's back room at the event's climax. None of them knew each other, but all four were wearing red nylon jackets and red berets. They were, from left to right, Regis Philbin, who, for reasons nobody quite understood, received a "lifetime achievement" award; Mayor Rudolph Giuliani, who, for reasons slightly better understood, received the same honor; Angels founder and radio talk-show host Curtis Sliwa, giving out the awards; and, finally, Carl Icahn, Wall Street myth-maker, who was the Angels' Man of the Year. Mr. Icahn was once one of the most controversial figures on Wall Street, and still is, even as he rather quietly approaches the autumn of his career. But the crowd—save perhaps Mr. Giuliani—was feeling nothing but love for him. Mr. Sliwa called him "a son of the earth," a smart Jewish kid from Bayswater, Queens, who grew up to "offset the trade balance with Japan." Regis Philbin introduced him. "This next guy is a man's man," he boomed. "He's the toughest trader on Wall Street—a killer! ... He's buying, he's selling, he's coming, he's going, he's doing. He makes the other guys on Wall Street shudder!" Mr. Icahn, who recently turned 65 and has not been a trader for some time, got up and, always the contrarian, insisted that he didn't like charity events. "Especially when I'm the one being honored," he said. So why was he at this strange party—standing next to the onetime federal prosecutor who helped put away so many of his business associates, no less? Why wasn't he in the office working on a deal (still his favorite activity) or at home watching one of his Clint Eastwood movies? Carl Icahn has never liked to do what other New York billionaires like to do. But he was at Tavern on the Green for another reason as well, one that can be put into a single word, a word he repeated at least a half-dozen times that night: *privatization*. It has become Mr. Icahn's mantra lately, and not because he is reminiscing about his days in the hostile-takeover business. He was not talking about business at all; he was talking about charter schools. "I think we need to get education out of the hands of government, away from all the bureaucracy," he said, without deference to the presence of the Mayor. "A large percentage of kids aren't graduating; 52 percent of kids aren't passing the Regents [exam]. "We need to privatize it," he concluded, to loud applause—including the Mayor's. Mr. Icahn is putting up the money. Earlier this year, the city approved an application for a charter school sponsored by his Foundation for Greater Opportunity, and in September, if all goes according to plan, eight teachers and about 100 students from kindergarten to the second grade will start classes at the Icahn Charter School in the Morrisania section of the South Bronx. Construction of the school building, situated across Brook Avenue from the Icahn House, a temporary shelter for women and children that now houses 65 families, is underway. It is costing Mr. Icahn about \$3 million. Costs

for the first year of operations will run him about \$1 million. But like everything else about Carl Icahn, this tale has a slight twist: Mr. Icahn is not just driven by his concern for New York's children. The man whose high-flying days in the 1980's inspired a number of new laws is dedicating this stage of his life to working around government bureaucrats. "If society is going to be successful," Mr. Icahn said the day before the Guardian Angels party, speaking in the conference room at Icahn Associates Corporation, on the 47th floor of the General Motors building at 767 Fifth Avenue, "we've got to have free enterprise in everything. A system of rewards and motivations. A carrot-and-stick kind of thing." **The Financier** - Mr. Icahn's offices are not what one might expect from the man who begat Gordon Gekko. There is a Remingtonesque sculpture and some nicely manicured plants. The indices of power are subtle: a framed stock certificate from the real-estate investment trust Baird & Warner Mortgage & Realty Investors, his first target, which he renamed Bayswater Realty & Capital Corporation. A model train car on which ACF—the rail-car maker he acquired in 1984 for \$405 million—is subtly printed. More impressive are the views of the city, suggesting that Mr. Icahn can see all, can have all. And, sure enough, he has. He was the most feared greenmailer and corporate raider (he's always disliked those terms, preferring to call himself a "financier") in America, with a list of conquests that has become the stuff of legend: Phillips Petroleum, Texaco, Viacom, Western Union—and those are just examples from the end of the alphabet. His perverse love of proxy-fighting and his pursuit of companies during the 1980's was so omnivorous that Mr. Icahn seemed not so much a name as a force, the mere mention of which was enough to make C.E.O.'s quake in their John Loeb's. He published diatribes in *Business Week* comparing America to an ailing corporation; he was the subject of volumes of fierce criticism in newspapers and in minutes of board meetings. He was, and is, a figure of awesome respect and also revulsion—for some, the embodiment of the "greed is good" culture of Wall Street; for others, a revolutionary icon. He made billions of dollars for himself and for shareholders, but his motives and his effect on corporations—did he want to whip them into shape by excising the "fraternities" of management, or sap them? - will always be debated. But in 1992 Trans World Airlines, which Mr. Icahn had taken over and tried unsuccessfully to manage for several years, went bankrupt. Since then, he has been largely out of the spotlight, quietly cutting deals, shorting Internet stocks like Priceline.com, and occasionally coming up for air to make not-very-hostile runs at such dogs as Nabisco and, ironically enough, G.M. In April he made a short-lived bid for VISX, an optical-surgery-equipment maker. He lives with his wife of two years, Gail Golden, in a duplex at the Museum Tower and at an estate in East Hampton. He also has residences in Florida and Las Vegas. He loves gambling: horses, card games, sporting events, Monopoly—but especially poker. He bought his first stocks 40 years ago with a few thousand dollars he won in the Army and today is worth an estimated \$4.5 billion, according to *Forbes* magazine. ("I don't want to discuss that," he told *The Observer*.) At well over six feet, he is a towering man even when he slouches, and he resembles Mel Brooks. He's funny, too, and has a child's capacity for spontaneous glee. Sitting in his office dressed in a yellow Oxford and wrinkly blue blazer, he often looks out of the window while he's talking, as if he's still amazed by how high up he is. But his thoughts are in the Bronx. "Most of these places start on a shoestring budget, so they are almost doomed to failure," he said. "But we can put up the money." Because both the public and the government are still wary of charter schools as an alternative to public education, Mr. Icahn thinks it's up to people like him to get them going as not-for-profit companies. Foundations need to embrace them, not just to fund grants, he said. "If they understood how good charter schools could be, I think they would get into them. But they're expensive." Mr. Icahn became interested in starting his own charter school years ago, he said, but couldn't act on it until 1998, when Governor George Pataki (whom Mr. Icahn calls a friend) pushed the legislation through. Since then, specialists and assistants have been planning the school's curriculum, which will be based on the "core knowledge" ideas of the education theorist E.D. Hirsch, and a battery of lawyers has been going through the tedious process of bureaucratic approvals. "It will be rigorous," said Julie Goodyear, who is in charge of the Icahn Charter School project. "We feel that kids need more knowledge to be prepared to enter the marketplace." Mr. Icahn said that the most significant obstacle he encountered was buying the land on Brook Avenue. The city told him it would take two years. He threatened to publish an Op-Ed piece in *The New York Times*. In a matter of months, he had his deed. While the teachers' union predictably opposed it, Mayor Giuliani and Governor Pataki both expressed their support, he said. But Mr. Icahn believes that it is always a struggle dealing with government. He and Ms. Golden (for a long time, the assistant who directed his charitable efforts) recalled the reaction of city officials when they proposed to build temporary shelters like Icahn House. "They said they didn't need it," said Mr. Icahn, baffled. "Families were living in these awful residential hotels," said Ms. Golden, a pretty, affable woman who matches Mr. Icahn for wisecracks and has no qualms about ribbing him (he takes it and seems to like it). "Kids were stepping over crack dealers on their way to school in the morning, and they said they didn't need it! Then they put a moratorium on temporary housing." "We need less bureaucracy in *everything*," Mr. Icahn said, magnifying his signature complaint about the corporate world. He has been screaming about bureaucracy for decades, and he uses the word about as frequently as he does "privatization." "We live with some almost socialistic systems. Not many people realize that ... socialism doesn't work." Besides schools, he'd like to see other areas of government privatized. "The Reagan years helped a lot," he said. "And so did Monica Lewinsky, ironically, by keeping the government from doing too much." So would the world be better off if more corporate types—those, like him, who eschew the omnipresence of government—went into politics? More Michael Bloomborgs? "I like that he's running for Mayor—but that's not an official endorsement," Mr. Icahn said. He added that he's only met Mr. Bloomborg once. "Jon Corzine and I are friends. We argue about government, but I think that he would agree with me on education." (Mr. Corzine does, in fact, support charter schools.) Mr. Icahn says he has no political ambitions of his own. That's not surprising, given his view of government. He was scrutinized by regulators for years, though he was never accused of wrongdoing—unlike his colleague Michael Milken, who is still waiting for that Presidential pardon to come through. But legislation passed in the early 1990's made hostile takeovers of the sort he used to practice impossible. Mr. Icahn is doing fewer business deals these days and devoting more time to philanthropy. He doesn't go about it like Mr. Bloomborg or Henry Kravis, donating generously to everything under the sun and becoming a fixture on boards and at parties like the one at Tavern on the Green. "It's a bit of a chore," Mr. Icahn said of the charity circuit. "They ask you to buy a couple of tables, and then you go and are supposed to make small talk for three or four hours. I'd rather read a good book or watch a movie and pay more not to go." And if they happen to be honoring him? "You get up and everybody applauds you, and you say, 'What the hell did I do?'" So has there always been a heart of gold under the tough exterior,

as Mr. Icahn's friends and colleagues maintain? Or is this just another gimmick perpetrated by a lifelong con artist, like his critics contend? If it's a gimmick, it's costing him. Mr. Icahn does not raise money; he only spends his own, through his four charitable foundations. It probably has more to do with Mr. Icahn's nature than his charitable impulses: An only child and fiercely independent man, he famously hates having partners. Stories abound about colleagues he's cut out of deals and friendships dissolved in rough competition. Right now, though, he said he's thinking about poor children. In the late 1980's he founded the Children's Rescue Fund, which operates the Icahn House, with the goal of aiding abused children. He also has the Carl C. Icahn Foundation and the Foundation for Greater Opportunity, which, in addition to funding the Icahn Charter School, sends about 20 adolescents a year to Choate academy in Connecticut. Mr. Icahn's son Brett, who just graduated from Princeton, and his daughter Michelle, still a college student, attended high school there. On the speaking circuit, Mr. Icahn can be blunt and funny. One-on-one, he can be warm or distant. But his eyes light up when he's talking about children. "We send kids from Indian reservations, from the slums of Chicago," Mr. Icahn said of the Choate program, as though amazed that he—the man who made \$500 million taking on Texaco and \$600 million taking on Nabisco—could pull such transactions off. What about the glory of it all? "I think they just put the banner that says 'Icahn Science Center' up when they know I'm coming to visit," he said of the renovated science building at Choate. (Fittingly, the building used to be called the Mellon Science Center.) In 1999, he gave \$20 million to Princeton University, from which he graduated in 1957 with a degree in philosophy (after his mother, a school teacher in Queens, told him that studying economics would be a waste of her money). The money is for a genomics laboratory; he is also giving Mt. Sinai Hospital \$10 million for a genetics lab. By his own admission, Mr. Icahn prefers to pay for, but stay out of, the operations of his eponymous foundations. "I don't believe in micromanaging," he said. He leaves that up to a handful of trusted assistants, including Ms. Golden, whom he married in 1999 after a protracted (six years) divorce from his wife of 20 years, Liba, the mother of his children. (She told the press that Mr. Icahn had treated her like one of the companies he went after.) Ms. Golden, with whom Mr. Icahn has lived since 1993, also has two grown children. Mr. Icahn claims that he has no plans to retire, and that doing deals still turns him on as much as ever. But, he said, these days "I like to spend time with my family, and with Gail." "I think I qualify as family," Ms. Golden snapped back. And he has his friends. "I have an eclectic group of friends," Mr. Icahn said. "Very eclectic," Ms. Golden added. Although he claims not to chair the rich men's club, he counts among his friends Sam Waxell, an investor, producer and general man about town, and Leon Black, the former Drexel Burnham Lambert banker. Then there's the charity and speaking circuit, which seems to be drawing him more and more. He might say he dislikes public events, especially charity dinners, but that was difficult to tell at Tavern on the Green on June 7. He had the people at his table roaring—when he wasn't milling about and squeezing palms, talking it up with everyone around him (although he and Mayor Giuliani did not greet one another when the Mayor arrived during the first course) and posing for pictures with what seemed to be every last Guardian Angel. "We need to support the Curtises of the world," he said, referring to Mr. Sliwa. And he used that word again: *privatization*. His son, an English major just out of school, was sitting between his father and a lovely blonde who was lavishing attention on him. Any advice for him, Mr. Icahn? "I just tell him, 'Whatever you do, work hard. Don't be a lazy rich man's son.'" You may reach James Verini via email at: jverini@observer.com

From [New York Observer](#), by [James Verini](#), 14 June 2001

COUNTY TO STUDY POSSIBILITY OF PRIVATIZING DEFENDERS

Yellowstone County commissioners are exploring the possibility of privatizing the public defender's office. On Friday, commissioners directed staff to begin developing a request for proposals that could lead to Yellowstone County contracting with a private law firm to provide legal services now handled by the public defender's office. The public defender's office represents indigent defendants in District and Justice courts. The public defender's office has a proposed budget of \$997,638 for the 2001-02 budget year. Commission Chairman Jim Reno said privatization is being studied as a way to save money for taxpayers. "I'm not sure that the private sector can't provide the same kind of service at an equal or lower price," Reno said. "I owe it to my customers, the taxpayers, to get the best deal for the resources they have given me," he said. The Yellowstone County attorney's office is hiring new prosecutors and investigators after voters approved a public-safety mill levy last November. The public defender's office is also asking the commission for more money to hire additional staff because of a growing case load for public defenders. Reno said at least one law firm has expressed interest in contracting with the county to provide legal services for the indigent. He said it probably would take several months to develop the RFP, or Request for Proposal. During the commission's meeting with county department heads Friday morning, District Court Judge Diane Barz said the judges support exploring the feasibility of privatizing the public defender's office. Chief Public Defender Sandy Selvey wasn't available Friday, but he has expressed concerns about privatization in letters to commissioners. In a June 5 letter to Reno, Selvey said private attorneys represented indigent defendants until about 10 years ago. In many cases the quality of legal representation suffered, and hiring private attorneys ended up costing the county more money in the long run, Selvey wrote. "It was and still is, my position that such a plan would result in the quality of representation for the indigent being severely undermined," Selvey wrote in a June 4 letter. Reno said the county used to contract with several attorneys from a variety of law firms to represent indigent defendants. Under the new proposal, the county probably would contract with a single law firm capable of handling the caseload, he said.

From [Billings Gazette](#), by [Tom Howard](#), 16 June 2001

JOB PRIVATIZATION MIGHT BE KEY TO BUDGET DEAL, COUNCIL SAYS TRANSITION PERIOD FOR CUTTING 170 POSTS IS A STICKING POINT

Mayor Martin O'Malley does not have the votes on the City Council to approve his proposed budget and might have to soften his privatization effort to win passage of the spending plan next week, council members said yesterday. O'Malley's plan to privatize the

jobs of 170 or more custodial workers and security guards remains the only sticking point in negotiations over his nearly \$1.7 billion budget, which could be voted on by the council Monday night or Thursday night. Council members said the mayor has offered a six-month transition period before eliminating the jobs from the public payroll, but they said yesterday that he will have to agree to a transition of up to one year to get the 10 votes he needs from the 19-member council. "He doesn't have [the votes], because right now there's still a number of people who support up to 12 months, and we don't have a firm commitment yet from the administration," said Council President Sheila Dixon. The mayor will hold a luncheon meeting with the council Monday, and some council members are optimistic that a deal can be worked out by then. "I know that the administration is working on it," said council Vice President Stephanie Rawlings Blake, a Northwest Baltimore Democrat. "I think everyone wants the same thing, and that's to provide the best opportunity for city workers. And while it seems like we're miles apart, I really think we are closer than we think." The mayor has argued that the city can save more than \$4 million a year by hiring private contractors to guard and clean city buildings. Some council members have registered strong objections on behalf of employees who earn less than \$25,000 a year. Several council members have said they will oppose the budget proposal with privatization even if there is a transition period of up to a year. At a lunch meeting yesterday away from City Hall, at Canton Station restaurant, union leaders pressed other council members to oppose privatization.

From [Sunspot](#), 16 June 2001

AUDIT REPORT CITES FLAWS IN PRIVATIZATION EFFORTS AT LACKLAND

Controversy surrounding the award of a \$336 million private contract for work at Lackland Air Force Base has led a ranking member of the House Armed Services Committee to call for a halt in awarding some military contracts. U.S. Rep. Ciro D. Rodriguez, D-San Antonio, is asking the Air Force to halt any decision to privatize base support functions within the Air Education and Training Command (AETC) in order for the government to develop a better system of determining whether support services are delivered best in-house or by outsourcing the work to the private sector. If Rodriguez succeeds, it could pull the plug on major cost comparison studies -- so called A-76 studies -- currently under way at Randolph, Keesler and Sheppard Air Force Bases. The Air Force estimates that 5,400 civilian and military employees working throughout AETC installations could lose their jobs through A-76 if the work is outsourced to private contractors. AETC headquarters are located at Randolph. At issue is a Department of Defense inspector general audit report criticizing the AETC's handling of a decision made as part of A-76 to award a \$336 million base support contract at Lackland over the next 5 1/2 years to a private contractor. The audit report discovered that the Lackland bids were calculated and evaluated erroneously by Air Force officials. The government would have achieved negligible cost savings by awarding the work to the contractor, the report says. The differences between the in-house bid -- which would save military and civilian jobs -- and the winning contractor's bid was less than 1 percent, according to Rodriguez. Lackland 21st Century Services Consolidated, a joint venture made up of Computer Sciences Corp., Del-Jen Inc. and Tecom Industries Inc., originally won the contract. The scope of the work includes support services such as information technology services, communications, engineering services and utilities management. The joint venture lost the bid on appeal by the Lackland employees, only to receive a tentative decision by the Air Force to regain it. In its bid, the contractor indicated that it would hire 1,000 local workers, including job offers to displaced Lackland workers. However, the controversy has put that contract on hold. Lackland is one of 13 bases operated by AETC. It is responsible for providing basic training to the 36,000 enlistees to the Air Force each year. When AETC initiated an A-76 cost comparison study at Lackland, it was the largest of its kind attempted by the Air Force, and took a year to complete. Focus on AETC - The A-76 process, which began in 1998, compares what it costs federal employees to perform designated duties and what it would cost the private sector. It's designed to find the most efficient organization within an agency and, thus, as the thinking goes, save the government -- and ultimately taxpayers -- money. The resulting most efficient organization is allowed to perform the work, whether it's continued by the civilian employees or outsourced to a contractor. Decisions are made on a base-by-base basis. The AETC is being targeted because it set out an aggressive timetable for five of its bases to undergo A-76. It started with Maxwell Air Force Base in Alabama in 1998 and Lackland the following year. Randolph, Keesler and Sheppard are next in line. The bulk of those affected jobs are located at those five bases. Sheppard is located in Wichita Falls, Texas; Keesler is located in Biloxi, Miss. Separately, the Army also is undergoing its own cost analysis at Fort Sam Houston in San Antonio. On ice - The contract at Lackland is on ice until the Pentagon reviews the matter and makes a determination on how to proceed. The contract is expected to eliminate 738 civilian jobs at the base, as the private contractor takes over the support services. However, pending the outcome, the Air Force could decide to either let the contract award stand or even open up another bid process, according to Rodriguez' staff. Rodriguez is not disputing the military's efforts to achieve operational efficiencies through privatization. However, he has been particularly vocal against the way AETC has conducted the A-76 process, given the amount of jobs at stake. "The problem is that the system is inherently flawed," says the congressman's spokesman David McFarland. "(We want it put on hold) so that the Air Force can retool it. We need to make it a fair process because it's not (right now)." Job impact - Rodriguez sent letters to Acting Air Force Secretary Lawrence Delaney and AETC Commander Hal Hornburg asking them to halt these efforts at the bases until problems outlined in the report can be addressed. How the Air Force decides to resolve issues at Lackland is expected to set the stage for future A-76 studies throughout the branch. But Lackland isn't the only base that's affected by A-76. Besides the 5,400 potentially impacted employees within AETC, as many as 27,000 workers throughout the Air Force could also potentially lose their jobs by this process, according to the AETC. "We've received the audit report from the IG (inspector general). We're in the process of reviewing the document," says AETC spokesman David Smith. The command has not yet made a decision on how it will resolve the Lackland dispute. "Once we finish this review, we will have a clear path on which direction we will take." However, what is clear is that AETC has no intention of putting the brakes on A-76 studies at Randolph, Keesler and Sheppard. "All of the other processes are ongoing and they will continue to move through those processes," Smith adds. Public hearings - Rodriguez isn't alone in criticizing the A-76 process. This year, the Government Accounting Office, Office of Management and Budget, the Department of Defense, industry and

labor have convened a Commercial Activities Panel that will take testimony from the affected groups on ways to improve the process. The GAO will host public hearings in Indianapolis on Aug. 8 and in San Antonio on Aug. 15 to discuss A-76 and government outsourcing. Once the panel has collected information, the GAO is supposed to present its final report to Congress by next May. Based upon those recommendations, Congress could pass new legislation either to overhaul or retool the A-76 process. The American Federation of Government Employees (AFGE), which represents a major portion of civilian employees at San Antonio bases, has been an outspoken critic against the pattern of government outsourcing. AFGE defense policy analyst Wiley Pearson says there is no conclusive evidence yet that A-76, in fact, does what it is intended to do. "Before employees lose their jobs, we'd at least like the dignity to know that they achieved cost savings and efficiencies," he says. "We are the ones who are intimately involved in the delivery of services. The real argument is, are we using the best process to do this? And that very much is the question."

From [San Antonio Business Journal](#), by James Aldridge, 18 June 2001

BALTIMORE COUNCIL APPROVES O'MALLEY JOB PRIVATIZATION PLAN

The City Council on Monday gave tentative approval to a plan that could cost nearly 180 city workers their jobs. A final vote on Mayor Martin O'Malley's plan to privatize city custodial and security services is set for Thursday. More than 50 members of The City Union of Baltimore Local 400 and the American Federation of State, County and Municipal Employees Local 44 filled council chambers as votes were cast by members, most of whom explained their actions before an emotionally charged crowd. Union members picketed outside City Hall before the council meeting, chanting "Down with O'Malley" and holding signs that read "City workers under attack." City officials have projected a \$21 million budget deficit for the next fiscal year and the privatization plan is being pushed to help reduce the red ink.

From [AP via New Jersey Online](#), 18 June 2001

IBM AGAIN TOPS SUPERCOMPUTER RANKINGS

IBM Corp. captured the number-one position, and six of the top 10, in a ranking released Thursday of the world's most powerful supercomputers. ASCI White, IBM's classified supercomputer used for nuclear weapons research at the Lawrence Livermore National Laboratory in California, was ruled the world's most powerful, followed by the company's machine at the National Energy Research Scientific Computing Center (NERSC), also in California. The TOP500 list, published every six months by researchers from University of Tennessee and the University of Mannheim, was made public at the Supercomputing 2001 Conference, under way this week in Heidelberg, Germany. Researchers measure supercomputers' speed and power using a benchmarking standard called the Linpack test. IBM also dominated the previous list, released in November, with ASCI White taking first place, and Big Blue machines in five of the top 10 positions. Third place went to Intel Corp.'s ASCI Red, at Sandia National Laboratories in New Mexico; IBM took fourth for its ASCI Blue-Pacific machine, also at Lawrence Livermore; and fifth-place honors went to Hitachi Ltd. for its SR8000/MPP, at the University of Tokyo. IBM officially announced delivery Thursday of the NERSC machine, capable of a theoretical peak of 3.8 trillion calculations per second, said Dave Gelardi, director of high performance computing at IBM. IBM and NERSC worked for two years on the computing system that joins 158 servers and over 2,400 processors. Scientists from around the world can use the NERSC systems by submitting research proposals to a peer group that judges the merits of the research and how ready the scientists are to use the computer. Researchers will use the NERSC systems to study areas such as the human genome, global climate patterns and the energy efficiency of buildings and cities, said Bill Kramer, head of high performance computing at NERSC in Berkeley, California. Around 65 technicians manage the NERSC systems and prepare them for research use. The TOP500 list can be viewed online at <http://www.top500.org/>.

From IDG, by Rick Perera, 21 June 2001

GOOGLE DEPLOYS BASIS TECHNOLOGY SOLUTIONS FOR ASIAN LANGUAGE SUPPORT IN AWARD-WINNING SEARCH ENGINE

Cambridge, Mass.- Basis Technology (www.basistech.com), the leading provider of software globalization solutions, today announced that Google Inc. has integrated its Chinese, Japanese, and Korean Morphological Analyzers into the award-winning Google search engine, enhancing Google's search engine with the best Asian language support available. "Google selected Basis Technology to provide the Asian linguistic technology needed to create the ultimate Chinese, Japanese, and Korean search engine," said Urs Holzle, Google Fellow and vice president. "This marks a key milestone in establishing Google as the preferred search engine for Internet users worldwide." "We congratulate Google for striving to provide the Asian online community with the highest quality search available," said Carl Hoffman, president and CEO of Basis Technology. "This is the world's fastest-growing Internet market, and we have already seen an enthusiastic reception for Google's Asian-language search." According to a recent study by Global Reach, the number of active Internet users in China, Japan, and Korea combined will jump from 99 million to more than 250 million by 2003. The Chinese-speaking Internet population alone is predicted to take the lead in global growth, more than quadrupling in number of users by 2005. Basis Technology's Chinese, Japanese, and Korean Morphological Analyzers enabled Google to add the industry's most advanced Asian linguistic capabilities to its search engine. The analyzers are portable, high-performance text analysis and word segmentation engines that ensure the most accurate Asian language text handling available. To globalize its search platform, Google also integrated Basis Technology's Rosette, the C++ Library for Unicode. Rosette is the leading cross-platform library for Unicode, an international encoding standard that enables software products to handle all of the

world's written languages. Basis Technology is the leading provider of products and services for companies entering the global economy. Specializing in high-performance software components and rapid deployment engineering services covering all aspects of globalization, Basis Technology solutions ease, among other issues, Unicode enablement, linguistic complexities, cultural adaptations, and quality assurance. Top-tier software developers, Web companies, and multi-national enterprises have relied on Basis Technology to develop the core of their globalization strategies. Clients include industry leaders Amazon.com, AOL Time Warner, Google, Lucent Technologies, PeopleSoft, and Terra Lycos. Company headquarters are located in Cambridge, Massachusetts, with branch offices in Tokyo, Japan; Seattle, Washington; and San Francisco, California. For more information, visit www.basistech.com or call 617-386-2000. Google is a trademark of Google Inc. All other company and product names may be trademarks of the respective companies with which they are associated.

From [Yahoo!](#), 21 June 2001

BUILDING FOR THE FUTURE

How the top 50 metro areas rank in technology - Despite its low ranking, Jacksonville isn't standing still in working to improve its standing in the high-tech arena. Here are some initiatives currently under way: New wiring: Dedicated Fiber Systems of Orange Park is working to splice and install fiber optic cable on the city's Southside. The Progressive Policy Institute scored cities on five primary issues - "knowledge" jobs, globalization, economic dynamism, the digital economy and innovation capacity - to compile its Metropolitan New Economy Index. Here are the scores, out of 100 points:

1. San Francisco 95.6	26. Richmond 32.3
2. Austin 77.9	27. St. Louis 31.9
3. Seattle 68.0	28. Detroit 31.8
4. Raleigh-Durham 61.4	29. Indianapolis 31.0
5. San Diego 61.4	30. Charlotte 31.0
6. Washington 60.6	31. Buffalo 30.9
7. Denver 58.1	32. Nashville 30.6
8. Boston 54.0	33. Cleveland 29.5
9. Salt Lake City 49.8	34. Cincinnati 28.9
10. Minneapolis 49.0	35. Las Vegas 28.8
11. Atlanta 48.6	36. Columbus, Ohio 28.5
12. Dallas 46.0	37. Pittsburgh 27.1
13. Miami 45.6	38. New Orleans 27.0
14. Houston 45.3	39. Oklahoma City 27.0
15. Portland 42.7	40. Milwaukee 26.5
16. Phoenix 41.6	41. West Palm Beach 25.8
17. New York 39.5	42. Dayton 25.7
18. Philadelphia 38.3	43. Tampa 22.8
19. Chicago 37.7	44. Norfolk 22.4
20. Los Angeles 37.4	45. Greensboro 21.0
21. Rochester 36.1	46. Louisville 19.8
22. Hartford 35.6	47. Memphis 19.2
23. Sacramento 35.5	48. Jacksonville 18.7
24. Kansas City 35.0	49. San Antonio 15.0
25. Orlando 34.3	50. Grand Rapids 13.6

Metro average 37.6

See also, [High-tech isn't city's strong suit](#)

From [Florida Times-Union](#), 21 June 2001

THE WORD ON PUBLIC/PRIVATE REAL ESTATE PARTNERSHIPS

The business has grown from almost nothing since the '80s. A book describes the mechanics and how communities benefit. When it comes to public-private real estate development, John Stainback has written the book. Published last year by John Wiley & Sons Inc., Stainback's 285-page *Public/Private Finance and Development* is considered the most comprehensive text on real estate partnerships between government and private entities, said Rick Norment, executive director of the National Council for Public-Private Partnerships in Washington. Stainback, 52, said he had seen the public-private real estate industry grow from almost nothing in the 1980s to a \$50 billion business today. Public-private real estate partnerships are designed to help government agencies and public authorities take advantage of private resources, expertise and capital to finance and develop public facilities. Such partnerships aim to optimize the value of underused real estate owned by the government, said Stainback, who is vice president and national director of public-private development at LCOR Inc., which is based in Berwyn. Developers can benefit because the arrangements allow them to lease government-owned land for a long period, rather than having to write a large check all at once to buy a property, Stainback said. They also can gain tax advantages, he said. Because these properties would otherwise be tax-exempt, commercial development can generate millions of dollars in property tax, transit occupancy tax, and sales tax, Stainback said. "Everything I've done since the early 1980s has been public-private," he said. "I was one of the first people to

get into it on the real estate side. I didn't think governments and universities and school districts could do it by themselves. They needed public finance and public-development expertise." Stainback is especially proud of the James F. Oyster School/Henry Adams House project, which resulted in a new public school building at no cost to the District of Columbia school district. Stainback said he thought of the idea while he was a consultant to a Washington group in the mid-1990s, and later structured the financing of the deal for LCOR. The Oyster School, a public elementary school, was in need of rehabilitation and expansion. LCOR arranged a joint venture with an insurance company to finance an apartment complex on the school site. "I said: 'You're sitting around a great piece of property, and you don't need all of it for the school,'" Stainback recounted. He conducted a market study, and determined that an apartment building would be the best commercial use of the land. In the end, the real estate taxes generated by the newly constructed apartments, and the land-lease payments that LCOR makes to the school district for using school property "covered 100 percent of debt service for a brand-new 47,000-square-foot school building," Stainback said. The Oyster School's new school building opened June 14, while the new apartment building, the Henry Adams House, is set to open in the fall. LCOR is a national real estate development, investment, and management company with 225 employees and seven U.S. offices. The firm developed the \$1.4 billion international air terminal building at John F. Kennedy International Airport, which opened last month, and the 34-story Foley Square federal office building in Manhattan, which houses offices, day-care and fitness facilities, and an African American museum. LCOR's partners include government agencies, universities, private landowners and investors. The company, which is majority-owned by Lehman Bros., has completed or at least started construction on projects estimated at \$4.4 billion. Stainback said a half dozen real estate developers focused exclusively on public-private partnerships. One of LCOR's biggest competitors is an Australian property developer, Land Lease Corp., which has operations in the United States. According to a book published by the Urban Land Institute, the U.S. government and state and local governments owned real estate valued at \$4.5 trillion in 1995, the last year for which figures are available. Stainback said that figure would be much higher today. "I've seen more [public-private] deals in the past five years than from 1985 to 1995," he said. "It really took off in the mid-1990s. I think that's because public partners have more confidence in the process. The private capital markets also have more confidence, and are willing to lend equity and debt." Stainback, who joined LCOR in September 1999, was recently named chairman of the newly formed Real Estate Institute, which was launched by the National Council for Public-Private Partnerships. The institute was set up to conduct research and disseminate information on public-private partnerships through conferences, training workshops and publications. Several city governments already have approached the institute about setting up daylong seminars to educate officials about forming public-private real estate partnerships. "People in the public sector are trying to figure out how to harness private-sector funding when they don't have the financing to build projects for public use," said Norment, the public-private partnership council's executive director. The institute is focusing on deal structure, financing alternatives, case studies, and legislation affecting public-private real estate projects. Stainback, who grew up in Washington, spent two years helping formulate redevelopment plans for the corridor between the White House and the U.S. Capitol while working for the Pennsylvania Avenue Development Corp. before attending graduate school. Later, he spent seven years working for Daniel, Mann, Johnson & Mendenhall Inc. in Los Angeles. The company assigned him to build a residential community for 24,000 people in Indonesia and a 10,000-acre community with an airport in Malaysia. From 1992 to 1995, Stainback ran his own Houston-based company called Public/Private Development of America Inc., which worked to develop convention hotels. He then joined Ernst & Young Kenneth Leventhal Real Estate Group, serving as national director of public-private development for the firm while working in Houston and Los Angeles. At LCOR, Stainback helps the staff at all of his company's offices to land public-private development projects. His job includes writing proposals, helping staff prepare for interviews, and negotiating and structuring public-private partnership deals.

From philly.com, by Claire Furia Smith, 25 June 2001

SCHUBER MAY VETO BCUA MOVE TO CALL OFF PRIVATIZATION TALKS

Bergen County Executive William "Pat" Schuber is considering whether to veto Thursday's decision by county utilities commissioners that killed a six-year effort to privatize the county's main sewage plant. "Pat's going to take it under advisement," spokesman Thom Ammirato said Friday. "He hasn't looked at the minutes [from Thursday's meeting]. He has 10 days to do that. He has not made a decision one way or the other." The Bergen County Utilities Authority voted 3-1 to end talks with Colorado-based Operations Management International, the leading candidate for a plant takeover, and two other companies that had made offers. But many said Friday that even if Schuber does veto the BCUA action, it may serve only as a statement of disapproval. Though he could nullify the resolution to end privatization talks, it did not appear he could compel the BCUA commissioners to sit back down at the negotiating table. "In a veto message, he can't compel them to revote or change their vote," said County Counsel Elizabeth Randall. Whatever happens, Schuber staffers said the county executive will be asking plenty of questions about what led the BCUA commissioners to kill what at times seemed the likely privatization of the plant. It was Schuber who in 1994 first suggested that the treatment plant -- criticized for soaring operations costs -- could be more efficiently run by a for-profit company. Until Thursday's vote -- which was made by Schuber appointees -- the county executive remained convinced that despite cuts at the plant in recent years, privatization would offer the most savings to ratepayers. OMI had told the BCUA it could operate the plant with half of its current workforce. One commissioner said the company claimed it could save \$10,000 a day. But with two commissioners abstaining from the vote, a majority of the board said they were not convinced that the treatment plant, which has a \$47 million annual budget, would be better off in the hands of OMI or the two other bidders. Vice Chairman Joseph Tedeschi cited concerns that a private company would sacrifice maintenance for profits, risking sewer spills and line breaks that could threaten the region's drinking water. As the commissioners negotiated with OMI, they began trimming costs and staff. The sewage plant's workforce was cut by 62 percent, from 357 to 134. The plant's largest union even conceded to 49 layoffs and a two-year wage freeze earlier this year to stave off privatization. Schuber staffers were claiming victory in the cuts and staff reductions. "After a year of being told we can't possibly lay anybody off, and then [the union] agrees to lay 49 people off?" Ammirato said. "Would that have happened without talk of

privatization? Absolutely not. "In that sense, it's a victory." Still, Schuber staffers say the county executive will be looking for a solid explanation for why they voted as they did -- including a chance to peruse the reams of reports and proposals that the commissioners have been deliberating for the past several months. Citing secrecy laws, the commissioners would release few details about the privatization proposals to the public. Tedeschi welcomed the scrutiny by Schuber. "Mr. Schuber's entitled to anything he wants," Tedeschi said. Democratic Freeholder Valerie Huttie, who along with other Democrats on the Freeholder Board fought to block the privatization effort, said Friday that she hopes Schuber will let the issue die. Huttie attended the BCUA meeting Thursday prepared to speak against what many thought would be a resolution to turn the sewage plant operations over to OMI. But her comments were cut short by the 3-1 vote to end negotiations with the Colorado company and to discontinue privatization talks in general. "I would hope it's the end," Huttie said Friday. "They don't have any valid reason to privatize."

From [The Record Online](#), by Shannon D. Harrington, 23 June 2001

PAVING THE WAY FOR PRIVATIZING SOCIAL SECURITY

Three years ago, when Lawrence B. Lindsey first began briefing then-Texas Gov. George W. Bush on economic policy, he traveled to Austin with a list of economic problems to discuss. "Social Security was on the list," recalled Lindsey, now the president's chief economic adviser. "And I remember just saying, 'Social Security.' He said, 'The answer to that is obvious: We have to go to personal accounts.'" Bush may not have been schooled in the nuances of federal economic policy, but his conviction that it was necessary to dramatically change Social Security reflected a consensus that had taken hold in the Republican Party. There has always been a segment of the GOP suspicious and even scornful of Social Security. But the privatization movement, now embraced by virtually all elected Republicans and some Democrats, has provided a new and highly effective platform to critique and possibly retool the Depression-era retirement program. Two decades ago, another conservative president, Ronald Reagan, suffered politically when he tried to take on Social Security, and he ultimately agreed to a plan that left the current system intact. But that fate seemed to elude Bush in the election last year, despite heavy Democratic attacks. What has happened in the intervening years is that Republicans -- in particular several conservative economists and three think tanks -- carefully laid the intellectual and academic groundwork for converting at least part of Social Security to a private-account system. Bush's embrace of the concept has placed at the center of the policy debate an idea once derided as a crazy plot to dismantle Social Security. Bush has created a presidential commission to consider ways to partially privatize Social Security, and he promises an all-out effort next year to win congressional approval -- the losses suffered by millions of Americans in the recent stock market decline notwithstanding. The administration still faces significant political risks. Social Security is the most popular government program ever created, an important source of income for retirees and a key to Democratic political fortunes for decades. Establishing individual Social Security accounts, which would allow Americans to direct their payroll tax contributions to stocks and other investments, would radically reshape an old-age retirement program that now pays fixed levels of benefits. But the presidential imprimatur has given the privatization movement significant momentum. Advocates who have spent years working for this moment have not only the support of the president but also important links to his aides and the presidential commission. Harvard professor Martin Feldstein began to argue in the early 1970s that Social Security was largely responsible for the low saving rates of Americans because it created the illusion that they were wealthy enough to face retirement. That critique led directly to the notion of giving Americans control over their own accounts. Two of Bush's key aides on Social Security issues, Lindsey and R. Glenn Hubbard, chairman of the Council of Economic Advisers, studied under Feldstein at Harvard. Feldstein was also an economic adviser to Bush during the campaign. Feldstein directs the influential National Bureau of Economic Research, which has produced scores of papers on the economic impact of Social Security privatization. The Cato Institute, a Washington think tank, has spent about \$3 million in the past six years to run a virtual war room to promote Social Security privatization. Although Cato actually wants to remove all Social Security retirement funds from government hands -- compared with the partial approach preferred by the Bush administration -- the think tank's reports, conferences and books have made it a significant part of the debate. Two members of Bush's Social Security commission, Sam Beard and former representative Timothy J. Penny (D-Minn.), are on a Cato privatization panel, and Cato staff members have been assigned to the Bush commission. Cato, along with the Heritage Foundation and the Dallas-based National Center for Policy Analysis, also popularized the notion that Social Security was a bad deal for blacks and other minorities who form the core of the Democratic political base. They argue that because the life expectancy is lower for those groups, minorities would benefit more from accounts that could be passed on to heirs. In 1997, Cato President Edward H. Crane and Jose Pinera, who co-chairs Cato's Social Security program and helped privatize the Chilean social insurance system, flew to Austin to have dinner with Bush and discuss private accounts. Crane said that after Pinera's presentation, Bush declared, "This is the most important policy issue facing the United States today." Karl C. Rove, Bush's senior political adviser, said the president was interested in private accounts even before he met with the Cato officials, having read a book by Peter Drucker that discussed the rise of private pension funds and retirement accounts. After the Cato meeting, Bush observed that "people view it as political dynamite and are reluctant to touch it," Rove said. But Bush was interested in pursuing it; he even devoted a sentence to the idea in the speech announcing his candidacy on June 12, 1999. Social Security privatization manages to combine several powerful strands of conservative philosophy, such as empowering individuals through greater wealth and financial independence and limiting the scope of government. At the same time, it appeals to libertarians such as the Cato Institute, which disagrees sharply with conservatives on issues including gay rights and drug laws. Many other industrialized countries, such as Britain, Australia and Sweden, have moved to create private accounts as part of their social insurance systems, allowing advocates to say that the United States is lagging behind the rest of the world. Social Security is a pay-as-you-go system, meaning that payroll taxes collected today are used to pay benefits for retirees and other beneficiaries. Benefits are progressive, giving low-income workers a slightly better return, and are based on factors such as how long people worked, how much they made and at what age they retired. Excess payroll taxes are being used to pay down the national debt, and the government has made a political commitment to use the accumulated surplus, plus interest, to pay benefits at

some point in the future. Under some projections, the pending retirement of the baby boom generation will greatly reduce the ratio of workers to retirees, making it more difficult to pay all promised benefits. The potential financial crunch has allowed privatization advocates to make the case for urgent action, though many say solvency issues are less important than convincing Americans that they are getting a raw deal under Social Security. Stuart Butler, vice president for domestic policy studies at the Heritage Foundation, said the think tank pushed hard in the early 1980s to expand individual retirement accounts and 401(k) plans, in essence creating a private system that would mirror Social Security and introduce Americans to the concept of individual accounts. In 1983, Butler co-wrote an article for the Cato Journal suggesting that the rise of IRAs would educate Americans on the virtues of stock ownership and ultimately undermine support for Social Security. "The strategy worked perfectly," Butler said, because advocates were able to begin making the case that the return from Social Security lagged behind personal investments. "That was a turning point in this debate. How do you get the best value for the dollars invested?" Personal accounts appeal to the president because he "comes from the empowerment wing of the Republican Party," Lindsey said. The president, he said, sees private accounts as a way "to move from a society of paycheck collectors to a society of owners and savers." The challenge for the administration and other advocates of personal accounts is to construct a plan that can deflect the inevitable political attacks. Henry Aaron, a Social Security expert at the Brookings Institution who opposes privatization, said he has the "highest respect" for the political skill advocates have shown in trying to shape public opinion. "But until we have a real live proposal that people can look at and weigh the pluses and minuses," Aaron said, "we won't know what the staying power of this issue is."

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