

# GOVERNANCE WORLD WATCH

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### Africa

#### New ITU Report Documents the African ICT Century

The year 2000 was a momentous one in the African telecommunications calendar, because that was the year all countries on the continent became connected to the Internet and that sub-Saharan Africa passed the threshold of one telephone subscriber per 100 inhabitants. The problem in Africa is not only the lack of infrastructure, but also, increasingly, affordability and the "Internetization" of its wireless networks. A new report released by the ITU's Telecommunication Data and Statistics Unit at ITU Telecom Africa 2001 shows that while the truism "Tokyo has more telephones than the whole of the African continent" may have held 15 years ago, today, there are more than twice as many telephone lines in Africa as in Tokyo. The rapid penetration of mobile cellular technology also updates the conventional logic that "all mankind should be brought within easy reach of a telephone by the early part of (this) century" as now, it is conceivable that within a few years, the majority of African citizens will be within range of a mobile signal. Indeed, the ITU report estimates that before the end of 2001, there will be more mobile than fixed subscribers on the whole continent. The growth in total number of telephone subscribers per 100 inhabitants from 0.51 to 1.2 from 1995 to 2000 follows the upswing in the African economy and expansion of competitive operators on the continent. However, another contributor is the marriage of mobile cellular and pre-paid cards. Indeed, a growing number of African mobile networks are only pre-paid, while on the continent as a whole, four out of every five subscribers use pre-paid: almost twice the global average. To come to grips with an increasingly globalizing telecommunications market, the report makes the following recommendations: A more aggressive rollout of wireless local loop and fixed wireless broadband networks to help alleviate fixed network shortages and enhance Internet access Extending the convenience and affordability of the pre-paid model to conventional phones lines and internet access Extending competition to fixed market segments to encourage full service licenses to new operators Pooling of Internet bandwidth requirements to create economies of scale with other countries and sharing of backbone infrastructure by operators. The report contains useful data on Africa such as breakdowns of the fixed, mobile and Internet market, in north, South and sub-Saharan Africa; growth in penetration of phones, growth in subscribers, growth of mobile competition; percentage of mobile to total telephone subscribers, pre-paid as a percentage of total mobile subscribers; mobile cellular prices; Internet access prices; distribution of Internet users; distribution of international Internet bandwidth and Internet penetration. <http://www.itu.int>

From [Africa Online](#), 13 November 2001

### Asia/Pacific

#### Government to Empower Universities to Set Student Quotas by 2005

The government is promoting a plan under which universities will be allowed to decide how many students each of them will admit by as early as 2005, officials said yesterday. The Education and Human Resources Development Ministry said the "mid- and long-term national human resources development plan" also calls for the universities to run special classes for part-time adult students. The officials said a greater number of employees in six key national strategic industries such as information, biotechnology and environment technology will be exempted from military service and 40,000 people will be trained to develop cultural contents. The ministry held a public hearing on the proposal at the Seoul KyoYuk Munhwa Hoekwan (Seoul Education and Culture Hall) in Yangjae-dong, southern Seoul, yesterday. The plan would give universities full autonomy in setting the number of incoming students according to their level of education facilities and number of faculty members. The ministry will maintain, however, the policy of limiting the number of students at universities in the Seoul metropolitan area after 2005 in line with the government policy to restrict excessive population concentration in the area. The plan calls for easing government regulations on private business investment in universities. "This plan will provide a framework for the nation's human resources development program," said Woo Cheon-shik of the Korea Development Institute, which worked with the ministry on the plan. ([angiely@koreaherald.co.kr](mailto:angiely@koreaherald.co.kr))

From [Korea Herald](#), by Lee Joo-hee, 13 November 2001

## A Major, Historic Event in China's Reform and Opening Process

On November 10, the legal document on China's entry into the World Trade Organization (WTO) was adopted at the 4th WTO Ministerial Conference held in Doha, the capital of Qatar. It indicates that China has eventually become a new member of the WTO after 15 years of painstaking efforts and the cause of China's opening to the outside world has entered a new stage of development. This is a major event of historic significance in China's modernization drive, it will certainly exert important and far-reaching influence on China's economic development and social progress.

*From [Peoples Daily Online](#), 12 November 2001*

### WTO Approves China's Membership

The [World Trade Organization](#) (WTO) finally opened its door on Saturday to accept China, the world's most populous -- and currently most robust -- economy, sending a positive signal to the world economy loitering on the brink of a full-blown recession. It took only minutes for WTO trade ministers to symbolically deliberate and then, on a basis of consensus, adopt a report of the China Working Party with a rising applause.



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Chairman of the ongoing WTO conference Youssef Hussain Kamal of [Qatar](#) banged the gavel after the resounding long-time applause. All ministers cracked broad smiles in a rare light moment during the ongoing tense talks on free trade. The overall formality is only a twinkling of eye in the 15-year-long arduous negotiations between China and its trading partners leading up to the historic moment. **Widespread and Far-reaching Impact on China and World Economy: Shi.** The Chinese delegation led by Minister of Foreign Trade and Economic Cooperation [Shi Guangsheng](#) became a darling of media cameramen. All the participants gave Shi a standing ovation before he took the floor. In his speech ([Full Text](#)), Shi said that the WTO accession and its full participation in the multilateral trading system are "strategic decisions made by the Chinese leaders under accelerated economic globalization." "The WTO accession is not only in the interests of China, but also in the interests of all WTO Members and conducive to the development of the multilateral trading system," he said. "It will inevitably exert widespread and far-reaching impact on China's economy and on the world economy in the new century." Shi also promised that China will, on the basis of the balance between rights and obligations, abide by the WTO rules and honor its commitment while enjoying its right. **Trade Negotiators Extend Warm Greetings -** Nearly 20 top trade negotiators then took the floor to extend a chorus of warm greetings to the new member of the WTO community. [Pakistani](#) Minister of Commerce, Industry and Production Abdul Razak Dawood said all were "overjoyed that the long saga of China's accession to the WTO reached its final destination." He also commended flexibility demonstrated by China during the negotiation process, adding that China's accession will have significant implications on the WTO and the multilateral trading system. By admitting China with a quarter of the world's population the WTO will become a truly universal organization "with much credibility," he said. "We are confident that China's participation in the WTO will help strengthen the ongoing endeavor of developing countries to secure a better reflection of their economic priorities and trade interests." China and the WTO will sign a membership protocol Sunday, which needs to be ratified by the former's legislature. Under WTO rules, China will become a full member 30 days after it notifies the global trade body of the legislature's approval of the document.

*From [Peoples Daily Online](#), 12 November 2001*

### Move with the Times

In this period of uncertainty, east Asia must to look to itself for reform. Joanna Gajewski reports from the WEF's East Asia Economic Summit in Hong Kong - Bad economic news has become the norm around the globe. Much of east Asia is still recuperating from the 1997 financial crisis, making the current downturn even more painful and complex. With the United States teetering on economic stagnation and Japan heading into its fourth recession in a decade, the export-driven economies of east Asia are now feeling the bite of reduced demand from their biggest customers. Despite the bleak outlook, however, most experts believed the world would wiggle itself out of a full-blown recession. The US would slowly get its economic act together and Japan would hopefully follow suit. Fast-forward to Tuesday, September 11. Now, hopes for a less severe downturn in the US, and even an escape from recession, were

extinguished. To wait for a US-led recovery to jumpstart the world economy in the short-term would be fruitless. America is currently contending with other daunting issues. This was made clear at October's Apec meeting in Shanghai, where for the first time in the group's history a political agenda was the top priority of participants. President George Bush, rather than concentrate on imminent economic troubles, expended much – if not all – of his energy garnering support for the US-led campaign against terrorism. On September 11, the world of international relations clearly changed, and economic issues, to a certain degree, have been upstaged by political affairs. Megawati instilled calm in a society that had reached the boiling point in the volatile political and economic climate - While the west has witnessed a massive shift in its political agenda, east Asia is compelled to remain focused – though amid new political realities – on many of its familiar dilemmas: recession and a bleak economic outlook. The World Economic Forum's East Asia Economic Summit in Hong Kong at the end of October tackled some of the most pressing issues facing the region within a context that recognised the transformed nature of the international landscape. One topic of discussion: does the new post-September 11 geopolitical landscape, coupled with the dire economic forecasts, have the potential to create a breeding ground for political instability in parts of east Asia? In contemplating this question, Indonesia was seen as a matter of particular concern by a number of participants. Indonesia has undergone dramatic changes since the fall of Suharto's government in 1998. But serious problems fester. The 1997 Asian financial crisis took its biggest toll on the country, causing GDP to fall by 20% in just a year and a half. The Indonesian currency, the rupiah, at one point lost 85% of its value. And the political situation remained shaky; between 1998-2001, power changed hands three times. Megawati Sukarnoputri, the vice-president under Abdurrahman Wahid and daughter of Sukarno, the country's first president, took over the reins in July. Megawati may not have been present at the Hong Kong summit, but discussions of what to expect from her new administration were prevalent. In the initial weeks of Megawati's term, there was an impressive turnaround. To battle an economy in ruins and a weak financial framework, and to appease a frustrated business community, Megawati assembled what has generally been accepted as a competent cabinet (particularly when compared with ones cobbled together under the previous government). She brought the budget under control, mended relations with the International Monetary Fund (IMF) and instilled calm in a society that had reached the boiling point in the previously volatile political and economic climate. On the surface, it appeared Megawati had learned a few lessons from her predecessor's mistakes: surround yourself with competence, don't alienate the military and never refer to your parliament as a bunch of kindergarteners, as Wahid allegedly did.

But the process cannot stop there. During her so-called honeymoon period, much-needed economic reforms weren't pushed through, and the sale of assets under government control – the revenues from which are critical to plug the deficit and would do wonders to restore investor confidence – has been delayed by political deadlock. Some observers are dismayed. "We have not seen in Indonesia the kind of decisive action of 'this is what we are going to do'... In the first 100 days [of Megawati's term] you saw no action," believes Wing Thye Woo, a professor at the University of California at Davis and director of the East Asia Program at the Center for International Development at Harvard University. "So far, this is discouraging." Most Indonesia observers would agree that the leisurely pace Megawati has taken in outlining an economic agenda is disappointing. But she has more than disappointment to deal with, given the transformation of the geopolitical landscape since the terrorist attacks. Megawati is the leader of the world's most populous Muslim nation, and any perception of a lack of decisiveness – whether on economic or political matters – could create a sticky domestic situation. To some, this dearth of action is not necessarily indicative of a lack of political will. "She just doesn't have a sense of urgency," says Jusuf Wanandi, chairman of the supervisory board at the Center for Strategic and International Studies in Jakarta, and a government adviser. Wanandi cites the foot-dragging on the crucial sales of state-owned assets, and the president's initial reaction to political developments on the domestic front in the wake of September 11.

Indonesia needs both America and Japan back on their feet if it is to have a recovery. And it is hardly alone in this predicament - Megawati was one of the first heads of state to visit Washington after the terrorist attacks, and her preliminary support for the US-led campaign to fight terrorism was a big relief to the White House. During her absence from Indonesia, however, political unrest began to stir, and reports of anti-American protests by Islamic militants made headlines. Wanandi believes these reports, which could scare away much-needed foreign investment, were overblown precisely due to a domestic political vacuum. "[Extremist groups] had a free ride because there was no government taking care of the situation. Public opinion had been skewed because there was no leadership, and Megawati could have [avoided that] if she had taken the bull by its horns." Megawati has since back-peddled considerably in her support for the US, making clear to her public that she does not condone the bombing campaign in Afghanistan. At the same time, organisations such as Wanandi's have made great efforts to educate the public on how endangering ties with the US – diplomatic and commercial – is not in the country's national interest. The president and the Indonesian public know all too well that shutting out the US would put the country's economic recovery in jeopardy. Public

education and information, and decisive political action, are key. Indeed, fears of a full-blown anti-American backlash in Indonesia are misplaced. Although the demonstrations created a lot of noise, support is not widespread, for now. But the demonstrations have damaged the country's image, and rattled the nerves of foreign investors and tourists. Restoring that image is where Megawati needs to make headway. To this end, Wanandi has suggested the appointment of a spokesperson – a point-person on foreign affairs and an expert on Islam who can advise the new president on how to manage public opinion and polish Indonesia's image in the west. In the meantime, Megawati may find herself in a bind. She'll have to tread a fine line of appeasing an important international ally (the US) and maintaining calm with a potentially distraught public, while contending with an extremely tenuous economic situation. At present, she appears to be succeeding on the international front, given warmed relations with the IMF and a relatively sympathetic US administration. On domestic reform, however, the jury is still out. Much will depend on whether she spurs a move forward with her own political resolution, or, in a worst-case scenario, whether a public backlash does.

It may have been easy to overlook weaknesses within economic frameworks during a honeymoon period of growth - Perhaps it is unfair to single out Indonesia to show the importance of quick action, particularly in the face of unexpected, external events, for a country's economic and political health. Indeed, Indonesia has overcome a number of daunting obstacles, and one can only hope that its future will prove brighter. But there is a lesson to be learned for the region as a whole. Ultimately, Indonesia needs both the US and Japan back on their feet if it is to have a strong and sustainable turnaround. And it is hardly alone in this predicament. While the two economic powerhouses are laid up sick in bed, countries throughout east Asia must conjure up the will to make permanent adjustments to their political and economic platforms. Restructuring and reforming the financial sectors, managing exchange-rates and making the Asean Free Trade Area (Afta) a reality, to name a few daunting tasks, should be acted upon with urgency. It may have been easy to overlook inherent weaknesses within economic frameworks during a honeymoon period of growth. But that era ended a while ago, and the loving mood of economic prosperity will not be rekindled anytime soon. Change must take place before it is dictated by the unexpected. As Philippine president Gloria Macapagal-Arroyo stated in her remarks to participants at the WEF summit, "The September 11 tragedies... reinforce the message that events outside ones borders – be they economic or political – cannot be treated as something that effects only them, and not us." For the Bush administration, it took a tragedy to mobilise political will and learn that political interdependence – forging ties with new partners and re-assessing policies and priorities at home and abroad – is a prerequisite if a secure domestic environment is to have a chance of becoming a reality. Proactive policymaking on the part of leaders in the region, and in particular in southeast Asia, where political instability has a greater chance of surfacing, will go far in assuring that sudden and unexpected developments will not have the power to dictate their future responses.

*From [World Link](#), 14 November 2001*

### **South Korea Softens Restrictions on Chaebol**

South Korea's government is to allow some of the country's biggest conglomerates to expand their investments outside their core businesses. The change reverses rules that had been in force since 1998, to stop the reckless expansion of conglomerates known as chaebol. The big businesses and the opposition Grand National party have demanded drastic deregulation, saying the restrictions smother entrepreneurship. However, critics say any change would amount to a setback in corporate reform. Under the proposed regulations, which were drawn up by the government's Fair Trade Commission, the lifting of restrictions will only apply to 17 of the largest conglomerates, instead of the 30 originally targeted.

*From the newsroom of the BBC World Service, 15 November 2001*

### **Education Reform: Teachers in Thailand to get Lifetime Licences**

The five-year teaching licences for the nation's 600,000 teachers will be replaced by unconditional lifetime licences under the education minister's personnel reforms. Minister Suvit Khunkitti said yesterday's ministerial meeting on education reform had agreed lifetime licences would be granted to all current teachers immediately after the new personnel reform law took effect next year. Mr. Suvit said he preferred lifetime licences to renewable five-year licences though performance evaluation would be necessary. "We must give old teachers a chance. I think these teachers should be given licences automatically. We have no need to set conditions for them to have at least two years' teaching experience and a bachelor's degree or pass performance evaluation," he said. However, Mr. Suvit said such requirements would apply to teachers starting work after the new law took effect. Mr. Suvit denied the move was aimed

at getting political support from teachers, traditionally a key group for political canvassing in the provinces. He said the ministry would use other measures to control the quality of teachers through training and incentives.

*From [Bangkok Post](#), by Sirikul Bunnag, 14 November 2001*

## **Military Urged to Surrender Monopoly Frequencies are Public Resource**

Academics and media representatives have accused the Defence Ministry of trying to monopolise broadcasting frequencies. They insisted the armed forces should hand over some of the airwaves under their control so they could be redistributed for the public benefit. The forces under-utilised the frequencies and it was inexcusable to try to keep all 200 radio stations and two television channels on the pretext of serving "security purposes". Uajit Virojtrairat, media specialist of Sukhothai Thammathirat Open University, said Defence Minister Chavalit Yongchaiyudh had challenged the constitution by announcing the force's intention not to let go of the frequencies. The charter was clear that frequencies were a resource of the people and should be used for public service. The military defied the prevailing pro-reform sentiment by telling anyone attempting to streamline the management of national assets to keep their hands off the frequencies. Ms Uajit, also of the Civic Media Reform Project, said instead of being preoccupied with the military's frequencies-derived interests, Gen Chavalit should have assisted in hastening the enactment of organic law to realise the reallocation of frequencies. She acknowledged the military needed to reserve some channels for security reasons, but not all 202 of them. The armed forces handed out airwave concessions to private operators without having to invest in broadcasting infrastructure. Each leasee had to pay up to 30 million baht annually for an FM frequency, and another two million baht a month in expenses. Jira Hongsamrerng, chairman of the Thai Broadcast Journalists Association, said the military should keep only what it needed. In the past its frequencies were divided up for commercial gain, by leasing them out, more than to satisfy the needs of security. Unakan Thongroj, a radio programme host, said leasees had to pay 12,000-15,000 baht per half an hour of airtime for the 6am to 6pm time slot. The fee was made outrageously high by the fact the lease had been put up for many sub-leases. The final sub-leasee wound up paying unrealistically high fees. Reform was in order and the military must learn to let go, he said.

*From [Bangkok Post](#), by Supawadee Susanpoolthong, 14 November 2001*

## **FKI Demands Deregulation**

The chaebol-lobbying group Federation of Korean Industries (FKI) issued a report Tuesday, claiming that the government has been intensifying its oversight on the business groups, sidestepping its campaign to soften such regulatory measures. The FKI reiterated its long-lasting call for the government to ease the current cap on chaebols' inter-subsidiary investments and other regulations. The government's recent measure to expand the number of chaebol groups liable to government supervision by lowering the minimum net asset value to W2 trillion amounts to reverse discrimination against the domestic corporate sector in favor of foreign businesses. (Cho Hee-chun, hccho@chosun.com)

*From [Digital Chosun](#), 20 November 2001*

## **Healthy reform covers all**

Beijing will initiate a new medical insurance reform with the aim of benefiting its 400,000 self-employed labourers and freelancers, officials said. Under the newly-drafted regulation, which will be implemented on March 1, all self-employed individuals registered in an urban household in the capital will be provided with medical insurance on the condition that they have paid a basic insurance premium monthly, said Wang Dexiu, deputy director of the Beijing Labour and Social Security Bureau. Different from previous regulations, the new policy mainly covers self-employed labourers as well as freelance workers who have placed their personal files in talent or job-hunting centres, Wang added. The self-employed participants will pay 7 per cent of their previous year's income as the basic insurance premium, and their clinic expenses will be reimbursed in the same proportion as ordinary Beijing workers, according to the regulation. After paying the basic premium for 25 and 20 years respectively for men and women, similar to common workers, they will receive medical services and be reimbursed for clinic expenses without having to pay a premium, it said. "The regulation will move away the obstacle that annoyed me the most," said Cheng Feng, who became a freelance writer last year. "I think it will speed up the free flotation of talent." Medical insurance reform is a hot topic in China. According to a recent survey conducted by Beijing's insurance watchdog, health and medical insurance topped the list of most serious matters for 64.5 per cent of 5,000 surveyed residents, said a Beijing Evening News report. Medical insurance reform for self-employed labourers and freelancers is only part of the capital city's ambitious scheme which aims to cover 5.96 million urban residents after it is completed by the end of 2002, according to the official. By the middle of

November, 2.09 million enterprise employees in Beijing will have received basic medical insurance, Wang said. The bureau will give each insurer a medical insurance manual, and commercial banks will open personal accounts for the participants, from which clinic expenses will be paid. It is expected that the personal accounts will cover the medical expenses of most participants. Established in the 1950s, China's decades-old medical insurance system for urban workers had many limitations due in part to the planned economy and was extremely wasteful. The State and enterprises bore almost all of the medical expenses of workers. In a bid to solve the problems, the country began to explore the establishment of a new and more efficient medical insurance system in the mid-1980s.

*From [China Daily](#), by Jiang Zhu Qing, 20 November 2001*

## **Japanese Leader's Big Reform Plans Meet Resistance**

Tokyo - When Junichiro Koizumi overturned conventional wisdom to win the prime minister's job in April, he did so by bowling Japan over with his newness. From his reformist policies to his blunt language to his hip hairstyle, everything seemed to suggest a break with the past. Seven months into his administration, though, with unemployment and growth both moving fast in the wrong direction, drastic reforms have been few and resistance is mounting to his policies, even within his own party. Increasingly, editorial writers are saying Koizumi's programs are stalled, and some have begun wondering whether it is only the prime minister's hair that distinguishes him from a series of ineffectual predecessors. On Friday, a new bloc of 53 legislators came together from Koizumi's Liberal Democratic Party to oppose his reform plans, which center on selling off debt-ridden government-owned corporations, curtailing huge highway construction projects and cleaning up the country's deeply troubled banking industry. Although they are Koizumi's nominal allies, these critics would like to see a continuation of economic stimulus through the heavy public spending that has made Japan the world's most heavily indebted nation. Change, Koizumi says Friday, Koizumi showed no sign of giving any quarter. "I became the LDP president saying I will change the content, the LDP itself," he said in a speech. "But now there are calls to change Koizumi. I hope they understand that we are not facing a situation in which the LDP can remain its old self. I want to inform my critics that their language is outdated." But for reform-minded supporters of the prime minister, the recent news has not been encouraging. Earlier this week, embarrassing details were reported in the Japanese press of how Koizumi's minister of administrative reform, Nobutero Ishihara, advised bureaucrats in a memo that they need prepare only minor proposals. Asked by Koizumi directly to prepare a list of heavily indebted government enterprises for privatization, Ishihara reportedly balked. Incidents such as these come on top of lingering divisions among Koizumi's main economic advisers and a festering public feud between the foreign minister and the senior bureaucrats who report to her. Together they have left many people unsure about Koizumi's willingness to expend the political capital needed to impose his will on the government.

Embedded in system - For some critics, the fact that there has been so little change after a half-year in office by a prime minister with record popularity ratings demonstrates that Japan's problems are as much political as economic and embedded in the structure of the society. "Koizumi gave voters the appearance of being the best bet at the moment because of the way he comports himself, because of the way he looks and because he sees himself as a repairman," said Karel van Wolferen, a well-known Dutch analyst of Japanese affairs. "But a Japanese prime minister does not occupy a place in the scheme of things where he is allowed to bring about fundamental changes in the power structure," he added. "If we are talking about major adjustments in the political economy, a Japanese prime minister doesn't have anything like the power or the mandate necessary to achieve them." That power structure is in many fundamental ways different from that of most Western democracies. The Liberal Democratic Party has ruled with but one brief interruption since 1955. Without effective opposition for most of that time, it has become nearly synonymous with the state. Japan also lacks a network of policy institutes like that which exists in the United States to debate important issues and generate detailed new options. The press and the public here are far more complacent. As a result, the bureaucracy has come to play an extraordinarily powerful role in piloting Japan through its economic boom, and now, many critics say, keeping it stubbornly on the path of decline. Though the results have been slim so far, Koizumi has already changed the Japanese political debate in important ways. The message, in so many words, has been that Japan's old postwar recipe for success has become a recipe for collapse.

*From [Chicago Tribune](#), by Howard W. French, 19 November 2001*

## Nikolai Moskovchenko: Moscow Globalization – There are More Azerbaijanians in Moscow Than in Baku

Deputy of the Moscow City Duma Nikolai Moskovchenko comments on yesterday's disorders in Tsaritsino district of Moscow by answering the questions of our PRAVDA.Ru correspondent. Nikolai, what has happened in Tsaritsino? My words will sound frightful: that is a usual thing – a pogrom, and not the first one during this year. So, while reading in a newspaper Moscow vice-mayor Valeri Shantsev's words that they were not prepared for it and that they did not expect such a thing, I cannot restrain my indignation. Yes, a year ago, after first pogroms in Moscow outskirts, we tried together to understand what was happening, to draw authorities and people's attention to the issue. Society seems not to have reacted. While the authorities... Do you remember, after a pogrom in another Moscow district Tushino, the people who had organized this incident were soon released without any obvious consequences. There was even a suspicion that the disorder had been organized not without the authorities' participation. And today, what is the authorities doing? Anything! The Moscow Duma deputy-chairman is carrying out some hearing about the most important subject for the city – about aerodynamic factors in the city planning policy of the capital. As if we do not have any other problems. And nobody is worried about we do not have any migration policy at all. Today, more Azerbaijanians live in Moscow than in Azerbaijan capital, Baku. What do you think, such a demographic mistake could be sustained without consequences? You are asking me? So I will answer, no, can not. While the fact that whole industries of the Moscow city economy belong to ethnic groups confirms that some policy does exist. Of course, such fault could not be fortuitous. Because people arriving from other republics quite easily register themselves in Moscow, find some temporary flats or even buy them, living there with big "families," without paying any attention to sanitary or social norms. Of course, corruption is the main motive power here. Though, not only bribing some functionaries solves this question. There is a notion well known from ancient times – simony, what means selling posts for money. Posts in some registration offices that have never been prestigious in soviet times are popular now are being sold for pretty good sums, and they are very profitable. Look at the ethnic structure of these institutions and compare it with ethnic structures of the respective districts. Taking into account that this tactic is not an intelligent migration policy. After the so-called "Leningrad team" of president Putin came, everybody expected some changes, and first of all, on the Moscow level. These are not just bare words about everybody. This spring, a poll was carried out ordered by the Moscow Duma, it turned out most of people had cherished big hopes for the president's people. Unfortunately, the president's people did not managed really to catch the reins of government. The power still belongs to "local" corruption bosses, some of them in their time have also moved to Moscow using bribes. That should be honestly admitted. Today, you could observe ostentation yourself: in Tverskaya Street, every half an hour, a policeman drives away cars trying to park. We are supposed to show to the whole world order is kept better in Moscow than in Genoa and Seattle. And at the same very time, while the police are diverted to the demonstration, in the Moscow outskirts, in a kind of ghetto for Moscow native citizens, a pogrom takes place with 300 people involved in it. If the Moscow police is so "cool," being able to stop the international pogrom organizers, why then it cannot suppress the local ones? And besides, nobody cannot answer in what virtue cars are being driven away from Moscow center. Do those who are intending to lead us into 21st century possess something besides arbitrary rule? For the time being, nothing can be seen except ostentation and a fight against the wind...

*From Pravda, by Anatoli Baranov, 1 November 2001*

## Strategic Role for Business Leaders

Patricia Hewitt yesterday unveiled a radical restructuring of the Department of Trade and Industry which will see business leaders play a central role in formulating government strategy for business. Under the plans, three prominent business figures will sit on a seven-member strategy board, chaired by Ms Hewitt, the Secretary of State, in a bid to turn the ministry into a "flagship" for boosting productivity and enterprise. However, Ms Hewitt's announcement was overshadowed by her apparent criticism of Stephen Byers, the embattled minister who was her predecessor at the DTI. Her admission that, under Mr. Byers, the department had suffered from a "lack of focus", with too many schemes and inadequate leadership, was seized on by the Opposition as further evidence of a civil war within the Labour Party. "This is a brutal condemnation of Stephen Byers's abilities as a minister," said David Davis, the Tory party chairman. The Conservatives also gave warning that her proposals should not be used to create a "home for cronies" at the DTI. As part of the plans, 200 civil servants will spend a week every year on secondment to industry to experience the sharp end of business, in particular the burdens of bureaucracy and regulation. A "red tape tsar" will be appointed to ensure that regulations facing small businesses are justified, and there will be a move to rationalise the number of business

support schemes. Ms Hewitt said: "The DTI's core role is to drive up productivity and competitiveness, helping UK business to become more successful, creating better products, better jobs and more wealth for our economy. "We will continue challenging business to raise their game, as well as championing the views of business with other Whitehall departments." John Monks, the TUC general secretary, claimed the move was a "favour to business" which raised "major questions about possible conflicts of interest". But the CBI welcomed the proposals.

*From [Scotsman Online](#), by Jason Beattie, 23 November 2001*

## **Judicial Reform Gets Big Boost**

Moscow - Less than two years in office, President Vladimir Putin has managed to finish the job started by his predecessor a decade ago: to push through a major revamp of the country's Soviet-era judicial system, long plagued by procedural violations, political intrigues and corruption. On Thursday, with very little squabbling, the State Duma passed a new Criminal Procedural Code and fundamental amendments to a three-bill package that sets new limits on judges' terms in office and establishes complicated procedures for lifting their immunity from prosecution. The presidential administration spent months negotiating with judges and prosecutors - the powerful interest groups most affected by the reform - in an effort to iron out a compromise deal. Critics of the reform, however, say its primary purpose is to give the Kremlin greater control over the courts, while it does little to "debureaucratize" them or to root out corruption among judges. Even supporters of the new legislation - who range from Communist hardliners to pro-market liberals - admit that it is far from perfect, saying they view the Criminal Procedural Code as a necessary "legal cornerstone" that will have to be amended and built upon for many years to come. "We believe that we must first pass the compromise version of the law and then, as early as the next day, submit new amendments," said Igor Artemyev, a member of the liberal Yabloko faction. "We can't stand still on this because the current code has been in effect for nearly 40 years." If passed by the Federation Council and signed into law by the president, as expected, the new code will introduce several significant changes in the way criminal cases are processed, some of them as early as next July. One of the amendments hailed as especially progressive by the legislation's proponents is the introduction of jury trials, which would be mandatory as of Jan. 1, 2003, in all regional courts for cases involving "dangerous" crimes, such as murder and rape. Other cases would be heard by either one or three judges, depending on the gravity of the crime. Defendants accused of crimes like theft - one of the most common charges among the country's nearly 1 million prisoners - would not be eligible for jury trials. The code also expands the powers of defense lawyers and attempts to separate the court's functions from those of the prosecution. Some of the prosecutors' powers seem to be curtailed by the code. For example, as of Jan. 1, 2004, warrants for searches and arrests will have to be issued by the court rather than the prosecutor's office. Also, prosecutors would be required to attend all court proceedings and would not be allowed to submit evidence obtained through violations of the code. However, one deputy from the pro-Kremlin Unity faction called the idea that prosecutors' powers would be diminished a misconception. "On the contrary, the supervisory functions of prosecutors would grow," Oleg Utkin, a member of the legislative committee that worked on the code, said in an interview Wednesday. Opponents of the new law have criticized various provisions, including one allowing a single judge - with no checks or balances - to hand down sentences as long as 10 years.

But the only fundamental change that sparked some debate at Thursday's plenary session was a Kremlin-backed amendment introduced at the behest of the Prosecutor General's Office, which would require any agency wishing to open a criminal investigation - including the Federal Security Service and the tax police - to receive the green light from prosecutors. Deputy Yelena Mizulina, who presented the code - bound in four stuffed ring-binders - to the Duma, said prosecutors had complained that many of the three million investigations launched each year are ungrounded. Presidential representative Alexander Kotenkov persuaded the deputies that the amendment, which was passed by a vote of 247-1, was a necessary safeguard against criminal proceedings instigated "on orders" from people or groups with vested interests. In addition to the Criminal Procedural Code, the deputies easily passed bills on the status of judges, the judicial system and the Constitutional Court. These three pieces of legislation will be put up for a third, largely formal reading next month. The three-bill package sets an age limit of 65 years for all judges, except for those in the Constitutional Court, who will be allowed to serve until the age of 70. This norm, intended to gradually inject some fresh blood into the aging judges' corps, will take effect only in 2005. The new legislation also establishes a maximum of two consecutive six-year terms for court chairpeople and deputy chairpeople and introduces a multi-tiered system for stripping judges of immunity from prosecution. The latter measure was one of the most contentious points in the haggling between the Kremlin and the judiciary branch. Under existing practices, judges can be punished only with the consent of tight-knit corporate bodies, such as the council of judges or the so-called Qualification Collegia. The Kremlin, however, wanted to make them accountable to a trio of judges from a higher court. The compromise version passed Thursday requires the sanction of both groups. One vocal critic of the new legislation is Sergei Pashin, a law

professor and retired judge, who says that the reform does not address the main problems in the country's courts - judges' dependence on the executive branch and the huge powers of court chairpeople. "The well-being of judges must be separated from the benefits handed out by executive authorities," Pashin said in an interview this week. "Judges must be dependent only on their high salaries." Today, Pashin said, judges depend on local governments for their apartments, trips to resorts and other perks. And while the new laws foresee a significant pay hike for judges, they do not slash apart this Gordian knot of dependence and mutual favors. Pashin said he believed the Kremlin would like to have a tighter grip on the courts, considering their important role in political and economic conflicts - including everything from real-estate disputes and company takeovers to scandalous elections and the delineation of powers between Moscow and the regions. "This reform strikes me as an attempt to place the chairpeople of regional courts, and perhaps the Qualification Collegia, under the control of the presidential administration," he said. Pashin also warned that the reform did nothing to minimize the broad powers of court chairpeople - and, on this point, some supporters of the reform plan agree with him. Despite the many compromises that were necessary to push through the new legislation, pro-Kremlin deputies insisted that the judicial reform was "not political" and won broad support from all the factions. "Everyone wants to live in a law-based state, political views notwithstanding," said Vladislav Reznik, a Unity deputy with the committee on legislation, which handled the reform package. "Deputies understand that they won't always be deputies, ministers understand that they won't always be ministers. All of them have children and are striving to build a civil society."

*From [St. Petersburg Times](#), by Natalia Yefimova, 23 November 2001*

## **World Bank Report - More Institutional Reforms**

Poland still has much reforming to do in its economy and in the institutions needed for its effective functioning, according to World Bank experts. One of the main goals of the bank's 2002 World Development Report, presented Nov. 14 at the National Bank of Poland (NBP) in Warsaw, was to show how various market institutions and legal solutions contribute to economic growth. NBP President Leszek Balcerowicz said the main point that the report makes is that a country's economic success or failure largely depends on the quality of its institutions. The report shows that richer countries have worked out faster and cheaper court procedures as well as procedures for access to the market than poorer countries. In poorer countries, government and administration excessively intervene in the economy and ownership. This leads to the creation of barriers to market entry, and too many regulations breed corruption. On the other hand, many of them fail where they should be effective. They fail to enforce the law properly and do not ensure a stable currency and public finance. Michael Carter, head of the World Bank mission for Poland and the Baltics, said Poland still has a lot to do to upgrade institutions which influence the economy. This involves the need to improve the operations of the court system, reduce barriers for businesses wanting to enter the market and reduce the costs of acquiring land ownership. The report shows that poorer countries could improve their economic condition if they changed some legal regulations that hamper growth. Examples include procedures necessary to establish a company. As a rule, the richer the country is, the easier it is for its citizens to establish a company, and the lower the costs involved. According to World Bank experts, to establish a company in Poland, one has to go through as many as 11 procedures, which takes 58 days on average and costs about 25 percent of per capita GDP. In Australia, by comparison, only two procedures are needed, which take two days and cost less than 2 percent of per capita GDP.

*From [Warsaw Voice](#), 22 November 2001*

## **Health Minister's Pledge on NHS Reforms**

Health Minister Jane Hutt pledged last night to implement controversial plans to reform the NHS even though they face widespread opposition. An investigation by *The Western Mail* has revealed serious doubts about some of the fundamental principles of her plan to replace the five Welsh health authorities with 37 new structures. But despite serious reservations expressed in the majority of 356 responses to a National Assembly consultation, Ms Hutt said last night she would be "moving immediately to implementation" regardless of the outcome of next week's Assembly debate. Community health councils, NHS Trust chief executives, the voluntary sector, the Patients' Association, nurses, consultants, midwives and many GPs all have doubts about the cost and accountability of the new structure. But last night a spokeswoman for Ms Hutt continued to insist that key players had given their "full support". A pack was also released to the press of 13 positive responses. Liz Hewett, secretary of the RCN in Wales, said, "The reforms have our partial support, but we still have concerns and reservations regarding staff capacity and affordability." Welsh MPs were given access to a summary of the 356 responses only on Tuesday morning, although they had to debate the reforms in Parliament that afternoon. The responses containing some of the most serious reservations have been "anonymised" by National Assembly officials. This was at the request of individuals who wished to keep their identity

secret, the Assembly said. But two of the responses were those of Welsh MPs and former Welsh health ministers Jon Owen Jones and Win Griffiths who made no such request. Both MPs believe the changes will mean the creation of 22 quangos. "Hardly the bonfire promise made by Ron Davies AM," Mr. Jones said. Although Jane Hutt has revised some of her proposals following consultation, the core principles of the plan remain unpopular. Vanessa Bourne, chairwoman of the Patients' Association in Wales, said the new system would not be cost-neutral. "Morale is low and sinking among all staff groups in the NHS undefined how will these proposals encourage the best to work in Wales?" Rosamund Thomas, chairwoman of the Vale of Glamorgan Community Health Council, said, "Patients are far more interested in receiving prompt attention than in understanding the intricacies of the NHS. The proposals are far more complex than the current arrangements." The Welsh National Board for Nursing, Midwifery and Health Visiting feared the new structure would need more investment, not less. "We would question the validity of diverting money from patient care into structures and processes that do not appear to show tangible patient benefit." One of the 36 "anonymised" responses read, "None of the proposals seem to address the manpower shortage problems of both recruitment and retention. This exercise must not turn into a basic recycling exercise." The structures' reforms have the support of the Welsh Local Government Association, local health group chairpersons and the Welsh NHS Confederation although 80pc of its management members expressed grave concerns about the reforms. The BMA has also expressed broad support but said it was still building on the detail. Ms. Hutt said last night, "The conclusions have received widespread support - it would be misleading to suggest otherwise and an insult to those who took part in the consultation. "Following the debate at the Assembly we will be moving immediately to implementation. That is what the service wants."

*From [IC Network](#), 23 November 2001*

### **The Americas**

#### **WREDC Meeting Discusses Growth in New Economy**

As the nation transitions from an industrial - to knowledge-based economy, how will Worthington fare? That was the question posed to members of the Worthington Regional Economic Development Corp. at their annual meeting Tuesday. Tim Clawson, president of Clawson Development Services Inc., Rochester, said information technologies, globalization of markets and higher levels of business risk have changed the landscape of the U.S. economy. "Ideas and information are becoming just as valuable as raw materials," he said at the Worthington High School cafeteria. In the new "Knowledge Economy," communities can be left behind without the proper tools and resources in place, Clawson said. The economy is also forecasted to grow at 3.1 percent over the next 10 years, he said. "That means people need to become smarter and faster," he said. Speed is more important than ever for companies looking for potential sites, Clawson said. "Speed has become more and more the king," he said. "There needs to be faster time to market." Clawson said he was impressed Tuesday during a tour of Fullerton Building Systems Inc. in Worthington, namely the fact that the company can have a building on site and shelled within 20 days of the order being placed. It also pays for communities to be online, he said. Eighty to 90 percent of companies search the Internet first when looking to invest in a community, he said. Community members must feel good about their city and its business sector, as well as welcome new people and companies. "Communities that embrace change and are ready for it are those that are going to succeed," Clawson said. Much of Tuesday's meeting focused on manufacturing in conjunction with Manufacturer's Month. Gene Goddard, the southwest region's representative for the Minnesota Department of Trade and Economic Development, said 19 percent of the state's jobs are in manufacturing, with an average salary of \$42,696. And from 1990 to 1999, greater Minnesota accounted for 35,310 of the 40,000 manufacturing jobs created in the state, he said. Nobles County added 1,000 manufacturing jobs between 1989 and 1997, Goddard said. The county's 29 manufacturers pay their 2,712 employees \$66 million in wages annually, compared to \$19 million in the retail sector. "It's safe to say that some of those people in the retail sector could be working in the manufacturing sector," Clawson said. The state predicts a 16 percent growth in manufacturing from 1996 to 2006, compared to a 7 percent decrease in agriculture. The forecast that Nobles County's population will hold steady over the next 25 years can be tied directly to manufacturing, Goddard said. "So for the county leaders, you need to focus on what's the biggest bang for buck," he said. Incoming WREDC chairman Mike Casper presented a list of 15 initiatives being sent to private WREDC shareholders that will be presented to public shareholders and the city in December. Among them were: I Building a community/convention center in Worthington. I Exploring the merger of the YMCA and MC Fitness. I Overturning the county's Agricultural Land Presentation Act. I Building a marina on Lake Okabena. I Identifying a new industrial park. I Revitalizing Northland Mall. Outgoing WREDC chairman Bill Wetering addressed the bankruptcy of Worthington poultry processor Awra Doro Inc., or as he called it, "the elephant in the living room." Wetering said it's easy to complain about WREDC's involvement in the project, but if the organization hadn't worked with owner Tesfaye

Mitslal to get the plant up and running, Campbell Soup Co. would have liquidated the equipment. Now, WREDC has been contacted by other entities interested in the plant, he said. "Had we done nothing three years ago, it would all be gone," he said. Retiring WREDC board member Steve Robinson was honored for his years of service. WREDC is now entertaining nominations for two open board positions. Goddard presented Highland Manufacturing Inc. owner Greg De Groot with a \$500,000 check representing the loan from DTED that he used to expand the business. De Groot said that when it hits maximum potential, the expansion will create 100 new jobs and could lead to another expansion in three to five years. This year's annual meeting was held in the WHS cafeteria, due to the Coliseum Ballroom closing in September. Three businesses - Highland, ReiTech Corp. and architectural engineering firm SEH - had booths on display at the school, while Highland, Fullerton and Intervet Inc. gave tours in the morning and afternoon.

*From Worthington Daily Globe, by Mike Nowatzki, 1 November 2001*

## **War prompts new roles: Justice Officials Weigh Reorganization, Shift in Duties**

Attorney General Ashcroft's restructuring of the department to focus on anti-terrorism efforts could mean some federal crime fighting will fall to state and local law enforcement. It was only this summer that Attorney General John Ashcroft and then newly minted FBI Director Robert Mueller III showed up at Verisign in Mountain View to make the prosecution of cybercrime the first major federal law enforcement initiative of the Bush administration. But that was then, and this is post-Sept. 11th. On Thursday, Ashcroft announced a "wartime reorganization" of the U.S. Justice Department that is designed to make anti-terrorism the primary focus of federal law enforcement, thus supplanting a scroll of crime-fighting priorities that have occupied U.S. attorneys and FBI agents for decades. For an eclectic region like the Bay Area, this fundamental shift could diminish federal law enforcement's emphasis on everything from nabbing bank robbers to busting techno-thieves in Silicon Valley. And federal prosecutors interested in investigating public corruption or a Ponzi scheme will have to scratch harder than ever to find an experienced FBI agent not immersed in counterterrorism. At this point, federal law enforcement officials are unsure of what the scope of change will be in the Bay Area under Ashcroft's directive. With many FBI agents shifted to anti-terror duties, current and former officials say, something will have to give, and the early prognosis is that there will be substantially less federal involvement in the investigation and prosecution of crimes that can be handled by the state, notably drug offenses and street crime.

Matt Jacobs, a spokesman for acting U.S. Attorney David Shapiro, said Friday that it is "too early to say" what impact Ashcroft's changes will have on Northern California. In an interview, Bruce Gebhardt, the FBI's regional chief, said much the same, although he predicted the agency was unlikely to abandon areas that until Sept. 11 had been top priorities, such as tech crime. In fact, Gebhardt said he is hopeful that significant white-collar investigations will not suffer much in the long term, and that he is slowly returning some of his agents to their previous assignments. "I just can't imagine us shifting away from those types of crimes," Gebhardt said of high-tech and corporate crime. Time, resources affected - However, current and former federal law enforcement officials say the FBI, to some extent, may not have a choice. From cases involving defrauded valley investors to San Francisco's corporate boardrooms, it is expected to be much tougher for federal officials to devote the time and resources to prosecute complex, white-collar crime cases, often the bread and butter of federal law enforcement agencies. In fact, lawyers who specialize in defending these cases say federal investigations already have ground to a halt across California. "I don't think for the foreseeable future that U.S. attorneys will enjoy the same level of support for complex investigations in the white-collar area," said Charles Stevens, who served as U.S. attorney in Sacramento during the Clinton administration. "There just aren't enough FBI agents available." Added San Francisco federal public defender Barry Portman: "If I were representing a white-collar defendant, I'd tell my client, 'Rejoice - the sheriff has better things to do.'"

Past efforts - During the past several years, the U.S. Attorney's Office and FBI had attempted to strengthen federal enforcement generally in the Bay Area after a long period of neglect. Mueller, who served as U.S. attorney in San Francisco before becoming FBI director, established high-tech squads, added prosecutors to securities fraud investigations and also took a more aggressive role in violent crime cases, indicting gangs such as Nuestra Familia that traditionally were the province of local district attorneys. While federal officials are reluctant to acknowledge that such high-profile investigations may take a back seat to terrorism-related probes, they do say, at least in the Bay Area, they are likely to do less in the areas of street crime, drugs and bank robberies. As a result, those cases are expected to fall to local police and district attorneys, who can prosecute the same offenses in state court. "I think the way it will play out is that we'll pick up some of the load," said Santa Clara County District Attorney George Kennedy. Agencies such as the Securities and Exchange Commission (SEC), which until recently had been referring more cases to the FBI and U.S. Attorney's Office for prosecution, are closely monitoring the fallout from Ashcroft's directive. Among other things, the SEC and FBI had been increasingly aggressive about busting Internet fraud. "It's interesting to see what's

going to happen," said Helene Morrison, the SEC's regional director. New priorities - Moreover, federal law enforcement in the past decade also has been asked to be more aggressive in areas such as environmental protection, civil rights and healthcare fraud. Former San Francisco federal prosecutor Stephen Meagher, who has been heavily involved in helping the government assemble a major fraud case against healthcare giant Columbia/HCA, says that investigation could not happen today - hundreds of agents worked the nationwide case. "You can't even get them on the phone now," Meagher said. Contact Howard Mintz at [hmintz@sjmercury.com](mailto:hmintz@sjmercury.com) or (408) 286-0236.

*From Mercury Center, by Howard Mintz 11 November 2001*

## **House Panel Gives Government Failing Marks on Computer Network Security**

In spite of tighter security at U.S. buildings since the Sept. 11 terrorist attacks, a House panel will be giving the government failing marks for lax protection of federal computer networks against hackers, terrorists and others. According to AP, the "F" grade dropped from the "D-" that the government earned in September 2000. Fully two-thirds of federal agencies, including the departments of Defense, Commerce, Energy, Justice and Treasury, failed the latest government-wide computer security report card. "The nation cannot afford to ignore the risks associated with cyber-attacks," Rep. Stephen Horn, R-Calif., chairman of the House Government Reform subcommittee on government efficiency told AP. "Federal agencies rely on computer systems to support critical operations that are essential to the health and well-being of millions of Americans." AP reports that the National Science Foundation, with "B+" marks, ranked best of the 24 largest agencies and departments; the Social Security Administration was given a "C+" and NASA was given a "C-" grade. The grades were based on information the departments gave to the Office of Management and Budget. Under a new federal law, agencies must report regularly to OMB on their efforts to keep computers safe. According to AP, congressional investigators from the General Accounting Office placed into consideration whether any of the agencies had developed security policies or plans, such as limiting the ability of users to install rogue software. AP reports that Robert Dacy, the GAO's director for information security, told the panel that a worse grade this year does not necessarily mean that security worsened. He went on to explain that the weaknesses are becoming more identifiable and understood, "an important step toward addressing the problem." But investigators still found "serious, pervasive weaknesses," he stressed.

The GAO routinely hacks into federal computers to test security and rarely fails. At the Commerce Department, for example, in August, the GAO discovered that passwords were not required for some computers; while others used "password" as the password; and even entire lists of passwords were stored in plain view on the computers themselves. AP reported that when one Commerce Department employee detected investigators trying to hack the agency's computers during their testing, he launched an illegal, electronic counterattack against the GAO. Dacy praised the Bush administration's recent appointment of a special adviser for cyberspace security but he added that U.S. efforts "are not keeping pace with the growing threats." The Environmental Protection Agency and State Department were given "D+" grades in the latest listing. The General Services Administration, Federal Emergency Management Agency and Housing and Urban Development Department earned "D" marks. Horn told AP that those agencies "managed to keep their heads above water, but just barely." Several other agencies earned an "F". Those are listed Agriculture Department, Agency for International Development, Education, Health and Human Services, Interior and Labor departments, Office of Personnel Management, Small Business Administration, and the Transportation and Veterans Affairs departments, AP reports.

*From Associated Press, 12 November 2001*

## **Chamber Sponsors Public Forum on Constitution Reform**

Constitution reform will be the topic of discussion Thursday in a forum co-sponsored by the Shoals Chamber of Commerce. Chamber officials publicly endorsed the effort to reform Alabama's constitution in April. The document was written in 1901 and has been amended 706 times, easily the most amended state constitution in the country. "This forum will educate the community about the necessity of constitutional reform," said Lisa Patterson, chairman of the chamber's board. "We all need to know more and to be informed about why constitutional reform is so important. "I encourage all citizens in the Shoals to attend." Patterson said called the constitution reform effort a hot topic right now. Gov. Don Siegelman has endorsed the reform effort, noting that reform is needed in order to eliminate proration of the state's education budget. "This issue is being discussed all over the state," she said. The event is co-sponsored by Alabama Citizens for Constitution Reform. The forum is scheduled to begin at 5:30 p.m. Thursday at the Florence Conference Center. Patterson said three knowledgeable speakers have been lined up to discuss the issue. The panel

consists of Bailey Thomson, associate professor of journalism at the University of Alabama; Howard Walthall, professor of law and director of State Constitutional Law Project at Cumberland School of Law in Birmingham; and Christopher Word, field representative for the Alabama Citizens for Constitutional Reform. Participants will be given a brief history of the 1901 constitution, the difficulties surrounding the document, viable solutions and involvement opportunities. "We have students compiling information and looking at how a variety of states handle certain issues," Walthall said. "It has been an interesting project." Patterson said the public is invited to the forum.

*From [Times Daily](#), By Bernie Delinski, 12 November 2001*

## **To Think More Globally, Talk More Locally**

As a graduate student in international relations, Ahsen Khan spends a good deal of his time pondering big topics: globalization, diplomatic initiatives, conflict resolution - that sort of thing. But last week, on a bright, late-fall morning, his focus was a lot more basic. Standing in front of a group of seniors at Boston's New Mission High School, the Canadian-born Muslim tried to explain how to point yourself in the direction of Mecca. It was just one of many questions he and his colleagues fielded as part of their effort to respond to the Sept. 11 attacks. If others could give blood or send donations, they decided they could team up behind an equally practical and potentially far-reaching idea: direct contact that would lend fresh perspectives and humanity to a conversation that has become a daily part of many high-schoolers' lives. "Indirectly, we felt that by making such visits, we were striking a blow against everything the terrorists stood for: the hatred, the division, the fear, the ignorance," says Peter Neisuler, who, like Mr. Khan, attends the Fletcher School of Law and Diplomacy at Tufts University in Medford, Mass., where they study Islamic civilizations. Such ideas have been gaining ground nationwide. Whether hosting foreign-policy experts, Muslims, and military veterans, or participating in Web exchanges with students in Islamic countries, schools across the United States have been seeking new ways to help students grapple with the complex issues surrounding Sept. 11. This week, many schools are responding to President Bush's request to invite veterans to speak to students. Dubbed "National Veterans Awareness Week," its aim is to have veterans relay their firsthand experiences - and also teach about the value of freedom. For Valerie Vasti, the high school's curriculum coordinator, it's an important piece of students' education - and one teachers have to take advantage of. "We're in a tremendously tragic, but very teachable moment," she says. On this particular morning, seated in a classroom in this weathered building, students get right to the point. Would you be willing to kill for your religion?" asks student Paul McKoy. Khan responds that he prefers fighting with a "pen and knowledge." "And besides," adds Mr. Neisuler, "Islam doesn't say that if you have a problem with some people, you should go out and kill them." Although the seniors are clearly well versed on the events and history surrounding the attacks, several say they have found real value in speaking to a Muslim for the first time. Student Patrick Wallace says he was "surprised to hear how few Muslims actually support Osama bin Laden." And, Valon Gregory says, "it was really interesting to discuss whether we should bomb during the Muslim holy month of Ramadan." He, along with about a quarter of the class, raised their hands unhesitatingly when Neisuler asked how many agreed with US military activities in Afghanistan. About the same number didn't agree, while half indicated mixed feelings.

Their responses don't quite jibe with a nationwide survey of young people taken last week by Newsweek magazine. About 85 percent of those polled favored the current military action, while 83 percent said they approved of Mr. Bush's job performance. Most likely, though, it's just too early in the war on terrorism to gauge whether students in general will be more like those during World War II, when campuses and the country were united, or Vietnam, when a historic clash emerged. What students in the poll and at New Mission do seem to agree on, however, is that the future is increasingly unpredictable, and that values and assumptions will be tested in the next few years. "Won't we be attacked again?" asks Patrick Wallace, a diminutive guy wearing a blue hooded sweatshirt. Neisuler responds, "The best battlefield each of us can fight in is in our own head, not to let fear get to us." Khan goes on to discuss what it feels like to be "profiled" as a Muslim American. Even before Sept. 11, he says, he got second looks from US airport officials when he flew back from visiting his family in Pakistan. "As a son of immigrants from Pakistan, I feel like I am from neither here nor there," he says. Later, Neisuler questions whether we will decide to give up our civil liberties in exchange for safety. But the humanities teacher, Kona Roberts, challenges his use of the collective "we." His class has been reading "Howard's End," which has led them to discuss the concept of artificial unity. "As minorities, we truly don't reflect the decisions that are being made," Mr. Roberts says, looking around at a class full of African-Americans and Hispanics. "Who of you can walk into a store in [an affluent part of town] and not get second looks?" But Patrick is quick to rebuke his teacher, saying, "This is the time to put our differences aside and say 'we.'" After class, Roberts says he is proud of Patrick for standing up to him. "We're all in this learning together, sharing how our experiences affect our beliefs, and vice versa," he says. When asked if teachers at the school have struggled to hold back their own

beliefs about Sept. 11, Ms. Vasti says no. Most Americans were shocked by the attacks, but young people lacked any context and need to be exposed to a wide range of perspectives, she says. E-mail [sara@csmonitor.com](mailto:sara@csmonitor.com).

*From [Christian Science Monitor](#), by Sara Steindorf, 13 November 2001*

## Global Standards Loom for Accounting

Globalization is hitting U.S. accounting. As business becomes increasingly international and more overseas companies become listed on U.S. stock exchanges, accountants and regulators are realizing the need for global convergence of accounting standards as painful as that may be. "Convergence must happen," said Phil Ameen, vice president, controller for General Electric Co., based in Fairfield, Conn. In GE's case, the need for uniformity is clear: 45 percent of the company's \$30 billion in quarterly revenue is from overseas and two-thirds of its acquisitions have been outside the United States, Ameen said during a presentation this week at the UC-Berkeley Haas School of Business' 12th Annual Conference on Financial Reporting. The effort to unify global accounting standards began in earnest three years ago with the move to establish a rule-making body with global representation. The London-based International Accounting Standards Board began work early this year and is looking at several issues, some of which are of prime interest to U.S. companies, employees, accountants and investors. "We have set the target to come up with one set of high-quality global standards," Sir David Tweedie, chairman of the IASB, said. That convergence already is happening. This year, the American Financial Accounting Standards Board (FASB) put an end to pooling-of-interests accounting, which many companies, particularly technology businesses, used to record mergers and acquisitions without hurting earnings. FASB statements 141, banning pooling-of-interests accounting, and 142, which bans the amortization of goodwill, were "a success story. Pooling was non-accounting," said Tim Lucas, FASB director of research and technical activities. Numerous luminaries of Silicon Valley, including Cisco Systems and venture capitalist John Doerr, a partner with Kleiner, Perkins, Caufield & Byers, Menlo Park, aggressively fought with FASB over purchase accounting, claiming the "new economy" required the pooling-of-interests method to account for the intangible value of business combinations. On business combinations "the U.S. was the outlander" until this summer when it made purchase accounting the standard for mergers, Tweedie said. "FASB is committed to convergence," said FASB board member Edward Trott. "We will work together to get to the best set of accounting standards and hopefully they will be adopted around the world." Already, FASB and the IASB are working together on issues related to the purchase method and new basis as part of business combination standards. There are numerous other issues of interest to U.S. companies that are now being kicked around in the international arena. The IASB is looking into further issues related to business combinations, as well as standards for financial performance reporting, and how companies should record the use of stock and stock options for compensation or payment of suppliers. Already, Germany, Australia, Canada, New Zealand, the United Kingdom and Denmark, in addition to the United States, have proposed rules concerning stock-based compensation.

The European Commission gave accounting globalization a powerful push early this year by proposing that all EU companies listed on an exchange adopt the same accounting standards by 2005. If the EU proceeds with adoption of the IASB standards, then in 2005, some 7,000 companies will be using unified accounting standards, compared to just 350 today, said John Morissey, U.S. Securities and Exchange Commission deputy chief accountant. Meanwhile, the SEC has called for an accelerated effort toward adoption of international standards, recommending the FASB and IASB reevaluate their short-term agendas with an eye toward elevating issues related to convergence. "In certain significant areas, a pragmatic approach tending toward short-term convergence on important issues may be helpful," SEC Chairman Harvey Pitt said last month. While most support convergence or at least accept its inevitability the speed with which it happens is a point of contention. Lynn Turner, former chief accountant at the SEC, said FASB and the IASB should be left to determine how quickly they want to move on convergence. "It's disappointing and discouraging to hear a regulator call for a rush to convergence," said Turner, who is now the director of the Center for Quality Financial Reporting at Colorado State University. Turner pointed out that even if the United States wanted to move quickly on convergence, U.S. accounting systems probably could not be converted to new global standards within the EU's time frame. On top of that are auditing and enforcement capabilities that lag in the rest of the world compared to the United States, he said. Whatever the pace of the change, the momentum is building and there is no doubt convergence is under way. "I guarantee this is going to happen. The market wants one set of standards and the market is going to get one set of standards," Tweedie said. His closing advice: "If you want to influence the debate, get in early." Reach Cole at [jcole@bizjournals.com](mailto:jcole@bizjournals.com) or 925-598-1414.

*From [East Bay Business Times](#), by Jim Cole, 12 November 2001*

## **Educator Stresses Accountability**

Accountability in public schools means one thing to U.S. Education Secretary Rod Paige: Taking responsibility for the education of all children, not just the wealthy ones or the well behaved ones or the ones who are easy to teach. "If we are committed to the notion that all children can learn and we know that all are not [learning], then it's time that we as professional educators take responsibility for that and do something about it," Paige said. Paige, the nation's first black secretary of education, shared his thoughts Tuesday as part of a daylong visit to Miami-Dade County. The former superintendent of the Houston Independent School District visited MAST Academy, a top-ranking magnet high school on Virginia Key, for a presentation in honor of National Veterans Awareness Week and later lectured at the University of Miami College of Education in Coral Gables. Paige, who was appointed in January by President Bush, a fellow Texan, outlined the administration's education reform plan and touted a new post-Sept. 11 civics initiative, "Lessons of Liberty." The initiative, which he presented at MAST with retired Coast Guard Capt. Greg Shapely, a Miami native, encourages schools to include the country's veterans in the civics and history curriculum by discussing the sacrifices made by those who fought in U.S. wars. MAST Academy was selected for the visit because it is the only school in the nation with a Coast Guard Junior Reserve Officer Training Corps; about 150 of the 550 students are in the program. "I don't want you to think that you have to wait for some mythical date in the future before you find a way to serve your country," Paige told the students during a question-and-answer session. "You can and do serve now by getting involved in your community, volunteering at local hospitals or cleaning up your beaches." At UM, he offered his theory of what must be done to improve large urban school districts such as Miami-Dade's. Those districts need to focus on their primary mission, their "core competencies," he said.

Speaking to 500 people at UM's Storer Auditorium, he said that when he became Houston superintendent, the district ran the schools' garbage collection. "It occurred to me that I know nothing about collecting garbage and that had very little to do with how well we educate children, so I contracted it out," Paige said. "Urban school districts have to organize themselves around what their core function is so that every possible resource is spent on that mission." Paige is credited with turning around the nation's seventh-largest school district. When he arrived, it had long been one of Texas' lowest-performing districts, where half of the 200,000 students didn't speak fluent English. Paige led reforms such as making principals' salaries dependent on student performance, blocking the promotion of failing students to the next grade and dramatically improving reading. Since then, the percentage of students passing state assessment tests has risen from 44 percent to 64 percent. Paige said that real change and success in urban school districts come when people stop making excuses and become outcome-oriented. "We have to give the people at the scene -- the teachers and principals -- the flexibility to make decisions about education," Paige said. "But we also have to make sure that with that flexibility, we are demanding and expecting results, that we no longer accept the same tired excuses about why children aren't learning - that they are poor or come from broken homes." "We are good enough and smart enough that we can do that."

*From [Miami Herald](#), by Holly Stepp [hstepp@herald.com](mailto:hstepp@herald.com), 14 November 2001*

## **President of Venezuela Chavez Approves Economy Laws**

Caracas, Venezuela - President Hugo Chavez announced the completion of a package of laws aimed at jump-starting the economy laws he was granted special authority to enact without parliamentary debate. Chavez spoke Tuesday on national television, less than two hours before the fast-track, yearlong legislative powers expired at midnight. The government completed at least 15 of the 48 laws in the last two weeks, defying critics who predicted the Cabinet would be too disorganized to finish the task. A land reform law determines how the government can usurp idle, private land. On Monday in downtown Caracas, hundreds of farmers protested the government's failure to publicly discuss the content of that law. But Chavez insisted Tuesday that all the laws had been widely discussed among "lawyers, economists, social activists, peasants and farmers." In a new hydrocarbons law, the government sought to mollify private foreign oil executives who wanted flexible royalties rates for companies that operate the state-owned oil fields. The government originally proposed a fixed rate of 30 percent, up from the current 16.6 percent, but decided to allow rates as low as 20 percent for high-risk projects. The pro-government Congress granted Chavez the fast-track powers last year despite opposition complaints that some laws were too sensitive to exclude from parliamentary debate.

*From [Orlando Sentinel](#), 14 November 2001*

## Canadians Debate Education Tax Credits

Ontario lawmakers have enacted the largest and least restrictive education tax-credit plan in North America for parents whose children attend independent schools. But the Progressive Conservative government's tax-credit plan blindsided Canadian education observers, and what began as a quest for fairness in the funding of the province's religious schools evolved into a debate about school choice and public school reform. If the Liberal Party, which is gaining significant voter support, wrests control of the Ontario government the next time elections are called, its leaders have vowed to repeal the measure. Even though Mike Harris, the premier of the Conservative provincial government, announced last month that he would resign as the party's leader, those vying to replace him claim they are committed to the current plan. Ontario's plan, when fully implemented in 2006, would provide tax credits of up to \$3,500 annually for each child. Minnesota currently offers the largest state tax deductions for parents who send their children to private schools—up to \$2,500 a year. The debate that raged around the tax-credit plan in Ontario, worth some \$300 million to taxpayers in Canadian dollars, echoes policy disputes here in the United States. "If we can afford to spend maybe more than \$300 million, then we should be spending it on the public education system," said Annie Kidder, a spokeswoman for the Toronto-based People for Education, a nonprofit parent organization that supports Ontario's public schools. Countered Claudia R. Hepburn, the director of education policy at the Fraser Institute, a conservative think tank in Vancouver, British Columbia: The tax-credit plan "is going to spur public schools to stop bickering among themselves and focus on serving parents rather than fighting the government." Even with its rhetorical similarities to the school choice controversies in its neighboring country, there is a distinctly Canadian twist to this tale. In Ontario, independent schools are private secular schools and non-Catholic religious schools, while the Roman Catholic school system is publicly financed. Catholic schools enroll 670,000 students in Ontario, Canada's most populous province, which stretches along the Great Lakes. For Ontarians who send their children to independent religious schools, the tax credit is the first successful step in a decades-long battle to achieve equality in the classroom. "You can't have a just society that discriminates among religions," said Ed Morgan, the chairman of the Ontario region of the Canadian Jewish Congress.

### Historical Anomaly?

Publicly subsidized Catholic schools are a guaranteed right established in the 1867 British North America Act. In the act, the two founding nations of Canada—England and France—struck a compromise to ensure that the denominational rights to education of English-speaking Protestants and French-speaking Catholics would be protected by paying for the education system for both with taxpayer funds. But as Ontario became religiously more diverse over the past 40 years and legal challenges curtailed religious teaching in the classroom, the English Protestant public school system evolved into a secular one. Over the same time, the argument by non-Catholic Christian, Muslim, and Jewish school advocates emerged: Why should the provincial government pay for the Roman Catholic system and not other religious schools? The United Nations Human Rights Committee agreed, ruling in 1999 that Canada was violating the International Covenant on Civil and Political Rights. But in Ontario's capital city of Toronto, provincial-government leaders, including Janet Ecker, the minister of education, remained solidly behind the publicly financed secular and Catholic schools. Officials contended that an expansion of funding to other schools would be harmful to the system. "It's better to treat the Catholic arrangement as a regrettable historical anomaly rather than a precedent," argued A. Alan Borovoy, the general counsel of the Canadian Civil Liberties Association. 'Supporting Choice' - What led up to the provincial government's about-face is unclear. In May, Minister of Finance Jim Flaherty unveiled the province's budget, which included the tax-credit plan. Conservatives, who hold a majority in the legislature, easily pushed the plan into law in June. Reaping the benefits of the tax credit will be the families of the more than 102,000 Ontario children who attended independent schools last year, according to the Edmonton, Alberta-based Federation of Independent Schools in Canada. Ontario's independent school enrollment has increased by 34 percent in the past decade. The province enrolled 2.1 million children in its public schools, including those in the Catholic school system, in 2000. Parents are eligible for the tax credit for independent schooling regardless of their income levels or whether they even earn enough to pay taxes. Every child can receive the credit, and there is no family limit. In this, its first year of implementation, the maximum tax credit is \$700 for each eligible child, but that is set to climb to a maximum of \$3,500 in 2006. Government officials insist that the tax-credit plan was not a response to the U.N. panel's ruling or the campaign for religious equality in education. Sue Craig, a spokeswoman for the Ministry of Finance, stressed that the Ministry of Finance is footing the cost, and that the tax credit is not an education initiative. "It's about supporting choice," she declared. Using public dollars for independent schools is a decades-old practice in several of Canada's 10 provinces, said Gary Duthler, the executive director of the Federation of Independent Schools in Canada. Alberta, British Columbia, and Manitoba, for example, provide direct grants to the independent schools. Saskatchewan supports a handful of independent high schools. Still, the government's stunning tax-credit-plan announcement set off

a campaign by Liberal politicians, teachers' unions, and other public school organizations to derail the proposal. Dalton McGuinty, the Liberal government leader in Ontario, argued the Conservatives were attempting to cloak the tax-credit plan in the "guise of equity." "It's about further undermining support for public education," he charged. Since the Conservatives and Mr. Harris came to power in 1995, many critics have claimed the government was "manufacturing a crisis" to devalue public education. Support for public schools in Ontario appears to be waning. According to the latest Ontario Institute for Studies in Education/University of Toronto poll, 44 percent of Ontarians are satisfied with the school system—down from a high of 55 percent in 1982. Catholic schools, meanwhile, support government funding for other faith-based schools, according to John Stunt, the executive director of the Ontario Catholic School Trustees Association in Toronto. But Mr. Stunt said the association opposes the tax credit because it could erode financial support for the publicly financed school system, including Catholic schools. Catholic schools, he pointed out, pay a price for the government subsidies: They must adhere to academic and financial-accountability measures—something the independent schools will escape because the tax credits go directly to parents. "It has the same effect as an American voucher," said Liz Sandals, the president of the Ontario school boards' association. "It appears the government has no intention of attaching strings." Isolating Children Tax-credit critics also argue that funding all religious schools will lead to isolation by dividing children along religious and ethnic lines. "I would have thought that the wisest public policy would be to shore up wherever we can those institutions that promote a more viable integrated community," said Mr. Borovoy of the civil liberties association. But John W. Vanasselt, the director of communications for the Ontario Alliance of Christian Schools, said Mr. Borovoy's argument assumes that public schools are the only place where children can learn about social harmony. The dire prediction that the tax credits would lead many students to abandon Ontario's public schools for independent schools has not been realized. In fact, a month before the plan became law, most independent schools were at capacity, said D. Elaine Hopkins, the executive director of the Ontario Federation of Independent Schools. The tax credits could indirectly prompt independent schools to raise tuition, which ranges from \$6,500 to \$12,000, to increase teachers' salaries, recognizing that parents will be receiving additional financial assistance, said Mr. Duthler of the Federation of Independent Schools. The overall benefit, however, could be the introduction of "healthy competition" that would improve both public and independent schools, Ms. Hopkins added.

*From [Education Week](#), By Karla Scoon Reid, 14 November 2001*

## **World Bank, IMF Talk Debt Relief**

Ottawa - Economy: Officials focus on ways to avoid crises and reduce poverty in developing countries that have been harmed by the global slowdown. Concerned that the economic fallout from the Sept. 11 terror attacks has hit the poorest countries the hardest, World Bank and International Monetary Fund officials met Sunday to discuss debt relief and ways to reduce poverty in the developing world. The meeting came one day after finance ministers from 19 countries and the European Union pledged to help countries at risk, including war-scarred Afghanistan and developing nations harmed by the global economic slowdown. With Argentina facing a possible debt default and Mexico considering an IMF line of credit of as much as \$16.4 billion designed to prevent an economic emergency, the IMF and World Bank policymakers were focused on ways to prevent crises, instead of having to react to them. "I think it's very important we recognize the extent to which Sept. 11 changed not only our own economy," Canadian Finance Minister Paul Martin said. "The real burden is being borne by the poorest of the poor." There was little sign of anti-globalization protesters a day after 14 were arrested during marches and scuffles with police along barricades that blocked off streets surrounding the meeting sites. Police fired rubber bullets, tear gas and pepper spray Saturday when a few of the hundreds of protesters pushed through some barricades. The protesters want world leaders to forgive Third World debt and stop the financing of projects they claim harm the environment or hurt the poor. They also demanded that the IMF and World Bank create rules for international lending to avoid costly bailouts when countries default on bad loans. In Argentina, the government appears close to a deal with local creditors that seeks to replace much of its existing short-term debt with new, longer-term securities and reduce its 2002 payments by at least \$4 billion. Although some warn that the debt restructuring amounts to default, Martin and U.S. Treasury Secretary Paul H. O'Neill expressed support for Economy Minister Domingo Cavallo's plans. Claudio Loser, the IMF's director of Western Hemisphere affairs, said Sunday that Cavallo met with IMF Managing Director Horst Koehler to discuss the debt restructuring. Argentina made no request for additional financial assistance, such as an acceleration of payouts under an existing IMF aid package. "It's a very difficult situation; we all know that," Loser said. O'Neill told World Bank officials Sunday that they need to embrace a more selective approach to lending and provide support to countries that can prove they will use loans to make progress in the fight against poverty. He also said the bank needs to be more "rigorous in measuring the results" of its lending. Saying poverty in the developing world is "something we can no longer accept," Canada's Martin called for richer countries to provide money to help poor nations create the conditions for growing free-market economies such as proper banking and regulation systems, education for all and good health care. "It's

taken us 50 years to make a free market work in Canada, the United States and Europe," Martin said. "We've got to put in place the same structures internationally that make it work at home." After Saturday's G-20 meeting, which kicked off a weekend of talks involving the IMF and the World Bank, the finance minister said the international community was ready to help in the rebuilding of Afghanistan once the U.S.-led military campaign ends and a new government takes over. For information about reprinting this article, go to <http://www.lats.com/rights/register.htm>

*From [Los Angeles Times](#), by Traci Carl, 19 November 2001*

## **HUD Reform Plan Fixes Some Problems, Makes Others Worse, GAO Says**

The Department of Housing and Urban Development's management reform effort has streamlined some agency operations, but exacerbated workforce problems, according to a new report from the General Accounting Office. HUD's 2020 Management Reform Plan has eliminated bureaucratic layers at the agency by consolidating some oversight and processing functions associated with single-family housing and real estate assessment, according to the report, "Progress Made on Management Reforms, but Challenges Remain" ([GAO-02-45](#)). But the agency's failure to reduce the number of programs it manages, coupled with downsizing, has resulted in smaller staff, more work and poor morale, the report said. In 1997, then-Secretary [Andrew Cuomo](#) launched the HUD 2020 Management Reform Plan to reorganize the department and repair HUD's reputation as a scandal-ridden and mismanaged agency. To streamline bureaucratic layers, HUD created specialized centers to oversee processing and oversight functions, including the single-family mortgage insurance program, physical and financial assessments of housing stock, and enforcement activity. At the same time, the agency planned to cut its staff from 10,500 at the end of fiscal 1996 to 7,500 by fiscal 2002 through buyouts, attrition and reassignments. The agency stopped its downsizing efforts in 1998, with about 9,000 full-time positions in place. Streamlining HUD's processing and oversight functions has reduced the time it takes the agency to process single-family insurance papers from about five weeks to three days, and has enabled HUD to complete its first real estate assessment of its assisted housing stock, according to GAO. But now the agency has fewer employees taking on more work, the report said. "Our recent survey of HUD managers indicated that they believe they do not have enough staff and their workload has increased, rather than decreased as envisioned under the 2020 plan," said GAO. While HUD has made efforts to retrain its workforce and establish an employee appraisal system for senior managers, the agency still needs to make better use of its staff and improve morale, the report said. Workforce management is the "primary challenge" facing HUD, GAO said, while criticizing the agency for failing to maintain a balance between staff numbers and workload. For example, under the reform plan, HUD pledged to consolidate its single-family operations and about 70 percent of its field staff into specialized home ownership centers. However, as of January 2001, about 44 percent of the staff working on the single-family program remained in various field offices because the agency abandoned its plan, causing an imbalance between staff levels and workload. "Some of the home ownership centers are understaffed while single-family staff located in some field offices are not utilized in an effective and productive manner," the report said. The imbalance has affected employee morale because some employees are taking on many more responsibilities than they had before, while others have little to do, GAO said. GAO also expressed concern that impending retirements at HUD could exacerbate its staffing problems. According to the report, about 39 percent of HUD staff is eligible to retire within the next five years—one of the highest percentages of retirement-eligible workforces among federal agencies. GAO encouraged HUD to develop a comprehensive succession plan to handle impending retirements and to conduct a workforce analysis that matches staff levels with skills and workload. HUD's top political and career leaders must continue their commitment to reform in order to sustain those efforts and must work harder to involve employees in reform initiatives, the report said. HUD generally agreed with the report's findings.

*From [Government Executive](#), by Kellie Lunney, [klunney@govexec.com](mailto:klunney@govexec.com), 21 November 2001*

**Global**

## **WTO Seeking a More Open Institution**

In the aftershock of the anti-globalization demonstrations in Seattle two years ago, the WTO and those who oversee the world's multilateral trading system have faced charges that they lack transparency, that they fail to take the views of poor nations into consideration, and that they keep civil society at an arm's length. Such is the anger, that has been expressed by some governments and nongovernmental organizations, that the organization is looking at ways of improving transparency both internally among the 500 staff at its headquarters in Geneva and in its external relations. It was after Seattle, a WTO official said, that the organization sought urgent means to redress the situation. Mike Moore, the Director General of the WTO sought to streamline the integration of the world's poorest countries by

keeping them better informed. "We need to face up to the situation that there are things in our organization that could work better," he said in Doha this week. "When developing countries say they have not received all the benefits they expected from the Uruguay Round and that the WTO should do better for them, I agree." His remarks were made in opening comments as ministers from 143 nations gathered in Doha, many of them divided on what the key issues should be to launch a new round of negotiations. In interviews with this newspaper, WTO officials insisted that they have redoubled efforts to improve transparency. Of the 49 nations on the United Nations list of Least Developed Countries, 29, of them WTO members, are not represented in Geneva because they cannot afford the cost of keeping trade experts in Switzerland. Officials said this situation has so concerned Moore that he has traveled widely around the world to get the message across that well managed, humane globalization can help poor countries get wealthier. And he cites the example of South Korea, which 30 years ago was as poor as Ghana in West Africa is today. To charges voiced in a statement to the WTO Saturday by the Africa, Caribbean, Pacific (ACP) group of nations that WTO entry procedures are too cumbersome, and implementation of its trading rules frequently too costly or too complex, an official acknowledged that more could be done. In practice, the smaller and less important a country is in terms of trade, the easier it is to become a member. Thus the fact that it took China 15 years to gain access, while the small Balkan nation Croatia, achieved almost immediate entry. "Take a small African nation," a WTO official said. "Often its biggest problem is simply changing its legislation to conform with WTO rules. They often do not have the teams of lawyers, constitutional and trade experts, let alone the bureaucrats, to administer the necessary changes involved. The classic example here is when it comes to institutionalizing intellectual property rights." The same applies to WTO sanitary measures to ensure that goods exported conform with health and safety regulations. The WTO, which currently has an operating budget of approximately \$100 million a year, holds regular meetings on all aspects of trade for member governments throughout the year. These are mostly of a complex, technical nature, which even a single representative in Geneva simply cannot cope with. While nations like the US, Japan and the European Union are easily able to have the right expert at every meeting, the official said developing nations which comprise four-fifths of the WTO's membership are either partially represented or not at all.

What are the remedies? The WTO official said the organization has a system of all expenses-paid three-month training seminars for people from developing countries. At these seminars they are given intensive training on every aspect of trade and dispute settlement. Countries without representation are sent daily briefing papers and a monthly summary of WTO activities. Frequently those who attend the training programs return as representatives in Geneva. "We are seeing this happening more and more often," the official said. Once a year, the WTO also arranges a "Geneva Week" at which the WTO explains the positions and decisions on every key aspect of its work. After the Seattle debacle, the US government proposed that all meetings on disputes, for example, should be open to wider audiences. But when a country like Malaysia objects to such a measure, the meetings remain closed, and many countries around the world do not favor open sessions. To redress that situation, the WTO holds a monthly briefing for NGOs. So what is the Doha meeting this week all about? That is quite transparent. In a nutshell, under the chairmanship of Qatar's Minister of Finance, Economy and Trade, His Excellency Youssef Hussein Kamal, six so-called Friends of the Chair, are chairing negotiations key issues: Agriculture, implementation, WTO rules (mainly anti-dumping regulations), the environment, investment and competition, and TRIPS on intellectual property and access to medicine. They will each meet with member governments and report back to the chairman. If there are outstanding issues still unresolved, they will then hold smaller meetings with the parties raising questions, and report back to the chairman a second time. Under WTO rules devised by member governments, the six committees meet behind closed doors, and once their deliberations are complete, each "friend" reports to the main plenary meeting. The plenary is also publicly addressed by the representative of every government in the organization.

*From [Earth Times](#), by Roman Rollnick, 11 November 2001*

## **A New Trade Round for a Better World**

Statement by IMF managing director Horst Köhler given at the fourth WTO Ministerial Conference( Doha Qatar-November 10, 2001): Madam Chair, Ministers, Ladies and Gentlemen: This Fourth Ministerial Conference of the WTO is an historic opportunity to help build a better world, one where the benefits of economic integration lift all nations and all peoples. Much has changed since the launching of the Uruguay Round more than 15 years ago. Globalization has accelerated, expanding opportunities and bringing prosperity to many parts of the globe, while sharpening the challenge and concern about those that have not benefited from this process. The terrible events of September 11, and the further weakening of global economic prospects since then, have heightened concerns and underscored the interdependence of nations. The fight against poverty, or the strengthening of our economies, or the prevention of crises in the global financial system—none of these can be achieved by nations acting alone. More than ever, there is

a need for effective international cooperation to guide and shape the process of globalization, and for institutions that help to foster that cooperation. The creation of the WTO in 1995 completed the vision of our founders at Bretton Woods. It put in place the third pillar of international economic cooperation, alongside the IMF and the World Bank. The system is strong only when these pillars are strong—together promoting sound economic policies, a generous flow of development assistance, and the rule of increasingly free and open trade. The importance of a strong and resilient trading system was amply demonstrated during the Asian crisis, when open markets hastened economic recovery. But now that we face a deepening global economic slowdown, it is even more urgent that open markets, and the boost to global confidence that a new trade round would bring, join forces with the macroeconomic and financial policies aimed at restoring economic growth. And beyond these medium-term needs, further liberalization and stronger, updated trade rules, are indispensable to building a robust global economic system for the future. Madam Chair, Ministers, all nations have the opportunity to join forces here to make globalization work for all, particularly the poor and the marginalized. This is the greatest challenge facing the international community today. These opportunities are threefold. First, to reaffirm open trade, as a proven way to raise living standards in rich and poor countries alike. Second, to renew and strengthen the rules-based trading system, which is an essential element of a more stable and predictable world economy. And third, to rebalance the trading system, to ensure that all countries fully participate in the global expansion of trade and investment and harvest its fruits. Let me elaborate briefly. First, reaffirmation. We must not be timid about proclaiming the contribution that the expansion of multilateral trade has made to global prosperity. Alongside advances in technology, the lowering of barriers to trade, and to payments and investment, has underpinned the extraordinary growth of the global economy since World War II. I will not elaborate on industrial countries, but with respect to developing countries: It is clear that those that have combined outward-looking strategies with good policies have prospered; they have become successful participants in the global trading system and have attracted the bulk of foreign direct investment going to developing countries. But progress has been disappointing for many others—and the poorest countries have seen their share in world trade decline markedly. This reflects many factors, internal and external, but failure to integrate into the global trading system has been all too common. Contrary to what some suggest, experience shows that these countries would benefit from more integration and engagement in trade, not less. In order to succeed, they need to strengthen their own policies and institutional capacity, alongside greater assistance from the international community and renewed growth in the global economy. The second dimension of opportunity for you is renewal. To remain effective, institutions and economic systems must constantly renew themselves to respond to new realities. That is what we at the Fund are doing: refocusing our efforts in response to the globalization of capital flows and the different pressing needs of all our members.

This means better crisis prevention and resolution, improving the functioning of financial markets, and helping developing countries fight poverty and make the most of the opportunities of the global economy. But cooperative efforts in these areas need to be underpinned by an open and up-to-date trading system—one that meets the needs of an increasingly integrated world. This brings me to the third key challenge that you face, which I have called the need for rebalancing the system. If the benefits of open trade are to be enjoyed by all, a new round must address the issues of concern to developing countries. A vibrant, fast-growing trade sector is vital for growth, development, and poverty reduction. The boost to global growth and world trade that a successful round would bring is essential for the international community to achieve the development targets it has set for itself. The new round should not only include ambitious goals for eliminating the trade barriers developing countries face, but also further develop the rules-based trading system in ways that best serve their needs. In turn, if this is to happen, developing countries must be able to participate fully in the deliberations of the round. Developing and developed countries alike stand to gain substantially from liberalizing trade in those areas of importance to poorer developing countries - not just traditional sectors like agriculture, textiles and clothing, but also manufactures and services. But just as it is necessary to improve developing countries' access to industrial markets, they themselves gain significantly from greater openness to competition, and from the flow of new ideas, new technologies, and best practices in business and institutional reform that such openness brings. Together with the World Bank, we in the Fund stand ready to assist our members in this process wherever needed, through financial support, technical assistance, and policy advice. It is essential, in particular, that we all help the poorest countries reduce poverty and begin to advance their productive potential through open trade. And I will close by stressing, as we long have done, that these countries need duty- and quota-free access for their exports, alongside debt relief and a more generous flow of aid. Ladies and Gentleman, there is no better time than now, here in Doha, to move forward with courage and conviction; to launch this negotiation with generosity of spirit, vision, and understanding of the needs of your economies today. That will make a lasting difference to the world in which we live and to future generations. Working together we can succeed, indeed we must succeed, in this endeavor.

From [Invest Avenue](#), by [IMF Research](#) 13 November 2001

## What Does Globalization Mean for Our Society?

Threat of terror - Two months ago, people around the planet grieved as they saw the attack on the World Trade Center. They later felt the threat of terror in their own home countries. Then they reeled from the economic impact of Sept. 11. Global grief, global terror and then a global downturn. No country could truly call itself an island because of globalization. Globalization had to be studied, so an international conference in Manila dissected the phenomenon. It brought together leading names from the world of Asian politics. Attending the conference were prominent Asian politicians, economists, academics, leaders of non-government organizations. The conference, sponsored by the Friedrich Naumann Foundation, was held at the New World Hotel last Nov. 15 to 17. It was organized by the Council of Asian Liberals and Democrats or CALD, an alliance of parties. CALD offers a special forum for dialogue among Asian democrats. At its helm is Sam Rainsy, respected politician from Cambodia. "Cries for freedom and reforms reverberate in all corners of the continent. In Demokrasi, Reformasi, Doi Moi, People Power or by any other name, we witness the resurgence of democracy in the region," declares Rainsy. The Philippine member of CALD is the Liberal Party. Globalization existed for centuries: from the time of Marco Polo, explorers opened new markets for trade. What made the present wave different is its sheer pace and scope. Nations were being integrated into the world economy at amazing speed. Telecommunications indeed turned the world into a global village. Because of the Internet, it would be easy to order any merchandise from the other side of the planet. However, globalization also attacked the safety of the old order. Global goods, ideas and entertainment could threaten national cultures. The rapid globalization in recent years was partly the fruit of technological change. When funds zipped across the planet at the click of a mouse, products and people were bound to follow. But it was also a function of policy. Many governments deliberately agreed to cut trade barriers. So in the final analysis, globalization ended up at the desk of policy-makers. They decided how much they would integrate their nations with the world economy. As such, one session explored the topic, "Globalization: Boon or Bane?" The argument was that globalization brought about faster growth, cheaper goods, more foreign investments, new technology and greater competition. These often resulted in more jobs and higher living standards.

*From [INO7.net](http://INO7.net), by Dennis M. Arroyo, 18 November 2001*

## Militarism and Globalization Two Side of the Coin

Globalization - the good, the bad, and the ugly, and particularly the ugly - is now manifestly a two-way street - Since, as the saying goes, September 11 changed everything, then the Great God Globalization itself must have felt the ground move. So how has globalization changed? By how much? For the good or the bad? First a sobering confession. Mere days before that awful day I completed a lengthy academic article, footnotes and all, on globalization. Grandly titled "Politics in the Time and Space of Globalization", it was a survey of the phenomenon from a Canadian perspective. Frankly, I thought it quite good. Come September 11, I hastily scan it: the word "terrorism" is not one of its 9,000 words. It's called missing the main story. I find solace in the fact that most of the books on globalization on my shelf - pro, con and in between - don't even have "terrorism" in their index. Intellectuals, it's sometimes said, have insight into much and power over nothing. We just blew it on the insight. It isn't only emperors who have no clothes. I'm not practicing punditry on TV here so I don't have to pretend that I now fully understand what I did not foresee and can now confidently predict what will happen next. The truth is that I'm not even sure of the questions much less the answers. But life must go on: so herewith some tentative reflections - and caveat emptor to you. The dark side of globalization Globalization - the good, the bad, and the ugly, and particularly the ugly - is now manifestly a two-way street. America thought it got the good(s). It told the rest of the world that they did too and listened only to itself. Even those of us who spoke of the dark side of globalization never saw how dark it was and never imagined it would strike the heartland of empire, immune in modern times from such attacks. The economic fundamentalism of corporate globalization has met the religious fundamentalism of Islamist terrorists. It is a struggle to strike fear and trembling in the hearts of people of reason everywhere. Would that both were now discredited. The American elite loves globalization but the American people, albeit enjoying its fruits, yearn too for isolation, for less war and more peace and quiet. The contradictions are contained since September 11 in the Office of Homeland Defense. For how long will Americans accept a state of high anxiety if that has become the rich country's burden before wondering whether America shouldn't clean up its act abroad? And how many non-Americans, Canadians included, will still wish to flock to America to live its fear and its anger? Not all lives are equal in the global village - CNN, the broadcasting arm of the State Department, spends hours on every anthrax death in America and nanoseconds on every bombing death in Afghanistan. Not all lives, it is made clear, are equal in the global village, which raises hard questions about what kind of a village it is. Most still apparently live on the wrong side of the tracks. We had a global economy without a global society before September 11. That asymmetry - poignantly, a borderless world for capital, higher borders for refugees and immigrants - hasn't changed

except to get worse. There will be more injustice for the hard men to turn into terror. For Canadians, globalization has always been experienced with one degree of separation as a privileged part of someone else's empire. Economically, we had already become part of the American economy well before September 11 2001. Interference with cross-border trade is intolerable for us, so the pressure to abolish the border in general for a North American perimeter will be inexorable - an outcome that is, anyway, the not-so- secret wish of the Canadian corporate elite which is accustomed to getting its way. The anti-corporate globalization movement in Canada, having turned its attention since September 11 to opposing war, may next have to defend Canadian sovereignty from the demands of American security. The Council of Canadians can return to its origins. The Panglossian globalization project has always had a fist within the invisible hand, but it has been rendered invisible by the mainstream media, which regularly exposes CIA excesses and such like as breaking news at least a decade after they've happened. Now the fist is visible and so too the pretence exposed that all people are really for globalization, except for us protestors in the rich countries. (Suddenly the powerful must wish that the Maude Barlows were all they had to worry about.) Globalization and militarism two sides of the American coin - It turns out that corporate globalization and militarism are indeed the two sides of the American coin. You, I, and Noam Chomsky knew that. Everybody now does. At least the sales pitch for globalization will now have to be more honest. The war machine is being revved up another notch - Missile Defense is now a definite go - and so too, of course, the risks to human survival. Do terrorists have access to weapons of mass destruction? The case for their abolition is freshly compelling but, with the stale atmosphere of war made fresh, impossible. Meanwhile, globalism continues to pretend that it is the solution to everything. The apostles of free trade charge on - now claiming that trade is even the answer to terrorism. (Why not tax cuts that would give these bad men more of an incentive for honest work?) Even if the forces of globalization have a harder sell, it doesn't mean that anti-globalist democrats face easier times. The distinguished internationalist and human rights advocate Richard Falk of Princeton University, who has long championed international law as the alternative to war, says this war is just. So too does Stephen Lewis of this country. The soft liberal centre has aligned itself with the hard right.

We can and must applaud the federal NDP caucus for opposing the war but we cannot avoid the fact that elected social democratic governments - New Labour in Britain, the Red-Green coalition in Germany - support it. This may not surprise but it should disturb. The anti-war left is on its own while its dissent is being increasingly criminalized. But in our gut we knew that so there is no need for despair. Each week that goes by with the richest country in the world pounding the poorest into rubble and starvation gives war and its practitioners a bad name. People here must slowly dig their way out of the propaganda blitz of our leaders and find their own decency. We are regularly and properly told that what is happening today is not a clash of civilizations. On the other side, there are moderate Muslims who oppose terrorism - though our bombing may be counterproductive in that regard. So on our side, it must be made clear that there is a struggle between those who preach and practice war and violence and corporate globalization and those who call for peace and international law and cooperation and democracy and equality. I'm not about to become falsely optimistic at the end, but the protests of the anti- globalization movement at Seattle and Quebec City and Genoa did happen, and will continue to happen, and the peace movement stays around no matter how bad the times. Now these movements are demonstrating arm-in-arm and together are more than the sum of the parts. Amidst all this uncertainty and foreboding, of one thing I am sure. To the question, "What's the alternative to war?" we know the answer. It is: "Feed the starving in Afghanistan and everywhere." Mel Watkins is president of <http://scienceforpeace.sa.utoronto.ca/>

*From [Straight Goods](#), by Mel Watkins, 17 November 2001*

### **Joint IMF-World Bank Statement on Helping Poor Countries**

Poor countries will need to follow sound economic policies and the international community must proactively support their efforts if they are to meet their external financing needs, according to a November 17 joint International Monetary Fund (IMF)-World Bank statement. Issued during meetings of the International Monetary and Finance Committee and the Development Committee in Ottawa, Canada, the statement lays out early plans for assistance from the IMF and World Bank. It says that following the September 11th terrorist attacks, capital markets tightened and slower growth translated into lower demand for developing country exports, which account for an average of 30 percent of their gross domestic product (GDP). But it said that policy responses in some countries have already taken place, holding promise for recovery in the coming year. However, it also said there is "possibility of a worse outcome, involving even lower growth and increasing financing difficulties for many countries." The statement said IMF and World Bank staffs have been in contact with most poor countries since September 11 to assess their new situations. It said that technical assistance and analytic work will continue in most countries to focus on trade policy, fiscal and public expenditure management, financial management and procurement reform, and the design and implementation of social safety nets including pro-poor spending. The statement said the World Bank's polices make available a variety of options for new

financial assistance to low-income countries including new lending and disbursements under existing loans. It also said emergency recovery operations may be provided to countries where the September 11 events lead to "serious short-term economic dislocations, such as those caused by a sharp increase in the number of refugees." Creditors are being encouraged to provide interim relief to the Heavily Indebted Poor Countries (HIPC), according to the statement. As well, bilateral donors are being urged to complete plans for next year's assistance to individual countries, according to the statement. Projected International Development Association (IDA) lending for fiscal year 2002 is up to \$7,800 million, compared to \$7,000 million before September 11, the statement said.

*From [Washington File](#), 19 November 2001*

## **UN to Combat Poverty with Technology**

The United Nations launched a task force on information technology Tuesday to help harness computers and cutting-edge communications to fight poverty around the world. "The new technologies that are changing our world are not a panacea or a magic bullet. But they are without doubt enormously powerful tools for development," Secretary-General Kofi Annan said. "They create jobs. They are transforming education, health care, commerce, politics and more. They can help in the delivery of humanitarian assistance and even contribute to peace and security," he told the task force at its first meeting. Jose Maria Figueres Olsen, a former president of Costa Rica and a champion of digital development in his country, will chair the new U.N. Information and Communications Technologies (ICT) Task Force. Though there are many similar initiatives, "the task is still daunting. The number of people that are living without any access to ICT possibilities is still a majority of those that live on this planet," Olsen told a news conference. The United Nations said the task force was intended to provide a global forum for the use of information and communications technologies in development. It also would promote partnerships between governments, businesses and civic groups aimed at mapping out development strategies tapping the latest technologies. Special attention would be given to the least-developed nations and eradicating poverty, organizers said. One possibility mentioned by Olsen was to use low-orbiting satellites to enable poor countries to immediately gain access to the Internet and other so-called broadband services without having to first erect costly land communications lines. "Most of all we will look to you to help build digital bridges to the billions of people who are now trapped in extreme poverty, untouched by the digital revolution and beyond the reach of the global economy," Annan told the panel.

*From [Cnet](#), 20 November 2001*

## **E-commerce Will Continue to Power Growth: Unctad**

Despite the dotcom bust and subsequent infotech slowdown, e-commerce will continue to power the economic growth in the world, predicts a report of the United Nations Conference on Trade and Development (UNCTAD). Moreover, the UNCTAD report has also warned the developing countries about the negative consequences if they further fall technologically behind the industrialised world. The report said, "The new economic paradigm, according to which new information and communication technologies (ICT) would deliver ever-higher rates of inflation free growth, seemed to be among the first victims of dotcom crash. But even after crash, e-commerce has continued to grow." "While the Nasdaq crash and collapse of Internet start ups have exposed some myths about the new economy, they are not relevant as far as long term effect of ICT on the economy is concerned," it said. Citing the reason behind its prediction, UNCTAD report said that the ICT sector will continue to support rapid productivity growth because the cost of computing power is expected to keep falling steeply for several years. Moreover, most enterprises are yet to re-organise themselves to take full advantage of Internet, it said. The e-commerce and Development Report 2001 of UNCTAD reviewed trends and discussed the impact of e-commerce on the global economy and sectors like tourism and finance. The report, according to a press note issued by UNCTAD, considers legal and regulatory issues arising from the advent of the electronic age and guides developing countries in putting the digital revolution to work for them.

*From [Financial Express](#), 21 November 2001*

#### Top Level Corruption Leads to Suspension of Foreign Aid

The European Union (EU), the American and British governments have suspended K1.5 billion worth of aid pledged for this year's budget because of top level corruption and the suspension of the Privatisation programme. Daily Times learnt this week that the EU has decided to withhold K700 million (15 million Euros) and has asked government to refund K400 million alleged to have been misused by government in the tendering of the rehabilitation of Blantyre-Chileka road project. Group Five, a South African construction which has been rehabilitating almost all the major roads in the country, got the tender to rehabilitate Chileka road in preparation for the SADC summit in August. An EU instituted audit also revealed serious anomalies at the Ministry of Health's Medical Stores. A confidential letter dated September 25, 2001 from Finance Minister Matthews Chikaonda to President Bakili Muluzi indicates desperation by the Minister for the President and cabinet to move in and sort out the mess. "Your excellency, may wish to note that in a separate communication received from the United States government, we have been informed that due to non-fulfilment of a number of conditions, and in particular the suspension of the privatisation programme, the US government has reallocated K39 million (US\$6 million) out of the K45.5 million (US\$7 million) earmarked for Malawi to another country, leaving a balance of one million dollars for Malawi. "In addition, about K300 million under the food security programme will not be released to Malawi," reads the letter in part. Diplomatic sources said the British government is also holding more than 12.5 million British pounds which should have been released by now. Chikaonda in his letter informs the president that the British have not yet disbursed the 12.5 million British pounds that they should have disbursed by now. This, he says, has resulted in an increasing pressure on the budget to meet programmed expenditures. The EU delegation in Lilongwe told Daily Times this week that they are hoping to reach an agreement with government in a few weeks time. Theol Kaspers, Economic Adviser at the delegation said they had been instructed to discuss measures that government should take before they continue disbursing funds. American Embassy Spokeswoman in Lilongwe Robin Diallo said the decision was taken in Washington mostly because of events. "President Muluzi has reaffirmed his commitment for the privatisation programme and we applaud that. Privatisation was an issue then but because of events in Washington decided to redirect that," Diallo said. The programme was suspended early this year but Muluzi in his opening speech for the current session of parliament reversed the decision. About 35 companies have so far been privatised since the program started four years ago. The K45.8 million budget, already hit by over expenditure in July of K929 million and in August K1.3 billion, faces further collapse because the estimated total amount of K10 billion from donors to support it (budget) will not be disbursed because consultations with IMF have not been concluded. "This is likely to be at the end of the first half or the beginning of the second half of the financial year as we expect to conclude the consultations in November for IMF board presentation in December," Chikaonda says in the letter. He suggested to the President that a delegation travel to Brussels to discuss with the EU in view of maintaining the economic programme being implemented with the IMF. "It is essential that adjustments to the budget be made immediately so that levels of expenditure are kept in line with the available resources," the letter reads. The holding of funds has effectively forced government to suspend the Masaf project and other projects in the country. Daily Times tried in vain to get comments from the Finance Minister. could not be reached for comment for two weeks. The Danish government was the first one to pull out following audit done on funds meant for the inter-party peace initiative. About K10 million Kwacha was misused.

*From [Africa.com](http://Africa.com), by Mabvuto Banda Blantyre, 20 November 2001*

#### Angolans Handicapped by a Culture Of Corruption

Lubango, Angola - The dam in this mountainous scrubland stood unfinished for years until the Netherlands decided to foot the \$2 million bill for completion. With lethal waterborne diseases such as malaria and cholera roaming the countryside, providing clean water to thousands of peasants here struck Dutch officials as a worthwhile cause. But their largess came with a string attached: No provincial government official was to touch any of the money. Instead, all disbursements would be handled by an international relief agency based here. "Otherwise," said the Netherlands' ambassador to Angola, Jan Eric van den Berg, "the work would never get done. I have seen it happen too many times here. Money has a way of disappearing in Angola." This is a country on the take, disfigured by a core group of senior government officials whose corruption is so malignant that it has metastasized to virtually every level of Angola's public

sector, according to diplomats, relief workers, academics and Angolans from all walks of life. Only Nigeria produces more oil than Angola in sub-Saharan Africa, but little of the revenue trickles down to the 12 million people who live in this former Portuguese colony. President Jose Eduardo dos Santos and the authoritarian political party that has governed Angola since its independence 26 years ago funnels the bulk of the country's resources into its unpopular, unyielding civil war against a stubborn rebel militia and pockets much of what remains, according to diplomats, human rights organizations and Angolans themselves. With little public money devoted to schools, roads, health care or wages for civil servants, Angola is a state of demoralizing and grotesque extremes: tycoons and refugees, filthy rich cabinet members with seaside vacation villas and dirt-poor homeless children who climb into sewers for their night's sleep. Civil servants earning as little as \$50 a month take their cues from the ruling party, the Popular Movement for the Liberation of Angola, known by its Portuguese initials, MPLA. Graft here far exceeds the solicitation of petty bribes by traffic police and customs officials that happens at the margins of other poor countries, say diplomats, political analysts and relief workers. Here, underpaid teachers demand payment to enroll students in public schools that are nominally free. Doctors and nurses at state-run health clinics ask patients for a fee before tending to their injuries and ailments. Public hospitals frequently run short of supplies that are sold on the black market, and police, port authorities and employees with the motor vehicle department demand a tip, or *gasosas* - literally a "soft drink" in Portuguese. "If you want to get anything done in Angola, you must pay off someone," said Henriques Lopes, 23, who last year dropped out of Agostinho Neto University, the only public college in Luanda, the capital, when a professor demanded a \$20-a-week bribe that he could not afford. "I blame the government for that. People see how corrupt the government is and that the government doesn't care about them and they see all the [senior government officials] living in their big houses and driving big cars and eating well while everyone else is suffering. "There is no right and wrong anymore. People feel they must do whatever they can to survive." A 1996 government survey found that nearly half of all schoolchildren in Angola were required to make some kind of payment to an administrator to enroll in school. Another survey in 1998 concluded that 67.5 percent of doctors, lawyers and other professional workers on the state's payroll acknowledged that they would accept a bribe in return for services. Of managerial workers, the figure was 74 percent. The development arm of the United Nations wrote in 1998 that Angola's civil servants suffer a "crisis of values, principles and ethical standards of behavior." And in a speech delivered this year, dos Santos acknowledged that most civil servants did not survive on their salaries alone. "The fact that the resources of Angola are obviously not being used for the benefit of most Angolans promotes corruption," said John Rocha, executive director of Angola 2000, an advocacy organization that promotes good government and an end to the civil war. "Because the leadership acts with such impunity and such disregard for the welfare of others, they set an example for how all structures of government should engage with the public." As it enters its 27th year, the war between the formerly Marxist MPLA - supported by Cuba and the Soviet Union during the Cold War - and the National Union for the Total Independence of Angola (UNITA) -- which was supported by the United States and white-ruled South Africa - has devoured the bulk of Angola's money. About 40 percent of the national budget was devoted to military expenditures in 1999, compared with less than 5 percent for education, 3 percent for health care and about 12 percent for salaries and benefits for the country's 200,000 civilian employees. Meager funding, coupled with soaring inflation rates, means that top department managers and administrators in the civil service earned the equivalent of about \$27 per week in 1999.

The weekly pay for janitors and other unskilled workers on the state's payroll was as little as \$4.25. Calculating how much money is raked in by dos Santos and his cabinet is difficult, largely because the government does not account for the nearly \$3 billion in annual oil revenue in its budget. The international human rights organization Global Witness released a report two years ago accusing dos Santos and a cadre of army generals of profiting from oil revenue and kickbacks on largely secret arms deals. Cabinet officials did not return telephone calls for comment. No public official here has ever been prosecuted on corruption charges, and the MPLA last year did agree for the first time to allow outside auditors to review its books in exchange for loans and grants from the International Monetary Fund and other global financial institutions. But foreign donors, relief workers and Angolans operate on the assumption that public funds are regularly looted. In the last democratic elections, held nine years ago, Angolans mocked the choices confronting them with the slogan: "UNITA kills. The MPLA steals." Angolans commonly refer to dos Santos as one of the world's 50 richest people and speculate that his wealth rivals that of Mobutu Sese Seko, the former kleptocratic ruler of Zaire, whose wealth was estimated to be in the billions before his death in exile four years ago. Earlier this year, Brazilian newspapers reported that dos Santos's wife, Ana Paula, spent more than \$75,000 on a five-day shopping spree in that country. And in June, the MPLA evicted nearly 50,000 residents from the poor Luandan suburb of Boa Vista and moved them into tents to make way for a seaside luxury development. "Our politicians get to eat and live well," said Jose Carrilho, 42, one of those evicted as he surveyed children playing soccer near a pond-sized reservoir of raw sewage on a filthy downtown street in Luanda. "We get to live like rats. "Everybody in Angola has their hand out for a bribe. When I used to work down at the port, everyone knew that the only way to get a shipment in was

you had to either know someone very high up or you had to pay a little something extra. It's not right, but people are just trying to stay alive out here." Life is particularly hard in rural regions like Lubango, where peasants rely on streams and other unsafe sources for water to drink and bathe with. Construction of a dam began more than a decade ago, then stopped before the project was completed. No explanation was given; none was needed. "I am sure one of the politicians got their hands on the money," said Joaquim Furtado, 39, as he stood watching Ambassador van den Berg, provincial government officials and administrators with the U.N. World Food Program, visit the almost-finished dam. "Not much good comes to the people here and whenever it does, it is done by outsiders, not our own government," said Furtado, an unemployed father of two. "Our government is not good for much except robbing," he said, using his forearm to shield the midday sun from his eyes. "That, they are very good at."

*From The Washington Post Company, by Jon Jeter, 22 November 2001*

## Between Obasanjo And Corruption

Many Nigerians applauded the advent of democracy on May 29, 1999, as the beginning of a new and more responsive government. The general opinion then was that the new government of Chief Olusegun Obasanjo would put a stop to some of the ills that have bedeviled the polity for many years. President Obasanjo himself heightened such expectations when he set up several commissions to investigate our past misadventures. But the crucial aspect of his administration which Nigerians hailed was the crusade against corruption. For not only did the President declare his stand against corruption, he radically carried his war against the evil to the National Assembly where he was able to secure the passage of the Bill to give his anti-corruption crusade legal teeth. Before this administration however, the government of General Abdulsalami Abubakar had earlier instituted a secret probe on corruption, from which findings, several names of top Nigerians were implicated and large sums of money were linked with them. At the exit of General Abubakar's regime, the Kolade led panel on investigation of contracts awarded during the Abubakar regime indicted many top ranking military officers and civilian contractors that grossly defrauded the federal government. Even the press, still vibrant from its battle with the Abacha regime, unearthed some other names. This of course was sufficient to provide President Obasanjo with a rich repertoire of names from which he could launch his anti-corruption crusade. But surprisingly to date, none of the indicted Nigerians has been invited by the anti-corruption machinery, if only to offer clarification's on their indictments. Indeed this huge display of conspiratorial silence by the federal government on the many other indicted Nigerians has greatly diminished the credibility of President Obasanjo's anti-corruption drive and when complemented with the unending reports of huge graft and sleaze in this present government, one begins to wonder if the so-called anti-corruption campaign is not a window dressing gimmick. Until, all those fingered for culpability in corrupt practices, instead of only Mohammed and Abba Abacha are arraigned before a court, it would be hard now to convince Nigerians that the trial of the Abacha sons for corruption is being carried out with objectivity and sincerity.

*From [AllAfrica.com](http://AllAfrica.com), by Abdulfatah Rafiu, 21 November 2001*

Asia/Pacific

## Corruption Probe Quizzes Key Figures

Wiranto denied money went to East Timor militias - The former military chief of Indonesia, General Wiranto, and the country's parliamentary speaker, Akbar Tandjung, have been questioned by state prosecutors investigating a major corruption scandal. Mr. Tandjung, who is also leader of one of Indonesia's largest political parties, faced intense questioning by state prosecutors at the attorney-general's office for three hours. Afterwards, both men spoke to journalists and denied any wrongdoing. Mr. Tandjung denied allegations that he took \$4m from the state food distribution agency, Bulog, to finance the election campaign of his Golkar party in 1999. At that time Mr. Tandjung was a minister under former President Habibie and Golkar was still the ruling party. He said he had received the money, which he said had been withdrawn on the orders President Habibie, but had passed it to an Islamic charity, Raudatul Jannah, to buy food for the poor. He also stressed none of the money had been diverted to his own party. If found guilty of misusing state funds, he could lose his job as speaker of parliament and Golkar could be disbanded. Wiranto denial - General Wiranto said he used about \$1m of Bulog funds to help secure and finance the independence ballot in East Timor in 1999, but not to secure the victory of a particular side. He denied the money was used to fund East Timorese militias which fought against the territory breaking away from Indonesian rule, leaving hundreds dead. The pro-Jakarta militias, which were set up by the army, went on the rampage in September 1999 after East Timor voted for independence. General Wiranto, military chief at the time, has been partly blamed for the rioting which left hundreds

dead and sent hundreds of thousands fleeing their homes. So far there has been no statement by the attorney-general's office itself about the next stage of its investigation.

*From BBC, 1 November 2001*

### **Good Governance Re-established in AJK: Sikandar**

AJK Premier Sardar Sikander Hayyat has said that his government has re-established good governance, economic growth and development, up gradation of law and order situation and transparency in the government policies that had been badly spoiled during the last government's rule. In a statement here on Saturday the leader said that people of the area were practically witnessing the change as the developments works in the area had restarted and the rules and regulation were being followed in all government affairs. He affirmed for making Azad Jammu and Kashmir an Exemplary state and said that all sources were to be utilised in this regard. In addition the premier rebuffed division of the party into Muslim conference (Q) and Muslim Conference (S) and said that all of the party members and workers were united under the leadership of Sardar Abdul Qayyum Khan and every decision taken by the government was backed by mutual consent and support of all party members.

*From [Pakistan News Service](#), 19 November 2001*

### **Singapore Tops Regional Transparency Survey: PERC**

Singapore has topped a regional survey by the Political and Economic Risk Consultancy (PERC) for corporate and political transparency. Malaysia is second and Hong Kong third. PERC noted that Hong Kong and Singapore are seeking to retain their status as global financial centres and are moving towards more openness. So is China, being fresh from its admittance to the World Trade Organisation (WTO). The survey also said that corporate and political transparency remain elusive in most of Asia four years after the 1997 financial crisis, as rules remain unenforced and problems are papered over. PERC however did acknowledge that there has been some improvement in the level of transparency since 1997. PERC asked 1,000 expatriate businessmen to rate their places of residence in terms of transparency with which key institutions conduct their affairs and the openness of the political decision-making process. An average grade was made from the two ratings. On a scale of zero to 10 with zero the best grade possible, Singapore was graded 3.75 to be on top of the list. Malaysia was next with 5.50 and Hong Kong 5.55. The United States and Australia which were used as benchmarks had better grades of 2.18 and 2.69, respectively. Japan had a score of 6.00, Taiwan 6.94, South Korea 7.50, India 7.63 and Thailand 7.86. The Philippines had 8.00, China 8.11, Indonesia 8.83 and Vietnam 9.63. PERC cited three reasons why such a culture of transparency has failed to take root among Asian corporates. For one, "there is frequently complicity between the publicly listed companies and their bankers to avoid publicising the full scale of problems," it said. Second, government regulators tend to cover up the problems of big, well-connected companies and third, there is a lack of legal and other institutional structures through which minority shareholders can compel firms toward full disclosure. Transparency involves the disclosure of timely and adequate information on a firm's operating and financial performance. The Asian crisis unmasked previously undisclosed high debt exposures and bad investments of several companies and governments, sending them crying for financial bailouts. "Hong Kong and Singapore are perhaps the only two Asian systems covered in our survey where regulators and market forces deal harshly and quickly with publicly traded companies that get into trouble," PERC said.

*From [channelnewsasia.com](#), 18 November 2001*

### **Mrs. Marcos in Court for Corruption**

The widow of the dictator Ferdinand Marcos pleaded not guilty to four counts of corruption involving transactions worth about £250m in a Philippines court yesterday. She is accused of laundering ill-gotten gains when she was a minister in the 1970s. The charges are part of a much wider case against Mrs. Marcos, which alleges that she and her husband plundered the economy. She was convicted after two fraud cases in September 1993 but she appealed and was acquitted by the supreme court five years later. Her husband's successor, Corazon Aquino, accused the former president, who died in 1989, of stealing billions and ordered many of his assets seized.

*From AP, Manila, [Guardian Unlimited](#), 23 November 2001*

## The Anti-Corruption Movement Grows in Courage

Prague-Carlos Alberto Cardoso of Mozambique, Luis Carlos Galán of Colombia, Georgy Gongadze of Ukraine and Norbert Zongo of Burkina Faso were all murdered because of their determined efforts to expose corruption. They are the unsung heroes of their countries and of a universe dedicated to curbing abuses of public office for personal gain by politicians and civil servants. Fighting corruption is dangerous. Journalists, public prosecutors and civil society activists are assassinated by powerful public figures who loot their nations with impunity. Transparency International, the global anti corruption NGO, paid tribute to the four victims mentioned above at the outset of the recent International Anti-Corruption Conference (IACC) here, which attracted 1,400 participants from dozens of countries. What became increasingly evident as the IACC unfolded was that these four heroes had not died in vain. The IACC took stock of the progress that has been made in the young international anti-corruption movement. TI, which was created only eight years ago in 1993, now has national chapters in 80 countries. Today, as became so evident at the IACC, a rapidly growing set of coalitions is being constructed at national, regional and global levels to force change. It is amazing that leaders from official multilateral organizations like the OECD, World Bank and European Bank for Reconstruction and Development should come together with top executives from multinational corporations, journalists, judges, police and security agency leaders and civil-society activists to work on new initiatives. The discussions in Prague ranged across the board, from anti-money laundering to curbing corruption in the global logging industry, from establishing integrity business principles to exposing corruption within the media itself. Participants from the tiny islands of Vanuatu and Fiji shared their problems and perspectives with anti-corruption protagonists from Russia, China and India. The memory of the fallen heroes was a stimulus to meaningful work, just as is the example of a range of individuals who have received TI's annual Integrity Award. One of the winners in 2000 was Captain Mustapha Adib, who languishes in prison in Morocco for blowing the whistle on corruption in his country's army. An important theme at the Prague conference concerned the search for stronger safeguards for whistleblowers in both the private and the public sectors. Judge Eva Joly of France was one of this year's TI Integrity Award winners. Her relentless pursuit of corrupt officials in even the highest echelons of the French establishment highlights the reality that corruption is widespread in the leading industrial countries. She stressed at the meeting that one had to note the danger to society when political immunity for top politicians runs the risk of encouraging their attitudes of impunity. Judge Joly drew attention to legislation now moving forward in Italy that would, in effect, undermine a host of current investigations into international bribery by some of that nation's top officeholders. Her interventions strengthened awareness of the crucial need for nations to have an independent judiciary to put fire to the feet of corrupt public servants and if anti-corruption activists are to secure protection under law for their endeavors. Further, a TI Integrity Award went the public prosecution office and the people of the city of Londrina in Brazil. These fearless prosecutors took on a corrupt city mayor, but their campaign may well have failed had they not managed to win the demonstrable support of Londrina's citizens.

Their example serves to encourage public prosecutors everywhere. It also demonstrates that the combination of public prosecutors and civil society is a powerful mix that should put even the most corrupt officials on the alert. The fact is, as a conference of this kind makes so evident, that it is people who really matter in every civil-society movement-people of courage and determination. Bring such people together under one conference roof for a few days and the result can be a host of pragmatic initiatives and ideas, combined with a new sense of zeal and force to make a difference. This was precisely the outcome of the Prague meeting. For the skeptics, who doubt that civil society is making a difference in this fight, or who may underestimate the scale of the challenge, TI has just released its first Global Corruption Report ([www.globalcorruptionreport.org](http://www.globalcorruptionreport.org)). The message from this compelling volume is quite simple-almost every nation faces a profound corruption challenge, and yet today, more than ever before, there is heightened public sensitivity to the possibility of defeating this plague. The task is enormous, but the growth of increasingly effective initiatives provides a sense of cautious optimism. The formidable participation in the IACC and the mounting array of TI informational products, such as the GCR and a new online research base called CORIS at [www.transparency.org](http://www.transparency.org), respond to the mounting demands of the rank and file in TI's movement. Immediately before the opening of the IACC the leaders of TI's 80 national chapters convened to determine the future course of the movement itself. They elected some new members of the TI Board of Directors from Slovakia, Senegal and Brazil. They considered approaches to national chapter accreditation within the movement to ensure that every facet of TI's internal work is publicly transparent and accountable. In addition, the annual general meeting of TI's movement debated and adopted a basic "Statement of Vision, Values and Guiding Principles" for Transparency International. This is based on the perspective that TI seeks a world in which government, politics, business, civil society and the daily lives of people are free of corruption. And the TI declaration is anchored on the vital values of integrity, transparency,

solidarity, courage, justice and democracy. At a time when NGOs are growing in influence it is essential that they strive to demonstrate their legitimacy. TI's approach to this is to ensure that every aspect of its work and organization is transparent and that all of the actions taken by its staff and its leaders are fully accountable to a democratic movement. Further, TI's approach calls for it to be a learning and listening organization that is constantly open to new voices and new ideas. The meetings in Prague sent a message that should chill the spines of corrupt officials across the globe: The anti-corruption movement is growing rapidly in numbers, in strength, in courage and in skill. Frank Vogl is President of Vogl Communications, Inc. of Washington, DC, a Vice Chairman of Transparency International and, a Board Director of the Ethics Resource Center (ERC).

*From [Earth Times](#), by Frank Vogl, 31 October 2001*

## **Struggling Against the Corruption of Totalitarianism**

Totalitarianism as a subject of fiction has a long and important history. Among the most-noted are George Orwell's "Animal Farm" and "1984," and Aldous Huxley's "Brave New World," which use satire to show the importance of thought control to an authoritarian regime. Two others are Franz Kafka's "The Trial" and Alexander Solzhenitsyn's "One Day in the Life of Ivan Denisovich," each of which focuses on an individual who is trampled under the heavy boot of the state. Herta Mueller's latest novel, "The Appointment," is such a book, a taut and brilliant work that acknowledges but does not imitate its predecessors. It is told from the perspective of an unnamed woman in an unnamed country that sounds like any that once stood behind the Iron Curtain. The woman has become the target of government scrutiny. The story starts with her catching the tram for yet another meeting with her interrogator, and it ends when she reaches her destination. Along this continuum, Mueller offers a vision of a grim place where people go through the motions of their daily lives, finding relief in small observations and human interactions. The woman watches a little boy in his father's lap, pressing his mouth against the tram's window. She notices how much a certain tree has grown since she started making this journey. Her mood ranges from stoic and defiant to frightened and resigned, as you might expect in her situation. Details may differ, but the arc of the story grows out of Mueller's life. Born in post-World War II Romania, she was persecuted by Nicolae Ceausescu's secret police and eventually immigrated to Germany. There she found literary acclaim with her previous novel, "The Land of Green Plums." Like her latest work, it shows the corrupting influence a totalitarian state has on its citizens. "The Appointment" uses spare language and a narrow perspective to pack a strong emotional impact. All you know or see depends on the narrator, whose road to this appointment has been paved with her so-called act of prostitution. As a worker in a clothing factory, she was caught sewing notes proposing marriage into the lining of men's suits that were bound for Italy. Desperate to escape her country for a better life, she had written the notes because she'd heard that Italian men liked women of her nationality. This small act of rebellion would have gone undiscovered but for Nelu, a vengeful member of the ranks. She had sex with him on a business trip but later rejected him. Learning of her notes, he planted new ones in suits destined for Sweden. He made sure they were discovered and that she was blamed.

She lost her job. Now, instead of going to work, she waits to be summoned at irregular intervals by an interrogator, Maj. Albu. He is cruel and slick, with the disgusting habit of greeting her each time by grasping her fingers too tightly and giving them an oily kiss. By doing so, he turns an otherwise courtly gesture into a physical violation. The charge, prostitution in the workplace, is a pretense. What's really at issue is summed up in one of Albu's rebukes: "People who don't love their homeland can't understand. And people not smart enough to think have no choice but to feel." What's at stake here for the state is its need to stamp out heretical thinking. A totalitarian state cannot survive by merely regulating the systems of political, economic and social life; it must also set borders around the way people think. Psychological abuse is the primary tool, and the instruments of such torture are varied. At one meeting, Albu plants a blackened, blue-nailed, human finger in her purse. Another time, her lover, Paul, comes home bloodied, having been forced off the road while on his motorcycle. The young woman is beaten but still standing. She maintains a certain pride and spirit of independence, not unlike that of the friend and co-worker who keeps coming to mind while she's riding on the tram. The beautiful Lilli took up with a 60-year-old officer and hoped to use him as her ticket out of the country. But when they tried to escape, she was shot dead at the border. He lived. It's hard to know whether Mueller is waving a feminist flag with Lilli's story. But along with the oily kiss and the narrator's past experience, she seems to suggest that a totalitarian regime is especially threatening to women. Could it be that misogyny goes hand-in-hand with absolute power, and this demands that women who get out of line must be punished even more severely than men? Mueller also repeats the theme of the male as sexual predator. The narrator remembers how her father-in-law tried to seduce her--just one of the treacheries of a government official who, she learned at her wedding, herded her grandparents into a forced-labor camp. Lilli had been abused by her stepfather. Mueller's eye for detail ranges from grimy buildings to grains of sugar, all evoking a place and mood in which personal dignity and initiative are being

crushed. "The Appointment" captures this dispirited universe and the bleak souls who live there with a flatness of emotion that contrasts sharply with the exclamation point of an ending. The novel concludes in a way that makes you rethink all that Mueller has told you.

From [Chicago Tribune](#), By Herta Mueller, 11 November 2001

## New measures to Tackle International Corruption

Measures to address acts of international corruption that can contribute to the conditions that breed terrorism, will be brought forward in the forthcoming Anti Terrorism, Crime and Security Bill. The measures would outlaw acts of bribery by UK nationals and companies abroad in the same circumstances as they are outlawed here. They amend the existing law to: put beyond doubt that the law of bribery applies to acts involving foreign public officials, Ministers, MPs and judges; take jurisdiction over crimes of bribery committed by UK nationals and UK companies overseas. Home Secretary, David Blunkett said:

**"Corrupt and bad government can be a breeding ground for terrorism. We cannot allow our efforts to tackle global terrorism to be undermined by ignoring the development of circumstances in which it can grow and thrive. While most people and companies behave perfectly properly, we need to ensure that none of our citizens or companies give any kind of aid to bad and corrupt governments around the world."**

These measures form part of the Government's legislative response to terrorism which also includes: Making it an offence for financial institutions not to report transactions which they knew or suspected to be involved in terrorist activity. Giving law enforcement agencies full access to passenger and freight information which air and sea carriers will be required to retain. Widening the law on incitement to include religious hatred as well as racial hatred, while considering the creation of a new category of offences aggravated by religious hatred to complement the racially aggravated offences created by the Crime and Disorder Act. Amending the Immigration and Asylum Act 1999 to ensure those suspected or convicted of terrorist involvement cannot be considered for asylum.

From [10 Downing Street](#), 11 November 2001

## Greater Transparency Needed for Enforcement – EU

The European Commission adopted yesterday a report on serious infringements to the rules of the Common Fisheries Policy (CFP) in 2000, where it urges member States to provide the EC with information - and in the relevant format. This is the first report of its kind and is part of a drive to ensure greater transparency in the control and monitoring of fisheries activities across the European Union. "Monitoring, control and surveillance policy is an integral part of the Common Fisheries Policy. This first report represents another step in the EU's efforts to ensure a fair and uniform implementation of fisheries rules by tackling the problem caused by the fragmentation of the organisation of control and monitoring in the EU. As stated in the Green Paper on the reform of the CFP, published last March, decisive measures have to be taken to strengthen co-ordination of national policies in this domain, if we are to achieve the level-playing field that fishermen have rightly been calling for", said Franz Fischler, Commissioner responsible for Agriculture, Rural Development and Fisheries. **Background** - The fragmentation of organisation of control and monitoring of fisheries has long been identified as one of the main causes of the weaknesses observed in the enforcement of CFP rules. This fragmentation hinders transparency, undermining fishermen's faith in the system and their willingness to comply with the rules. The Commission says fishermen want to be sure that the same breaches of rules are equally sanctioned across the EU. Fragmentation has also had an adverse impact on the effectiveness of fisheries control across the EU. **Not using criteria set in regulation** - The first thing to note is the failure of a number of Member States to fulfil their obligations regarding the forwarding of information. While all the Member States, except for France, presented reports, their submission was in many cases not in the electronic format required (Spain, Italy, Luxembourg, Netherlands and Austria) or did not use the criteria set in the regulation (Belgium, Italy, Netherlands, Spain) thereby hindering comparison. The Commission pointed out that this failure makes it impossible to draw clear and coherent conclusions. Nonetheless, the main findings from the available data are as follows: The most frequent serious infringement seems to be in relation to fishing in a given area without the necessary authorisation. This infringement accounts for almost half of the 4,180 serious infringements reported. This is a breach that is easier than most to detect. Differences across Member States in the fines imposed are striking. However, for the Commission, the level of these fines hardly represents a deterrent to breaching the rules. Some uniformity needs to be reached on penalties in order to influence fishermen's behaviour. Greater detail is required for drawing up reports. This is the case, for example, in defining areas where infringements have been committed, both in the Mediterranean and in the areas defined by the International Council for the Exploration of the Sea (ICES). This would allow for the monitoring of special measures taken under plans aimed at helping the recovery of specific fish stocks. This is also true of details regarding the

species concerned in the infringements. Member States use different procedures, criminal or administrative, to sanction infringements, a situation due to constitutional or historical factors. The choice is of course the prerogative of Member States. Experience in other economic fields shows that the most effective procedure is not necessarily the one involving criminal sanctions, the Commission calls for reflection on this aspect. The extent to which future reports, such as this one, will become effective instruments for increasing transparency and as a result for strengthening enforcement in the EU will depend on the manner in which Member States fulfil their obligations in this area. The Commission says it will take account of these aspects when it presents its proposals for the reform of the CFP.

*From [IntraFish](#), 13 November 2001*

## Is the Corruption Crusade Over?

Across Europe, high-profile cases are coming to naught - Ask Wolfgang Schäuble about German Chancellor Gerhard Schröder, and the former chairman of the opposition Christian Democrats sounds like his old fighting self. "Sure, the government's economic policy is cleverly presented, but the reality is looking worse and worse," says Schäuble in his customary growl. "The emperor's not wearing any clothes." Standard political rhetoric--except that it's coming from a man once given up as a scandal-tainted has-been. But on Nov. 1, Berlin prosecutors announced they couldn't prove accusations that Schäuble lied to a parliamentary committee investigating campaign financing irregularities. Now party insiders are feeding speculation that a rehabilitated Schäuble could even lead Germany's center-right as its Chancellor candidate in elections next fall. Amid a blast of press coverage, polls already show Schäuble beating party Chairman Angela Merkel, once the front-runner. Schäuble dodges questions about whether he would want to run for Chancellor but studiously avoids ruling out the option. Schäuble is not the only probe target poised to make a miracle comeback. In France, former Finance Minister Dominique Strauss-Kahn is a likely contender for Prime Minister after being cleared of accusations that his private law practice collected fees from a student insurance fund without doing any work. Polls show the centrist Strauss-Kahn nearly even with front-runner Martine Aubry, a left-leaning former Labor Minister. Strauss-Kahn, a Socialist, could become Prime Minister even if his party loses the presidency. If the Socialists are able to maintain their parliamentary majority, it's widely thought they will look for a new face as Prime Minister to replace Lionel Jospin. The turn of events changes the political equation in Europe's two biggest countries. More important, the derailed probes raise questions about the Continent's anticorruption drive.

In the wake of French and Italian anticorruption investigations a decade ago, emboldened prosecutors across Europe filed hundreds of corruption cases against prominent politicians and businesspeople. Some probes were successful. In Germany, investigators earlier this year forced former Chancellor Helmut Kohl to pay a \$140,000 fine and admit he accepted illegal campaign donations for the Christian Democratic Union. French judges even sent a former Foreign Minister, Roland Dumas, to jail earlier this year after he was convicted of illegally accepting lavish gifts, via his mistress, from the then state-owned Elf. **TUNED OUT.** But the failure of the high-profile Strauss-Kahn and Schäuble cases threatens the credibility of the crusade against corruption. Both investigations were probably ill-advised in the first place. In acquitting Strauss-Kahn, the judge criticized what he said was sloppy investigative work. The accusation against Schäuble, that his testimony conflicted with that of a former party treasurer, was probably impossible to resolve because of differing accounts by other witnesses. Schäuble feels himself unfairly handled. "If you're prominent, that makes you a special target for investigations," he gripes. The inconclusive results don't exactly bolster public confidence. Even before the Schäuble and Strauss-Kahn decisions, some corruption fighters seemed to be losing steam. Despite years of investigation, prosecutors were unable to confirm allegations of alleged bribery in the sale of the Leuna oil refinery in East Germany to France's Elf. Meanwhile, magistrates haven't come up with any specific charges against Bank of France Governor Jean-Claude Trichet, after placing him under investigation in April, 2000, in connection with his former job as a government regulator of the fraud-tarnished bank Credit Lyonnais. Indeed, most French voters seem to be tuning out corruption. President Jacques Chirac is running ahead in the polls for reelection next year, despite being involved in at least four investigations of alleged misconduct, including recent disclosures that he used more than \$300,000 in cash from undisclosed sources to pay for lavish private trips abroad. "People say: 'We know it's like this, but it doesn't bother us that much,'" says Gilles Corman, a political analyst with the Sofres polling organization. Chirac remains legally immune to prosecution as long as he's President. There is some good news: A decade ago, many prosecutors feared for their careers if they pursued cases against political figures as powerful as Strauss-Kahn, Schäuble, or Chirac. And less-publicized probes continue to go after corruption at all levels of government. A court in Versailles is expected to rule soon on a criminal case against 72 former local officials and business people who allegedly conspired to rig contract awards on public-works projects. "Those who say there has been no improvement are wrong. More has become visible," says Sophie Coignard, a French journalist who wrote a 1999 best-seller about high-level corruption in France. But, Coignard adds, "Fundamentally, the system remains the

same." Prosecutors say they aren't deterred by setbacks or political pressure. If the evidence is there, "we would naturally pursue charges," says Raimund Weyand, a prosecutor in Saarbrücken who was involved in investigating corruption in the Leuna refinery sale. Even a failed investigation sends a powerful message to the political elite. Fairly or not, Schäuble was driven from the Christian Democrats' top post and lived under a cloud for a year and a half. That's a warning to politicians that they must avoid even the appearance of misconduct. And it remains to be seen whether Schäuble can really make a comeback. "Even if Schäuble himself didn't do anything bad, as one of the party leaders he has to take responsibility," says Wulf Weiler, a 33-year-old Düsseldorf resident. With or without Schäuble, the company finance scandal continues to weigh on Germany's Christian Democrats. "There was a massive loss of trust," says Oliver Krieg, chief of political and economic research at polling firm Emnid. A recent Emnid poll for *Focus* magazine shows Schröder beating all the potential opponents on the right, including Schäuble. For career politicians, fear of poll numbers may provide the best reason of all to hew to the straight and narrow. By Jack Ewing in Frankfurt and Carol Matlack in Paris, with Andrea Zammert in Frankfurt and Christina White in Paris.

*From Business Week, 19 November 2001*

## 10 Years On, Legal System Revamped

After less than two years in office, President Vladimir Putin has managed to finish the job started by his predecessor a decade ago: to push through a major revamp of the country's Soviet-era judicial system, long plagued by procedural violations, political intrigues and corruption. On Thursday, with very little squabbling, the State Duma passed a new Criminal Procedural Code and fundamental amendments to a three-bill package that sets new limits on judges' terms in office and establishes complicated procedures for lifting their immunity from prosecution. The presidential administration spent months negotiating with judges and prosecutors - the powerful interest groups most affected by the reform -- in an effort to iron out a compromise deal. Critics of the reform, however, say its primary purpose is to give the Kremlin greater control over the courts, while it does little to "debureaucratize" them or to root out corruption among judges. Even supporters of the new legislation -- who range from Communist hard-liners to pro-market liberals - - admit that it is far from perfect, saying they view the Criminal Procedural Code as a necessary "legal cornerstone" that will have to be amended and built upon for many years to come. "We believe that we must first pass the compromise version of the law and then, as early as the following day, submit new amendments," said Igor Artemyev, a member of the liberal Yabloko faction. "We can't stand still on this because the current code has been in effect for nearly 40 years." If passed by the Federation Council and signed into law by the president, as expected, the new code will introduce several significant changes in the way criminal cases are processed, some of them as early as next July. One of the amendments hailed as especially progressive by the legislation's proponents is the introduction of jury trials, which would be mandatory as of Jan. 1, 2003, in all regional courts for cases involving "dangerous" crimes, such as murder and rape. Other cases would be heard by either one or three judges, depending on the gravity of the crime. Defendants accused of crimes like theft --one of the most common charges among the country's nearly 1 million prisoners - would not be eligible for jury trials. The code also expands the powers of defense lawyers and attempts to separate the court's functions from those of the prosecution. Some of the prosecutors' powers seem to be curtailed by the code. For example, as of Jan. 1, 2004, warrants for searches and arrests will have to be issued by the court rather than the prosecutor's office. Also, prosecutors would be required to attend all court proceedings and would not be allowed to submit evidence obtained with violations of the code. However, one deputy from the pro-Kremlin Unity faction called the idea that prosecutors' powers would be diminished a misconception. "On the contrary, the supervisory functions of prosecutors would grow," Oleg Utkin, a member of the legislative committee that worked on the code, said in an interview Wednesday. Opponents of the new law have criticized various provisions, including one allowing a single judge - with no checks or balances - to hand down sentences as long as 10 years.

But the only fundamental change that sparked some debate at Thursday's plenary session was a Kremlin-backed amendment introduced at the behest of the Prosecutor General's Office, which would require any agency wishing to open a criminal investigation - including the Federal Security Service and the tax police - to receive the green light from prosecutors. Deputy Yelena Mizulina, who presented the code - bound in four stuffed ring-binders - to the Duma, said prosecutors had complained that many of the 3 million investigations launched each year are ungrounded. Presidential representative Alexander Kotenkov persuaded the deputies that the amendment, which was passed with a vote of 247-1, was a necessary safeguard against criminal proceedings instigated "on orders" from people or groups with vested interests. In addition to the Criminal Procedural Code, the deputies easily passed bills on the status of judges, the judicial system and the Constitutional Court. These three pieces of legislation will be put up for a third, largely formal reading next month. The three-bill package sets an age limit of 65 years for all judges, except for those in the Constitutional Court, who will be allowed to serve until the age of 70. This norm, intended to gradually inject some fresh

blood into the aging judges' corps, will take effect only in 2005. The new legislation also establishes a maximum of two consecutive six-year terms for court chairmen and deputy chairmen, and introduces a multi-tier system for stripping judges of immunity from prosecution. The latter measure was one of the most contentious points in the haggling between the Kremlin and the judiciary branch. Under existing practices, judges can be punished only with the consent of tight-knit corporate bodies, such as the council of judges or the so-called Qualification Collegia. The Kremlin, however, wanted to make them accountable to a trio of judges from a higher court. The compromise version passed Thursday requires the sanction of both groups. One vocal critic of the new legislation is Sergei Pashin, a law professor and retired judge, who says that the reform does not address the main problems in the country's courts -- judges' dependence on the executive branch and the huge powers of court chairmen. "The well-being of judges must be separated from the benefits handed out by executive authorities," Pashin said in an interview this week. "Judges must be dependent only on their high salaries." Today, Pashin said, judges depend on local governments for their apartments, trips to resorts and other perks. And while the new laws foresee a significant pay hike for judges, they do not slash apart this Gordian knot of dependence and mutual favors. Pashin said he believed the Kremlin would like to have a tighter grip on the courts, considering their important role in political and economic conflicts - including everything from real estate disputes and company takeovers to scandalous elections and the delineation of powers between Moscow and the regions. "This reform strikes me as an attempt to place the chairmen of regional courts, and perhaps the qualification collegia, under the control of the presidential administration," he said. Pashin also warned that the reform did nothing to minimize the broad powers of court chairmen - and, on this point, some supporters of the reform plan agree with him. Despite the many compromises that were necessary to push through the new legislation, pro-Kremlin deputies insisted that the judicial reform was "not political" and won broad support from all the factions. "Everyone wants to live in a law-based state, political views notwithstanding," said Vladislav Reznik, a Unity deputy with the committee on legislation, which handled the reform package. "Deputies understand that they won't always be deputies, ministers understand that they won't always be ministers. All of them have children and strive toward building a civil society."

*From [Moscow Times](#), by Natalia Yefimova, 22 November 2001*

## **Romanians Protest Poverty, Political Corruption**

Bucharest, Romania - With some protesters claiming times were better under communism, about 10,000 workers marched through Romania's capital on Thursday to protest poverty, low wages and corruption in national politics. "More than a decade since the (1989) anti-communist uprising, Romania is among the last in Europe in living standards and attracting foreign investment," said Bogdan Hossu, head of the Alfa Cartel, a large union that organized the demonstration. The Alfa Cartel accused Romania's political class of corruption and impeding economic development by passing inconsistent laws. It is demanding tax relief and for increases in wages and pensions to match inflation. It also wants utility prices to be lowered. The protesters stopped in front of the government headquarters in downtown Bucharest to call for the government to resign. They chanted "thieves"; "down with corruption," and "Ceausescu, where are you?" in reference to former communist dictator Nicolae Ceausescu. The government raised utility prices last month as part of a plan to bring them up to international levels. Monthly utilities now can cost up to \$50, a strain on budgets in a country where the average monthly salary is about \$100. After three years of recession between 1997-2000, about 35 percent of the population lives below the poverty line, defined as a monthly wage of \$40. The economy started to recover last year and this year is expected to grow about 4.5 percent, but living standards have been slow to improve.

From [Nando Times](#), by Alecaudru Alexe, 22 November 2001

## **New Body to Push Through Local Government Reforms in UK**

The government is considering plans to create a new local government modernisation agency to coordinate attempts to raise the standard of council services and push through New Labour's programme of reform. Sources close to ministerial discussions say the idea could be included in the forthcoming local government white paper, expected in early December. The idea is said to have sprung from frustration in the prime minister's office at the lack of resources going into supporting councils as they try to modernise and improve their structures and services. Downing Street is also understood to be concerned that the panoply of organisations that exist to support local councils are not working closely enough. Local Government Association chairman Sir Jeremy Beecham said he understood that the modernisation agency might appear as an option in the white paper. He said: "We should be resourcing the improvement agenda more, but really through the Improvement and Development Agency (IDeA), which is owned by local government. It's better to do it from within rather than through broad external machinery." A cheap, streamlined

organisation that could commission services from existing organisations such as the local government IDeA appears to be the most likely model. However, a large body similar to the NHS modernisation agency, which exists to spread best practice and push through government reforms, may also be an option. It could have the power to send people in to councils to advise them on improvement, and might swallow up some of the outside organisations that are already trying to do the same job. Such an agency could also cost the government significant amounts of money at a time when its public spending plans are already under threat from world recession. It could, however, become a more realistic option of local government gets a good funding deal in next year's comprehensive spending review. The news will nonetheless alarm those working in the bodies that are already trying to support the modernisation programme in local councils, some of which currently enjoy at least semi-independence. John O'Brien, director of solutions at the IDeA said: "The top priority is to get on with supporting delivery rather than focussing on institutional architecture." The IDeA and the public-private partnerships programme, which advises councils on private finance initiative deals, are both spin-offs of the Local Government Association, rather than Whitehall departments.

*From [Guardian Unlimited](#), by Simon Parker, 21 November 2001*

### **The Americas**

#### **U.S., U.N. Plan Reconstruction of Afghanistan**

Washington - The United States and international relief agencies are dangling the promise of billions in aid to lure the Northern Alliance into joining a broad-based Afghan government rather than setting up its own post-Taliban regime. The State Department will host a meeting Tuesday on Afghanistan's reconstruction needs, Bush administration officials say. Other aid conferences are planned in Pakistan and Germany.

*From [USA Today](#), by Barbara Slavin, 19 November 2001*

#### Leaders Query Anti-Graft Move

The success of the anti-graft strategy lies with a purposeful constitution, leaders headlined yesterday. They dismissed a plan by President Moi to import experts to help Kenya tackle the rot, and said such a move was insensitive to the root cause of corruption. Effort towards eradicating corruption should focus on the political will and not foreign expertise, they said. "It is (the) bad constitution which emerged when rulers altered the original one without consulting the electorate and the lack of the political will to swallow the bitter pill needed for the disease," said constitutional lawyer Gibson Kamau Kuria. Dr Kuria, a known critic of the Government, said Kenya had the resources to assault graft. "Kenya lawyers have studied at the best universities in the world. At all times we keep in touch with all developments in the law in the world." Reports yesterday indicated that President Moi planned to involve a team of "internationally respected experts" to help authorities produce a blueprint for fighting corruption. The announcement came a few days after his talks with American authorities that centred on the impact of the aid freeze on the Kenya's economy. Part of the conditions placed by donors for the resumption of aid is that Kenya develops a water-tight anti-graft strategy against corruption, a demand authorities have failed to meet. Two successive anti-corruption authorities have been outlawed while a police unit created for that purpose has been frowned on by critics as toothless. Dr Kuria, the immediate former chairman of the Law Society of Kenya, said when the Kenya Anti-Corruption Authority was outlawed last December, his organisation forwarded an anti-graft strategy to the Attorney General that would have ended up arresting the rot. "They still can help the country today," he said. "No doubt these are still on some shelves (gathering dust)." In Mombasa, the council of Imams and Preachers of Kenya (CIPK) and the unregistered Islamic Party of Kenya (IPK) said the country's problems was lack of commitment to fight the vice and not experts to do the job. CIPK chairman, Sheikh Ali Shee said summoning external experts to do a job Kenyans could do better amounted to another form of corruption as the experts would demand colossal amount of money in form of salaries and allowances. "We cannot fight corruption by introducing another form of corruption," he said. IPK chairman, Sheikh Mohammed Khalifa, said President Moi's suggestion was a clear indication that the police force and judiciary had failed in their duties and should be disbanded. Nairobi's Dagoretti MP Beth Mugo dismissed the President's plan and said Kenya's corruption was political and the tool against it was the political will. "As long as the Government's efforts are half-hearted, any approach in addressing this problem will result to naught. President Moi should therefore declare war on corruption starting from his Cabinet and high Government offices ..." She said the quest for a strong and autonomous anti-corruption watchdog was betrayed by "deeply rooted political patronage which deny the various arms of the Government the requisite independence in eliminating this decay". And in Eldoret, Ford-People spokesman Kipkorir Menjo termed the move as away to create diversionary tactic away from the really causes of corruption and the solution. "What is lacking in the fight against corruption in the country is not expertise but political good will. The fight has to start from the top ... even if international or local experts are appointed it will not change anything without the political goodwill" he said. Mr. Menjo said the recent release of a Cabinet Minister accused of corruption was in itself proof that Government was hardly serious in stamping out the vice. But Eldoret Mayor Josiah Magut welcomed President Moi's announcement saying 'we only hope and believe the head of state would appoint people of integrity who are up right and non-partisan to carry the job.' Reports by Ken Opala, Ngumbao Nithi and Lucas Barasa.

*From [AllAfrica.com](http://AllAfrica.com), 19 November 2001*

#### Government Asked to Study Service Law's Extension to NAs

Islamabad: The Supreme Court on Wednesday directed the federal government to consider the desirability of extending service law to Northern Areas and establishment of service tribunal there within three months. Till such time, it was observed, the employees of Northern Areas may invoke the jurisdiction of ordinary courts. Federal Service Tribunal had refused to entertain seniority appeals of an employee of Northern Areas police. An appeal was filed against the order in the Supreme Court. The appellant's lawyer Sheikh Riazul Haque advocate argued that nobody could be left without remedy and, therefore, employees of the Northern Areas might be allowed to approach the FST or a separate service tribunal might be created for them. Deputy Attorney General Yawar Ali appeared on behalf of the

federal government. The SC held that employees of NAs were not civil servants and they could not approach the FST. The court, however, issued direction to the federal government to consider the extension of service laws in the NAs and to establish a service tribunal for the areas within three months. The SC bench consisted of Justice Mohammad Bashir Jehangiri, Justice Munir A. Sheikh and Justice Rana Bhagwan Das.

From [DAWN Group](#), 1 November 2001

## Common Disciplinary Code for All Government Servants

Kuala Lumpur: In a move to make the administration more people-friendly, the Government will impose a common disciplinary code for all its agencies and departments. It was now drafting the code to serve as a guideline in dealing with errant government servants, Datuk Seri Abdullah Ahmad Badawi said yesterday. The Deputy Prime Minister said all local councils would be asked to set up a board of discipline to bring about uniformity and to ensure better service to the people. "At the moment, not all local councils have a disciplinary board. When there is none, sometimes no action is taken against indisciplined government servants," he said after a closed-door meeting with Information Department officers at the Kuala Lumpur International Hotel here. "Some departments have (their own disciplinary code) but they use the General Orders (as a guideline). "We want the (new) rules to be completed and implemented as soon as possible," he said. Abdullah said a set of guidelines detailing the role and responsibility of the boards of directors and chief executive officers of government-owned companies was also in the making. "We want them to be transparent in carrying out their duties," he said. He said all government departments and agencies should dedicate a day each week for the people by setting up tables and counters to listen to public grouses, adding that the Cabinet had also directed all ministers to make themselves available for such days. Abdullah, who chaired the Cabinet committee on management earlier, said the measures were meant to improve the quality of service provided by government departments.

From [thestar.com.my](#), 9 November 2001

## Europe/CIS

## Corruption Fight Has Setback - Big Case Ends in Acquittal

PARIS - France's new breed of corruption-busting investigating magistrates suffered an embarrassing setback on Wednesday when a court acquitted a former finance minister, Dominique Strauss-Kahn, in his forgery trial. Strauss-Kahn, a Socialist heavyweight close to Prime Minister Lionel Jospin, had stepped down from office in 1999 to fight charges that he had been paid for work he had not done and then backdated bills for nearly \$85,000. But even before his trial, the judges concluded that Strauss-Kahn had done the work for a student insurance fund: He faced only forgery charges in court last month. Moreover, the prosecutor was forced to admit that he had no evidence of a fraudulent motive. The ruling is the second serious setback for aggressive judges in recent months and could dampen what some critics have said is an excess of judiciary zeal these days. A new generation of judges has sought to challenge the impunity traditionally enjoyed here by politicians. Early this year, former foreign minister Roland Dumas was convicted on corruption charges and sentenced to six months in jail. But some critics have begun to question whether some of the judges are not either abusing their powers or playing fast and loose with the rules in the quest for indictments and media attention. Last month, an investigating judge who had aggressively pursued allegations of corruption against President Jacques Chirac was removed from the case by an appeals court that found that proper procedures had not been followed.

From [Miami Herald](#), 8 November 2001

## War of Words Heats Up Between Czech Prime Minister, Weekly Newspaper

The war of words between the Czech prime minister and the political weekly he is trying to drive out of business has been ratcheted up a notch or two. *Respekt* has filed a formal complaint against Prime Minister Milos Zeman for what the official Czech news agency CTK refers to as "violence against a group of [citizens] and incitement to hatred of a group of people." CTK quotes Zeman as calling *Respekt* a "dustbin of Czech journalism." The battle is the result of a story in *Respekt* by its editor in chief, Petr Holub, calling the ruling Social Democrat government corrupt. Zeman said at a press conference on Oct. 22 that his 17 Cabinet members would file separate complaints against Holub demanding financial compensation "so that *Respekt* finally ceases to exist." *Respekt* used those press conference remarks as the basis of its legal action, contending that the penal code says it's a crime to threaten citizens with death, bodily harm or damages exceeding 1 million crowns (about \$26,683 U.S.). The *Respekt* complaint, which cites Zeman's remarks

about the press starting in September 1998, claims his condemnation of Czech journalists should be considered incitement to hatred of all journalists in the country. Zeman's reaction to the lawsuit, according to CTK: "I can understand people who live on rubbish ... but I am not going to join you." The government decided on Oct. 22 to lodge a complaint against *Respekt* and to demand an apology in reaction to an article in which the weekly accused the government of corruption. Zeman told journalists that individual ministers would also sue the weekly for alleged harm done to their good name and "demand a relevant financial compensation so that *Respekt* ceases to exist at last." He specified the compensation at 10 million crowns (\$266,830 U.S.) per minister. Some of them later said they would be satisfied with an apology.

From [Freedom Forum Online](#), by Gene Mater, 14 November 2001

## Blind Eye to Fraud

'The Prime Minister believes you have solved welfare.' These were the words with which Sir Richard Wilson, the Cabinet secretary, opened the first of two meetings we had on the day Tony Blair first reshuffled his government. While I didn't see the Prime Minister until much later, I was struck immediately by the messenger's choice of phrase. Nothing could have been further from the truth; but the Prime Minister was evidently seeking a means of letting me down gently. The conversations Tony Blair and I had before the 1997 election now seemed as though they had happened in another country. Then we agreed on what the strategy should be for welfare reform. A new seriousness had entered our conversation when we discussed the size and growth of social-security expenditure. For the first time the future prime minister realised that welfare was not only the largest of all items of government expenditure, and remained the fastest growing, but that this huge budget was undermining rather than strengthening decent behaviour. As if the Prime Minister doesn't have enough problems on his plate - with education, health and transport reforms stalling - he is about to learn that welfare is far from being solved. It is true that the New Deal is reshaping the welfare culture among a significant minority of claimants who have not, traditionally, seen working as the legitimate option. But will these welfare reforms work in the economic downturn? Despite 1.25 million new jobs since 1997, 266 constituencies now have a lower employment rate than when the government was first elected. The strategy of 'making work pay' is a clear example of how the government has forgotten all the talk, before 1997, that welfare reform should work with, rather than against, human nature. Picking up the full Working Families Tax Credit package can make many working families substantially better off, and some find that the credit is worth three times their original wage packet. The trouble is that the poorest families who gain most help can now never improve their income by their own efforts. More effort, working longer hours, or acquiring greater skills can only result in fewer tax credits. Interviewed on television after the last budget, a low-paid worker expressed thanks for the tax credit boost, adding, ominously, that he could now never improve his family's living standards by his own efforts. That could now be accomplished only by politicians.

There could be no clearer example of the shift from independence to dependence. Eighty-five per cent of families with children are eligible for the WFTC. From now on, the tax credit bill will surge as claimants understandably work the system. They will be joined by employers who see that a not insignificant part of the wage bill can be shifted on to taxpayers' shoulders. Within a single year the tax credit bill has doubled. At £7 billion, and rising, it is already equivalent to 3p on the standard rate of tax. So far a blind eye has been turned to WFTC fraud. Such is the effort to sign up claimants - and achieve Whitehall's absurd 'targets' - that revenue staff, appalled about what is going on, have leaked me details of the fiddles. The tax credit is frequently paid out, even though the claimant's wage is (allegedly) below the minimum wage level. Employers also write to describe the impact on their firms of catapulting the least skilled recruit into the top echelons of the pay hierarchy once WFTC is added to his pay cheque. The credit is paid in the wage package after all. This policy is unsustainable. Human nature has also been forgotten when the government has come to reform pensions - the biggest single item in the welfare budget. While the weekly retirement pension stands at £72.50, pensioners with an income below £92.15 have their pension raised to the Minimum Income Guarantee, or MIG for short. At least that is the theory. Receiving MIG passports entitles pensioners to nil rent and council tax payments. These passports can in some instances double the value of the MIG. Many pensioners who saved now find themselves ineligible for MIG and worse off than those who couldn't or wouldn't put money aside for their retirement. Not only does MIG penalise yesterday's savers, but it has holed below the waterline the government's flagship stakeholder pension reform. Most low-income workers will not be able to save anywhere near enough to make themselves better off than if they simply spent every penny now and relied on MIG in retirement. Calls to make stakeholder pensions compulsory can only compound the injustices in the strategy. Such pensions will in no way guarantee a pension above what the MIG level will be, as the MIG is indexed to wages. To force the low-paid to buy stakeholder pensions would result in cutting their living standards now and probably leave them worse off in retirement. Three months before resigning I had been invited by the Prime Minister to contribute to a pension-reform working party

which, despite 15 months' work, had yet to come up with a workable scheme. When the working party did report, it took as its model the personal-pension schemes introduced by the Tories. It was clear to me that this approach was not designed to deliver adequate pensions to those on low income. For that to be achieved, redistribution to low-paid workers is required, and the safest way to deliver this redistribution is to do it openly within the new pension scheme itself. But contributors will only foot the redistribution bill if there is something in it for them - self-interest again plays a key role in sustaining the reform. For this new product to succeed it has to offer what most people couldn't buy elsewhere, i.e., the nearest any society can get to offering a guaranteed pension. After leaving government, I put together the Pensions Reform Group, which has representatives from all parties, as well as experts from across industry. It has just published the results of its two-year study. The Universal Protected Pension would offer a pension above means-testing for all fully-paid-up members. Any scheme which offers adequate pensions will involve increased contributions. The UPP does not duck this issue. But the scheme, which is a company-pension scheme for the whole nation, does plan to abolish pensioner poverty. Because it plans for this objective, it makes decisions about savings simple: all additional savings will be kept in full. Because the new pension is linked to earnings, members are guaranteed an income above means-tested assistance, so there is no need for savings to be annuitised unless savers wish this. And because the scheme abolishes pensioner poverty, the means-test welfare bill falls dramatically - enough to abolish income tax for pensioners. The UPP costs more, but the gains are considerable.

*From [Spectator](#), by Frank Field, 22 November 2001*

### **The Americas**

#### **Kucich, Council Overhaul Civil Service Commission**

In an unexpected move, McKeesport Council overhauled two-thirds of the city's Civil Service Commission - Last night, per the recommendation of Mayor Wayne Kucich, council removed Jane Zatek and Edward Malack from the commission by a 4-1 vote. Taking their places on the three-person Civil Service board are the Rev. Francis Lachowicz and Thomas Taylor. The lone dissenting vote came from Councilman Regis McLaughlin. Councilors Lance Cash Jr. and Richard Dellapenna were absent. McLaughlin said he voted against the move because of the last-minute manner in which council was informed of the situation. He said he heard the names of the proposed replacements for the first time during Kucich's mayor's report. "They were given to me right here (last night)," he said. "This should've been brought to us (during Monday's work session). "(Kucich) wants these people in his pocket. We should've talked about this in executive session." Kucich said the change was necessary because Zatek and Malack never were officially appointed by then Mayor Joseph Bendel in September 1999. A memo from Bendel to council dated Aug. 23, 1999, recommended Zatek and Malack be appointed to the Civil Service board. Concurrence from council was requested. However, the minutes of the September 1999 council meeting include no motion to approve the appointments, Kucich and City Solicitor Falco Muscante said. The mayor explained he could have reappointed Zatek and/or Malack, but he chose to replace them instead. Kucich cited a similar loophole in trying to remove political rival James Brewster from the city's housing authority earlier this year. McKeesport Housing Authority officials challenged the move and a final decision will be made by Allegheny County Court of Appeals. Chairman Mary Ann Popovich, the third member of the CSC, was reappointed by Kucich in January 2000 and was not affected by yesterday's action. For months, council and the mayor have been at odds over Civil Service testing for city police and fire personnel in determining promotions. Thirteen current and former policemen and firefighters have filed suit against the mayor and the city, claiming they were unfairly demoted or fired when Kucich took office in January 2000. Two months ago, council agreed to find an outside firm to draft the Civil Service test, which would be administered by the commission. To date, however, no such firm has been hired. McLaughlin asked if Popovich will continue in her role as chairman in light of last night's action. Muscante and Kucich had no answer. "We'll have a meeting to discuss what direction the new Civil Service Commission will go," the mayor said afterwards. Bendel, reached this morning, said if the appointment motion wasn't made two years ago, it was simply a technicality. "In spite of what has happened the last two years, I see this as a technical issue," the ex-mayor said. "Two years have transpired and this came out now?" Popovich learned of the move this morning and said she's very surprised. She said Kucich praised the commission for its hard work and dedication in a letter dated July 8. "Why now?," she queried. "This is about control and about power of the commission." Popovich said if council maintains that Zatek and Malack weren't official commission members, then any Civil Service hires made in McKeesport over the past two years are invalid. "(If that's the case,) anything we've done is illegal," she reasoned.

*From The Daily News, by Greg Kristen, 8 November 2001*

## For Many in Mexico, Paying Bribes is Just Part of Daily Life

Mexico City - When the young mechanical engineer went to get his driver's license four years ago, he slipped about \$10 to the clerk, skipped the written exam and walked out with a license in minutes. When he got married, a \$10 palm-greasing got him the date he wanted for his civil ceremony. Now he's working on a construction project, and the city functionaries have told his company the building permit will require a \$100,000 bribe. "Everybody does it," he said. "It's been going on for a long time." Now, an anti-corruption group has attempted a scientific measurement of bribes in Mexican daily life. Transparency Mexico, the local arm of Transparency International, determined in a report issued last week that Mexico City residents must pay bribes for almost a quarter of the government services they receive. "This is the first time we have hard facts about the dimension of the problem for households, and it is monstrous," said Federico Reyes Heróles, head of Transparency Mexico. The group surveyed more than 16,000 Mexican heads of household in June and July and asked them which services they had to pay bribes to receive. The privately funded survey found that on average, Mexicans pay bribes for 10.6 percent of the services they receive, with the average bribe around \$11. Bribes are most frequently paid for car-related services: retrieving an impounded car required a bribe 57.2 percent of the time; avoiding traffic tickets, 56 percent; and avoiding other traffic offenses, 54.5 percent. President Vicente Fox has vowed to reduce rampant corruption, running a high-profile "no more bribes" campaign. But the survey shows those efforts have done little to change the ethos of thousands of police officers, public clerks and other officials. And many Mexicans find paying bribes more convenient than waiting for services from cumbersome government bureaucracies. In police corruption, Transparency International this year rated Mexico 19th out of 23 countries surveyed and 51st out of 91 countries surveyed on overall corruption. Those rankings were based mainly on the perceptions of academics, business leaders and others.

*From [Miami Herald](#), by Kevin Sullivan, 11 November 2001*

## Bush Calls for Community Service

Atlanta - President Bush called on Americans to defy acts of terror by strengthening their communities, comforting their neighbors and remaining vigilant in the face of further threats. In a prime-time address, he assured the nation that the United States would ultimately prevail in its war against terrorism. Still, he conceded that the government does not know who is behind the anthrax-by-mail attacks and said the war abroad is only just beginning. The "great national challenge," he said Thursday, is to turn fear into action by mentoring a child, participating in a neighborhood crime watch or volunteering at a hospital. "One way to defeat terrorism is to show the world the true values of America," he told an enthusiastic crowd of 5,000, who interrupted him with applause more than 25 times in his 32-minute speech. "Out of evil can come great good." Bush spoke of the passengers who fought with hijackers on Sept. 11, crashing their plane into a Pennsylvania field before it could reach a populated area. He recalled 32-year-old Todd Beamer, whose last words heard over a cell phone were "Let's roll" as the passengers charged the terrorists. "We will no doubt face new challenges," Bush said, concluding his address. "But we have our marching orders. My fellow Americans, let's roll." The audience responded with thunderous cheers. Bush was flanked by dozens of uniformed firefighters, police officers and soldiers, and he urged Americans to consider these "careers of service." Bush won standing ovations as he praised each of these groups, but the warm crowd also took to its feet for a group not often in the spotlight: postal workers, who have been hit hardest by the anthrax attacks. Bush called them "public servants who never enlisted to fight a war, but find themselves on the front lines of a battle nonetheless." Bush spoke in Atlanta, home to the federal Centers for Disease Control and Prevention, which has been at the forefront of the fight against the anthrax outbreak. On Thursday, CDC officials announced that 32,000 people had been prescribed antibiotics to ward off anthrax, including 5,000 who really needed them and must take a full 60-day course of treatment.

Before his speech, Bush stopped by the CDC to thank scientists who have been working around the clock, calling them "part of a vast army trying to fight off terrorism in America." The speech was short on new initiatives. He announced that the national service groups created by former President Clinton, AmeriCorps and Senior Corps, would provide more than 20,000 government-subsidized volunteers to help police, fire and public health departments and "free up" the professionals for work on the front lines of homeland defense. Bush also created a task force on citizen preparedness, which will have 40 days to give him recommendations on helping Americans protect their homes, neighborhoods, schools and workplaces from future attacks. And he asked states to help develop a modern civil defense service, modeled after volunteer firefighter programs. Bush called on Congress to approve his economic stimulus package, but he said another initiative that had been in the works, dubbed Communities of Character, was no longer needed because after Sept. 11, Americans renewed their sense of citizenship, character and service without prodding from Washington. The president made reference to a pair of alerts that the government has issued warning of

unspecified future attacks. He said these alerts are a call for Americans to "be vigilant" and keep eyes and ears open - but "not a signal to stop your life." "There is a difference between being alert and being intimidated, and this great nation will never be intimidated," he said. But Bush suggested the United States could do a better job projecting its values abroad. "Too many have the wrong idea of Americans as shallow, materialistic consumers who care only about getting rich and getting ahead," he said. "This isn't the America that I know."

From [Enterprise-Journal](#), 14 November 2001

## Public Service Commission Can't Check Town Water Rates

Maryland Public Service Commission officials said Wednesday they cannot regulate or review town water rates because towns are nonprofit government entities not under PSC jurisdiction. "The commission will only regulate privately owned systems that operate for a gain," said Zenon Sushko, a public service engineer with the PSC. The commission may only examine the water and sewer rates of a government entity when the situation is inter-jurisdictional, he said. For example, if an incorporated town was receiving water and sewer services from a county, but was unhappy with the rates, the PSC would then have the power to come in and investigate on the town's behalf. So, even if the county commissioners asked the PSC to regulate the water rates of North East - which citizens have requested - the PSC would not be obliged to do so. "If the county doesn't supply water to that particular town, then we wouldn't have any obligation. Only in the case of inter-jurisdictional," Sushko said. Calls to newly appointed PSC member Ron Guns, a former Cecil County delegate, were redirected to PSC spokeswoman Chrys Wilson, who said Guns has not contacted local officials on the matter. The ongoing issue concerning water and sewer rates has resurfaced recently after the county commissioners rejected a request made by North East area resident, Ron Wills, to ask the PSC to examine rates. Wills, and his group, CARD (Citizens Against Rate Discrimination), are frustrated with North East's policy of charging 100 percent increases to people who live outside city limits but draw from the town's water sources. North East provides drinking water while the county provides sewer service. Meanwhile, several residents of the Beacon Point subdivision in Perryville voiced concern at the last town meeting over gross inconsistencies in their recorded water use. One resident, Bill Berger, also requested the PSC investigate the legitimacy of Perryville's water rates. Perryville officials said meters may have been misread or undetected leaks may be present in the water lines there.

From Cecil Whig, By Michael White 23 November 2001

## Corruption Scandals Plague Governments in Puerto Rico

A string of corruption scandals during the last three months have cast shadows over Puerto Rico's police department, municipal governments and even the legislative assembly, the latest outbreak of a problem that has plagued Puerto Rico on and off for decades. "*Una novela* (a soap opera)," is how Javier Colón, head of the political science department at the University of Puerto Rico, described the federal grand jury indictments against about 40 people, including police officers, politicians and other high-profile citizens. "It's bad," Colón said. "There is a growing distrust among the public." The arrests are part of a cleanup effort that is being led by the FBI. The most scandalous case involves a longtime politician who was serving as speaker of the House in San Juan and as the Commonwealth's representative for the Republican Party in Washington when he was indicted Oct. 26. Edison Misla Aldarondo was among five people charged with conspiracy, extortion and money laundering. Misla Aldarondo, who has been implicated in previous corruption cases, also is accused of using his political influence to obstruct and delay the federal investigation. According to the six-count indictment, Misla Aldarondo and two associates demanded payments from three of the defendants to help secure contracts at a hospital in Manatí. The alleged scam resulted in payments in excess of \$254,000. All five defendants face up to 20 years in prison. The fact that U.S. agents -- instead of Puerto Rico's own law enforcement - are making most of the arrests, has prompted some criticism against Gov. Sila Calderón. Her victory last year hinged, in part, on a campaign promise to establish a government free of unscrupulous acts. Calderón declared "that there was corruption in the government, that it was rampant and that she was going to put an end to it," said Félix Matos-Rodríguez, director for the Center for Puerto Rican Studies at Hunter College in New York. "It's interesting that the governor actually has played a very little role [in the corruption arrests]." Matos-Rodríguez said that is fueling increasing cynicism among some supporters. "I think there is a sense that either the campaign promise was hollow or she has not paid a lot of attention [to corruption]," he said. Two days before the Misla Aldarondo indictment, federal authorities arrested the mayor of Vega Alta, a city west of San Juan. The mayor, Juan Manuel Cruzado Laureano, who is married to a senator, is accused of stealing \$28,945 in municipal funds and later trying to influence the testimony of witnesses in the case. Several Charges - The 11-count indictment includes charges of interference with commerce by extortion, money laundering, theft of funds from a federally funded organization and

witness tampering. If convicted, Cruzado could be sentenced to a maximum of 20 years in prison. Puerto Rico's police department also has suffered an embarrassing blow with the arrest of 29 officers in August as part of the biggest case so far. In Puerto Rico, it is known as *honor perdido*, "lost honor." The officers, several of whom are veterans with a decade on the force, were indicted on drug trafficking charges and firearms violations. They are accused of protecting shipments of cocaine between June 14, 2000, and May 2, 2001. In exchange for their services, drug barons paid the male and female officers between \$3,000 and \$28,000, the indictment alleges. The police officers, whose ages range from 21 to 43, were assigned to districts in Fajardo, San Juan, Humacao and Caguas. Three others indicted in the case include a Department of Corrections officer, an employee at police headquarters in Hato Rey and a former police officer. All 32 defendants face from 10 years to life imprisonment. Puerto Rico has a long history of crooked politicians and cops. Unsavory Case - One of the most unsavory incidents is known as the Cerro Maravilla case, named after a mountain where two advocates for Puerto Rican independence were killed by police July 26, 1979. A decade later, Puerto Ricans became privy to a secret system used by police intelligence agents to track at least 90,000 people for supposed ties to subversive activity. The murky operation had been in place for years and files were kept on people without specific reasons or outside supervision. Private citizens continued to be targets of police corruption in the 1980s with the exposure of a ring linked to several gangland-style executions. Matos-Rodríguez, of Hunter College, said a sluggish economy is making Puerto Rico's tradition of "political patronage" more prevalent. "In order to be able to do business in Puerto Rico, you need to engage the political force because economic space is less open," Matos-Rodríguez said. The FBI's aggressive pursuit of dirty cops and politicians excelled when Special Agent-in-Charge Marlene M. Hunter took over the post two years ago and made corruption cases a priority for the department. Calderón backed the effort when she took office by appointing an anti-corruption commission. And though her administration cannot take credit for the most recent indictments, the governor has publicly applauded the arrests and demanded resignations. Despite criticism in some circles, federal officials said Calderón has helped set a tone of cooperation. "Some of the cases have been referred to us by the local government," said agent Eric Rivera, an FBI spokesman in San Juan. "We work with them every day." Meanwhile, trials are pending in all of the cases and more arrests are likely. "Corruption is something that the FBI is always willing to go after and dedicate resources to," Rivera said. "We're going to be here until there is no more."

From [Miami Herald](#), by Nancy San Martin, [nsanmartin@herald.com](mailto:nsanmartin@herald.com), 22 November 2001

#### House to Fuse Bills Filed to Create IT 'Super Agency'

Bills filed in Congress to create the Department of Information and Communications Technology will be consolidated by a working group under the Committee on Government Reorganization. This is according to Virgilio Peña, executive director of the Information Technology and E-Commerce Council (ITECC), the country's highest information and communications technology (ICT) policy-making body. Since the early 1990s, various bills had been filed at the House of Representatives by different authors. These include bills filed by Joseph Santiago, former National Telecommunications Commission (NTC) commissioner under the Estrada administration; Mike Defensor; Simeon Kintanar, also formerly of the NTC; and Leandro Verceles Jr. Verceles, now governor of Catanduanes, was the first legislator to file a bill in Congress to create the ICT "super agency." Peña, who also acts as presidential assistant for ICT, said that the House of Representatives Committee on Government Reorganization met this week to discuss how to consolidate the bills. "We're optimistic that the bill will pass through the House of Representatives this time. In the Senate, we're getting the support of Senator (Ramon) Magsaysay (Jr.)," Peña added. The creation of the ICT department is among the priority legislation that President Gloria Macapagal-Arroyo cited during her State of the Nation Address. While Ms Macapagal did not give out details on how the current administration intends to "create" the ICT "super agency," Peña noted that the ICT department will not really involve creating another agency but consolidating various functions of separate agencies. These agencies would likely include the National Computer Center (which is under the Department of Science and Technology), the Department of Transportation and Communications, and the NTC. "It really involves a question of putting (common functions) together," Peña said. In Asia, countries like Malaysia and Singapore have created a single agency that takes care of all policy- and decision-making on government ICT initiatives.

From [INQ7.net](#), by [Erwin Oliva](#), 16 November 2001

#### US Visit Yields More ICT Agreements - Palace

President Gloria Macapagal-Arroyo witnessed in New York on Friday (Manila time) the signing of three memoranda of understanding (MOUs) designed to promote the development of information and communications technology (ICT) in the Philippines, Malacañang announced. The MOUs were signed in New York on the first day of Ms Macapagal's nine-day working visit to the US. The Philippines' Immequire signed an MOU with US firm Tele-Response Center Inc. (TRC) to conduct an outbound telemarketing campaign. This will raise funds for US-based, non-profit organizations. Immequire president Stuart Discount, TRC president William Lo and TRC director Aaron Perez-Daple signed the MOU. Meanwhile, the Philippines' ICCP Venture Partners Inc. (IVPI) and US firm Amergis Solutions Inc. (ASI) signed an MOU that is expected to generate additional foreign currency earnings for the country from some 1,500 high-value employees in the year 2002. Guillermo Luchangco, chair and CEO of IVPI, and ASI president Karl Gossen signed the MOU. The third MOU was between local firm Customer Contact Center (CCI) and Source One Communications (SOC), a leading provider of customer service and database management services based in New Jersey. Manuel Lopez, chair of CCI, and W. Sam Chandola of SOC, signed the MOU. Meanwhile, significant progress has been made in the State of the Nation Address (Sona) promises of the President, including the administration's drive toward e-government. This is according to a Presidential Management Staff (PMS) report to the President and the Cabinet on Thursday. Of the 800 government agencies with Internet connections, 348 now conduct e-procurement using the Public Tender Board, the Suppliers' Registry and the Electronic Catalogue operated by the Department of Budget and Management, the PMS report stated. Ms Macapagal has pledged to make ICT development a priority of her administration. She chairs the Information Technology and E-Commerce Council, the country's highest ICT policy-making body.

From [INQ7.net](#), by [Fe B. Zamora](#), 17 November 2001

#### Governments to Keep Spending on Tech in Asia Pacific

IT expenditure is expected to take a back seat amid the economic slowdown, but some analysts believe the public sector in Asia will be the biggest IT spender as governments, including Australia's, try to stimulate their countries' growth. Frost & Sullivan analyst Manoj Menon said that pump priming is a common reactionary measure by

governments take to nurse their economy to health during an economic downturn. This does not just cover building of bridges and roads--it also includes IT spending. "With the growing emphasis on the information and communication technology (ICT) industry we are seeing governments not only spending on infrastructure but also on IT projects," Menon said in a telephone interview. "Governments in Hong Kong, Singapore, Malaysia, Australia and South Korea, which have vied to become the ICT hub in the region, have been initiating such implementation, to help local companies," Singapore-based Menon added. One IT company CNETAsia interviewed revealed that it has experienced a significant growth this quarter, especially after the September 11 tragedy in New York. Supercomputer maker SGI said that it has seen a 30 percent to 40 percent sequential growth from its government & defense business between its third and fourth quarter. The sector contributes about a quarter of the company's total revenue, worldwide and in Asia Pacific. "Government expenditure is moving faster than before. They used to release a tender for a project, and it takes a few months before a sales is made," SGI Asia Pacific business development manager for defence Mick Martin said. "After the September 11 tragedy, governments are more ready to spend immediately to make their countries and homes safe from terrorist attack," Australia-based Martin noted. "Now, governments are more receptive to the idea of unsolicited sales. They are more open to hearing what we (vendors) have to say," he added. Some analysts have also cited IBM's recent sale of 40,000 notebooks in Victoria, Australia as an example government spending during an economic slowdown. As reported on CNETAsia last month, IBM Australia bagged a tender worth AU\$92 million (US\$47 million) from the Australian government for the notebook deal. According to Tokyo-based International Data Corporation Asia Pacific analyst Gary Koch, IT spending by Asian governments is expected to grow by 17.7 percent year on year to US\$9.39 billion in 2002. This year, the spending is expected to hit US\$7.98 billion. The growth for next year is suppose to be bigger but was affected by the drastic devaluation of Asia currencies against the greenback, Koch said in a phone interview. The Chinese government will lead in Asia, with government IT spending to hit approximately 38.99 billion yuan (US\$4.7 billion). In terms of growth rate, China tops the list at 29 percent. Meanwhile, Menon of Frost & Sullivan remarked: "Another trend is that governments are not only initiating new projects--it is expected that they will accelerate or bring forward projects which were scheduled for a later date." Commenting on Malaysia, Frost & Sullivan program leader for technology practice Shamir Amanullah said: "The incentives set in Budget 2002 for the ICT industry are plausible. More than US\$90 million has been allocated for the Multimedia Super Corridor (MSC) and related projects." Set up five years ago, the MSC is Malaysia's IT and multimedia industry hub--its own "Silicon Valley." "Technopreneurs will be delighted that more funds are available in the dot-com arena. This will possibly tone down negative vibes of the economy heightened by the war," Kuala Lumpur-based analyst Amanullah said. He added that the budget highlights the Malaysia government's determination to push the country towards the knowledge-based economy. And the funds allocated for smart schools and tax reductions for going online underline the determination of the government to promote the ICT industry. "Considering the economic slow down across the globe, the ICT industry still remains a focal point of the government's plans and they have done well to continue investing in it," Amanullah noted. Meanwhile, the Singapore's Housing Development Board (HDB), which houses about 86 percent of Singapore population, expects to spend up to US\$1.1 million per year on storage from next year.

This includes tape solutions, disk storage and storage area network (SAN) components. At present, HDB uses an automated cartridge library system (ACLS), with approximately 20 terabytes of storage that carries the data of the residents of HDB estates island-wide. The storage system has 1,500 cartridge slots that can accommodate up to 40GB of space. Looking forward, HDB is conducting a feasibility study for the next six to 12 months on implementing SAN technology to its existing storage infrastructure, Kwan noted. By October 2002, the housing body expects to run a six-month pilot test of SAN and the full implementation of the technology will begin as soon as April 2003, he added. Last week, in what look like a subtle indication of a stimulus package, the Singapore government announced the enhancement of two financial assistance programs for Singapore-based companies. One of these--the Pilot and Trial Hotspots (PATH) initiative, which was set up by the Info-communications Development Authority of Singapore (IDA) in May to accelerate the development of info-communication infrastructure applications and products, will have its fund expanded to S\$48 million (US\$26.2 million) from the initial S\$9 million (US\$4.9 million). IDA assistant chief executive Khoong Hock Yun said: "One of the reason for the expansion of the PATH package is to function as a stimulus package." Without reveling specifics, he said that there will be more such initiatives in the future. Industry observers note that increased government spending is not exclusive to Asia. According to a CNET News.com report, the US\$20 billion stimulus package proposed by senate Democrats may include US\$1 billion to bankroll an information-technology fund. As proposed by Senator Joseph Lieberman, the US office of management and budget will administer the fund and award money to projects that aim to protect the country's critical infrastructure, improve the security of government computer systems, or harden the nation's defenses against natural and manmade threats. After all these spending, skeptics argue that this effort will only benefit the big boys. However, analysts disagree. "The smaller companies will definitely get their fair share of the pie through a trickle down effect," an industry expert remarked. This is because "the

structure of the IT industry is so complex, big scale projects require input from small outfits to large multinational corporations," he explained. "There will be companies who provide the hardware, the software, consultancies, system integrators and infrastructure providers."

*From [ZDNet](#), by Nawaz Marican, 16 November 2001*

**Europe/CIS**

## ITNET Lands £18m Local Government Deal

ITNET has become the largest supplier of SAP services to UK local government after securing a £18m contract with Oxfordshire County Council. The largest SAP-managed application service contract in local government will help the council streamline its working processes to meet e-government and Best Value agendas. Based on ITNET Business Direct, the company's managed application service, the pay-per-user deal is initially for 1,428 users over 11 years and is part of the fully managed application service scheduled to go live in September 2002. ITNET will phase in SAP financials, human resources, payroll, Internet recruitment, e-procurement and business intelligence over two years. The company will be responsible for all ongoing support, maintenance and upgrades. "We are incredibly delighted to win the contract, which makes us local government's largest SAP services supplier," said an ITNET spokesman. Oxfordshire believes ITNET's fully integrated systems will provide better services for citizens, and quicker and more accurate information for its operations. Chris Gray, treasurer of Oxfordshire County Council, said: "Oxfordshire selected ITNET, not only for its expertise in SAP services and local government, but also for its overall ability to enable the council to meet the outcomes demanded by Best Value and e-government. This could not be achieved without changes to our ICT systems and our operational practices."

*From [CW360.com](#), 12 November 2001*

## French Bureaucracy Takes Online Leap

The new site will extend the existing web presence - France is about to launch an electronic government initiative that will give every citizen a personal internet portal allowing them to pay taxes online, register a child for a state school, or be reminded that their regulatory car inspection is due in a month's time. The move aims to streamline the country's notoriously bureaucratic civil service. The new system, titled [mon.service-public.fr](#), is due to be launched on Thursday, but the French will have to wait until 2005 for it to be completed. Civil Service Minister Michel Sapin has billed it as the second phase of France's move to electronic government. The first, officially started in 1998, aimed to put online as much administrative information as possible. It was designed to complement the information that was already available on the Minitel, a limited French precursor to the internet. **Countless forms** - However, due to technical, regulatory and legal problems, it was not until October 2000 that the website [www.service-public.fr](#) was unveiled. The site offers links to thousands of public information websites, and lets tax-payers make their annual income declaration online. Its most useful function is that it helps many French men and women avoid trips to the local town hall to pick up one of the seemingly countless forms around which life in France often appears to revolve. Over one thousand official forms, or 65% of the total, are now downloadable from [www.service-public.fr](#). This, critics point out, is not quite the 100% promised by Prime Minister Lionel Jospin back in 1998. **Software obstacle** - A major hurdle facing the designers of the future personal portal is the question of electronic signatures. These have been recognised by French law as legally binding since March this year. But the software needed to create one is still far too complicated for the average computer user. The government says it is currently studying a number of options to ensure citizens' official transactions are secure. Because only 20% of French homes have internet access, the government promises that computer terminals will be set up in town halls, with officials on hand to help citizens complete their online transactions. Dr Stephen Coleman of the e-democracy programme of the Hansard Society, an independent UK body that tries to promote a better understanding of democracy, says the French initiative is a lot more ambitious than what is happening in the UK. "But I would want to see it also provide an opportunity for democratic feedback," he adds. "It's good that you can pay your taxes online, but you should also be able to discuss what happens to those taxes."

*From BBC, by Rory Mulholland, 14 November 2001*

## Straw Deals First Information Veto

Jack Straw yesterday became the first minister to veto a ruling from the parliamentary ombudsman, demanding the release of information under the "open government" code. The unprecedented refusal came on the same day as Derry Irvine, the Lord Chancellor announced that the government has postponed implementing its freedom of information act

until January 2005, as predicted by the Guardian last week. Mr. Straw's decision - taken when he was home secretary - was greeted with regret by Sir Michael Buckley, the parliamentary ombudsman last night. The decision marks the first ministerial veto on the release of information and is certain to be welcomed by some senior civil servants who are hostile to public disclosure. The ruling effectively blocks the public from receiving any information about internal disclosures made by ministers on their private business interests made to colleagues or to permanent secretaries. Andrew Robathan, Conservative MP for Blaby, asked the ombudsman to investigate after being stonewalled by Whitehall. He he asked whether John Prescott, the deputy prime minister, had declared details of his cheap London flat to his permanent secretary, Sir Richard Mottram, because of a potential conflict of interest with the RMT union. Ministers must declare any interests under the ministerial code. He then pressed Jack Straw - as the minister then in charge of freedom of information - to release how many times ministers at the Home Office had declared outside interests. The ombudsman concluded that there was "no valid reason" why the information should not be released. Mr Robotham yesterday said: "The question is why has the government gone to such lengths to hide such a banal, petty piece of information from the public gaze. They must be hiding something more substantial. It is ludicrous." Last year the Guardian asked for a similar request following the disclosure about Michael Meacher, the environment minister, owning up to 12 homes - some of them purchased when he was a minister. This was also refused. Meanwhile Lord Irvine's announcement in the Lords was initially welcomed by Liberal Democrat peer Lord Goodhart and former Cabinet Office minister, Lord Clark of Windermere. They confused the ban on implementing the act until 2005 with an announcement that a rolling programme of government publication schemes had been approved from November 2002. These will allow voluntary disclosure - but no member of the public will be able to challenge a refusal except by asking an MP to go to the ombudsman. Both thought the "rolling programme" meant the act would be implemented in Whitehall from next November. Last night both Lord Goodhart and Lord Clark admitted they had been "hoodwinked" by the Lord Chancellor and were busy writing letters complaining about the delay. Lord Clark asked for a circular to be issued to every department saying that they would release more information to the general public. "It is important that as government we can show that we believe in as much openness as possible and that we are prepared to share information with our citizens", said Lord Clark.

*From [Guardian Unlimited](#), by David Hencke and Rob Evans, 14 November 2001*

## **CRM - Citizen Relationship Management?**

Last week, Siebel appointed former UK PM John Major to its European board. Why? Because government is the next big market for CRM and all the big vendors are eyeing public sector budgets with greedy eyes. Ben King reports. Many of the big customer relationship management (CRM) players - including eWare, Onyx, Oracle, and Siebel - are hungrily bidding for contracts in the government space. They are promising to cut project delivery times, reduce implementation costs and deliver better services, all by selling modified versions of the software they have been selling to businesses for years. It makes a lot of sense. Many of the things local government does basically involve running call centres - from arranging for rubbish collection to allocating housing benefit or student loans, they have to correctly store details about 'customers' and manage contacts with them. So why not use existing call centre software and customer tracking software? The contracts are beginning to roll in. In June, the US state of Michigan announced it will "standardise" on Siebel Systems - meaning it will move all its hardware onto Siebel technology. It's a massive contract win for the vendor. In the UK, Leeds City Council is the first to start installing Siebel. Local government is obviously the logical place to start, as well as a huge market. But Siebel and co are clearly focused on signing up national customers, from quangos and government agencies to entire departments. Major joins a quartet of heavyweight retired politicians from the four biggest markets who will team up to open doors for Siebel in France, Germany, Italy and the UK. Though Major may spend some time twisting the arms of local politicians into buying Siebel, his main job will be to start selling Siebel to central government. Other CRM vendors are getting in on the act, with Onyx establishing a special task force to sell ebusiness applications to government and bidding for a contract in Brent (where it happens to share its name with one of the capital's leading waste disposal contractors). Oracle recently signed a deal with Cambridge City Council, which is projected to form the basis of a broader CRM project covering all the council's services. Some commentators look at these developments with weary incredulity. "E-government? I call it e-legacy," said one analyst who asked not to be named. "The only reason they're moving into this space is that their core markets are saturated." For Siebel, however, going for government is a no-brainer, as a spokesman explained: "It's about scale. CRM started off in the business-to-business space, where companies manage hundreds or thousands of customers. Around two years ago, it started moving into the business-to-consumer space, with hundreds of thousands of customers. Now we're moving into the government-to-consumer space, where there are millions of relationships to manage." The government market certainly isn't a glamorous place to be pitching for business, and the general reputation of government IT projects is extremely bad. The typical life cycle of a government IT project has been repeated again and

again: big contract announced; protracted tendering process; big systems integrator wins deal; personnel change, specifications shift, project runs over budget; project gets cancelled amid a storm of bad publicity. One of the many reasons why big government IT projects typically go over budget is that they are building things from scratch, many of which basically reproduce the functions of CRM software anyway - for example they keep a big file of customer data and present it to call centre operatives. Most government departments in the UK will have similar requirements for their benefits systems, and countries across the world will have basically the same requirements too. So, rather than getting a company like EDS to build a bespoke database system for every UK council, why not get a company like Siebel to develop an off-the-shelf solution, one they can sell from Chelmsford to Kalamazoo? It ought to be cheaper to buy, quicker to deploy and easier to integrate and expand. In theory, it should even go wrong less often. That's the story from spokespeople in local government, at any rate, though it's too early to tell whether solutions will really be delivered on a massive scale. Local government is also counting on CRM systems to help it to deliver services electronically. Government organisations increasingly find themselves having to offer services through a number of different channels, for example, internet, call centres, walk-in offices and eventually, perhaps, mobile phones. It's a much tougher proposition than just running an office or a call centre, and one that no one in the public sector has really cracked. However, specialist companies like Siebel seem to have a better chance of making it work than big systems integrators. The big e-government players - think Capita, EDS, ICL, and ITNet - are not likely to find themselves instantly displaced. Instead of building their own CRM-style systems for government, they'll be paid to put in eWare, Onyx or Siebel. As Ivan MacDonald, CEO of eWare, said: "They have the experience of dealing with government that CRM companies don't have. So they will have to keep on working with the big e-government players." But whether CRM companies will be able to deliver their services more efficiently than the big e-government players on their own remains to be seen. Compared to their corporate clients, they will find it much harder to deliver in the public sector, with its tortuous decision-making procedures and complex maze of vested interests. Yet for anyone who can crack this market the rewards are long contract times and substantial public sector budgets that should keep them in lucrative business for years. But the CRM industry is already widely criticised for the high number of projects that don't deliver. There are bound to be some big failures on the way. But in the public sector, it's much harder to keep them quiet.

From [Silicon.com](#), 20 November 2001

## Government Fails the UK SME Broadband Test

The UK Government should use legislation to reduce the cost of broadband and speed-up its roll-out across the country, according to a hard-hitting report from the British Chambers of Commerce (BCC). It warns that continuing problems concerning cost and the lack of availability of high speed Internet access is "inhibiting the development of ecommerce and ebusiness" in the UK. The report, *BCC's priorities for E-Commerce 2001*, by the BCC's E-Business Advisory Group, lists several issues voiced by small businesses concerning the Government's ecommerce policy. Uppermost is a call for Government to scrap its obsession with setting targets and instead focus its resources on improving infrastructure, online security and consumer confidence. The BCC - which monitored the views of 135,000 small businesses - claims that the Government's target to get a million small firms trading online by 2002 should be ditched. Pointing to the Government's own figures published in the Department of Trade and Industry's International benchmarking report, some 540,000 small firms are currently trading online although BCC points out that this figure is beginning to show signs of levelling out. Instead of focusing on targets - which may not even be met - the BCC argues that Government should concentrate on improving public confidence in e-commerce, invest more in tackling cybercrime, and improve access to broadband services. Sally Low, E-Business Policy Adviser at the British Chambers of Commerce, said: "British companies are not in the business of fulfilling aspirational targets set by any government. They are however alert to the competitive benefits of trading online, and where these exist, businesses will drive and will respond. The role of government should be one of enabling business in the most efficient and effective manner, and not to preoccupy itself with assessing and measuring targets," she said. The BCC is to meet e-commerce minister Douglas Alexander today to present the findings of the report.

From [The Register](#), by [Tim Richardson](#), 19 November 2001

## Web Hosting in Europe Taking Firmer Shape

Demand for colocation and managed hosting services remains solid - According to recent research from IDC, the hosting industry in Europe at the end of Q3 appears to be taking firmer shape than it has had for much of the year. IDC believes that demand for colocation and managed hosting services remains solid overall and will see strong growth through 2005. Western European spending on hosting services (regardless of where the hosting service provider (HSP) or its facilities are located) is set to rise from \$1.8 billion in 2001 to \$6.8 billion in 2005. "The web hosting market

in Europe has experienced several fundamental changes in the last three years" said James Eibisch, research director of IDC's European IP and Hosting Services. "Starting from being an ISP-based sideline business up to 1998, it progressed through the dot-com-fuelled build out of 1998 and 1999 and subsequent correction period of 2000 and 2001, to the current retrenchment and recovery period whereby hosting service providers (HSPs) are re-shaping business models to capture the growth market for managed services in the enterprise sector. Few sectors of the ICT industry have ever undergone such a rapid and cataclysmic change in such a short period." As with any new and booming industry, there is an initial goldrush and competitive shuffling, with the most aggressive participants seeking to emerge as a leader in probable future shakeouts and consolidation. "In the hosting industry, shakeout and consolidation has started sooner than most predictions suggested" commented Eibisch. "Most companies' facilities and services will survive, but a large proportion will change ownership as cash-owning service providers - not just other hosting providers but telcos, data network services providers, IT services and ebusiness firms - seek bargain acquisitions." The period 2002-2003 will see a higher proportion of acquisitions coming from European and privately-held companies as many US and/or public companies focus on maintaining their core business and moving into profit before seeking further acquisitions.

From [Content-Wire](#), 23 November 2001

## IT Project Framework is Launched

Treasury minister Andrew Smith has launched a set of joint partnering proposals between the IT industry and government that should improve the procurement and implementation of IT projects. Smith outlined the proposals at the Computing Services & Software Association (CSSA) procurement conference in London earlier this week. They include a new framework for the leadership of projects and high-level value-for-money guidance. The programme is designed to put an end to the cost and time overruns associated with previous high-profile IT project failures. Referring to public sector IT disasters such as the Passport Office, Smith said, "Our track record has not been as good as it could be." He also revealed that the Meteorological Office, the Department of Health, and the Charity Commission will test a new approach to project leadership in live procurement projects as part of the programme. The proposals are the brainchild of the Senior IT Forum, which brings together representatives of the public sector and the IT industry. Launched last year, the forum is sponsored by the Office of Government Commerce and the CSSA. Government officials claim that the proposals complement the Government's Gateway Review process for civil central government that was announced earlier this year to ensure that projects deliver long-term effectiveness.

From [CW360.com](#), by James Rogers, 22 November 2001

## Middle East

### Minister Says E-Government Becomes Reality in Emirates

Minister of State for Cabinet Affairs, Saeed Khalfan Al Ghaith, yesterday said e-government has become a reality in the emirates. Speaking at the Zayed Centre for Coordination and Follow-up (ZCCF) in Abu Dhabi, he said the introduction of e-government would ensure more data accuracy and boost efficiency. The UAE Cabinet this week will discuss the issue of implementing e-government in all public services. The minister dismissed concerns that e-government will possibly increase the unemployment rate. Al Ghaith also reviewed UAE public service from its inception in 1971, saying that it had started with 10,575 civil servants and the number has now grown to 56,392. UAE nationals represent 44 per cent of the total employees. The UAE leadership, under President His Highness Sheikh Zayed bin Sultan Al Nahyan, has been conscious of a sound civil service set up from the very early days. Sheikh Zayed ordered the formation of a civil service board to outline service rules, boost efficiency among the work force, detect shortcomings and violations and recommend new legislation. He said a number of legislations were accordingly issued to boost efficiency in the public sector. Asked about new federal bodies being set up with attractive salary benefits, the minister said these bodies should be viewed from the standpoint of improving services offered to the public. He said the setting up of new federal bodies was not aimed at luring civil servants, especially the nationals, away from the federal ministries which offered relatively low wages compared to the new institutions.

From [Gulf News](#), 15 November 2001



Al Ghaith. © Gulf News

## The Time for Ballot Reform

The results of the 2000 presidential election may never be final in the minds of some Americans, but the comprehensive review of Florida's vote by The Times and other news organizations may put an end to the counting. It appears that Al Gore might have carried Florida if he had successfully pursued a statewide manual recount of all 175,010 rejected ballots - a strategy he never tried. But the United States Supreme Court's decision to stop a more limited recount ordered by the Florida Supreme Court simply cut off a process that would have wound up confirming George W. Bush's victory. One part of the 2000 election story must not be forgotten. Florida demonstrated that in a close race for the nation's highest office, the margin of error built into America's neglected voting apparatus could exceed a candidate's margin of victory. The patchwork electoral system was particularly hard on minority voters. The review determined that predominantly black precincts had more than three times as many rejected votes as white precincts, even after accounting for differences in income, education and voting technology. This pattern, seen elsewhere in the country, violates the same equal-protection clause that led the Supreme Court to terminate Florida's manual recount in the absence of uniform statewide standards for counting votes. Congress still has not passed legislation establishing national standards for voting technologies and procedures and providing funds to put them into effect. The anniversary of last year's mess may create a renewed sense of urgency. Congress must act now if voters are to see substantial improvements by the next presidential race. Last week the House agreed on a bill that would offer states \$400 million to retire their old punchcard voting systems and an additional \$2.25 billion over three years for new equipment and better voter registration. It fails in some respects to impose strong enough national standards.

A far better bill establishing clear federal mandates for national elections may soon reach the Senate floor. Written by Senator Christopher Dodd of Connecticut and backed by every Democratic member, it may soon gain bipartisan backing. Senator Christopher Bond, a Missouri Republican, is seeking to add some anti-fraud proposals in exchange for his support. Ultimately, however, it will take a determined push by Congressional leaders and President Bush, who has shown little interest in the subject, to get an election reform law signed by year's end. The money should then start flowing immediately. There is no need for further commissions. An avalanche of studies has already led to a remarkable consensus on remedies. Congress should now mandate that all states adopt them. The federal government should require polls that are fully accessible to people with disabilities, better trained poll workers and computerized statewide voter registration lists. People whose eligibility is questioned should be provided with a provisional ballot. States should deploy only voting equipment that meets the Federal Election Commission's technical standards and that allows voters to recast a ballot if they have mistakenly failed to choose a candidate, or have chosen two. Nobody questions the merits of these measures. What's more, Americans will have little patience for an ideological quarrel over whether Congress merely ought to ask, instead of insist, that all votes get properly counted in the next presidential election.

From [New York Times](#), 12 November 2001

## Most States Still Haven't Reformed Vote Systems

Washington - When the nation was transfixed by hanging chads and "butterfly ballots" during 36 days of uncertainty over who won the 2000 presidential election, politicians and good-government advocates said the crisis proved the need to reform the country's voting system. Exactly a year later, only a handful of states have acted, perhaps because Congress has not voted to provide the states any federal aid to defray the costs. "Voters who came to polls this past Election Day were confronted with a system that was virtually unchanged, despite everything that we have learned in the past about the system's problems," said Tracy Warren, senior policy analyst at the Constitution Project, a Washington research group. The Constitution Project reported this month that only three states - Florida, Georgia and Maryland - have passed significant election reforms. Seven others, including California, have banned or will phase out punch-card ballots, the style of voting responsible for most of Florida's woes last year. But no automated voting system is error-free, said Lloyd Leonard, chief lobbyist for the League of Women Voters. He said the key to minimizing the number of spoiled ballots is to increase the "customer friendliness" of the voting system. The goal: to reduce to a bare minimum the number of voters who intend to vote for a particular candidate but who inadvertently vote for another or spoil their ballots. For example, Leonard said, a League of Women Voters survey found that in only 20 percent of localities nationally did election officials distribute sample ballots to voters last year so they could familiarize themselves with the choices before Election Day. So on Nov. 7, 2000, the survey said, many voters did not know what to expect when they lined up at their polling places. They got little guidance from poll workers, who themselves

probably had received only one to three hours' worth of training, it said. "Given that elections can be won or lost by extremely narrow margins, these levels of performance are not acceptable," League of Women Voters President Carolyn Jefferson-Jenkins said. "Good enough' is not good enough." By the league's count, members of Congress have introduced 54 bills to reform the election process. Only two have a realistic chance of coming to a floor vote. These bills, sponsored by Sen. Christopher Dodd, D-Conn., and Rep. Steny Hoyer, D-Md., would provide federal aid to states that reformed their election procedures. Hoyer's bill would reward states that eliminated punch-card voting; Dodd's would set federal voting and technology standards. Hoyer's remains in committee; the Senate Rules and Administration Committee sent Dodd's bill to the floor on a party-line vote. Dodd's bill, rather than mandating that states adopt a particular voting system, would require them to use vote-counting machines with error rates of 1 percent or less (compared with 12.4 percent in the worst Florida county last year). No matter what kind of ballot is used, every county's election system must check the validity of each vote on the spot and give a second chance to voters who spoil their ballots. States would have to distribute sample ballots and voting instructions before every election. Finally, polling places would have to be accessible to disabled voters - many, according to the League of Women Voters survey, are not. After a year of studying election reform, Leonard and Warren agree that the Florida recount crisis could have happened virtually anywhere. "I'm just surprised it didn't happen sooner," Leonard said.

*From [Register-Guard](#), by Marisa Schultz, 13 November 2001*

## Web Services Directory Put to the Test

Four major software makers will launch an updated test version of a public Web services directory that lets businesses list and find online services. IBM, Microsoft, Hewlett-Packard and SAP on Monday are expected to launch the directory, which conforms to a budding specification called Universal Description, Discovery and Integration ([UDDI](#)). The new test directory is seen as a crucial step in making UDDI more widely understood and usable. The UDDI specification is the brainchild of IBM, Microsoft and Ariba and is supported by more than 220 companies, including Oracle, Intel, Sun Microsystems, Ford Motor and Nortel Networks. The directory is an online Yellow Pages that will help companies advertise their [Web services](#) and find other Web services providers so they can conduct business online. For example, Home Depot could use a UDDI-based service that finds light-switch suppliers and ranks them according to pricing and availability of products. About 7,000 businesses have registered with the UDDI directory, but because the Web services market is still emerging, only several thousand Web services have been registered, according to the project's administrators. Web services, in essence, is a new way of building business software so systems can connect the operations of many companies and partners simultaneously, allowing them to do business through any Net-connected device. "Many companies register, but there aren't many Web services," said Jack Walicki, HP's middleware chief technology officer. "We know companies are aggressively pursuing a different view of doing business based on the concept of Web services. This (project) is meant to foster experimentation."

The companies [launched](#) the effort last year as part of their goal to create the underlying technology needed to further their Web services plans. UDDI allows Web services built using Microsoft's .Net tools or Sun's Sun One plan to work together despite competitive [differences](#). Proponents see UDDI doing for Web services what search engines such as Yahoo did for the Internet in the mid-1990s: providing a way for people to find what they need amid a vast sea of unorganized information. UDDI is among four specifications gaining importance as the concept of Web services becomes more widespread. The others are Extensible Markup Language (XML); Simple Object Access Protocol (SOAP); and Web Services Description Language (WSDL). To understand how these protocols work together, imagine an ordinary phone call. In Web services parlance, [XML](#) represents the conversation, SOAP describes the rules for how to call someone, and UDDI is the phone book. WSDL describes what the phone call is about and how you can participate. [Microsoft](#) and [IBM](#) previously created Web sites that host the directory. [SAP](#) and [HP](#) are expected to begin hosting the UDDI directory for the first time on Monday. Because all four companies' Web sites will be connected, businesses will be able to search and register with the Web directory by entering any of the sites. The public online directory, which originally launched this spring, was created by the companies using the UDDI [specification](#). Businesses can also create private UDDI directories so they can do business with their own customers and partners. Many analysts and early Web services participants see UDDI being used in this way, at least initially. Scott Cosby, IBM's manager of Web services marketing, said the updated iteration of the Web directory features two main improvements: the ability to make more complex searches on the directory and the ability of companies to give potential customers more information about their business. Additional information businesses can give includes the specific business unit of a company or whether the company is in good standing with the Better Business Bureau, Cosby said. Walicki said the goal is to give more information, such as certifications and alliances, so potential customers can be more confident about the Web service they will purchase or subscribe to. Cosby added that the

project's supporters will submit the UDDI specification to a standards organization once they create a third version of the Web directory with more improvements and features, probably later next year.

*From [CNET](#), by [Wylie Wong](#), 19 November 2001*

### **Limerick - The Township's Web Site is Finally Up and Running**

Residents surfing the Internet will find the site (at [www.limerickpa.org](http://www.limerickpa.org)) open, but not entirely finished, which is why township staff held off on releasing the site to the public. "It is what it was last year," Township Manager Ed Fink said. The site looks as it did before the current board decided to make other issues, things like the construction of the Limerick Community Park, the top priority of township staff pushing matters like the Web site onto the back burner. When calling up the page, residents will find a list of links scrolling down the left-side of the page, offering access to information about all the township's departments and services. However, certain links provide little information while others, like the recreation committee link, offers nothing at all. "There's still a lot that needs to be added and updated," Fink said. "We put it out once before, but pulled it off because it wasn't finished." In the places where information does exist, like under the finance department's link, the data is outdated. For example, the township is a few weeks away from adopting its budget for 2002, yet the Web site offers residents access to only the 2000 budget. Or there's a link to a listing of current events that offers information only on things that happened last year. The township won't argue that plenty of items are missing, the overall feeling was that there were enough items - lists of phone numbers, copies of important zoning documents residents can print out and submit, a township name directory and list of links to area organizations - to warrant releasing it to the community. "What with that article," Fink said of a recent article in *The Mercury*, "and how some members of the community have been hearing about this Web page for a year and a half now, I figured we'd just get it out there." Another reason for the delay, was the township's on-again, off-again search for an assistant township manager. Once filled, the new assistant manager would be responsible for gathering information and submitting it to the company for inclusion on the site. "It's going to be a tough task to keep it a living document," Fink said, "but we want it to be a tool to keep the community informed of all new and upcoming events." The township has spent roughly \$5,000 on the Web site, with another \$4,914 included in the proposed 2002 budget for the company to continue maintaining the site and making additions to the page, Fink said. John Gentzel's e-mail address is [jgentzel@pottsmc.com](mailto:jgentzel@pottsmc.com)

*From [The Pottsdown Mercury](#), 20 November 2001*

### **SAP and HP Sign on for Public Directory**

SAP and Hewlett-Packard have joined IBM and Microsoft in launching a public web services directory based on the latest version of the UDDI specification. The Universal Description, Discovery and Integration (UDDI) business registry is a global, public, online directory that gives businesses a uniform way to describe their services, discover other companies' services and conduct ebusiness over the web. The UDDI spec was developed by IBM, Microsoft and Ariba, and is supported by more than 300 companies, including Oracle, Sun Microsystems and Nortel Networks. The latest version, v2, expands UDDI functionality to enhance support for deploying public and private registries to manage internal web services using the UDDI specifications. With the addition of HP and SAP as hosts of the registry, there are now four browser-accessible points to find and manage UDDI information. IBM and Microsoft have also enhanced their implementation of the UDDI Business Registry and incorporated new UDDI v2 features into the browser interface. As part of becoming a UDDI operator, SAP said it would build, run and maintain a global UDDI node that enables businesses to register and discover web services over the internet. Tom Glover, UDDI general program manager, said this version provides developers with the means to explore building web services registries, both within and across enterprises. Improvements include a capability that allows the modelling of large businesses, or various business units and services within UDDI. Access to internal web service information may also be extended to a private network of business partners. For example, a manufacturer may share information about a parts inventory web service with its business partners through a private UDDI registry. The UDDI specification, along with Extensible Markup Language (XML), Simple Object Access Protocol (SOAP) and Web Services Description Language (WSDL), are gaining widespread support in the web services framework. About 7,000 businesses have registered with the UDDI directory.

*From [vnet.com](#), by [John Gerald](#), 20 November 2001*

### **Government Promises IT Another New Beginning**

Treasury chief secretary Andrew Smith has pledged to "reform the relationship between government and the IT industry". Smith made the promise as he launched the work of a new group aimed at delivering better IT projects and a more accessible government marketplace for suppliers. The Senior IT Forum, sponsored by the Office of Government Commerce (OGC) and the Computing Services and Software Association (CSSA), has identified a series of systemic

problems in public sector IT projects. In response, the forum has launched a code of practice to help prevent problems arising. Key points include a new framework for the leadership of projects, high level value for money guidance and a "partnering" approach for complex IT projects. Smith said: "Large government IT projects have not always been as good as they could have been, suffering from poorly procured and badly designed systems. "The IT industry has suffered and government revenues dropped due to these failures. We must stop wasting our time on incompetent procurement. We are serious about partnership and working openly with the IT industry and look forward to replacing the old adversarial relationship." Peter Gershon, OGC chief executive, warned that the Senior IT Forum's work in identifying solutions to the systemic problems was easy compared to the work that would be needed to implement them. "The biggest problem is to make the corrective processes stick in government and industry," he said: The promise is one of many made over the years. In May 2000 Cabinet Office minister Ian McCartney announced a 30-point plan to improve public sector IT project performance, in a document *Successful IT: Modernising Government in Action*. The move followed a series of stinging reports by the National Audit Office and an all-party Public Accounts Committee report on cost overruns, technical problems and control failures in 25 major government IT projects over the past 10 years. McCartney's report followed similar publications made in the early 1990s.

From [CW360.com](http://CW360.com), by Bruce Ackland, 20 November 2001

### Online Privacy Laws Don't Protect Health Information on all Sites, Study Says

Personal medical information shared online may not be protected by new federal rules meant to protect health-care privacy, a report sponsored by the Pew Charitable Trusts says. "Sixty-five million Americans have gone online for health information. Many probably assume that the personal information they provide to health Web sites is covered by the new regulation, and they are wrong," said Susannah Fox, director of research at the Pew Internet and American Life Project. Regulations issued last year by the Department of Health and Human Services will provide the first-ever legal protection to the confidentiality of some kinds of health-related information when they take full effect in April 2003. But those rules only apply to health-care providers like a hospital or doctor's office or pharmacy, to health insurance plans or to health insurance claims clearinghouses - essentially focusing on electronic transactions between those types of operations. Researchers at the Health Privacy Project at Georgetown University found that much of the information shared through Web sites will fall through regulatory cracks because they're run by organizations that are not "covered entities" according to the new rules. "People often believe they are invisible and anonymous online, but in reality, they are exposing their most sensitive health information to Web sites that are not required by law to protect the information. The potential for abuse is enormous," said Janlori Goldman, director of the Health Privacy Project. The report notes several instances where electronic health information on thousands of clients collected by Web sites has been accidentally revealed, and surveys show that Internet health-care clients are particularly worried about confidentiality, with fewer than 20 percent willing to provide personally identifiable information because of such concerns. "Specific activities - ordering a prescription, getting a second opinion, consulting with a doctor or even maintaining a medical record - may be covered by the new regulation at one Web site and unregulated at another," the report notes. Generally speaking, the researchers found that health-care entities that accept health insurance payment or are part of a health plan fall within the scope of the privacy rule, but if the organization behind the site doesn't accept insurance, federal protection probably isn't there. Among the types of Web sites that likely won't be covered: - Sites that provide information about general fitness and nutrition; - Sites that only furnish health information, even though they may offer interactive assessments or searches that collect a great deal of medical detail.

As long as they don't offer "treatment" and don't accept insurance for the consultations they provide, they're not covered; - Sites tied to pharmaceutical companies that promote the use of certain drugs; - Online pharmacies that allow people to purchase prescription drugs after completing an electronic "consultation" with a doctor, but only take credit-card payment. Also, sites that sell only nonprescription products, like herbal remedies, over-the-counter drugs and other products, like condoms; - Sites that actually do provide health care on a cash-only basis, such as online counseling services or those that help enlist patients for trials of new drugs or medical devices. Even sites that allow patients to store and transfer their own medical records electronically for emergencies, or to seek medical advice, aren't under the federal rules. The researchers also noted that some activity on a site might be protected, while other transactions wouldn't be, such as an online pharmacy that sells both prescription and nonprescription items. While many Internet health sites do have their own privacy policies, and quite a few have joined organizations that set privacy codes, Goldman stressed that most of these are self-regulated and not subject to the federal rules, or even most state rules, where they exist. "Internet users are often more concerned about getting quick and accurate advice than checking a Web site's privacy policy," Fox said. "They're doing their best to care for their loved ones and just hoping they won't get burned."

## City Needs to Push for Communication Improvements

The process to update the City of Douglas general plan continued this week with a meeting Tuesday of a steering committee made up of community leaders. Work by the steering committee is one step in a process that will update Douglas' general plan, first developed in 1993. Updating the plan is a requirement of the state's Growing Smarter and Growing Smarter Plus, approved by voters last November. The 1993 general plan outlined specific goals. Some have been met, others only partially and some not at all. Goals met include bringing the city's zoning ordinance 653 into conformation with the general plan, and programs developed to improve overall road conditions, housing and a coherent sense of planned community. Goals partially met include enhancement of the visual environment, maintenance of the downtown area's character and recreational development. Unmet goals include prioritizing in-fill development, creating alternative transportation systems and conservation of groundwater. During a previous meeting, committee members named and prioritized challenges in three categories that they felt Douglas will face in 5-10 years. Everyone agreed the top priority in the transportation and telecommunications category was telecommunication improvements. Everyone also agreed the top priority in land use was to "provide additional residential land uses/housing." The top priority in public facilities/services was supplying the infrastructure necessary for the hospital to install a dialysis center. But improving Port of Entry facilities, expanding infrastructure for the prison and providing services that will attract people to live in Douglas also received high priority votes. On Tuesday, after evaluating all this information, the steering committee began "to translate the vision of the community for the next 10 years into tangible goals, measurable objectives and feasible implementation tasks," said Maria Masque. Masque is the project manager. She's an employee of The Planning Center, a Tucson firm selected to help Douglas complete the planning process. At future sessions, the committee will refine the plan. Public participation will also be incorporated in the planning process.

From [The Daily Dispatch](#), by Cindy Hayostek, 19 November 2001

## There's No Time to Protect Public, Parole Officers Complain Online

Ontario's system for monitoring 70,000 criminal offenders living on probation in the community has reached a "dangerous crisis" point, and the safety of the public is at risk, say those in charge of watching them. Hundreds of this province's probation and parole officers, from offices in London to Ottawa, have taken their concerns into cyberspace, speaking out on a Web site, [www.geocities.com/gordlonghi/ENOUGH.html](http://www.geocities.com/gordlonghi/ENOUGH.html). The correctional services ministry employees complain about being overworked, stressed out, underpaid, burdened with responsibilities they just don't have the time, or resources, to handle, such as checking on people under house arrest, or keeping closer tabs on "clients" who are likely to reoffend. Over the past two years, nearly 20 probation officers have been assaulted, threatened with death, had their offices firebombed, or confronted offenders armed with weapons. Two probation officers have committed suicide, in part, say colleagues, because of stress on the job. "The ministry officials are magicians at sweeping things under the carpet," Gord Longhi, a veteran probation officer and union steward with the Ontario Public Service Employees Union, said in an interview. He dismisses comments that the recent speaking out by his colleagues is just a ploy to squeeze more money out of the government during contract talks. "These problems have been going on for years. This is nothing new. It's just getting worse," he said. "Enough is enough. We just can't take it anymore." Tomorrow, many of the 750 probation and parole officers in the province plan to go to work dressed entirely in black to protest their plight. They're also handing out buttons that say: "Enough is enough." "I'm outraged at how we've allowed the system to get into this predicament," said Liberal MPP and corrections critic David Levac. "The ministry better get its act together. The safety of the public is being jeopardized." But Corrections Minister Rob Sampson said he is just as angry and frustrated, and blames Ottawa and the federal Liberals for causing problems in the system. He said in a weekend interview that Ottawa changed the legislation six years ago, bringing in non-custodial sentences such as house arrest for some criminal offences but didn't give the provinces the funding it needed to keep a watchful eye on the offenders. "I don't blame them (probation officers) for being frustrated, but there's only so much we can do," Sampson said, adding "Pick up the phone and call Ottawa because they're responsible." Ontario's probation officers have the highest caseloads in the nation, around 110 each, nearly 40 more than the national average, according to provincial statistics. Hiring new probation officers will help, but that won't address problems such as closer monitoring of offenders, says Cathy Hutchinson, president of the Probation Officers Association of Ontario. "When you do the math you'll find that each officer spends less than a half-hour a month with a client," she said. She says that isn't enough time to check up on the person and try to determine if he or she is sliding back towards committing another criminal offence. Judges would probably be dismayed to know that the strict conditions they

impose on convicted offenders who get sentenced to house arrest are not being checked, say probation officers. "We don't have the time or the resources to go to a person's house and make sure he's following even the basic curfews," said Longhi. Monitoring people under house arrest is "a farce, a falsehood," said Hutchinson. "Right now, there is no active monitoring system in place for people on house arrest," she said. Here are other comments from the nearly 400 probation officers who have spoken out on the Web site: "Let's keep the pressure on, and let this employer know that probation officers deserve better treatment, and pay," says Reta Gotthardt of the Durham East probation office, one of nearly 400 probation officers to speak out on the Web site.

*From [Toronto Star Online](#), by Nick Pron, 19 November 2001*

## **How to Keep Up With the Market**

In an earlier column I surveyed the status of e-government development by comparing Thailand with the United States. Since then, many developments have taken place that prompt a re-examination of the issue. The prime minister recently appointed a new body to handle e-government implementation, chaired by Deputy Prime Minister Suwit Khunkitti. Details on the committee and its functions can be found at [www.egovernment.or.th](http://www.egovernment.or.th). Instead of creating everything again from scratch, I hope the new body can extend the work done by the old e-government group chaired by the former governor of the Bank of Thailand, M.R. Chatumongol Sonakul. The old body was one of five set up last year under the e-Thailand framework initiated by Nectec. My recent discussion with Varavich Hongladarom, the country manager of the Gartner Group, also gave me some insights into the issue. Research by Gartner in this area is especially helpful to readers, in particular those in the government sector. We will begin this week by looking at the definition and the evolution of e-government. Back in the ancient Roman Empire, successful governments had to provide both bread and circuses, i.e., entertainment as well as essential services, to win public "mind share" and support. Think of Gladiator. The modern e-government definition has much more to do with transforming relationships (internal and external) than with technology. The goal of the transformation is to optimise government service delivery, constituency participation and governance. The technology, especially the Internet, is merely a new communication tool. In my interpretation, e-government not only means that agencies create web sites and begin offering their services online, which is external transformation. The successful e-government must pay attention to internal transformation as well. Different agencies might share resources not only in terms of information but also physical assets. For example, if the Land Transport Department has a good communication network with the Department of Local Administration, people could renew their driving licences at any district office. Beyond that, if government agencies have good communication networks with state enterprises, people could perform many basic functions, such as licence renewals, permits, tax payments and so on, from any post offices or counter services of the Telephone Organisation of Thailand. Although this vision portrays a very convenient life for citizens, a lot of headaches and complaints will surely emerge among the operators. Technology can simplify the process and outdated rules can be changed, but nothing can change people's attitude if they do not have willingness to change.

Dr Wuthipong Pongsuwan, the prime minister's adviser on science and technology, is seeking to create an improved mindset, stressing the need to share government resources and create one-stop services for citizens. This is consistent with the prediction made in the Gartner report that citizens' demands will rise over time, so governments need to look ahead and initiate changes before citizens demand them. Gartner classifies e-government development into three main phases. 1. Network Foundation: In this phase, the government must prepare necessary equipment for people to easily and cheaply gain access to the Internet. Public Internet kiosks are basic services like telephone booths. Policies to promote free competition in telecommunications and Internet services are on the right track. However, the government should ensure that there is no digital divide between urban and rural areas. The initiative of Nectec to draft the universal access law is expected to contain this gap. E-government services in this phase mostly involve content providers without any transactions. However, the government should prepare the legal framework to support online transactions. In Thailand, the long-awaited electronic transaction act has finally been passed, but a commission is still needed to regulate the certificate authority (CA), whose role is to authenticate the identities of people conducting online transaction. There are now two private CAs operating in Thailand, but their legal validity could be challenged without the existence of the commission for them to register according to the law. 2. Service platforms: This is the phase where online transactions begin. The government might create portals to combine services earlier dispersed among various agencies. It must certify that the transactions over the Internet are equivalent to those done at government counters. 3. Lifestyle-enabling: This is the phase where people can customise their services. Citizens can design individual services portfolios on the government's portal and always obtain updated information. They might even link the services to their e-mail account at Hotmail or an Internet bank account to seamlessly handle communications and payment via a single most trusted government web site. This is the phase where the technology

of web services that we discussed in an earlier column is fully developed. We will explore it further next week. - Dr Arnat Leemakdej is chairman of [www.velocall.com](http://www.velocall.com), an e-commerce solution provider. He can be reached at [arnat@velocall.com](mailto:arnat@velocall.com) or tel 02-216-5071-3.

*From [Bangkok Post](#), by Arnat Leemakdej, 23 November 2001*

## Public Bank's Quality System Enhances Overall Strategy

In a Q&A with The Star's Yap Leng Kuen, Public Bank executive director Tay Ah Lek gives an insight into better customer service delivery.

**STAR:** What changes have there been at Public Bank as a result of the implementation of the ISO 9001:2000 (International Standards Organisation) quality management systems?

**Tay:** The scope of the Public Bank's ISO 9001:2000 certification covers the provision of customer services at the front office of all its branches. The implementation of the quality management systems has strengthened the bank's continuous commitment to be a world-class service provider. With the implementation of the quality management systems that has now met with the ISO 9001:2000 requirements, the bank has successfully benchmarked its service processes based on world-class standards. Since the launching of the bank's Customer Care Campaign in 1999, we have been able to make inroads in terms of tangible service improvements such as reducing waiting time to just two minutes. This certification of compliance with internationally recognized standards also enhances the credibility of the service gains that have been attained, while boosting the bank's confidence as a service provider to attain even higher levels of customer service. The ISO certification process covering the entire branch network of Public Bank has streamlined and confirmed the consistency of service delivery at all 213 branches nationwide.

**Star:** What was the impetus for spearheading implementation of these systems?

**Tay:** The vision of Tan Sri Teh Hong Piow, the founder president, has always been to make Public Bank a world-class bank. The new realities of open cross-border banking are such that even if a banking institution only operates in one country or region, it must still subscribe to world class-standards. As such, obtaining the ISO certification is a logical consequence for Public Bank, as it would help it benchmark against universal standards. However, the ISO certification is only one of the numerous steps in the bank's long-term service improvement action plans. To ensure the bank's service efforts do not regress, the adoption of a universal quality service management would encase the bank's commitment to continued service excellence. In his address during the ISO presentation ceremony last week Tan Sri Teh stated that Public Bank is prepared to try harder and run faster to sustain service excellence for customer satisfaction.

**Star:** Was any outside consultant hired to design and install these systems?

**Tay:** The bank did not opt to engage an external consultant, as the service culture has always been a cornerstone of the bank's business. The bank's Customer Service Working Group (CWSG) that comprises of staff representing a cross-functional working group of senior management personnel who have extensive exposure to the service culture is spearheading the service improvement efforts. The CWSG has put into place infrastructure in the form of extensive training and service culture initiatives that made the environment ripe for the ISO certification. The bank wanted to ensure that the certification process would afford us the opportunity to perform an effective work process and quality audit. Besides, it would be easier to maintain the certified processes later if the service delivery efforts were homegrown.

**Star:** What are the main components of the systems, and what are they aimed at?

**Tay:** There are four main components in Public Bank's quality management systems. They are: - **1) Management commitment:** Management is committed to establishing a quality management system meeting the requirements of the ISO and to ensure that customers' need and expectation are determined and understood. The main management responsibilities reflecting this commitment include the establishment of the quality policy and quality manual, provision of resources, appointment of management representatives to manage the quality management systems, planning and holding of management reviews, and the establishment and control of procedural level documentation and quality records. **2) Resource management:** The resources needed to implement and improve the processes of the quality management systems and to address customer satisfaction must be determined and provided in a timely manner. Resource management covers provisions for human resource, training, infrastructure and a conducive work environment. **3) Service Realisation:** Service realisation is the identification and establishment of processes, activities and other service requirements that are needed to realise effective and efficient service delivery. This component covers the service lifecycle from identification of customer requirements through establishment, delivery and review. Included as implementation requirements are processes concerning customers' banking transactions, branch and contact staff performances and provision for customer communication and customer facilities. **4) Measurements, analysis and improvement:** This component groups together all areas for compliance monitoring, data gathering and analysis. These include requirements for branch self-assessment as a measure to control non-conformances, internal audits and corrective and preventive actions. Additionally, this component calls for the measurement, analysis and

monitoring of customer satisfaction, the performance of the processes and on the effectiveness of the quality management systems.

**Star:** What does the bank hope to achieve through these systems?

**Tay:** Public Bank's motto, "Excellence is Our Commitment", is a declaration of intent to ensure continuous improvement and customer satisfaction so that confidence and trust of stakeholders in the bank, in particular its customers, are sustained. In his acknowledgment speech during the presentation ceremony, Tan Sri Teh emphasises that these systems will act as an assurance that service quality will be "consistently excellent" at all of the bank's 213 branches. The systems will ensure that the performance of the frontline service providers meet the expectation of the customers. These systems will be a driving force that will propel the bank to new frontiers of service achievement such as reduced counter transaction time to one minute as well as improved range and reach of the bank's products and service delivery channels. We hope to achieve this through the following quality service objectives: I To provide the most courteous and efficient customer service within the banking fraternity in Malaysia and ultimately, in the world. I To ensure that quality service is further entrenched into the Bank's service culture. Each and every staff shall be aware and conversant with the quality service requirements and shall demonstrate this when carrying out their duties. I To allow the voice of the customer to be a catalyst of cutting-edge service and product innovation.

**Star:** Has the bank seen improvement in terms of cost savings, reduction in turnaround time etc. as a result of the implementation of these systems?

**Tay:** Some of the tangible benefits of service improvements that are part of the certified processes include:

I Reduced customer waiting time within two minutes upon taking a queuing ticket,

I Efficient and quick resolution of complaints,

I Consistency and efficiency in handling of simple customer counter transactions within 1 minute,

I Courteous handling of customers,

I Conducive and comfortable environment for customers required for effective service delivery, and

I Special counters for senior citizens, disabled persons and expectant mothers

The bank has also been able to leverage on its re-engineering exercise in 1997 by re-deploying more backroom staff to the frontline.

**Star:** Were there any worldwide models being studied or adapted?

**Tay:** In addition to the ISO 9001:2000 requirements which have been accepted as the leading model for a quality management system, the bank also referred extensively to the ISO 9001:2000 – Quality Management Systems: Guidelines for Performance Improvements. These guidelines provide guidance for continued improvement of the quality management systems and information for going beyond the ISO 9001:2000.

**Star:** How do these systems feature in the overall strategy of the Bank, especially after the last major IT exercise costing RM300mil?

**Tay:** The ISO quality management systems operate as an integral part of the bank's existing management systems. The ISO quality management systems enhance the bank's overall strategy to improve service quality and serve the bank with a means for consolidating other management systems, in particular pertaining to service and sales. The bank's banking platform which was introduced in 1996 has increased its system capacity and allowed the bank to re-engineer processes to eliminate non-value added backroom activities. It has enhanced backroom productivity, while releasing staff into sales and service functions, which has the potential of reducing the bank's cost-income ratio and increasing service efficiency.

**Star:** How much did it cost to install these quality management systems?

**Tay:** It is not practical to isolate the cost of the quality management systems because it forms part of the bank's entire service delivery infrastructure. However, as an indication of the resource cost of the certification process, the process involved 213 man-days of auditing at all Public Bank domestic branches, 238 classroom training hours, 100 man-days in audit preparation and the time spent in planning activities which cannot be practically enumerated in an exact value.

*From [thestar.com.my](http://thestar.com.my), 12 November 2001*

## Finance Chiefs Discuss Reconstruction Plans

World Bank president James Wolfensohn is in London for talks with the Government on the aftermath of the US terror attacks. Mr. Wolfensohn will discuss how the international community can finance the reconstruction of Afghanistan after the war there is completed and a new broad-based government is put in place. But he also wants to look at a more far-reaching reform of the world's economy to end the disparities in wealth which have become a breeding ground for despair and crime. Mr. Wolfensohn told BBC Radio 4: "The biggest issue that we have to face initially is the question of reconstruction of Afghanistan, which would be done only after there is a political solution. "Our purpose is to talk to the Government about what we should do and when we should do it in terms of reconstruction of the country."

He said: "I also want to talk about the broader issues of September 11, which is the question of poverty around the world, and what we can do in terms of the broader issue of violence and crime and terror, so that development can give hope to poor people. "Half the world lives on under two dollars (or £1.37) a day and, as we look forward, we see huge growth in the developing world. Our concern at the Bank is that these people should have hope. When you are in poverty, it is a breeding ground for discontent. "That is not to say that poor people commit acts like those on September 11, but it is very clear that unless we deal with the issue of global poverty and development, there will continue to be violence and crime around the world. "We must try to give people in poverty a sense of hope so there is some social justice in the world." Mr. Wolfensohn added: "If there is one positive element in the horrors of September 11, it is that now people must recognise that there is not a divide between the developed and developing worlds. We need to understand that what happens in Afghanistan can affect Wall Street."

*From [Ananova](#), 12 November 2001*

## **Bank of China steps up reform**

Bank of China, one of China's four largest State-owned commercial banks, is speeding up the establishment of a corporate governance mechanism to meet the challenges brought about by the country's accession to the World Trade Organization (WTO), according to the bank's president. Liu Mingkang said China's banking industry will become more involved in the globalization of the economy and finance after the country's WTO accession. "New opportunities and challenges will press for reform of China's banking sector and promote its development," Liu said. The opening up of the country's financial sector will also enter a new stage, he said. Since 2000, Bank of China has mapped out an ambitious plan to turn itself into a large, competitive international bank with relatively good corporate governance within three to five years. The bank will further grow into one of the top international banks through mergers and acquisitions in the next five to 10 years, the president added. Bank of China recently reorganized its Hong Kong business by merging 10 branches to form the Bank of China (Hong Kong) Co Ltd. The new bank opened business on October 3. "This is one of the most important undertakings that Bank of China did to meet the challenges of the WTO accession," Liu said. "Experiences gained from the reorganization will help Bank of China further reform and get listed later." With an aim to establish a better corporate governance mechanism, Bank of China has continuously improved its decision-making system and inner-control system since 2000. It took the lead in China's banking sector by compiling financial reports in accordance with international accounting standards, which reveal more information including the ratio of bad loans, Liu said. The bank has also focused its attention on human resources training and management. Over the past several years, Bank of China has trimmed its inner organizations, slashing the number of organizations from 15,251 in 1997 to 12,967 in 2000. "Bank of China's reform measures during the past years have achieved remarkable results," Liu said. By the end of September, the outstanding amount of renminbi loans increased by 153.4 billion yuan (US\$18.5 billion), compared with the end of last year. The outstanding amount of foreign money increased by US\$2.33 billion. The quality of assets also improved, with the ratio of bad loans dropping 2.97 percentage points by the end of September compared with the end of last year.

*From China Daily news, 11 November 2001*

## **Koizumi Reforms Spread to State-Owned Banks**

Reform-minded politicians and government officials plan to merge state-owned banks as part of Prime Minister Junichiro Koizumi's administrative consolidation efforts, sources have told the Mainichi. Under Koizumi's leadership, government officials and lawmakers in the ruling coalition have been thinking about cutting subsidies to state-run banks and merging them is a key maneuver in achieving that goal. Koizumi has gone so far as to instruct the Cabinet administrative reform office to "scarp" a major government bank, the Housing Loan Corp., although the reform office had only planned to privatize it and the Central Bank for Commercial and Industrial Cooperative. But some politicians in the coalition have tried to curb Koizumi's reform program, as have a number of government bureaucrats, who have traditionally landed executive posts in those government-owned banks after retirement in a dubious practice known as amakudari. Former Prime Minister Ryutaro Hashimoto, who was defeated by reformist Koizumi in the spring Liberal Democratic Party (LDP) presidential election, moved to block the reform program. "I cannot understand why some are still insisting privatization of the industrial cooperative," Hashimoto told a meeting of the LDP's in-house faction which he heads late last week. Taking a cue from Hashimoto, LDP politicians who want to keep state-owned banks intact even insisted that those financial institutions' lending operations be widened, saying private banks are now reluctant about making loans to small companies. But Koizumi and those siding with his reform efforts hope that most state-owned banks be merged. The merged institutions will apparently be deprived of operations which private banks are willing to do such as making loans to major businesses, sources said. "Merged banks should be engaged only in loans

which the private banks cannot accommodate," one of the pro-reform government officials said. The organizations planned for merger include the Development Bank of Japan, National Life Finance Corp. and Small Business Finance Corp.

*From [Mainichi Interactive](#), by Mainichi Shimbun, 18 November 2001*

## **China Firm on Tax Increases for Foreign Businesses**

China is determined to push ahead with plans to raise taxes for foreign businesses after its entry into the World Trade Organization next month. The state-run China Daily says under current rules foreign firms often pay less than half the tax levied on their Chinese counterparts. It says that's unsustainable and the only question is when taxes will rise and by how much. A Chinese foreign ministry official Zhang Baozhu is quoted as saying that the more open market after WTO entry needs a fair tax environment for domestic and foreign-funded companies so that they can compete on an equal footing. Tax reform forcing foreign companies to pay the same rates as Chinese enterprises could mean fundamental changes in the conditions under which they operate. Chinese companies are currently levied as much as 33 percent in taxes, while foreign-invested enterprises benefiting from preferential policies can pay as little as 12 percent. Last year, China attracted more than 40 billion dollars of foreign investment, making it the world's second-largest destination after the United States.

*From BBC, 20 November 2001*



## **OECD Delays Possibility of Sanctions Against Tax Havens to 2003**

OECD countries have put back the possibility of sanctions against alleged tax havens to 2003, the OECD said. They have also modified the criteria that they will use to trigger sanctions. In June 2000 the OECD identified 35 countries which it said were engaging in harmful tax practices and said it would implement sanctions against those jurisdictions which did not commit to reform by July 2001. However, the US expressed doubts about the tax initiative, arguing that it would interfere with a country's ability to set its own tax rates and structures. In a progress report on its drive against harmful tax practices, the OECD today said it has extended the deadline for tax havens to commit to reform to Feb 28, 2002. Eleven countries have already given such commitments and are therefore no longer regarded as tax havens. Actual coordinated sanctions against countries which are still regarded as tax havens will not be implemented before April 2003, the same date that measures can be taken against OECD members with harmful tax regimes. However, it remains possible for individual countries to take measures against tax havens at any time, an OECD spokesman said. The OECD has also dropped one of the criteria which it previously said would be used to trigger sanctions against tax havens. It previously said that one of the criteria for determining whether or not a country is a tax haven was that it allowed foreign-owned entities to be registered in its jurisdiction without requiring them to have any substantial local presence, and a commitment to change on this point was required to avoid sanctions. This is now no longer the case. "The 'no substantial activities' criterion will no longer be used in determining whether a tax haven is considered an uncooperative jurisdiction," the OECD said. The other criteria for deciding whether a country is a tax haven are the absence of taxes or very low taxes, the lack of effective exchange of information with other tax authorities, and a lack of transparency on its tax regime. Commitments will continue to be sought on the transparency and exchange of information criteria. "Effective exchange of information will continue to be sought in both civil and criminal tax matters in specific cases," the OECD said. The organisation said the aim of the new report is to create a framework in which all countries can work together to eliminate harmful tax practices in highly mobile activities, particularly in the financial and services areas. "The OECD seeks to encourage an environment in which free and fair tax competition can take place in order to assist in achieving its overall aims to foster economic growth and development worldwide," it said. It said it is in discussion with the IMF, World Bank and regional development banks on other assistance that may be appropriate to help committed jurisdictions further develop their economies as they move to eliminate harmful tax practices. Switzerland, Luxembourg, Belgium and Portugal registered abstentions on the report.

*From AFX News, 14 November 2001*

## **Russian-American Banking Dialogue Fact Sheet**

In light of growing interest in banking reform in Russia and the plans being developed by Russian authorities, the United States and Russian Governments have encouraged the creation of a public-private Russian-American Banking Dialogue. A safe, sound, transparent and competitive banking sector is essential to sustain economic growth and give increasing numbers of Russian individuals and businesses access to private capital. Currently, only three percent of Russian investment is financed by bank lending. Banks, their customers and the financial authorities that regulate them can all benefit from improved communications in formulating reform plans. By bringing together those who share an interest in addressing banking problems, such a dialogue can help establish practical priorities for public and private actions that will build a vibrant banking sector in Russia. The dialogue will help define key challenges and provide recommendations to address them. These might include: - Expanding small and medium-sized business access to credit - Lengthening the maturity of bank lending - Leveling the playing field for Russian private banks laboring under the advantages enjoyed by public banks - Building businesses willingness to finance themselves through bank borrowing - Improving the supervisory and regulatory regime - Establishing financial disclosure by banks and businesses - Creating the basis for mortgages and other collateralized lending and financial leasing - Expanding participation of foreign banks to provide infusions of capital and technical know-how. The dialogue would involve discussions among interested foreign and Russian banks, businesses and financial authorities aimed at identifying next public and private steps to be taken. We expect the private participants in the dialogue to begin meeting this winter and will be able to report to Russian and United States financial authorities by the spring of 2002.

*From [The White House](#), 14 November 2001*

### **Bosnia's Beleaguered Budget**

Sarajevo, Bosnia - It took Bosnians two years to decide on the look of their passports. How long will it take to develop a coherent system of taxation? Smugglers continue to take advantage of Bosnia and Herzegovina's porous borders, political disagreements, and an unwillingness to compromise. Moreover, they further stack the deck in favor of illegal imports--all the while strangling the country's ability to collect much-needed taxes for its meager budget. Unsettled relations between the political entities of the Bosniak-Croat Federation, Republika Srpska, and the District of Brcko, along with unfair economic competition and the inability to control borders, cost Bosnia about half a billion dollars in uncollected taxes on imports every year, international officials announced recently. The announcement came after international economic institutions working in Bosnia and Herzegovina completed research on the economy. For the past couple of years, such institutions have been trying, mostly unsuccessfully, to establish a coherent import taxation system in the country. The EU's Customs and Fiscal Assistance Office (CAFAO), an organization working on issues of anti-corruption, economic crimes, and taxation procedures, says its analysis shows that on smuggled cigarettes alone, the country loses about a quarter of a billion dollars each year. The Bosnian press repeatedly laments losses to budget, especially in regards to the inability to pay pensions and other social problems that result from this.

The tone is usually one of blame, with most fingers pointing at Republika Srpska. In order to recoup those losses and to simplify and improve taxation procedures, the Peace Implementation Council (PIC) Steering Board discussed the problem on 30 October in Brussels where they tried to prod Bosnian authorities to work harder to develop a tax system appropriate for the country's needs. Meeting at the level of Political Directors, the Steering Board considered the "establishment of a single customs administration at the state level," according to an OHR press release. Tax revenue losses have indeed been most severe in Republika Srpska, which has a very small budget--about \$350 million annually--and whose extremely porous borders are a smuggler's dream. And making things worse, the [Arizona Market](#), a black market paradise on the border between the federation and Republika Srpska that evades the country's budget unchecked, is in full force and looks set to stay that way. The territory comprising Bosnia and Herzegovina is approximately 1,120 square kilometers and maintaining customs checkpoints at every possible entry place is a challenge both physically and economically. There are only 50 legal border crossings, according to UN spokesman Stefo Lehmann, and only 35 of those are controlled by the State Border Service (DGS). Furthermore, according to DGS chief Tomislav Mihalj, there are 426 illegal border crossings. Three times as much goods cross over illegal border points than over legal ones, Mihalj told *TOL*. Unfair economic competition has also taken its toll. Customs regulations are not consistent across the various entities that comprise Bosnia and Herzegovina. The customs regulations for the District of Brcko, for example, are different than those in the rest of the country and arguments remain about how to change that. In Republika Srpska and in the Federation, a system of double taxation exists—for cigarettes, alcohol, and coffee—where all articles are twice taxed. In Brcko, there is only single taxation, which attracts traders away from the two main entities. Federation authorities and Brcko authorities feel they have the quiet support of the international community to take advantage of inconsistencies in tax regulations, Mirsat Djapo, president of the District of Brcko Parliament, told *TOL*. In the meantime, however, the lax regulations in Brcko--and, in particular, the Arizona Market,

cost Bosnia and Herzegovina [\\$100 million per year](#). According to the economic experts from the Office of High Representative (OHR), this goal will be difficult to achieve, especially since it concerns not only has economic issues, but also poses many difficult political questions. According to Djapo, the greatest political challenges will be met in Republika Srpska. The entity, he said, will avoid the implementation of any harmonizing tax regulations because they believe that will mean the end of Republika Srpska—both economically and politically. In other words, should they except harmonization of tax regulations on a state level, he said, will make all entities one under the same law and they don't want that. In general, Djapo said, Republika Srpska still lacks the political will necessary to prompt positive economic changes. Specifically, the Steering Board that met in Brussels urged Bosnian authorities to create a single customs duty revenue account and to agree on a distribution formula. But despondency was the overriding tone of the talks. "The Steering Board expressed its severe disappointment of the painfully slow pace at which the Entity governments have been implementing the agreement on the allocation of excise taxes to the place of consumption, creating distortion and hindering the creation of a single economic space," the press release stated. OHR experts, however, said that they are somewhat optimistic that authorities could come to some agreement about a new taxation system by the end of next year. Despite frustration at slow economic reform, international experts seem to believe that there is some hope now that extreme nationalists have been ousted from power.

*From [Transitions Online](#), by [Anes Alic and Jen Tracy](#), 22 November 2001*

### **Middle East**

## **Banking Environment in for Big Changes**

What are today termed privacy and human rights violations could, a decade hence, be the accepted operational norms followed by the global banking industry, according to a visiting anti-money laundering expert. "Even as recently as five years ago, who thought mandatory body searches and routine luggage examination would be the norm today?" noted Tim Parkman, until recently the regional head of legal and compliance in the Gulf, Middle East and South Asia for Standard Chartered and Standard Chartered Grindlays banks. He today runs his own UK-based firm, Lessons Learned Ltd. "In the same manner, we'll have a very different environment in banks in the future. I foresee the day when a person will not be allowed to hold a bank account, or use the Internet, without meeting vastly more stringent compliance norms and satisfying the officer he is totally above board. "The environment is tending towards ever more harshness, more compliance, more transparency requirements." He pointed out moves towards this direction have already started, at least on three counts: "Until very recently, private bankers were loath to let even their head-offices know who their (numbered-account) clients were; now they're having to reveal the identity, even the net worths of their customers. "More, they may have to even state the source of the economic activity which has enabled them to make the money they have placed in their accounts! "Secondly, while all banks have always tended to do their due diligence, it was generally accepted that bankers do not have to be detectives. "True, in recent years, they have already taken on this role, but are yet hesitant to freeze a deposit on the mere say-so of the law enforcement authorities, fearing they might be sued. "But I believe that tomorrow a simple allegation of the funds being suspicious will allow them to freeze the account, on provisional future supply of a court order - and what's more, the law will protect them in this. "Thirdly, there will be a lot more random surveillance of accounts, profiling of accounts, etc. Here, e-banking will also have to incorporate those operations hitherto followed in conventional banking, and there will be Net-based programmes to find - even attach - suspicious funds. "And all of this will be necessary, or else there'll be a large loophole for those of a mind to exploit it." He asserted that secrecy products - such as numbered accounts, private and offshore banking - will perhaps feel the heat the most, due to being more heavily regulated, and being forced to display a higher degree of transparency. How much of all this will be a knee-jerk reaction to the ongoing war against terrorism? Parkman acknowledged that while there might be an element of immediacy involved here owing to the global situation, the fact is there has always been money laundering activity going on, with the regulators having historically been just as determined to fight it. He pointed out that the GCC has always had regulations to fight dirty cash, with the imminent implementation of the law in the UAE being another step in the right direction, since the law would now recognise this activity as a crime. [Media City aims to put Dubai as key player on global map](#). [Executive Focus: Banking environment in for big changes](#). [Legal Perspective: Letters of credit and rules governing them](#).

*From [Gulf News](#), by [Tim Parkman](#), 18 November 2001*

### **The Americas**

## **Tax Reform is Obligation of Lawmakers**

It's sounding like a refrain from a song you desperately want to forget: Let's pass a constitutional amendment. Here in Florida, insurmountable problems arise from amendments adopted in haste and regretted at leisure. Amendments are almost impossible to repeal. The prize example is the ban against a personal income tax, which has created Florida's erratic dependence on sales tax. Another doozy mandates that we build a high-speed rail, snugly tying the Legislature's hands as to when, why, where and how much. Then there's the pregnant-pig amendment proposal, which defies lampooning. Nor do we now need a constitutional amendment that restricts state spending to population increases plus inflation and also limits state and local governments in their ability to change tax rates and structures. They'd need super-majority votes. These last two ideas emerge from a state task force charged with making recommendations for improving our tax system. Clearly reform is needed and, as is often the case, the ideas aren't in and of themselves terrible. The terrible part is locking in restrictions that may prove utterly problematic when the current political or economic dynamic inevitably shifts. The task force is right to brainstorm. Senate President John McKay has proposed, for example, a dramatic sales tax reform, possibly lowering the present 6-percent tax to 4 percent - and wiping all the existing sales tax exemptions from the books. While it isn't illegal to reform a tax structure by constitutional amendment, from a public policy standpoint it is rarely done that way because of the transitory nature of tax rates and what you want to tax. Sales tax reform can and should be handled by statute under Florida's existing constitution. It is smart, politically, for Mr. McKay to urge the amendment route. This allows lawmakers to vote (by three-fifths vote in each chamber) for putting an amendment on the ballot, but without actually taking a stand on the details of reform. Mr. McKay is no doubt counting on voters to say "yes" to a lower 4-percent tax - without considering the sweeping ramifications of eliminating \$23 billion in exemptions. In a republic, this is the heavy lifting that is expected of elected representatives. Reform: yes. By amendment: no.

*From [Tallahassee Democrat](#), 20 November 2001*

### **Internet Could Speed Tax Work**

Morris County residents soon could save themselves a trip to Morristown by accessing tax records and forms on the Internet. The Board of Taxation Web site, still very much in the developmental stages, could allow people to download forms for deductions and exemptions, among other tasks that today are completed by submitting documents either through the mail or by hand delivering them to the board's office in Morristown. "We would have (on the site) the assessment records as they currently exist in our tax books - the public documents that we maintain in our office that are available to anyone during normal business hours," tax administrator Ralph T. Meloro IV said. The idea for a Web site came from taxpayers who have been asking for easier ways to obtain data, Meloro said. To test how frequently homeowners would use the new technology to locate tax records, a computer recently was purchased for the board's office, which should be ready for walk-in visitors within two weeks. Before posting all records on the Internet, "we first want to get to the point where it's user friendly at the counter," Meloro said. To eventually get the Web site up and running, the three-member tax board has asked that \$25,100 be included in the 2002 county budget for records management services, which would include microfilming documents and launching the site. No money was allotted for that task this year. The tax board also has requested \$30,500 for electronic data processing next year, for which \$1,200 was allotted this year. On Nov. 26, a budget committee is to begin a series of meetings to pore over all budget requests countywide and determine which should be granted and which should be denied, Morris County Administrator James J. Rosenberg said. The cost of launching the site could be split between county funds and money accumulated in the tax board's dedicated trust fund, he said. Officials believe the new site may be linked through Morris County's existing Web site, [www.co.morris.nj.us](http://www.co.morris.nj.us), that already has links to various offices and departments, including the Board of Elections, Superintendent of Elections, Mosquito Extermination Commission, Municipal Utilities Authority and others. "This is a long-range project," Meloro said. "At this point we're just exploring the possibilities, but the board would like to do this."

*From [Daily Record](#), by James A. Duffy, 19 November 2001*

## **Private Sector Development**

## Africa

### Private Sector Partnerships Explored in Tourism Drive in Kenya

The Kenyan Government is prepared to do whatever it can to boost tourism, Minister Kalonzo Musyoka has pledged. Speaking in London, he said the new initiative would include exploring private/public partnerships for such issues as running train services between Nairobi and Mombasa. After a week of intensive meetings in London in connection with the World Travel Market, Mr. Musyoka – who flies back to Nairobi today after a visit to Cyprus – said he was confident of Kenya's tourism prospects despite the September 11 terrorist attacks on the US. Asked if the focus was now on quantity rather than quality tourism, Mr. Musyoka said the government wanted to do both. [read more](#)

*From [Africa Online](#), by [Paul Redfern](#), 20 November 2001*

## Asia/Pacific

### Ala Wai Privatization Resolution Held by Senate

A resolution to allow the state to privatize the Ala Wai and Honokohau small-boat harbors won't be approved during the special legislative session, Senate leaders say Tuesday. The proposal allows the Board of Land and Natural Resources to lease submerged and tidal lands of the Ala Wai and Honokohau small-boat harbors to private entities for commercial, recreational, educational and research purposes. The House approved the resolution on Monday, saying it will allow for private companies to make improvements to the harbors and make them profitable. Opponents fear a private company will raise fees and make it unaffordable for many boaters now leasing slips in the two harbors. Boaters and others upset the resolution passed without a public hearing flooded Senate offices with calls. The Senate referred the bills to committee, but Senate President Robert Bunda says there isn't enough time during the special session to take up the issue. "I asked them [committee chairmen] to hold off until the regular session," Bunda says. "We've had a lot of calls," says Sen. Cal Kawamoto, D-Pearl City-Waipahu. "We need to have a hearing. We need to hear from all sides." The resolution was introduced by Reps. Paul Whalen, R-Kona-Ka'u, and Ezra Kanoho, D-Koloa-Waimea-Niihau. Both say the issue has been debated many times by lawmakers, and testimony for and against submitted by the public, so they didn't think another hearing necessary. "I felt comfortable and confident enough that we had the benefit of public discussion to proceed," Kanoho says. The two companies interested in operating the harbors - Honokohau Marina Partners Ltd. and Westrec Marinas Inc. - must go through hearings for environmental impact statements and permits before they could assume control, giving the public ample time to comment, Whalen says. "The whole purpose of the special session is to stimulate the economy and get us out of this emergency," Whalen says. "Both companies are talking about putting in excess of \$100 million into harbors to improve them. Both companies promised in writing they were not going to raise fees. There is a lot of controversy because people here in general fear change and nothing here has been privatized." The resolution caused a split among House Republicans who generally support privatization of government operations, with a third of the 19-member caucus voting for the measure.

*From [Pacific Business News](#), by Ben DiPietro, 31 October 2001*

### Hopes Dim on Sale of Government Assets

Hopes of generating 10 billion pesos in additional revenue this year from the sale of government assets are dimming and may push the Department of Budget and Management to further tighten spending in the remaining two months of the year. Such belt-tightening can, in turn, aggravate the economic slowdown. "I don't think we can meet the P10-billion target from privatization this year especially if we cannot sell the Manila Electric Co. (Meralco) shares," Budget Secretary Emilia Boncodin said on Wednesday. Still, the budget chief insisted that unlike the previous years when the government was exceeding its budget deficit target by more than twice, the Macapagal administration would do everything it could to keep the budget gap within 145 billion pesos. "We are relentless in hitting our budget. If we could not produce the privatization revenue, then we are open to cutting expenditures," the budget secretary warned. Analysts said the government had been sacrificing economic growth just to meet its deficit target by aggressively tightening on public spending, one of the remaining drivers of the Philippine economy. The government is counting on the privatization earnings bridge part of the gaping budget deficit. As of September, the budget deficit had reached 122.152 billion pesos or 1.95 billion pesos more than the nine-month target. The nine-month deficit left the government with only about 23 billion pesos to maneuver with in the fourth quarter to stay within the budget gap target. As of

September, the government had only raised 800 million pesos from the sale of small-ticket items. An earlier plan to sell the state's 10-percent stake in Meralco would have given the government some 4 billion pesos in additional earnings. But the sale of the shares might no longer push through, according to Finance Secretary Jose Isidro Camacho. Boncodin said that during the month of October, the national government's spending remained within the programmed level of about 52 billion pesos. The budget chief, however, was worried that problems in revenue collection of the Bureau of Internal Revenue and the Bureau of Customs might push the budget deficit in the first 10 months of the year beyond the target. "Our spending is within target but we may have some problems again with the BIR," she said. This year, the BIR should collect 388 billion pesos in taxes while Customs should contribute about 105 billion pesos. Camacho earlier said that items like non-tax earnings as well as privatization proceeds should help offset the BIR's lower revenue. Earnings from government fees were expected to hit 2 billion pesos more this year at 21 billion pesos while income of the Bureau of Treasury was seen to exceed the target by 5 billion pesos at 25 billion pesos

*From [INQ7.net](#), by Clarissa S. Balino, 31 October 2001*

## **Government to Cut Expenditures as Privatization Proceeds Lag**

The Macapagal-Arroyo administration may have to further scrimp on its expenditures for the remainder of the year in view of the failure of the 10 billion in revenues from its privatization government to raise some program. According to Budget and Management Secretary Emilia Boncodin, the government may have to further cut down on its expenditures in step with the lagging revenue performance to be able to contain the budget deficit from further widening. "If we could not produce the privatization revenue, then we are open to cutting expenditures," Boncodin said. For this year, the government's programmed expenditures had been pegged at P703.218 billion to keep a budget deficit of P145 billion. The authorities have included its P10 billion earning from the sale of government assets this year to the programmed revenue collections of P553.2 billion. The one-shot income will be derived from the disposition of the government's 10 percent stake in Manila Electric Company (Meralco), among others. Due to the market slump and aggravated by the global financial uncertainty arising from the September 11 terrorists attack in the United States, the authorities have difficulty in selling these assets. If ever there is a window to dispose, the government may not be able to sell these assets at a premium and could even take a loss. "I don't think we can meet the P10 billion target from privatization this year, especially if we cannot sell the Meralco," Boncodin admitted. Taking this development into consideration, the DBM chief said the authorities will continue to harp on the revenue-generating agencies of government to perform within expectations. "We are relentless in hitting our budget," Boncodin said. On the other hand, the national government budget deficit further widened to P122.152 billion as of end September from the previous month's level of P120.196 billion due to the continued slippage in revenue collections, according to official data released by the Department of Finance (DOF). The documents showed that the P1.9 billion slippage's in the budget deficit limit for the nine-month period was registered amidst the prudent expenditure pattern of the national government. Revenue performance covering January to end September fell short by P3.646 billion to only P405.982 billion compared to the assumed level for P409.628 billion.

*From [Manila Bulletin](#), by Fil C. Sionil, 31 October 2001*

## **Privatization Program Falls Short; Spending Cuts Seen**

The Philippine government may have to cut back planned spending for the remainder of the year because of an expected shortfall in privatization proceeds, an official said Wednesday. "If we cannot produce the privatization revenue, then we are open to cutting expenditures," said Budget Secretary Emilia Boncodin. The government had planned expenditure of up to P703.22 billion pesos to stimulate economic activity, while keeping within a budget deficit of P145 billion pesos. Monetary authorities had hoped to raise some 10 billion pesos from the sale of government assets, largely from the sale of a 10 percent stake in power distributor Manila Electric Co. But officials said it was difficult to dispose of the assets because of the global economic slump caused by the terrorist attacks in the United States last month. "I don't think we can meet the 10 billion peso target from privatization this year, especially if we can't sell Meralco," Boncodin said.

*From [INQ7.net](#), 31 October 2001*

## **LDP Pushes JNOC Privatization**

Senior officials of the Liberal Democratic Party basically agreed Friday on a plan to transfer the oil stockpiling operations of Japan National Oil Corp. to the private sector following the liquidation of the government-affiliated agency. The agreement came at a meeting of senior LDP members, including Mitsuo Horiuchi, chairman of the party's

General Council, and Taro Aso, head of the Policy Research Council. Horiuchi proposed that an organization be established to take over JNOC's assets and sell them to the private sector within three years. Horiuchi's stance clashes with the views of Takeo Hiranuma, minister of economy, trade and industry, who insists that the government should continue to play a role in any body that takes over the operations of JNOC.

*From The Japan Times, 10 November 2001*

### **Panel Planned to Study Road Corps. Privatization**

Prime Minister Junichiro Koizumi is expected to set up a committee in November within the Cabinet Office to discuss specifics on the privatization of four road-related public corporations, government sources said Friday. Reform of the road-related corporations, which includes the Japan Highway Public Corporation, is the most controversial of all public corporation reforms. The committee would be run by Koizumi and established under the National Government Organization Law, the same law that was used to form a committee entrusted with the partitioning and privatizing of Japanese National Railway during Yasuhiro Nakasone's term as prime minister. According to the source, Koizumi will decide on whether to privatize the four corporations by the end of November and would rely on the committee to draft the actual privatization plan. The committee would discuss the management structure of the privatized corporations, measures to dispose of their debts and decide which issues would be reviewed in new highway construction projects. It would aim to submit relevant bills to an ordinary Diet session in 2003, and to reach a conclusion after six to 12 months of deliberations. Koizumi is leaning toward inviting a handful of academics to sit on the committee, including Chiba University of Commerce President Hiroshi Kato, who was a member of the JNR privatization committee and later chaired the government's Tax Commission, as well as Kazuaki Tanaka, former secretary general of the administrative reform committee and professor of Takushoku University. Rather than set the committee up as an advisory panel to himself, Koizumi hopes to confer upon it legal authorization within the government's administrative structure to free it from the influence of lawmakers, ministries and agencies with vested interests. Normally reports compiled by committees such as the government's Tax Commission and Local Government System Research Council that were established under the law are discussed by Cabinet and given the rubber stamp by the government. Koizumi plans to discuss the establishment of the committee with members of the Liberal Democratic Party next week. Some LDP members championing the interests of the road industry are expected to oppose setting up the committee since they fear the influence Koizumi would have on the decision-making process. The Construction and Transport Ministry is scheduled to draft a privatization plan for the four public corporations after meeting with LDP members with industry interests before the end of the month. Some bodies, such as State Minister for Administrative Reform Nobuteru Ishihara's private advisory panel and a separate private think tank, have drafted their own privatization plans and proposed them to Koizumi.

*From [Daily Yomiuri](#), by Yomiuri Shimbun, 18 November 2001*

### **Privatization of Korail Seen Likely to be Delayed Due to Union Opposition**

Privatization of the Korean National Railroad (Korail) is expected to be delayed for some time due to strong opposition from the Korean Railway Workers' Union (KRWU) and the government's lack of will. Laws related to the privatization of railroads, such as the Railroad Industry Structural Reform Law and the Korean Railroad Facility Authority Law, weren't even submitted to the National Assembly because of the resistance from Korail and differences of related ministries, the Ministry of Construction and Transportation said yesterday. The ministry had planned to submit the final bill on railroad privatization to the special parliamentary session in the first half of next year, but passage of the bill is not clear, as some members of the National Assembly are opposing the plan. KRWU has thwarted a public hearing on the proposed bill twice, on Aug. 22 and Nov. 7, calling for the government to withdraw its plan on privatizing the railroad. Urging the government to conduct an overall review of the railroad structural reform, the union demanded the launching the Railroad Facility Authority and the corporation to be in charge of the operation of the express train be postponed, while asking for the establishment of a railroad industry development fund. The Ministry of Construction and Transportation, on the other hand, hasn't fully persuaded the union and management of Korail on the necessity of privatization and has dragged on the negotiations with the Ministry of Planning and Budget on Korail's 1.5 trillion-won in debts for six months. The biggest problem to arise from the delayed privatization of the national railroad is the poor operation of the express train, which is to start service in April 2004. The express train is superior in performance and possesses better customer service than ordinary trains. Although the Railroad Facility Authority will be established next year and the corporation in charge of express train operation will be launched in 2003, as the government has planned, critics warn that this schedule doesn't allow much time to transfer technology, train staff and unite or eliminate existing organizations. Therefore, the Ministry of Construction and Transportation is devising a measure to establish an affiliate

within the ministry that will be entrusted with the operation, repair and maintenance of the express train. But Korail and KRWU are against this plan as well. (jhl@koreaherald.co.kr)

From [Korea Herald](#), by Lee Jae-hee, 19 November 2001

### Europe/CIS

## Latvia Fires Privatization Chief

The Latvian government fired the director general of the Latvian Privatization Agency, Janis Naglis, for what Economy Minister Aivars Kalvitis described as "procedural violations" on Nov. 13. Although three previous attempts to fire Naglis since 1994 have resulted in government collapses, political commentator Karlis Streips predicted that having given Naglis the boot, the government is likely to survive in the run-up to next autumn's national election. "This marks a real schism among the partners in the governing coalition, which is not very healthy, but the government will be extremely careful not to collapse," said Streips. Kalvitis' spokeswoman Evita Timofejeva said privatization "would continue according to plan." Kalvitis will choose a successor to Naglis within two weeks, she said. The agency's deputy director, Viktors Sadinovs, is tipped by many for the top post. In Streips' view procedural violations are not the reason for Naglis' dismissal. "This is an attempt to wrest control of the privatization process from the Latvia's Way party of Prime Minister Andris Berzins at a time when a number of lucrative privatizations are still pending," he said. Officials point out that the majority of enterprises owned by the state in the Soviet era are already in private hands. But in terms of the value of those enterprises, the proportion privatized is only about half. Shares in the 100 percent state-owned Latvian Shipping Company, the partly state-owned oil terminal Ventspils Nafta, the fixed-line telecommunications monopoly Lattelekom and the savings bank Latvijas Krajbanka still represent attractive investments which could earn the state around 150 million lats (\$241.93 million). Two partners in the ruling coalition, the People's Party and the Fatherland and Freedom Party, voted for Naglis' dismissal, while ministers from his own party, Latvia's Way, voted against it. Kalvitis blamed Naglis for not keeping him informed about legal fees relating to proceedings against Latvia by Finland's Sonera-owned Tilts Communications, which is a co-owner of Lattelekom. Tilts Communications is demanding compensation because the government curtailed Lattelekom's monopoly status in order that it comply with European Union competition requirements. Naglis was earlier stripped of his right to authorize payments over 15,000 lats pending an investigation which showed he had acted in accordance with the law. "Trust in Naglis has been lost," Kalvitis told reporters after the vote. A day before the vote however Kalvitis told journalists Naglis' imminent dismissal was not related to the question of legal fees. "Naglis' time is simply over," he said. Naglis denied being at fault and said his dismissal was politically motivated. "I feel like today is my last day at work," said Naglis, who has to leave by Dec. 14. "The privatization of large enterprises in Latvia has always been over-politicized but Naglis' resistance to political pressure could at least be relied upon," said Arnolds Laksa, president of Latvijas Krajbanka, which is 32 percent state owned. He expressed doubt that a new agency head would be able to resist pressure from "politically private" interests. Latvijas Krajbanka, the country's fifth largest bank, has for years been suspended between two mutually hostile groups of shareholders - on the one hand, transit companies based in the port of Ventspils, which are supported by Fatherland and Freedom, and on the other, shareholders controlled by People's Party leader Andris Skele. Some argue that Naglis' dismissal is the first concrete sign of a reconciliation between these two groups, rumors of which have been circulating for some months.

From [Baltic Times](#), by Ilze Arklina, 15 November 2001

## Romania's Banc Post moves One Step Closer to Privatization

Romanian President Ion Iliescu (r) is seen talking with EFG Eurobank Managing Director Nikolaos Nanopoulos (l). Banc Post President Elena Petculescu looks on. Visiting Romanian President Ion Iliescu yesterday attended the signing of a Memorandum of Understanding between EFG Eurobank Ergasias and Romania's Privatizations Ministry, affirming the two sides' desire to complete the privatization of Banc Post, one of the country's largest banks. Banc Post has 126 branches and 2,650 sales points through a partnership with Romania's postal service, and is the biggest issuer of credit and debit cards in the country. EFG Eurobank, which already owns 19.25 percent of Banc Post, will increase its stake by an additional 17 percent. Portugal's Banco de Investimento is also a Banc Post shareholder, with a 17-percent stake. President Iliescu and Privatization Minister Ovidiu Tiberiu Musetescu, who are heading a large Romanian delegation on the three-day visit, were later hosted to luncheon by the Greek-Romanian Business Council, which was also attended by prominent Greek business leaders, including Socrates Kokkalis of Intracom, Giorgos Skarpeles of OTE International, Evangelos Mytilineios of Mytilineios group, Dimitris Daskalopoulos of Delta Holdings and Panos Germanos of Germanos group. About 750 Greek-based firms are currently active in Romania.

### Middle East

#### IFTRIC Privatization Meets Dead End

Years of planning for the privatization of a state-owned insurance company came to naught yesterday when the Government Companies Authority announced that bids for the company were too low. The Israel Foreign Trade Risk Insurance Company (IFTRIC), which provides Israeli exporters with short-term insurance against political and trade risks, has captured 57 percent of the local market in this field. Bids for the company came from The Israel Phoenix Assurance Company; a consortium led by Leumi, Migdal and Business Data Israel; a consortium led by Clal Insurance and Poalim Assets; and a consortium led by the Israel Land Development Corporation.

From [Haaretz Daily](http://Haaretz Daily), by [Ora Coren](#), 31 October 2001

#### Bezeq Privatization Announcement Next Tuesday

Against its recommendation, the Government Companies Authority will publish the privatization announcement for the sale of 50.01% of Bezeq this coming Tuesday. Interested parties will be able to pay NIS 10,000 for the relevant documents. Under the sale procedure, Ministry of Finance Accountant General Nir Gilad and Government Companies Authority director general Yaron Jacobs are the state representatives and the final arbitrators in the sale of the controlling interest in the company. The procedure stipulates that the buyer is barred from distributing dividends from Bezeq's profit accumulated up until December 31, 2000. The buyer is also barred for several years from distributing dividends from the capital gains resulting from the sale of capital assets. Jacobs believes that publishing the announcement is liable to both affect Bezeq's share price, thereby harming the state, which currently controls the company, and privatization in Israel in general. Jacobs warned that lawsuits against the state could follow. Globes Business News

From [Jerusalem Post](http://Jerusalem Post), 9 November 2001

### The Americas

#### BEG Privatization Auction to Take Place in December

Rio de Janeiro and Brasilia - In addition to Paraiban, other six Brazilian state banks will be privatized before the end of April next year. The next one will be Goiás state bank BEG, which is scheduled to be auctioned on December 4 for a minimum price of R\$300.719 million. ABN Amro Real, Itaú, Unibanco e Bradesco are pre-qualified to participate. In September, BEG had total assets of R\$1.349 billion, with a net worth of R\$193.676 million and accumulated result of R\$11.366 million for the first eight months of the year. The bank operates 151 branches, of which 26 are in the capital, 122 in the interior of Goiás, and three remain outside the state. After BEG, state banks from Amazonas (BEA), Maranhão (BEM), Piauí, Santa Catarina (Besc) and Ceará (BEC) will be privatized, following this order.

From [Gazeta Mercantil](http://Gazeta Mercantil), by [Paulo Goethe](#), 9 November 2001

#### Ecuador Taking Steps to Privatize Power Generators

The government of Ecuador is making plans to privatize the country's power generation and distribution at the end of November despite strong opposition from labor unions and Indian rights organizations. According to the government privatization is the remedy for power shortages brought on by the country's dry season, which typically extends from October through December. The chairman of the official National Modernization Council (Conam), Ricardo Noboa, said Wednesday the privatizing process would be concluded in 15 to 20 days and denied that the measure will result in uncontrolled rate hikes, as opponents claim. In statements to Gamavision television, Noboa, brother of President Gustavo Noboa, insisted the process was legal and that the administration had "an imperative need" for the roughly \$3 billion it expects to gain from the privatization of the electricity sector. The Constitutional Court ruled last month that the privatization process was unconstitutional, but the administration claims Ecuador's constitution does allow for the participation of the private sector in power generation and distribution. The Conam chairman emphasized that the privatization of the power firms will also benefit workers, since none of the electricity companies "has plans to lay off its people." Referring to announced protests, Noboa said they were politically motivated, as results of surveys conducted by the government indicated that Ecuadorians favor the participation of foreign capital in the power sector. Three

foreign companies - Spain's Union Fenosa, Argentina's Perez Companc and U.S.-owned A&S - have expressed interest in the privatization of Ecuador's 17 state-owned power companies. The Popular Front, which represents the nation's largest labor unions and activist organizations, has announced protests on Nov. 13 to oppose the privatization, while Indian rights groups have threatened to call for an uprising if the government insists on privatizing electricity. Calls for protests coincide with a heightened risk of power outages nationwide due to an ongoing drought affecting water levels at the Paute hydroelectric plant, which supplies about 70 percent of Ecuador's power.

From [eyeforenergy.com](http://eyeforenergy.com), 9 November 2001

## TransCanada Not Attracted by Ontario's Power Privatization Scheme

Calgary (CP) - TransCanada PipeLines Ltd. is aggressively expanding its power-generation business but says it isn't much interested in Canada's most populous province because the Ontario government has made a "big mistake" with its privatization strategy. TransCanada, Canada's largest natural gas pipeline company and a huge player in the energy industry, has doubled its power capacity in the last year alone with a variety of new gas-fired plants and acquisitions in Alberta and the northeastern United States. "We have worked hard on trying to structure a strategy and a position for TransCanada in deregulation in Ontario, but I would say our enthusiasm is decreasing," chief executive Hal Kvisle said in an interview. Kvisle (pronounced "quizzly") said Ontario's plan appears to involve keeping the prized power assets within Crown-owned Ontario Power Generation while still trying to encourage private investment. "What we think is a big mistake is that they're going to leave the bulk of the high-quality power-generating assets in Ontario with OPG and sell off, really, some very unattractive power plants," he said. "So you're going to have a bunch of rag-tag competitors with generally unattractive power plants trying to compete against the monster, huge company at OPG," Kvisle said. "We don't think that sets the stage for very good competition." In contrast, TransCanada remains pleased with deregulation in Alberta, where it has achieved 80 per cent of its power expansion through acquisitions and new plants.



TransCanada PipeLines Limited CEO Harold Kvisle is shown earlier this year. (CP/ho-TransCanada PipeLines Limited)

It has also been looking south of the border, buying the Curtis Palmer Hydroelectric Co. of New York state in March and the remaining portion of New England's Ocean State Power last year. Ontario, which has been wrestling with power privatization for several years, plans to open up its electricity markets in a limited way by next spring. But TransCanada says there's no rush. "We would encourage the government of Ontario to rethink their deregulation plans, and if that means taking more time, that's fine," said Kvisle. "We think the market power and concentration that OPG will have in Ontario will keep us out of that business and will keep a lot of other people out too." A spokeswoman for Ontario Energy Minister Jim Wilson disagreed with the notion that the only assets for sale were "unattractive." Christine Smith said the Mississagi hydroelectric system near Sault Ste. Marie is "very profitable" and both the Atikokan plant in Thunder Bay and the gas-fired Lennox plant in southwestern Ontario were recently modernized. "TransCanada's more than welcome to bid on those plants," she added. That doesn't mean TransCanada has no involvement in Ontario - with its extensive pipeline investments, the company has more money invested in the province than anywhere else. And Kvisle said his company will continue to look at adding new cogeneration electricity plants along its pipeline route. Such plants also produce steam and other thermal energy. TransCanada is, however, looking more closely at Quebec, where it is interested in supplying gas to a new Hydro-Quebec plant near Montreal and possible new cogeneration facilities in the province. But another large Alberta-based power generation company, TransAlta Corp., remains upbeat about the potential of an unregulated Ontario market. The company is building a \$400-million cogeneration plant in Sarnia, in the southwest corner of the province, to supply domestic and export power. "We're excited about our Sarnia project and will continue to pursue opportunities to grow our generating business in the province," said TransAlta spokeswoman Nadine Walz. While it expands its power business, TransCanada is keen to grow its gas-pipeline network, principally with new mega-projects for large Arctic gas reserves in Alaska and the Northwest Territories. While the decision whether to build those multibillion-dollar pipelines rests with several consortiums of huge oil and gas producers, TransCanada wants to be part of any construction plans. And while

TransCanada is often rumoured to be the next takeover target - after the acquisition of Vancouver-based WestCoast Energy earlier this fall - Kvisle says it's in the best interests of gas producers for his company to remain based in Western Canada. "The producers, in my view, are better served by a TransCanada that has its professional and managerial staff located right here in Calgary," he said. "I think that if TransCanada was the subsidiary of another corporation that made its business decisions in Houston or New York or somewhere else, I believe that entity would be less responsive to the needs of Western Canada than we intend to be."

*From [National Post Online](#), by James Stevenson, 11 November 2001*

## **Union Says Prisons Food Deal Underlines Privatization's Faults**

A much-criticized contract to feed convicts in a southeastern Ohio prison is merely one example of a much-larger problem with the state's efforts to privatize government operations, a union spokesman said yesterday. Peter Wray of the Ohio Civil Service Employees Association made his comments shortly after Auditor Jim Petro released a report that severely lambasted the 1998 contract. "This is just the tip of the iceberg," Wray said. "This is a textbook case of why privatization doesn't work. The hidden costs of privatization happen in case after case." Petro's audit involved a contract between the Ohio Department of Rehabilitation and Correction and Aramark Correctional Services to provide meals for prisoners at Noble Correctional Institution in Caldwell. Previously, full-time state employees bought the food for Noble's 1,730 inmates and oversaw its preparation and distribution. But in November 1998, the state awarded a two-year contract to Aramark, a private company based in Oakbrook, Ill., to take over the operation for \$3.52 million. Prisoners soon complained about the quality and quantity of the food and the contract was verbally amended during a closed-door meeting between the company and state officials. The amended contract allowed the company to charge taxpayers \$2.1 million - 60 percent - more, the audit found. After months of negative publicity, the correction department last year chose not to renew the contract with Aramark. Instead, the department awarded a two-year contract to Local 11 of the civil service employees union, which allows state employees to again take over food-service operations at Noble. At a news conference yesterday, Petro said amending the Aramark contract did not violate the law. However, the change "allowed for the waste of public dollars," he added. Ideally, contracts should be written so they don't have to be amended, Petro said. And if an amendment is necessary, it should be done in writing, not verbally and in private, he said. Privatizing some government operations can save taxpayers money, Petro added. However, such privatizing must be closely monitored by state officials to prevent hidden expenses and cost overruns, he said. Wray contended that the Aramark contract is relatively small, compared with other privatization efforts by the corrections department and other agencies. Entire operations -- not just food services -- are privatized at Lake Erie Correctional Institution in Conneaut and the North Coast Correctional Treatment Facility in Grafton, Wray noted. Those two prisons, which hold 1,360 and 530 inmates, respectively, opened last year with private companies providing all employees. Wray said his union has heard repeated complaints about lax supervision, high turnover and mistreatment of inmates at both prisons. But Thomas Stickrath, the correction department's assistant director, said operations there are being handled efficiently. The correction department has assigned a full-time monitor at each of the prisons to keep close tabs on privatized operations, Stickrath said. He acknowledged that Aramark "was not a perfect vendor." But when Local 11 bid on a new contract, the union came up with ways the state employees could cut food-service costs, Stickrath said. "We sat down with the union and negotiated a better deal," he said. Petro's audit yesterday also criticized a program that allows prisoners to take college courses. Many inmates who enrolled in the courses never actually attended classes, wasting \$3 million, the audit found. Stickrath conceded that his agency's monitoring of the inmate education program was "sloppy." New procedures have been implemented to ensure taxpayers are not charged for courses that inmates do not attend, he said. [bruth@dispatch.com](mailto:bruth@dispatch.com)

*From [Columbus Dispatch](#), by Robert Ruth, 11 November 2001*

## **No Privatization, Street Vows**

Sets up office at Board of Ed headquarters, says he'll block gov's plan - A fiery Mayor Street yesterday moved into school district headquarters, vowing he would fight the state's attempt to privatize city schools in the courts, the Legislature and the streets, virtually torching any chance of the city and state reaching an amicable reform deal. The leader of the state House of Representatives, however, said Street's declaration was childish and could force the state to divert millions of state dollars from the city to the schools to pay for reforms. "More than \$3 billion in state dollars goes to Philadelphia each year. We have the authority to transfer some of that money over to the school district," said Rep. John Perzel, R-Philadelphia. He urged Street to lower the rhetoric and meet Gov. Schweiker at the negotiation table for the sake of the district's 200,000 pupils. "How old is Mayor Street?" Perzel puzzled. "He's acting like a 9-year-old." But Street said he was standing with parents, the City Council, the city's legislative delegation, the school board,

various community groups, clergy members and school district employees in opposing Schweiker's call to place the district in private hands. To drive home the point, Street opened an office at the district headquarters on the Parkway, where he said he would be every day plotting the battle. "Anybody who thinks about taking over this system has to come to this building," he boomed in the building's auditorium before an audience of supportive school officials. "This city and these schools and these children belong to us. They are here, and we are going to fight for them. And we are not going to leave them to the winds of a for-profit corporation that could be here today, gone tomorrow." Street said he wouldn't even talk to Schweiker - who he said "became governor by accident" - unless, or until, he removed language from his reform proposal calling for the district's central administration to be managed by a private company. The proposal calls for the state, city and federal government to contribute \$150 million in new money to the schools next year. Schweiker has said he will takeover the system and hire a private firm if he and Street don't reach agreement by Nov. 30 on reforming the struggling district's finances and academic program. Once a looming cloud, that deadline seemed more like a trifling detail to Street yesterday. He said Schweiker violated a formal agreement they had when the governor bypassed him to share parts of the plan with the press "to spin it."

He threatened to reactivate two dormant school-related lawsuits against the state at an unspecified time. Schweiker spokesman Steve Aaron said Street is using 1960s-era tactics to "turn the school district into a circus" at the very time the governor is pushing to make it the "best urban school district in America." While every part of Schweiker's proposal is negotiable, Aaron said, the language about privatization would not be dropped. "The governor's job was to create a proposal that he thought was the best road map to repair and reconfigure a failed district. Yes, he feels that privatizing is a way to fix a system run amok. For the mayor to ask us to cut out a huge chunk of the proposal before we have a chance to sit down is not in good faith." Street conceded that the district has too many dropouts and truants and big changes are needed, but the answer is not Edison Schools Inc., the for-profit company Schweiker favors to manage the district's central administration and to run a block of low-performing schools. The controversial New York-based company now manages 136 public schools with 75,000 students in 22 states. What does it know, Street said, about running a 264-school district where students speak 74 languages and 80 percent are poor enough to qualify for free lunch? "They have the temerity to say that they want to run this system. These folks, who haven't proven that they successfully run any system anywhere in the country," the mayor snapped. "We, here, applaud [Street] on this turn of events," said Sarah Gilliam, executive director of Parents Union for Public Schools, a city advocacy group. "If he is sincere with regard to his word today, I would suspect that he was listening to the community." Former district superintendent David Hornbeck also cheered the mayor's stand. "I think the record of the school district over the last seven years, when laid next to Edison's, outstrips it substantially," he said. "I'm glad the mayor is saying he is not going to let the state run roughshod over our kids and sell them out." Said school board President Pedro Ramos: "No one should under-estimate how strongly Mayor Street feels about public education. When he feels that something is wrong, he will go all out to fight about it." But city politicians who favor privatization mocked Street, saying his new school district office symbolizes his support for a broken bureaucracy over children. "I'm not interested in that building anyway, that's a place that spends a lot of money," said state Sen. Anthony Hardy Williams, D-Philadelphia. "I'm interested in improving neighborhood schools. It's symbolic that he would guard that place and not a school building." "What's he going to do, protect the bureaucracy?" asked Perzel. "What is this about? It should be about educating kids." State Rep. Dwight Evans, D-Philadelphia, also a supporter of Schweiker's proposal, implored Street to talk to the governor. "Nobody gets everything they want. But there's a plan on the table - like it or not," he said. "Everybody should be at the table discussing it, because you can't get anything unless you're at the table." \*

*From [Philadelphia Daily News](#), by Mensah M. Dean [deanm@phillynews.com](mailto:deanm@phillynews.com), 10 November 2001*

## **Bush Taps Budget Official to Lead NASA**

Washington - President Bush on Wednesday tapped Sean O'Keefe, a White House budget official who has called for tight cost controls at the U.S. space agency, to head NASA. "He is a key adviser to the president, has a strong relationship with the White House staff and his appointment signals the importance the president places on the leadership of NASA into the 21st century," White House spokeswoman Anne Womack said. O'Keefe, the deputy director of the White House Office of Management and Budget, recently urged the National Aeronautics and Space Administration (NASA) to bring costs for the International Space Station under control and said another key reform was continued privatization of the Space Shuttle. "Realize that while unpleasant in the near term, these reforms are the medicine that will restore NASA's health and produce great benefits to the nation in the long run," O'Keefe said in congressional testimony last week. If his nomination is confirmed by the U.S. Senate, O'Keefe would replace NASA Administrator Dan Goldin, who last month announced that he would step down on Nov. 17, saying he wanted to spend more time with his family. O'Keefe, a former professor of business and government policy at Syracuse University, has

wide government experience, having served as secretary of the Navy under former President George Bush and as comptroller at the Department of Defense. "As deputy director of OMB, former secretary of the Navy and comptroller of the Defense Department, Sean O'Keefe has the solid leadership skills and excellent management background that the president was looking for," Womack said. One U.S. official who asked not to be identified said O'Keefe's sharp eye on costs was one reason Bush had selected him to lead NASA, which has been accused of poor management for the ballooning costs of the International Space Station currently under construction in orbit but already inhabited. "He understands the importance of fiscal responsibility," the official said. An independent panel criticized NASA earlier this month for its management of the International Space Station as the agency marked the first anniversary since sending astronauts to man the orbiting platform. The 20-member Independent Management and Cost Evaluation Task Force, which included two Nobel laureates, said NASA had consistently underestimated funding and managed the space station as an institution rather than an evolving program. The United States and Russia - former Cold War enemies - are now senior partners in the \$95 billion space station program, which also involves agencies from Europe, Japan and Canada. Projected costs for the U.S. contribution to the space station, due for completion in 2006, jumped to \$30 billion from \$17.4 billion, the report said. In congressional testimony, O'Keefe broadly endorsed the report. "Managing the program within cost and schedule must be elevated in importance," he said.

*From iWon, 15 November 2001*

### **Privatization is No Panacea**

When Edison Inc. was hired to evaluate Philadelphia's public schools, it concluded that they were terrible - and then recommended itself to run them. Some observers say Edison fudged the data in order to conclude that Philadelphia's schools were especially bad. But let's assume the problem really is serious. Quiz yourself on why that might be true: a.) Schools are mostly funded by local property taxes, so inner-city districts can't afford terrific facilities and salaries that will attract excellent teachers. b.) Students must contend with racism and other entrenched social problems that can't be fixed by schools alone. c.) Students receive a diet of forgettable facts and isolated skills to raise test scores instead of being taught to grapple with ideas. d.) The schools aren't being run by a profit-oriented corporation. If you chose any answer other than d, you would be dubious about this latest, and most audacious, attempt to privatize our public schools. Edison has yet to show a profit, despite generous private grants. Its overtures have been spurned, or its contracts terminated, from New York to San Francisco to Goldsboro, N.C. Its preferred curriculum favors packaged, regimented instruction geared mostly to raising test scores. Even so, when Western Michigan University researchers evaluated some of Edison's longest-running schools last year, they found no overall advantage compared to public schools. If that changes, it will be because Edison pours money into these schools. But ultimately, the bottom line will demand cuts that will prevent long-term success. Should public schools be run by companies whose goal is to maximize profit rather than benefit children? Many who say yes regard education as one battle in a larger ideological war to undermine public institutions. Many parents and teachers spoke out against privatizing Philadelphia's schools at a recent public hearing. "Privatization would be devastating for our children," said J. Whyatt Mondesire, local NAACP director. "It would lead to profit-making on the backs of our 210,000, mostly black, students." We need a redoubled commitment to public schools, which remain the cornerstone of a democratic society. Alfie Kohn's eight books include *The Schools our Children Deserve*

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