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Africa

Ministers See Zimbabwe Improvement

Luanda, Angola - Southern African ministers voiced fresh opposition to sanctions against Zimbabwe on Tuesday, insisting that violence had subsided and Harare was committed to free and fair elections in 2002. "The ministers noted progress with regard to the land reform programme in Zimbabwe," the ministers from 14 southern African countries said in a draft statement at the end of talks in Angola. They were due to ratify the statement before leaving the capital Luanda later on Tuesday. The statement noted that "violence on the farms had reduced significantly and that the few reported incidents were being dealt with under the criminal justice system." It said farming activities on communal and commercial land had intensified and the government of Zimbabwe was committed to free and fair elections before the end of March, "including mechanisms to guard against violence." The Southern African Development Community has been sharply criticised for failing to take tough action against Zimbabwe, where President Robert Mugabe has approved the sometimes violent seizure of land from white farmers and ignored the intimidation of political foes by his ruling ZANU-PF party.

From CNN, 18 December 2001

Asia/Pacific

OECD Gloomy Over Japan

Moody's says there is little hope of a quick turnaround. Japan's economy will remain weak for some time to come as policymakers struggle to implement economic reform in the face of the country's worst slump since the Second World War. In its latest report, the Organisation for Economic Cooperation and Development, which is made up of the leading industrial countries, paints a gloomy picture of Japan's economic prospects. "Although a slowdown was expected, the deceleration has been surprisingly rapid," the OECD warns.

It is forecasting negative growth for Japan of -0.75% this year and -1% next year, and says the best Japan can expect in 2003 would be an anaemic 0.75% increase in GDP. And if "Immediate prospects do not look bright," future "risks are weighted to the downside," the report adds. It says the slowdown is "symptomatic of the failure to adequate address structural problems in the past." "After a decade of lost opportunities, it is now urgent for Japan to move ahead with fundamentally reforming its economic structure," the OECD adds. "What is needed now is for the government to rapidly redress these weaknesses, even at the cost of temporary negative growth," it adds. The most urgent problem is the disposal of bad loans which are weighing down the banking sector, and the OECD warns that there are further risks if banks are forced to report heavy capital losses on their stock market holdings due to falls in the Nikkei stock index. Japan's heavy government debt burden - the largest among OECD members - is also criticised, and the report says that Japan will have to run a budget surplus of 4% of GDP just to stabilise the situation. Credit fears - But credit agencies fear that Japan's politicians have little appetite for reducing that debt. Moody's has become the latest rating agency to downgrade Japan's government bonds. Moody's said there was little hope of a quick turnaround in Japan's fortunes whatever the policies adopted by the government. "Neither current macroeconomic policies nor new reform initiatives offer much tangible hope for an early turnaround in economic performance," the US-based agency said. It has downgraded Japan's domestic government bonds, but left international bonds unchanged. Japan government debt amounts to 130% of GDP, compared to 30% in the UK, and Moody's said that "fiscal strains were likely to persist owing to the country's ongoing economic weakness and the

Japan's Economic Growth
2001: -0.75%
2002: -1%
2003: 0.75%
Source: OECD

elusiveness of effective policy measures." Foreign investment falling - Foreign direct investment in Japan fell by 18.7% in the first half of the year, as investors fled from the troubled financial sector. Total investment was $12.3bn, but investment in financial sector firms dropped by 40%, with only investment in the telecoms sector holding up. Meanwhile, the government admitted that Japan would officially fall into recession when the latest figures for GDP are released on Friday. A Cabinet report said that Japan would only grow by around 1% a year at best until economic reforms are completed. It's a recession - Last month, the Japanese government said it is expecting the economy to shrink 0.9% for the fiscal year ending in March, rather than the initial target of 1.7% growth. Japan's economy was caught up in a "negative cycle" that is preventing growth and both consumers and companies are searching for hope for the future, the report said. The report defended the policies of Prime Minister Junichiro Koizumi, who has promised to clean up the bad debts in the banking sector and rein in public spending. "There will be no growth without reform," said Heizo Takenaka, the economy minister. But it is clear that the cost of reform will be a further prolonged slowdown in the Japanese economy, already suffering from a ten-year slump.

*From **BBC**, 4 December 2001*

India Vows Reforms on 'Track'

The New Delhi government is under pressure to speed up reform - Indian ministers have restated their commitment to reform at the start of a three-day economic summit in New Delhi. However, Indian businesses attending the conference are using it as an opportunity to press home to government the urgency of further reform. "We would like to convey to them...that these are areas where further liberalisation, further reform is required," Rahul Bajaj, managing director of Bajaj Motor company and chair of the New Delhi summit told the BBC's World Business Report. Officials and businessmen from 28 countries are in New Delhi for the economic summit, jointly organised by the World Economic Forum and the Confederation of Indian Industry (CII). "The reform process is very much on course," Finance Minister Yashwant Sinha said. "We have a clear monitoring mechanism in place to keep track of the implementation of the proposal of the budget and ensure that efficient follow-up takes place." Progress has been made, agrees Mr. Bajaj, but more needs to be done. "We are way, way ahead. We have advanced tremendously in terms of our trade policies, our industrial policies in the last few years, which is very heartening. We need to go still further," he told the BBC's World Business Report. Privatisation hopes? - The real difficulty for the New Delhi government has lain in pushing through privatisation. It had hoped to rid itself of loss-making state-owned industries, in an attempt to make the country's industrial base more efficient and capable of competing globally. However, few sales have actually been completed. Mr. Bajaj blames trade unions and smaller political parties for holding up labour reform and the privatisation of public sector companies. "More and more people are realising that politically, if they do not support reform, they will lose the next elections," Mr. Bajaj said. The summit is a precursor to the 31 January to 5 February global summit in New York.

From BBC, 3 December 2001

Japan Officially in Recession

Tokyo - Japan got official proof it was in recession yesterday, but government ministers could only offer the promise of more pain before the good times return. Gross domestic product, the broadest measure of the output of goods and services, shrank for a second successive quarter in July-September, satisfying the popular definition of a recession. The 0.5-per-cent decline from the previous quarter followed a 1.2-per-cent drop in April-June. The outcome was in line with expectations, but it rekindled concern about the ability of Japanese policy makers to turn things around quickly in the face of a worldwide info-tech slump and a global slowdown exacerbated by the Sept. 11 attacks in the United States. The United States and Europe are also in an economic slump, making it difficult for Japan to export its way out of trouble, as it has in past downturns. Prime Minister Junichiro Koizumi said the only way forward is to implement the tough structural reforms he has promised. "The tough situation will continue for a while but if we don't proceed with structural reform, it will get even worse. We are taking steps. Structural reform is the best policy," he said. Still, the bad news is likely to fuel debate over reform, the centrepiece of which is a cleanup of banks' bad loans. As another sign of likely things to come, **Aoki Corp**., a long-troubled construction firm, became the 13th listed firm to go under this year, a failure Mr. Koizumi said showed that banks are making progress in clearing up their non-performing loans. Japan's unemployment rate already stands at a record 5.4 per cent. In the info-tech sector alone, Japan's seven biggest electronics manufacturers have projected cutting 86,000 jobs. But Mr. Koizumi's ministers could only warn of bad news to come. Trade Minister Takeo Hiranuma, a pro-growth voice in the cabinet who has called for bigger government spending, said the economy could see a back-to-back full-year contraction. "If the current situation continues, negative growth is inevitable" in the next fiscal year, he said. Official forecasters already expect a 0.9-per-cent contraction in the current year to March, the first full-year contraction since 1998 in the wake of the Asian crisis. The July-September drop in gross domestic product translated into an annualized fall of 2.2 per cent. Japan last recorded three consecutive quarters of decline in 1993, although two of those quarters were virtually flat with contractions of less than 0.01 per cent. With Japan, at least technically, in its third recession in a decade, the government will publish its GDP forecast for fiscal 2002-03 later this month, but vice-minister of economics Eiji Kawade declined to say whether it would be a negative figure. "Negative growth is a problem and we will do everything we can to prevent it," Mr. Kawade told reporters. "But as to our forecast, we have to monitor elements such as the U.S. economy, so we cannot say for certain which direction it will be. It could be positive or negative." The July-September figures caused little stir in financial markets, but analysts said a slide in consumer spending suggested the biggest chunk of the economy was still stalled. "It may be within expectations, but this is still a bad figure," said Hideyuki Tsukamoto, foreign exchange manager at Fuji Bank. The government has already enacted a ¥3-trillion ($37.6-billion) extra budget and is now formulating a second one worth ¥2.5-trillion to help support the economy, but ballooning public debt means options are limited. At 130 per cent of GDP, Japan's government debt is the worst among industrial countries. In addition, the Bank of Japan's monetary policy is nearing its limit, with interest rates already virtually zero and the central bank force-feeding liquidity into a banking system crippled by non-performing loans. Mr. Koizumi, who came to office in April, has vowed to depart from the ineffective pump-priming of fiscal stimulus over the past decade and has promised to clean up the banking sector through his structural reform initiatives. In one bright sign, Japan's parliament yesterday enacted a law to strengthen state-run loan collector Resolution and Collection Corp. to speed up the banking sector cleanup. Instead of just liquidating debt bought from banks, the RCC will now be able to bid more aggressively in the distressed asset market and repackage debt into funds for sale to investors. It will also be able to consult troubled borrowers to see if they, or some of their viable business divisions, could be rehabilitated into stronger companies.

*From **Globe and Mail**, 10 December 2001*

Europe/CIS

First Europe, Then the World

Robert Mundell, Nobel prize-winning father of the single currency, talks to Faisal Islam - Robert Mundell does not claim paternity of the single currency, although it is often ascribed to him. But the Nobel prizewinning economist is not guilty of neglect - he merely sees himself as 'one of several godfathers' to the euro, rather than its inventor. 'I'm very gratified that it is coming to fruition. A single currency is close to being absolutely necessary for Europe,' says the Columbia University professor. In 1972, Mundell worked as a leading member of the EEC's Study Group on Economic and Monetary Union in Europe. This followed his published works on 'optimal currency areas', and a seminal 1973 article called 'Uncommon arguments for common currencies'. These were the theoretical bases for the process that will end with the launch of euro notes and coins on 1 January. 'I think Europeans have a mixture of anticipation, excitement and a bit of worry. It's a psychological challenge to shift their unit of account, especially for older people. 'Think back to America, say, in 1792, when they shifted from pounds and shillings to Spanish dollars. They didn't sort that out for decades.' So far, Mundell is fairly upbeat about the euro's 30-year journey from textbook to the high streets of Europe. 'Every single economy in the Eurozone has a better monetary policy than it did before,' he says. 'Every country in Europe, and every citizen within, will have a world class currency and all, bar Germany, have lower interest rates than before. We are already starting to see the benefits of price transparency. 'The euro has the chance to change the power configuration of the world economy.' That's not how the currency markets have judged the fledgling currency to date. The virtual euro has lost a quarter of its value against the dollar since its launch in 1999. 'That's turned out to be a blessing in disguise. The fall in the euro exchange rate has helped sustain European growth,' Mundell says. He also believes that the European Central Bank's monetary policy record to date has been impressive. The euro's depreciation has had nothing to do with alleged transparency and credibility deficiencies, he argues. 'I'm not sure how much secrecy is optimal for a central bank. If it was completely open, individuals wouldn't give their real opinion and decisions would be difficult. The less transparency there is, the more discretion is left for policy.' Further moves on transparency are not necessary, he says. 'I don't think that publishing minutes really matters all that much, like I don't think it'll make much difference if you have [Bank of France governor Jean-Claude] Trichet as governor.' Mundell

habitually picks out episodes from economic history to illustrate his views. On transparency, his example is Montagu Norman, Bank of England governor from 1920 to 1944, whose portrait imperiously stares down on today's monetary policy decision-makers. 'Montagu Norman was known as "the mystery man of high finance", and he excelled in his era of mystery, until his psychosis was discovered,' he says. 'You know, the Bank for International Settlements was set up in Basel only because it was close to his psychiatrist.' As you might expect of a Nobel prizewinner, Mundell seems to know too much about his specialist area. But he has a refreshing desire to make his theoretical concepts relevant for the analysis of policy-making and of history. He says Gordon Brown's five tests are 'not bad'. 'They all make a certain amount of sense, but any one of them could be interpreted subjectively as being satisfied.' Controversially, he believes that Britain could tolerate a joining rate far higher than is envisaged as feasible by unions and business leaders. 'I think that if Britain could get a rate of about €1.5 to the pound, it would be about right. If it adopted a lower rate, there would be too much inflation in the service industries. Manufacturing would always want it lower, but this would mean inflation. 'Quite apart from all the economic reasons, it would be no contest because the European countries would not accept too low a rate - actually Britain may be lucky to get a rate of DM3 to the pound. His view is that volatility in the euro/dollar rate could prove the crucial test of British membership. 'Britain should join but should insist on a system for a more stable dollar/euro exchange rate. Britain will face some trauma if the rate changes too much,' he says. He also sees risks emanating from the regulatory, dirigiste tendencies within Europe. 'Harmonisation is generally a good thing. But Britain is rightly worried about harmonising up rather than harmonising down. I think that should be a condition that Britain will not have to change its tax system.' Last year Mundell questioned the Britishness of the pound. The word originates from the Roman standard, and the pounds, shillings and pence denominations were first used by the Persians. It's the sort of stuff liable to make a eurosceptic's blood boil. But on other matters the average Conservative eurosceptic would find little to disagree with. He was one of the University of Chicago economic revolutionaries of the 1960s who espoused the all-conquering mantra of tight money and tax cuts. As his colleague Arthur Laffer wrote after Mundell won the 1999 Nobel prize, 'To Mundell, the only closed economy was the world itself. The only meaningful monetary policy was global monetarism'. The intellectual basis for the euro is entrenching monetary and fiscal discipline and ultimately shrinking the size and scope of the state. The euro is embodiment of this, more than a symbol of European togetherness. But Mundell's sights are set beyond Europe. He believes in a global currency - the Intor - formed as a G3 monetary union between the dollar, euro and yen areas. 'What happens if this recession becomes far worse than anyone imagines? The slowdown turning to recession and even depression, with eight quarters of contraction rather than three? 'This would be devastating for the world economy, but the US could not do much on its own. Neither could Europe or Japan. So you could create some measure, a unit of global purchasing power, and some sort of world central bank.' His idea is that the three biggest currency blocs form a virtual union with locked exchange rates and common monetary policy, but retaining the paper currency. Mundell is well aware of the political exigencies of this. He has a political roadmap that starts with the formation of an Asia-Pacific dollar-zone, dollarisation of Hong Kong, and then a link between the euro and the dollar. A possible global recession makes such arrangements all the more prescient, he says. 'I'm not attaching a high probability to the chance of a monstrous recession, but we simply don't have the instruments to deal with it. This is why we need a unit of global purchasing power, and this could be used as the embryo for an international monetary system.' It all sounds rather fanciful - but then they probably said that in 1972.

*From **The Observer**, 1 December 2001*

EU Parliament Approves Telecoms Reform Package

Brussels - The European Parliament has voted in favour of the EU telecoms reform package that will give the European Commission greater powers over national regulators. Under the proposed reforms, the commission will be able to oversee national regulatory regimes and require them to withdraw national decisions impinging on the functioning of the single market. The new legislation will allow for the rolling back of regulations, simpler market entry rules, a stronger internal market, universal service obligations, the establishment of a policy framework on radio spectrum, tools for regulators to deal with international issues, European standards for interactive digital television and will also allow for appeals on decisions by national regulators.

*From **AFX Press**, 12 December 2001*

Approval of Telecoms Reform Package Set to Boost Information Society

The European Parliament voted on 12 December to adopt a compromise telecoms package which will modernise and simplify the current regulatory framework for electronic communications in Europe. The package is designed to encourage the transition to an information society by reducing the dominant market position of monopolies and opening the market up to competition, thereby reducing prices and increasing the use of new communication technologies in Europe. The compromise agreement gives the European Commission powers to oversee national regulatory regimes. If necessary, the Commission will have powers to overrule national regulatory authorities (NRAs) by requiring them to withdraw decisions in key areas linked to the functioning of the single market in order to ensure a level playing field for telecom operators and consumers. The new legislation also adapts existing rules to take account of the convergence between telecommunications, information technology and media. The agreement brings the principle of neutrality to the evolving market, where the same services can be delivered over a variety of platforms and received through a range of different terminals. 'This agreement is a major boost for Europe's future economic growth and employment,' said Enterprise and Information Society Commissioner Erkki Liikanen. 'Less regulation, easier market entry and a level playing field across the EU are pre-requisites for the development of world-class communications and a powerful knowledge-based European economy.' The new legislation will: - Roll back legislation as competition becomes more effective on specific markets. Prospective regulation will in future be limited to dominant companies on a restricted number of specific markets. - Simplify market rules and stimulate competition. Individual licences will be replaced with general authorisations to provide services. - Strengthen the internal market through strong European-level coordination. Regulators will have to consult each other and the Commission on national decisions that could affect users or operators in other Member States. The Commission will be able to require a regulator to withdraw a decision if it creates a barrier to the single market. - Ensure that national regulatory systems allow for appeals on decision by the national regulatory authorities. National legal systems must allow for the facts or merits of the case to be considered. - Maintain universal service obligations to avoid exclusion from the information society and the creation of a 'digital divide.' - Establish a Community policy framework to coordinate policy approaches to radio spectrum and create a harmonised legal framework for radio spectrum availability and use. - Provide regulators with tools to cope with evolving future technology and market changes, within a defined framework of objectives and remedies. This will ensure that regulators can deal with a wide range of access and pricing issues, from international mobile roaming prices to network access. - Promote European standards for interactive digital television (DTV). Member States will encourage the use of European standards for the enhanced set top boxes or integrated digital TV receivers that consumers need to benefit from new interactive TV services. The adoption of the telecoms package by the end of 2001 was one of the goals set at the Lisbon European Council in March 2000 to provide a clearer legal framework for this crucial sector in order to pave the way to a digital, knowledge-based society. The move also maintains the momentum of reform set out by the eEurope action plan, agreed by heads of State and government in June 2000 to bring the benefits of the information society to all Europeans. The agreed deal includes four Directives (one Framework Directive and three specific Directives on authorisations, access and interconnection, universal service and users' rights) and a decision on Community radio spectrum policy. The fifth Directive in the package originally proposed by the Commission, a Directive on data protection, has incurred some procedural delay. However, it may still be possible to align the date of application for that directive with the rest of the package if the European Parliament and the Council reach an agreement on a common text within the next few months. For further information, please consult the following web address: http://europa.eu.int/information_society/topics/telecoms/index_en.htm

*From **Cordis**, 14 December 2001*

The Americas

Chris Stockwell Unveils Plan for Reform of the Legislature

Tory leadership hopeful takes swipe at Harris - Tory leadership hopeful Chris Stockwell has taken a swipe at the Harris regime by suggesting major parliamentary reforms need to be made because the public is "frustrated" with the current process. "I think a lot of our freedom of speech and parliamentary democracy has been forfeited in the name of party discipline the last couple of years," Stockwell said about the tight control the Premier's office has on the Legislature. During a news conference yesterday to unveil his five-point plan to change how government does its business, Stockwell said most of his proposals are aimed at giving backbenchers on both sides of the house more power to represent their constituents. "I'm the one guy who will stand up and say we need to do this," said the labour minister, who is considered the wild card among the five candidates vying for Premier Mike Harris' job. Conservative house leader Janet Ecker said Stockwell's proposals "are gratefully accepted" but unnecessary. "Democracy is always a very cumbersome, painful, lengthy, messy process, but do you want democracy or do you want efficiency?" Harris has announced he will step down in the spring for personal reasons. The vote will be held March 23. Stockwell, whose sole caucus supporter is Tory backbencher Bill Murdoch, said the other political parties over the past couple of decades have also contributed to the "systemic problem" and it needs to be fixed "from the bottom up." He later told reporters that he's never presented these changes to cabinet. His major recommendations would allow free votes with few exceptions, including budget bills, throne speeches and any "fundamental ones" declared by cabinet. Stockwell said important or controversial debates in the Legislature aren't getting enough time to be properly heard, and he wants the Speaker to be given the power to enforce agreements among the parties to allow full debates when required. "It's reached the stage today where we have as much debate in the Legislature on Employment Standards Act or municipal reform or social contracts as we do on renaming a public institution," he said. Stockwell was the Speaker for three years during the Harris government's first term. To ensure members would get the chance to get their views on the public record but still speed up debates, Stockwell recommends they be allowed to append speeches to the official minutes. Stockwell's plan was dismissed by Liberal house leader Dwight Duncan as a "deathbed repentance." "These folks (the Conservatives) have no respect for the Legislature and he's been a big part of it," he said. Stockwell also took aim at the system of standing committees. Instead, he proposed that almost all committees would be scrapped and new ones would be struck only as needed on a bill-by-bill basis. Stockwell also said he would end the practice of members abstaining from a vote as a way to show their displeasure with legislation or to not take sides.

*From **Toronto Star Online**, by Katherine Harding, 12 December 2001*

U.S. House Vote Set on Election Reform

Washington - Thirteen months after the disputed 2000 presidential election, the U.S. House of Representatives plans to vote on Wednesday on a bill to implement a sweeping overhaul of the U.S. election system. Expected to win House passage and be sent to the Senate for consideration, the $2.65 billion bipartisan bill would provide funding for improvements and new equipment and establish minimum election standards, including what constitutes a vote. House Administration Committee Chairman Bob Ney, an Ohio Republican, and Rep. Steny Hoyer, the panel's ranking Democrat, crafted the bill after numerous previous efforts on both sides of Capitol Hill failed. "This is a bill that can make a difference," said Ney. The Ney-Hoyer measure has 173 co-sponsors -- 63 Republicans and 110 Democrats -- in the 435-seat House. Hoyer has predicted the bill will easily win House passage with more than 350 votes. House Republican Leader Dick Armey of Texas declined to predict a vote on Tuesday, but said he expects it to pass. "Here you have a piece of legislation ... (that) seems to cover the ground well," Armey told reporters. Senate Republican and Democratic negotiators, after months of talks, have neared agreement on a similar bill of their own. But it will likely be next year before the two chambers can iron out differences and send a final measure to President George W. Bush to sign into law. Both the House and Senate measures would establish election standards. But the House bill, unlike the Senate measure, would leave it up to the states to decide how to meet them. The Senate bill would have the federal government make sure there was compliance. A number of civil rights organizations favor the Senate bill, complaining that the House version does not go far enough. But proponents of the House measure contend it can win congressional passage, would make a number of needed improvements and should become law. Presidents Carter, Ford endorse - Former Presidents Jimmy Carter and Gerald Ford, co-chairs of the National Commission on Federal Election Reform, have hailed the House measure. In a recent op-ed piece in The Washington Post, Carter and Ford wrote, "With the exception of the Civil Rights laws of the 1960s, this bill could provide the most important improvements in our democratic election system in our lifetimes." A number of organizations have endorsed the bill, including the National Association of Secretaries of State, the National Association of Counties and the National Conference of States Legislatures. While federal elections have been traditionally handled and funded by states and localities, the bill would provide states with $2.25 billion over three years for new equipment and a number of other improvements. In addition, states would adopt minimum election standards, ranging from defining what constitutes a vote on various machines to giving voters a chance to fix errors. The measure would also provide $400 million to replace old punch-card voting machines, whose many problems were documented by the thousands of disputed ballots in the presidential race in Florida last year. There have been scores of election-reform bills introduced since Congress convened in January, a month after the Supreme Court made Bush the winner of the 2000 White House contest by refusing to permit Democrat Al Gore a hand recount of the disputed Florida ballots. But most of those bills were blocked by partisan fighting. There have been renewed efforts in recent months in the House and Senate. "People have just refused to let this issue die," said Sen. Christopher Dodd, a Connecticut Democrat and sponsor of the chief Senate election-reform measure.

From iWon, by Thomas Ferraro, 12 December 2001

All But One Part of New Election Law Okayed

Tallahassee - The U.S. Justice Department has given its approval to all but one part of Florida's new election law. In a letter received Tuesday, Joseph D. Rich, the chief of the voting rights section at the Justice Department, approved Florida's new "Voters Bill of Rights" and a planned provisional ballot that voters would cast if their credentials were in question. Rich, however, withheld Justice's blessing of a new statewide voter list. Under the election law signed by Gov. Jeb Bush, the state plans to create a statewide database of voters and to purge convicted felons from the rolls. Rich has asked Florida Attorney General Bob Butterworth to furnish the details of how the state plans to create the database and how it will identify and notify the voters who would have their names purged from the rolls. Until the Justice Department approves the final segment of the law, the state will not be able to remove any disqualified names from voter rolls. But it can proceed with all other changes in the election law, including the purchase of new equipment to replace outdated punch card systems. Because of past racial discrimination in five Florida counties, the state must have any changes in election laws approved before they can take effect. The Voters Bill of Rights will be posted at precincts. The provisional ballots will be given to voters whose eligibility cannot be immediately determined. Poll workers would verify the eligibility before their votes would count. The Justice Department's decision to okay most of the law disappointed attorneys for the American Civil Liberties Union, which has filed suit against the state over changes in the election law. "We're obviously disappointed," said Miami lawyer JoNel Newman. But the ACLU is also concerned about the voter database being prepared by the state and will continue to pursue its civil lawsuit against the state. Assistant Attorney General George Waas said he is pleased that federal officials have now approved most of the 78 new provisions of the election law. He said officials at the state Division of Elections will help compile a response to the new questions and file it as quickly as possible. The central database sparked complaints last year from voters who were told they could not vote because their names were included on a list of felons. Some of those on the list did not have felony records because the company that put the list together made mistakes. Legislators ordered Secretary of State Katherine Harris to use the state's 67 court clerks to help develop the new database without using an outside consultant. But talks between Harris and the clerks broke down, and Harris has steered the work to yet another outside company. State elections director Clay Roberts says the company, Accenture, will provide the state with the design of a new system that will allow election officials to match a list of eligible voters against criminal history files maintained by the Florida Department of Law Enforcement. Roberts said the new questions raised Tuesday will not delay efforts to put the list together but could delay any action if the Justice Department has not ruled on the issue by June. "I don't think we'll have any problem answering the questions," Roberts said.

*From **St. Petersburg Times**, By LUCY MORGAN, Times Tallahassee Bureau Chief, 19 December 2001*

Congress OKs Bush's School Reform - President Will Sign Bill Mandating More Testing

Washington - Congress gave final approval Tuesday to the major education overhaul sought by President Bush, providing more money for local school districts and insisting on higher achievement in return. For millions of students, it will mean new annual math and reading tests. The Senate vote, 87-10, marked a final bipartisan flourish for the most sweeping overhaul of federal education programs since the Great Society more than three decades ago. The House approved the bill last week on a vote of 381-41. Bush hailed the vote on an issue he made a centerpiece of his campaign for the White House last year. 'These historic reforms will improve our public schools by creating an environment in which every child can learn - through real accountability, unprecedented flexibility for states and school districts, greater local control, more options for parents and more funding for what works," he said in a written statement. Bush expects to sign the measure into law within weeks. The measure gives states and school districts more freedom over how they spend federal dollars, but requires them to raise student achievement, monitor teacher quality and close the gap between poor and middle-class students - and white and minority students. "School improvement and school reform are not optional, they are mandatory," said Sen. Edward Kennedy, D-Mass., one of four key lawmakers who shaped the measure. Sen. Judd Gregg, R-N.H., added, "What we're doing is creating opportunities for local school districts, states and especially parents, to take advantage of using their federal dollars in a more effective way of educating the low-income child." Several lawmakers, including Sen. James Jeffords, I-Vt., have complained that the $26.5 billion plan falls short by not giving schools enough money, especially for costly programs to help disabled students. Jeffords, who headed the Senate's education committee until he left the Republican Party last May, joined six Democrats and three Republicans who voted against the bill. Beginning in the 2004-2005 school year, schools would be required to test every student in grades three through eight in reading and math each year. For the first time, the scores would affect how much federal funding a school gets - and how school officials can spend it. Schools with persistently low test scores would get extra federal funding, but low-achieving poor students could ask that part of a school's federal allotment be spent on tutoring or transportation to another public school. Schools could be freed from such provisions only if the scores of students of all racial, ethnic and economic groups improve. They would have 12 years to get all students reading and doing math proficiently, but could be given more time if they show slow, steady progress. Schools would have to send annual "report cards" showing a school's standardized test scores compared to others locally and statewide, as well as how many teachers are qualified to teach in their subjects. In what might seem unthinkable, schools would have to send a note home to parents if a student is taught by a teacher without required qualifications, such as a social studies teacher teaching a math class. Such requirements have soured support for the bill among groups representing school administrators and school board members, who say their strapped systems would be burdened more than ever. The testing provisions alone are expected to cost billions, they say, with the bill providing only a fraction of that. National School Boards Association lobbyist Reggie Felton said the new requirements will be difficult to fulfill. "We believe that our schools will want to make the changes, will want to accommodate the law, but will simply be strained due to increasing costs to provide services to students with disabilities," he said. Amy Wilkins of the Education Trust, a Washington group that advocates for urban and minority students, said the provisions for children in struggling schools represent a sea change in national education policy. "It recognizes for the first time that there are actual kids moving through these systems, who need help now," she said. "They can't afford to wait." She also said the ambitious testing requirements may be painful to school districts, but in the end will help them spend their money more wisely. "This will give educators at the school and district level lots more data to make informed policy and budget choices," she said. "'Is it math or reading that's a problem? Is it third-grade or fourth-grade math?' This is going to give them data that they should be smart enough to use."

*From **Athens Daily News**, by Greg Toppo, 19 December 2001*

Deregulation a success?

New York (CNN/Money) - Deregulation may have pushed the state of California into turmoil but it can't take the credit for the collapse of Enron Corp., the once powerful energy trader. Allowing California consumers to choose their power providers seemed like a great idea in the late 1990s. The initial goal of the program was to dethrone monopolies and give consumers a choice when they buy power. The free market theory hoped to drive down energy prices while improving services. But power deregulation has come slowly and many states are still in the early stages of privatization. Only about 20 percent of U.S. states have fully deregulated while gas privatization is about 90 percent complete, analysts said. California, which began privatizing in 1996, sold off its power plants to companies such as Dynegy Inc., El Paso Corp. and Williams Cos. (WMB: down $1.36 to $22.95, Research, Estimates). But state officials required the companies to sell their electricity to a single state-run power exchange. Such efforts caused energy prices to soar while consumers suffered through eight rolling blackouts in the past year. In 1999, the state of California at its peak paid $7.4 billion for 45,000 megawatts (MW) of power. By the next year, the state used only 43,000 MW but the price tag more than quadrupled to $33.5 billion. This year, California is now on track to use 41.1K MW at peak use and is expected to spend $50 billion, according to data from the San Francisco-based Public Utilities Commission. But some believe that the attempt at privatization failed because it didn't go far enough and allowed states to regulate rates. "The case in California wasn't full fledged deregulation," said analyst Mike Barbis, of Fulcrum Global Partners. Free market proponents point to Pennsylvania, the must successful example of privatization, which, along with Delaware, Maryland and New Jersey, is part of a wholesale market. California's experience is on par with Montana's, where state official's decision to sell all of its generators to a single company which initially produced a surge in industrial wholesale prices. "We've had some hiccups but [deregulation] has been successful in a lot of places," Barbis said. "It's still too early to pass judgment." Free market proponents claim that energy deregulation can succeed if given time. Commercialization has led to an increase in services and low prices for the telecommunications and airlines sectors, as well as railroad and trucking. "The marketplace will take care of energy and provide more services and cheap prices if allowed to work," one analyst said, who declined to speak for the record. But some disagree. "Deregulation doesn't work for a fundamental economic necessity which you must have and that can't be stored," said Commissioner Loretta Lynch of the San Francisco-based Public Utilities Commission. Rise of energy merchants - Deregulation has given birth to a new breed of energy merchants such as Duke Energy Corp. (DKE: up $0.19 to $24.24, Research, Estimates), Dynegy Inc., El Paso Corp. (EPG: down $1.63 to $38.60, Research, Estimates) and Mirant Corp (MIR: down $2.35 to $13.35, Research, Estimates) who have all benefited. In the last four years, the revenue base of these top energy traders has jumped to $350 billion from $70 billion, analysts said. While some companies have surged, others have failed. One of the most notable, Pacific Gas & Electric Co., California's largest utility, filed last April for bankruptcy protection. Earlier this month, Enron Corp., once one of the biggest and most influential companies in the United States, filed the largest bankruptcy in United States history. But some pegged PG&E's bankruptcy as more of a strategic move. PG&E opted for bankruptcy protection so that it could finish the experiment of deregulation in California, Lynch said. "PG&E was sitting on over $2 billion in cash when it filed," PUC's she said. "They had plenty of money."

"PG&E did have assets they could've used to subsidize," added Fulcrum's Barbis. Enron's collapse is also not the result of deregulation, analysts and industry sources said. Led by CEO Kenneth Lay, the once powerful energy trader was a major proponent of deregulation and profited from the experiment. Enron's woes began after regulators began investigating company transactions with a partnership created by its former chief financial officer, Andrew Fastow, that resulted in a $1.2 billion reduction in the value of investors' holdings. Enron's questionable accounting eventually led to the failure of its $9 billion merger with Dynegy Inc. The troubles caused Enron's stock to plunge to roughly 50 cents from $37 on Oct. 16. "Enron got in trouble with too much debt," said Fulcrum's Barbis. "Investors and analysts didn't realize how much debt they had because it was hidden." With Enron out, rival traders will be vying for the $200 billion in revenue that it was expected to produce in trading this year, said analyst John Olsen, of Sanders Morris Harris. "Enron is a one-time occurrence," Olsen said. "Trading didn't put it down but rogue financing. They improperly financed a lot of overseas hard assets and didn't disclose the impact to earnings and balance sheets." But one competitor, Calpine Corp., appears to be suffering from the Enron fallout. Moody's Investor Service recently cut Calpine's debt to "junk" status on concern over the company's liquidity and financial flexibility. The downgrade of Enron's debt triggered debt covenants and forced accelerated payments. The downgrade also caused Dynegy to pull out of its $9 billion takeover of Enron. Calpine needs about $7 to $8 billion for the 17,000 MW of gas-fire generating capacity it has in development, said analyst John Olsen, of Sanders Morris Harris. The San Jose, Calif.-based power company has a generating base of about 7,000 MW currently and wants grow to 70,000 MW by 2005. "That's looking increasingly remote now," Olsen said. "Calpine has a ton of debt and the concern is they don't have enough money to meet their obligations." Lehman analyst Dan Ford also lowered his rating on Calpine stock to market perform from strong buy. Shares of Calpine (CPN: down $0.30 to $12.90, Research, Estimates) dropped to an $10 low last week and shed nearly 5 percent on Monday

*From **CNNfn**, 18 December 2001*

Global

Does Globalization Help Fight Poverty?

The short answer to this question is: "Yes, but..." It is good for growth yet makes some sectors quite vulnerable. My source is a talk given by professor Malcolm Dowling at a conference on globalization held in Manila last Nov. 15-17, 2001 organized by the Council of Asian Liberals and Democrats. Dowling is from the University of Melbourne and the Asian Development Bank. His lecture reviewed much hard evidence and was entitled, "Is Globalization Really Good for the World Economy?" Here are the arguments for globalization. Globalization has stimulated trade and economic growth. There is overwhelming evidence that trade fuels world growth, and three periods in history attest to this. During the second half of the 19th century and the early 20th century, international trade boomed. And so did growth. The same pattern was seen in the years after World War II: much trade and much growth. The opposite was true in the period between World War I and World War II. Trade trickled, and so did growth. Take the case of Ghana and South Korea. In 1967, Ghana's per capita income of 800 dollars per year was greater than the corresponding 550 dollars of Korea. Then Ghana chose to be protectionist, but South Korea liberalized trade. Just 30 years later, Ghana's per capita income had fallen to 370 dollars while that of South Korea hit 10,360 dollars. "A recent World Bank study showed that developing countries that opened themselves up to globalization had a growth rate in per capita income that was 3-1/2 times faster than the growth rate in per capita income for countries that did not globalize," said Dowling. * Globalization has accelerated the adoption of new technology. When foreign companies and products flow in, nations get exposed to modern technology. Cars, television sets, computers, VCRs and electronic devices all came from the industrialized countries. Hong Kong, Taiwan and Singapore have rushed through high growth due to their adoption of hi-tech industries. * Globalization has modernized business practices by exposing local firms to foreign competition. Competition upgrades the quality of products; it eases out the lousy and rewards the excellent. This holds true for firms as well. Facing competitors from abroad, domestic firms have to upgrade their performance. Globalization breaks monopolies that habitually offer less and charge more. * Globalization lessens poverty by stimulating growth and creating jobs. Multinationals come in and create jobs. "While they pay much lower wages than they do in developed countries, they are still paying more than other employers in developing countries," says Dowling. There is also an overwhelming proof that high growth lowers the incidence of poverty.

*From **INQ7.net**, by Dennis M. Arroyo, 10 December 2001*

Technology Innovation and Widespread Internet Adoption Driving Globalization and Localization Services - Market Will Reach $10.3 Billion by 2005, IDC Says

The globalization and localization services (GLS) industry is a dynamic and evolving one. A new report published by IDC estimates the worldwide demand for GLS - driven by technology innovation and the widespread adoption of the Internet and ebusiness - totaled $3.8 billion in 2000. IDC expects this market to grow at a healthy rate and forecasts GLS spending will jump to $10.3 billion by 2005. “Globalization and localization solutions assist companies in bridging borders, cultures, and multilingual environments,” said Alexander Motsenigos, IDC's Globalization and Localization Services analyst. “More importantly, these solutions enable companies to fulfill the most fundamental need for global understanding, communication, and interaction between and among an enterprise and its customers, suppliers, partners, and employees. This basic requirement forms the driving vision transforming the industry today.” In 2005, the United States will comprise the largest market opportunity in terms of GLS spending followed by Western Europe. Combined, these markets will account for 78.1% of the worldwide total. Despite the larger current market shares enjoyed by the United States and Western Europe, the highest growth rates belong to other regional segments. Asia/Pacific is growing the fastest followed by the rest of the world (ROW) and Latin America. The market for localization, translation, and interpretation (LTI) services will comprise the largest part of the GLS market in 2005. Globalization strategy consulting (GSC) and internationalization services represent the second- and third-largest markets. These markets are growing faster than the LTI services market. The fastest-growing market is the cross-lingual applications (CLA) services segment, IDC's study shows. Not surprisingly, CLA services, which represent services provisioned around multilingual content management systems, machine translation (MT), and linguistic tools (including ASP models), comprise the smallest market. However, IDC predicts this market will reach $286.5 million by 2005. Key Recommendations - Key factors necessary to be a successful GLS player include developing a globalization practice that can influence policy. “Globalization business consultancies involved in governmental and policy-making levels can be more effective at assisting existing or prospective clients in gaining a deep understanding of the legal and regulatory undercurrents that may affect their capacity to operate effectively within particular markets,” Motsenigos said. Other recommendations identified by IDC include: * Positioning the service organization in specific niche markets, * Preparing for the wireless opportunity, * Partnering with cross-lingual information retrieval and machine, translation vendors to target the esupport market - IDC's report, Worldwide Globalization and Localization Services Market Forecast and Analysis, 2000-2005 (IDC #25952), defines the opportunities available to service providers that are looking to capitalize on the growing demand for globalization and localization services (GLS). Specifically, this report presents a comprehensive and multidimensional market sizing and forecast of the worldwide GLS market. GLS market forecasts are provided by service category and geographic region from 2000 to 2005. Furthermore, the major revenue drivers, revenue inhibitors, and trends of these segments are discussed. This document also makes predictions and recommendations on the state of the GLS market. In summary, this report is a valuable tool for service providers that want to understand and compare the market opportunities in the four major industry areas presented in this report. To purchase this document, call IDC's volume sales hotline at 508-988-7988 or email jnagle@idc.com - About IDC - IDC is the foremost global market intelligence and advisory firm helping clients gain insight into technology and ebusiness trends to develop sound business strategies. Using a combination of rigorous primary research, in-depth analysis, and client interaction, IDC forecasts worldwide markets and trends to deliver dependable service and client advice. More than 700 analysts in 43 countries provide global research with local content. IDC's customers comprise the world's leading IT suppliers, IT organizations, ebusiness companies, and the financial community. Additional information can be found at www.idc.com . IDC is a division of IDG, the world's leading IT media, research and exposition company. All product and company names may be trademarks or registered trademarks of their respective holders.

*From **PR Newswire via Yahoo**, 19 December 2001*

IMF Sees Deeper, More Prolonged Global Slowdown than Earlier Forecast

The IMF said, in an extraordinary revised economic forecast, that the global slowdown will be deeper and more prolonged than initially predicted because of the Sept 11 terror attacks. The IMF typically releases its World Economic Outlook twice a year, in the spring and fall, to coincide with the meetings of its top officials. But this year the agency decided to release an updated forecast because its previous forecast was completed shortly before the Sept 11 attacks. In November, IMF officials gave a preliminary glimpse of the outlook for leading industrialised countries, but the report released today is much more detailed. In the updated WEO, the IMF said the global economy was much weaker even before Sept 11 than previously believed. "The tragic events of Sept 11 exacerbated an already very difficult situation in the global economy," the IMF said, noting "a sharp deterioration in confidence across the globe, accompanied by a flight to quality in both mature and emerging markets, and a deterioration in emerging market financing conditions." As a result, any rebound in the global economy has been delayed and is now not expected to emerge until mid-2002. Previously, the IMF said the rebound would begin to take hold late this year. The IMF slashed its official projections for global growth in 2002, marking down growth estimates in all regions of the world except Central Asia. The IMF said it was greatly worried by the 'synchronicity' of the current slowdown across nearly all regions of the globe, "the most marked for at least two decades." Globalization has made nations more vulnerable to common shocks like the bursting of the technology bubble and a spike in oil prices, the IMF said. "While there are good reasons to expect a recovery to get underway in 2002, the outlook remains highly uncertain and there is a significant possibility of a worse outcome, which could involve lower growth and external financing difficulties for many countries," the IMF cautioned. The IMF said the economic outlook for Japan "has become increasingly worrying," and the economy is expected to experience two years of contraction for the first time since the end of World War II. Concerns are also growing about the Japanese banking sector. Against this background, the IMF said there is a great need for coordinated and collaborative economic policy initiatives by the G7 countries. There is further room for the European Central Bank to cut interest rates given the forecast that inflationary pressures will ease. The Bank of Japan should also adopt "a more aggressive approach to monetary easing." On the fiscal front, ECB members should allow automatic stabilizers to work and "it will be important that countries do not interpret their individual constraints too rigidly." Automatic stabilizers allow euro zone governments to adopt a looser than normal fiscal policy to offset a slowdown in growth. Among the risks facing the global economy are the continued overvaluation of the US dollar, a slower than expected rebound in the US, financing pressures on emerging market economies and possible downturns in financial markets. Some IMF directors viewed the rebound in financial markets in the wake of Sept 11 with suspicion. "A few (IMF) directors cautioned that this recovery in financial markets may reflect an overreaction following the attacks and the subsequent monetary response, and should not be seen as indicating that a recovery is in sight," the report noted. On a positive note, the IMF said that the stage is set for a strong global economic recovery in 2003. "Global growth for 2003 as a whole would be expected to bounce back strongly," the IMF said. Another positive is that financial market participants appear to be showing greater discrimination between individual emerging market economies, which suggests that "the potential for future contagion is less than it was in the past."

*From **Ananova**, 18 December 2001*

Afghan Leaders Sign Pact for Nation's Rule

Koenigswinter, Germany - Amid applause and embraces, Afghan leaders signed a pact Wednesday creating a temporary administration for their war-ravaged nation. It will be headed by an ethnic Pashtun who battled the Taliban and include two women. The choosing of a post-Taliban government to lead Afghanistan for the next six months was the result of nine days of furious negotiating and enormous international pressure on the four Afghan factions meeting at a secluded luxury hotel near Bonn. Under the pact, anti-Taliban commander Hamid Karzai and his Cabinet will take over power in Afghanistan from the triumphant northern alliance on Dec. 22. The deal also requests the United Nations to authorize an international force to keep security in the capital, Kabul, and eventually other areas. Reaching the agreement also secures billions in aid to reconstruct the country. The European Union quickly promised Wednesday a "significant contribution" to helping Afghanistan rebuild. German leaders and U.N. envoy Lakhdar Brahimi, who shepherded the parties and won the deal, broke into applause at the signing ceremony Wednesday morning. Brahimi then embraced the delegates. "Nowhere is the feeling of hope greater than among the people of Afghanistan, who during 23 years of tragedy and loss have maintained the hope that peace and stability could be restored one day in their country," he told the conference's closing session. Afghan delegates were jubilant after completing the deal, which is aimed at ending more than two decades of war and civil strife since the 1979 Soviet invasion. "Maybe it's not perfect," said Mostapha Zaher, grandson of the ex-king, whose supporters were one of the four factions. "Under the circumstances it is something honorable, something good. I think the future of Afghanistan looks very bright." The agreement was reached by the northern alliance, representatives of former King Mohammad Zaher Shah and two smaller groups representing Afghan exiles in Cyprus and Peshawar, Pakistan. Brahimi said he would go to Afghanistan early next week to begin preparations for the transfer of power from Burhanuddin Rabbani, the head of the northern alliance. "The real work starts now," he said. Rabbani, whose forces control the capital and who has never given up his claim to his old post as president of Afghanistan, came under intense diplomatic pressure to compromise in the Bonn talks. Forces of the northern alliance last month swept over more than half of Afghanistan, including Kabul, after U.S. bombing broke the defenses of the hardline Islamic Taliban militia, which had ruled most of the country since 1996. U.N. mediators went into the Bonn conference looking to get the alliance to share power, particularly with the country's largest ethnic group, the Pashtun. The alliance is made up mainly of ethnic minorities, particularly Tajiks and Uzbeks. After intense haggling over posts, the northern alliance controls more than half of the 30 ministries, including the powerful defense, foreign and interior portfolios. The delegation of Rome-based exiles loyal to the former king received at least eight ministries, including the finance, education and reconstruction posts. Keeping in mind the goal of an ethnic and political balance, Brahimi worked to winnow down more than 150 candidates for the 30 posts. Two women were named to the Cabinet: Sima Samar as a deputy premier and minister of women's affairs and Suhaila Seddiqi as health minister. The final Cabinet list was not released, as 10 or 11 candidates had not yet been contacted to formally accept the posts, U.N. spokesman Ahmad Fawzi said. The replies were expected later Wednesday. The administration will govern for six months until the former king convenes a traditional tribal council, or loya jirga. The council will then ratify a transitional government, paving the way for elections within two years. Under the agreement, the four factions also ask the U.N. Security Council to mandate an international security force while a multi-party Afghan force is created. The international force would deploy first in Kabul, then expand to other areas "as needed." The agreement does not define the size of the force or its timing, other than calling for an "early deployment." Younus Qanooni, the northern alliance's chief delegate, said the accord signaled his side's readiness to compromise. "Today the Afghans have proven that, just as they were ready to die for their country, today they are ready to sacrifice and hand over power peacefully." Karzai is a 44-year-old Pashtun tribesmen from the Taliban heartland of Kandahar who speaks fluent English, studied abroad and is currently leading a force of some 4,000 troops fighting the remaining Taliban forces around Kandahar. He initially supported the creation of the Taliban in 1994 as an alternative to the lawlessness of militia leader ruling at the time. But he became disillusioned, saying the Taliban had been hijacked by neighboring Pakistan. During the Soviet occupation of Afghanistan in the 1980s, Karzai was in Pakistan. When Islamic insurgents took power from the pro-Moscow regime in 1992, Karzai became Afghanistan's deputy foreign minister under President Burhanuddin Rabbani. Karzai later left Rabbani's government, disillusioned by the bickering between the groups.

From Daily American Republic, 6 December 2001

The Premier and President Come from Opposite Parties

Sri Lanka's new parliament sworn in

AP

The Sri Lankan parliament has opened following the country's recent elections amid calls from all parties for an end to the civil war. Unusually, the president and the government come from rival parties and there has been much concern about a clash of executive and legislative powers. MPs took their oaths watched by the relatives and supporters who packed the house. The president was absent, though her brother and uncle now sit in the opposition benches. The post of deputy speaker was left open. The government has offered the job to the opposition, in what it says is the hope of political reconciliation. The opposition Peoples' Alliance has refused to join a government of national unity. It fears that some of its members might be lured to defect with the prospect of cabinet posts, especially if the government manages to pass new legislation making it legal to cross the floor. Poll violence - As party leaders made opening speeches, there were signs of friction with the People's Alliance complaining of post-election violence, alleging its supporters are suffering harassment and assault. The leader of the opposition asked for an early debate on the issue and an impartial inquiry into the violence. The elections, the second in as many years, were marred by widespread irregularities and attacks. The leader of the influential Muslim party Rauff Hakeem said he considered himself extremely fortunate to have survived the campaign. One Tamil parliamentarian came to take his oath in a wheelchair with his leg in plaster after having suffered assault in Jaffna in the run-up to the polls. But the opening was dominated by calls for peace, with many politicians saying it was time for a political solution to the ethnic conflict that's cost more than 65,000 lives. The leader of an alliance of moderate Tamil parties said if this parliament failed to find a solution, then no Tamil with self-esteem would enter the assembly again. There is no doubt most Sri Lankans are tired of the civil war, but in the past political bickering between the two main parties has prevented any agreement being passed by parliament.

From BBC, by Frances Harrison, 19 December 2001

Europe/CIS

Corruption Scandal Rocks Turkey

The scandal re-opened corruption debates in public life - Senior Turkish Government officials are facing corruption charges after footage of the men apparently accepting bribes was broadcast live on private television on Thursday night. The two men - one of them a senior official in the prime minister's office - were filmed by secret cameras as they negotiated with a journalist posing as a businessman anxious to strike a deal. Turkish television viewers were rivetted as they watched the men - stuffing bundles of notes into their pockets after they agreed to help secure state funding for a tourism project in return for payments of more than a $140,000. The set-up was instigated by Turkish television journalist Taner Dileklen, who posed as a businessman seeking government money and the chance to rent government owned land for his tourism venture on the Mediterranean Coast. The government officials were arrested by plain-clothes policemen after they promised to help the bogus businessman to get his hands on government funds. Disillusionment - The incident provided compulsive viewing, but it also reopened the debate about corruption in public life, something that is endemic in Turkish society and which is considered to have played a major role in the collapse of the country's economy. Despite government promises that it would crack down on government corruption, many people feel that it has so far failed to tackle the problem at the highest levels. With rising unemployment and more and more people living below the poverty line, this

Many Turks do not trust their public servants latest expose will merely confirm the disillusionment that ordinary Turks feel about the integrity of their public servants. Turkey's minister in charge of anti-corruption measures has resigned from his party and the government a day after demotion in a cabinet reshuffle.

From BBC, by Tabitha Morgan, 7 December 2001

The Americas

App Targets Corruption

Shady politicians and government workers, beware. Pepperdine University last week launched the Murray S. Craig Digital Democracy Lab to help spot improper conduct on the job. When someone submits a name, the lab uses artificial-intelligence apps from eNeuralNet and donated hardware from IBM to analyze records such as minutes, applications, and permits. The impartial system presents data it deems relevant in an easy-to-read format so users can spot trends, though it draws no conclusions, eNeuralNet CEO Thomas Kemp Jr. says. "It's absolutely usable to find corruption in government, or at least improper activities that warrant further investigation."

From ***Information Week****, by* *Elisabeth Goodridge,* *12 December 2001*

Democracy's Blueprints

Since the collapse of the Soviet Union, constitutions have been a major American export. Like French lieutenants carrying a field marshal's baton in their rucksacks, many top-ten law professors have a draft document for Klopstockia or Zembla tucked away on their hard drives, just in case. But knowledge of U.S. constitutional law is a curious qualification in a designer of new systems. True, our constitution is now the oldest operative written charter in the world. But its survival has not been a triumph of design--in fact, quite the contrary. The Constitutional Convention of 1787 stands as a sober warning that even the wisest architects may be unable to put a real country with real people on any sort of rational structural footing. Despite the talent and goodwill of its members--Thomas Jefferson called the convention an "assembly of demigods"--the framers wrote into their product a series of compromises, ad hoc improvisations, and simple mistakes that continue to provide moments of awkwardness, crisis, and black comedy to their descendants. The structure failed once in tragic fashion, leading to civil war; it continues to generate farcical failures such as the recent presidential-impeachment effort and the banana-republic struggle over electoral votes in Florida. Strikingly, America's most enduring contribution to constitutionalism--the practice of judicial review of laws to ensure conformity with the Constitution--is not clearly provided for in the document itself. As much as anything else, the academic discipline of constitutional law in this country is a prolonged debate about the scope of this extratextual institution and of *Marbury v. Madison,* the 1803 decision that conjured judicial review into being. Small wonder that the new democracies of the post-communist world--whose practical concerns are far removed from disputes over export taxes and fugitive slaves--in fact have drawn more from contemporary instruments like the German constitution and its carefully and explicitly designed Constitutional Court. Maybe we Americans don't really know what we're doing, but we've been doing it a long time and perhaps can point out mistakes as well as make suggestions. From 1990 to 1997, Cass R. Sunstein was, in addition to teaching law and political science at the University of Chicago, co-director of the university's Center on Constitutionalism in Eastern Europe. The center, now at New York University, monitored the process of constitutional growth in Eastern Europe (though it did not consult with governments). In his new book of essays, *Designing Democracy,* Sunstein gathers a number of lessons from his observations. His topics range from the Internet and its implications for constitutional values to the emerging jurisprudence of the Constitutional Court of South Africa. Most pieces have appeared in different form in law journals; mercifully, Sunstein has reversed virtually all of the stylistic havoc law-review editors are so good at wreaking. The author's impressive body of work straddles the contested border between constitutional law and political science. In books such as *The Partial Constitution* and *Democracy and the Problem of Free Speech,* Sunstein has carved out a role as a leader of the academic movement for "civic republicanism." Civic-republican theorists draw on classic political theory and on the contemporary work of philosophers like Jürgen Habermas to envision democracy in a way that goes beyond nose counting. They argue that the essence of democratic self-government lies not in proper procedures or even in a commitment to a set of protected individual rights but in genuine public deliberation. In the deliberative model, citizens participate not as consumers or even up-and-down voters but as sources of dialogue and argument; and decision makers give a full account of their decisions in terms of public values and civic morality. *Designing Democracy* reprises these arguments briefly and then tries to apply them to a series of practical problems in American and comparative constitutional law. Sunstein warns that he does not mean to "set out a comprehensive account of deliberative democracy or of the relationship between the idea of democracy and the idea of constitutionalism," but simply to discuss "a series of particular questions about that relationship." That the resulting essays are unevenly successful is not the fault of the theory or the theorist but of the untidy world. Political theory is exhilarating for the precise reason that law, alas, is not. Theorists can think about how the world should be and come up with a coherent answer. Lawyers dwell in the valley of incoherence. In fact, in the strongest essay in the book, "Constitutional Principles without Constitutional Theories," Sunstein discusses the ways in which lawyers and judges can bridge social and political divisions through intentional ambiguity, which he calls "incompletely theorized agreements." Such "agreements" commonly emerge from multimember appellate courts, when a majority can agree what should happen but not exactly why; the court produces a muddled opinion and moves on, leaving the big fight for another day. The resulting confusion provides work for generations of con-law geeks like myself, but is often mystifying to ordinary citizens. The confusion, Sunstein argues, is an important way of preserving democracy: "If participants in constitutional law disavow large-scale theories, then losers in particular cases lose much less. They lose a decision but not the world." Arguably, the worst thing about the current conservative majority of our Supreme Court is the hideous coherence of some of its doctrines. Sunstein, in fact, mounts an excellent attack on one of the pillars of this Court's doctrine--the belief, argued most strongly by Justice Antonin Scalia, that the Constitution is best interpreted as protecting traditional American practices (what Sunstein calls a "preservative" theory) as opposed to providing a basis to attack and reform them (a "transformative" perspective). The problem with Scalia's view, Sunstein argues, is twofold. First, even in "originalist" terms, America and its founding documents look to an ongoing process--the fulfillment of our political and moral promises, stage by stage. Loyalty to the past fits less easily into our national landscape than into, say, Britain's--or, as Sunstein puts it: "A problem with Burkeanism for America is that Burkeanism is, in crucial ways, un-American." The second problem is a deliberative one: "When evaluated, specific traditions sometimes emerge as products of ignorance or bigotry." Simply accepting traditions as authoritative spares courts the hard work of interrogating and justifying longtime practices. Political theory has its drawbacks, too; sometimes its proponents are tempted to claim too much for it. Sunstein, seeking to ground "deliberative democracy" in the Constitution, falls into this error when he writes that "the electors were originally supposed to engage in deliberation, choosing the president independently, with regard for the views of constituents but without at all being bound by them... . And in the early days of the republic, the electoral college did indeed function as a deliberative body." This is literally true--presidential electors were expected to use their own judgment in choosing whom to vote for; but it contains what philosophers call an equivocation, a midstream change in the definition of a key term--for the "deliberation" modern theory calls for is far more robust than anything electors were ever supposed to do. In fact, in Habermasian terms--in terms, that is, of debating, giving reasons, and responding to contrary views--the framers made quite sure that the electors *didn't* do anything like deliberation. The "electoral college" is mentioned nowhere in the Constitution, and the document further requires that electors assemble on one day in their separate states, precisely to prevent one state's electors from listening to another's and changing their minds. And deliberation, to be genuine, must be iterative, as a body's members narrow differences among themselves. But the electors vote once and once only and don't even count the votes themselves. If no one wins the first ballot, the vote passes to the House, which genuinely can deliberate. Sunstein's theoretical discussion of secession raises other problems. He argues that modern constitutions should not guarantee constituent parts of a nation even a qualified right to secede, and he justifies this by suggesting that the plausible reasons giving rise to secession are best addressed by other constitutional mechanisms: "federalism, checks and balances, entrenchment of civil rights and civil liberties, and judicial review." The political theory of secession, it seems to me, is like the philosophy of death: It deals with something so huge and uncontainable that no theory can adequately address it. When a nation breaks apart, it is rarely because the constitution is flawed but, rather, because the underlying social structure has come unraveled under unforeseen stresses. Certainly that was the case in our own civil war; and the mystery of secession in this country, still largely unsolved nearly a century and a half after the fact, should make Americans cautious about drawing general conclusions. In addition, Sunstein offers an unintentionally ironic analogy between constitutional union and American family law: "A decision to stigmatize divorce or to make it available only under certain conditions--as virtually every state in the United States has done--may lead to happier as well as more stable marriages, by providing an incentive for spouses to adapt their behavior and even their desires to promote long-term harmony." Just so, he suggests, "the difficulty or impossibility of exit from the nation will encourage cooperation for the long term, providing an incentive to adapt conduct and even preferences to that goal." The "covenant marriage" theory of constitutionalism is original; but if there's one subject that Americans have less to teach the world about than secession, it's how to keep marriages together. Still, at its best - as when discussing the South African Constitutional Court--*Designing Democracy* is very good indeed. And even the lesser essays fulfill their mission in deliberative terms; they are accessible (as is all too little legal scholarship) and provoke the reader to agree or disagree and give reasons. Perhaps the only real flaw in the book is that it does not include a copy of Sunstein himself, shrink-wrapped and ready to rumble, so that the reader can prolong the joys of dialogue.

*From **American Prospect**, by* Garrett Epps*, 19 December 2001*

Civil Service & Ethics in Public Sector

Africa

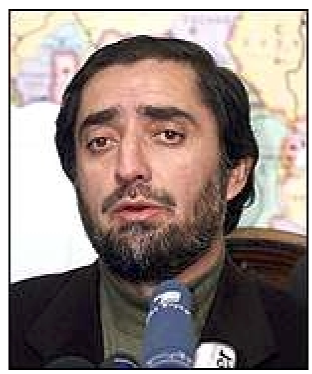
Activist Claims State Corruption in Egypt 52 Case

Cairo has been swept by rumours of political involvement and police corruption following the verdict of the trial of 52 men suspected of being gay. According to a gay activist who uses the pseudonym Ashraf Mussa, present at the Egypt State Emergency Court court, suspicion centres around the handling of the trial's central figure, Sherif Farahat. The five-year sentence handed down to the shy, 32-year-old IBM engineer, is widely suspected to have been as a warning shot to his politically active family. A source close to the family has revealed that the Farahats may be related by marriage to Egypt's ex-president Anwar Al-Sadat - the late political rival to the present president, Hosni Mubarak; other activists present in the city have reported seeing Sadat's widow, Gihan Al-Sadat visiting Farahat's defence lawyer. At least one politician is also suspected of gaining directly from the trial. Farouk Hosni, Egypt's influential Minister of Culture, was severely embarrassed earlier this year when the weekly Sout El Omma magazine published copies of his abstract painting of an oozing phallus. Keen to re-establish himself as the defender of Egypt's morals, Hosni regularly supports anti-gay measures inside Egypt, most recently ordering the burning of the works of Abu Newas, the 8th century Arab poet famed for his homoerotic verse. According to defence lawyer Fawzy El Haggan, Cairo's vice squad may also be benefiting from the arrests. It appears that Taha El Imbabi - one of the officers in charge of the raid on the Queen Boat - was also behind a similar mass arrest of gay men on 25 May last year. Observers on the ground suspect that May is the month when police officers are assessed for promotion. One of the criteria for promotion within the Egyptian police force is a high arrest rate. Sadly it seems that the government has learnt little from the outrage surrounding the trial. Since May 11, observers based in Cairo have reported that there have been at least two new mass arrests in the Cairo suburbs of Heliopolis and Haram.

*From **queercompany.com**, 3 December 2001*

Asia/Pacific

The Taleban cleared out the banks before fleeing - Afghanistan's civil service have begun preparing for their new government ministers due in Kabul in two weeks' time. The 30-member transitional administration is to take over power on the 22 December. The team was named after eight days of intense negotiations to end Afghanistan's two decades of conflict. Now that the names are in place for Afghanistan's new administration, preparations have begun to give them something to administer. The past 10 years of war have gutted the nation's civil service, leaving it with little more than a few decrepit buildings and a handful of unpaid clerks. Challenge ahead The man now officially heading the Foreign Ministry, Dr Abdullah Abdullah, said the remaining civil servants were working hard to re-establish administrative systems. He said only his own department was operating anywhere close to normal. But the challenges are enormous - there is no telephone system here, no organised transport and the Taleban stripped the bank vaults of cash before they fled, leaving the Finance Ministry in chaos. Bin Laden message - As the administrative work gets underway, the battle for the last remaining Taleban strongholds continues. The anti-Taleban forces are stepping up their pressure on Kandahar and the tunnel complex near Jalalabad known as Tora Bora. A security chief in Jalalabad said he has received a message from Osama Bin Laden saying he did not want to fight fellow Muslims, only foreign troops. It is impossible to verify the authenticity of the message, but the anti-Taleban commander, Hazrat Ali, said he was still preparing to launch a ground offensive against Bin Laden's fighters hiding in the mountains if there is no surrender by Monday.



Dr Abdullah: Only the Foreign Ministry is operating normally

From BBC, 6 by Peter Greste, December 2001

New Record of Corruption in China

Last Saturday, in China a report appeared in the press about “the biggest over the whole history of Chinese People’s Republic” case of tax swindle: more than 100 people are arrested all over the country. The author of the machination was certain Chen Suezung, while the combination created by him was realized by functionary of the central tax institution, U Chjigang and by heads of 28 Chinese companies. The functionary prepared the documents about paid taxes and sent them to the "combiner" himself, who handed them over to the companies. It was a very profitable idea: within 16 month, they both earned 3,1 billion yuans (374 million dollars), while the companies "saved" 20 billion yuans (2,4 billion dollars) due to the not paid taxes. Only the state was down. The issue of corruption is known to the whole world: once it was even stigmatized by Cicero and Confucius. In the 30s, on the territory of Chinese People's Republic (the head of the government was Mao Ze Dong, while Deng Xiao Ping was the secretary of the capital's city committee) over-expenditure of writing paper and of lamp oil was registered. As a result, a radical document appeared in world history of anti-corruption fight: "About Punishments for Embezzlement and Squandering." According to the decree, embezzlement of 500 silver yuans is punished with death. Though after the revolution's victory, corruption bacilli were apparent as well, which could be proved by the 1951-1952 fights against "three" and "five" abuses. Though, at the 1978 plenary of Chinese Communist Party's Central Committee, Chinese new economical policy's start was sanctioned, or as it is called here "the course of reforms and openness." One of its directions was called by Deng Xiao Ping in such way: "It is admissible that some people and some regions reach prosperity earlier than others…" In April of 1982, at one of expanded sittings of the Political Bureau, he was grieving: "What is happening with us? Less than a couple of years has passed, since we started to carry out the course of openness toward outside, of economy's reanimation, while so many staff workers have already become demorolized." In the 50s, he reminded, a person who embezzled 1 thousand yuans was called "small tiger", who embezzled 10 thousand – "big tiger", while now "giant tigers" have appeared, whose embezzlements are measured with 5-figure numbers… "If economical criminality is not suppressed, - Deng Xiao Ping warned, - the reform will go to the dogs… And now we live to see that sums of embezzlements make 11-figure numbers, while the reform lives and prospers, and Chinese economy grows." On *China Daily* site, the report about the arrest of 100 combiners adjoins with preliminary estimate of the year's results: gross domestic product's growth will make 7,4 percent. Degn Xiao Ping was not right: the market reform was not damaged by corruption. It would be probably more exact to say that corruption is an inevitable product of market. Within the last couple of years, in the process of anti-crime fight in China, drastic sentences were passed on many functionaries (who wanted to reach prosperity earlier than others), occupying posts of the parliament's vice-speaker, deputy minister, provinces' governors. Though they still are not such important figures, in comparison with first persons of some states failed in corruption: presidents and prime-ministers of South Korea, Japan, India, Pakistan, Indonesia, the Philippines, Italy and Greece.

*From **Pravda**, by Andrei Krushinski, 10 December 2001*

Corrupt Cadres in Tragedy Cover-Up

Corruption among top party and government officials was behind the co-ordinated effort to cover up a deadly accident that killed 81 miners in Guangxi province in mid-July, state media reported yesterday. The findings sparked an unprecedented media outcry. Nandan county party secretary Wan Ruizhong and 58 other party and government officials had been arrested and would be charged with dereliction of duty, corruption and taking bribes, the *Beijing Youth Daily* reported yesterday. Wan had taken 4 million yuan (HK$3.77 million) in dirty money - from bribes and kickbacks - during his three-year tenure since 1998, the report said. Magistrate Tang Yusheng was also reported to have admitted pocketing more than a million yuan in bribes from local businessmen, including the owner of the ill-fated Lajiapo tin mine. Authorities had frozen up to 14 million yuan in illicit money seized during their investigation, which began in late July, the report added. On July 17, water flooded the mine's three shafts to a depth of 40 metres, swallowing 59 workers working inside. Water also flowed into the neighbouring Longshan mine, submerging two shafts and trapping 19. Three miners also went missing in Tianjiao, another neighbouring mine. Mine authority and county government officials kept the accident under wraps for 10 days and then tried to intimidate survivors and journalists, the report said. After a month-long intensive investigation into the case, CCTV, the mainland's national TV network, released a comprehensive report describing how officials conspired to cover up the case. Wan and his deputy, Mo Zhuanglong, and Tang and his deputy, Wei Xueguang, knew about the tragedy on the night it happened, the *Youth Daily* quoted the CCTV report as saying. On the day after the accident, the four men held a meeting and made the decision to cover it up, mainly for fear of being punished, the daily said. They also feared investigators would uncover the corruption. The county government had a 15 per cent stake in the Longquan Mining company, which operated the Lajiapo mine. Mine owner Li Dongming had also contributed 120 million yuan in taxes to the county government this year. The accident was first disclosed on the website of the official media on July 22. But county officials and the mine owner repeatedly denied it until authorities from Guangxi and the Central Government stepped in on August 3.

The scale of the cover-up and the connivance of local officials caused outrage in the usually staid state-controlled media and put the spotlight on the low safety standards and lawlessness in the mining industry.

*From **HKiMail**, by Pamela Pun, 10 December 2001*

All Corrupts To Be Brought Back: Interior Minister

Islamabad: Interior minister Moinuddin Haider has said that the government is taking every possible step to bring back those people who had looted national exchequer and ran abroad. "Every possible step would be taken to bring back the corrupts and extradition treaties are being extended to those countries where those elements have taken refuge," interior minister told the Chairman National Accountability Bureau (NAB) Lt. Gen. Munir Hafiz who met him here on Monday. The government is contacting all those countries where these corrupt people have got asylum and every possible step including approaching Interpol would be taken to bring them back to the book, he added. Appreciating the progress of the bureau interior minister said that the role of the NAB in curbing the menace of corruption from the country is very vital and the government would soon give the NAB a permanent status. He felicitated Lt. Gen. Munir Hafiz for taking charge as the new chairman NAB and hoped that under his able nose, the bureau would further enhance its performance. Gen. Hafiz at this occasion briefed the interior minister about the performance of the NAB. He said that positive results are coming out of the efforts taken by the bureau to end the menace of corruption. Due to these steps, corruption and illegal practices in the government office have been ended to very extant, he claimed. He told the interior minister that all those cases under investigation of the NAB would be sent to the accountability courts as soon as possible.

*From **Pakistan News Service**, 12 December 2001*

China Executes Corrupt Officials

China has executed an official who spent nearly $5m of public money on a gambling spree. The official Xinhua news agency announced that the former deputy mayor of the north-eastern city of Shenyang, Ma Xiangdong, had been put to death, along with the city's public property chief, Guo Jiusi. The pair were convicted of taking bribes and embezzlement. During a series of trials, it emerged that there were close links between local government officials in the city and organised crime syndicates. In all, 16 officials were convicted on corrruption charges, including the former mayor Mu Suixin. His death sentence was suspended after he expressed regret for his crimes. In recent years, China has executed a string of officials for corruption, which it fears is undermining support for the Communist party.

From the newsroom of the BBC World Service, 19 December 2001

17 Bureaucracies to Vanish

Reform panels kill off a few public dinosaurs but many escape extinction. Setting the tone for Cabinet approval expected today of plans to reform public corporations, government panels on Tuesday approved abolition of 17 of 163 public corporations and the privatization of 45 more, officials said. The result of the joint meeting of the Special Public Institutions Reform Promotion Headquarters and Cabinet Headquarters for Administrative Reform throws down the gauntlet to Prime Minister Junichiro Koizumi who wants, in principle, to abolish or privatize all of the semigovernmental corporations. Koizumi has pushed forward with his reform program backed by an unusually high public approval rating, but critics say the drive may be losing momentum, dragged down by resistance within his own Liberal Democratic Party. In his opening address at Tuesday's meeting, Koizumi said he will set up a new body to oversee progress of reform of the special-status public corporations, one of two types of public corporations targeted under ongoing reform plans. At the meeting, officials agreed to postpone decisions on reform of eight financial institutions included in the special-status public corporations, although they at least confirmed that the Housing Loan Corp., still another special-status financial institution, will be abolished. Downsizing of the eight institutions has been a major focal point of Koizumi's administrative reform. Koizumi, speaking to reporters Tuesday, said the deadline for the eight institutions' reform will be ``as early as possible in the next year.'' On Tuesday, the officials also failed to go beyond approving privatization of four road-related public corporations and two bodies operating international airports. Under the reform plans, which are expected to get Cabinet approval today, 38 corporations, including the Employment and Human Resources Development Organization of Japan, Japan International Cooperation Agency, and Water Resources Development Public Corp., will be reorganized into independent administrative institutions, a new operational status aimed at ensuring operational efficiency and administrative independence from the government, as well as promoting operational transparency. The government will finalize reform plans for five of the public corporations that handle gambling, such as the Japan Racing Association, by the end of fiscal 2005, while leaving five corporations untouched, including NHK. The downsizing plans for the four road-related corporations, which represent another major focus of public corporation reform but for which decisions have already been postponed, will be worked out by the end of 2002 by a new panel of advisers under the Cabinet. The advisory panel will be set up under law after related bills are debated at the ordinary Diet session to convene in January

*From **Asahi.com**, 19 December 2001*

Europe/CIS

Unions Celebrate Public Servants

Nurses, firefighters, teachers and school meals staff from across the UK are joining a rally to 'celebrate' the role of public services. The event is organised by trades unions as part of their campaign against the increased role of private companies in the public sector. Celebrities taking part at the event in central London include Tony Robinson and Maureen Lipman. A firefighter from New York is due to address a rally, as well as union leaders and Labour Party chairman Charles Clarke. TUC general secretary John Monks says: "The event is a chance to celebrate Britain's public services and the dedicated public servants who supply them. "Good public services provide the backbone of any civilised society but we know that many are creaking through years of under investment and lack of resources." Rallies and lobbies will be held throughout the country as part of the union campaign.

*From **Ananova**, 4 December 2001*

Government Backs British Telecom Watchdog

The British Government has denied this weekends report that it has lost confidence in the telecom regulator Oftel over its failure to introduce competitive and widely available broadband services, The Register says. Yesterday [December 2], the Sunday Times reported that former gas industry regulator Clare Spottiswoode has been called in to advise the Government on how to increase competition and improve the delivery of broadband Internet services. The Sunday Times said the move appears to signal that the Government has lost confidence in telecom regulator chairman David Edmonds over the failure to roll-out broadband services. But a spokeswoman for the Treasury told The Register: "There is no question. The Government has not lost confidence in David Edmonds."

*From **The Register, 3** December, 2001*

Corruption Rife at Central Bank

Moscow - An independent study released Tuesday warns of the deep-reaching roots feeding corruption at the Central Bank. "The Central Bank as an independent, absolutely opaque and uncontrolled administrative-financial system did not arise by chance or overnight," said the authors of the study - the Mos cow Carnegie Center and Dmitry Vasilyev, former head of the Federal Securities Commission - in a 70-page report. Vasilyev said in an interview Tuesday that one of the major "corruption-causing" problems with the bank is that it regulates the entire banking industry while being a profit-seeking participant. Another problem is the lack of clear, straightforward grounds for issuing licenses or approving operations, which provides ample opportunity for bribery. He said that he and co-authors Pa vel Drobyshev and Alexei Konov analyzed the legislative basis that creates fertile ground in which corruption thrives, focusing on five main areas - the bank's judicial status, its budgetary independence, the lack of controls over the bank's activities, its regulatory powers, its lack of transparency and its administrative-licensing powers. "The value of this system for society is doubtful, but the value for the Central Bank and its managers is obvious, as it allows them to get involved in any economic processes in the country and allows them to selectively support commercial banks," Vasilyev said. "There are thousands of regulations, but billions of dollars are leaving the country as capital flight. Banks go bankrupt. The system doesn't work." One example of the system not working is that while the law stipulates that 50 percent of the Central Bank's profits be distributed to the government (as compared to 90 percent in the United States), "the other 50 percent is used for the benefit of at least some of the 80,000 bureaucrats employed at the Central Bank." Vasilyev said. The Central Bank uses its self-given right to categorize any information pertaining to its activities as "secret" to avoid disclosing such things as salaries and pension benefits of top managers. In addition, the secrecy provides a material incentive to speculate on the state securities and currencies markets, Vasilyev said. The Central Bank - whose main manifest is to support the stability of the ruble - holds, together with Sberbank and Vneshtorgbank, a 30-percent stake in the Moscow Interbank Currency Exchange (MICEX) and speculates on the securities and currency markets, according to the report. Indeed, audits of the Central Bank conducted by PricewaterhouseCoopers in 1999 found the Central Bank had apparently earned unreported profits from using IMF loans and its hard currency reserves to speculate on the Russian treasury- bill market. The Central Bank would not comment officially on the report, but an employee who asked not to be named said: "The Central Bank is not a commercial organization. ... There are no conflicts of interest whatsoever ... as if the Bank of England is transparent through and through. We're less bureaucratic than the Bank of England." The report was presented to representatives of the Economic Development and Trade Ministry, the presidential administration, the Security Counciland the World Bank. But the authors made no charges of actual instances of corruption. "Our goal was to find where the roots lie and how to eradicate them. Naming names is a matter for the Interior Ministry," Vasilyev said. "We can change one bureaucrat for another, but if the preconditions for corruption remain, corruption will remain," he said.

*From **St. Petersburg Times**, by Torrey Clark, 1 December 2001*

Steps for ASE Transparency

National Economy Minister Nikos Christodoulakis yesterday announced a batch of measures intended to boost transparency in the dealings of the Athens stock market. Speaking in Parliament during the debate on a proposal by opposition New Democracy for a Parliamentary investigation into claims that the state portfolio management company (DEKA) was manipulated by the government to prop up the flagging bourse before the last elections, Christodoulakis unveiled five measures which, to a great extent, reflected proposals by Synaspismos Left Coalition leader Nikos Constantopoulos. According to the minister, the Athens Stock Exchange will be fully privatized to ensure its autonomy, a disciplinary board will be formed, all supervisory and monitoring authorities will be called to provide Parliament with regular briefings on their work, distinction will be made between disciplinary and criminal offenses regarding share transactions and a specialized judicial body will be created to rule on capital market affairs. But Christodoulakis did not accept proposals that the Capital Markets Commission become fully autonomous, or that directors, top functionaries and government officials should be banned from undertaking stock market transactions with their portfolios passed on to an independent mutual fund.

*From **eKathimerini.com**, 1 December 2001*

Ministers Lose Watchdog Who Refused Obstruction

Elizabeth Filkin says MPs obstructed her work in scrutinising their standards reports - Britain's arrangements for scrutinising politicians' financial affairs have been called into question after parliament's appointed watchdog abandoned the post, complaining that her work was being obstructed. Elizabeth Filkin, parliamentary commissioner for standards, decided not to apply for re-appointment after three years in the post, saying the job had been undermined by pressure from members of parliament - "some holding high office". She said she was also the victim of "unchecked whispering campaigns and hostile press briefings". Ms Filkin's feisty approach divided MPs, some of whom saw her as a tenacious upholder of transparency rules and others as an irritant, exercising excessive interference and losing her sense of proportion. Tam Dalyell from the ruling Labour party, who holds the title Father of the House as the longest-serving MP, said politicians talked about "being filkined". The term, he explained, was used to mean being accused of corruption and later being found to be innocent. Ms Filkin on Wednesday rejected the charge that she was "over-zealous" and insisted that she would not compete to keep the job, which was advertised rather than being offered to her for a second term. In a blistering letter to Michael Martin, Speaker of the House of Commons, she complained that the post had been downgraded, with planned reductions in pay, hours and staff assistants. The Speaker, parliament's elected presiding officer, chairs the Commons Commission, which is responsible for employing all permanent staff. Ms Filkin said it was clear there would be no re-appointment for a watchdog who reached conclusions that were "unwelcome to powerful individuals or interest groups". She would not name any of those she accused of trying to undermine her investigations, but said she had been told by a number of MPs and journalists that they included government ministers. Although corruption allegations against British MPs have been small-scale compared with the scandals in some continental European countries, it is still embarrassing for the so-called "mother of parliaments" when its appointed guardian of probity is forced out for being too vigilant. Tony Blair on Wednesday rejected a call by the Conservative party, the main opposition, for a full inquiry into Ms Filkin's allegations. Some senior MPs believed parliament's reliance on self-regulation should be reviewed. The post resulted from a report under the previous Conservative government six years ago on "standards in public life", after the UK parliament's reputation was jeopardised by allegations about MPs accepting payment for asking questions to government departments or ministers. The report also led to a new code of conduct and a ban on MPs becoming involved in "paid advocacy". Tony Wright, a reforming Labour MP, commented: "There is simply no point in setting up a watchdog after all those years of sleaze and then, when it's robust and vigorous, getting cross when it starts to bite, and then shooting it." The job of the commissioner for standards involves advising MPs on the rules and investigating complaints about suspected wrongdoing. Ms Filkin, a social scientist who previously acted as a taxpayers' watchdog, was the second person to hold the post. She took a high profile from the outset when she investigated Mr Blair's close ally Peter Mandelson, who had just resigned from the cabinet for the first time over a private loan from another minister, Geoffrey Robinson. After a further probe by Ms Filkin, Mr Robinson was recently suspended from parliament for three weeks for allegedly misleading her over his business links with the late media tycoon Robert Maxwell. Others investigated by Ms Filkin included Keith Vaz, former minister for Europe, who left the government at the last election in June. She also angered John Major, the former Conservative prime minister, by criticising him for not declaring fees for speaking engagements in the US.

From Financial Times, by David White, 6 December 2001

Standards Body Backs MPs Watchdog

Filkin: 'MPs must route out sleaze' - The committee on standards in public life is reportedly refusing to take part in the hunt for a new Commons watchdog. The latest development follows the controversy over the decision of Elizabeth Filkin to quit the post - a role first recommended by the standards committee.

Committee chairman Sir Nigel Wicks is said to be "dismayed" by MPs' alleged treatment of Ms Filkin, according to a report in Friday's Independent newspaper. The news will be seen as a further vote of no confidence in MPs' ability to police their own affairs. Ms Filkin caused a storm with her decision not to re-apply for the job she has held since 1999 amid allegations that her investigations had been undermined by senior figures in Parliament. Angry - Members of the committee on standards in public life, formerly known as the Nolan committee, are refusing to comment ahead of its next meeting on Tuesday. But according to BBC Radio 4's The World at One programme, they are angry that they would only be given the role of observers in the selection procedure. The committee is understood to have urged MPs to include at least one independent person on its selection panel. Cook apology - In a further embarrassment for the government, the leader of the House of Commons, Robin Cook, has had to apologise for misleading MPs over the advertisement for Ms Filkin's successor. Mr. Cook initially told MPs the terms of Ms Filkin's job had not been changed, after she claimed it was being "downgraded" from four days a week to three. But he has been forced to retract this statement in a letter to Labour backbencher David Winnick, one of Ms Filkin's supporters, it has emerged. 'Shambolic' - Former Guardian editor Peter Preston, who is applying for the role, said it was "inevitable" that the committee on standards in public life would take a back seat in the selection of a new commissioner. "They have an overarching and rather lofty role and this is all too shambolic and miserable for them to get their feet wet. "But I do think it is beginning to be a concern for everyone involved, including them, because it is such a shambles and it risks pulling down the whole Nolan edifice if it isn't tackled properly." "In every sense, from the Speaker alleging that Ms Filkin had leaked letter when that was palpably not the case through to saying the job advertised in precisely the same terms - no it wasn't - everybody is looking particularly foolish. "People ought to stop and draw breath because this is doing nobody, especially of all Parliament, any good." Meanwhile, Ms Filkin's predecessor, Sir Gordon Downey, said he had experienced none of the turmoil reported by her. He said MPs had been largely co-operative, once they had got used to idea of someone from outside parliament monitoring their affairs, and he was "shocked" by the apparent treatment of Ms Filkin. "She has obviously had a very hard row to hoe," he said. "If there are people out there who are making life deliberately difficult that is a great pity." 'Sleazy' - However, Sir Gordon said he thought criticisms of the current system of self-regulation were overdone. "The public perception is that MPs are behaving badly and I don't think that's true. "I don't think the House is a sleazy body. There are one or two people who step out of line, but that is a different matter." Sir Gordon said he would not be tempted to come out of retirement to replace Ms Filkin.

From BBC, 7 December 2001

French Civil Servants Call Strikes as Election Looms (Update1)

Paris - It's Christmas time and French civil servants have drawn up a lengthy wish list. They want more money, more staff and better working conditions, and they're making sure that doesn't go unnoticed. Teachers, policemen, central bank employees and air traffic controllers have all called strikes this month. Last Thursday, airlines had to cancel 90 percent of their flights in France, and this week several schools closed. A strike at the Bank of France may thwart a smooth handout of euros on Friday. Five months ahead of presidential elections, Prime Minister Lionel Jospin may find it hard to ignore the protests, analysts say. Civil servants make up a fourth of France's workforce. Jospin said last week he will “probably” challenge President Jacques Chirac in next year's ballot. “The demonstrators didn't pick this time by accident,” said Didier Witkowski, deputy director of political studies at Sofres, a French polling firm. “Jospin may well be tempted to make some more concessions.” On Saturday, the government already agreed to spend 244 million euros ($218 million) to end a four-day pay and hiring dispute with the rural paramilitary police. Almost a fifth of France's 100,000 gendarmes took to the streets last week. With crime topping voters' concerns in opinion polls, the move will probably help Jospin's popularity, Sofres' Witkowski said. Nine out of ten French people supported the gendarmes' demands, a survey by polling institute CSA showed. And their victory emboldened other strikers. “The gendarmes got what they wanted - now it's the nurses' and teachers' turn,” said Christian Janin, deputy secretary general of civil servant union UFFA, which represents about a quarter of French civil servants. Union Power - Across the river Rhine, German workers are flexing their muscles, too. IG Metall, the country's second-largest union with 3.6 million members, is demanding pay raises between 5 and 7 percent. That's about three times the inflation rate. Like Jospin, Chancellor Gerhard Schroeder has an election to win. That means he is unlikely to promote wage moderation in his traditional working class constituency ahead of the vote, scheduled for Sept. 22, analysts said. “Union power grows ahead of elections,” said the UFFA's Janin. “This may just be the beginning of the demands facing Germany.” All current wage contracts in Germany, except for the 2.8 million government employees, expire before the elections. And Schroeder's Social Democratic Party is only 3 percentage points ahead of the opposition Christian Democrats, polls show. No Elbow Room - Unions at the Bank of France have called a strike for Friday -- the day post offices, banks and cigarette vendors begin selling sachets with euro coins. Teachers and postal workers don't plan to come to work that day either. Even if Jospin decides to give in to strikers' demands, his resources are limited. Sputtering growth and rising unemployment are crimping tax revenue, and the government is already on track to overshoot by 14 percent a 2001 deficit target it set itself one year ago. Finance Minister Laurent Fabius pledged yesterday that any new spending commitments will be covered by cuts elsewhere. “When new money is committed, a choice has to be made between higher taxes and charges or giving up other spending,” he said. France's deficit this year and next will rise to 1.4 percent of gross domestic product, unchanged from 2000, according to Fabius. A year ago, he pledged to lower the deficit to 1 percent this year. Still, in keeping with a two-century-old French tradition of taking to the streets, public support for the strikers' demands remains widespread. “It may be blackmail,” said Anne Demeneix, a Parisian housewife and mother of four. “But if it means we get better teachers and safer streets, I'm all for it.”

*From **Bloomberg.com**, by Katrin Bennhold, 12 December 2001*

2001 In Review: Patronage, Corruption Root Causes Of Turkey's Worst Economic Crisis Since WWII

Most of Turkey's 65 million citizens will remember 2001 as the year in which they saw their country plunge into its worst economic crisis since World War II. Despite massive international aid and sustained efforts by Prime Minister Bulent Ecevit to stem the collapse, prospects for a quick recovery look dim. To add to Ecevit's troubles, the economic recession now affecting most of the world's developed countries is unlikely to ease things for his embattled coalition government. Prague, 18 December 2001 (RFE/RL) - In a report issued last month (20 November), the Organization for Economic Cooperation and Development (OECD) said Turkey's gross domestic product is likely to fall 7.3 percent this year. Echoing earlier optimistic comments made by Turkish economic bureaucrats and political leaders, the Paris-based international agency also said it reckons on GDP growth of almost 3 percent next year and more than 5 percent in 2003. Yet the government faces the tremendous challenge of convincing the estimated 1 million employees, workers, and businessmen who lost their jobs or went bankrupt this year that the crisis is almost over. The circulation last month of a 20 million-lira banknote - worth less than $12.50 - will certainly not help soothe the population's fears. "Turkey is on the threshold of a social explosion," warned the English-language "Turkish Daily News" last month, citing a recent State Planning Organization survey, which shows that some 15 percent of the population lives on a mere $1 daily food allowance. The number of Turks living below the $200-per-month poverty line has doubled over the past 12 months to about 32 million. In a sign of the times, one of Turkey's most popular television shows this year was a daily broadcast pitting middle-class couples struggling to make ends meet in real-life conditions. The couple who managed to spend the least money over a 30-day period without exceeding the $85 minimum monthly wage won a car and a trip to Europe. But for the vast majority of Turks, there were no prizes this year, only the increasing difficulties of coping with almost daily price hikes. Some were simply unable to stand the pressure, like the infuriated shopkeeper who threw an empty cash register at Ecevit's feet as he was walking out of his office. The economic turmoil started 10 months ago as the government was struggling to overcome an earlier crisis generated by tremors in the banking sector. Turkey's political climate being extremely volatile, a simple row between the prime minister and the president over issues of power sharing and corruption was enough to unleash panic in the markets and force the government to float the lira.

Since then, the national currency has lost more than half its value against the dollar, leaving many Turks unable to repay loans contracted in foreign currencies. Analysts believe that, unlike previous crises, this year's unrest did not originate from mere unfavorable economic circumstances, but rather from a collusion of political and financial interests. Deniz Akagul is a researcher at the Paris-based Institute of International and Strategic Relations (IRIS). He also teaches economics at Lille University. Akagul told RFE/RL that Ecevit's government is confronted with some of the most undesirable side effects of the economic liberalization undertaken in the 1980s. "At the origin of the present crisis is a system of patronage under which political leaders could use banks for their own political purposes and which led to a financial crisis. [The government] is now restructuring the banking sector. Some banks have merged. But most importantly, ministers who could obtain personal loans from state-owned banks are no longer in a position to do so. [Turkey] voted legislation to that effect in April-May this year." Consolidation of the country's overcrowded private banking sector and loss-making state banks was one of the key demands put forward by the International Monetary Fund and the World Bank when they agreed last summer to rescue the Turkish economy. The government this year brought to 19 the number of private banks put under state receivership and promised to either sell them off or close them down. A number of banks were also put under criminal investigation for allegations of embezzlement, and some 380 people were jailed on corruption charges. In addition, two senior ministers were forced to resign amid bribery and graft scandals. Experts agree that most credit for the ongoing reform should be given to State Minister Kemal Dervis. A former World Bank director, Dervis returned to his native land in March to take over the reins of the economy, with broad powers in banking and market regulation. As a result of Dervis's efforts, the IMF has already made a firm pledge of $19 billion in loans to help Turkey recover from the crisis. Negotiations are under way on new loans that could bring total commitments to Ankara to some $30 billion, one of the biggest credit lines ever granted by the fund to a single client. In return for this rescue package, the IMF expects the Turkish government to implement austerity measures aimed at putting the economy on track. Pressed by the fund to meet tight spending targets for next year, the government announced earlier this month (3 December) plans for mass job cuts among the public sector's 3 million employees. Assurances that redundant workers will be granted enhanced social protection went largely unheeded among trade unions, which claim that Turkey has become the hostage of international lenders. The IMF is also pressing Ankara to speed up privatization of the largest state monopolies and to approve new laws aimed at streamlining state tenders and reducing widespread corruption among bureaucrats. Semih Idiz is a columnist at the Ankara-based "Star" daily newspaper and the editor in chief of the English-language "Turkish News." He told our correspondent that, although Ecevit's cabinet deserves credit for what it has already achieved, it has little room to maneuver. "There is still quite a bit on the cards that has to be done. But I think that the government and the people who run the country are now more or less attuned to the fact that you cannot just [leave] the old system as it is. Dervis's advisers have, on the whole, been subscribed to. [Dervis] is trying to do a lot, but he is being prevented by the old school, which not only does not want some of the reforms to go through, but also does not like the idea that somebody can come in and fix things up. So it is a clash between the old tradition and the new tradition. But what [Dervis] will be able to do in the end is very limited." Facing both international and domestic pressure, the government is walking on a razor's edge. Opinion polls indicate that, if elections were to be held tomorrow, Ecevit's Democratic Left Party and its two coalition partners - Mesut Yilmaz's center-right Motherland Party and Devlet Bahceli's right-wing Nationalist Action Movement (MHP) - would be literally wiped out. All three parties are the largest groups in parliament. Idiz believes that most Turkish citizens no longer trust state or private institutions, whether economic, financial, or political. Should Ecevit's cabinet fail to restore confidence first, he says, the ongoing reforms would have only a limited effect. "I think that one of the main problems is not so much that foreign investors lack confidence in this country. It is the lack of confidence [among] the Turkish public, [among] Turkish savers [who] do not trust banks and keep their money at home. So, really, charity begins at home, and [Dervis] has first to convince the Turkish public before he convinces the foreign audience." Hamit Bozarslan is a Turkey expert at the Paris-based School of Higher Studies in the Social Sciences, better known under its French acronym of EHESS. In an interview with RFE/RL, Bozarslan said eradicating corruption is the only way for the government to breathe new life into the country's political establishment and help citizens regain confidence. But he says ongoing reforms are unlikely to achieve this goal. "One has the impression that corruption has swallowed up the political system as a whole. There is not a single area, not a single party, that is not involved in corruption. Even if you arrest a particular individual or if you liquidate a particular bank, corruption will reproduce itself as a system anyway. So unless Turkey has a much more credible political system, I do not think that one can really combat corruption." Among the leaders who have vowed to extricate the country from what Bozarslan describes as "political sclerosis" is Recep Tayyip Erdogan, the former mayor of Istanbul. Erdogan runs Justice and Progress (Adalet ve Kalkinma), a moderate Islamic party also known by its Turkish acronym of AK, which together spell the word for "white" or "clean." AK and its main Islamic rival, the Felicity Party (Saadet Partisi), were both set up last summer after the Supreme Court outlawed the Virtue Party (Fazilet Partisi) for alleged antisecular activities. Virtue's most reform-minded members joined AK, while Virtue leader Recai Kutan and his "old guard" founded Felicity.

Bozarslan believes political Islam could benefit from the present economic situation. But he says time is on Ecevit's side. "[Legislative] elections are not scheduled before the next two and a half years. If the government manages to remain in place until then, I think that the erosion of the political system is likely to affect Erdogan's party, as well. But if elections were to be held tomorrow, [both parties] would probably be the only ones to overcome the 10 percent threshold needed to be represented in [parliament]." On the defensive since the 11 September terrorist attacks in the United States, AK and Felicity are being closely watched by Turkey's influential military, which sees itself as the main guarantor of Turkish secularism and has already obtained the closure of three moderate Islamic groups over the past four years. Analysts also believe competition between the two parties might eventually prevent them from acting as a powerful opposition force. Prospects of new groups emerging as significant political players - such as the influential Istanbul-based Turkish Industrialists and Businessmen Association (TUSIAD) - also remain pretty low at the moment. It appears the main danger for the existing coalition might well come from its own ranks. Last July, a row between Dervis and one MHP cabinet member over planned reforms in the telecommunications sector almost derailed the IMF-backed emergency program. Tensions between ANAP and MHP over reforms required by the European Union ahead of membership talks have significantly increased over the past few weeks, and further disagreement between Ecevit's two junior partners - notably over Cyprus -- could threaten the coalition. Although he admits the situation might deteriorate out of control, IRIS's Akagul believes a split among coalition partners is unlikely at the present stage. "All coalition members are perfectly aware that, given the present economic difficulties, to have legislative elections now would mean their ruin. They cannot afford to untie the coalition until they reach the first year of economic recovery." Whether Prime Minister Ecevit will be able to maintain unity within his cabinet remains unclear. In the meantime, the 76-year-old prime minister can rely on unfailing support from international financial institutions and the U.S. administration. Washington would not like to see Turkey collapse while it needs the backing of Muslim countries in its war against terrorism. In Idiz's opinion: "If the government survives, it will be by default rather than on merit. There is no other viable option at the moment."

From ***Radio Free Europe****, by Jean-Christophe Peuch, 19 December 2001*

Middle East

Degrees of Corruption

The arrest of Histadrut Teacher's Union head Avraham Ben-Shabbat and his deputy, Uri Groman, on charges they obtained fraudulent academic degrees is an embarrassment to the country and to the teaching profession. The revelation that this is a widespread practice in many parts of the public sector means that cleaning up the system will not be easy - but it must be done. The phenomenon of civil servants buying fake academic degrees to obtain higher salaries and to advance their careers has become an open secret. Not only did the police know what was going on, the practice is reportedly widespread among the police itself. According to police officials who spoke to one reporter, "This has become the norm - that police and officers go to all kinds of fictitious colleges and receive degrees. Everybody has known that for years." A teacher described to another reporter how such fraud has become routine in the educational system as well. "Over the last few years, all the elementary and kindergarten teachers around me 'studied' in these branches. I was embarrassed by what I saw and at first refused to join in, but then I felt like a sucker, since they got raises and could show off their degrees. Though I felt uncomfortable about it, in the end I signed up as well." Some of these "degrees" were purchased outright for large sums of money. Others were "earned" in schools where it was not necessary to attend classes and many of the teachers - as students - handed in copies of papers from previous classes. In either case, the system not only tolerates, but has institutionalized a particularly rank form of corruption. The clean up of this mess should be done from both ends: cracking down on institutions that grant fake or all-but-fake degrees and punishing those who use such agrees to defraud the government. The Council for Higher Education, whose job it is to accredit degree-granting institutions, has a mixed record in this regard. On one hand, the council has been trying to minimize the phenomenon of branches of foreign universities granting degrees with very little supervision. On the other hand, 25 of the 26 such branches continue operate under a "partial" license from the CHE. This is reminiscent of the situation that was exposed after the Versailles wedding hall disaster, in which it was routine for public event halls to be operating for years without having to complete the safety-licensing process. The lesson here should be the same: If existing regulations are not reasonable, they should be junked; if they are necessary, they must be enforced. The first step that should be taken is to cease recognizing degrees from institutions that are not fully accredited, for the purposes of salary increases, hiring, and any other job benefits. In addition, the thousands of civil servants with fraudulent degrees must be stripped of the salary increases that they continue to receive. A stricter form of justice might dictate that these workers return the extra pay they received, but the least that must be done is to prevent continued defrauding of the government. High-ranking officials, such as Ben-Shabbat if he in fact purchased a fraudulent degree, should resign from their positions. For them, the excuse that "everyone does it" is not good enough. If "everyone" is going to stop doing it then some leaders have to set an example, both by their own actions and by enforcement of the law. Lastly, it is worth noting that this whole corrupt edifice is a product of the public sector. Only the public sector could feed such degree factories by granting automatic pay increases without regard to whether degrees - fraudulent or not - are really related to job performance. Even in the public sector, there is no reason why pay increases should automatically be granted for degrees - even legitimate degrees - if the degree has nothing to do with job performance. Once again, the public sector has demonstrated that it is addicted to measures other than performance in determining status and advancement. The private sector is hardly a perfect meritocracy, but the rampant corruption seen in this degree scandal is a mark of a government that is too large, and a culture that has become inured to government-style mediocrity - or worse.

*From **Jerusalem Post**, 14 December 2001*

The Americas

Most States List Campaign Donors Online

A mere five years ago, details about campaign contributors typically stayed stuffed in dusty file cabinets in the basements of government buildings. Generally, the only people who saw the files were reporters or opposition researchers paid to study them. But now, most states are using computers to collect the data or to post the information on the Web, according to a survey by the Center for Governmental Studies, a nonprofit research group in Los Angeles. The survey report will be released today at the conference of the Council on Governmental Ethics Laws in Lexington, Ky. As of Sept. 1, when the survey was completed, 40 states had developed systems enabling candidates to file financial disclosure reports electronically — although only half those states required electronic filing, and then only for candidates for some offices. In 38 states, meanwhile, the disclosure information is posted on the Web, whether it was originally submitted on paper or electronically. "It brings campaign disclosure right to the home," said Robert M. Stern, president of the research center. A federal law governing electronic disclosure went into effect this year as well, requiring political committees and candidates for president and the House of Representatives who collect or spend more than $50,000 to file financial disclosure reports electronically. Candidates for the Senate file reports on paper with the secretary of the Senate. Five years ago, the first year of Mr. Stern's survey, only Hawaii and Kentucky required some candidates to file their reports electronically.

*From **New York Times**, by Rebecca Fairley Raney, 3 December 2001*

Nationwide Public Service Strike Planned in Venezuela

Caracas, Venezuela - Merchants' doors will be locked tight and public transportation will be idle Monday as Venezuelan business leaders stage a nationwide work stoppage to urge President Hugo Chavez to compromise on new economic legislation. Labor unions and many newspapers will also join the 12-hour stoppage in one of the biggest challenges to Chavez since he rose to power, promising social revolution for the poor. Fedecamaras, the business association leading the strike, represents companies that generate 90 percent of Venezuela's non-oil production, which is about 60 percent of its gross domestic product - nearly $100 billion. One day before the stoppage, many multinational corporations were deciding whether to close for security concerns, and small businesses were mulling whether the concerns of big business were worth sacrificing a day of critical holiday earnings. Citizens scrambled to supermarkets to stock up on food, while government officials promised public order would prevail. The protest comes two weeks after supporters and opponents of the government faced off in downtown Caracas, causing a riot. Last week, business leaders brushed off Chavez's last-minute offer to have Congress review some of the most contentious laws, which the president passed under special powers allowing him to bypass parliamentary debate. On Sunday, Chavez dropped his conciliatory tone and vowed not to change any of the laws, which he claims will bring justice to the poor. His supporters gathered in a Caracas plaza for a rally in support of the legislation. On Monday, Chavez will respond to the stoppage by sending peasants to march in Caracas and having military planes fly over the city to celebrate the national Day of the Air Force. "The people will defeat the conspiracy of the oligarchy and corrupt ones," Chavez said during a radio address. "No one can paralyze the country." Fedecamaras President Pedro Carmona said his organization will negotiate only if Congress suspends eight of the laws. He predicted more unrest if Chavez refuses to compromise after the stoppage, but stopped short of threatening additional strikes after Monday. Also Sunday, the 1 million-member Confederation of Venezuelan Workers threatened more protests and strikes after government electoral authorities decided not to recognize the legitimacy of the union's elections last month. The National Electoral Council said staunch government foe Carlos Ortega would not be the confederation's legitimate president until he asked for the council's recognition, a decision Chavez applauded during his radio program. Business leaders say the laws will discourage investment by threatening private property and tightening state control in industries ranging from oil to agriculture to fishing. Chavez has had a stormy relationship with the business elite, which resents his frequent tirades against unchecked capitalism and his cozy relationship with Cuban president Fidel Castro. But until now, the animosity had been verbal, with business leaders quietly hoping the president would not live up to his rhetoric. "These laws ... will lead the country to economic disaster," Alberto Mestre, president of food company Pillsbury de Venezuela, said. "And that's why we are going to strike." A new land reform law requires farmers to conform to a government agricultural strategy or risk having their land confiscated. A recently passed fishing law requires trawlers to work six miles from coast to make room for smaller fishermen.

*From **Nando Times**, by Alexandra Olson, 10 December 2001*

Escambia Civil Service System Likely to End by October 2002

Escambia County's legislative delegation agreed Tuesday to end the county's civil service system by next October, if benefits earned by 12 current staff employees are protected. "Twelve people are employed by the Civil Service Board, and some of them are our longer term employees. There will be benefits due, and we don't have the cash to do it," said Civil Service Board member Tom Gilliam. Members of the delegation were surprised to hear that the Civil Service Board's money is depleted, even though they approved the exodus of about 2,500 School System employees during last year's session. "You mean there are benefits out there, and there is not accrued money to pay for it?" asked Rep. Jerry Melvin, R-Fort Walton Beach, at Tuesday's special meeting. "With 48 percent of our funding gone, we don't have the reserves," Gilliam said. Commissioner Willie Junior said the School Board left the county holding the bag. "When the School Board opted out, they took no responsibility whatsoever. The Board of County Commissioners assumed the entire debt. We do not need to be tied to the system into another year." Civil Service Board Chairwoman Diane Rittenhouse wants to protect the benefits that the 12 employees have earned. Rittenhouse said the staff already has been pared down from 23 to 12 employees. "I think with the situation we're looking at now, it's probably the best thing," she said. "We don't have the money to take care of it." Escambia County Utilities Authority human resources director Kathy Gaut said the ECUA already has a personnel appeals board, which will continue after the civil service system is disbanded. The Civil Service Board oversees the hiring, firing, discipline and pay for about 2,500 county employees. County Commissioners want those services to be handled by local government, rather than by the state.

*From **PensacolaNewsJournal.com**, by **Sheila Ingram**@PensacolaNewsJournal.com, 12 December 2001*

Hearing Set on Tapes in Civil Service Scandal

Troy - Rensselaer County Court Judge Patrick McGrath has set Jan. 7 for the start of a two-day hearing on the admissibility of audio tapes used to indict former County Executive Henry Zwack and four other defendants in a civil service scandal, according to sources. The hearing is expected to cover more than seven hours of tape recordings at the heart of the prosecution's case. If McGrath rules the tapes are admissable, the high-profile trial could start by the end of January. Zwack, Daniel Ehring, Bryan Goldberger, Joseph Cybulski and North Greenbush Town Democratic Party boss F. James Germano allegedly pressed county Personnel Director Christina Mahoney to bend civil service law for a town cop. That officer, Anthony "T.J." Germano, was on the North Greenbush police force at the time he failed a required examination in February 1998. The indictment in the case charges the elder Germano with improperly seeking favorable treatment for his grandson. The four others are charged with various counts stemming from their alleged efforts to pressure and threaten Mahoney with the loss of her job. Despite the threats, Mahoney declined to allow a re-test for the younger Germano. In subsequent legal action, State Supreme Court Justice James Canfield upheld Mahoney's refusal to certify the payroll for Germano and several other town cops. The younger Germano is the grandson of the party leader, and the indictment suggests that Zwack was trying to help the cop because of the party boss's influence over the Conservative Party at the time. With the exception of Germano, the four other defendants in the case were working for the county at the time they allegedly threatened Mahoney. All of the defendants have sought to have the charges against them dismissed. McGrath has thrown out 15 charges in the case, leaving 35 to be considered in the upcoming trial. Attorneys for all five of the defendants have publicly claimed that their clients did not violate any laws.

*From **Troy Record**, by: Jamie D. Gilkey, 14 December 2001*

Civil Service Board Fires its Attorney; Reinstates Secretary

Houma's Civil Service Board fired its attorney Wednesday night and voted to reinstate the secretary fired in the wake of an apparent illegal secret session. Members voted unanimously to fire longtime attorney Robert Cuccia because of his decision to represent the board only in certain instances. Board members said they need an attorney who would consistently represent them. Meanwhile, secretary Donna Wedgeworth can have her job back, they unanimously agreed, if she wants it. Wedgeworth was fired in November after members blamed her for keeping inaccurate records about a questionable secret session. She did not attend the meeting and, contacted at home, declined to comment on the offer. The move to fire Cuccia came toward the end of a meeting that, although normally not well attended, had several notable faces in the audience, including Terrebonne Parish President Bobby Bergeron and Parish Council members Wayne Thibodeaux, Ray Boudreaux and Peter Rhodes. Cuccia left the meeting a half-hour after it started after presenting information about his recent court appearances on behalf of the board and turning over a monthly bill. He was not present when board member Kay Wallace brought up the issue of his employment. Contacted at home after the meeting, Cuccia said he did not know that he had been fired. "This is the first information I received that I was terminated," he said. "I need a moment to let it sink in." Cuccia said he was surprised to learn that Wallace allowed him to leave when she knew he would be the topic of discussion later in the meeting. "I am truly disappointed that they didn't have the common courtesy to tell me my employment would be the topic of discussion," he said. Wallace told board members Cuccia sent her a letter this week detailing the steps he had taken to be removed from an ongoing appeal of a firefighter's suspension set to go to trial next month. The board filed legal papers protesting the move, but a judge has not ruled on the matter yet. "He told us on the 28th he would finish what he started," Wallace said of the meeting in which Cuccia told board members he would be scaling back his duties. "I have some concerns about this." Cuccia told board members last month that he could no longer afford to represent them in litigation after the Terrebonne Parish Council voted to limit the amount he can charge the board for legal expenses without council approval. The council is responsible for paying Cuccia's bills out of the parish's public-safety account. Previously, the board had unlimited approval power, but the new rule means that it only has permission to approve the first $5,000. Bills in excess of that now require council approval. When Cuccia told board members he intended to stop representing them in court, he agreed to continue as their lawyer in the ongoing lawsuits. The legal papers he filed this week, however, indicate that he plans to quit representing the board in at least one of those ongoing cases. "I make a motion that we hire counsel who can do everything for us," Wallace said. All four board members in attendance voted yes. They are Wallace, Gerald Trahan, Keith Ward and Duane Farmer. Cory Butler was not at the meeting; Wallace said he had a schedule conflict. A lengthy discussion ensued about what the board would do for legal advice in the future. Wallace said she would talk to the Terrebonne Parish District Attorney's Office about the possibility of representing the board. In the meantime, Bergeron offered the services of one of the parish government attorneys.

*From **The Courier**, by Dee Dee Thurston, 14 December 2001*

Asia Bucks Slump in IT Services Spending

Singapore - Despite the global slowdown in IT services spending, the Asia-Pacific region, excluding Japan, is expected to generate revenue of $31 billion this year and $60 billion by 2005. According to Gartner Dataquest, the region will experience the strongest growth in IT services, making up 5.6 percent of total spending in 2001 and 6.9 percent by 2005. "The Asia-Pacific services market continues to outpace other regions significantly, with a growth rate double the world average, and nearly three times that of North America," said Jacqueline Heng, Gartner Dataquest senior analyst for IT services in the Asia-Pacific region. On a global basis, IT services revenue are projected to hit $554 billion in 2001 and $865 billion by 2005. Although poor economic conditions and the impact from the Sept. 11 terrorist attacks will dampen growth to "single digits" next year, the market researcher said it believes overall demand will bounce back to double-digit growth from 2003 to 2005. In the Asia-Pacific region, Australia is expected to dominate, with revenue forecast to be $12 billion in 2001 and $21 billion in 2005. China - which is also the region's strongest growing market - comes next with projected revenue of $4.3 billion in 2001 and $10.3 billion in four years. Other top IT services spenders in Asia are Korea, Singapore and Taiwan. "In the past, there was an under-penetration of services offered in China. Now, there is an enormous build-up of infrastructure across most sectors--particularly in the telecommunications arena, which is driving a lot of demand for integration services," Gartner Dataquest's Heng said. "From late 2002, we expect networking, security and e-business initiatives to be strong drivers of demand (in the mainland)," she added, pointing to China's official entry into the World Trade Organization on Dec. 10, its large export sector and booming domestic economy. One possible "casualty" of China's success is Hong Kong, which has seen its growth slow down "as investment seeps into mainland China," Heng said. However, she noted that Hong Kong is forecast to spend $1.5 billion in IT services this year. Overall, North America remains the world's biggest market for IT services, with 2001 revenue expected to reach $271 billion. By 2005, revenue is expected to rise to $423 billion--almost half the global figure. Western Europe comes in second place, with $149 billion in 2001 and over $229 billion by 2005. Meanwhile, Japan's market is expected to grow from about $65 billion in 2001 to $86 billion by 2005. "Generally, in a downturn, the IT services market performs better than the rest of the IT markets. However, we have to bear in mind that not all IT services vendors are growing at the same rate," Heng said. "During a recovery, it will usually take two to three quarters for investors in reinvest. During these tougher times, we are expecting to see a change in the nature of the development of these projects, where investors are likely to focus on shorter-term returns instead of longer-term investments," she added. Overall, development and integration was the largest sector within the IT services industry--a trend that is expected to continue through to 2005. Last year, the sector generated $156 billion in revenue. By 2005, the sector should hit $263.5 billion, according to Gartner Dataquest. The strongest growing sector will be business process and transaction management (BPTM) services, as companies attempt to reduce the cost of transaction processing in non-core areas by turning to external suppliers, Dataquest added. In 2000, BPTM achieved revenue of $74.8 billion. It should total $145.2 billion by 2005. Hardest hit will be the consulting industry, which is expected to grow from $46 billion to $74 billion in 2005. However, Gartner Dataquest said the introduction of Windows XP, demand for customer relationship management, supply chain management and e-commerce services, and the adoption of Web services software should drive growth beginning in 2003. Looking forward, Gartner Dataquest sees two factors that could impact spending for IT services: the degree of decision-maker confidence and the pace at which suppliers generate demand by implementing technology innovations. "So far, the overall response (to the slower economy and the war in Afghanistan) has been to avoid risks and delay investment decisions," said Rolf Jester, Gartner Asia-Pacific research director. "If senior executives can reasonably predict how the economy and security situation will play out, they could begin buying IT services again." "In the meantime, IT services vendors must rely on their 'life preserver' offerings such as payment processing, applications and data center outsourcing, product support services, and security and disaster recovery," he added.

*From **CNET**, by Michelle Tan, 4 December 2001*

Indian IT Giant Targets UK Government Contracts

Infosys' NHS contract could be the first of many UK government wins for the Indian IT giant, according its president and COO, Nandan Nilekani. Despite the current row over private sector funding of the health service, Nilekani believes private involvement in IT infrastructure will bring enormous benefits. The company became the first Indian firm to pick up an IT contract from the British government when it won a deal to design and build the National Health Service's electronic patient record programme earlier this month. "We're applying commercial rules to the public sector," Nilekani told silicon.com. "It's a very exciting project because if you do it well, you touch millions of people." John Higgins, director general of the CSSA, agreed that the government sector is looking particularly healthy at the moment. "It's probably the only part of the market that is really holding up right now for integrators and major system development," he said. "It's a good space for anyone with high quality, competitive offerings. But they've got to realise it's a long haul contract, and the procurement costs will be higher than the commercial sector," Higgins added. As a percentage, government money remains a small part of the company's business, but with an estimated $52bn to be spent next year on IT by European governments, the temptation proved too hard to resist. "We've traditionally been very active in the finance and telco markets, but the likes of utilities and government are less volatile right now," said Nilekani. "There's lots of potential, especially in the UK, where the government wants more accountability and citizen orientation." The company recently announced healthy second quarter results, but admitted growth over the next quarter was likely to be flat. "We're pretty much on target and the resilience of our business model is becoming clear, "said Nilekani. "It's easy to make money when the times are good, but the real challenge is to make money in markets like these." The company suffered in the wake of 11 September and the fears of a prolonged Afghan war, but shares in the company rallied after hitting a year low in September. Infosys floated its new Public Service Practice in the US earlier this month, designed to tap into the lucrative government market in the US and Europe.

*From **Silicon.com**, 30 November 2001*

Europe/CIS

Government Service: European Award for Revenue's On-line Service

Revenue On-Line Service (ROS) is to receive an eGovernment Label award from the European Commission in recognition that it ranks amongst the "best practices" of eGoverment in Europe. The aim of the award is to demonstrate the best current practices and to encourage their development as an important component of the eEurope Action Plan approved by the EU member states in June 2000. The award will be presented to Margaret Whelan, ROS Strategy Manager,(www.ros.ie) at an eGovernment conference in Brussels, which will be held 29-30 November. The Conference, "From Policy to Practice", is jointly organised by the European Commission and the Belgian Presidency. Commenting on the achievement the Chairman of the Revenue Commissioners, Mr.Dermot Quigley, said that he was delighted with the success. He stated that: "ROS has firmly positioned itself at the forefront of the Government's commitment to developing user friendly, interactive on-line services for citizens. ROS effectively enables 24 hour access to Revenue, seven days a week. I am extremely gratified that the quality of the service that we have achieved to date ranks us amongst the best practices in Europe, indeed I believe in the world." In total 281 proposals from the EU member states, the EFTA countries and the accession candidate countries competed for this prize for excellence. Just 60 on-line administration services were selected by a team of independent experts, 45 of whom, including ROS, were chosen to form part of an exhibition at the conference. To select the best examples among the 281 applications submitted, the independent experts used the following criteria: Interactivity level - Accessibility and availability of the electronic service - Benefits of the service from the point of view of users and the administration, eg. time savings, cost savings, personnel management etc. Internal reorganisation process set in motion by the administration to offer an efficient service Uptake of the electronic service - Transferability of the service eg. data security, decentralisation of databases etc. Operational aspects of implementing the service - Launched just over one year ago the Revenue On-Line Service provides Revenue's business customers with a quick and secure method for the electronic payment and filing of: monthly and annual payroll returns (Forms P30/P35) and employee cessation return details (Forms P45); bi-monthly VAT returns (Forms VAT 3) and annual return of trading details; and annual business Income Tax (Forms 11) and Corporation Tax (Forms CT1) Returns - Additional customer information services include on-line access to income tax; corporation tax; capital gains tax; VAT and employer tax details. The service was designed by Accenture and the authentication and security is provided by Baltimore Technologies. In its first year over €1.5bn was collected in VAT and PAYE Employers tax. This represents almost 10% of the national take for these taxes.

*From **Sunday Business Post**, by Patrick Ryan, 1 December 2001*

Commission Reveals the Best of the eGovernments and Establishes New Competition

The national government websites of the EU generally serve businesses better than citizens and are most advanced in the income generation services they offer. These are two of the conclusions of benchmarking survey carried out as

part of the European Commission's eEurope plan, which were revealed at the 'eGovernment: from policy to practice' conference held in Brussels on 29 and 30 November. The survey was carried out on a representative sample of the 7,400 websites of the local, regional and national authorities in the EU Member States, looking at a list of 20 basic services offered. It looked at how extensively the service was available on an electronic and interactive basis, allocating percentage points the higher the level. Results showed that only the Benelux countries put more effort into services aimed at citizens, whereas other Member States had better services for businesses. The best scores were found in services which generated income, such as income tax, VAT and social contributions. The lowest scores were found in document delivery services, such as passports and driving licenses. Countries with a high general score included Denmark, Finland, Ireland, Portugal, Spain, Sweden and the United Kingdom. To stimulate further improvements in the area, the European Commissioner for Information Society and Enterprise, Erkki Liikanen, used the event to launch a new competition which will give awards for the best developments on governmental websites. In the first allocation of awards, 60 online services which had used information society technologies to improve the quality and accessibility of their public services were awarded the eGovernment label. The awards are designed to be an effective way of highlighting best practice and rewarding new developments. The next awards are planned for the Danish Presidency in the second half of 2002. Commenting on the awards, Commissioner Liikanen emphasised their importance for citizens. 'eGovernment is not about new technologies, it is about how governments can make life easier for citizens and companies by serving them better. We should always remember that in delivering its services, the role of a government is special. Because a government does not choose its clients, it must be ensured that all citizens have access to the improved services. No-one must be excluded,' he said. The 29 November had brought together ministers from 28 countries, drawn from the EU, EFTA and the candidate countries. They produced a declaration which outlined the main areas that needed focus: encouraging participation, inclusiveness, organisational change and trust and security. The ministers invited the Commission to make the appropriate investments in research and development to assist in these areas, particularly in the context of the Sixth Framework programme. The next analysis of the progress in this area will be carried out at an eGovernment conference in Italy in July 2003. Speaking at the conference, certain ministers highlighted the concrete effects that eGovernment can have. On the French government's national site, of the 10 most used words in the search field, minimum wage are two of the most common, according to French Minister for the civil service and administrative reform, Michel Sapin. The need to generate better communication with the public was emphasised by Vivienne Jupp, director of global eGovernment services at Accenture. She said that the feedback from a report she had recently finished concluded that 'there is evidence of a growing gap between politicians and the public - people need to be informed and involved.' In addition, a leaked document published by the BBC shows that one of the elements in a speech to be made by Belgian President Guy Verhofstadt at the forthcoming Laeken European Council will be the failure of the European Union to keep in touch with its citizens. Part of the draft text claims that European citizens need more transparency and efficiency and that too much is being done without public knowledge or democratic control.For further information, please consult the following web addresses:
http://europa.eu.int/information_society/eeurope/egovconf/news/index_en.htm
http://europa.eu.int/information_society/newroom/index_en.htm
http://europa.eu.int/information_society/eeurope/index_en.htm

From Cordis, 6 December 2001

EC Gives E-Government Agencies a Pat on the Back

Publishing its first report on e-government services in Europe, the European Commission (EC) says that it is pleased with the rate of progress members are making with online government. At the same tine, the commission says it wants to see all governments doing better, and has launched a set of awards to encourage the process. In its survey of public services on the Net, the commission said that Ireland, Finland, Sweden, Denmark, Spain, Portugal and the U.K. are demonstrating particularly good results. The major survey took in 7,400 Web sites of national, regional and local authorities and was developed for a report released at the two- day "eGovernment from Policy to Practice" conference, which opened in Brussels, Belgium on Thursday. A total of 20 basic public services were covered by the survey, looking at government agencies dealing with issues such as higher education, vehicle registration and value added tax (VAT). The EC says the survey measured the degree to which these services are provided online, by allocating percentages for different stages of development, from simple one-way interaction to full electronic case handling. The report gave a higher score (52 percent) for business services than citizens' service (39 percent) for all EU countries, except the Benelux, where the report concluded that citizens' services are more advanced. Not unexpectedly, the report also found that higher scores were generated by tax and other income-generating agency Web sites. Commenting on the report, Erkki Liikanen, the commissioner for enterprise and the information society, said that electronic government is not about new technologies, but about how life can be made easier for citizens. The commission says that its e-government awards - the "eEurope Awards for Innovation in eGovernment" - aim to highlight and promote the efforts made by European national, regional and local administrations in online government services. In a press statement, Liikanen said that the awards will be a significant driving force for identifying and promoting excellence, as well as creativity, in the public sector. They will also, he said, support the mutual recognition and adoption of best practices. A copy of the e-government report is at http://europa.eu.int/information_society/eeurope/egovconf/news/index_en.htm

From Elcom UK, by Steve Gold, 5 December 2001

Government Watchdog Slams £1 Billion IT Failure

The Public Accounts Committee (PAC) has today published its report into the government's failed payment card scheme - which saw £1 billion of taxpayers' money wasted - and pulls no punches. The project, which aimed to replace a paper-based system for benefits claims with a magnetic strip card, "must rank as one of the biggest IT failures in the public sector", the PAC concluded. It was the "latest and the worst in a long line of public sector IT debacles". And "in view of the Department's [of Works and Pensions] track record on IT, we remain sceptical about its ability to deliver [in future]". The scheme, started in May 1996 under a Tory administration, was one of the first government projects to be run as a private finance initiative (PFI), in which commerical companies took on some of the risk while delivering a public system. It was in trouble from the start thanks to the complexity of the task, run alongside a modernisation of the Post Office. Over 17 million people were expected to make use of the cards. Three years later, in May 1999, the (now Labour) government decided to drop the magnetic card scheme at the estimated cost of £1 billion in the write down of assets and delayed reductions in benefits fraud as it was seen to be holding back the essential automation of the Post Office. While the PAC had already written a report into the collapsed project in January 2000 (published May 2000), it undertook a second report to examine the lessons that could be learnt as the government now looks at different methods for paying benefits. The report makes three broad conclusions: Similar projects need to be very carefully examined for the possible risks. In this case, the government had "underestimated the difficulty of attempting to tackle a huge and complex project". There were also "basic project management failures". That the measures introduced in February this year in response to around 25 government IT failures "should go a long way preventing similar failures in future". Now, all new IT projects have to be run through a procurement watchdog - an offshoot of the Treasury called the Office of Government Commerce. That management should face up to the possibility of failure and "take prompt decisions to avoid abortive costs". It criticises the government for taking 18 months to decide to end the project. More specifically, the PAC slammed the government's "inadequate contracting and project management skills"; questioned the logic behind choosing Pathway as the contractor because it was the company willing to take on the most risk when it has come third in nearly all technical criteria; asked why the various parties did not share information on occuring problems; and strongly suggested that one person be responsible for each project - it reports that the "conflicting objectives" of the Dept of Works and Pensions, DTI, Treasury and Post Office caused unnecessary delays and extra costs. With regard to new plans to create a similar banking service for benefits claims, the PAC remains positive: "In principle, the arrangements... should provide a more modern, efficient and secure method of paying benefits and deliver significant administrative and fraud savings." However, the PAC makes it clear that it expects to be fully consulted so the department can "secure accountability before the arrangements are finalised". The Secretary of State for Works and Pensions, Alisdair Darling, was called on to explain his department's actions. Darling said he agreed with "a substantial part" of the PAC's conclusions but predictably concentrated on pointing out that the project was started by a Conservative government and criticised PAC chairman Edward Leith for not pointing this out. So the approach to future IT projects may change, but politicians never shall.

From The Register, by Kieren McCarthy, 6 December 2001

ElectronicVoting by MPs Urged in Reform Plan

Electronic voting could be introduced to the House of Commons. Leader of the House Robin Cook wants to replace the practice of MPs splitting into 'ayes' and 'noes' by walking through the division lobbies. MPs could also table questions by email. The plan is part of a package of reforms intended to modernise parliamentary procedure. The proposals would move Parliament closer to ordinary working hours, cutting down MPs' three-month summer recess and reducing the number of late-night debates. They do not go as far as demanded by some MPs, who wanted to see "family-friendly" office hours adopted in the House. Mr. Cook stressed that the changes were not intended to make life easier for MPs. He said: "Modernisation is not about making the life of an MP easy.

The great majority of MPs willingly shoulder long hours and hard work. "Modernisation is about enabling MPs to do a more effective job for their constituency and for the country."

*From **Ananova**, 12 December 2001*

IT Power Breakfast: Transparency Demanded for E-government Projects

With hopes of faster growth depending mainly on national computerization projects, IT players are asking for a more transparent and efficient system of organizing tenders as their confidence was once again shattered by the recent scandal surrounding a multimillion USD IT contract for the Bucharest City Hall. “We would like to see more transparent auctions as we think much needs to be done to witness a growth of the market,” said Vladimir Aninoiu, general manager of IBM Romania. “And much of it depends on the authorities and the Ministry of IT.” Present at the breakfast, Adriana Ticau, state secretary for IT, said the ministry is focused on introducing large scale electronic public services. “The implementation of 22 pilot projects has already started and we think they will be finalized by December this year,” said Ticau. “They were all financed from our own resources and after they are successfully implemented, we will start working on a specific strategies for the large projects, as they will probably need a proper legislative framework.”
To read the full story see the print edition of BBW. Please contact Adela Beciu at **adela.beciu@bbw.ro** for details.

*From **Bucharest Business Week**, by Luminita Holban, 18 December 2001*

The Americas

Are Online Public Records Too Public?

People-search and family history Web sites have come under fire from California lawmakers, residents and privacy advocates concerned that personal data available online can be used to aid identity theft. Genealogical Web site RootsWeb.com removed databases of California and Texas birth records from its site Friday after receiving a blitz of phone calls from frantic state residents worried that data contained in the public records could be used for malfeasance. The data--birth records dating from 1905 to 1995 on more than 24 million Californians - included names, birth dates, places of birth and mothers' maiden names, a key ingredient to accessing customer financial information at many banks and credit card companies. Now, a California legislator is asking Gov. Gray Davis to stop the Department of Health Services from selling California birth records in electronic format to third parties, a legal right of the state agency. In a letter sent late Friday, Sen. Jackie Speier, (D-San Francisco, San Mateo), also asked that the governor track down one other Web company, which bought the data earlier this year, and prevent it from publishing the information online. Access to personal data contained in public records is of mounting concern to lawmakers and privacy experts in the wake of the Sept. 11 terrorist attacks, in which one suicide bomber is suspected of using a deceased person's social security number to create false identification. Although personal information contained on research Web sites alone is typically not enough to steal someone's identity, lawmakers and privacy advocates are concerned that the data could be used as building blocks for a false ID. Privacy advocates are particularly concerned about the ease with which people can obtain sensitive data from public records online. Although birth and death records have long been available to the public through state offices, people typically had to visit a courthouse, fill out an application, or wade through library documents to look up information. "It's certainly very troubling because while it's important to have public records, the complexity of accessing those records has always limited their ability to be misused," said Ray Everett-Church, a California-based privacy consultant. "Because the mother's maiden name often doubles as a kind of password to your private information at credit bureaus or credit cards...(easy access on the Internet) is of increasing concern as the number of identity theft cases skyrocket," he added. Jodi Beebe, hotline director for the Privacy Rights Clearinghouse, said there are between 500,000 and 750,000 potential new victims of identity theft per year. Of those cases, between 75,000 and 100,000 take place in California. "Obviously this information is public record, but making it so easily available online may be facilitating a crime we don't want to see growing at the statewide or nationwide level--namely identity theft," Beebe said. **Up for sale -** In addition to RootsWeb, the Office of Health Information and Research sold California birth and death records to PeopleSearch.com, according to the agency's chief, Michael Quinn. PeopleSearch is an Internet-based company that charges $50 to $100 to help people find someone or perform a background check. "We're required by the Public Records Act to produce this index and keep it available for the public," Quinn said. A representative for PeopleSearch.com said the data is "one of many sources we use" to provide information but declined to comment further on use of the records. Lawmakers in California would like to impose stricter limitations on who can have access to public birth records. Richard Steffen, staff director for Speier, said the office is planning to draft new legislation by early next year to tighten controls on access to birth certificates. "Initially, we don't believe the index of birth records with mothers' maiden names is appropriate as a public database because it allows anyone around the world, in a short period of time, the ability to review 24 million personal documents," Steffen said. Instead, the office would like to see access to records limited to the person of record, a legal representative or "legitimate researchers," a group yet to be defined, Steffen said. He added that they plan to send a letter to the Department of Health Services asking about buyers of the birth records. "Clearly, Health and Safety Code Section 103525 requires the state and local registrars to provide birth certificates upon request. But it does not, in my opinion, authorize the state to package all birth records into an electronic format that is then launched in cyberspace for anyone's use, legal or illegal," Speier wrote in a letter to the governor. In response to the letter, a representative for Davis said the governor is crafting legislation for January that would address issues related to identity theft and privacy. In the interim, "the governor is pleased to learn that (RootsWeb) has stopped providing the information in question," the representative said. RootsWeb bought birth record information on CD-ROM for about $900 and the death records for about $600 from California's Department of Health Services. The information is not a full record, but rather a listing of the document. People can request to buy a birth or death record from the office directly or by fax. Quinn, of the Office of Health Information and Research, said that most of those buying access to the information are genealogists or attorneys handling unclaimed property cases in California. After a report appeared in the *San Jose Mercury News*, California and Texas residents flooded the phone lines at the headquarters of RootsWeb, owned by MyFamily.com, asking to be removed from the database. The company decided to give people the right to opt out of the database after the article, then shortly pulled the database altogether. RootsWeb did not return phone calls seeking comment for this story. According to its site: "In addition to our goal to provide outstanding genealogical resources to our users, RootsWeb.com is also committed to protecting the privacy of our customers."

*From **ZDNet**, by Stefanie Olsen, 4 December 2001*

IT Staff Shortage Threatens Egovernment

A new study by Gartner has found that 87 percent of state governments and 80 percent of local governments in the US are suffering a "critical shortage" of qualified IT staff, despite the downturn in the tech industry. Staff with intermediate and advanced skill levels are particularly difficult to find, according to the study. The main factors contributing to the staffing crisis are poor compensation packages and inadequate reward systems. Gartner cautions that many public sector IT projects will be delayed or cancelled if adequate numbers of qualified IT workers cannot be found. The staffing crisis could be exacerbated over the coming years as about 54 percent of state governments and 48 percent of local governments have 11 to 20 percent of their staff eligible for retirement within the next five years.

From Nua Internet Surveys, 2 December 2001

PEC Solutions Announces Contract to Enhance Automation of Fairfax County Courts Records System

Fairfax, Va., PEC Solutions, Inc. (NASDAQ:PECS), announced today that the company has been awarded a $1 million task order under an existing contract from the Fairfax County Circuit Courts Office to develop software upgrades and technology enhancements to the Courts Automated Recording System (CARS). PEC has been engaged with the county to develop and support the CARS initiative since the late nineties. CARS is a land records and public services document capture system that automates the filing of deeds, trusts, certificates of satisfaction, financial statements, marriage licenses, wills, notaries, judgments, and other documents. The automated system has the capability to process thousands of documents a day. CARS provides a web-based retrieval component which enables stake-holders to securely access a constantly growing database of official court records. Under this new tasking, PEC will adapt the current CARS implementation to evolving court procedures and ready the system for eGovernment implementation, ultimately serving the citizens of Fairfax better through reducing processing errors and increasing end-user effectiveness and efficiency. About PEC - PEC Solutions is a professional services firm that helps government clients harness the power of the Internet and other advanced technologies to improve mission performance. The company specializes in Web-Enabling Government(R) by providing secure, interoperable technology solutions for clients in law enforcement, intelligence, defense, and civilian agencies within the Federal Government and at State and local levels. PEC Solutions is based in Fairfax County, Virginia, with offices around the United States. Visit the company on the Web at www.pec.com. For more information, contact John McNeilly, PEC Solutions Manager of Corporate Communications and Investor Relations, at 703-679-4900. This press release may contain forward-looking information within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, and is subject to the safe harbor created by those sections. PEC Solutions assumes no obligation to update the information contained in this press release. PEC Solutions' future results may be affected by its ability to continue to implement its eGovernment solutions, its dependence on the federal government and other federal government contractors as its major customers, its dependence on procuring, pricing and performing short-term government contracts, its dependence on hiring and retaining qualified professionals, potential fluctuations in its quarterly operating results, its dependence on certain key employees and its ability to timely and effectively integrate the businesses it may acquire. Contact: PEC Solutions, Fairfax John McNeilly, 703/679-4900

*From **Public Works**, 11 December 2001*

Online Licensing Makes Gains In Montana, New Hampshire

State officials in Montana Thursday unveiled an online service DiscoveringMontana.com that lets users check the status of licensed professionals, including accountants, physicians and plumbers. The state contracted with Montana Interactive Inc., a subsidiary of National Information Consortium Inc. of Overland Park, Kans., to build the site, which is funded by user fees. With 36 different boards, 70 state license types, and nearly 64,000 licensed professionals, this license inquiry service will increase the ability of citizens to verify that they are working with licensed professionals, said Wendy Keating, the state's commissioner of labor and industry. Montana already lets nurses and real estate agents renew their licenses online and plans to extend that feature to other professions in the future, the department said. Separately, New Hampshire chose NIC for an application service provider contract under which it will pay the company $425,000 over seven years to build and host online applications for fish and game permits, and architect and engineer licenses. The company also may provide 18 additional license renewal services on a fee-for-service basis. NIC said it would host the New Hampshire system through its operations for Maine's eGovernment portal in Augusta.

*From **BizReport.com**, by Wilson Dizard III, 19 December 2001*

FAA Processes Air Marshal Applications Using Cardiff TELEform, Adobe PDF and Oracle

Cardiff TELEform Meets the Stringent Requirements of Rapid Deployment, Security, Accuracy, and Speed for the Important Job Screening Process - Cardiff Software Inc., a leading supplier of XML-based eBusiness and eGovernment automation solutions, today announced that the U.S. Federal Aviation Administration (FAA) is using Cardiff TELEform(TM), Adobe® portable document format (PDF) and Oracle® to manage the Federal Air Marshal paper-based application process. Recent events compelled the FAA to re-activate its program to find, screen and hire qualified air marshals as quickly as possible. From Sept. 19, 2001, to Nov. 15, 2001, the FAA received approximately 81,000 paper applications - about 973,000 pages - before converting to a total online process in mid-November. To meet critical security deadlines, FAA decision makers turned to advanced forms processing technology to accelerate the processing of paper applications. Cardiff experts worked with the FAA to fine-tune the process, which will soon be capable of processing more than 4,000 applications per day - more than 48,000 pages. “We needed to balance the urgency of our security concerns with the cost of processing tens of thousands of paper applications,” said Susan Bounds, Manager of the FAA's Aviation Careers Division. “Our system had to make it easy to apply yet make it possible to collect the pages of personal information required to process applicants. The solution was a combination of Cardiff TELEform, Adobe PDF and Oracle”. Prospective air marshals accessed and printed an Adobe PDF application at jobs.faa.gov. Once completed, the 12-page application was sent to the Aviation Careers Division at the FAA's Mike Monroney Aeronautical Center in Oklahoma City, Okla., using postal mail services. For all processed applications, the form's data seamlessly passes to an Oracle database within the FAA, where it is immediately available to hiring officials. “Cardiff is proud that our products can help as the country responds to the threats to our security and safety,” said Dennis Clerke, co-founder, president and CEO of Cardiff Software. “We applaud the FAA on its ability to apply know-how and technology to quickly respond to our country's needs and to get its mission accomplished.” About Cardiff Software Inc. Cardiff's integrated eTransaction solutions are used by more than 20,000 organizations, including Global 2000 companies, to automate a wide range of business transactions and processes. Cardiff's Information Capture, eForm Management and eDocument Automation products work together to replace manual processing with automated online systems - putting information to work more quickly and affordably than ever before. Cardiff is a privately held company based in San Diego, Calif. Cardiff investment partners include DICOM Group Plc. (London: DCM.L), a leading supplier of software and consulting services for implementing automated document capture applications; Adobe® Ventures, L.P., the venture capital limited partnership affiliate of Adobe Systems (Nasdaq: ADBE - news); and HarbourVest Partners, a private investment organization. More information on Cardiff eTransaction solutions can be found at www.Cardiff.com . TELEform is a trademark of Cardiff Software Inc. Adobe is a registered trademark of Adobe Systems Inc. Oracle is a registered trademark of Oracle Corp. All other trademarks and registered trademarks belong to their respective owners.

For further information, please contact Steve Tenwick of Cardiff Software Inc., +1-760-936-4704, stenwick@cardiff.com; or Jennifer Zwiebel of ContentOne: Innovative Communications, +1-760-479-1380, ext. 111, jennifer@contentone.com, for Cardiff Software Inc.

*From **PR Newswire via Yahoo**, 18 December 2001*

State of Arkansas Extends NIC's eGovernment Services Contract Until 2004

Arkansas Information Consortium receives unanimous endorsement to run the State of Arkansas's official eGovernment portal for another three years - Little Rock, Ark - The State of Arkansas has extended the contract for the Arkansas Information Consortium to manage the state's eGovernment web portal through June 2004. A wholly owned subsidiary of eGovernment firm NIC (Nasdaq:EGOV), the Arkansas Information Consortium built and has managed accessArkansas since 1997. "Arkansas has built a world-class eGovernment platform to serve its constituents, and I'm pleased that NIC and the Arkansas Information Consortium will continue to support our efforts during the next three years," said Arkansas Governor Mike Huckabee. The three-year contract extension was approved by unanimous vote of the Information Network of Arkansas Board on August 14. The 12-member organization, which oversees the operations at accessArkansas (www.accessArkansas.org), consists of representatives from private sector businesses and citizen interest groups as well as several state officials, including Secretary of State Sharon Priest. "Digital government in Arkansas has succeeded because citizens and businesses continue to take advantage of our eGovernment services," continued Huckabee. "We've already doubled our annual page views to 58 million and have processed more than two million transactions at accessArkansas since January. eGovernment is about providing convenient access to government information and services, and accessArkansas continues to deliver tremendous results for the State of Arkansas." Last month, Arkansas was recognized as one of the country's most improved state government portals. Researchers at the Taubman Center for Public Policy at Brown University singled out Arkansas for rising more than 20 positions in its annual rankings of state eGovernment performance. Arkansas jumped from 39th place in 2000 to the 19th spot in this year's survey. "During the last four years, the Arkansas Information Consortium has delivered essential eGovernment services to citizens and businesses on behalf of the State of Arkansas, and we are pleased to extend this very productive partnership for another three years," said Preston Means, who serves as Chairman of the Information Network of Arkansas Board as well as the Assistant Commissioner of Revenue for the Arkansas Department of Finance and Administration. "accessArkansas is among the most innovative state portals in the nation, and we look forward to being on the leading edge of government technology development for years to come." Arkansas has been the first state in the nation to launch several popular digital government services, including online incorporation filings, licensed child care provider searches, interactive state job listings, and Internet-based chats between citizens and Governor Huckabee. accessArkansas currently offers more than 180 online constituent services, including vehicle tag renewals, hunting and fishing licenses, professional license renewals, business tax filings, and auctions for surplus State property. "This contract extension is yet another vote of confidence from our partners in Arkansas," said Jim Dodd, President and CEO of NIC. "I want to thank the Information Network of Arkansas Board and the State of Arkansas for giving us the privilege of continuing this great partnership. We look forward to another three years of delivering top-notch eGovernment solutions to citizens and businesses across Arkansas." ABOUT THE INFORMATION NETWORK OF ARKANSAS - The Information Network of Arkansas (INA) is a public instrumentality of the State of Arkansas that manages the official state Web portal, www.accessArkansas.org. INA is marketed, operated, and maintained by the Arkansas Information Consortium, a wholly owned subsidiary of NIC.

ABOUT NIC - NIC, "The eGovernment Company(TM)," delivers more Web-enabled government solutions than any other provider in the world. The company is helping to transform the relationships between government and the communities it serves by providing convenient online government services that make life easier for businesses and citizens. Through partnerships at all levels of government, NIC manages transactions for over 1,000 state & local agencies that serve more than 49 million people in the United States. For more information, visit NIC at www.nicusa.com. Contact: NIC Chris Neff, 435/901-3870 cneff@nicusa.com

*From **Govcon .com**, 14 December 2001*

Global

Grooming Great Leaders

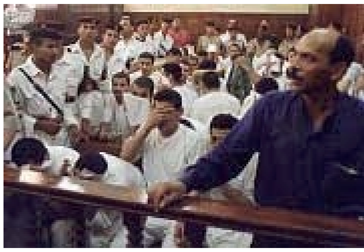
The success of a manager can be gauged from the satisfaction levels of his customers and his team... Building leadership and leaders has never been more important than it is now. A lot of leaders in the IT sector are first level line managers, quite far from the CEO or the next level management. Until a few years ago, there would be a handful of leaders, who would be running a large company. Globalization has spread companies far and wide and this has required leadership to move out of the headquarters. Technology has resulted in collapsing organization structures. So how does one go about building leadership and leaders? Just calling managers as leaders does not solve the problem. Managers need to know and understand that leadership behavior is expected from them and assisted in developing leadership behavior, and made accountable it behavior. Of course, the decision making has to be pushed down to appropriate levels and the managers must feel empowered. If managers are held responsible for customer satisfaction and they know that their performance will be measured by this, they will do what it takes to keep the customer happy. They must also feel that they can make the right decisions that will help keep a customer happy, and the mistakes they make will be treated only as learning lessons and not held against them. This not only gives them legitimate authority to do the right things, but also makes them more accountable. One of the many ways to build leadership is through role modeling. In today's world of fast growing companies and GenX employees, there are not enough role models. Young first-time employees do not think good values can make one successful, and so blitz, movie stars and rich entrepreneurs impress them the most. It is a well-established fact that we all ape the behavior of successful people. How can this be exploited for leadership development? Take a stock of what is rewarded in your company and what is seen as success. Redefining these in line with the behavior you expect from your employees would immediately lead to behavior change. Almost all companies have a written vision, mission and values. But how do you get ever increasing new employees to understand and adopt it? In fast growing and young companies, there are not enough old timers to tell them "war stories". It is a big challenge to convert the words into spirit. One experiment that has succeeded really well at HSS is to put a face to this. We have taken 12 leadership behaviors and converted them into awards. Every quarter, three of these are chosen and the entire company has a choice of selecting a person who in their opinion displays these the best. And they can make one choice each for the awards. The winner is declared on the basis of number of votes. The top 20 are also profiled. Three major things are accomplished through this process. First, the leadership behavior gets a high pedestal that is visible to all. Second, it automatically gives leadership behavior a high value because you are appreciating someone for it. Third, the people who are seen doing right things (Top 20) are clearly visible through the entire company. And since they are people, it sets an example for all others, on what is it to be a good leader like a great mentor or a great communicator. The winners are then appointed to lead areas where they have displayed strength. The other finding is that the winners as well as the top 20 are from all levels and functions in the company. Similarly, a well thought out 360-degree process can help managers to get feedback on their leadership behavior from their peers, supervisor, subordinates and customers. The key for success would be that the company is able to create an environment where people are not afraid to give and receive feedback, specially the areas of improvement. One of the best ways is to make it confidential and purely developmental and not evaluative (not a part of performance review) and encourage all managers on improving for the future. Of course, there are innumerable other ways to develop leadership. Once you know you want to do something, you would think of something that would work best for you. Aadesh Goyal is vice-president, human resources, IT and corporate communications, Hughes Software Systems. He can be reached at aadesh@hss.hns.com

*From **Dataquest**, 10 December 2001*

Public Finance

Asia/Pacific

Rini Calls for a Delay on Tax Plan for Batam



Minister of Industry and Trade Rini Soewandi has asked the finance ministry to postpone the imposition of value added tax and luxury tax on the island of Batam in the Riau province for another six months to prevent investors from abandoning the island. "We have asked for a postponement in the implementation of the taxes for at least six months until mid-2002," Rini was quoted by *Antara* as saying. The government intends to impose value added and luxury taxes on the island early next year as pressure mounts to collect more domestic tax revenue for the 2002 state budget. But the government also plans to turn Batam into a free trade zone, which would enable companies on the island to import goods without paying customs duties and taxes, pending their eventual processing, transshipment or re-exportation. Rini, however, said that the change from an industrial bonded zone to a free trade zone would take some time to accomplish, and although the new bill on Batam's free trade status was already in the hands of the Minister of Justice and Human Rights Yusril Ihza Mahendra, it still needed the approval of the House of Representatives before it could be passed into law. Earlier, director general of taxation Hadi Poernomo said that, if by January 2002 a new decree on Batam's exemption from the taxes had not been approved, then they would be collected on the island from Jan. 1. He further said that the 2002 tax ratio of 13.03 percent agreed to by the House of Representatives has already taken into account value added tax (VAT) contributions from Batam. He said that VAT contributions from Batam would amount to approximately Rp 322 billion (about US$30.7 million). The total tax revenue estimate for the 2002 state budget is Rp 184.7 trillion. Batam was initially declared an industrial bonded zone in 1978 to attract foreign investment and bolster export competitiveness. The same status was later given to the nearby islands of Rempang and Galang, forming a total bonded area of 715 square kilometers. However, the islands have technically acted as a free trade zone for the last 10 to 15 years, and tax incentives originally intended for industry have also been enjoyed by all Batam residents, including Indonesian companies providing products and services not destined for export. This situation has caused resentment among companies based outside the island, leading the government, at the prompting of the International Monetary Fund (IMF), to reimpose value added tax (VAT) in 1998 to ensure equitable tax treatment. The ruling, which was originally to take effect in April last year, met with strong resistance both from Batam residents and foreign industrialists based here. Foreign companies operating on Batam had threatened to leave the island in protest at the new tax policy, and considered relocating their businesses. It was then decided to postpone the imposition until the following year.

*From **Jakarta Post**, by Tantri Yuliandini, 3 December 2001*

Ministry Seeks Early Passage of Consolidated tax

Finance Minister Masajuro Shiokawa said Friday that his ministry will try to introduce a consolidated corporate tax system as early as possible in fiscal 2002 and make it retroactive to April 1. "The bill for consolidated taxation will be enacted sometime after the beginning of next fiscal year," Shiokawa told a news conference after a Cabinet meeting. "And it will be retroactive to the beginning of the fiscal year." Although the introduction of the consolidated tax system had originally been planned for April 1, Shiokawa said last week that it would be delayed by one year due to the amount of work needed to prepare the related legislation. In the face of strong criticism from business circles and members of the ruling parties, however, the finance chief altered his position. The Finance Ministry has therefore worked out a plan to submit the bill to the Diet around May for enactment by June, and the system will be applied retroactively for the full fiscal year that begins in April. The Liberal Democratic Party's tax panel, which endorsed the plan Thursday, will now start working on tax reform proposals for the next fiscal term, including measures to compensate for a prospective revenue shortfall of 800 billion yen as a result of the introduction of consolidated taxation. The consolidated system, one of the pillars of the taxation overhaul for fiscal 2002, is considered a vital tool to shore up the competitiveness of Japanese companies. Under the system, a consolidated tax would be levied on a corporate group as a whole, not individual group firms. This means losses from a firm within the group would be subtracted from the profits of another group company to calculate taxable income, reducing the group's tax burden. In addition to the group tax system, the LDP tax panel has so far agreed not to introduce a corporate pro forma tax in fiscal 2002 according to party officials. This plan is a revised version of a scheme presented by the Public Management, Home Affairs, Posts and Telecommunications Ministry to the LDP last year.

From The Japan Times, 1 December 2001

State to Take a Bite of Local Individual Tax

The central government is considering co-sharing individual income tax with local governments from next year as part of tax reforms, economists have claimed. "The government has decided to put part of the local income tax into the State vault, because China's individual income tax has grown at a rapid pace over the past several years," said Xia Jiechang, an economist with the Chinese Academy of Social Sciences. Figures from the State Administration of Taxation indicate that the amount of personal income tax collected in China soared from 7.27 billion yuan (US$876 million) in 1994 to 51.1 billion yuan (US$6.2 billion) last year. During the first seven months of this year, individual income tax rose more than 50 per cent to 54.7 billion yuan (US$6.58 billion). In Western countries, the individual income tax is the largest single tax source of central governments, which makes up 20 to 25 per cent of the total central tax income, Xia said. "But in the short term, the Chinese central government will not make individual income tax a major central tax source, because the average income level of Chinese residents is relatively low," he said. The central government is also required to consider the interests of local governments, he said. "The central government will only share a minority of the increased part of the income tax next year, based on the taxes collected this year," Xia said. Zhang Peisen, a senior researcher with the Taxation Research Institute, said the detailed reform scheme on individual income tax has been submitted to the National People's Congress and is yet to be approved. He did not give further details, such as how much the threshold on individual income tax will be raised. "The threshold should be about 1,500 yuan (US$180) a month," said Hu Shaowei, an economist with the State Information Centre. The present threshold of 800 yuan (US$96) a month was introduced in 1981, when the living standards of ordinary residents were very low, he said. At that time, the income of residents was less than 100 yuan (US$12) per month and so remained untaxed. China's reforms and opening up over the past two decades have rapidly increased average incomes, Hu said: "Residents with monthly incomes of less than 600 yuan (US$72) are considered low, an income of at least 900 yuan (US$108.4) per month is needed to maintain a basic standard of living." Hu said individual income tax reform should also take into account a taxpayer's family burden, such as whether they have a child or elderly family members to support, because the tax is designed to keep a fair distribution of social wealth. According to investigations by the National Bureau of Statistics, the Gini Index, an international measure used to measure income distribution, stands at 0.458 in China. This is above the international warning line of 0.4, and indicates that Chinese society suffers from income distribution inequity.

*From **China Daily**, 18 December 2001*

One IN 10 Chinese Firms Faked Profits

A survey by China's Ministry of Finance has found one in 10 Chinese companies, including listed firms, faked profits last year when they actually made losses, state media and a ministry official said yesterday. The results of the survey were published in major securities newspapers and follow a year-long campaign by Chinese regulators to stamp out corruption in the decade-old markets. 'We investigated 320 companies in the annual check conducted this year on corporate financial statements. Thirty-two firms had posted profits for 2000 when they actually made losses,' said an official at the Finance Ministry's supervisory department. 'We published the results of the investigation as part of efforts to rectify market order,' he told Reuters. The ministry discovered that the firms surveyed had reported 7.4 billion yuan (S$1.6 billion) in false assets and 3.5 billion yuan in false profits, the official Shanghai Securities News said. The ministry official said the figures were correct. China has launched a widespread crackdown on fraudulent accounting and share price manipulation, punishing a string of listed firms, brokerages, their accountants and fund houses. China's top auditor has said two out of three state-owned firms posted inaccurate financial statements last year The Finance Ministry accused two listed firms yesterday, and the Shenzhen stock exchange separately criticised a third, for irregular accounting practices, state media said. The Finance Ministry said Beiman Special Steel added income from yet-to-be completed deals to help it report non-existent assets of 23.99 million yuan and false profits of 25.90 million yuan in 2000, the Shanghai Securities News said. The ministry found trade firm Fujian Fulian had posted wrong long-term investment and bad loan figures, it said. An official at Fujian Fulian said the company would make a statement on the report 'in one or two days' but declined to give details. Beiman Special Steel officials declined to comment. The Shenzhen stock exchange said in a statement published in state media that Shenyang Environment Protection Equipment Manufacturing had claimed 220 million yuan in non-existent income in its 2000 interim report because it did not abide by accounting rules. The firm's explanations of why its profit plunged that year 'ran contrary to the facts', the exchange statement said. It did not elaborate. Shenzhen Environment said it accepted the criticism. All three firms' A shares, reserved for Chinese investors, were suspended from trade yesterday morning due to the reports.

*From **Accounting Eduction**, 14 December 2001*

Europe/CIS

IMF-WB Mission to Assess Finance Sector

Despite the International Monetary Fund's and World Bank's intensive involvement in Russia, the two Washington-based lending giants have never jointly assessed the nation's financial system as a whole. But that's about to change. A joint IMF-World Bank mission is due to arrive in Moscow on Monday to help the government determine the best way to reform the troubled financial sector, which has thus far been a major drag on economic growth. The mission is part of the Financial Sector Assessment Program, or FSAP, which the IMF and World Bank set up in 1999 to coordinate their activities. Russia joined the FSAP in October. Before 1999, banking sector reform, as part of a nation's monetary policy, was considered to be the IMF's responsibility, while the World Bank handled structural reform. Twenty-two countries have joined and been assessed by the FSAP, including Armenia, Kazakhstan and Estonia. The most recent country that turned to the IMF and World Bank was Japan, where a mission is currently working on saving the world's largest private banking institutions. According to the IMF, the FSAP will focus on five major areas: transparency in monetary and financial policies; banking supervision; the securities market; the insurance sector and payment systems. "This time, our goal is to bring to the government's attention the weakest parts of the system," one World Bank official said. "We also want to send a message to Russian authorities that reforms that only go halfway won't solve the problems." Since the default and ruble devaluation in August 1998, 14 joint IMF-World Bank missions have come to Moscow to advise the government on the banking sector. But it took the Cabinet until this September to approve a general concept for reform and begin the process of removing Central Bank capital from commercial banks. Analysts said that the lack of supervision of the sector will be one of the thorniest issues. "Russian standards are still far from international [norms] and always raise many questions in terms of their transparency and adequacy," said Andrei Ivanov, banking analyst at investment bank Troika Dialog. Another problem, Ivanov said, is the payment system, where "most transactions are done through a limited number of banks." And the insurance sector has nearly the same problems, he added. "Consolidation of insurance companies is inevitable, but there is currently no government strategy to develop this sector and I doubt that the government is ready to take serious steps in this direction," Ivanov said. Generally, most analysts say, the time has come for the IMF and World Bank to do something more useful for the government than submitting another 100-page report. But considering the scale of the problem, it may well take FSAP experts up to one year to produce a thorough assessment. Central Bank chairman Viktor Gerashchenko is expected to retire before then, and his replacement will likely have his own vision of sector reform.

*From **Moscow Times**, by Victoria Lavrentieva, 4 December 2001*

Government 'Chaos' Over Tax Plans

Blair backs certain tax rises to fund the NHS - The Conservatives have claimed the government is in disarray over its plans to reform the National Health Service, after Prime Minister Tony Blair appeared to back out of a key spending pledge. Last week in the House of Commons, Mr. Blair renewed his promise to raise health spending to the European average by 2005. But Downing Street has moved to distance Mr. Blair from the commitment, first made in a television interview last year. The prime minister's spokesman said it would not be sensible for ministers to be "pinned down" to a specific target ahead of next year's public spending round. 'Climbdown' - The apparent climbdown follows reports that the Chancellor Gordon Brown was unhappy about being tied to a specific spending pledge. Mr. Blair had earlier signalled the start of a retreat, telling a Sunday newspaper that he had only been speaking in "broad terms" when he first made the promise. The prime minister's comments were greeted with astonishment by the Tories and the Liberal Democrats, who said that the government's NHS policy had descended into "chaos". 'Shambles' - Shadow health secretary Liam Fox said that unless the Prime Minister was prepared to honour his commitment to raising health spending to the European average, he was guilty of misleading MPs. "According to which paper you read this morning you get a different policy on health. "It seems they are all over the place in complete chaos. It's a shambles," he said. Liberal Democrat leader Charles Kennedy urged him to end the confusion. "The government are at sixes and sevens over the National Health Service. "The British people need to know what is going on," he said. Alternative funding - Meanwhile, Tory leader Iain Duncan Smith attacked the government for ruling out any other alternative to a health service funded by central taxation. Mr. Duncan Smith was due to arrive in Sweden on Monday as part of a fact-finding mission to discover what can be learnt from health systems in other European countries. He said the NHS was wasting £10bn a year and could not currently spend all the money being pumped into it. "You can go on driving more money into it, but it still isn't going to work because the system itself is designed for an era that has gone," he told the BBC's Breakfast with Frost programme. "A Soviet-style system that just doesn't allow people to get choice and doesn't allow them to get the best treatment." 'Pinned down' - The prime minister's official spokesman denied Mr. Blair had done a U-turn on health funding. But he made clear that there would be no specific commitments on spending levels ahead of next year's comprehensive spending review and the final report on NHS funding by ex-NatWest Bank chief executive, Derek Wanless. "We are not going to get pinned down to one number in advance of all those pieces of work," the spokesman said. "When you have major pieces of detailed work, which will be looking at figures which cover the next 20 years, it is not sensible to start writing spending budgets now." In an interview with the Independent on Sunday newspaper, Mr. Blair said: "I am not deciding spending levels now. "I am saying in broad terms what I have said previously. We have in broad terms to match other European countries," he said. Major shift - In last week's pre-budget statement, Mr. Brown signalled a major shift in Labour policy on taxation by saying Britain needed to spend a greater share of its national income on health. Mr. Brown has ruled out raising income tax to pay for reform of the National Health Service. He said the government would stand by its pledge at the general election in June not to put up income tax or VAT. But he left the door open for increasing national insurance contributions and introducing new taxes linked to public service improvements. Speaking on Breakfast with Frost, Mr. Brown said he would not rule out tax rises, but added: "We will keep every promise that we made at the general election and in our manifesto." He called for a debate on linking any additional taxes to public service improvements.

From BBC, 3 December 2001

Economy and Finance Minister Outlines Seven Priority Bills for 2002

Economy and Finance Minister Nikos Christodoulakis announced yesterday in Parliament seven reforms that will be carried out during the first half of 2002. The reforms concern privatization, investments, taxes, market supervision, financing of infrastructure projects, incentives for new firms and social security reform. Christodoulakis was speaking during the debate on the 2002 budget, which will be concluded with a vote at midnight on Friday. Christodoulakis defended the main goals of his first budget - 3.8-percent growth, 2.5-percent average inflation, a surplus equal to 1.3 percent of GDP - as feasible and called on the opposition to abandon "nihilistic criticism." "We, the government, shouldn't present a rosy picture of reality and you shouldn't distort it in the opposite direction," he said. Christodoulakis also announced that the state lottery and soccer pools organization (OPAP) and the state horse racing organization would merge. With respect to the ailing state airline Olympic Airways, he said the government "will soon implement a viable solution." The bills to be submitted by Christodoulakis next year would encourage further privatizations and company mergers and partnerships, especially with foreign firms, promote foreign investment, cut taxes, encourage more private investment for private infrastructure projects and create new regulatory offices overseeing the insurance sector and bank credit. Christodoulakis added that he would like to provide additional incentives for new companies, especially in the technology sector.

*From **eKathimerini.com**, 19 December 2001*

UK's Brown Calls for New Marshall Plan, Proposes Improved IMF Independence

UK Chancellor of the Exchequer Gordon Brown called for a new Marshall Plan to help rebuild Afghanistan, Pakistan and other developing nations around the world that are struggling to shake off poverty. In a speech at the National Press Club in Washington, he said that the world's richest nations should be prepared to boost development funding by $50 billion a year, and he called for an enhanced role and greater independence of the IMF. "Developing countries must pursue corruption-free policies for stability, for opening up trade and for creating a favourable environment for investment," Brown said. "In return, we should be prepared to increase by $50 billion a year in the years to 2015 vitally needed funds to achieve those agreed millennium development goals," Brown said. Drawing heavily on the post-World War II plan by US Secretary of State George Marshall, which helped rebuild Europe's shattered economies, Brown said that rich nations would also benefit from this process through increased trading opportunities. He also argued that the IMF's contingent credit line facility "should play a far more proactive role in helping member countries strengthen their financial position, guard against contagion and thus avoid crisis." Brown also urged a restructuring of the IMF's oversight agencies which he is pushing for ahead of the UN-hosted IMF, World Bank Financing for Development Conference in Monterrey, Mexico, next year. "My proposal is that we make the IMF's surveillance and monitoring functions independent of the inter-governmental decisions about financial support for crisis resolution," Brown said. He said that such a restructuring could establish an international early warning system to tackle financial sector problems which threaten international markets. Brown added that the UK government welcomes the recent WTO agreement in Doha to launch a new trade round focused on development, and that the next phase must take forward "the agreements to open up trade in agriculture" and to open up greater access to medicines. Brown also called on multinational corporations to adopt the OECD's international standards on best corporate practice.

*From **Ananova**, 18 December 2001*

Middle East

Budget Shortfall May Quicken Pace of Reforms, Privatization

Riyadh/Jeddah - The 2002 state budget, announced on Saturday, has been generally welcomed by economists and bankers, and particularly academics and health care administrators. The building of 369 new schools and colleges and the allocation of SR22.8 billion for health and social care were particularly welcome. Economists and bankers said the shortfall in the budget, as a result of a slide in oil revenue, might act as a stimulant to quicken the pace of reforms and privatization. They said the most urgent priority for the Kingdom was to diversify its sources of income and reduce dependence on oil by boosting non-oil revenues, slashing subsidies and introducing taxation. The Kingdom's SR202 billion budget shows a gap of SR45 billion. The projected revenues are SR157 billion. The deficit is to be covered through borrowing. The government estimated the shortfall for the current year to be SR25 billion after projecting a balanced budget of SR215 billion. For the year 2000 the country reported a SR22.7 billion budget surplus, the first in nearly two decades. The business community has welcomed the allocation of SR28 billion for new projects. Speaking on its behalf, Osama Al-Kurdi, secretary-general of the Council of Saudi Chambers of Commerce and Industry, told Arab News that the budget would give a boost to the construction sector, especially as 369 new schools and colleges were to be built next year. Those dealing in the manufacture or supply of school furniture and lab equipment would also benefit from the budget, he added. He also welcomed the government's decision to open new colleges for medicine and pharmaceutical studies in addition to 15 new hospitals. "This reflects the Kingdom's determination to overcome the existing shortage of seats in these disciplines. Moreover, the availability of qualified Saudi doctors and pharmacists will help push forward the Saudization process in the health care sector," he said. Commenting on the budget deficit, Saudi American Bank Chief Economist Brad Bourland said: "Past indications suggest that the government will prefer domestic borrowing from commercial banks rather than overseas borrowing, which comes in for scrutiny. Till the end of August this year Saudi commercial banks had subscribed to government bonds with a cumulative value of SR120.7 billion." Among the other positive features of the budget, he said, was the telecommunications sector, which recorded a 9 percent growth last year. Another noteworthy aspect was the negative growth rate of inflation at 0.8 percent. "It makes sense, since there is practically no inflation anywhere in the world, especially in dollar-oriented economies like the Kingdom. Prices have come down for all basic commodities," Bourland said. He added that the main focus should now be on diversifying the sources of income and reducing dependence on oil. "I think diversification of sources of income should remain the top priority now. The Kingdom has been expecting a weak oil market for 2002 and the budget projections exactly reflected that," Bourland said, adding that the privatization program was believed to be doing well and there was not much space for a "greater acceleration". National Commercial Bank Chief Economist Said Al-Sheikh said he believed that the pressure on reforms would build up and that the pace of privatization would be faster. "This situation reminds us of the 1998-99 period when, as a result of a drop in oil prices and revenues, the Kingdom took a number of important decisions on reforms and privatization." Riyad Bank Senior Economist Abdulwahhab Abu Dahesh said it was time the Kingdom started thinking of taxation as a means to boost non-oil revenues and direct investments. "The Kingdom is prepared for gradual taxation which is needed to stimulate economic sectors. Taxes can be imposed immediately on production sectors to direct investments, upgrade private sector efficiency and supervision. In fact, the Kingdom should come up with a comprehensive package for taxes to be reviewed by specialists. The time is now ripe for this," he said, adding that the tax-free Kingdom could initiate corporate taxation. He expects oil revenues to improve as crude prices are forecast to start recovering in the second half of 2002.

*From **Arab News**, by Javid Hassan & K.S. Ramkumar, 10 December 2001*

Accountants Urged to Learn from Enron

Washington (HedgeWorld.com) - The chief accountant of the Securities and Exchange Commission spoke to his colleagues Dec. 5, and warned them that public confidence in the existing system of financial reporting, and in the capital markets, is threatened by such events as the collapse of Enron. Speaking to the American Institute of Certified Public Accountants at its 29th annual national conference on SEC developments, Robert K. Herdman urged AICPA members to work for the repair of that system and the restoration of confidence. It has become increasingly obvious in recent days that the bankruptcy of Enron, which until a few weeks ago dominated trading in certain energy derivatives, will have serious consequences in the realm of financial accounting and auditing. Congress, and the Profession's Peer Review - Members of the staff of the Energy Committee met this week with officials of the auditing firm Arthur Andersen, according to wire services reports. On Nov. 30, even before Enron filed for protection from its creditors, Andersen announced an expansion in the scope of the ongoing peer review, by Deloitte & Touche, of its U.S. practices. The expanded review will address more particularly the work performed by Andersen's Houston office in connection with Enron. "In light of recent developments, we believe that extending the peer review to include work done in other offices, including Houston, and other procedures that Deloitte & Touche deems appropriate and necessary is the right thing to do," said Joseph F. Berardino, Andersen's managing partner and chief executive officer. The Big Five accounting firms issued a joint statement Dec. 4 promising to make recommendations to the SEC by the end of the year on better disclosure for related-party transactions and special-purpose entities, two of the issues that got Enron into trouble and that have put Andersen under scrutiny. Herdman's Speech - This was not the first time Mr. Herdman has spoken to the AICPA, as he reminded his audience. In the early 1980s, as a member of the SEC staff, he appeared three times and plugged a rule-making proposal he had helped to draft, which would have required the disclosure of interim segment information. As he recalled Dec. 5, this idea seemed quite radical 20 years ago, and was soon abandoned. "Now, of course," he said, "similar requirements are embedded in [Financial Accounting Standards Board] Statement 131, issued in 1997." Having bolstered his credentials for far-sightedness in that way, Mr. Herdman summarized his agenda as chief accountant. First, he wants to enhance the system of interpretive guidance, encouraging face-to-face meetings between representatives of registrants and members of his staff, rather than endless mailings. Second, he wants to work more closely than have his predecessors with standard setters, especially the FASB, giving them the benefit of the SEC's institutional experience "on the front lines of financial reporting." Finally, he wants to modernize the system of financial disclosure, moving from periodic to current, real-time reporting. "The power of technology and the Internet have proven to enable assimilation of as much or as little information on a topic as the user wants," he said. Back to Enron - After that cook's tour, Mr. Herdman turned to the matter uppermost on the minds of financial accountants this week. "The stunning collapse of a Fortune 10 company in such a short period of time gives pause to all of us who care about financial reporting—and about its customers—the investors." He said that neither he nor any other member of the SEC staff could properly comment on the subject of an ongoing investigation. But he did want to say that he hopes the profession learns from it. "Think hard about the sufficiency of the disclosures…about the explanatory information of the amounts included in the financial statements that is subject to those judgments and estimates. Ask yourself whether investors know enough about the impact of those judgments and estimates…Appropriate, transparent disclosure is the most effective way to mitigate the potential for negative surprises and to advance the interests of investors."

*From **Hedge World**, by Christopher Faille, 7 December 2001*

Mexico Stocks Seen Up on Fiscal Reform Hopes

Mexico City - Mexican stocks were seen opening higher on Tuesday, with telecom and media stocks adding to Monday's strong gains as investors bet that Congress will approve eagerly awaited fiscal reforms by the end of the year. However, some analysts cautioned that the market may be disappointed if Congress fails to act on reforms, with active telecom, media and consumer-sector stocks suffering the most in the event of a sell-off. "While it seems clear that the Mexican Congress will pass at least the 2002 budget sometime in the next few days, what is not clear is the degree of common understanding among the political parties regarding fiscal reform," Mexico City-based brokerage Finamex said in a report on Tuesday. "It seems almost impossible to imagine a comprehensive package addressing the structural problems regarding taxes and other sources of governmental revenue," it said. On Monday, Mexico's IPC (MXX) index of 35 leading stocks rose 132.42 points to close at 6,271.49, the highest close for the IPC since the end of August, when it finished at 6,310.17. The index is up about 7 percent since the start of December and has gained

18.87 percent from its lows on Sept. 21 following the attacks on the United States. Among stocks to watch, traders expect shares of Mexico's No. 1 wireless service provider, America Movil (AMXL), to gain further on strong interest from domestic and foreign portfolio managers. America Movil rose 3.53 percent on Monday to close at 8.79 pesos on volume of 13.7 million shares. Analysts believe the market's main catalyst in the near term is approval of a controversial fiscal reform package aimed at increasing the government's tax revenues. Investors believe the reforms will lead to an upgrade of Mexico's credit rating and open the country's financial markets further to foreign investors. Investors hope that Congress, which goes into an extraordinary session on Tuesday that will last until the end of the year, will approve a tax reform bill, albeit a modified one.

From iWon, 18 December 2001

Legislature: McKay Launches Tax Reform Effort

Tallahassee — Taking on the business establishment and skeptics in his own Republican party, Senate President John McKay laid out a plan Monday to overhaul Florida's tax code to eliminate billions in exemptions. McKay's plan would lower the sales tax from 6 percent to 4 percent. It would make up the money by ending a myriad of loopholes and exemptions that he says are outdated and make state government too reliant on sales taxes paid by tourists who come in fewer numbers and spend less when the economy slumps. "I've long believed this was necessary," said McKay, a Bradenton Republican. "However, the events of Sept. 11 highlighted an over-dependence on the tourism industry." Lawmakers earlier this month cut $1 billion from the state budget to bring it in line with a stagnant economy that was hurt even worse by a post-terrorism drop in visitors. With no income tax, Florida relies on sales taxes for nearly 75 percent of its basic state budget. McKay said Florida will collect about $17 billion in sales taxes next year, but exempt about $23 billion worth of goods and services. McKay's plan is for lawmakers to take the issue to the voters, putting a constitutional amendment on the ballot next November, with the change going into effect in 2004. The Legislature would work out which exemptions — now ranging from farm animal feed to services such as hair cuts, legal fees and dry cleaning — would be eliminated. Essentials, such as groceries and health care, would remain untaxed under his plan. McKay, who is being forced out of the Legislature by term limits, will have to convince the business community and House Republicans of the plan's wisdom. The House, also GOP controlled, has voted to cut taxes heavily and is loath to consider anything that might be construed as a tax increase. In the late 1980s lawmakers created a tax on services to broaden the tax base, but businesses argued it was a tax hike, and it was repealed shortly thereafter. The short-lived services tax is widely blamed for costing then-Gov. Bob Martinez a second term. McKay argues the tax-rate reduction and elimination of some other taxes would make up for most losses of exemptions, saving money not only for households, but most businesses. "It is not an exercise about bigger government, it's about smarter government," McKay said. The constitutional change would also include requiring a super-majority vote in future Legislatures to raise taxes or enact new exemptions. One of Florida's largest business organizations, Associated Industries of Florida has already said it won't support the plan. "Revenue for everyone — businesses, households and government — drops during a recession," senior vice president Randy Miller said. "This time the problem was with the tourism industry. Ten years ago, it was construction. Dropping revenues during a downturn is a problem that can't be solved." House Speaker Tom Feeney promised to give the bill a thorough hearing, but pronounced himself a skeptic of whether the whole tax system should be quickly overhauled. "To the extent you reduce the sales tax burden on tourists ... the question is who picks up that burden?" Feeney asked. Feeney, R-Oviedo, said ultimately changes to the tax code should be based on whether they were "likely to produce more job growth, economic opportunity and prosperity or hamper job growth, economic opportunity and prosperity." Some of Feeney's more hardline anti-tax members said they doubted reform could be done without increasing taxes. "It's not that government doesn't have enough money, it's that government doesn't know how to spend the money it has wisely," said Rep. Connie Mack, R-Fort Lauderdale. "It might be revenue neutral to the state but it's not necessarily revenue neutral to the citizens paying the taxes, and I look at it from their perspective." Gov. Jeb Bush would also have to approve. "I think it is deserving of discussion. I think some of the ideas have merit," Bush said. "I want to make sure that whatever we do, we don't damage the economy, we don't put Florida at a competitive disadvantage." That's also the concern for businesses, many of which argue they can't afford to hike prices to pay a tax they don't currently pay. "If you're looking at an engineering or accounting firm, their margins are so tight they're not gonna be able to absorb that," said Stephen Birtman, state director of the National Federation of Independent Businesses. "They're going to pass that on to the consumer and that puts them at a competitive disadvantage when they compete for contracts with out-of-state companies."

From Daily New, by David Rouse, 18 December 2001

Private Sector Development

Africa

Nigeria Outlines Power Privatization Programme

Abuja, Nigeria - Nigeria announced an outline programme on Tuesday for the privatization of its national electric power utility NEPA in December next year and early 2003 in what could be the biggest such deal in Africa. With the sale last month of the government's majority holding in telecom network Nitel, the National Electric Power Authority and four domestic refineries remain the biggest assets left in Nigeria's wide-ranging privatization programme. The Bureau for Public Enterprises (BPE) privatization agency said the plan would involve a breakup of NEPA, a tottering behemoth, into smaller business units before its sale. BPE spokesman Joe Anichebe told a news briefing the government had constituted a core team to work with international privatization advisers, the power ministry and NEPA management on details of the plan and its implementation. He said the team would roll out a comprehensive work plan next month. Also in the first quarter of next year, parliament would repeal the NEPA and electricity acts now in force, replacing them with the Electricity Power Sector Reform Act. The Nigerian Electricity Regulatory Commission would be established in mid-2002 when advisers PriceWaterhouseCoopers would unveil an implementation plan of action, Anichebe said. The plan would detail the number of companies to be created from NEPA and those to be privatized, he said. Industry experts have said they expect the utility to be broken into at least three units, responsible for generation, transmission and marketing. "The actual sale of some of the business units of NEPA is slated for December 2002 and the first quarter of 2003," Anichebe said. Nigerian industry leaders have for years identified erratic electricity supply and an outdated and inadequate telecom network as two of the biggest obstacles to the development of the major oil-producing country. But President Olusegun Obasanjo told the nation on Monday that his government was on course to keep the promise it made two years ago to end electricity blackouts from next month. NEPA said last week it had increased its generation capacity to 2,800 megawatts daily from 1,600 MW, and hopes to attain 4,126 MW in a couple of weeks to meet the year-end deadline. The federal government and the World Bank signed a $100 million agreement in August to help reform Nigeria's power sector by funding the creation of a private-sector operated Transmission and System Operation Company carved out of NEPA.

From ***CNN Europe****, 11 December 2001*

Asia/Pacific

Ministry to Push Railroad Privatization

The Ministry of Construction and Transportation announced Monday that it was pushing ahead with the privatization of the Korean National Railroad by presenting bills on 'Railroad Industry Development and Restructuring,' and 'Korean Railroad Facilities Corporation' to a cabinet meeting Tuesday. The ministry added that it will then forward the bills to the National Assembly before the end of the year. Conflict is, however, expected, as unions representing railroad workers are strongly opposed to the moves to privatize the sector. According to the MOCT plan for restructuring, the KNR and Korean High Speed Train Construction Corporation will be first disbanded and then merged. Construction and management of assets will be undertaken by the new Korean Railroad facilities Corporation to be created in July 2002, while operations will be managed by a government funded body up to 2003, when it will be sold to the private sector. The government has been pushing the privatization of KNR and KHSTCC to improve services and begin to tackle the aggregate deficits of the two. However, opposition by unions and management has stalled the administration, as they boycotted meetings scheduled earlier this year to discuss the matter. Unions are threatening to demonstrate and strike if the privatization bills are presented to the assembly. Both management and the unions cite problems in the privatization of the railroads in the UK, deemed a major failure by all parties involved, adding that non-profitable lines will be removed and services will deteriorate while fares surge. (Lee Chung-il, cilee@chosun.com)

From ***Digital Chosun****, 4 December 2001*

13 PSUs to be Privatized Before April 1, 2002

"Thirteen Public Sector Units including IBP, will be privatized before April 1st, 2002", said Mr. Arun Shourie, Minister of Disinvestment and Department of North East Region, India, speaking at the Plenary Session, "Privatisation: When will there be a consensus", at the India Economic Summit 2001, organized by the Confederation of Indian Industry (CII) and the World Economic Forum, in New Delhi on Monday. Mr. Shourie said that in the last 10 months the government has had ten full-length debates on Privatisation and spent about 75-80 hours of Parliament time on this important issue. He further said that in India, there were 210 Public Sector Units (PSUs) and 1020 State owned Units thereby making the process of disinvestments a long one. However, Mr. Shourie added that, the fiscal binding of the States, the changing attitude of the courts and the weakening power of the obstructing organizations like the trade unions, had made everyone concerned realize that there was no alternative to privatization. Highlighting the importance of privatization process as an indicator of a government's commitment to reforms, Mr. Shourie said that the entire process of privatization must be open, transparent and honest so that no obstacles arise. He further emphasized that the State governments must be encouraged to take up privatization and labor reforms and, "all obstacle must be seen as opportunities", he added. Speaking about consensus on privatization, Mr. Shourie said that "there was a consensus on privatization". Indian government is committed to its reform process". Mr. Georges Ugeux, Group Executive Vice President, New York Stock Exchange, said that privatization of a company was a very emotional moment for the life of that company. He was of the opinion that it brought into focus the whole issue of corporate governance and

*From **indiaexpress.com**, 3 December 2001*

Privatization of the Taj Mahal Stirs Up a Bit of Controversy

New Delhi - The Taj Mahal, the famous monument to love, is the source of some hard feelings these days. Concerned about the Taj's slow decay, the government earlier this year accepted the Tata Group's offer to run the national park that includes the monument, and to pay for its upkeep. Tata, which owns the Taj Group of Hotels, has pledged about 20 million rupees (US$418,000) to upgrade the gardens, pathways, lights and restrooms around the white marble monument. It will also help with conservation projects, including replacing damaged marble and inlay work in the building itself. In addition, the company will build telephone offices, a tourist information center, cafeteria and cybercafe "in the vicinity of the Taj Mahal." Government officials promise to keep construction well away from the monument. But the decision has angered traditional India's vigorous antiprivatization lobby, who worry that Tata will try to profit off the marble mausoleum, one of the modern wonders of the world. The Taj Mahal, built by the Mughal king, Shah Jahan, in the 17th century as a memorial to his deceased wife, is badly in need of repair. Pollution, together with a lack of maintenance, has given the sparkling white marble a yellow tinge. In return for putting up the 20 million rupees, Tata will get "publicity value both at the site and in our publications," according to Navneet Soni, a board member of the National Cultural Fund, the government body that made the decision to use Tata's services. Mr. Soni said the rules on Tata's use of the Taj Mahal name in its marketing campaigns were still to be worked out. Private and state-owned companies have helped fund and restore other Indian monuments, like Humayun's Tomb and Qutab Minar in New Delhi, and the erotic temples at Khajuraho. But this is the first direct private involvement in the conservation of the Taj, and some people aren't happy about it. "India really needs a holistic policy for the protection of our national monuments rather than letting a company handle the management of the monuments," says M.C. Mehta, an environmental lawyer whose lawsuit banned coal-based factories from operating near the Taj Mahal. "Tata needs the Taj's name," says Mr. Mehta, arguing that Tata can cash in on its association with the historical monument. "Taj doesn't need Tata." The government and Tata officials say the company isn't "managing" the historic monument, but merely funding renovation projects that have been identified by the government-run Archeological Survey of India. "We are only enhancing value to the national heritage by providing the best technical knowledge available in the world," says Ravi Dubey, Tata's vice president for corporate affairs. Tata will be getting advice from several international agencies, including the Getty Foundation of Los Angeles, the Washington-based Smithsonian Institute, and the International Center for the Study of Prevention and Restoration of Cultural Property, based in Rome. Privatization provokes fierce debate in India. When state-owned companies are sold, lawmakers and politicians often accuse the government of irregularities and corruption, stalling parliamentary proceedings for days. Last month, the government sold five of the state-run Indian Tourism Development Corp.'s hotels for 209.2 million rupees. But sales of two of the properties have been held up by a lawsuit filed by the hotels' employees. The Tata decision, too, has roused political passions. The United Communist Party of India filed a lawsuit in July arguing that the Taj has enough money of its own and doesn't need private assistance. The Delhi High Court dismissed the suit saying, "Tata is not picking up any profit" from their efforts, according to Indian newspaper reports. Although the Taj generates about 750 million rupees each year in entrance fees, Mr. Soni says that money gets spread among preservation efforts at more than 5,000 protected monuments in the country, leaving the Taj with little for its own needs. Generally, judges have been protective of the monument. Recently, the Supreme Court banned rallies and protests up to 500 meters from the Taj, and asked the Uttar Pradesh government, where the monument is located, in the city of Agra, to provide sufficient security to block such rallies. The ruling came after hordes of activists from the Bharatiya Janata Party flocked to the Taj following a political gathering and wrote religious slogans on the white marble walls, Indian newspapers reported.

From Wall Street Journal, by Rasul Bailay, 6 December 2001

Privatization, Indonesia's Four-Letter Word: William Pesek Jr.

Jakarta - It was meant to be a tame, informal affair. Indonesian cabinet member Laksamana Sukardi met with a group of local journalists to celebrate the daily breaking of the Ramadan-season fast. If Laksamana was hoping for a laid-back evening, he didn't get it. Press members showed up with television cameras and most had tape recorders switched on. Taking in the scene, Laksamana rolled his eyes and deadpanned: “This isn't a press conference.” Such is the life of Indonesia's state enterprises minister these days. His every word, thought and deed is breathlessly chronicled by Jakarta's press corps. Why isn't hard to figure out: The fate of Indonesia's economy rests partly on his shoulders. If Indonesia is to win back skeptical investors and revitalize its economy, it needs to sell off the more than 400,000 companies on its balance sheet. The money is desperately needed to pay off the nation's foreign debt, close a $5.2 billion budget gap and increase competition. The International Monetary Fund, which Indonesia still relies on for financing, is watching. Laksamana, a former banker and advocate of economic change, is at ground zero. In August, President Megawati Soekarnoputri put Indonesia's bank restructuring agency under the purview of his Ministry of State Enterprises. The idea was to hasten the sale of its assets. The agency's previous overseer, the Ministry of Finance, dragged its feet in selling off state-run businesses. Litmus Test - Trouble is, markets are getting antsy with the four-and-a- half-month-old government's commitment to privatization, which investors view as a litmus test for coming back. After all, it was during the aftermath of the 1997-1998 crisis that Jakarta said it was getting serious about spinning off public assets. It created the Indonesian Bank Restructuring Agency, or IBRA, to do just that. Investors have every right to be skeptical. When a government owns so many of its nation's businesses, bloat and inefficiency reign. When problems arise - as they did in 1997 and 1998 - investors fear locals will fare better than foreigners when the losses are calculated. IBRA's creation was supposed to change all that. To date, Indonesia hasn't had the kind of marquee-caliber asset sale markets crave. Worse, Friday's news concerning PT Semen Gresik offered more of the same and showed why investors will have to wait, perhaps longer than many thought possible. The government allowed an option to sell a 51 percent stake in Gresik, the country's largest cement producer, to Mexico's Cemex SA to expire, leaving it unclear if the sale will take place at all. Cemex, the world's No. 3 cement producer, was equally confused about the progress of negotiations. Semen Gresik - With 2001 drawing to a close with no major privatizations, even the most bullish of investors would be excused for doubting Jakarta's commitment to reform. The delay has much to do with politics; the Gresik sale unraveled after the East Java provincial government joined those of West Sumatra and South Sulawesi in protesting against the sale to a foreign investor. The delay is hurting the entire economy. Lawmakers' plans to fund the budget deficit have been snagged with only days left in the budget year. The Gresik deal was to have fetched hundreds of millions of dollars. The hold-up has left investors “impatient” with Indonesia, said Dorodjatun Kuntjoro-Jakti, the top coordinating minister for economics, in an interview. What if investors grow even more impatient? The Cemex affair reminds us of how Jakarta's bureaucracy can be a roadblock where economic reforms are concerned. It also is resurrecting concerns over the lack of legal certainty even in signed contracts. Lack of Progress - Even Kuntjoro-Jakti seems to be losing faith in Jakarta's ability to sell assets. Frustrated with the lack of progress on Gresik, he's changing the government's focus to smaller companies with less political resistance. That could disappoint investors who want to see the government sell Bank Central Asia, a move that they believe will help revitalize the fragile financial sector. Time is of the essence, given that the assets on IBRA's books are losing value with each passing week. Lehman Brothers Inc. and four other investors recently bought $896 million worth of Indonesia's non-performing loans. IBRA sold them at 22 cents on the dollar, down from the 51 cents on the dollar IBRA was receiving for restructured loans last year and the 71 cents on the dollar the year earlier. It's far from clear Laksamana can act fast enough. He's contending with powerful debtors and a parliament that wants to micromanage his privatization plans. Change-Averse Bureaucracy - Jakarta's opaque and change-averse bureaucracy also stands in the way like a giant funnel through which his ideas must pass. What politicians don't seem to realize is that if Laksamana fails, there'll be no hope for a turnaround in the economy. A naive idea, perhaps, but one wonders if Indonesia's Ministry of State Enterprises should be given a central-bank-like mandate. Making Laksamana's ministry independent and ridding it of political pressure - even just a bit - might help the process immeasurably. The imperiled Gresik deal is instructive here. If politics hadn't gotten in the way and the sale had gone through as planned on Sept. 26, Jakarta would've made $520 million. Compromises to placate local governments mean Indonesia could get as little as $200 million. If paralysis gives way to movement toward selling assets, then Indonesia's economy has a chance.

From ***Bloomberg.com****, by William Pesek Jr., 17 December 2001*

Privatization of Banks Likely to Be Advanced Earlier Than Scheduled

Deputy Prime Minister Jin Nyum recently hinted at the earlier privatization of the banking sector, saying that the government would privatize state-funded banks by auctioning off banks' shares held by it at any time, if prices are acceptable. Industry sources said that his remark could be interpreted as the government's intention to collect the public funds earlier than scheduled as well as boost efficiency in the financial industry through having the industry controlled by market principles. The government became the largest shareholder of debt-ridden banks, when it injected huge amounts of taxpayers' money into them after the financial crisis shook the nation in late 1997. The government has planned to call in the public funds by selling off part or all of its stake in ailing banks to a private sector. The sources pointed out that since privatizing banks means selling more than 50 percent of their stakes to the private sector, the government's move is expected to encourage state-funded banks to conduct their management and operations based on market forces in the future. The financial industry expected the state-initiated privatization to help the financial assets at banks get distributed to the corporate sector more effectively, thus boosting efficiency in local businesses' cash flow management. The government targeted banks gobbling up taxpayers' money for its privatization scheme. Sources said that Hanvit Bank, Kyongnam Bank and Kwangju Bank, whose shares were scrapped completely last year, would be first targets of the government's privatization plan. The three banks have been placed under the umbrella of Woori Finance Holdings Co. In addition, the state-run Seoul Bank, which is now struggling to sell itself, and Chohung Bank, will also be on the list of banks to be privatized. Woori Finance has already introduced a plan to privatize itself through dumping its stake to foreign investment banks starting 2003, but Jin's remark is likely to make its plan be put in action earlier. In particular, since the holding company must list its shares on the stock market ahead of its privatization, chances are high that its listing, originally slated for the first half of next year, will be advanced. In the meantime, a corporate consortium, consisting of domestic firms and foreign capitals, is currently making fast moves to take over Seoul Bank, while the Swiss-based investment bank HPI is also showing interest in the bank. Chohung Bank also expressed its strong intention to acquire the shaky bank on the condition of getting the government's approval. Chohung has mapped out a plan to privatize itself by issuing ``opera bonds,'' which will be allowed to be converted into shares of Chohung and Hanvit banks in case the two banks' shares are listed. kjk@koreatimes.co.kr

From ***Korea Times****, by Kim Jae-kyoung, 17 December 2001*

Europe/CIS

Finnie Rejects Water Privatisation

The water industry is facing a major shake-up - Fears about the possibility of Scotland's water supplies being privatised have been played down by environment minister Ross Finnie. The minister was forced on to the defensive by the Scottish National Party during a Holyrood debate about plans for a shake-up of the industry. Proposals in the Water Industry (Scotland) Bill call for the country's three local water bodies to merge to form one nationwide authority. The Scottish Executive also wants the new body, which will be called Scottish Water, to have more power to compete with privatised water firms elsewhere in the UK. But Mr. Finnie stressed ministers had no intention of allowing it to become fully privatised. "The bill does provide flexibility and commercial powers for Scottish Water to survive any competitive environment," he said. "But only further legislation could alter its public sector position and I can assure the parliament that that is not my nor this executive's intention." The rationale behind the bill is, according to Mr. Finnie, "very straightforward". He said: "Scotland requires a single, efficient, publicly accountable and locally responsible water authority to keep down charges and manage the investment that will assure us of first class drinking water and cleaner beaches." The minister emphasised that a number of controls would be put in place: a water industry commissioner will be established to act as a watchdog and ensure that customer service is of a high standard; a drinking water quality regulator will also be put in place to ensure that water is clean and healthy. Mr. Finnie defended plans in the bill to withdraw water rates relief for charities. He said he did not believe Scottish Water should be asked to subsidise a particular group of customers. That stance found support from the Tories who said water should be no different from gas and electricity where no relief applies. But the SNP's environment spokesman, Bruce Crawford, attacked the proposal. He said: "Surely it can't be right that an organisation like the Children's Hospice for Scotland will be required to lose the equivalent of two full-time nurses as a direct result of the current provisions in the bill as it's now planned." The proposals for Scottish Water have been broadly welcomed by the Tories, but their environment spokesman, John Scott, criticised the structure of the unitary authority and said it was "a gamble with taxpayers' money". He said he was concerned the authority could effectively become hidebound in bureaucracy if the proposals are implemented as they stand. But Mr. Crawford was scathing about the proposed bill, saying it pointed to executive plans for the future of all Scottish public services. He added: "Determination alone will not keep the private sector out of the water industry and no government minister, unless they are very foolhardy indeed, can say that private industry will be kept out because they know in the future it's inevitable that a private sector will gain a foothold that will mean we have one thing, the start of backdoor privatisation." He argued that most people were concerned about the possible effects on water charges whilst the unions were most concerned about potential job losses. It is claimed the bill will ensure £2bn of investment in new pipelines and treatment works over the next four years to bring Scotland up to new European standards. It will also mean one water charge for the whole country. The change comes at a time when the water industry is already shedding up to 1,000 jobs. Managers said there could be efficiency savings of more than £130m a year.

From BBC, 6 December 2001

Greece to Review Privatization Law in January

Greece's finance ministry will review the country's privatisation law early next year and may reduce the minimum holding the state can have in state-run firms, a senior ministry official said on Tuesday. "We are going to study the law and review the holdings the state has in January. The intention is to change the law," the official told Reuters. Under present legislation, Greece's stake in state-run utilities cannot fall below 33 percent. The law was voted in last year to allow the state to reduce its majority holding in OTE Telecoms. Greece, the newest eurozone member, has been privatising state-run companies and deregulating markets to boost competitiveness.

From Total Telecom, 4 December 2001

Czechs to Decide on Power Privitization

The Czech cabinet meet Monday to decide who to award majority stakes in the country's electricity businesses and already RWE has said it has been successful in bidding for gas sector interests. The main prize in the electricity sell-off is the CEZ power group. The Czech government had wanted bids for CEZ to include all of its component parts including its nuclear interests which has deterred a number of foreign companies including Electrabel of Belgium. However, International Power, E.On and British Energy have placed separate bids for different parts of the Czech tender. This followed the departure of NRG from the bidding consortium and as a results the separate bids reflect the interests of each company. International Power wants to buy the entire Thermal and Hydro capacity, British Energy, the nuclear capacity and E.On wants to buy the six distribution companies. EdF is seen as the clear favourite to win the tender as it has bid for the whole package as has Iberdrola and Enel. The Czech power assets are seen as strategically important given its geographical location with the electricity generating and transmission assets expected to raise more than $3bn. RWE said Monday it has won the bidding process for the privatization of the Czech gas industry with a bid of €4.1bn. Tenders had been invited for 97 per cent of the shares in the national gas utility Transgas and between some 46 and 58 per cent in each of the eight regional gas utilities. RWE gains the majority in six of the eight regional gas utilities. Dr. Dietmar Kuhnt, Chief Executive Officer of RWE said, "The acquisition will make RWE, with over four million end customers, the new number four in the European gas market. The transaction also establishes a key strategic position in the highly profitable European natural gas transit business." Transgas runs one of the major transit pipeline links for the transport of Russian natural gas to Western Europe, which conveys about 20 per cent of all the western European gas requirements. The acquisition of Transgas will make RWE Europe's second largest pipeline operator with altogether 94 000 km of grid length. The special session of the Czech cabinet will all rule on the tenders for petrochemical interests which are also being privatized.

*From **Power Engineering International**, 17 December 2001*

It's Time To Redo Privatization

Two events occurred at the end of last month that acted as echoes of a behind-the-scenes war that has been declared by the St. Petersburgers against the oligarch old guard. First, disgraced minister Nikolai Ak syo nenko returned from vacation and went straight to a government meeting where the Railway Ministry's investment program was being discussed. The minister's appearance was closely watched; after all it was rumored that one month ago Aksyonenko was brought in for questioning directly from his favorite granddaughter's birthday party. They came for him in the evening in a black Volga. It transpired that, though Aksyonenko had not been able to congratulate his granddaughter properly, he was alive, well and looking well-fed, as befits a minister whose ministry is planning to "assimilate" 161 billion rubles ($5.4 billion). Second, the Prosectutor General's Office filed a criminal suit against two highly placed customs officials who dared to accuse a chain of furniture stores of smuggling. These stores enjoy the special favor of Yury Zaostrovtsev, deputy director of the FSB and a man who lays claim to the title of economic brain in the new St. Petersburg team. One can sympathize with the president. In an oligarchic country completely lacking a market, the president has to work not only with substandard human specimens, but with individuals who interpret the law as a means to realize their own grasping instincts. The two teams differ only in that the oligarchs have charged to the finish line by pushing aside and gobbling up an improbable number of people, while the new St. Petersburgers politely brought Aksyonenko in for questioning in a government Volga. And you can't say that the new system of the "invisible wars" isn't working. For example, today the wholesale redistribution of property would be impossible, as the party under attack would immediately find protectors. Fights such as these lead not to a change in ownership but to the law-enforcement agencies receiving more money to sort the situation out. However, this kind of medicine has serious side effects. The more conflicts between the oligarchs, the more money the law enforcement agencies make. The temptation, therefore, arises to provoke conflicts and there are already examples of this. The new St. Petersburgers have yet to realize their full potential. They could corner the oligarchs with respect to the natural monopolies or call upon the assistance of those who "lost" in previous oligarch wars. And finally, they could simply initiate a redistribution of property, not using quasi-economic means but by fabricating criminal charges. Is there a way out of this vicious circle? Yes, there is. Major Russian companies should declare (and the president should enforce compliance by all means at his disposal, including his "chekist resources") a new large-scale share issuance, including the sale of controlling stakes to a genuinely broad section of the population. Only a second mass privatization can protect the old oligarchs from a new redivision of property. And only establishing the practice of dividend payments and control over cash flows can guarantee the transparency of business and creation of a real market economy.

*From **St. Petersburg Times**, 13 December 2001*

Middle East

Sneh to Head El Al Privatization Committee

The ministerial privatization committee decided today to establish a senior steering committee, headed by Minister of Transport Ephraim Sneh, to privatize El Al. The committee will submit its recommendations by February 2002. Government Companies Authority director general Yaron Jacobs will organize the committee's work. Members of the steering committee include Prime Minister's Office director-general Avigdor Yitzhaki, Ministry of Finance director general Ohad Marani, Ministry of Transport director general Ben Zion Salman, Accountant General Nir Gilad, and a representative of the Attorney General. El Al's management will present its position on the privatization to the committee, and its representatives will be summoned as needed. The steering committee will be provided with all the relevant material on the privatization. The committee will also take into account staff work on the subject prepared since 1999, when the government decided to privatize El Al. Sneh claims El Al can be privatized despite the crisis in the global and Israeli aviation industry. One of the issues that must be solved for the privatization to take place involves the compensation fund for El Al employees. The El Al employees claim they are owed $130 million, while the Ministry of Finance believes the figure is only $80 million.

*From **Israel Business Arena**, 17 December 2001*

The Americas

NASA: Taking Privatization Public

For years, Ed Hudgins was ignored, rebuffed and even mocked for suggesting ideas such as selling off NASA's space shuttle and space station. But after the Bush administration decided to move in that direction, the Cato Institute analyst is starting to look almost prophetic. Hudgins is the laissez-faire think tank's director of regulatory studies, a former economist for Congress' Joint Economic Committee, and the author of the forthcoming book *Space: The Free-Market Frontier.* He talked recently with Wired News' Ben Polen about his views on the future of NASA. **Wired News:** NASA is in a transition phase with changes in top-level management. How would you describe the current state of the agency? **Ed Hudgins:** NASA faces perhaps the most serious financial crisis since its creation over four decades ago. Congress capped International Space Station (ISS) development at $25 billion. But now NASA has a $5 billion cost overrun. Real station costs, factoring in the cost of shuttle trips, could be between $50 billion to $100 billion. The Bush administration has told NASA it must live within its budget. What is worse, with only three people on the ISS, there will be very little time for science. So at the moment, all that money was spent to put a technological marvel in orbit that is of very little use. **WN:** How did NASA reach this point? **Hudgins:** Governments don't provide goods and services as well as entrepreneurs in the market. They usually look out for their budgets and institutional interests. Decisions often are made based on political concerns. And when government agencies fail, they're often rewarded with more taxpayer dollars. If private companies are inefficient, they go out of business. That's a strong incentive for private companies to meet market demands efficiently. After the Apollo Moon landings, NASA should have backed out of commercial space efforts and begun to contract out for service. That's what the post office did in the 1930s. It contracted out to private pilots and planes to carry airmail rather than flying its own planes, which helped create the aviation market. **WN:** How would you describe outgoing NASA director Dan Goldin's tenure? **Hudgins:** Goldin was an enthusiastic supporter of space efforts and oversaw a number of exciting missions. But he did not understand how to bring about true commercialization. That is a major reason why NASA is in such poor financial shape. **WN:** White House Office of Management and Budget's Sean O'Keefe has been nominated by Bush to be NASA's next administrator. From his present position, he's really been lighting a fire under NASA to keep costs in line. What can we expect from NASA under O'Keefe's direction? **Hudgins:** O'Keefe is what NASA needs right now, someone who understands budgets and organizations. I hope he will bring discipline and direction to the agency. Also I believe he will be open to radical changes that could help space enterprise in the long run. **WN:** What kind of strategy should the new NASA administrator follow? **Hudgins:** The challenge is to devise a strategy to back NASA out of space ventures that can be privately provided. It's useful to think in terms of the "near frontier" and the "far frontier." NASA should cede space from low Earth orbit out to and including the Moon to the private sector. If NASA continues to exist, it should focus on the far frontier; that is, the rest of the solar system. This would return it to its core mission of cutting-edge science and exploration that the private sector might take a while to get to. **WN:** What might be some of the elements in this exit strategy? Won't it be tough going since NASA is still building a space station? **Hudgins:** The budget problems could force NASA to make some radical changes on the run. For example, the shuttle fleet might be privatized. Currently, United Space Alliance (USA) - a Boeing and Lockheed Martin partnership - handles shuttle processing. Perhaps NASA could sell or give the fleet to USA. NASA would then purchase launch services from the private owner. But the private owner would have a strong incentive to use the shuttles - when they're not carrying NASA cargo or passengers - for other commercial uses, for example, carrying paid passengers or other private cargoes.

*From **Wired News**, by **Ben Polen**, 4 December 2001*

Pa. Governor Drops Privatization Plan for Philadelphia Schools

Faced with intense and widespread opposition, Pennsylvania Gov. Mark Schweiker last week withdrew his plan to place the Philadelphia school system under private management, canceling what would have been the largest such privatization experiment in the country. The move by the Republican governor, announced Nov. 20 after three hours of meetings with Democratic Mayor John Street, does not affect the looming Dec. 1 state takeover of the troubled district, but could transform that transfer of power from a hostile battle into a more cordial agreement. "It would have been tragic if we had allowed a disagreement over one issue to keep us from moving forward," Gov. Schweiker said in a statement. "The mayor is pleased that [privatization of district operations] is off the table and we can go on to the next step," said Mr. Street's secretary of education, Debra Kahn. "He appreciates that the governor recognizes this is a necessary step to take. And we know the work is just beginning." Gov. Schweiker agreed to remove from his school management plan the factor that had become a deal-breaker for Mayor Street: hiring a private company—most likely Edison Schools Inc.—to run the 210,000-student district. Mr. Street had refused to talk to the governor about the plan as long as that provision was a part of it. The two men emerged from discussions last week with an agreement that Edison would not manage the district, but would instead work under contract as a consultant. The for-profit New York City-based company would play a "significant and vital role" in providing "comprehensive strategic and operational support," Mr. Schweiker said. The governor's plan to allow Edison to replace the district's top 55 managers was also withdrawn. The governor assured Mr. Street that those jobs would stay in the hands of public employees working for the district's chief executive officer. The CEO would in turn report to a new School Reform Commission, to be appointed by the governor and the mayor to run the district. Other aspects of the governor's plan remain intact, including bringing in private management, in partnership with community organizations, to run the city's 60 worst-performing schools. Cautious Optimism - Privatization opponents greeted the compromise as a good first step that clears the way toward negotiation of a complete plan to run the city's schools. "There is still a whole lot left to do," said school board President Pedro Ramos. "But it's very important that Edison's role is going to be as a service provider and not Edison calling the shots. It puts the public back in public education." One school district source, who asked not to be identified, said the prevailing mood among district employees was one of encouragement, but added that upcoming negotiations still had much to smooth out. "The devil is in the details," the source said. Mr. Ramos said he and others still hoped the governor would agree to give the mayor one more appointment to the school reform commission. Under the governor's current plan, he would appoint four members of the commission for staggered terms, ranging from three to seven years, and the mayor would appoint one. Edison officials said they did not view the company's revised role under the compromise as a step down. "We will be a key driver in helping the district turn around," said Edison spokesman Adam Tucker. "That's significant." Steve Aaron, the governor's spokesman, said no dollar figure had yet been attached to Edison's contract as a consultant to the district. Under Gov. Schweiker's first proposal, the company would have been paid $40 million to run the district.

*From **Washington Post**, by Catherine Gewertz, 2 December 2001*

Brazil Rakes in R$ 11.3bn by Selling 10 State Banks

São Paulo, 06 - The sale of ten financially-restructured state banks to private investors has so far yielded R$ 11.299 billion ($1 = R$ 2.435) for Brazilian public coffers, said business daily Valor Econômico. About 63% of this volume came from the privatization of Banco do Estado de São Paulo (Banespa), which was acquired by Spanish giant Banco Santander Central Hispano (BSCH) in late 2000. Most of the times, proceeds served to abate debts held by states with the federal government, with several cases including funds injected by Brasília to clean up these banks´ accounts. The most coveted institution among those waiting in line to hit the auction block is Besc, the Santa Catarina state bank, which last week hired consulting firms for the evaluation and modeling of its sale. With 60,000 clients and R$ 1.8 billion in assets, BESC has 529 service outlets and 256 branches, 5 of which out of its state of origin. Bruno Zaremba, analyst with Pactual, was cited as saying by Valor that Besc can be sold for as much as R$ 1.5 billion. "Everybody wants Besc. It´s in a rich state and accounts for significant part of local banking transactions," Zaremba told Valor. At least three other banks, however, are slated for privatization before Besc. These include the Amazonas bank (BEA), whose auction is set for Jan 18, the Maranhão bank (BEM), and the Piauí bank (BEP). Earlier this week, Itaú snapped up the Banco do Estado de Goiás (BEG) for R$ 665 million, following a fierce dispute with arch-rival Bradesco. Both banks have also pre-qualified for BEA´s auction.

From AE-Brazil, 6 December 2001

Road Privatization Upheld by District Court

Several miles of Southlake roadway has been closed to the public and privatized by the Sabre Group, which moved to the city in 1998, calling it their "first choice" for headquarters location. Part of their move-in agreement included the promise from the city of a secure campus, and these closures are a start. "Sabre stated very clearly and early on that security was a priority for them," said Southlake public information officer James Kunke. "They just want to protect their interests and their people on their property and the city supports them in that." Stretches of Kirkwood Boulevard from Tyler Street and the State Highway 114 Interchange and parts of East T.W. King Road from Kirkwood to the west are no longer accessible, but access to SH 114 from West T.W. King is still available. The closure stirred some controversy among residents of neighboring Trophy Club. For several subdivisions Kirkwood Boulevard provides speedy passage to SH 114 and some residents have raised concerns about emergency vehicle access and public safety. The closure was even more strenuously opposed by Oakmont Enterprises Inc., owner of commercial property adjacent to the complex of Sabre buildings. Oakmont attorneys petitioned for a restraining order on Nov. 27 to halt the closings. Roads closure was scheduled for Dec. 1, per council ordinance passed by Southlake in April. The order was considered by Judge Bonnie Suddereth of the 352nd District Court in Tarrant County, who denied the application for a restraining order after a hearing. Oakmont attorneys are expected to ask for a temporary injunction, but no hearing date has been set. "We feel sympathy for the Trophy Club residents who have to drive 1.9 miles out of their way," Kunke said. "But this is Southlake and we have to put Southlake residents and their interests first." Oakmont Enterprises and Trophy Club residents are not in the most understanding mood, however, and Oakmont has vowed to proceed with a case against Sabre. "Although Oakmont's access for its property has been materially and substantially impaired, Oakmont's damages are primarily economic, whereas the residents of Trophy Club have real safety and emergency issues," said

Cyrus Holley, president and chief executive officer of Oakmont. "Oakmont appreciates the support from Trophy Club residents. We hope that the town of Trophy Club will reconsider its position on this matter and join the lawsuit to protect the rights of its citizens." Contact staff writer S. Daily Warren at 972-436-8014, Ext.122 or at dailywarren@yahoo.com.

From Southlake Times, by: S. Daily Warren, 6 December 2001

2 Years After Privatization, Rink on Solid Ground

This past Tuesday night Mayor John O'Leary hosted the city's annual Tree Lighting Ceremony at the Veterans Memorial Ice Rink on Phenix Avenue, kicking off the holiday season. But this past October the rink had another much more informal ceremony, as its private management company, Global Spectrum, celebrated its one year anniversary in Cranston. In 1999 the city-owned ice rink was turned over to the private management company Ogden. In 2000 Ogden merged with Global Spectrum. Global Spectrum, based in Florida, is a national management company that has experience with stadiums and convention and civic centers among other facilities. According the rink General Manager Jim Hathaway, Global Spectrum operates the entire ice rink on behalf of the city and is responsible for its finances, maintenance and operations, with profits divided between the city and rink. For the past fiscal year the city earned over $40,000 on the rink, according to Barry Fontaine, director of parks and recreation for Cranston. "We don't generally get too many complaints, when I first came on the rink was in a deplorable condition," said Fontaine, who believes it is running well now. For Hathaway, a Cranston native and 1986 graduate of Cranston High School West, taking the reins at the rink back in 1999, was a natural progression. After graduating with a degree in business management from New England Tech, he worked at the Providence Civic Center, now the Dunkin' Donuts Center, from 1993 - 1998. As redevelopment spread across the downtown area, he moved into Kennedy Plaza and the Fleet Skating Center. When the general manager position became available at the Cranston rink, he moved back to familiar territory. "I was fortunate to stay in Rhode Island, especially in an industry that can have you moving around," he said. Over the last year, Global Spectrum has made various aesthetic improvements to the building's interior, he says. The four largest renovations include installing new energy-saving lights above the ice surface, locker and shower room upgrades and new dasher boards surrounding the skating area. Prior to privatization, Hathaway described the rink as being in a "downward slide." "We have been working to get the rink back on track," he said. "If you haven't been here in awhile I think you will be pleasantly surprised. It is well-kept, bright and many seem to be happy with the ice surface and overall operation." He then added, with a smile, that they also finally got the heat running correctly. While public skating time has increased, along with an increase in skaters, it is not the financial force behind the rink. Unlike its Providence counterpart, the Fleet Skating Center is geared toward public skating, he said, while the Veterans rink gains more from figure skating and hockey clubs. "Hockey is a big sport in Cranston," he said. Both high school teams and the R.I. women's hockey team the Panthers, use the rink as well as, the Edgewood, CLCF and adult hockey clubs and the Cranston Figure Skating Association. As far as the future of the rink in Cranston, Hathaway says he would love to "see another rink." Demand is on the rise for ice time and with that Global Spectrum is willing to look at its options and the viability of another, possibly next door to the current location, he says. "We are actually sold out [for ice time] between now and April, aside from early morning hours, but even some of those are gone," he said. He attributes the rink's ongoing success, especially when other activities are suffering from economic slowdowns, to its community appeal. "We are close to home, community driven and family oriented," he said. Last year the Tree Lighting Ceremony attracted about 1,500 skaters, who were able to catch a glimpse of Santa Claus and taste desserts provided by the Cranston Senior Center. "[The lighting] is always a big event for us, over filling the facility," he said. Once the holiday and winter excitement dies down, the rink is still open year-round, closing for only two weeks in July. Last May they even welcomed back the Shriner's Circus, after almost eight years. Hathaway says the circus is coming back again in 2002 and to watch for dates in May. The public skating schedule is: Monday through Friday 10 a.m. to 11:50 a.m., Saturday 2:40 p.m. to 3:40 p.m. and Sunday 1:10 p.m. to 2:20 p.m. Admission is $3 for adults and $2 for children. Public hockey is noon to 1:50 p.m. and costs $5. Call 944-8690 for more information.

*From **Cranston Herald**, by Joy Fox, 11 December 2001*

Preserver Group Seeks to Acquire Publicly Held Shares in Privatization Move

The Board of Directors of New Jersey-based Preserver Group, Inc. announced plans to offer $7.75 per share for all of the Group's publicly held common stock as part of a plan to privatize the company. In a public statement it listed the following reasons for the initiative: "1) the Company's capitalization is significantly smaller than its peers in the property casualty insurance industry; 2) the Company's exposure to New Jersey private passenger automobile insurance; 3) the Company's diversification efforts in the past three years have subsequently not been recognized and valued; and 4) the current concentration of ownership by the Executive Committee of the Company in combination with the small

number of shares available has created an excessive discount to tangible book value. As a result, the shares rarely trade and when they do trade, have traded at a significant discount to the shares' book value for an extended period of time, with no change in this circumstance appearing likely in the future." Approximately 1,101,017 shares of Preserver are owned by the public, and the offer is conditioned upon a minimum of 676,140 shares being tendered. A roughly equivalent number of shares are owned by members of the Board of Directors Executive Committee.
Shares in Preserver have traded between $4.35 and $9.875 over the last 52 weeks, and closed at $5.20 on December 14th when the last trade was executed.

*From **Insurance Journal**, 19 December 2001*

Botched Cancer Privatization Exposed

A Special Audit of Cancer Care Ontario's new private clinic has revealed higher costs and the removal of vital services - Toronto - The Ontario Health Coalition renewed demands for an end to private cancer treatment after today's release of a Special Audit. Last winter in a surprise announcement, Cancer Care Ontario - a government-appointed body that oversees the province's cancer treatment - revealed that a renewable one-year contract had been given to their former Executive Vice President's new private for-profit company to run an after-hours cancer treatment centre at Sunnybrook Hospital in Toronto. This marked the establishment of the first profit-seeking clinic of this sort in Ontario since the inception of public Medicare. Earlier today, the Provincial Auditor released a Special Audit chastising the government and Cancer Care Ontario for their actions in this matter. "Today's Auditor's report adds to the world-wide evidence that privatized health care is not a cheaper or better - in fact, it is usually more expensive and removes vital services from non-profit delivery and public control," stated Irene Harris, coalition co chair. "The government's botched record on cancer treatment is further proof that the Conservatives are pursuing private health care even when it makes no sense. Today, we reiterate our demand that the government take immediate steps to ensure that cancer treatment be placed back into public non-profit control when this contract comes up for renewal in March." Among the key findings in the Special Audit released today by the Provincial Auditor: I. The auditor could not find evidence that Cancer Care Ontario (CCO) had considered public not-for-profit delivery options nor had it compared costs in the for-profit and public realms before privatizing the after-hours cancer treatment clinic at Sunnybrook Hospital. . the Ministry is funding the privatized cancer treatment centre at a higher level than it is funding public cancer treatment centres - $500 more per treatment - in addition to $4 million in start-up funding. . there is little evidence that CCO attempted to compare costs for public and private options . there was little attempt to find a public option for treatment . there is no evidence that CCO considered a non-profit approach II. Cancer Care Ontario acted in violation of the government's policy of requiring a fair, open and transparent competitive process in awarding the contract to Canadian Radiation Oncology Services Ltd., headed by Dr. Tom McGowan who was Executive Vice President of Cancer Care Ontario until after his company received the contract for the privatized cancer treatment centre there was only a limited attempt to seek other bidders . the contract was kept secret to avoid public displeasure . there is no justification for giving Dr. McGowan's company right for first-refusal in any additional privatized clinics . Dr. McGowan remained a Vice President at CCO until after his new company won the contract III. Waiting lists for cancer treatment have not changed. 70% of patients in Ontario are still not receiving cancer treatment within the recommended 4 week time period.
Related addresses:
URL 1: www.web.net/ohc

*From **Straight Goods**, 18 December 2001*

Unions Fight Privatization in State Centers

Unionized employees in Illinois' prisons and mental-health centers are pleading with their legislators statewide to block Gov. George Ryan's plans to privatize food service and some other functions at those institutions. "We're working very hard, telling legislators that they cannot stand on the sidelines and watch this take place," said Henry Bayer, executive director of Chicago-based Council 31 of the American Federation of State, County and Municipal Employees. "His plan is both cruel and unnecessary," Bayer said. Ryan is making the change to cut more than $2 million in state spending this fiscal year as part of his total $485 million in budget cuts. An economic downturn made worse by the Sept. 11 terrorist attacks prompted Illinois and many states to make cuts. But Ryan, a Republican, has criticized state lawmakers, particularly Democrats, for leaving the recent veto session without giving him authority to spread the cuts over more parts of state government. About 50 unionized employees who crowded last week into the office of state Sen. Larry Bomke, R-Springfield, said they fear for their jobs. They also told him that safety and quality of services would suffer under the proposals. "It's got us big-time worried," said Evelyn Tibbs, 49, a San Jose resident and support service worker at Springfield's McFarland Mental Health Center. Bob Parks, 49, president of the AFSCME local at the

Taylorville Correctional Center, said: "It's bad for the state. It's bad for everybody." Agencies under the governor's direct control are preparing to switch food and commissary services now operated in-house by the state prison system to private companies through a competitive-bidding process. The same would happen for food service and housekeeping services at centers for the mentally ill and developmentally disabled throughout Illinois. Ryan spokesman Dennis Culloton said Ryan's intent is to not lay off state workers in the process, although Bayer questioned how that could happen and save any money. State officials said they couldn't guarantee layoffs wouldn't occur. About 2,000 unionized workers would be affected by the privatization, and Bayer said there would be "massive" layoffs if the plan - which doesn't need legislative approval - is implemented. The Ryan administration has set no specific timeline for when the changes would be made. Parks said low-paid, private-sector employees wouldn't adequately monitor inmates who help prepare food. Without enough supervision, inmates could use knives and other kitchen supplies for violent purposes, he said. Sergio Molina, spokesman for the Illinois Department of Corrections, said agency officials would make sure that safety wouldn't suffer under a privatized system. He added that food service has been operated privately since the early 1980s at Joliet Correctional Center. "There always exists the potential for inmates to cause havoc," Molina said. "That doesn't mean we are going to lower the standards." Bomke was sympathetic to the workers' plight, saying he will write a letter to Ryan about privatization. "I feel strongly there won't be a savings," he said. Steve Brown, spokesman for House Speaker Michael Madigan, D-Chicago, said that even if the General Assembly had granted Ryan more budget-cutting authority, the governor still planned to focus cuts on human-service programs. "We'll continue to sit down with the governor. We'll continue to make suggestions." Dean Olsen can be reached at 782-6883 or dean.olsen@sj-r.com.

*From **State Journal-Register**, by DEAN OLSEN, 17 December 2001*

More Privatizations Ahead for Brazil's BNDES

Rio de Janeiro - The man set to head Brazil's National Development Bank (BNDES) is promising another round of successful privatizations next year, starting with the sale of a 32 percent stake in the world's largest iron ore miner. Eleazar de Carvalho Filho, who will replace Francisco Gros on Jan. 7 as president of the BNDES, told Reuters in a recent interview the bank has already hired a law firm for a sale of its stake in Cia Vale do Rio Doce that could bring it 4 billion reais ($1.7 billion) next year. "The process never stopped, only the pace slowed because we still don't have a date. But I think it is possible that we will sell it next year, although we're going to analyze what will be the right moment," Carvalho said. A successful sell-off would be another victory for Carvalho, a U.S.-trained banker who handled the sale of $807 million worth of government shares in state-oil giant Petrobras earlier this year. As the top development bank in Brazil, Latin America's largest country, Carvalho will be in charge of a $13.1 billion budget that is only slightly smaller than the World Bank's $13.3 billion but well ahead of the Inter-American Development Bank's $6.7 billion. He joined the BNDES a year and eight months ago after a stint as a director at Warburg Dillon Read in Brazil. Now, as the head of the BNDES, he plans to continue Gros' plans for other privatizations and a restructuring of the bank. Carvalho hopes to revive the sale of the Brazilian Reinsurance Institute, stalled for judicial reasons, and continue to aid the states of Parana and Goias in their efforts to sell energy distributors Copel and Celg , respectively. "Although that depends more on the state governments than on the BNDES," he said. The 44-year-old economists also plans to get the privatization of water utilities rolling. "It should be possible to do these operations next year. What we had this year were a series of problems, internal and external. But we finished this year with very good perspectives for the coming year," Carvalho said. Between the Petrobras shares, some state banks and the sale of cellular telephone licenses, the Brazilian government collected $2.9 billion in privatization revenues this year, below the $3.8 billion foreseen in a deal with the International Monetary Fund and almost four times less than the $10.7 billion it collected in 2000. But Carvalho said the amount was positive given the tough macroeconomic conditions -- mostly slowing world growth and a financial crisis in neighboring Argentina -- that destabilized Brazil's economy this year. "The result was good for a year in which we had a foreign crisis and energy rationing," Carvalho said. Carvalho, who trained as an economist at New York University, said he will also continue a restructuring at the BNDES that began in October. "Under the prior model, one area controlled all the means of production and interacted little with other areas. It was possible for a client to be talking to one area and another area not know about it," Carvalho said.

*From **TelecomClick**, 17 December 2001*