

# GOVERNANCE WORLD WATCH

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### Africa

#### Morocco Makes Telecoms Law More Flexible

Morocco's cabinet has amended the post and telecommunications law to allow legislation to adapt more quickly to changes in the sector, a government official said on Friday. The changes create two funds totalling US\$50 million mainly for research in telecoms and other services. Others affect management of telecoms licences, training, infrastructure and judicial intervention in disputes over fair competition. The funds will be controlled by telecoms watchdog Agence Nationale de Reglementation des Telecommunications (ANRT) and financed from deductions on the annual turnover of public and private telecoms operators in Morocco. Draft changes had prompted ANRT chairman Mostafa Terrab to threaten to resign in November because they would have reduced the body's independence. On Friday he would only say: "The main thing is that the amendments did not affect ANRT'S legal status and regulation policy". The amendments adopted late on Thursday will be examined later by a ministerial meeting chaired by King Mohammed before final adoption by the parliament. The long-awaited changes were proposed two years ago by ANRT managers to meet the demands for liberalisation and modernisation of the sector, the official said. "The new amendments have maintained the independence of ANRT and gave the Moroccan judicial authorities a way to quash possible disputes in the sector," he added. Telecoms Row - He was referring to a row between ANRT and the junior ministry in charge of post and information technology known by its French acronym SEPTI. The row erupted when SEPTI announced its intention to amend the law related to the status of ANRT and interfere in the management of the two projected funds. Morocco came under heavy criticism as a result by local media and the World Bank as well as Terrab. "The amendments adopted by the government showed that SEPTI's proposals were ignored in order to maintain transparency in the sector. They also guarantee ANRT's independence and Moroccan telecoms' image abroad," a market analyst said. In 1996, the late King Hassan ordered the creation of ANRT to ensure fair competition in the telecoms sector, prior to the sector's privatisation and gradual liberalisation. Analysts said ANRT's efforts have led to the successful sale of a second mobile phone licence in 1999 for US\$1.1 billion to Meditel, a consortium led by Spain's Telefonica. The first licence is operated by Maroc Telecom, in which the state holds a 65 percent stake and French giant Vivendi Universal 35 percent. ANRT had rung alarm bells several times and slammed the government for failing to take action against Maroc Telecom for what the watchdog said were violations of fair competition, compromising Meditel's interests in Morocco.

*From [Total Telecom](#), by Ali Bouzerda, 2 January 2002*

### Asia/Pacific

#### China to Buck Global Tech Downturn Trend

China's information industry is geared to leapfrog this year, whetting an even greater appetite of global giants with dynamic projections amid a global technology slump, according to Wu Jichuan, Minister of the Ministry of Information Industry (MII). The sector will continue to grow by over 20 per cent in 2002, and should see an increase of 70 million new phone users, strong information technology (IT) spending and a more efficient and transparent legal system, Wu told Business Weekly in an exclusive interview at the end of 2001 in Beijing. "China's information industry is advancing on a fast and healthy track as the national's pillar industry, despite the global downturn in the high-tech industry," Wu said. Information related manufacturing businesses garnered a revenue of 1.35 trillion yuan (US\$163 billion) in 2001, which is a 27 per cent growth compare with 2000. Related exports were US\$60 billion. Revenue from telecom operators reached 370 billion yuan (US\$44.7 billion), an increase of 23 per cent year on year, he said. The sector, which has grown at a much faster pace than the overall economy, is seen by the government as playing a critical role in sustaining the country's economic growth and is being given top priority in policy planning. China is now on its way to becoming the world's biggest base for computers, mobile phones and information products manufacturing, thanks to years of reform and development, he said. The legal system for foreign investment in China will become more transparent and standard as the government rolls out the long-awaited Telecoms Law and adjusts other regulations to comply with its WTO commitment, he said. "The move will help clear away investors' worries over the instability of China's laws and regulations and attract more investment from overseas," he said. Asked about whether the MII will

encourage all telecom operators to go public in the overseas stock market, Wu said: "It depends. One major shortcoming for going public overseas is the separation of investors and customers. The interests of the two sides sometimes are severely conflicting." When operators cut prices to attract more customers, investors think the profit margin will reduce and then sell the stocks, which will push down the stock price. Keeping a high price strategy, investors will be happy, yet customers will be hurt. If the stock investor and customer is one person, he will balance the situation by himself, according to Wu. In the future, telecom operators might not have to go to overseas stock markets. With the maturity of the domestic bourse, listing on the home markets might also be a good choice and domestic stock investors will have opportunities to buy high growth telecom shares, he said. Bolster competition in telecoms sector - The MII expects 50 million new mobile phone users and 20 million fixed-line phone users due to huge market potential, he said, citing the robust increase in the past year. In the first 11 months of last year, fixed-line phone subscribers increased by 32.92 million to 177 million and mobile phone users by 54.65 million to 140 million. This year, Wu said, the MII will continue to bring in more competition to the sector. The two new fixed-line carriers, namely, China Network Communications Corp and China Telecom Group, are expected to be officially launched by the Spring Festival, on February 12, Wu said, adding that the final date is yet to be decided. Once launched, they will be allowed to enter each other's business terrain to start competitive operations, which will give users more choices. At present, he said, the MII still needs to smooth out some wrinkles between the two companies. Both are spinoffs of China Telecom, the country's largest telecoms operator. "These problems include the finalization of the legal representative of both companies, the assessment of each company's capital assets, and that both should re-register and describe their company profile," he said. "There will be challenges, but we are now going all out to make it happen as soon as possible." In the last three years, the conglomerate China Telecom has been divided several times to break its monopoly in the post service, fixed-line telephone, mobile and satellite business. Last month, the State Council, China's cabinet, formally announced the breakup plan, in which the north part merged with another two telecom operators, China Netcom and Jitong, to form the new China Network Communications Corp. The south part inherits the name of China Telecom Group. To further bolster competition, Wu said, the MII will set the four major business operators- China Telecom, China Mobile, China Unicom, and China Network Communications Corp- to compete in all telecoms business in the long term. "This will happen in around two years," he said. "At present, there will be only two mobile phone operators and two fixed-line phone operators," he said. The ministry will not issue a third mobile phone licence for the moment. At present, China Mobile group and China Unicom, the country's second-largest telecom operator, are the two firms with approved mobile phone licences. "There is no such plan being considered for the moment," Wu said. Push for Informationization - To spur the IT market, the MII will vigorously push for informationization this year in governmental departments and in State-owned enterprises (SOEs) that have traditionally been managed with little use of information technology, according to Wu. "This is an essential mission to make our government more efficient and transparent, and SOEs more competitive," Wu said. He warned that informationization is not merely to buy and use information products, but to adopt modern information-based technology and measures to manage the enterprises, and finally set up a highly efficient management system controlling budgets, inventories and cost. Most important of all, he said, informationization in these enterprises will give a big boost to the development of the information industry as a whole. "If we do it well in this regard, we are going to tremendously stimulate the demand for IT-related technology and products, and in turn, it will be a big boost for the industry," he said. He also warned that provinces and cities should proceed from their own different conditions in the process of pushing for the informationization and avoid duplicate construction. As the industry watchdog, the MII will help every province analyze their different characteristics for the develop of the IT industry. Internet - The number of China's Internet terminal users reached 15.91 million as of last November, said Wu. Since one terminal is usually used by three people, Wu estimated that practical Internet users in China has exceeded 45 million. According to a sample survey conducted by the MII, about 70-80 per cent of Internet users spent 150-200 yuan (US\$18-24) on average on a monthly basis. This number shows that most people now can accept the Internet connection fee, the minister said. In addition, with the increase of the Internet band width, users' complaints on the slowness of surfing online has come down significantly, he said. MII's role - After the WTO accession, Wu said the MII's paramount responsibility is to strengthen supervision over the IT industry. On one hand, it has to unleash enterprises to promote their development. On the other hand, it must make sure that enterprises develop in such a way as to create more wealth for the State while competing in an orderly fashion under clear guidance. The MII's responsibilities will focus on the following aspects, according to Wu. The first is industrial planning. Development should be geared towards technological advancement while avoiding duplicate construction. The second is mapping out regulations in order to determine industrial policies. The third is working out technical standards and establishing technical systems. The fourth is managing information resources to make sure that the resources are utilized effectively. The last function is supervising the whole market and serving the needs of the State, producers and consumers, all of which are compatible. "However, to tighten up the supervision does not mean we are going to create

hurdles for the enterprises, but rather, is to set up unified rules and standards that all enterprises should obey," he added. He said the MII has been sticking to the principle of "open, fair, just" to assure the regular operating order in the communications market. Telecom Law - The long-awaited Telecom Law, the common set of rules in the industry for all sides, is expected to roll out this year if everything goes smoothly, the minister said. "The draft is being discussed and we hope it will be out this year," he said. The new law will evolve from the Regulations on the Management of Telecommunications, the present guideline file for the industry. It will also draw upon foreign telecommunication laws and international practices, said Wu. It is also very important that the new law should fit in with the development trend of new technology, he said. A task force composed of legal experts is working on the law together with experts from other State departments, he said. "We are also soliciting suggestions from various sides to make the law as reasonable as possible," he said. "But I cannot assure you that it will be launched this year because it involves a lot of detailed work," he said. According to China's laws, the National People's Congress will review the draft and vote for its go-ahead.

From [China Daily](#), by Jiang Chen, 8 January 2002

## Korea's Youth Lack Ethics: Survey

About 90 percent of secondary school students believe Korean society is full of corruption, but many follow their elders' examples, viewing corruption as an acceptable survival tactic, a recent survey released yesterday showed. The survey by Transparency International Korea found that 91 percent of middle and high school students believe their society is corrupt. However, 41.3 percent feel no need to abide by the law, as long as "no one is watching." The civic group polled 1,005 students from 10 middle and high schools in Seoul Dec. 10-21. Further, 28.4 percent of respondents said they would resort to bribery if that solved a problem, while 33 percent said they would feign ignorance of corruption if acknowledging it were to result in personal loss. Sixteen percent of respondents said they would be willing to engage in corruption and spend ten years in prison in exchange for one billion won, while 22.7 percent said they would overlook corruption on the part of their families or relatives. Asked why they think corruption such as bribery persists in Korean society, 64 percent cited inadequate punishment, followed by 29.9 percent who attributed it to the perception that a person stands to suffer by obeying the law. Students considered politicians the most corrupt social group, with 33 percent of respondents identifying them as such. Corporations were in second place (12 percent), followed by public servants (11 percent), lawyers (9 percent), media personnel (9 percent), and police (7 percent). An official of Transparency International Korea said the outcome indicates the urgency of the need to educate teenagers about corruption. "While teenagers appear to be critical of corruption in their society, they also show a high tolerance for their own (corrupt) actions," the official said.

From [Korea Herald](#), by Kim Min-hee ([mhkim@koreaherald.co.kr](mailto:mhkim@koreaherald.co.kr)), 3 January 2002

## Europe/CIS

## Europeans Are 'Ready for Fresh Reform Drive'



European policymakers on Thursday urged a fresh drive for structural economic reforms in the eurozone, to build on the successful launch of euro banknotes and coins. Rodrigo Rato, the Spanish economy minister and new chairman of the eurozone's group of finance ministers, said the public's enthusiasm for euros showed they would also embrace reforms aimed at increasing economic growth and employment. "This shows that Europeans want economic changes as much, and as deeply, as they want euros," Mr. Rato said. He was speaking at a joint news conference with Wim Duisenberg, the European Central Bank president, who said the big challenge facing the eurozone was to introduce reforms that would expand the area's long-term average economic output. "There has been some progress in the past couple of years, but certainly not enough. It has to be continued with force," Mr. Duisenberg said. The two men identified modernisation of goods and labour markets, more efficient and flexible tax systems and full integration of financial markets as among the eurozone's most important tasks. Mr. Rato said such reforms were necessary so that the 12-nation area could emerge as a stronger economy from its current slowdown. The extent of the slowdown was underlined by Mr. Duisenberg, who said the ECB had detected signs of an economic recovery this year but remained uncertain about its timing and its strength. "We expect the first quarter [of 2002] to be pretty much the same as the last two quarters of last year," he said. The eurozone economy grew at a modest quarter-on-quarter rate of 0.1 per cent in the third quarter of 2001, and is thought likely to have shrunk slightly in the fourth quarter. Mr.

Duisenberg said the eurozone's prospects were difficult to calculate, partly because "we are quite uncertain about external developments, in particular in the United States". In spite of the slow pace of recovery in Europe, the ECB kept its main interest rate unchanged on Thursday at 3.25 per cent. Moreover, Mr. Duisenberg offered no hint that the bank might cut rates at its next monetary policy meeting, which takes place in the Dutch city of Maastricht on February 7. He said the current level of interest rates was appropriate for maintaining price stability, but stressed that the ECB did not see any medium-term upward pressures on inflation. "Continued close monitoring of further incoming information is... warranted," he said. Economists said this wording left room for the ECB to cut rates later this year if it judged that forthcoming wage settlements in the eurozone were non-inflationary and if the economic recovery remained weak. Mr. Duisenberg said he was pleased with the euro's rise against the dollar this week following the introduction of euro notes and coins.

*From [Financial Times](#), by Tony Barber, 3 January 2002*

## **Parliament Focuses on Reform Bills Ahead of Ecevit's US Visit**

The Tobacco draft law, public procurement bill, rescue of the collapsed banks and harmonization legislations are due to be debated in Parliament without a break. Parliament aims to pass a range of key reform bills ahead of Prime Minister Bulent Ecevit's visit to Washington in the middle of this month in a bid to help him secure Washington's backing for crisis-remedy IMF loans. Parliament is expected not to break until Ecevit's departure for Washington on October 16, in order to conclude draft laws mainly on tobacco, public procurements and borrowing issues which are the key reforms sought by the IMF in return for a crisis-rescue loan package. Ecevit and his coalition partners, deputy prime ministers Devlet Bahçeli and Mesut Yılmaz decided last week to push through these bills in Parliament along with regulations that aim to harmonize current laws with the constitutional amendments. Challenged by opposition parties, Parliament managed to approve only five articles of the controversial tobacco bill last week which is renegotiated there because of President Ahmet Necdet Sezer's earlier veto. Seven more articles of the draft law need to be passed this week which would be followed by negotiations on the 70-article public procurement bill. The coalition parties are planning to propose the procurement draft law to be debated as a "basic law" in a bid to speed up the approval procedure and prevent negotiations on each article. The "Borrowing bill" is still at the parliamentary planning and budget commission while a second draft law enabling the restructuring of the corporate debts with banks was sent to Parliament. Parliamentary negotiations on the second bill, however, could lead to rifts among coalition partners due to the opposition by senior government ally the Nationalist Action Party (MHP) and Ecevit's Democratic Left Party for paving way for financial state aids for major banks. A likely proposal to take out this controversial part of the bill which is known as "rescue of the banks" could see a heated debate in Parliament. A third bill dubbed as the Industrial Zone draft law which provides vast opportunities for foreign investors are among the legislations on Parliament's agenda. If achieved, all those legislations could truly strengthen Ecevit's hand during his negotiations in Washington that are expected to include Turkey's needs to recover from a heavy financial crisis. The IMF Executive Board is expected to approve a new stand-by credit deal for Turkey in the second half of January during or after Ecevit's tour in Washington. The adaptation regulations that deal with the political issues would help Ecevit to raise his profile there. Those regulations that aim to comfort laws with the 37-article constitutional amendments are among the requirements of Turkey's western allies, most notably the European Union for which Turkey is a candidate. The first adaptation bill which is currently on Parliament's agenda is the one that increases the number of civilians against the military generals in the influential National Security Council. A series of others are still either under negotiation or preparation at the parliamentary commission or ministries.

*From [Turkish Daily News](#), 3 January 2002*

## **New Era in Price Transparency**

For backpackers and many business travellers, it is little surprise to be told that prices vary greatly across the Continent. But the advent of the euro heralds a new era in price transparency across the eurozone. For ardent supporters of the single currency, the long-awaited arrival of euro notes and coins signal the start of falling prices, with bargains galore emerging from Lisbon to Helsinki. Initial worries about the scrapping of 12 national currencies have focused on consumer fears that prices will be rounded up as Europe's retailers cash in on widespread confusion over conversion into the new currency. But for the euro's advocates, such problems will quickly be swamped by the benefits of competition and price transparency, which they hope will force prices down as consumers demand a better deal. The comparisons can start with festive celebrations. Drinkers in Paris pay 1.62 (£0.99) for a standard bottle of Becks lager. But in Frankfurt, the same drink costs less than half as much. Alternatively, a packet of Alka Seltzer costs the

Germans 7.59 against 3.74 in Paris. These startling gaps in prices are laid bare in a study produced last year by the City investment bank Dresdner Kleinwort Wasserstein (DKW). Leo Doyle, DKW's chief economist, says that the spread between prices across the 12 countries of the eurozone remains "unsustainably high". Although average prices in Europe have moved steadily closer, he says that at a detailed level the gaps often remain very large. For some goods, such as clothes, prices have been slow to converge. DKW's figures showed that the biggest gap in euroland prices was for that wardrobe standard, the plain white T-shirt, where there was a 40 per cent range between the highest and lowest cost. Prices also span an enormous range for many other products. A pack of Ariel washing powder cost 12.35 in Amsterdam but the price in Frankfurt was just 4.97. Although the pro-euro lobby argues that the new currency will expose such vast discrepancies, other analysts are doubtful. Even if Dutch consumers realised the scale of savings from buying their soap powder in Germany, they would be unlikely to make the trip for such a trivial item. For bigger items, Mr Doyle suggests that prices in euroland are already much closer. The gap between the cheapest and dearest price for a typical mini-disc player is only 5 per cent. DKW's study showed British prices to be an average 16.5 per cent higher than the eurozone average

From [The Times](#), by Gary Duncan 2 January 2002

## MPs Back Pensions Reform

Pensioners are being trapped by investment rules that mean they pay a premium for living longer, MPs were told as they backed calls to reform the system. Tory MP David Curry is introducing a bill calling for reform of annuities which aims to prevent pensioners becoming stuck in low-yield investment schemes. Inland Revenue rules require any personal pension fund holders to buy an annuity - a guaranteed income for life. They can take 25% of the pension pot in cash, but must use the remaining fund to purchase the annuity before they reach 75. Although annuities give a guaranteed income for the rest of a person's life, there are complaints that the returns are now too low and that the money invested also cannot be passed on to heirs. Inland Revenue and the Department of Works



and Pensions are due to announce a new consultation exercise to explore ways of reforming annuities. The bill secured its second reading by 139 votes to 27, but is unlikely to become law as the government withheld support. Marital worries – Mr. Curry said the current system meant many spouses were left adrift when their husband or wife died. Annuities for married couples are available but there are worries they are too expensive. Mr. Curry, who says MPs have received enormous postbags on the issue, argued the present annuities set-up left pensioners trapped without proper financial security.

"But the state is equally in a trap because of this looming requirement to provide welfare for people who no longer may be able to fulfil their own welfare needs." But the changes he was proposing still meant people had to provide for their old age especially when they had got tax concessions through their pension schemes. His private members' bill aims at giving more flexibility to the annuities system. Under his proposals:

- Pensioners could still take up to a quarter of the pension scheme as a tax free lump sum.
- They would receive an annuity large enough to ensure they do not need extra benefits - that amount would be set by the government.
- The rest of the savings would be invested in a retirement income fund. The Treasury favours annuities as a way of ensuring people do not unwisely spend savings which have enjoyed tax breaks, only to then need benefits from the state.

'Fundamental problems' Treasury Economic Secretary Ruth Kelly said the government wanted the annuity system to be more flexible but she pointed to "fundamental problems" in Mr. Curry's bill. She argued the cost could run into several hundreds of millions of pounds and would only help a minority of pensioners. "This bill, in its current form, would indeed be counter productive, restricting choice for the majority of pensioners, and could indeed drive down annuity rates further from the rates which they are at the moment," she said. Liberal Democrat pensions spokesman Steve Webb said his party were "broadly supportive" of Mr. Curry's bill. Prof Webb argued, however, that



David Curry says pensioners should have more flexibility

once enough pensions savings had been used to buy an annuity that kept a pensioner off benefits, the individual should be able to decide how he spent the rest.

*From [BBC](#), 11 January 2002*

### **NHS Patients 'Opt for Private Surgery'**



Patients are giving up holidays to buy surgery - Around 100,000 uninsured NHS patients are paying for private surgery because they have waited so long for treatment, according to a survey. Researchers claim that eight out of ten doctors believe the number of patients paying for operations because of long waiting lists has grown over the last five years. They also said 40,000 people waiting to be seen as hospital outpatients were admitted as emergency cases in December because their condition deteriorated. The study of 400 GPs, by Medix UK plc, says the workload of family practitioners is dominated by patients whose

condition is worsening as they wait to see a specialist. Mike Stone, director of the Patients' Association, told BBC News Online the situation would not improve until the NHS "gets its act together by cutting waiting times". Appointments - According to the survey unnecessary appointments involving people waiting for surgery were a serious problem, with GPs coping with more than 100,000 such cases in December. Medix said the appointments, affecting nine out of ten doctors, would not have been required if the patients had received the surgery they required. A similar number had tried to get patients seen at a hospital sooner because their condition worsened in December. Almost 80% said half of more of their recent referrals to outpatients were asked to wait too long to see a specialist. The same proportion of GPs thought their local hospitals discharged patients too soon after operations to make way for new cases. A clear majority had treated patients because they had been sent home too early. No choice - Mr. Stone said he was unsurprised by the findings, adding that more and more patients were realising the only way they could get treatment was to pay for it themselves. He said: "People, quite rightly, are making decisions - rather than perhaps taking a two week holiday, they're thinking 'well, my health is more important'. "We have heard of patients who have had to have their houses remortgaged to get the operation." Mr. Stone said many patients, particularly those needing potentially life-saving operations, felt they had no choice but to find the money for private treatment. 'Valuable time' - Dr. Rino Coladangelo, Medix chief executive and himself a family doctor with 20 years experience, said the survey revealed the real experiences of GPs and their patients. He said: "There is no doubt that GPs are spending far too much of their valuable time in efforts to get patients onto waiting lists, to expedite appointments and to cope with premature discharge." He said: "They are important because they give a picture of how NHS waiting list problems are affecting the already over-burdened GP."

*From [BBC](#), 15 January 2002*

### **Amendment on Public Orders**

The amended law on public orders, in force as of Jan. 10, is supposed to bring about more fair play among entrepreneurs in their competition to win tenders conducted by public institutions. "The new regulations will clarify the present procedures and enable more efficient control over the correctness of conducted tenders," Tomasz Czajkowski, president of the Public Procurement Agency, wrote in the Puls Biznesu daily. Czajkowski believes that the new regulations will improve the situation of companies seeking to solicit a public order. This is the second amendment made to the regulations in recent months, exposing the inadequate quality of the law. The previous one was made in October 2001. Participants of numerous tenders complain that these are conducted in an unreliable manner. Corruption charges occur frequently. Specialists had previously pointed out the necessity of changing the law. In the report Fight Against Corruption from December 2000, Helen Sutch, an expert from the World Bank, wrote that the scope of the Polish law should be expanded to include orders for services, and that there was an urgent need for a clearer description of complaint and appeal procedures, and the adoption of more realistic deadlines for submitting bids. A ban should also be placed on postponing the date of the opening of bids. The latter demand has been fulfilled in the amended law. The deadline for submitting bids is now the day of their opening. According to the new regulations, more businesses may now appeal against the decisions of the ordering parties. So far only bidders were able to do

this. Presently organizations and associations of suppliers and contractors may also appeal against tender decisions. If the value of an order exceeds 30,000 euro, a tender committee is necessary. A tender can be annulled in several cases: if fewer than two bids have been placed, that cannot be rejected, if the price of the best bid exceeds the price of the order, if a change of situation has occurred, making the order no longer a part of public interest, and if the ordering party has failed to publish information about the order in the Bulletin of Public Orders. Bidders can demand the return of the cost of preparing a bid if the tender is annulled by the fault of the ordering party. Mistakes that occur in the calculation of the price offered give grounds for rejecting a bid. According to the new regulations, participants in a tender for an order worth more than 30,000 euro must pay an initial bid security. With regard to smaller orders, the security is to be paid upon the request of ordering parties. The initial bid security may be paid in cash, by credit guarantee, bank guarantee, bill of exchange as guarantee, and endorsed checks. The ordering party is obliged to return the initial bid security to the participants of the tender if the term of signing a contract and paying security on the contract's execution expires, or if the tender is annulled. The initial bid security has to be returned within three days if the offer was withdrawn before the deadline for submitting bids, and if a bid has been rejected. However, if a bidder demands the return of the initial security, he automatically loses the right to file a protest concerning the course of the tender. When is it possible to lose the initial security? When the bidder refuses to sign a contract on the terms stated in the bid, when he has not paid the required security, when it is impossible to sign a contract through the fault of either the contractor or supplier, and when the bid is withdrawn after the deadline for submitting bids. It will be evident whether or not the new regulations have improved the clarity of public tenders once the amendment is applied in practice. Lawyers have already had some objections as to the new regulations, so it is likely that the law will be amended again.

*From [Warsaw Voice](#), by Wanda Jelonkiewicz, 17 January 2002*

## **World Bank Report on Business in Former Soviet Union**

Barriers to new firms and lack of discipline have been obstacles to growth in Eastern Europe and the former Soviet Union, according to a new World Bank report. "Transition: The First Ten Years," released January 15, says that encouraging new companies and imposing discipline are more important than privatization for growth. "A critical question is whether policy makers should focus on encouraging the creation of new firms while postponing the pain of liquidating and restructuring old and inefficient ones," Pradeep Mitra, co-director of the report team, says in a press release on the report. The report notes that in the fast-growing countries of Central Europe and the Baltics, small businesses are the major source of employment. Businesses in these countries with 50 or fewer workers employed more than half of all workers; in contrast, the larger former Soviet countries, which produced less output in 2000 than in 1990, only one in five worked for small firms. The report said that countries should shift emphasis from privatization and restructuring and toward improving the investment climate for new firms. It said they should develop institutions to monitor managerial behavior and emphasize legal and judicial reform, making it easier to start a new company. It said gains from initial reforms should be redistributed by taxing "early winners" of reform - the oligarchs and insiders - and reallocating the proceeds to retrain workers, pay severance and pensions, and maintain schools and health services. "Only through such measures will the reformers create a constituency for further reform," said Marcelo Selowsky, co-director of the report team. Following is the text of the press release: World Bank Shares Lessons Learned From A Decade Of Transition Experience - New firms power economic growth in Eastern Europe and former Soviet Union - Washington - Barriers to the creation of new firms are a critical obstacle to sustained growth in the transition countries of Eastern Europe and the former Soviet Union, according to a new report by the World Bank entitled "Transition: The First Ten Years" published almost exactly ten years after the dissolution of the Soviet Union in December 1991. New firms, mostly employing 50 or fewer workers, have rapidly become the major source of employment in the fast-growing countries of Central Europe and the Baltics. In Poland, for example, where output in 2000 was nearly one-and-a-half times that in 1990, more than half of all workers are employed in such firms, compared to a quarter a decade ago. In contrast, in the large countries of the former Soviet Union, where output in 2000 stood at roughly two-thirds that in 1990, fewer than one in five workers were employed in such firms, with that share remaining almost stagnant up to 1998. "A critical question is whether policy makers should focus on encouraging the creation of new firms while postponing the pain of liquidating and restructuring old and inefficient ones," says Pradeep Mitra, co-director of the report team. "As long as such firms enjoy 'soft budget constraints' new entrants will not face a level playing field." Soft budget constraints include receiving credit and foreign exchange on preferential terms and not being required to pay taxes, social security contributions, utility bills and bank debt. This kind of feather bedding has been typical of many transition countries during the 1990s. In Bulgaria and Romania protection of state enterprises and farm collectives through the banking sector led to sharp increase in bad debts to the banking sector. These bad debts prevented the

expansion of bank credit to new, small and politically less connected enterprises. Eventually they triggered banking and macroeconomic crises in both countries. The old industrial sector in Belarus and Uzbekistan paid much less for its foreign exchange and credit needs than new and small enterprises. Similarly, in Georgia, the Kyrgyz Republic, Moldova, Russia and Ukraine, the old, large and less energy-efficient enterprises have been allowed to run significant arrears to the utility companies, while new and more energy-efficient enterprises have received less favorable treatment. Reducing barriers to entry - a strategy of "encouragement" - must therefore be accompanied by a hardening of budget constraints on old and new firms - a strategy of "discipline" - without tilting the playing field toward either kind of enterprise. "Encouragement and discipline should go hand in hand," says Mitra. "Allowing resources to be sucked into old enterprises does not leave adequate economic space for new firms. At the same time, not having a vibrant emerging private sector limits the options available to those in old enterprises and makes it more difficult to downsize." The failure of so many countries to adopt economic reforms that support discipline and encouragement is because people who benefited from early reforms like liberalization and privatization because they controlled state assets or enjoyed close ties with the old political elite tend to oppose subsequent reforms that erode their initial gains. Such reforms would include further trade liberalization, measures to facilitate entry of new domestic and foreign competitors, and legislation to protect minority shareholders and creditors. If their initial gains are a large fraction of the economy, as is the case in natural resource and energy-rich countries, the early winners may capture the state, preventing further reforms and forcing the economy into a trap of a low-level reform equilibrium. In Russia, for example, during the 1990s, powerful industrialists frequently hampered the work and enforcement efforts of the Securities and Exchange Commission in strengthening the rights of small shareholders. Understanding how such reform traps arise and how to break out of them is an important issue addressed by the report. A key message that emerges for a reformist team that comes to power with a mandate for change is to redistribute gains from the early stages of reform. "This requires that the early winners pay their taxes so they can be used to support worker retraining and severance payments, pay pensions and cash transfers, and maintain schools and health services. Only through such measures will the reformers create a constituency for further reform," said Marcelo Selowsky, co-director of the report team.

*From [Washington File](#), 17 January 2002*

## **If the NHS is Not Fixed by the Next Election We'll Have Failed, Says Blair**

Tony Blair and his political opponents both raised the stakes in the controversy over Britain's public services yesterday after the prime minister accepted that his government may stand - or fall - on reform of the NHS. A series of bitter exchanges in radio and TV studios saw one cabinet minister accuse the Conservatives of wanting a privatised "DIY health service" while the Tory health spokesman, Dr Liam Fox, insisted that the NHS is "getting worse", despite the extra billions being spent. But the most significant benchmark - on the domestic issue that ministers admit will be the most important in the coming years - was Mr. Blair's pledge to the Labour-backing Sunday Mirror that "things are starting to get better, and they will be dramatically improved. "I am so confident of that, let me say this: if the NHS is not basically fixed by the next election, then I am quite happy to suffer the consequences. I am quite willing to be held to account by the voters if we fail," Mr. Blair said. His remarks came as two surgeons in East Kent highlighted difficulties in one of the most troubled corners of the NHS in recent years. Richard Collins and Bob Heddle said far worse problems exist in the accident and emergency departments of some hospitals than at the Whittington, where a 94-year-old grandmother's plight became the subject of a political battle last week. The pair drew attention to the long waits for attention and treatment suffered by patients at the Kent and Canterbury hospital. About 40 people were said to have been waiting on trolleys for up to two days, including an 83-year-old with acute stomach pains and a 93-year-old with gallstones. The latest indictment of the Kent casualty department is seriously damaging to the Department of Health, which claims that big investment in accident and emergency units is paying dividends. "Waits of over 24 hours have been virtually eliminated," a spokesman said yesterday. "Long waits of more than 12 hours have been reduced by a half since 1999." Confronted with the allegations, Alan Milburn, the health secretary, said: "We're in danger in this country of developing a new national sport, kicking the NHS - and it's really time that stopped." His cabinet colleague, John Reid, echoed Mr. Milburn's claim that the Tories seek to undermine the real successes of the NHS to soften it up for privatisation. "Denigration with a purpose", Mr. Reid called it, and a "DIY health service" which would leave 90% of people worse off. Dr Fox derided such claims and called for "a proper, mature debate" on why and how the NHS is not working, as more people wait, while staff work harder, but in vain. The Kent and Canterbury hospital, which was at the centre of the cervical smear scandal in which at least eight women died in the early 1990s, is a case in point. It has a poor accident and emergency record. Last March, the Association of Community Health Councils' annual spot check on casualty waits found that six out of the 20 worst cases in the country were in Kent and Canterbury. The longest wait was a woman with abdominal pains, who spent 54 hours in casualty. The survey was the last by the association, which

the government is disbanding. Mr. Collins said that an internal inquiry a year ago had said the accident and emergency department was "a catastrophe waiting to happen". Speaking to the Sunday Times, Mr. Heddle said: "The state of A&E is dreadful. People sit there for three or four days in an open corridor. The standards of care are unacceptable. The nurses go round in tears." A spokeswoman for East Kent hospitals said that they had been "under significant pressure for some time", but that £2.1m is being spent on improving accident and emergency facilities as part of a £122m restructuring exercise which will enlarge hospitals at Ashford and Margate and close the department at Kent and Canterbury. East Kent is the sixth biggest trust in the country and has 20% more elderly people than the national average. They are also living longer but fall ill more often and recover more slowly than younger people. Very often there are difficulties finding them a suitable home when they leave hospital, which leads to "bed blocking". The two surgeons who have spoken out are not accident and emergency specialists. The clinical director of accident and emergency for East Kent, Ramzi Freij, said: "We are unhappy with the situation but our A&E staff - nurses, doctors and others - are working heroically and feel justifiably proud to be giving good care in difficult circumstances. They feel demoralised when they hear the kind of remarks about their work that these two consultants are making."

*From [Guardian Unlimited Society](#), by Sarah Boseley and Michael White, 28 January 2002*

## Consignia Set to Lose its Postal Monopoly

Public postal services will no longer enjoy a protected monopoly under plans, to be revealed on Thursday, to open the market to full competition for the first time. Postcomm, the independent regulator, has ruled that bulk business mail - nearly half the letters sent in Britain - can be handled by new rival operators within eight weeks. Consignia, which loses more than £1m a day running the Royal Mail, said it was shocked by the speed and extent of Postcomm's proposals, which threaten the most profitable part of its business. Consignia also expects to have to increase the scale of its £1.2bn cost-cutting programme, which already threatens 30,000 jobs. A dispute with unions over pay and job cuts now threatens to escalate into one of the worst showdowns between the government and public sector workers in recent years. Ministers insist the introduction of competition is a matter for the regulator and are keen to avoid another dispute with unions so soon after recent rail strikes. But Patricia Hewitt, trade secretary, is understood to have grown impatient with Consignia's leaders which she criticised for "Victorian" management practices in the House of Commons on Tuesday. The government's ability to remain neutral will be further tested by continuing negotiations to close many post offices. Some estimates have suggested up to 3,000 branches could join the 540 which went last year. Opposition MPs have also criticised plans by Consignia to end morning mail deliveries for residential customers in favour of business customers. Postcomm on Wednesday night insisted that the performance of Consignia had deteriorated so badly that it faced little choice but to speed up the introduction of alternative operators. Graham Corbett, chairman, said: "The current postal monopoly is clearly not providing its customers with the service they want and is failing to contain its costs. We believe the most effective way to change this is for the company to face real competition." Companies involved in recent trials, such as Hays and TNT, are expected to take advantage of the changes to expand into the market for bulk mail deliveries within months. These account for 30 per cent of Consignia's turnover and 40 per cent of all letters sent. Other letter deliveries will be opened up to competition over the next four years. Consignia is expected to fight the regulator's proposals despite its earlier support for gradual liberalisation. "This has taken us aback and goes much faster than we possibly feared," said Consignia. "It will make a difficult financial position even worse and is bound to have an impact on our ability to provide a universal service." The Department of Trade and Industry said: "This is a matter between Consignia and Postcomm. That was the point of an independent regulator."

*From Financial Times, by Dan Roberts, 31 January 2002*

## **The Americas**

### **[Effective Health Care Policy: The President's Compromise Plan for Displaced Workers](#)**

President Bush has reached a solid agreement with Senate "moderates" to provide health care assistance to displaced workers as part of the stimulus package. The compromise proposal establishes a tax credit for workers to purchase affordable health care coverage. This tax credit approach offers displaced workers the practical assistance they need to help them secure health care coverage for themselves and their families. **[Implementing Effective Health Care Assistance for Displaced Workers](#)** - Congress can help displaced workers obtain private health insurance coverage, and make a downpayment on broader health care reform based on patient choice. As part of negotiations for an economic stimulus package, Congress should not overlook the opportunity to implement effective patient-centered health care policy. An effective policy would give displaced workers the assistance they need to get or

maintain private health care coverage during this period of temporary unemployment. Alternative proposals do not offer a simple and desirable solution. Rather, they complicate the delivery of medical services through flawed structures and disjointed programs. Worse, they effectively deny workers and their families choice of the plans and benefits. [How Washington Can Improve Health Care Coverage for Federal Workers and Their Families](#) - Though the structurally sound Federal Employees Health Benefits Program historically has outperformed both private health insurance and Medicare in controlling costs and achieving high rates of member satisfaction, it is nevertheless troubled. Next year, the FEHBP will face a projected premium increase of 13.3 percent. One reason: It serves an aging and increasingly costly pool of workers and retirees. Another, more basic reason: Many of its difficulties are rooted in outdated policies implemented by officials in the federal agency that administers the program, the Office of Personnel Management. These policies are incompatible with the free-market principles of patient choice and competition upon which the program is based. OPM policies have neither reduced health care costs nor attracted more plans and benefit offerings. Today, federal workers and their families are paying higher prices with less real choice. Improving the FEHBP can be the first step for the Administration and Congress to create a new health care system for Americans in which individuals and families, rather than corporate or government officials, make the key decisions. [Providing Health Care Security for Displaced Workers](#) - The dislocation of workers and families affected by the September 11 terrorist attacks highlights the flaws that exist within the current employment-based system of health care coverage in which employees do not own or control their benefits, cannot carry them from job to job, and cannot maintain coverage during periods of unemployment. America's health care system needs to be reformed to ensure that workers and their families have direct control and true portability in their health insurance benefits. Although it will take time to enact the reforms needed to address all of the problems in the current system, Congress can take some immediate action. The solution does not lie in enrolling additional families in Medicaid, which has established a dismal record of service and efficiency. Congress can begin effective reform today by improving flexible spending accounts and providing refundable health care tax credits to displaced workers to help them maintain or purchase solid, private health care insurance.

*From [Heritage Foundation](#), 4 January 2002*

## **Argentina's President Announces Plans for Dialogue on Nation's Fiscal Woes**

Buenos Aires, Argentina - Plans for a national dialogue on Argentina's financial woes were announced Monday by President Eduardo Duhalde, who has been struggling to ease a hated banking freeze and win the support of foreign lenders for his efforts. "We will work together without flagging and with renewed hope," said Duhalde on a national television late Monday. The dialogue will bring together political, business, labor and church leaders to confront joblessness, government spending, corruption and other key issues, he said. "I wish to be one more worker in the dialogue," said Duhalde, adding that talks are a must in order to confront the debacle that put Argentina on "the brink of anarchy and violence." An International Monetary Fund delegation arrived in Buenos Aires on Monday, working with Argentine leaders to gather information about the country's finances and offer technical assistance on efforts to rebuild the economy. The IMF withheld \$1.2 billion in badly needed aid last month as the Argentine economy careened out of control, saying the government wasn't doing enough to rein in spending. The agency had lent Argentina more than \$40 billion. IMF officials have said they would consider fresh bailout funds only if the government developed a "sustainable" economic program. Analysts say the IMF wants Argentina to drastically cut spending, develop a more austere 2002 budget and suspend its dual currency exchange rate. Locked in four years of recession, Argentina is trying to recover from financial collapse after devaluing the peso, releasing it from an 11-year peg at one-to-one with the U.S. dollar, and defaulting on its foreign debt. The government has set an official rate of 1.4 pesos to the dollar, but it applies mainly to foreign trade. For ordinary Argentines, the peso on the open market free floats and is now hovering at 1.7 to the dollar. The IMF, analysts say, wants Argentina to free float the peso on all markets. Deputy Economy Minister Jorge Todesca said Monday he thought the government could work out a deal "within a month" with the IMF for up to \$15 billion in a new financial aid package. There has been no comment from the IMF. The banking crisis began on Dec. 1, when then President Fernando de la Rúa partially froze accounts after panicked depositors yanked \$2 billion from banks in a single day. The freeze contributed to riots and looting that drove de la Rúa from office later that month. Argentine banks have operated on a limited basis since Dec. 21, when de la Rúa resigned. Last Thursday, Duhalde's government announced measures that put a tighter grip on the financial system, freezing more than a third of Argentina's \$67 billion in bank deposits. Todesca said the government was looking for ways to relax the banking freeze that has enraged Argentines by closing off access to their savings. The restrictions limit cash withdrawals to 300 pesos a week. "It's a complicated and delicate situation," he said, likening Argentina's situation to the Great Depression in the United States during the 1930s. "We can only (lift) it gradually." As the government worked with the IMF officials, the

Buenos Aires stock exchange remained closed for a sixth straight day due to the government freeze on banking and finance. A spokesman said it was unclear when the stock exchange might reopen. In the northernmost Argentine province of Jujuy, hundreds of demonstrators blockaded highways to demand the government fulfill pledges of assistance to the unemployed, while in central Cordoba, more than 2,000 people banged pots and pans to oppose the banking restrictions. Also Monday, hundreds of state workers marched to the Labor Ministry in Buenos Aires, demanding back pay and Christmas bonuses. "I could only afford a few Christmas gifts for kids," said Anna Maria Rodriguez, a 42-year-old worker. "This government owes me money!"

From [Nando Times](#), by Kevin Gray, 15 January 2002

## SEC Seeks Accounting Reform

Chairman Harvey Pitt says restoring public confidence is goal No. 1 - New York - Securities & Exchange Commission Chairman Harvey Pitt called Thursday for reform of the way accounting firms are monitored and regulated in the United States in an effort to restore public confidence in the profession in the wake of scandals involving Enron Corp. and other companies. "This commission cannot and will not tolerate a pattern of growing restatements, audit failures, corporate failures and massive investor losses," Pitt said in a news conference. "Somehow we have got to put a stop to the vicious cycle that has now been in evidence for far too many years." Pitt proposed the creation of a new body, composed mostly of representatives from the public sector, to oversee and discipline accounting firms, and he called for a reform of the triennial peer review process, which has been criticized "with some merit," Pitt said. His suggestions were prompted mostly by the recent collapse of energy trader Enron and the revelations of accounting irregularities that led to it. Its auditor, Arthur Andersen, has come under intense scrutiny for failing to discover or disclose problems with Enron's books that hid massive debt and helped the company avoid paying taxes. Enron's shares lost almost all their value as the disclosures came to light, the company filed for bankruptcy and investor confidence in the accuracy of companies' financial disclosures was shaken. "I place restoring the public's confidence in the auditing profession to be immediate goal number one," Pitt said. [Click here for more on the Enron collapse](#). Pitt said he and others in the SEC were still trying to work out the details of the new oversight group, which would have the power to compel testimony and the production of documents, and were investigating the circumstances of Enron's collapse. Despite Pitt's proposals, Sen. Jon Corzine, D - New Jersey, told CNNfn's [The Money Gang](#) that the SEC should be policing the accounting firms. ([WAV 597KB](#)) ([AIFF 597KB](#)). Pitt did say he thought the SEC should have oversight of the new body's decisions and actions. Of particular interest to the SEC may be the actions of Andersen, which admitted to intentionally destroying Enron documents - excepting the important "work papers" associated with an audit - and recently [fired](#) the partner heading up its work on Enron. Andersen's actions were only the latest in a series of [stumbles](#) by accounting firms. Andersen was recently fined \$7 million by the SEC, the largest penalty ever, for irregularities connected with its work on Waste Management Inc. Other venerable firms like PricewaterhouseCoopers and Ernst & Young have also had their share of trouble.

From [CNNfn](#), 17 January 2002

#### Moi Hires UK Team to Fight Corruption

[The Nation](#) (Nairobi) - The new anti-corruption advice team appointed yesterday will cost Kenyan taxpayers millions of shillings for their two-month stay. It is made up of a leading firm of consultants from London, backed by a former top police officer, a criminal law expert and a senior diplomat. The team has an international reputation for being among the best in the business - and will attract premium fees. It is understood that each of the five team members could expect a fee of between Sh50,000 and Sh200,000 a day, making total minimum and maximum payments of Sh250,000 and Sh1 million a day. A two-month stay could cost therefore anything from Sh15 million to Sh60 million. It was not clear who would foot the bill for their consultancy work. The team, which has helped to set up graft-busting groups in Hong Kong and Botswana, flew into Kenya on Sunday and has already paid a courtesy call on the Kenya Anti-Corruption Police Unit boss, Mr. Swaleh Slim, at Integrity House in Nairobi. Its experts include Mr. Graham Stockwell, a former commander of the London Metropolitan Police and Criminal Investigations Department, Mr. Stephen Kramer, a senior UK lawyer and Sir Humphrey Maud, a former Commonwealth deputy secretary general in charge of economic and social affairs. The team, formally appointed by President Moi yesterday, will be managed by the London firm Risk Advisory Group and Corporate Risk Services. It is also expected to have other "most accomplished" members drawn from policing, criminology, corruption prevention, intelligence, accountancy and the prosecution of economic crimes. Mr. Stockwell played a crucial role in the formation and direction of both Hong Kong's Independent Commission Against Corruption and Botswana's Directorate Against Economic Crime. "These are the two models of excellence in the world that my Government and I have studied," President Moi said. The President announced on November 16, 2001 that he would appoint a team of internationally-respected experts to combat corruption, saying the team he had in mind was credible and promising to name members shortly. In yesterday's statement, he said: "The action that I and my Government have taken is a statement of our total commitment to address head-on corruption and the resultant ills that befall us." He said the team will advise on what is required to create a nationally and internationally credible machinery which will combat corruption and promote integrity in the public sector. His promised announcement did not meet with everyone's approval. It is not advice that Kenya lacks but the political commitment to fight corruption, said Webuye MP Musikari Kombo. He dismissed the move as "vintage Moi", adding, "All he wants to do is to hoodwink the donors to unlock their purse strings. If the Government was serious and committed to eradicating corruption, all it needs to do is implement the programmes set out by the previous commissions." As to the cost of the team, Mr. Kombo, chairman of the Parliamentary Anti-Corruption Committee that released the infamous List of Shame, of people accused of corruption, said all the members needed to do was to study the reports and recommendations of the previous committee and then give their blessings. A spokesman at the British High Commission, Mr. Mark Norton, said the appointment was a Kenyan initiative and was not funded by the British. He was not aware that the team was already in the country but said it was supposed to visit the High Commission tomorrow. The director of the NGO Transparency International (TI), Mr. John Githongo, said although the new team was made up of experts, Kenya already had the best expertise in anti-corruption. He said a lobby group, the Kenya Anti-Corruption Coalition formed in October and of which TI is a member had discussed the matter with the Attorney General on November 26.

*From [AllAfrica.com](#), 15 January 2002*

#### Setback for South Korean Anti-Corruption Drive

Attempts by president Kim Dae-jung to clean-up South Korea's lingering corruption problem suffered an embarrassing setback on Monday when the man earmarked to head an anti-corruption watchdog was himself linked to a scandal. Kim Sung-nam, who was favourite to head the newly-created Presidential Commission on Anti-Corruption, asked not to be considered for the post after it emerged that he had ties to a businessman involved in a high-profile murder case. The fresh controversy is the latest in a string of scandals that have mired Kim Dae-jung's administration in sleaze and undermined the public's faith in his government and South Korean politics. A survey last month found that South Korean university students had less respect for lawmakers and government officials than any other group of people,

raising fears of political apathy ahead of next December's presidential election. "Some members of [Kim Dae-jung's] administration were found to be corrupt and although they should be treated as individual cases it has given the impression that the whole administration is corrupt," said You Jong-keun, a candidate for the ruling Millennium Democratic Party's presidential nomination. Kim Dae-jung has not been implicated in any of the scandals, although one of his sons has. But the incidents punctured hopes that Mr. Kim, a widely respected pro-democracy campaigner during the years of military dictatorship in South Korea, would rid the country of corruption. Kim Sung-nam was to spearhead Kim Dae-jung's anti-corruption drive as the president attempts to salvage his flagging domestic reputation in his final year in office. But the appointment was scuppered by reports that Kim Sung-nam acted as lawyer for a company embroiled in the so-called "Susie Kim spy case", one of South Korea's most notorious scandals. Yoon Tae-shik, head of the company that Kim Sung-nam acted for, was charged last year with the mysterious murder of his wife Susie Kim, in Hong Kong, 14 years ago. South Korea's intelligence service is accused of covering-up the murder by creating a story that Mrs Kim was a North Korean spy who tried to kidnap her husband. The fantasy was designed to raise public fear about the threat posed by communist North Korea. Other, less exotic, scandals have included allegations of stock market manipulation, illegal loans and misuse of public funds. Defenders of the government claimed that many of the cases have been little more than muck-racking by opposition parties. If that is the case, warned analysts, more scandals can be expected as political rivalry intensifies before the election. Shady dealing is less common today in South Korea than it was in the years before democracy, when incestuous links between government, banks and big businesses bred corruption. Two former presidents, Roh Tae-woo and Chun Doo-hwan, were imprisoned for fraud. But there was widespread alarm last week when a survey found that 91 per cent of secondary school students thought Korean society was corrupt and nearly a third said they would resort to bribery if it solved a problem.

*From [Financial Times](#), by Andrew Ward, 8 January 2002*

## **Corrupt Korea**

Some 90% of Korean youth consider Korea to be a "corrupt country," and a considerable number of them wouldn't mind jumping on the bandwagon if given the chance according to a shocking survey by Transparency International's Korean branch. Of the middle and high school students that participated, 64% have even psychoanalyzed their reasons, and say they might engage in such illegal activity "because when you break the law you are not punished," showing a particularly shocking level of thinking. Some 41% say they don't feel they need to obey the law when no one's looking, and 33% say that even if they were to witness corrupt activity, they would pretend they'd never known as long as the activity didn't harm them directly. As many as 28% even said that if giving a bribe were the means to an otherwise unobtainable position, they would gladly use a bribe. Four out of ten individuals who are part of the generation that is about to take lead of the country will either actively join in the chain of corruption or have the latent potential to do so. Korea has established something of a name for itself in the international community for its corruption, and every year continues to rank in the middle of Transparency International's survey of nations around the globe. Granted, Korea may not have pretty ratings, but this latest information shows how our society's moral and ethical base is on the verge of complete collapse when teenagers, who should know not yet of what the world is really like, already think their country is as spoiled as can be. It becomes a warning light for the country's future; instead of looking at the corrupt land before them with a fiery, youthful sense of justice, close to half of them are thinking "why should I be excluded from giving and taking of bribes?" Our society has come to be dominated by an extreme form of money-worship. It got to its worst in the midst of the financial crisis, when dozens of trillionaires, who do no work at all, were born overnight at the same time as people were losing their jobs. When this happened, people in the government agencies and institutions, who are the backbone of the country, joined in this food chain of corruption. The traditional values that have long sustained us, things such as morals, faith, propriety, friendship, respect, filial piety and loyalty are all in a state of collapse. There will be no way to stop the corruption and depravity without revolutionary change. There has to be a clear goal for the nation, just methods of achieving them, and homes and schools must begin teaching proper values and ethics from the earliest age possible. As theoretical and abstract as this may sound, it is exactly the work that must be done.

*From [Digital Chosun](#), January 4, 2002*

## **Bangladesh Corruption Targeted**

The watchdog says corruption is endemic in the country- The international anti-corruption watchdog Transparency International has called for an independent commission to investigate high-level corruption in Bangladesh. The Berlin-based group says corruption is endemic in Bangladesh but the country's Anti-Corruption Bureau has limited powers. It

says the bureau is directly controlled by the prime minister's office and needs clearance to open inquiries against politicians and other senior officials. The anti-corruption watchdog says legal complexities also prolong investigation and settlement of the cases. Transparency International rates Bangladesh as the world's most corrupt country. Political interference - A former director general of the Anti-Corruption Bureau, Badi-ud-Zaman, said there was not a single instance where the bureau had filed a corruption case against any politician or minister of the governing party. Mr. Zaman said corruption charges were brought against politicians only when they were out of power. Transparency International says constant political interference and lack of political support and goodwill are the reasons for the bureau's weak performance. The Chairman of Transparency International's Bangladesh chapter, Khan Sarwar Murshid, said they were hopeful that the government would consider their recommendation to set up an independent commission. Some analysts say the country's main political parties support the idea but the government seems to be reluctant.

*From BBC, by Moazzem Hossain, 30 December 2001*

## **New Measures in ICC's Fight for Corruption**

The ICC is to appoint an anti-corruption co-ordinator and five security managers, who will be appointed on a regional basis, as part of the battle against match-fixing. The world governing body last year commissioned a report by the director of their Anti-Corruption Unit, Lord Condon, after several Test players were banned for their links to illegal bookmakers. "Whilst this position is not required by the Condon Report, we believe it is an important one to provide focus and momentum for our ongoing fight against corruption," Malcolm Speed, the ICC chief executive, said. "Both the anti-corruption co-ordinator and the security managers will play vital roles in making sure cricket is clean in future." The Pakistan Cricket Board has moved the home series against West Indies, which was due to start on January 25, to Sharjah in the United Arab Emirates because of fears over the escalation of border tensions with India. New dates have not been fixed for the tour, which will include two Test matches and three one-day internationals. Pakistan have not played since the terrorist attacks on September 11 but return to the field today against Bangladesh in Dhaka in the first match of their two-Test series. Glamorgan have confirmed John Derrick's appointment as their new coach for next season. The 39-year-old played for the county and Wales and had two spells in charge of the club in 1996 and 1998. Alec Swann, 25, the Northamptonshire batsman, has joined Lancashire. England's total of 71 for eight off their 23 overs in a match shortened by storms proved to be insufficient as India coasted to a nine-wicket victory in the second women's one-day international in Hyderabad yesterday. England Under-19 suffered a five-wicket defeat to the Australian Cricket Board Under-19 side in Adelaide yesterday in their second warm-up match for the ICC Under-19 World Cup, which starts in New Zealand this month.

*From [The Times](#), 9 January 2002*

## **President Kim Declares War Against Corruption - Urges US, NK to Resume Dialogue**

President Kim Dae-jung yesterday declared war against corruption in officialdom, saying that he would devote the final year in his five-year tenure to eradicating it once and for all. In a New Year press conference at Chong Wa Dae, President Kim said, "I will completely and unsparingly clean up corruption in officialdom throughout this year with the same determination as when I first took office, and there will be no step backward." He apologized to the nation for government officials' corruption three times in his five-minute prepared speech at the start of the press conference. For this purpose, Kim said a special investigative unit would be launched to independently look into corruption cases. Kim's declaration of war against corruption came hours after top prosecutor Shin Seung-nam offered to tender his resignation following the court issuance of arrest warrants for his younger brother on charges of taking bribes from a venture upstart in exchange for shielding it from investigations. The President said that he would accept Shin's resignation. Shin was the latest casualty to fall in connection with the so-called three "venture-related scandals" that have left dozens of officials and politicians including two of Kim's former senior advisors behind bars or facing allegations of influencing peddling, raising serious doubts about the Kim administration's ethical standards. Regarding his "sunshine" policy of inter-Korean reconciliation and cooperation, for which he won the Nobel Peace Prize in 2000, Kim urged both the U.S. and North Korea to get back to the negotiating table, noting that progress in South-North ties are contingent on Washington and Pyongyang improving their relationship. "I believe that the U.S. may need to allow the North to save face," he said, adding that detailed plans will be discussed during U.S. President George W. Bush's visit to Seoul on Feb. 19-21. "It is high time that the North responded to repeated U.S. proposals for dialogue." Kim reiterated his stance that U.S. forces are needed in Korea, rebutting the North's demands for their withdrawal. Asked about North Korean leader Kim Jong-il's promised visit to Seoul in exchange for his landmark trip to Pyongyang in June 2000, Kim

said, "On document, Kim said he would but I can't say it for sure. We have to wait and see." The North Korean leader's visit is one of five agreements made in the two Koreas' joint declaration during Kim's visit to Pyongyang, although it doesn't specify the date. With regard to the Korea-Japan World Cup finals, scheduled to start in late May for a one-month run, Kim cited it as one of three priorities on his docket of state affairs. The other two were enhancing national competitiveness and inter-Korean detente. "I think that it is entirely up to Japan to decide whether Emperor Akihito will attend the World Cup opening ceremony on May 31 in Seoul or not," he said, in reference to speculation that Akihito's trip to Seoul will contribute to the two neighbors' on-again, off-again efforts to put their colonial history behind them. Kim made clear that he had no intention to deviate from Seoul's demand that Tokyo correct its understanding of history and revise middle school history textbooks that allegedly whitewash wartime misdeeds by Japanese colonialists against Korean and Chinese people. He said Korea's opening up of its cultural sector to Japan would resume only after Japan adequately addresses the textbook issue and senior Japanese officials' visits to the Yasukuni Shrine, where convicted war criminals are enshrined. The Chief Executive said he would not give up his party affiliation with the ruling Millennium Democratic Party (MDP). "I renounced my party presidency in order to devote myself to state affairs, which I have done," he said. "But I have no plans to disaffiliate myself from the party, on whose ticket I was elected as head of state." However, Kim said he was willing to meet the heads of the opposition parties anytime in order to get out of the current political stalemate through dialogue. Regarding the economy, Kim said he expected the world economy to bottom out in the first half before starting a rebound from the second half, one of main beneficiaries of which would be the country's export-oriented economy. He expected the economy to grow 4 to 5 percent this year with inflation and jobless rates being contained at 3 percent.

*From [Korea Times](#), by Oh Young-jin, 14 January 2002*

## Corruption Scandal Rocks Indonesian Politics



Tanjung is accused of siphoning off state money - The New Year in Indonesia has begun with a major corruption scandal which could have repercussions for many members of the political elite. Last week the attorney-general announced that the Speaker of Parliament, Akbar Tanjung, had been declared a suspect in a multi-million dollar case dating back to the last election in 1999. Mr. Tanjung is accused of siphoning off state funds for his own party's election campaign. He has denied the allegations. But the case could broaden to include many of the other major political parties. The announcement by the attorney general was a sensational one - even

by Indonesian standards where corruption has become the norm rather than the exception. Akbar Tanjung, Speaker of Parliament and leader of the former ruling Golkar party, is accused of taking \$4m of state funds - money, it is alleged, which the president at that time, BJ Habibie, had said should be used to purchase food for the poor. "The evidence of Akbar Tanjung's involvement is very strong," Mulyoharjo, the attorney general's spokesman, said. "Based on statements from witnesses, the money from the National Logistics Agency, BULOG, was transferred by people Mr. Tanjung appointed. "In fact he didn't have the authority to do so. And he says the money went to the Islamic charity, Raudlatul Jannah, but investigations show that it didn't make it to the people who needed it," he said. "Most of the money was not transferred to the right place." Election money - Mulyoharjo said they are still trying to determine exactly how they believe the money was used. It is alleged that it was taken by Golkar to help it contest the country's first democratic election held in 1999. But according to the attorney general's office, the person who actually cashed the cheques used a fake identity card and has not been found. When Akbar Tanjung was first questioned at the attorney general's office last October, he was besieged by journalists, to whom he protested his innocence.

"President Habibie had ordered that the \$4m from the National Logistics Agency be used for a humanitarian programme in the form of gifts of food for the poor," he said. Mr Tanjung insists the money was handed over to the Islamic charity for this purpose and that he cannot be held responsible for how the charity actually used it. But it took him a week to remember the name of the organisation when first asked about it. Party pressure - While the investigation continues, Mr. Tanjung is coming under increasing pressure, not least from some members of his own party. They want him to step down as parliamentary speaker and Golkar leader. But for the time being he has the support of senior party officials, such as Theo Sambuaga. "Even though he is a suspect, he is still the general chairman of Golkar and we will support his effort to prove that he is not guilty," Mr. Sambuaga said.



But there is no doubt this is a critical moment for the Golkar party which, under former president Suharto, ruled the country for almost 30 years and is still the second largest in parliament - a point admitted by Mr. Sambuaga when discussing the impact of the scandal. "[This is] very damaging because Akbar is the chairman of Golkar. It would make our image very poor among the people," he said. "During this last couple of months, the public opinion has been developed to accuse not only Akbar but Golkar itself - and not only to accuse but to... decide we are guilty. "That's why we ask for fairness and justice during the legal process, not have it politicised." Golkar woes - There is even speculation that Golkar could disintegrate as a result of this scandal as the different factions within the party now come to the fore. But it is not just Golkar which could find itself in trouble over this issue, according to the leading political commentator Yusef Winandi. "As you might have heard around, in the rumour mill at least of Jakarta, everybody has got some money from Habibie then," Mr. Winandi said. "So therefore, everybody is saying 'who is daring to throw the first stone?'. "So the scandal can open a Pandora's box where they could be also accountable in the future." The question then is whether the authorities will pursue this case vigorously over the coming months or if, as in the past, the ruling elite will close ranks to protect itself.



The attorney general named Tanjung as a suspect

From [BBC](#), by the BBC's Richard Galpin, 14 January 2002

## Afghan Leader Vows to Fight Corruption

Washington - Giving his first address in the United States since becoming Afghanistan's interim leader, Hamid Karzai promised on Sunday that he would prevent corruption so that international aid would not be squandered. Karzai said he took personal responsibility for ensuring that the \$4.5 billion in aid promised from countries around the world would be properly spent on rebuilding Afghanistan after years of war, Taliban rule and the devastation of the U.S.-led bombing campaign. "We have to promise that we will not cheat our own people. If there is cheating, corruption, I will stop it," Karzai said in a speech at Georgetown University. Karzai's three-day visit, which began Sunday, was a powerful symbol of how much has changed since Sept. 11. An Afghan leader had not visited Washington in 39 years. Karzai also appealed to Afghan Americans, who made up most of his audience Sunday night, to return to help rebuild their native land. "From difficult times, we are walking toward positive times, hopeful times, good times," he said. "We are going toward development, toward better times. The people want that now." Assuring Afghan Americans that they and their investments would be safe, he urged them: "Whatever passport you have, come back. Come back to Afghanistan." Karzai started his visit with prayers earlier Sunday at a mosque in Annandale, Va. He was scheduled to meet with President Bush at the White House today and will be Bush's guest Tuesday when the president delivers his first State of the Union address to a joint session of Congress. When Bush last spoke to Congress, on Sept. 20, it was to rally the nation for war against the terrorists who attacked the United States and the ruling Taliban regime that harbored them in Afghanistan. When the Taliban was routed, an international conference named Karzai, 44, as an interim leader to begin rebuilding a nation long torn by war. Symbolic Move - In another symbolic move, Karzai also plans to preside today over a flag-raising at the site of Afghanistan's Embassy in Washington. Abandoned during the Taliban's iron-fisted rule, the embassy will be reopened after extensive repairs and renovation. Karzai is scheduled to visit both locations attacked by terrorists, the Pentagon and the site in Lower Manhattan where the World Trade Center towers once stood. While thankful for the toppling of the Taliban as well as a U.S. pledge of \$296 million in aid, Karzai was expected to press for expansion of the 2,500-member British-led peacekeeping force, including the addition of

American forces. "This is the determination of the Afghan people," Karzai said in an interview with Afghan television before leaving for the United States. U.S. officials have declined to commit troops to the peacekeeping effort, noting that they are still waging an expensive war on terrorism in Afghanistan and around the world. A Warning - Karzai also was likely to use the visit to warn Bush that the Taliban might be regrouping in Pakistan. "They are there. Their intentions are known," Afghan Foreign Minister Abdullah Abdullah said in an interview Saturday. "Pakistan should do something to get on them." Karzai became a leader of the Popolzai tribe of Afghan Pashtuns in 1999 after his father, a former speaker of one of the country's houses of parliament, was assassinated in Pakistan by the Taliban. Risking arrest or worse, Karzai led a procession returning his father's body to Afghanistan for an honored burial.

*From [Miami Herald](#), by Steven Thomma, 28 January 2002*

## Europe/CIS

### Turkey's Top General Calls for Strong Measures Against Corruption

Turkey's top general called Tuesday for strong measures to combat corruption, widely seen as a central cause of an economic crisis including massive bankruptcies and layoffs. "We must dig down to the roots of corruption," Gen. Huseyin Kivrikoglu, the chief of Turkey's general staff, told journalists at a ceremony to open a new military research center. "Otherwise, it will be hard for Turkey to stay on its feet." His comments came as Turkey appears to be on the verge of recovery after a yearlong economic crisis which has seen the currency lose around half its dollar value, while at least a million Turks lost their jobs. Many Turks believe that corruption was a key cause of the crisis, especially in the banking system. Politicians are accused of running up massive losses at state banks by funneling loans to key political constituents, while several private banks have collapsed. The government is currently preparing a controversial new law which aims to stabilize the banking system by injecting capital into larger private banks. Critics say the move will effectively mean taxpayers are paying for the bank's misdoings. Asked about the planned measure, Kivrikoglu said the army had no opinion but wanted "whatever is best for Turkey." Turkey's army has a strong influence over many areas of domestic politics, but seldom enters disputes over economic policy.

*From [CNN](#), 8 January 2002*

### New Bottom Line on Lords Reform



Labour's reformed Lords would be largely appointed. The new bottom line for House of Lords reform is that half of peers must be elected, says a leading democracy campaigner. In an interview with BBC News Online, Chris Pietroni-Lawrence, acting director of campaign group Charter88, argues there has been a real shift in the debate during the last week. With the Conservatives now pushing for an 80% elected second chamber, the government last week said it would rethink its plans, which only proposed elections for a fifth of peers. Despite that change, Mr. Lawrence-Pietroni

says Labour MPs must keep up the pressure on the government and maintain the momentum. "I do not think the government can proceed with proposals based on its white paper but quite clearly there is not support for that in Parliament or on the Labour back benches," he says. "I think the minimum the government could get through is 50% elected. I think that is the new bottom line." Long grass risks - The campaign chief says it is now "absolutely vital" Labour MPs continue to argue their case in the wake of last week's climbdown by the government, which had stressed its plans were up for consultation. "I think the danger now is not so much that we will get the white paper plans but that we won't get anything at all." Mr. Lawrence-Pietroni believes the intellectual argument for a more democratic second chamber has been won.

He is still mindful of the words of Robin Cook, Leader of the Commons, who has called for a "period of reflection". The chief of Charter88, which is currently holding nationwide public meetings on the issue, acknowledges there is a danger of reform being kicked into the long grass. But he sees the reform agenda as a key chance for Labour to display democratic credentials. Pointing particularly to devolution, Mr. Lawrence-Pietroni argues the government has made real progress on constitutional reform. "What they have never done is made a real case for that and tried to engage people," he continues. "They now have an opportunity to demonstrate that they are genuinely interested in democracy, in engaging people, and that they are not control freaks." Outflanking manoeuvre - Some reform campaigners fear that the Conservative plans, seen by some as an attempt to outflank the government, could have in fact make it harder for those pushing for a 100% elected peers. Mr. Lawrence-Pietroni disagrees: "The Labour MPs who have been arguing the cause for reform genuinely believe it." "I do not think the Conservatives coming late to this is actually going to push them off course." He accepts that 50% would be a "significant change" from the government's original plans, but Charter88 continues to push for a House of Lords entirely elected through proportional representation. Under the group's plans, which have yet to be unveiled in full, the House of Lords would have the same powers to delay legislation that it holds now.



Lawrence-Pietroni wants a bold gesture from the government

No ministers would be able to sit in the Lords, introducing the beginning of separation of the powers for the UK. And experts could be co-opted onto committees to help with specific inquiries, following the group's belief that appointing peers is by no means the best way to get knowledge and experience into the Lords. Lord Wakeham, the Mr. Fixit who headed the Royal Commission on Lords reform has argued there is simply not the calibre of candidates on offer to have a chamber of all-elected, full time peers. The Tory peer argues that the reformed chamber would instead be filled with "fourth eleven" standard politicians - the first three elevens plumping for places in the Commons, regional and national parliaments and the European Parliament respectively. This is just too pessimistic a view for Mr. Lawrence-Pietroni. "There are people out there that do have a level of expertise, who value public service and can bring that to bear in the second chamber," he counters. It is hardly surprising if there is gloom about the prospects of democratic involvement when only 60% of voters bothered to turn out at the general election. Winning the PR battle - The campaign director agrees that this is a key issue for democracy campaigners and argues part of the solution is introducing proportional representation (PR) - one of highlights of Charter88's policy wish list. As well as giving people faith that their votes count, PR can help break the "ossified nature" of Parliament dominated by white middle-class men, he says. "I think there is still a large battle to be won and the real barrier to PR is from Labour MPs." Low turnouts hit safe Labour seats particularly and Mr. Lawrence-Pietroni argues that growing recognition among those Labour MPs that their legitimacy was being "fundamentally undermined" could benefit the PR campaigners. Central to boosting turnout, however, is the need to recognise that the public need to be involved in the decisions affecting their lives between elections, he suggests. By its very efforts to encourage the public to debate constitutional issues with politicians, Charter88 is seeking to do its bit to open up those opportunities.



Lord Wakeham argued only the 4th XI would sit in a fully elected chamber

From [BBC](#), by Ollie Stone-Lee, 23 January 2002

## Wealth Spawns Corruption - Physicists are Explaining How Politics Can Create the Super-Rich



The late leader of the Philippines, Ferdinand Marcos: an example of wealth condensation?

© AP

Solvent socialist economies could be more at risk from corruption than liberal ones, according to a team of physicists, mathematicians and economists. Some political systems, say the researchers, contain the seeds of 'wealth condensation'<sup>1</sup>. This is the process whereby a sizeable fraction of a society's total assets end up in the hands of one super-rich individual. The super-rich can arise only when average individual wealth exceeds a certain value. Such is the unhappy conclusion of a mathematical model developed by Zdzislaw Burda of Jagiellonian University in Krakow, Poland, and colleagues. Ironically, the new model suggests that wealth condensation poses the greatest danger to economies that impose constraints on the accumulation of great wealth - broadly speaking, socialist economies. Liberal economies that maintain free and unrestricted trade are less susceptible. Economic values - Politicians argue incessantly about what distinguishes a socialist economy from a liberal one. Burda's team used a simple criterion on the basis of an observation by the nineteenth-century engineer and sociologist Vilfredo Pareto. Pareto claimed that in just about every society, the probability of having a certain wealth follows the same mathematical relationship for the best-off members of society. If you plot a graph of per-capita wealth against the number of individuals who are worth each amount, the curve is always the same - it has a mathematical form called a power law. Specifically, the number of people with some value of wealth  $w$  is proportional to  $1/w^E$ . Pareto claimed that  $E$  is generally has a value of between 2 and 3. The bigger this value, the greater the extent to which extreme wealth is suppressed - and the more socialist the economy. Burda's group define liberal economies as those in which  $E$  is less than 2, and social economies as those in which  $E$  is greater than 2. Frozen

assets - In 2000, two French physicists constructed an economic model which explained how Pareto's law could arise<sup>2</sup>. The model used some ideas that were developed to describe the behaviour of long-chain polymer molecules. It showed that money becomes frozen in only a few pockets when trading is restricted and returns on transactions are highly variable. But Burda's team argue that this model does not allow for the fact that the total wealth of a society is generally either fixed or limited by those of the other societies with which it trades. Taking this into account changes the way in which liberal and social economies behave in the French physicists' model. For a social economy, there is a threshold average wealth above which Pareto's law collapses and one person can garner a significant proportion of the total wealth. Burda's team calls this a "physical mechanism for corruption". Below the threshold, money distribution follows the power law. For a liberal economy, on the other hand, this threshold is infinite. So corruption, theoretically speaking, does not occur. A society does not need to be rolling in cash before gross inequality sets in. But in an abjectly poor society there is simply not enough money around to sustain a growing fortune for any corrupt individual. Champions of unrestricted free-market trade, meanwhile, might bear in mind that this is the very condition that generates an unequal Pareto distribution in the first place. It places most of the wealth in the hands of a lucky few

*From Nature, by PHILIP BALL, 28 January 2002*

### The Americas

## Argentina Begins Year Without Leader Economy and Government in Danger as Country Awaits its Fifth President in 2 Weeks

Buenos Aires - Without a president, a Cabinet or a functioning government, Argentina drifted rudderless yesterday, as people waited for the Peronist party to resolve its bitter internal differences over who should run the country and for how long. The surprise resignation late Sunday night of the interim head of state, Adolfo Rodriguez Saa, means that by today Argentina is likely to have its fifth leader in less than two weeks. But with bank accounts frozen, a moratorium imposed on payment of the foreign debt and political leaders clearly at a loss for what to do, the possibility of an economic collapse loomed as an even larger concern. Nervous depositors lined up outside banks yesterday in hopes of withdrawing their money. Fearful of new violence, police units equipped with tear gas, truncheons and guns were stationed in front of the unoccupied presidential palace and Congress building. Argentina's descent into institutional

confusion began with food riots and political protests earlier this month that led to the resignation of Fernando de la Rúa midway through his four-year presidential term. This weekend, protesters banging pots and pans took to the streets again to complain of the continued austerity and corruption that they said Rodríguez Saa had imposed on the country, forcing him to turn to unsympathetic leaders of his own party for support. The resignation of both Rodríguez Saa and the next in line under the constitution, the president of the Senate, Ramon Puerta, left power nominally in the hands of Eduardo Camano, the majority leader of the lower house of Congress. But Camano said yesterday that he did not consider himself president and that the only official action he would take would be to call a special session of Congress today to choose a new leader, as required by law and the constitution. 'It's not enough to choose a president,' Camano warned in a television interview. 'Argentina is insolvent,' he added, and whoever takes office 'has to have a serious program of government' to rescue the country from chaos. Within the dominant Peronist party, two conflicting positions on how to proceed seem to have emerged. One faction recommends designating another caretaker president and going ahead with a presidential election on March 3, as established by the Congress when it named Rodríguez Saa as Argentina's interim president eight days ago. But another, apparently larger group, argues that the country simply cannot afford the distraction of a two-month campaign to elect a new president, who in any case would be likely to take office with a very weak mandate. They want the special session of Congress to designate immediately a president who would serve out the remainder of de la Rúa's four-year term and form a coalition with opposition parties. Throughout the day, the name most often mentioned to assume such a role was that of Eduardo Duhalde, a veteran Peronist leader. Currently a senator, Duhalde, 60, has also served twice as governor of Buenos Aires province, as vice president under Carlos Menem and was also the Peronist candidate in the 1999 election won by de la Rúa. Economists affiliated with the Peronists and de la Rúa's Radical Party were reported to be meeting as part of the attempt to build a government of national unity. Their objective is to try to agree on a budget, find a way to avoid a crippling devaluation of the peso and create a system that would permit withdrawals from bank accounts without causing a collapse of the financial system.

From [San Francisco Chronicle](#), by [Larry Rohter](#), [New York Times](#), 1 January 2002

## Leadership Vacuum in an Economic Black Hole

This crisis is "economic, political, social, moral, and cultural," stammered Elsa, the wife of a philandering husband, in a recent broadcast of the highly rated TV serial drama "The Soda Man." Staring straight into the cameras, Elsa, played by actress Rita Cortese, was expressing her bitter frustration at the ruses devised by her husband, Hipólito, to cover up an unending series of love affairs carried out right under her nose. Many viewers no doubt sensed a double message in Elsa's angry reproach and might well have replaced the image of her husband with that of the nation's rulers. Wherever one goes here, one hears Argentines expressing similar frustrations about the ruses of politicians. Thousands have taken to the streets, beating pots and pans and demanding justice, an end to corruption, and the right to freely dispose of savings locked up in the banks. These demonstrations and a rash of



Unemployed youth protest the state of Argentina's economy in Buenos Aires, Jan. 15, 2002 (Photo: AFP).

Rodríguez Saa barely a week later, and now have Interim President Eduardo Duhalde scrambling for rapid solutions. He faces seemingly unsurmountable problems. Argentina is unable to pay its US\$140 billion in foreign debt. Twenty percent of the population is unemployed. Unable to withdraw money from the banks, which claim to have only 15 percent of the cash needed to return the deposits, almost half of the population now lives in temporary poverty. Already disgruntled by the apparent disappearance of their savings, Argentines, who have sworn in five presidents in less than a month, are now ruminating over the bloody police crackdown on protesters. The broken window panes of numerous downtown banks still wear the scars of the most recent protests. The city's very walls bear witnesses to the recent turmoil: "My pots are not bulletproof," scribbled one protester, alluding to the response of police wearing bulletproof vests. "...In that metallic sound," wrote Sandra Russo in the Jan. 6 issue of *Página 12*, "Is the sound that breaks the silence of [the middle] class... after having believed in good manners and the value of work and study. It is a sound that has come to cover up the grief of mourners." The pot-banging rebellion is not supported by any visible political organization. It rather reflects the cross-cutting crisis to which Elsa referred in "The Soda Man," and demands changes

which the country's political and business leaders find difficult to accept, and which international organizations find difficult to impose. It has given Argentines a measure of their own potential power. "This new awareness is a way of putting limits on our rulers," says Fátima Salinas, one of many neighborhood pan bangers, "But we must be careful not to let opportunists and agitators take advantage of the people's authentic grievances." A less cautious voice indignantly echoed a frequently heard view: "The real looters are not those who ripped off the supermarkets, but those in power." Talk shows are filled with callers from all sectors of society who unanimously lambast the traditional political establishment. "What they [the politicians that make up the government] don't realize is that we have the real power," said Raúl, who described himself as an ex-Peronist. But this "real" power is nameless, amorphous, still without any visible structure except the determination to prevent abuse of citizens. This anonymous, anarchic opponent concerns the government more than any possible coalition of political parties. For the pot bangers do not allow protesters to carry banners or pamphlets advertising a political party: the protesters have been careful not to turn the protests into political rallies. "Today it's the pot and pan bangers and tomorrow who knows," Lito Borello, who runs a soup kitchen for children in the poor Buenos Aires neighborhood of La Boca and who actively participated in the protests. "The majority of the protesters have never been involved in politics, but we are all involved in a process." Now President Eduardo Duhalde, the fifth in the chain of caretaker presidents named by Congress to finish Dela Rúa's term, has inaugurated 2002 with a promise to change what he described as the decade long alliance with finance for one with production. To bring about that change he decided to devalue the peso and to avoid popular ire by converting dollar debts into pesos. Most private and corporate debts are in dollars. Almost two thirds of fixed term deposits are also in dollars. Since the banks say they have barely 15 percent of the deposits left, the government has proposed freezing fixed-term accounts until as late as 2005. The proposal has not gone over well with Argentines, who have lost confidence in the banking system. Nor has it gone over well with many economists, who worry that keeping this much money out of the economy will make it even more difficult for it to recover. The Jan. 9 edition of Buenos Aires' left-wing *Clarín* estimated the amount of money currently locked in Argentine banks at more than US\$64.5 billion. Individuals and businesses alike have placed their savings in fixed term accounts to take advantage of high interest rates. Even before the government announced it would devalue the peso by 40 percent in the first week in January, many retailers raised their prices sharply, despite pleas from the government not to do so. Conservative politicians and the International Monetary Fund consider any attempts to control prices to be "populist" measures, but price increases are a matter of life and death for many for many Argentines and raise the specter of further unrest. Equis, an international consulting firm, has estimated that a 10-percent rise in the cost of living in Argentina will increase poverty from its present level of 44.2 percent of the population to 49.1 percent; a 20-percent increase would put 54.1 percent below the poverty line. The lack of a solid industrial base in the country—a consequence of mismanaged privatization under the 10-year administration of Carlos Menem in the 1990s—now obliges the country to import drugs and other key industrial products at increased rates. Adding fuel to the fire, former President Menem—one of the chief proponents of dollarizing Argentina's economy—has charged Duhalde, Buenos Aires Province Governor Carlos Ruckauf (who is now Foreign Minister), and former President Raúl Alfonsín with a sort of conspiracy to use the disturbances to take power. This has opened a wound in the already-divided ruling Peronist party, because Menem is clearly siding with the privatized state companies currently lobbying against the government's attempt to remove utility rates from their peg against the dollar. Most of the utility companies are in Spanish hands, as are many of the country's private banks. On Jan. 14, Buenos Aires' Channel 13 TV news charged that Menem is apparently not having any trouble with the banking restraints, since he is paying US\$1000 nightly for his seaside hotel room in Mexico. "Who do they [the Spaniards] think they are?" a teacher asked. "First they conquered America and now they're trying to squeeze as much as they can out of us." Argentines are devising new forms of protest every day. Many are boycotting Spanish firms. Others are leaving their telephones off the hook to make life difficult for the phone company. Others are threatening to organize pan-beating protests in front of the stores of merchants that have raised their prices. "Last night, as always, I was in Plaza de Mayo [Buenos Aires' central square, where many of the protests have taken place]," says theater director Javier Margulis. "It is stimulating to see that we are many and that we are willing to struggle against injustice." He mentioned the possibility of extending the protests abroad, pounding pots and pans at the doors of Argentine embassies around the world, demanding the banks return creditors' savings, and that politicians perform physical labor as community service to "compensate for the abuse to which they have subjected us all these years." Although the U.S. government has repeatedly attempted to calm fears of an economic or political "contagion" spreading from Argentina to neighboring countries, the IMF's traditional remedies appear difficult or impossible to impose for the time being. The "carnal" relations which Menem established with the United States have been replaced by what Foreign Minister Carlos Ruckauf has described as "polygamous" ties with the United States, Brazil, and Mercosur. For the moment, Washington appears hesitant to comment on the crisis at length, and has only expressed its hope for a sustainable economic policy in Argentina. Many Argentines are excitedly talking about the precedent they have set, raising the

question of a political contagion spreading beyond Argentina's borders. The protesters have no leaders. They are not organized according to conventional political structures. Their membership transcends distinctions of social class. The movement propagates itself rapidly from house to house by phone or by e-mail. "Now everyone is involved," murmured one housewife, "So I don't foresee the possibility of a return to the repressive tactics of [Argentine military dictator Jorge Rafael] Videla."

*From World Press Reviewm, by Alfred Seymour Hopkins, 18 January 2002*

## Civil Service & Ethics in Public Sector

### Africa

#### New Zambia Leader Picks Cabinet - President Mwanawasa Orders Clean Government for Country



Reuters file

Lusaka, Zambia - Zambian President Levy Mwanawasa named a 20-member Cabinet on Monday with a warning that he would tolerate no graft in his new government.

Zambian President Levy Mwanawasa

From [MSNBC](#), 8 January 2002

#### Business Warns of Large Civil Service

Johannesburg - Big business, on the eve of significant civil service restructuring talks between the government and 12 public sector unions today, has warned of looming chaos if the government fails to trim the bloated civil service. "Further dragging of heels on the issue of restructuring in public service will definitely send a negative message about government's commitment to efficient service delivery," said Carol O'Brien, spokesperson for the South African Chamber of Business. She said discussions on a restructured public service had dragged on for too long. Lack of understanding between both parties and protracted conflicts would soon create instability in the public service and lack of confidence in government, she said. "Now is the time for the government to take a final decision on restructuring. By doing that it will ensure it has discharged its responsibility to govern and not allowed itself to be cowed any longer by the trade unions," she said. Edwin Molahlehi, chairperson of the Public Service Co-ordinating Bargaining Council, was confident that the parties would strike a deal on the format of transformation, and on negative consequences, such as retrenchment - DDC

From [Daily Dispatch](#), 14 January 2002

### Asia/Pacific

#### Corruption Claim Grips Indonesian Politics

Jakarta, Indonesia (CNN) - Indonesia is bracing itself for yet another political crisis after the Attorney General's office accused House Speaker Akbar Tandjung of involvement in a multi-million dollar scandal. Tandjung, also the chair of Golkar Party - the second biggest party in parliament - has so far ignored calls to quit his post, saying he is innocent until found guilty by a court. On Monday, Attorney General M.A. Rachman announced that his office had raised Tandjung's status from witness to suspect in the 40 billion rupiah (\$4 million) scandal involving misused funds from the State Logistics Agency (Bulog). A total of 54.6 billion rupiah (\$5.46 million) has been allegedly misappropriated from the agency in 1999, during the tenure of President B.J. Habibie. Tandjung, who was the state secretary at that time, had admitted that he received 40 billion rupiah, but has denied any wrongdoing. He said he merely acted under the orders of Habibie and the money had been channeled through a charity foundation to supply food to the poor. He also claimed he only witnessed the checks being handed by Bulog officials to the foundation executives and he himself never received the money. However, the foundation chairman refuted this, saying he handed the checks personally to Tandjung. Media reports - Reports in the Indonesian media claim Tandjung had channeled the funds to Golkar Party, who ruled the country for over 30 years, and used it to finance the 1999 election campaign. The Attorney General

decided to name Tanjung as a suspect in the scandal after President Megawati Sukarnoputri gave the green light to investigate him. Commentators, though, are concerned the allegations will create political repercussions. "It can become a political crisis if this case goes on until August, when the MPR [the supreme legislative body] convenes for its annual session," political analyst Kusnanto Anggoro said. Angorro also added that Indonesia's political dynamics could become more fluid, affecting the fragile coalition of the political parties and may also threaten to split the Golkar Party further. There is no party who holds a single majority in the Parliament, therefore, party coalitions are important. As if to calm the worries about the political stability, Tanjung told reporters: "We [Golkar] will keep supporting Megawati's government." Buloggate - This is not the first scandal involving funds from Bulog, traditionally the cash cow for Indonesian government officials. People still clearly remember the political turmoil following the so-called Buloggate, in which Megawati's predecessor, Abdurrahman Wahid was allegedly involved in the theft of some \$4 million from Bulog by his personal masseur, who claimed he was acting on Wahid's behalf. Wahid claims innocence, and the legal apparatus has yet to investigate him as a suspect. Nevertheless, parliament declared him guilty and for months, there was a stand-off between him and the legislative body, which ended when the MPR sacked him in July. Ironically, Tanjung was one of the main political figures behind efforts to oust Wahid.

*From [CNN Europe](#), by Yenni Kwok, 8 January 2002*

### **Officials May Face Fraud Charges**

Two Government Lottery Office officials are facing possible fraud charges for their alleged involvement in the rigging of last year's June 1 lottery draw. A Crime Suppression Division (CSD) source yesterday said the division had suggested the National Counter Corruption Commission take action against lottery officials Uthane Jensakhoo and Thammanoon Pichakorn. The officials were named in a 3,410-page CSD report given to the anti-graft agency yesterday along with three videotapes of the June 1 draw. It has been alleged the draw's first prize result was rigged. Mr. Uthane was in charge of the June 1 draw while Mr. Thammanoon supervised the storing and maintenance of equipment used in lottery draws. The CSD source said the men were accused of public fraud and support of fraudulent acts. A number of people have already been arrested and charged with public fraud in connection with the alleged rigging of the draw. The source said CSD investigators suspected other draws had also been rigged but could not find hard evidence against the people involved.

*From [Bangkok Post](#), by Wassayos Ngarmkham, 8 January 2002*

### **Public servants' Salaries up 6.7 Percent: Officials**

Salaries for civil servants will increase by 6.7 percent on average starting this month, the Civil Service Commission announced yesterday. The wage hike plan was approved by the cabinet last year and went into effect Tuesday, according to the commission. There had been complaints that wages for government officials were too low compared with those of private company employees. In 2000, public servants were paid only 88.4 percent of what other employees received. But the latest hike increased the rate to 96.8 percent, the commission said. Commission officials said civil servants could get an additional 1-percent wage hike, which means their salaries could increase by up to 7.7 percent. In addition, an extra bonus for government employees who work with dangerous materials, such as radioactive substances and poisonous gas, will increase between 5,000 won and 10,000 won. Public servants will also receive between 2,000 won and 5,000 won more each day during official business trips within the country. Under the new payment guidelines, the president will be paid 133.33 million won (\$100,000) each year; the prime minister 103.51 million won; minister-level officials 72.82 million won; and vice ministerial officials 65.43 million won. They, of course, have other allowances.

*From [Korea Herald](#), by Kim Ji-ho ([jihoho@koreaherald.co.kr](mailto:jihoho@koreaherald.co.kr)), 3 January 2002*

### **Cabinet Divided Over Downsizing Plan**

**Proposed Bill:** The Cabinet's Research, Development and Evaluation Commission is proposing a plan to downsize the Cabinet's current 36 departments to just 25 - While the Executive Yuan is set to downsize, members of various departments voiced differing views over the plan. To realize President Chen Shui-bian's campaign promise to build a "small but efficient" government, the Cabinet's Research, Development and Evaluation Commission has proposed a plan to downsize the Cabinet's current 36 departments down to 25. The proposed draft will go to the Government Reform Committee, a consultative body to the president, before proceeding to the Executive Yuan and the Legislative Yuan for final approval. The commission has planned to send the draft to the legislature in April and hoped to see the

legislature pass it in its third reading in July. Under the draft, the Council for Cultural Affairs would integrate with the Council of Sports and become the Ministry of Culture and Sports. The Ministry of Finance would integrate with the Directorate General of Budget Accounting and Statistics and become the Ministry of Financial Affairs. The Central Election Commission would combine with the Ministry of the Interior and the minister would head the commission at the same time. The National Police Administration, National Fire Administration, and Coast Guard Administration would split from the MOI and become the Public Safety Administration. The Overseas Chinese Affairs Commission would integrate with the Ministry of Foreign Affairs and the minister would head the commission. The Council for Economic Planning and Development would combine with the Research, Development and Evaluation Commission and be renamed the National Development Commission. In addition, the Government Information Office (GIO) would be downsized to a Spokesperson's Office. In a bid to calm the staff's emotions, GIO Director-General Su Tzen-ping has issued an e-mail to all staffs, requesting them to support the government project. "I support the reform of governmental structure and hope to see it materialized as soon as possible," Su said in the letter. "I hope that all of you welcome the project as wholeheartedly as I do because it helps improve government efficiency." A GIO staff, who spoke on condition of anonymity, however, said that he was unhappy with the way the Research, Development and Evaluation Commission has handled the matter. "They had totally ignored our opinions before hammering out the proposal," he said. "What's the use of attending those meetings and voicing our concerns." Hsu Chen-ron, secretary-general of the Overseas Chinese Affairs Commission, said that he is not worried about the downsizing project. "As a public servant, I totally respect the government's project and I believe that we'll be well taken care of," he said. Lin Chia-cheng's, director of the Research, Development and Evaluation Commission, said that he expects complaints filed by departments concerned. "If the project was that easy, it wouldn't have been dragging for over a decade," he said. Lin added that the commission is happy to listen to various opinions and willing to communicate with those who have doubts about the plan. Lin will start paying personal visits to various departments concerned today in a bid to answer questions and listen to various opinions first-hand.

*From [Taipei Times Online](#), by Ko Shu-ling, 9 January 2002*

## **Upholding Morality in Public Life**

The issue of morality in public life has become a subject of constant discussion in our media and social life. This is because of the pervasive presence of corruption in every aspect of our life, which is holding back our progress. Corruption is anti-national, anti-economic development and anti-poor. How corruption could be anti-economic development was highlighted by a study conducted by the PHD Chamber of Commerce and Industry. It says, investment would increase by 2.9 per cent of the GDP and GDP growth by 1.3 per cent if corruption index improves by one standard deviation or around 15 per cent. The implication is that India is losing at least Rs. 63,800 crore worth of additional investment per annum, roughly three times the foreign direct investment (FDI) we are attracting now and Rs. 28,600 crore of consequent national income per annum. The report further adds that corruption in post- Independence India is attributed to an over-regulated environment in which the state played a pre-dominant role in economic decision-making, providing powerful incentives to bureaucrats and those in power to indulge in corruption. The economic liberalization and the associated opening up of the Indian economy has significantly reduced structural rigidities in the system. The harm caused to the poor by corruption will be obvious from the fact that 36 per cent of the food-grains and 31 per cent of the sugar meant for the public distribution system disappears in the black market. There have been several media stories of corruption rendering implementation of the pro-poor or pro-tribal programmes totally meaningless if not counter-productive. The 1993 Bombay blasts resulted in the death of 300 innocent people. The RDX, which was used in this blast, was smuggled by bribing certain customs officials with Rs. 20 lakh. Why Corruption? Corruption flourishes because generally our moral standards are low. How do we uphold morality in public life? Morality in public life ultimately is the result of three factors. The first is the individual's sense of values. This is what we derive from our parents, religion and our teachers. We therefore find that there are many honest people in departments, which are notoriously corrupt. Many a time, while the senior official may be corrupt, the junior is honest. This is the result of the individual's sense of values. The second is the state of prevailing social values. Apparently there is greater tolerance of corruption today because there is a feeling that corruption has become a way of life. Alex De Toquville, the French thinker of the 19th century, said that if the inevitable was perceived to be no more inevitable, then it became tolerable. Today, corruption is perceived as inevitable in every walk of life and therefore it is tolerated. But if the public could be educated about the truth that there could be greater morality in public life, then the same corruption, which has been tolerated, may become intolerable, leading to a better India. The Central Vigilance Commission (CVC) has recently come up with a Citizens' Guide to Fighting Corruption. This indicates what the patriotic citizens can do to fight corruption. The basic requirement for any citizen who wants to fight corruption is that he should

himself be honest. It is therefore necessary that a citizen who wants to fight corruption must first decide that he/she will uphold his/her own moral character and will not either give a bribe or take a bribe. Rajaji, one of the eminent leaders of India, highlighted that ultimately it is the national character that decides the nation's progress. He said- "National character is the keystone of national affairs. It locks the bricks together like the keystone in the arch. If the keystone is not there, the arch goes to pieces and tumbles down. It is the improvement of individual character that goes to make the uplift of national character, which in turn becomes the keystone in the arch of national prosperity. Combating Corruption - Corruption can be fought by the citizen as an individual or in groups in the form of an NGO. Just as an individual first has to maintain his/her own integrity before he/she takes on the challenge of fighting corruption, NGOs, which are formed to fight corruption, have to first ensure that they themselves are clean and do not indulge in corrupt practices. It has been noticed that there are many NGOs, which are indulging in corrupt practices. If such NGOs also take up the issue of fighting corruption, they are not likely to be successful. The second step is spreading awareness about the harmful effects of corruption. There is extensive corruption in our system because there is a vicious cycle starting with political corruption leading to bureaucratic corruption, business corruption and criminalization of politics. Even though citizens may be suffering from corruption, the results of elections where corrupt candidates are elected again and again raises the question whether the removal of corruption or improving probity in public life is considered relevant by the people at large. The first problem, which any citizen who wants to fight corruption will face, is what action to take when a bribe is demanded of him/her or when he/she comes across an act of bribery. So far as the Government of India organizations are concerned, the Central Vigilance Commission has given directives that there should be a board displayed in every office indicating that bribe should not be paid and if any complaint of bribe is made, they can contact the Chief Vigilance Officers. So far as the state governments are concerned, there are anti-corruption bureaus, Lok Ayuktas and Vigilance Commissioners. These agencies may also be contacted. Another agency of the Government of India is the Central Bureau of Investigation (CBI). Any demand or acceptance of illicit gratification could be promptly reported to the concerned authority – CBI in case of Central Government officials and State anti-Corruption Bureaus in case of State Government officials either verbally or in writing in the form of a complaint with a request to take legal action against the said public servants for laying a trap to apprehend him red handed while demanding and accepting the bribe amount. The amount of bribe demanded has also to be arranged or provided by the complainant, as the enforcement agencies providing the same has been adversely commented upon by the courts. This amount is returned to the complainant after the trial is over. Subsequently, after the trap is over, the complainant is required to give evidence in court during the trial to prove the genuineness of the complaints and the part played by him in the case. This much effort by members of the public can enable CBI/State Anti Corruption Bureaus to lay a trap and apprehend public servants demanding and accepting illegal gratification. Members of the public can also report about the activities of public servants who are found to be living beyond their means as such public servants would have acquired assets which are disproportionate to their known source of income. However, while providing information in this regard, specific details of properties held by the public servant, either in his own name or in the name of his dependent family members would have to be furnished. These would be addresses of the houses/flats, numbers of the vehicles, bank accounts, details of shares/LIC policies/NSCs/FDRs/Securities and other household assets viz. costly furniture TV sets, computers, fridge and other electronic items. In addition, specific details of number of children, schools where they are studying, house rent paid, family background, and ancestral properties should also be provided as far as possible to enable quick verification of the information. The identity of the complainant can be kept secret if desired, as the agency can treat the information as source information and proceed further with it. Corruption flourishes in our country because there are people in power who benefit from the present system. Unfortunately those who benefit from the power are also those who have to initiate the change to check corruption. Under these circumstances, citizens and their organizations (NGO) can get the change initiated only by adopting certain elements of strategy. Activism - Judicial activism has been responsible for bringing about some of the much-needed changes. The role played by the judiciary, for example, in ensuring the reduction of environmental pollution in Delhi is a case in point. The empowering of the CVC as a more effective agency to fight corruption, in particular to ensure the autonomy of the CBI and Enforcement Directorate, is another example of the role of the judiciary. The Public Interest Litigation (PIL) is a route that can be used to approach the courts and thereby make the administration change policies or initiate action to check corruption. Agencies specially designed for fighting corruption like the CVC, Vigilance Commissions and Lok Ayuktas may also be approached by citizens so that they in turn can take action not only in individual cases of corruption but also to bring systemic changes so far as their jurisdiction is concerned. In a democracy, the political leaders have to respect public opinion. Shaping of public opinion is, therefore, very essential. In shaping public opinion the electronic and print media can be effectively used. For the media to be used, what is needed is access to information. Therefore freedom of information or access to information becomes important. The imaginative way of packaging the message adopted, for example, by the CVO, can be very useful in

this context. NGOs many a time can play an active and direct role in taking up individual cases for fighting corruption or bringing about system changes. Fighting corruption is the national duty of every patriotic Indian. If five crore corrupt elements are ruining the country the remaining 95 crore who are the victims of corruption or are silent witnesses to the pervasive corruption scene are failing in their duty. This guide has been drafted with a view to placing ready information in the hands of every patriotic Indian who would like to take some action to check corruption in our country and make India realize its full potential as a nation. If we want India to become an economic and military super power and create an India in which every citizen will be able to enjoy his/her rights and a better quality of life, fighting corruption is the most important need. It is the responsibility of every Indian citizen to respond to this need and see what can be done at the individual and group levels to fight corruption. After all, as the Taitreya Upanishad says, "let us come together, let us enjoy together, let our strengths come together, let there be the brightness of knowledge, let there be no poison of misunderstanding or hatred." That is the way we can fight corruption and ensure a bright future for India. It is hoped that with the greater public concern on the issue of morality in public life, there will be greater awareness about corruption and the need for morality in public life. Once this awareness spreads, the lack of public morality, which is considered inevitable, today and therefore tolerated, will become intolerable and India can become an example of a vigorous democracy, which is also an economic superpower with a clean public life.

*From [indiaexpress.com](http://indiaexpress.com), by N. Vittal, 9 January 2002*

### **Trust in Beijing Hits All-Time High in SAR**

The Central Government has received an image boost after recording its highest percentage of trust from Hong Kong people since 1998, according to a Hong Kong University poll. Trust in the SAR Government has also increased. An academic said the rise in confidence was helped by Beijing winning the right to host the 2008 Olympic Games and entering the World Trade Organisation, and, in the SAR, the government's review of public bodies and the civil service boosted its status. The telephone poll, by the university interviewed 1,074 citizens, aged 18 or over, between December 17 and December 19 last year. Of those polled, 52 per cent expressed confidence in the Beijing government, up from the 44 per cent who expressed faith in it in a poll conducted between October 26 and October 27. This was the highest rating since the university began its surveys in February 1998. Confidence in the SAR Government increased from 40 to 44 per cent. It scored 37 per cent in August. Li Pang-kwong, associate professor of the politics and sociology department at the Lingnan University, said the successive "good news" from the Central Government had strengthened trust. "Victories on the WTO and the 2008 Olympic Games, for instance, have reinforced China's connection with the world and alleviated tension. "On the other hand, the trimming of the civil service, pay reviews on public bodies, chances for local businessmen to invest in the mainland, and election campaigning by Chief Executive Tung Chee-hwa have also aroused public support," Li said. The popularity ratings should remain stable if both governments fulfil the public's expectations, he added. Meanwhile, the rating on confidence in Hong Kong's future has risen from 49 to 52 per cent. Confidence in the future of the mainland remained stable, at 83 per cent. Confidence in "One Country, Two Systems", however, slipped from 62 to 59 per cent.

*From [HKIMail](http://HKIMail), by Eli Lau, 10 January 2002*

### **Kim Names Professor Head of Anti-Corruption Panel**

President Kim De-jung designated Prof. Kang Chul-kyu of the University of Seoul as chairman of the soon-to-be-established presidential anti-corruption panel, Cheong Wa Dae announced yesterday. Kang, 57, will officially assume his post as head of the Presidential Commission on Anti-corruption when the organization starts work Friday, presidential officials said. Kang's appointment follows the resignation of Kim Sung-nam, former chairman-designate of the commission. He resigned earlier this month in connection with his alleged involvement in a corruption scandal. Kim Sung-nam, an attorney, had worked as an attorney for Pass21, a security program development firm run by Yoon Tae-shik, the businessman at the center of the scandal. Kim also possessed shares in the company. Kim's resignation dealt another blow to President Kim, whose popularity was already declining due to a slew of corruption scandals. "Kang has integrity, and is reform-minded, upright and well-rounded. He is expected to lead the commission smoothly," said presidential spokesman Oh Hong-keun. Hailing from Gongju, South Chungcheong Province, Kang graduated from Seoul National University and worked at the Bank of Korea and various economic think tanks. He also served as a senior member of the Citizens' Coalition for Economic Justice, a leading civic group.

President Kim named Chae Il-byung, head of the Appeals Commission of the Ministry of Government Administration and Home Affairs, as secretary general and standing member of the anti-corruption commission. Presidential secretary for political affairs Lee Sang-hwan was also appointed a standing member of the commission. (shinyb@koreaherald.co.kr)

From [Korea Herald](#), 23 January 2002

## Civil Servants Paid Again - Afghan Workers Get First Wages in Months

Kabul — Afghanistan's civil servants were paid for the first time in six months yesterday — a \$12 million payout that will virtually wipe out money earmarked for a United Nations start-up fund. As Afghan officials turned to the work of rebuilding their country, interim Prime Minister Hamid Karzai urged the quick arrival of \$7.2 billion in assistance that was pledged over the next several years at a conference of nearly 60 donor nations in Tokyo. "We are happy with the results of the conference," Karzai said. In a nod to concerns that the money would not reach Afghanistan's poor, Karzai pledged to be "a samurai against corruption." Last Thursday's theft of warehoused humanitarian supplies in Afghanistan underlined concerns about accountability and security. The incident was the second time in three days that armed men had pilfered aid supplies. Not all were upbeat, however. The money promised was less than half the \$16 billion over five years that U.N. Secretary-General Kofi Annan had hoped for. European Union representative Klaus-Peter Klaiber said that the money pledged was a "rather miserable amount," compared to Afghanistan's needs. Abdul Qadeer Fitrat, acting governor of Afghanistan's central bank, said the pledges were "not enough to reconstruct Afghanistan." But in Kabul, for civil servants owed months of back pay, the billions pledged in Tokyo were less a cause for rejoicing than yesterday's wage payments, which were less than \$45 each. "I am very, very happy," said finance ministry employee Abdel Jami, clutching a thick stack of afghanis, the Afghan currency — his pay for the second half of December and the first half of January. The government has no money to pay back salaries yet, officials said. Some Afghan employees have not been paid in eight months, well before the Taliban government fell. After the two-day Tokyo conference on rebuilding Afghanistan that drew representatives from almost 60 countries, including Canada, Karzai said he couldn't wait to tell the Afghani people "the good news." International Development Minister Susan Whelan said Ottawa pledged \$100 million to be delivered this year through the Canadian International Development Agency. The money, to be used for humanitarian and general reconstruction efforts, is on top of \$16.5 million in Canadian aid already sent since Sept. 11, Whelan said. The immediate funding priorities include paying the new administration's bills, providing education — especially for girls, ensuring health services and rebuilding the country's battle-scarred infrastructure. The U.N. Development Program estimates that \$24 billion will be needed over the next 10 years to rebuild Afghanistan's infrastructure. The largest aid pledges were the European Union's \$800 million for this year, Iran's \$800 million over five years, Japan's \$800 million over 2 1/2 years, the United States' \$476 million for this year and Saudi Arabia's \$354 million over three years. Some aid organizations worried that commitment would fade after Afghanistan gradually drops from the headlines.

From [Toronto Star Online](#), by Jim Heintz, 23 January 2002



## A Matter of Ethics

A United Nations initiative has helped form the basis for an ethical approach to business, underlining the economic advantages of "business with a human face." The initiative, called Global Compact, was presented by Secretary-General Kofi Annan during the 1999 World Economic Forum in Davos. It is aimed at guaranteeing ethical business practices worldwide. It is intended to provide an incentive to make companies operating in the Polish market enter into the kind of social dialogue indispensable for introducing moral codes in business. The purpose of Global Compact is to encourage companies to respect human rights, ensure proper work standards and protect the natural environment. Ethical behavior in business is not a new trend in management. Unfortunately, transformations in the Polish economy have not seen the business sector develop an adequate ethical side. The larger role of the private sector has brought not only increased opportunities for economic development but also growing consumer consciousness. Customers, employees, human rights associations, the media, and consumer rights organizations are all demanding that companies need to do more. The reason for introducing ethics programs is that if someone has a choice of two equally efficient companies, they will pick the one which does business in the most honest and appropriate manner. Such a company will gain a leading position in the market. Non-ethical behavior such as corruption or swindling is ultimately far more harmful than competition from other companies. Such behavior is like a cancer capable of destroying the

company from within. Effective ethics programs benefit a company because they create a positive image, minimize cases of theft, corruption and fraud and reduce conflicts of interest, as well as increasing the trust between employees, contracting parties and clients. Within the framework of Global Compact, the Ethics of Business in Action conference took place in Warsaw earlier this month. The meeting was organized by the Center of Business Ethics of the Institute of Philosophy and Sociology of the Polish Academy of Sciences (PAN) and the Leon Koźmiński School of Business and Management, in cooperation with the Office of the UN Permanent Coordinator in Poland. The goal of the conference was to launch a public debate over the social responsibility of business. Conference participants agreed that it was wrong to assume that in a period of economic downturn companies could not afford to bring ethics into their business. Just the opposite is true. The introduction of social responsibility to management practices may significantly help the Polish economy maintain international standards and consequently enable Polish companies to remain in the global market. Participants appealed to representatives of the business world to play an active part in the necessary change in the Polish economy toward ethics and responsibility in management, as maintained by Global Compact.

Michał Jeziorski

*From [Warsaw Voice](#), 3 January 2002*

### **The Search for Corruption**

When Commission Chairman Leland Maddox took office in January 2001, he promised voters to clean house and expose any governmental corruption. But numerous attempts came up short, particularly an investigation into home inspections that lasted almost the entire year. Maddox claimed he was approached by dozens of homeowners who said their houses were falling apart because they weren't properly inspected by the Henry County Building Department. An investigation into building department files turned up paperwork that appeared to show some inspections were dismissed on orders given by developer and former Commission Chairman Jim Joyner. An investigation was conducted by the district attorney's office in April, and again by a grand jury in October, and no criminal wrongdoing was found. "We found that the paperwork wasn't completed as they went along," said District Attorney Tommy Floyd. "Whether that's a good practice or not is not in our jurisdiction. We were just trying to determine whether a crime was committed." Joyner had harsh words for Maddox when the grand jury report was released. "This is just another example of Leland Maddox crying wolf behind every tree, and it just comes right back to his opinion that anyone other than himself or his cronies are crooks," Joyner said. But Maddox held his own, with a loyal group of supporters-turned political activists. Maddox said he simply wanted to help the homeowners who approached him with their concerns. "There's one thing for sure: If one of those houses burns down or if someone has health problems because their house was not properly inspected, I feel like Leland Maddox has done his duty," he said. "I'm glad I brought it out in the open." The grand jury report revealed no criminal wrongdoing but cited problems within county government and the building department. The grand jury recommended "personnel changes in the building department ... rules requiring a strict adherence to the county's building code, improved procedures concerning requests for particular inspections ...". Since the investigation, county officials have worked with the building department to create efficiency, and the department's computer system has been updated to provide a better way of keeping track of inspection paperwork. Butch Oliver, the department's former director, resigned in June for reasons unrelated to the investigations, and the department is now overseen by Doug Gilbert and Mike Abraham.

*From [The Daily Herald](#), by April Towery, 1 January 2002*

### **Blair Backs Civil Service Pay Rise**

The government wants top civil servants to be able to double their pay to earn a maximum of £180,000 a year, it was announced yesterday. Tony Blair is to accept the recommendations of the independent Senior Salaries Review Body calling for a simplification of pay rates and new performance pay rates for the 3,300 most senior civil servants from April. The new deal will guarantee a pay rise of nearly £6,000 a year for the lowest paid senior civil servant taking the minimum rate from just over £44,000 to £50,000 a year. But pay differentials are to rise dramatically between high and poor performers. High performers getting their first senior job in Whitehall could expect a pay rise of nearly £20,000 within four years. Poor performers could remain on a £50,000 salary or just receive cost of living increases. Medium performers can expect a £19,500 pay rise over 10 years. Outstanding performers could expect their salaries to go up to £78,000 or even £105,000 if they do exceptional work. Those at the very top could see their salaries varying between £85,000 and £180,000. In a Commons written reply, Mr. Blair said: "The aims of the new pay system are to enable the civil service to compete more effectively to recruit and retain top managers, and to reward sustained performance and the delivery of results." Final decisions on the actual levels of pay for top civil servants, whose

salaries account for 2% of the total civil service pay bill, will be taken in February and March. The majority will transfer to the new pay system on their existing salary at no additional cost to the taxpayer. Senior civil servants include doctors, lawyers and scientists as well as managers and policy advisers and currently earn an average of £67,000. · A private member's bill to allow unmarried couples to claim most of the legal rights that go with marriage was launched yesterday by the Liberal Democrat peer Lord Lester QC and the gay rights group Stonewall.

*From [Guardian Unlimited Society](#), by David Hencke, 11 January 2002*

## Labour to Fail on Public Service Targets

[SRA announces major drive to boost ailing rail industry- Ministers are judged and cursed by targets](#) - Tony Blair's plans to launch a fightback over public services could be undermined by the Government's failure to meet several of its key performance targets. Some of Labour's most important goals, set in 1998, are due to be achieved by this year but alarm bells are ringing in Whitehall that some will be missed. They include a pledge to improve the literacy and numeracy standards of 11-year-olds. One government source said yesterday: "That will be a very close run thing." Yesterday, the Prime Minister used a television interview to answer criticism that he had neglected the crisis in the railways by spending his time on foreign trips. He promised that, after tackling education and health, the Government would now turn to transport. But an opinion poll by YouGov found that 64 per cent of respondents believed Mr. Blair should spend more time tackling domestic issues and less time abroad. Six out of 10 people described Mr. Blair as "arrogant" and only three in 10 "modest". The number of government performance targets, running to hundreds, looks certain to be reduced during a Treasury-led review that will produce a new three-year programme of public spending this summer. Mr. Blair believes the targets have a useful role to play in driving through his "modernisation and reform" agenda and giving Whitehall departments an incentive to improve public services. But some ministers argue that the targets are too ambitious and fear that the Government has made a rod for its own back. They want to scrap some pledges not under the Government's direct control, such as those requiring a change in the behaviour of the public. Some cabinet ministers have told Downing Street it would be unfair to judge them against targets they inherited when they took over new briefs after last June's general election and which they played no part in setting. They include Estelle Morris, the Secretary of State for Education and Skills, who has not repeated the promise by her predecessor, David Blunkett, to resign if the literacy and numeracy goals were not achieved. Mr. Blunkett, now Home Secretary, believes he was right to set the English and maths targets to symbolise the "sea change" needed in education. But he is among the ministers calling for the number of targets to be reduced so that they focus on key issues directly under the Government's control. For example, Mr. Blunkett believes, the success of the pledge to cut the number of under-25s misusing drugs will depend on actions by police and other independent agencies as well as people's behaviour. Other ministers are worried that setting ambitious goals only encourages the public to expect big improvements in services. One said: "We cannot give the impression that things will just happen if ministers shout loudly enough about it. We are just deluding ourselves and the public, and that only creates more cynicism about politics." Some ministers claim the system is flawed because it distorts priorities. Last month, the National Audit Office criticised hospital trusts for massaging waiting list figures because of pressure to meet Department of Health targets. One Whitehall source said: "The system has been called into question. It encourages cheating, inflexibility and criticism when targets are not met and it does not help joined-up government across departments." A Blair aide admitted the targets might be streamlined but defended the system. He said: "We need clear benchmarks and milestones for the Government to provide a clear focus and pressure on ministers and civil servants to deliver." Yesterday Mr. Blair suggested that his Government had tackled the problems in education and health and was now moving on to transport. Defending the decision not to address the rail crisis when Labour came to power in 1997, Mr. Blair said the party had to get the economy right first. "Secondly, education was the number one priority and after education came health. Now we have set aside the money ... for railways." Interviewed on the BBC's Breakfast with Frost programme, Mr. Blair made clear he would like to see the Government's five economic tests for joining the euro passed. He denied that British membership was inevitable but said he was ready to make the case for entry. He added: "The idea you can close yourself off from the rest of Europe is pie in the sky, 60 per cent of our trade is with Europe, millions of British jobs depend on it and, if the economic case is a good one, then I believe we should be prepared to make the political case." The Prime Minister defended his trips abroad, saying they took only "a very small proportion" of his time. He said that, since the 11 September terrorist attacks, domestic and foreign policy were more closely interlinked than ever.

*From [Independent](#), by Andrew Grice and Ben Russell, 14 January 2002*

## Britain to Shake Up Health Service

London — Prime Minister Tony Blair's government on Tuesday proposed a shake-up of Britain's dilapidated National Health Service that would allow private groups to take over failing public hospitals. Improving the taxpayer-funded health service, crown jewel of Britain's proud welfare state, was a central part of Blair's mandate when he was re-elected in a Labor Party landslide last year. Mounting public frustration with poor treatment and long waits – even for illnesses like cancer – has made health a pressing political issue. Since the 1940s, the National Health Service has provided free care to all Britons for everything from dental work to major surgery. But today, horror stories of bungled operations and patients left untended in hospital hallways have become a regular feature in British newspapers, and most agree the health service needs a major boost. Health Secretary Alan Milburn outlined the new plan, saying he wants to give more autonomy to successful hospitals and let private managers – nonprofit groups, universities or eventually even companies – take over hospitals that are foundering. "For 50 years, the NHS has been subject to day-to-day running from (London)," he said. "The whole system is top-down. ... What we envisage is a fundamentally different sort of NHS." Milburn said loosening the constraints of centralized bureaucracy would help rejuvenate the health service. "Power will be devolved to locally run services so that they have the freedom to innovate and improve care," he said. The proposals immediately generated controversy. "This isn't thought out," said Liam Fox, the opposition Conservatives' spokesman on health. "It's a panic response ... to try to regain the agenda on the public services." Dr. Beverly Malone, general secretary of the Royal College of Nursing, called the plan "a 'pick and mix' approach ... in which it will be unclear who is in charge and accountable." "This announcement is likely to lead to increased bureaucracy rather than streamlining already complex structures," she added. Health department officials said they were trying to determine whether some elements of Milburn's plan might need approval from Parliament or some other branch of government. Milburn emphasized that independently run hospitals would have to meet national care standards and would be subject to inspections. All funding would continue to come from the government and no private entity would be allowed to make profits running a hospital, he added. For hospitals and primary care groups that have excelled, the new plan would mean greater independence. Selected institutions would be freed from centralized controls of finances and management and be able to form nonprofit entities to run themselves with NHS funding. At poorly performing hospitals, management would be contracted out to private groups, Milburn explained. Milburn insisted the proposals did not amount to privatization, a contentious word in a country still ambivalent about the sell-off of state-run industries begun under former Prime Minister Margaret Thatcher. Blair's Labor government blames the Conservative Party's piecemeal privatization of the rail network for widely publicized train problems now causing headaches for commuters and the prime minister. But many – even within Blair's own party – accuse him of being too ready to involve the corporate sector, and many of his proposals for improving services have included elements of privatization. "I think we have learned nothing from the previous government," said David Hinchliffe, one of many left-leaning Labor legislators who are uncomfortable with private involvement in public services. "We are increasingly following the same policies."

From [Washington Post](#), by Beth Gardiner, 16 January 2002

## Government Looks Carefully at Queer Partnerships

The Leader of the House Lord Williams of Mostyn says the Government will "look very carefully" at the implications of setting up civil partnerships in the UK. Lord Williams told his colleagues that as many as 60 civil servants were working on the issue ahead of a debate in May. "That is going to be essential because all of your lordships who have dealt with these intricacies will know that whatever the principles of the approach may be.... the working out in practice.... those will take a lot of working through," he said. He added: "The Government has a genuinely open mind. I can't give any commitments at this stage ... except that we will approach this properly and seriously and thoroughly." His comments came during a reading of the Relationships Civil Registration Bill. The Bill received an unopposed second reading as is customary in the Lords but stands no chance of becoming law without Government support.

From [queercompany.com](#), by Rebecca Sandles, 28 January 2002

## The Americas

## Cabinet Members Make Re-Employment a Top Priority

U.S. Secretary of Labor Elaine L. Chao was joined by Commerce Secretary Don Evans and Transportation Secretary Norman Y. Mineta at the Workforce Recovery Conference on Thursday, Jan. 10. "We are bringing government,

employers and workers together to get Washington back to work and to turn around our country's economy," Chao said. "We are waging a war against the recession that really is part of our war against terrorism. " "Like all Americans, Washingtonians want paychecks instead of unemployment checks," said Evans. "By matching businesses displaying 'help wanted' signs with people looking for jobs, today's job fair takes an important step in getting Americans back to work." "A safe and secure transportation system is crucial to the vitality of our economy," said Secretary Mineta. "Through the formation of the new Transportation Security Administration, we are restoring the confidence of the American traveling public and creating several thousand new jobs, many of which will be filled by displaced aviation workers." The Workforce Recovery Conference hosted over 200 employers and service providers and put unemployed workers in touch with employers. Employers and service providers are looking to fill over 700 positions. Employment training workshops were also available throughout the day. For more information, see <http://www.dol.gov/21cw/jobfair-audio.htm>

*From [US Newswire](#), 10 January 2001*

## **Los Angeles Mayor Pushes Public Works Department for Improved Service**

Setting the tone for his campaign to fight secession, Mayor James Hahn urged one of the city's largest agencies on Wednesday to step up its efforts to improve services - and let the public know when it succeeds. During a meeting with the Board of Public Works and its top officials, Hahn said it is up to local government to provide the public with good service. "Everywhere I go in this city, I don't have people coming up to me and saying, 'Mr. Hahn, I'm getting more than my fair share of services,'" Hahn said during the City Hall meeting. "All politics is local. And, at the local level, that means it's street-level local." The meeting was the first of several Hahn said he plans to hold with city agencies to encourage them to improve public services as he looks to a potential election in November on whether the San Fernando Valley and Harbor areas will be allowed to break off and create their own cities. Public Works is important because it provides the most basic and essential of services to residents - from sanitation and trash pickup to street repair, tree trimming and street sweeping, Hahn said. "After police and fire, these are the services I get the most questions about," Hahn said. "And, in some cases, people take these services for granted, which means you are doing your job." Hahn cited the work of the Sanitation Bureau in trash collection and recycling, an area in which the city is ahead of state mandates. "We have 58 percent of our trash being recycled and not going into landfills," Hahn said. "We have to let people know about that." And, he said, the agencies had to work to make it easier for the public with the new 3-1-1 telephone system to be started soon. It is designed as an alternative to the 9-1-1 system for callers seeking nonemergency help or information. "The last thing people need after a hard day at work is to be transferred and transferred around to different bureaus," Hahn said. "We have to try to help them and make sure they get the service they deserve." Commission Vice Chairwoman Ellen Stein said it was a message that needs to be driven home to all city agencies. "This is something all of us believe in," Stein said. "But it's something that can't receive enough emphasis." However, Richard Close, chairman of Valley Voters Organized Toward Empowerment, said the mayor's remarks will be effective only if they aren't merely a "public relations ploy." "If he is sincere and the goal is to increase sorely needed services, it will be helpful to him," Close said. "But, it also raises the question of what will happen to services if Valley cityhood is unsuccessful. That's a concern we have to keep in mind." A second part of Hahn's effort will come today when the mayor meets with leaders of the Valley Economic Development Corp. to discuss ways the city can work with local businesses to generate jobs and spur the economy. The meeting will come after one in which he will announce a "Shop L.A. County" program with the mayors of the 87 other cities in the county to promote a program at 19 malls around the county offering discounts to bring in shoppers. Among the malls participating are Sherman Oaks Fashion Square, the Antelope Valley Mall and the Panorama Mall. By Rick Orlov. To see more of the Daily News, or to subscribe to the newspaper, go to <http://www.dailynews.com/> (c) 2002, Daily News, Los Angeles. Distributed by Knight Ridder/Tribune Business News.

*From [Public Works](#), 10 January 2002*

## **B.C. Slashes 'Unsustainable' Public Service**

Victoria - The B.C. government announced plans Thursday to eliminate at least 11,700 jobs in what's believed to be the deepest public sector cuts in Canadian history. Provincial services will be reduced by an average of 25 per cent over the next three years, Premier Gordon Campbell said. Some government departments will be chopped by more than 50 per cent, although the Health and Education budgets have been frozen.

"It is reasonable, it is responsible, it is the right thing to do," Campbell told a news conference. "We had a government that was fundamentally unsustainable." The new Liberal government wants to slash spending by \$1.9 billion so it can have balanced books by 2004. More details are expected in next month's budget. Some of the cuts will take effect immediately. As many as 3,300 positions will be eliminated by March 2003. The government is closing two dozen provincial courthouses, at least eight jails and two of nine coroner's offices. Welfare will be more difficult to get, and benefits will be reduced. Transportation was one of the hardest-hit departments, losing 1,500 jobs – or 53 per cent of its staff. The government plans to look for ways to have private



*Gordon Campbell*

companies help finance, build and operate B.C.'s highways. The Forests Ministry is eliminating 1,400 positions, or roughly 35 per cent of its staff, closing regional offices and selling seed orchards and nurseries. The Water, Land and Air Protection Ministry will no longer handle low-risk environmental spills, and cut funding for some campgrounds and recreational facilities. Health and Education appeared to be spared severe cuts, but their budgets will stay frozen at 2001 levels. Thursday's announcement had been expected for some time, although the exact figure was unknown. Before the move, B.C. had about 38,000 civil servants. British Columbia's cuts are deeper than what other provinces went through in the 1990s, according to union leaders. Alberta Premier Ralph Klein chopped government by 20 per cent across the board, for example, while Ontario Premier Mike Harris cut by 22 per cent. As rumours of deep cuts swirled on the West Coast earlier this week, some workers threatened to walk off the job in a province-wide general strike. But Campbell insisted his financially strapped government has no choice if it wants to get B.C.'s faltering economy back on track. He said people need perspective, and pointed out that there were no walkouts when hundreds of mining and forestry jobs were lost. "It's almost as if people think the only jobs that count are government jobs. I can tell you right now, the ones we're looking at cutting are a small fraction of the total number of jobs in B.C.," the premier said. Union leaders are furious over the "Black Thursday" cuts, arguing the government had no mandate to balance its budget at all costs. Some analysts questioned the wisdom of massive layoffs. Michael Prince, a professor of social policy at the University of Victoria, said B.C. does not have a growing economy that could absorb the blow. Ontario and Alberta, on the other hand, were in a better position to handle similar cuts, he said. Many of the civil servants who are losing their jobs received the news Thursday morning in their offices. Campbell made the announcement at 2 p.m. local time.

*From [cbc.ca](http://cbc.ca), 18 January 2002*

## **Mexico Probes Whether State-Owned Company Gave Money to PRI**

Mexico City - President Vicente Fox might have caught the first big fish of his anti-corruption campaign - although this catch could prove to be a shark that bites back. Auditor General Francisco Barrio this weekend said his office was investigating charges that executives of the state-owned oil company Pemex illegally siphoned off at least \$120 million and channeled it to the oil workers' union in 2000. Mexican media said federal prosecutors are going further, investigating whether the union funneled the money to the failed presidential campaign of the former ruling party. If true, it would be a huge blow to the Institutional Revolutionary Party, or PRI, which lost the presidency to Fox after 71 years in power. The PRI is just trying to revive after a string of electoral defeats since Fox's decisive victory in July 2000. Fox built his campaign on the promise to attack the corruption that he said had infected successive PRI governments and undermined the rule of law. He named Barrio, a former Chihuahua state governor from Fox's National Action Party, to the auditor general's post with instructions to go after corruption. The gravity of the allegations against Pemex officials suggests a new, tougher approach, apparently including a money-laundering probe by organized crime investigators that allegedly has led to orders to place three senior PRI officials under house arrest. PRI leaders fought back, suggesting that new confrontations might loom between the former ruling party and Fox's government. PRI President Dulce Maria Sauri told reporters that Fox apparently was trying to undermine Pemex so that he could move toward privatizing the huge oil company. Pemex was nationalized in 1938 and its status as a state-owned cash cow remains a matter of pride for many Mexicans. Pemex had long been accused of improperly backing the PRI. During the 2000 campaign, a whistle-blowing employee in Tabasco state accused management of pressuring staff to make donations to the party and work for it. Pemex officials angrily denied that accusation. Monday, Fox insisted he did not want to privatize Pemex, but he claimed that the nation's energy industry desperately needs to be modernized if the economy is to grow.

*From [Miami Herald](http://miamiherald.com), by James F. Smith, 23 January 2002*

#### Monitors Blame State

Local election monitors yesterday blamed government for the flaws in the LC3 polls. In a preliminary report released at Hotel Africana, NEMGROUP-Uganda, a consortium of Ugandan civil society groups, said the Government should take political responsibility and apologise for the mess. National coordinator Can. Grace Kaiso said while the Electoral Commission (EC) is culpable, other arms of government, notably the Executive and Parliament, should also take responsibility. "This is because in the overall of elections, the Government controls all key agencies or institutions that are supposed to enable the EC." The group said the results of the elections cannot be said to be free and fair because they were characterised by production of incorrect ballot papers, unclear pictures of the candidates on the ballot papers, poor and incorrect packaging of materials for sub-counties, late and, in some cases, no dispatch of materials to the districts before or on polling day. The monitors urged the EC to halt the updating of the Photographic Voter Identification Project (PVRIS) and to revert to the old voter's register for the LC4 and 5 polls. "The updating of the PVRIS can be continued after the planned national census scheduled for this year." NEMGROUP also called upon the EC to explain the circumstances that led to the flawed management of the elections, particularly the legality of voting beyond the constitutional deadline of January 5. Kaiso said the democratisation process in Uganda has been severely undermined and public confidence in the electoral system greatly eroded by the manner in which the elections were managed. "The LC3 tier as the lowest local government is a critical entry point for service delivery in the decentralisation structure. The shortcomings of the LC3 elections seriously undermine the electoral process and may affect democratic governance, participation in and control of decision making by the people. This may impact on the implementation of government programmes," they observed. NEMGROUP wondered if the LC5 elections would be held efficiently within the stipulated time frame. LC5 polls are expected next month.

From [AllAfrica.com](http://AllAfrica.com), by Okello Jabweli, 8 January 2002

#### NPC to Expand E-Procurement

After proving that it could serve as one of its cost-saving mechanisms, the state-owned National Power Corporation (NPC) is now planning to expand its electronic procurement or bidding (e-bidding) system to cover its other supply and power plant equipments. NPC president Jesus N. Alcorido said the expanded e-bidding system in sourcing its supply would be enforced starting next year, for its fuel requirements and the equipments needed for its power plants and transmission facilities. "We are expanding the electronic bidding system that we have initially introduced for our coal procurement early this year because we have proven that this is efficient and saves us some costs this is aside from the fact, that it shortens the whole process of procurement," the NPC chief executive stressed. The power firm piloted the e-bidding system for its coal supply this year, a process it has adopted when it was encountering problems in its coal contracts, because of the delay in granting approvals due to allegations of lack of transparency in the old system of procurement. NPC held a dry run of its electronic auction for the requirements of its Naga and Pagbilao plants, using what was then an available system of the power firm. Because of the dilemma encountered, NPC initially looked at sealing a three-year duration of the contracts, starting with the requirements of its coal-fired power plants for next year. NPC plans to tie into longterm contracts around 60 to 70 percent of its coal supply; and 30 to 40 percent would be procured through spot contracts. Alcorido said they have been sorting out a formula pricing to ensure that the coal to be acquired in advance would not be exposed to extreme volatility in the market. The NPC chief admitted the power firm has somehow learned its lesson from the previous bidding of its 2001 coal requirements, when it almost missed its deadline on the awarding of contracts, which would have resulted in a forced shutdown of its aggregate 2,600megawatt coal-fired plants. For now, however, NPC is having apprehension over plans of entering into long term contracts for its fuel supply, because of its scheduled privatization next year; and the transfer of its assets to the Power Sector Assets and Liabilities Management Corporation. (MMV)

From [Manila Bulletin](http://Manila Bulletin), 30 December 2001

## Korea Migrates 120K Civil Servants to Linux Desktop

The Korean government is to buy 120,000 copies of Hancom Linux Deluxe this year, enough to switch 23 per cent of its installed base Microsoft user to open source equivalents. By standardising on Linux and HancomOffice, [the Korean government expects to make savings of 80 per cent](#), compared with buying Microsoft products. This should be regarded as a big setback for Microsoft in Korea, for many years one of the few countries in which it was not the dominant player in all of the desktops app business. The thorn in its side was Haansoft, formerly known as Hangul and Computer, which is the owner of the Hancom business. Until the late 90s, the Hangul wordprocessor was the major wordprocessing package in Korea with 90 per cent-plus market share. (This dominance was not reflected in sales figures - as most packages were pirated.) Microsoft even tried to buy the company in 1999 - but was beaten back by a fierce, nationalistic campaign conducted by local consumers and business ([Story: Koreans raise the Anti-Microsoft standard](#)). The combination of cost imperative and patriotism may be even more attractive in many other Asian countries - Korea is, after all the world's 11th biggest economy. And despite suffering economic crisis in the late 90s, Korea has deeper pockets than most of its neighbours. China, the biggest prize of all - potentially - could already be slipping from Microsoft's grasp. This month Gartner noted the award of contracts by the Beijing municipal governments to six indigenous bidders, with the seventh, Microsoft, rejected ([Story: Red Flag Linux beats out Windows in Beijing](#)). ©

*From [The Register](#), by [Drew Cullen](#), 14 January 2002*

## Passengers Call for Better Services

People from across the social strata expressed mixed reactions to the public hearing on the pricing of railway tickets. The live CCTV broadcast of the public hearing meant all people had access to what was being debated at the meeting. Most people interviewed said they could accept increased prices during Spring Festival, which is the traditional family reunion holiday for Chinese. "Trains are the safest and the most convenient transportation vehicle for me and the price increase is acceptable," said a youth from Ankang of Shanxi Province, who works in a mine in the Beijing suburbs. "But we should be able to enjoy comfortable and reliable services for this higher price." Poor rail services during Spring Festival have become an all-too-common travelling nightmare for many Chinese travellers. Tian Hongbo, who is now working for an electric company in South China's Guangdong Province, has travelled on nearly all types of trains in operation nowadays - even cargo trains. "Newspapers and TV repeatedly reported people fighting to get into crowded carriages on most trains. There is no space to have a walk, and people have to stay, sit or stand, in one position for their entire journey," he said. Tian, who hails from Hebei Province, said this was the situation that faced his workmate and himself every year since 1997. Often they could only stand in a cramped position with little water and food. He hoped the Ministry of Railway could improve services and make it easier for travellers to enjoy the journey. "I miss my parents and friends in my hometown. Without such a family reunion, I could not even convince myself it is worth working in such a remote city. Only at home do I feel warmth and respect," Tian said.

*From [China Daily](#), 14 January 2002*

## Europe/CIS

## UK Scores High in European eGovernment Survey

UK national government websites have achieved high scores in an EC benchmarking survey. The DTI's UKISHelp support service (UK Information Society Help - [www.ukishelp.co.uk](http://www.ukishelp.co.uk)) has revealed that the EC survey found national government websites throughout the EU generally serve businesses better than they serve citizens. It also found that websites were most advanced when offering income generation services such as income tax, VAT and social contributions. The benchmarking survey was carried out as part of the European Commission's eEurope plan which aims to bring the benefits of the Information Society to all Europeans. A representative sample of the 7,400 websites of the local, regional and national authorities in the EU Member States were surveyed, looking at a list of 20 basic services offered. Each website was awarded points depending on how extensively each service was available on an electronic and interactive basis. Countries with a high general score included Denmark, Finland, Ireland, Portugal, Spain, Sweden and the United Kingdom. The best scores were found in services which generated income, such as income tax, VAT and social contributions. European Commissioner for Information Society and Enterprise, Erkki Liikanen, commented, "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'. The European Commission spends almost a billion Euros on European innovation every year. Many UK public sector organisations are perfectly poised to benefit and influence the development of eGovernment in Europe. With the current framework for research and development drawing to a close, plans for the new Sixth Framework are being established. The Sixth Framework will begin to shape the future of the European Information Society from 2003, but UK Public Sector organisations are urged to gain a head start by finding out more about opportunities now. Visit the UKISHelp website ([www.ukishelp.co.uk](http://www.ukishelp.co.uk)), call the UKISHelp support line (0870 606 1515), or, for further information on the eEurope action plan please consult the following web address [www.cordis.lu/econtent](http://www.cordis.lu/econtent).

From [AlphaGalileo](#), 8 January 2002

## **E-Business System Cuts Legal costs for Government Body**

English Partnerships, the Government's urban regeneration agency, has achieved major cost and time savings and greater billing transparency from its legal advisers through a new e-business system for making instructions. Under the system, English Partnerships can access information directly from its firms, including billing details and progress of work. The organisation issues between 50 and 100 instructions per week to a new panel set up after a review last year (*The Lawyer*, 5 March 2001). It comprises Denton Wilde Sapte, Eversheds, Pinsent Curtis Biddle and Warrington firm Forshaws. Head of legal services Judith Roberts estimates that cost savings of around 15 per cent have been achieved in the first six months. She said: "Now all instructions are issued via the e-business system, and this means we can monitor more effectively where the work is being sent, how efficiently it is being carried out and whether we're achieving best value from consultants. This has certainly led to cost savings." Roberts said that in the past her department had felt "slightly powerless". "There was a lack of transparency and clarity in billing," she said. "Although I had regular meetings with consultants, one never felt entirely that one was getting the full picture." Roberts said that the new system is also enabling firms to assess how much work is coming in and how to allocate resources. Roberts said: "No fee-earner is going to admit that they have too much work." English Partnerships has also finalised its niche panel to complement the main panel set up last spring. Bircham Dyson Bell has been appointed to deal with parliamentary matters. It is an entirely new firm to English Partnerships and may be called on in relation to an extensive review of the organisation's role, announced by Lord Falconer last October. Berwin Leighton Paisner was appointed to continue its work at Greenwich and Masons was appointed to handle major construction litigation and health and safety. Addleshaw Booth & Co lost out on an appointment to handle coalfields work, which will be serviced instead by the main panel.

From [The Lawyer](#), 14 January 2002

## **The Americas**

### **Cardiff Awarded Seven Census Projects in Latin America and Caribbean Including Bolivia and Jamaica**

San Diego - Cardiff Software Inc., a leader in XML-based eBusiness and eGovernment automation solutions, today announced that its TELEform(TM) Information Capture System was chosen by seven Latin American and Caribbean governments including Bolivia and Jamaica to provide the automated forms processing solution for the countries' current census projects. Bolivia and Jamaica join San Lucia, Anguilla, St. Vincent, St. Kitts, and Grenada as the latest Latin American and the Caribbean countries to select Cardiff TELEform to process critical census information. "The Census is a very important resource for the Jamaican government and its citizens, so it's critical that the forms' data be as accurate and complete as possible, and be processed as quickly as possible," said Desmond Valentine, managing director of Moore Business Forms Caribbean Ltd., Cardiff's Channel Partner that implemented the TELEform system in Jamaica. "The Statistical Institute of Jamaica chose Cardiff TELEform for its highly sophisticated data capture and assurance systems, as well as its price performance. The processing time for 2000 census will be dramatically reduced from the five years it took in 1990." The use of TELEform's technology in the government census projects presents the Information Capture's system's incredible potential. The census questionnaires, designed to maximize the benefits of the proposed technology and manually completed during the collection process, will be scanned and processed by TELEform at a highly accelerated pace, while increasing the form data accuracy. In a related announcement, Thailand's National Statistical Office (NSO) has successfully processed the country's 2000 census using Cardiff TELEform. NSO experienced a significant return on investment, processing 120,000 per day and with an exceptional 98.5 percent automated recognition accuracy rate. Instead of 130 data entry stations, the project was completed with

50 Verifier stations. -"We knew that we were taking a risk in finding a solution that was truly turnkey in order to meet our rapid implementation requirements," said Yaiping Siritanapivat, director of data processing operation division at Thailand's National Statistical Office. "The strong reputation of TELEform, Cardiff's Consulting Services Division, and its strong local partner, Pacific Software Partners (PSP) Thailand Co. Ltd, gave us the confidence that the company (Cardiff) could get the job done." "The Bolivian and Jamaican census projects extends our presence into the Latin American and Caribbean markets, and, along with the Thailand census project win, demonstrate Cardiff's worldwide eGovernment capabilities," said Dennis Clerke, president and CEO of Cardiff Software. "Our high standards of performance and expanding global presence re-affirms Cardiff's leadership in Global eGovernment initiatives and image capture and processing platforms. It also demonstrates the company's ability to meet high-volume requirements with little or no required customization, providing a significant return on investment and low cost of ownership." About Cardiff Software - Cardiff's XML-based eBusiness and eGovernment automation 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](http://www.Cardiff.com). For further information, please contact Media, Steve Tenwick of Cardiff Software Inc., +1-760-936-4704, [STenwick@Cardiff.com](mailto:STenwick@Cardiff.com); or Jennifer Zwiebel of ContentOne: Innovative Communications, +1-760-479-1380, ext. 111, [Jennifer@Contentone.com](mailto:Jennifer@Contentone.com), for Cardiff Software Inc.

*From [PR Newswire via Yahoo](#), 8 January 2002*

## Public-Private Partnership

Mary Frances leMat's 'high energy, high spirits' help balance community commitments and a successful business. As Mary Frances leMat sat in a committee meeting of the regional Easter Seals chapter, she heard fellow board members and staff speak bleakly of services outpacing resources. While others resigned themselves to the need to cut back on services, leMat argued passionately for an alternative. "She was very strong on 'Let's not do that, let's work harder,' and she was adamant about raising the funds to meet the needs," recalled Jess Hall, president and CEO of Easter Seals of Washington, D.C., and Maryland. "She really wanted to make a commitment rather than to take the easier course of action to cut back on services." Her course of action won the day and helped to keep several programs open, Hall said. LeMat's ability to juggle her duties as president and CEO of Social & Scientific Systems Inc. along with her commitments to numerous community organizations has drawn praise from colleagues and coworkers and earned her The Business Gazette's Executive of the Year honors for 2001. The magazine's top editors and executives pick the Executive of the Year based not just on business accomplishments but also community service. The honor also adds to the laurels leMat, 58, received in 2001, when she received the community service award from the Montgomery County Chamber of Commerce and the volunteer of the year award from the Technology Council of Maryland. Diverse company - LeMat, Herbert J. Miller and Denis Ables founded Social & Scientific Systems in 1978. The three had worked together at another government contracting business but left because they did not feel their efforts were receiving enough recognition. About 20 other workers followed them and formed the core of the company. It has since grown to 280 employees, with more than \$50 million in annual revenues. Social & Scientific Systems is a diverse company that provides support services to federal and state agencies, research organizations and private businesses, from coordinating programs in AIDS research among different institutions to helping businesses set up annual conferences. The company, which takes in about \$50 million a year, has won \$24 million worth of work already for 2002 and has proposals under review for more than \$90 million in other long-term contracts. LeMat has 25 years experience through Social & Scientific Systems and other companies in directing and managing projects on policy analysis, survey data processing, microsimulation modeling, database design and hazardous waste transportation. During that time, she served as a vice president under her friend Miller, but after his death in 1997 she became the president and CEO. LeMat now oversees the general direction of the company - not an easy task for a business that has four diverse, distinct divisions. Worldwide Meetings and Communications helps clients plan events and create exhibits and Web sites focused on health care programs and minority communities. Infinibyte provides information technology services to small - and medium-sized businesses that cannot afford their own IT departments. Computer Systems and Data Analysis provides databases to help policymakers and researchers study trends and analyze health

care costs and programs. The Biomedical Research Support division offers technical support for institutions and businesses with the regulatory process as well as laboratory management. LeMat said each division has a strong senior vice president to run daily operations, making her job easier. James J. Lynch, an executive vice president at Social & Scientific Systems, said leMat makes sure each division is operating properly within the framework of the company. "She's also demanding, but demanding in a good way," Lynch said. "I describe her as a little bit of a nudge at times. But when you know that about her, you can be ready for it." Lynch said leMat pushes people to do their best for the clients and the company, and is also very demanding of herself. "She has high energy, high spirits, and, I think, is a very caring, sensitive person," Lynch said. LeMat said she sees part of her job as working for the employees rather than the other way around, to make sure they have the best people to work with and the tools to do their jobs properly. Helping the community - But while leMat says service to her company and clients is the most important thing to her, it is her community service that makes her stand out. LeMat is on the board of directors of the Montgomery County Workforce Development Corp., the Career Transition Center, the Technology Council of Maryland, the Greater Washington Board of Trade, the Easter Seal Society and A Greater Washington. LeMat also has been appointed to the Federal City Council, an influential private organization made up of business leaders in the region. In addition, she has been active with the Washington Interfaith Network's economic development and jobs committee, a multifaith, grassroots organization intended to improve Washington, D.C., and has been a volunteer teacher and board member at the Academy of Hope, a nonprofit organization that provides tutoring for those preparing to take the high school equivalency examination. To hear leMat describe it, much of her volunteer work with community organizations has happened almost by chance: After volunteering to serve on one board, others approached her to serve on theirs as well. "I'd like to say there was a master plan that led to where we are but there wasn't," she said. "We plan for the future but we don't let the plan bind us." "She has not only given her time and talent but also has been very generous with her financial support," said Easter Seals' Hall. "She has a huge heart for the people we serve, the people with disabilities and their families. She's a true philanthropist. She gives of her time and talent without asking or seeking any recognition." Hall is not alone in noting her drive. John Tydings, who worked with leMat as president of the Greater Washington Board of Trade for more than two decades, said, "Mary Frances leMat combines the drive of a successful entrepreneur with her desire to improve the community. To me she is leadership in action." "Not only is she smart and immensely capable, she brings maturity to every discussion. That's a rare combination," said Eileen Cahill, immediate past chairwoman of the WDC and director of external affairs for Holy Cross Health in Silver Spring. Mindful of WDC's recent difficulties in its alliance with the Montgomery County Chamber of Commerce, Cahill said, "We need people like Mary Frances who are steady. And what's great is her manner is like that all the time. It's reassuring to sit in a room with people like her. You're glad they showed up." "Mary Frances leMat is the epitome of a high-quality business leader in Montgomery County," said David Edgerley, a WDC board member and director of the Montgomery County Department of Economic Development. "It's extraordinary that she's being recognized for things she considers part of her routine commitment to the community," Edgerley said. "She's one of the few business leaders in the county that is respected by all her peers. "She has guided and directed Social & Scientific Systems to be a recognized player in its field," said Edgerley, who has known leMat for about five years. Dewey Thomas Jr., WDC chairman and executive vice president of Encore Management Corp. in Silver Spring, agreed: "She's a pleasure to work with. She makes a strong contribution to Montgomery County's business and social community. She just doesn't sit on the board to have her name there. She brings a level of expertise related to the programs and the financial matters of the WDC." Costs of progress - Like her company, leMat has come a long way. She dropped out of college at William & Mary in Williamsburg, Va., to marry and have children. While raising her two daughters she went back to school and earned a bachelor's degree in mathematics from American University. Then leMat and her husband divorced, and she found herself raising her children on her own while working full-time. "There were times when I had three shifts of babysitters," leMat said. "I've always been driven to do my job well." Her days are no less hectic now. In addition to new family (she remarried in 1998 and has two stepdaughters) and volunteer activities, the company has grown and changed. After Miller's death and Ables' retirement, leMat is the only founder left. One of the first steps she oversaw after taking over was an employee stock ownership program. Miller's share of the company was bought from his family and used as the first part of the business to go into employee shares, a symbolic gesture that tied his legacy to the company's new future. While it was an exciting time for the company, it was also a time of transition. In 1999, the company rode the tech bubble up to record growth and revenues, only to see the sector pop in 2000, forcing some retrenching. 2001 brought some physical changes as the company undertook a long-planned consolidation of operations to one location - a move needed to improve morale because some of the divisions in outlying areas felt slighted, leMat said. "It was just clear there were different cultures," she said. "Some of the other offices felt like second-class citizens. It appeared to affect morale. People wanted to feel like one company." On Sept. 10, the company combined its previous Rockville, Gaithersburg and Bethesda offices into one 88,000-square-foot space in

Silver Spring. County executives hailed the move as a boost to Silver Spring's downtown revitalization. It was a day that may have changed the company forever. The next day changed her country. As events unfolded on Sept. 11, the employees - working together in the same office for the first time since the company's earliest days - shared the tumultuous events. "I was glad we were here together for each other," leMat said.

*From [Gazette.net](#), by C. Benjamin Ford, 4 January 2002*

## **Connections 2002 Unites Global Forms Processing and eForm Channel Partners In Miami**

Eighth Annual Cardiff Event to Showcase Latest Adobe(R) PDF, HTML and XML Technologies That Eliminate Manual Paper Processes For Business and Government Organizations - San Diego - Cardiff Software Inc., a leading supplier of XML-based eBusiness and eGovernment automation solutions, today announced its Connections 2002 Channel Conference will be held at the Hyatt Regency in Miami, Fla., from February 3 to 5. Cardiff will discuss the company's vision and the latest developments in state-of-the-art forms processing and eForm management solutions. More than 200 of Cardiff's worldwide distributor, integrator and channel partners will attend the conference to learn about the latest advances in products that automate business and government processes. Connections 2002 will give organizations insights into leveraging XML and the Internet to reduce costs and improve worker productivity. Cardiff's products replace manual paper processes with automated forms processing, eForm management and automated document assembly, often reducing costs by more than 90 percent. To kick off the event, Cardiff has comprised a panel of industry-leading editors and analysts from Transform magazine, Document Imaging Report, Business Solutions, CRN, and Kinetic Information. Global partners and integrators will meet one-on-one to discuss the latest trends and technologies in the eBusiness and eGovernment market sectors. "Cardiff has been critical to our success and growth," said Mike Stuhley, vice president of Scantron, a Cardiff channel partner. "We are excited to take part in this annual event to share our experiences and gain valuable knowledge on the latest developments in Adobe portable document format (PDF) and XML technologies for imaging and eForm management." Technical courses will be provided at the conference in the areas of Information Capture from paper forms and documents, eForm Management Systems, and personalized document assembly with LiquidPDF(TM) (formerly AudienceOne). As a key aspect of this year's conference, Cardiff will highlight strategic business alliance partners including Adobe Systems, Canon and Kofax VRS as its premier sponsors. Other participating vendors include Cranel, Lexmark International, Optika, OTG Software, Castelle, Bell & Howell, New Wave Technologies, Fujitsu, Hewlett-Packard, IMR, Interlink Electronics, Hyland, Kodak, Panasonic, RICOH, and Texcel Systems. The conference will be capped off with the Connections 2002 Awards Gala, which will be held aboard the Lady Windridge, a 170-foot specialty yacht setting sail from South Beach for an evening of cocktails and five-star cuisine. Channel partners will be recognized at the event for their exceptional contributions to Cardiff's success in 2001, including the prestigious President's Club, the top worldwide sales performers; Application of the Year winners, highlighting the most outstanding applications worldwide; and the Top Marketing Partner, honoring the channel partner having shown the most productive marketing results in 2001. "Connections 2002 will offer Cardiff the opportunity to encourage and inspire our partners, and give us a chance to listen, as we continually do, to the feedback and comments from its worldwide channel community," said Emmanuel de Boucaud, vice president of Worldwide Channel Sales at Cardiff. For more information on Connections 2002, call (760) 936-4685. 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 and eDocument solutions work together to replace manual processing with automated online systems, putting information to work more quickly and affordably than ever before. Cardiff TELEform® and MediClaim(TM) Information Capture products automatically convert paper forms and documents into online information for database, XML and eBusiness applications. Cardiff's eForm Warehouse(TM) Suite, HTML+Forms(TM) and PDF+Forms(TM) automate the collection and processing of data from Internet forms, and replace corporate paper forms with automated online eForms. Cardiff Personalized Interaction products automatically create and deliver high-quality personalized documents, and include the AudienceOne(TM) Personalization Server and AutoMerge Publisher(TM). More information on Cardiff eTransaction solutions can be found at [www.Cardiff.com](http://www.Cardiff.com). For further information please contact: Steve Tenwick of Cardiff Software Inc., +1-760-936-4704, [STenwick@Cardiff.com](mailto:STenwick@Cardiff.com); or Jennifer Zwiebel of ContentOne: Innovative Communications, +1-760-479-1380, ext. 111, [Jennifer@contentone.com](mailto:Jennifer@contentone.com), for Cardiff Software Inc. LiquidOffice is a trademark of Cardiff Software Inc. Adobe is a registered trademark of Adobe Systems Inc. All other trademarks and registered trademarks belong to their respective owners.

*From [PR Newswire via Yahoo](#), 3 January 2002*

## Online Licensing Makes Gains In Montana, New Hampshire

State officials in Montana Thursday unveiled an online service [DiscoveringMontana.com](http://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](http://BizReport.com), by Wilson Dizard III, 2 January 2002

## State of Utah Introduces Utah.gov - A New Home for 24/7 eGovernment Access; Online Drivers License Renewal Service Now Available At [www.Utah.gov](http://www.Utah.gov)

Salt Lake City - Utah Governor Mike Leavitt recently unveiled [Utah.gov](http://www.Utah.gov) ([www.Utah.gov](http://www.Utah.gov)), the new portal for Utah online government. Formerly known as [e-Utah.org](http://e-Utah.org), the new official state website is the next phase of bringing government to residents in an efficient and convenient manner. "A major goal of my administration is to provide government services conveniently and efficiently," said Governor Mike Leavitt. "[Utah.gov](http://Utah.gov) enables Utahns to conduct business with government 24 hours a day and seven days a week." The site has a new look and feel, designed to create a frictionless user experience that works to eliminate the organizational layers and complexity of government. "[Utah.gov](http://Utah.gov) users are busy people, so we designed the site in a no-nonsense manner that doesn't require a vast understanding of how Utah government is structured," said Amy Sawyer, general manager of Utah Interactive. "Visitors come to [Utah.gov](http://Utah.gov) with very specific needs, and our goal is to quickly direct users to the information most important to them." [Utah.gov](http://Utah.gov) hosts over three million user visits and supports approximately 425,000 transactions each month. The site offers a wide range of online services, including vehicle registration renewals, business tax filings, hunting and fishing licenses, business name registration, UCC filings, official form downloads, and hundreds of government information resources. More than 35 new online applications have been added to the portal in the last two years. "By continuing to add convenient and cost-effective services, [Utah.gov](http://Utah.gov) has established a reputation as one of the premier eGovernment portals in the nation," said Phillip Windley, state chief information officer. This year, the site was ranked among the top ten state eGovernment portals in the nation by the Center for Digital Government and Government Technology magazine. The Taubman Center for Public Policy at Brown University also recognized the performance of [Utah.gov](http://Utah.gov) in its annual survey of eGovernment performance by ranking it 16th out of more than 1,500 state websites. Governor Leavitt also announced [Utah.gov](http://Utah.gov)'s newest service, driver license renewal. The online renewal system offers an easy-to-use interface designed to save Utahns time. "The Renewal by Internet process allows those eligible constituents to log on at their convenience to renew their drivers licenses or change their address 24 hours a day," said Judy Hamaker-Mann, director of the Driver License Division. A renewal letter with a PIN number will be sent to eligible drivers approximately three months before their licenses expire. A typical online renewal takes less than five minutes to complete, and citizens can print out a renewal confirmation immediately. The renewal is recorded instantly, and residents will receive a renewal sticker to place on the back of their current license within three to five days. Renewing online is also less expensive. In-person license renewal at one of Utah's 28 driver license offices costs \$20, compared with just \$15 online or through the mail. The system also enables citizens to initiate the voter registration process over the Internet. The Driver License Division processes more than 13,000 renewals per month. "In just two months, over 500 Utahns have tried the online renewal and address change service during the initial phase," said Hamaker-Mann. "This will streamline the process not only for residents, but also for the Driver License Division." About [Utah.gov](http://Utah.gov) - [Utah.gov](http://Utah.gov) is the state of Utah's homepage and official website ([www.Utah.gov](http://www.Utah.gov)), a collaborative effort between the state of Utah and Utah Interactive, Inc. It was built and is marketed, operated, and maintained by Utah Interactive, Inc., a wholly owned subsidiary of eGovernment firm NIC (Nasdaq:EGOV). 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 and local agencies that serve more than 49 million people

in the United States. Contact: Utah Interactive Angela Shelby, 801/983-0275 [angela@utahinteractive.org](mailto:angela@utahinteractive.org) or Department of Public Safety Director, Driver License Division: Judy Hamaker-Mann, 801/965-4793 Public Information Officer: Sgt. Doug McCleve, 801/964-4429 URL: <http://www.businesswire.com> Today's News On The Net - Business Wire's full file on the Internet with Hyperlinks to your home page.

From [Govcon.com](http://Govcon.com), 2 January 2002

## Merrill Sees 3 Percent IT Spending Spur

Corporate spending on technology is expected to inch ahead 3 percent in 2002, Merrill Lynch said, as companies refocus their priorities amid ever-tightening budgets and a heightened emphasis on security. Technology spending will continue to be shaped by the effects of the Sept. 11 terrorist attacks and will be limited to a more select cadre of vendors this year, according to Merrill's survey of 75 chief information officers in the United States and 35 in Europe. The 3 percent growth target for 2002 is an improvement over last year's 1 percent decline in IT spending, but it is still only an initial forecast. At the outset of 2001, Merrill's survey indicated that CIOs expected IT spending to grow 9 percent for the year. "We can't recall a year that changed so dramatically," Merrill Lynch analyst Steven Milunovich said in a report on the survey Wednesday. Most CIOs revised their budgets at least twice in 2001, and the deepest spending cuts were made in staffing, consulting and hardware, Merrill said. The effects of Sept. 11, which caused CIOs to be much more [pessimistic](#) about spending, will continue to reverberate in 2002, according to the survey. Security ranked as the top priority for the coming year, and disaster recovery ranked third. The resetting of priorities that came after the terrorist attacks on the World Trade Center and the Pentagon "might crowd out some mainstream spending," Milunovich said. Other top areas for spending in 2002 are likely to include ERP (enterprise resource management), Web development, Windows 2000 and storage. A Morgan Stanley [survey](#) in December showed similar results. A trend expected to continue in 2002 is the contrast between U.S. and European IT budgets; Europeans are much more optimistic, expecting 4 percent growth, whereas U.S. IT managers expect just 2 percent growth. CIOs also indicated that they are becoming choosier about the sources of their technology. IBM, Microsoft, Dell Computer and Cisco Systems are all expected to fare well in 2002, while EMC, BEA Systems, Computer Associates, Brocade and Siebel Systems are expected to be weaker. "Users migrate to big, safe vendors in times of uncertainty," Milunovich said. Budgets will also continue to be determined more by CEOs and CFOs than CIOs. Fifty-two percent of CIOs said they expected management to keep a tight leash on spending. While CIOs are conservative about 2002, forecasts for 2003 are optimistic. European CIOs expect their budget to grow 12.1 percent in 2003, and U.S. CIOs expect growth of 6.8 percent. Among other significant findings of the survey:

- Companies are becoming more skeptical about the productivity boom, which is supposedly the result of increasing use of technology in the workplace. "Although most top management are still believers in the productivity argument, the number of skeptics has risen," said Milunovich. Fifty-eight percent of respondents said they believed in the productivity benefits of technology, while 42 percent were skeptical.
- Only 32 percent of respondents said 2002 would be a big PC upgrade year.
- When a pickup in spending arrives, 46 percent said they would spend on software first. Forty-four percent said they would spend on hardware first, and 10 percent plan to spend on both simultaneously.
- Respondents had some negative comments about some of the bigger vendors, even though that's where most plan to do their spending. HP was criticized for its "hardware quality" and a general "confusion" surrounding its products. With IBM, respondents said they were "spending less on hardware on maintenance," Compaq inspired a "lack of confidence," and EMC's prices were "too high." Microsoft was considered a "necessary evil." CIOs also said they don't like Microsoft's licensing.
- "Windows is finally threatening Unix," according to Milunovich, though only at the low end and midrange, he added.
- CIOs were extremely positive on spending with Microsoft, but surprisingly negative about Siebel. Not one U.S. respondents planned to spend less with the software giant this year. On average, 91 percent of CIOs said they would spend more with Microsoft. In contrast, only 6 percent of CIOs plan to spend more with Siebel.
- While 31 percent of CIOs said they would spend more with Sun Microsystems, 31 percent also said they would spend less. "Neutral isn't terrible but suggests the company's momentum is fading," said Milunovich, who attributed increased competition from Windows and Linux.
- EMC and Brocade fared poorly considering the high emphasis on storage spending. Thirty-six percent of CIOs plan to spend less with EMC, while only 23 percent plan to spend more. For BEA, 37 percent plan to spend less, and only 9 percent plan to spend more.

From [CNET](http://CNET.com), by [Tiffany Kary](#), 2 January 2002

## Expedia Adds Visa, Passport Services

The always-competitive online travel business was one of the first e-commerce areas to demonstrate that success could be had using the power of the Internet. And now it's more competitive than ever, as witness a proliferation of ads such as those from discount travel site Hotwire and the pop-unders being used by airline consortium site Orbitz, and announcements like the one today from Expedia.com introducing new visa and passport services. Bellevue, Wash.-based Expedia ([NASDAQ:EXPE](#)) crowed that it is the "first online travel site to provide assistance with passport and visa services," but you can bet your frequent flier miles that it won't be the last. "Monkey see, monkey do" is becoming a mantra in online travel, especially since the sites are competing for fewer travel dollars following the events of Sept. 11. Fort Worth, Texas-based Travelocity.com ([NASDAQ:TVLY](#)) and Expedia [both launched ski areas](#) on their sites within days of each other last October. And Priceline.com ([NASDAQ:PCLN](#)) has a fairly new category called "resorts" in its hotel section. Expedia said it signed a strategic alliance with [Express Visa Service Inc.](#), (EVS), a full-service travel documentation procurement company. Financial arrangements were not disclosed. Expedia said visitors planning to head overseas now can research travel entry requirements for any country. Worldwide visa and passport registration forms can be downloaded and sent directly to EVS. Travelers can link to "Passport Information" throughout Expedia.com in the "Traveler Tools" box sidebar and within all confirmation e-mails and itineraries related to international travel. In addition, EVS is available to answer visa and passport-related questions 24 hours a day, seven days a week via a toll-free number. EVS says it hand-delivers customers' visa and passport documents to the appropriate embassy or consulate, saving time and ensuring a smooth experience. Travelers can easily check the status of their documents online throughout the process. Additional services include a Health and Travel section with information on required vaccinations and recent international health news, as well as an Express Registration Abroad service enabling travelers to alert their local embassy about their visit. "Travelers may not always be aware of the specific documentation needed to enter a country. It is our goal to ensure Expedia travelers have this knowledge and are prepared for their trip," said Mike Day, senior vice president of operations for Expedia.

*From [Electronic Commerce Guide](#), by [Beth Cox](#), 9 January 2002*

## Cigna, Yahoo in JV to Offer Online Benefits, Retirement Planning Services

Philadelphia - Cigna Corp and Yahoo Inc said they have reached a multi-year joint venture agreement to offer Cigna's health care members and retirement plan participants the opportunity to have personalized benefits websites based on the "My Yahoo" interface. In a joint statement, the two companies said the new service, which will be introduced in the first half of this year, will allow consumers to choose a doctor, review claims, order medicines, review their finances and re-balance their portfolios via the internet. Financial terms of the deal were not disclosed.

*From [AFX Press](#), 9 January 2002*

## Postal Service Volume Drops Drastically

Washington - The terrorist attacks and the slipping economy combined to cause the biggest drop in mail volume in more than 30 years, the Postal Service said Tuesday. In the first quarter of its fiscal year--Sept. 8 to Nov. 30--mail volume was 2.8 billion items below the same period last year, said postal Chief Financial Officer Richard J. Strasser Jr. That was the biggest drop since the current Postal Service was established more than 30 years ago, Strasser said. It was led by advertising mail, which was down 2.2 billion items, costing the agency millions. The busy pre-Christmas mailing period is normally a moneymaker for the post office, helping offset losses from slower times of the year. The reduced mail volume in September-November resulted in net income of \$108 million for the three months, \$521 million less than had been expected. Strasser said the post office was able to cut expenses for the three-month period to \$15.3 billion, \$355 million less than originally planned. During the past 15 months, he said, the post office has reduced its staff by 16,300 full-time employees and continues to make reductions.

*From [Chicago Tribune](#), 9 January 2002*

## Education Reform to Mean More Federal Help, New Tests

Washington - Amid thunderous applause at a Hamilton, Ohio, high school, President Bush on Tuesday signed into law his top domestic priority: an ambitious education reform law that seeks to boost student achievement at every public school. The law, which marked a bipartisan triumph for Bush when it passed Congress last month, is the most significant federal education legislation in more than three decades. It vastly expands the federal government's role in

education and will result in new testing for millions of schoolchildren. But what will the new law mean in American classrooms? This question-and-answer examines the effects of the law. Question: What's the purpose of the new law? Answer: Dubbed the "Leave No Child Behind" act, the law is Congress' version of the education reforms Bush spelled out during his campaign. It dramatically increases federal aid to schools serving poor children and holds schools accountable for student performance. "Our schools will have higher expectations - we believe every child can learn," Bush said Tuesday. "From this day forward, all students will have a better chance to learn, to excel and to live out their dreams." It requires schools to make all students proficient in reading and math in 12 years. Schools that fail to make adequate progress toward that goal for four straight years could have their staff and curriculum changed. Q: How much testing will kids experience? A: For most students, the law could add lots of exams. By the 2005-06 school year, all public school students in grades three through eight must be tested in reading and math every year. Fifteen states now test in those subjects in those grades. But the law also requires the tests to gauge how well students are meeting state standards that spell out what students should know and be able to do in each grade. An Education Week analysis released this week found that only nine states - California, Delaware, Florida, Georgia, Mississippi, North Carolina, South Carolina, Texas and Utah - conduct the standards-based testing required by the new law. Starting in the 2006-07 school year, students also will be tested in science at regular intervals. The administration says the tests are needed to ensure children are not falling behind. Critics such as Bob Schaeffer, of the National Center for Fair & Open Testing fear it will turn schools into little more the test-prep centers. Q: What's to stop schools from making the test so easy that all students pass? A: The law doesn't tell states how hard the tests must be. But it does require states to participate in the federally funded National Assessment of Educational Progress, which will test a sample of students in grades four and eight as an independent benchmark of the rigor of state tests. Q: Will students in failing public schools get vouchers to go to private school instead? A: Vouchers, which allow the use of taxpayer money for private school tuition, had been a key element of Bush's education-reform plan during his presidential campaign. They were dropped from the bill in Congress because they faced opposition from prominent Democrats like Sen. Edward Kennedy, D-Mass., whose support was critical to the bill's passage. Instead, students in schools that have failed for two years in a row can transfer to a better public school in their school district. If a school fails to make progress for three years, it must use a portion of its federal aid to pay for tutoring and other academic help from other public schools, private businesses or religious groups. Some observers argue the bill won't actually help rescue children from failing schools. In many large school districts, even low-performing schools are too crowded to take new students. And the bill does not allow students to transfer to better schools outside their home district. Q: How much information will parents get about their kids' school? A: For the first time, schools will be graded on their performance. The law requires school districts to prepare public reports that show how students perform on a range of academic measures, including tests results and graduation rates. The information also must be reported by students' race, gender and family income to help parents decide which schools are actually closing the persistent gap in achievement between white and affluent students and their poor and minority counterparts. Q: How much money will schools get? A: The law recommends more than \$26 billion in federal aid to schools that serve poor children, but congressional appropriators approved \$22.6 billion -- about a 20 percent increase in funding. It provides about \$900 million a year to ensure students can read by third grade. That represents three times the amount currently spent on reading programs by federal officials. The law also targets more federal money to schools serving poor students. The Detroit City school district, for instance, will receive \$126.2 million in funding - \$27.3 million more than this year, according to an analysis by the House Republicans who oversee education policy. In Arizona, the Tucson school district will get \$16.8 million, a \$4 million increase. Q: Will private-school students be affected? A: No. The law only applies to students attending public schools. Students in private schools and those taught at home are exempted.

*From [Norwich Bulletin](#), by Fredreka Schouten, 9 January 2002*

## **Philadelphia's School Reform Commission Unveils Process for Private Sector Involvement**

Sixth Largest Urban School District to seek Consulting and School Management Services From Education Management Organizations - Yesterday, Philadelphia's School Reform Commission issued a Request for Qualifications (RFQ) from education management companies (EMO) who seek to provide consulting services to the Philadelphia School District (PSD). This move follows the historic partnership forged between the Commonwealth of Pennsylvania and the city of Philadelphia and the state take-over of schools on December 22, 2001. The RFQ asks organizations to provide a full accounting of the consulting and educational services and qualifications that they could provide the PSD. The RFQ asks EMOs to provide in-depth information, data and plans, including: information on how the EMO proposes to review, evaluate and improve the school district's systems and ability to recruit qualified executives, principals and teachers; a plan for leadership training and teacher professional development; ability to

provide recommendations for organizational system changes; curriculum selection and classroom management for urban school districts based on best practices; a plan for implementing a technological infrastructure on both the school and central office level, that may include electronic academic assessment and electronic report cards. Responses to the RFQ are due to the SRC on January 25, 2002. "The SRC has taken an important step toward the possible inclusion of education management organizations as a part of the educational solution for the 210,000 children in Philadelphia's schools," said Chris Whittle, Edison's CEO. "Edison looks forward to responding to the RFQ and the opportunity to assist the SRC in implementing its reform plan." The SRC announced that it will issue a second RFQ next week for the management of schools to be operated by private companies in partnership with local community groups. Edison Schools (Nasdaq: [EDSN](#) - [news](#)) manages 136 public schools with a total enrollment of approximately 75,000 students. Through contracts with local school districts and public charter school boards, Edison assumes educational and operational responsibility for individual schools in return for per-pupil funding that is generally comparable to that spent on other public schools in the area. Over the course of three years of intensive research, Edison's team of leading educators and scholars developed an innovative, research-based curriculum and school design. Edison opened its first four schools in August 1995, and has grown rapidly in every subsequent year. Any statements in this press release about future expectations, plans and prospects for Edison, including statements containing the words "believes," "anticipates," "plans," "expects," "will," and similar expressions, constitute forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by such forward-looking statements as a result of various important factors, including that it may be difficult for Edison to continue to improve the academic achievement of students enrolled in its schools and the risk factors discussed in our most recent quarterly report filed with the SEC. In addition, the forward-looking statements included in this press release represent Edison's estimates as of January 11, 2002. Edison anticipates that subsequent events and developments will cause Edison's estimates to change. However, while Edison may elect to update these forward-looking statements at some point in the future, Edison specifically disclaims any obligation to do so. These forward-looking statements should not be relied upon as representing Edison's estimates or views as of any date subsequent to January 11, 2002. Source: Edison Schools

*From [PR Newswire via Yahoo](#), 11 January 2002*

## **Siebel Takes CRM To the Public Sector**

On Monday, Siebel Systems [SEBL: Nasdaq] announced it would bring its Customer Relationship Management (CRM) technology to public sector agencies - including foreign ministries worldwide - through an agreement with Accenture [ACN: NYSE]. Under terms of the agreement, the two companies will focus on developing and delivering CRM solutions to government agencies, which Siebel Systems will re-position as "Constituent Relationship Management" applications. Siebel and Accenture believe the time is ripe for a push into this market as many governments and public agencies are facing "tighter budgets" in the "wake of the economic downturn." By combining the knowledge, global footprint and experience of Accenture with Siebel's eGovernment Applications, government agencies can increase functional performance while decreasing the total cost of ownership and time to "market" - that is, time between purchase and implementation. In October, Siebel Systems reported disappointing Q3:01 results, and guided lower for Q4:01. Siebel reported earnings per share of \$0.07, \$0.02 below Thomson Financial/First Call consensus estimates of \$0.09, and \$0.06 below Q3:00 EPS of \$0.13. Siebel reported total revenues of \$428.5m, which was \$94.3m and \$68.0m, respectively, below average estimates of \$522.8 and Q3:00 sales of \$496.5m. Looking ahead to Q4, Siebel's management has locked in some startlingly wide ranges as targets. Taking the company's revenue range for licensing at \$220m-\$300m and slapping on a very conservative \$200m for services, maintenance and other, this gets us to a total revenue range of \$425.0m-\$500.0m, or \$75.0m (a 15% range). EPS expectations are even wider. Taking the company's expectations of \$0.09-\$0.14 gives us a range of 36%. Should Siebel miss this range, especially on the low end, investors may never forgive the company. We rate Siebel's shares at Hold, as the downside pressure in earnings has flared up again. Management has stated just what we have been saying all along - that the economy is not recovering. However, since our last report on Siebel, the economy has appeared to at least stabilize. Should Siebel report better-than-expected numbers in Q4, we believe the company is ripe for an upgrade. Siebel reports Q4 results after the market closes on Wednesday, January 23. Market Timing - Siebel Systems [SEBL: Nasdaq] has had strong gains since Sept. 2001 and even penetrated the long-term downtrend line. Look for it to test stiff resistance at \$37 in two to four weeks. We do caution though that the rate of gain in prices has been very sharp and some consolidation is likely. A drop under \$32 is a short-term negative. It is trading at \$34.87.

*From [IDEAAdvisor.com](#), by Keith C. Applegate, 15 January 2002*

## US Net Users Turning to E-Government

According to eMarketer, 55 percent of adult Internet users in the US visited a government website in 2001. This statistic is from a study conducted by the [Robert H Smith School of Business](#) in the University of Maryland. The study also found that 50 percent of online adults visited a state or local government site, and 33 percent visited a federal government site. Sixteen percent conducted business with state or local government online, and 11 percent conducted business with federal government online. In all categories, men were more likely than women to visit government websites and to conduct business on those sites. Suburban users were more likely than urban or rural users to visit a government site, but rural users were the most likely to conduct government business online.

*From [Nua Internet Surveys](#), 16 January 2002*

## HireStrategy Opens New Public Sector Practice To Serve Companies Doing Government Business

Reston, Va. - HireStrategy, a Reston-based executive recruiting firm, has opened a new Public Sector Practice to serve companies doing business with the government. HireStrategy Vice President M. Scott Laemmle has been named to head the new practice. Paul Vilella, HireStrategy's President & CEO, says the new practice has been created in response to increased requests from government contractors in recent months for help in filling critical positions. Vilella points out that the federal government is the largest purchaser of information technology in the world. "The FY 2002 budget for IT is \$45 billion. Federal IT spending will continue to grow over the next decade in both the defense and civilian sectors. Much of that will be spent in the Washington area. The government technology market offers both stability and growth." Says Vilella: "We have always worked with government contractors, but the world has changed since the tragic events of September 11. Large, established government contractors - together with their small and medium-sized business partners - are being called on to provide a limitless array of technology products and services to meet the critical needs of homeland security and national defense. Contractors need tens of thousands of new employees to meet these needs." Laemmle, who has nearly a decade of federal contracting experience with the U.S. General Accounting Office (GAO) and Logicon/Northrop Grumman, says: "Contractors working on national defense and homeland security projects are grappling with a critical shortage of tech workers; we are focusing our resources on helping contractors find and hire these workers." Laemmle says HireStrategy's Public Sector Practice is helping fill positions in finance and administration; human resources/recruiting; logistics management; operations management; project controls management; network administration/desktop support; network, software and systems engineering; security planning, evaluation and testing. Laemmle predicts that "In 2002 and for years to come, technology professionals with expertise in fields like enterprise management, systems security, national security and requirements analysis will be in great demand." HireStrategy's Public Sector Practice is managed by recruiters with government contracting experience themselves. The company offers government contractors, their sub-contractors and teaming partners a full range of placement services: temporary, temporary-to-permanent and permanent. In addition to technology talent, HireStrategy provides sales and marketing, finance and accounting professionals with experience doing business with the government. Says Laemmle: "The list of Washington area government contractors includes billion-dollar companies like Lockheed Martin, General Dynamics, DynCorp, BAE Systems, SAIC, Computer Sciences Corporation, GTSI, CACI International, SRA International, BTG, OAO and Signal. We already work with a number of these companies. But the list of area technology companies that do business with the government also includes thousands of firms that sub-contract and team with these large contractors. We intend to help these companies, as well." Contact: HireStrategy, Reston Stephen Johnson, 703/547-6705 [sjohnson@hirestrategy.com](mailto:sjohnson@hirestrategy.com) - URL: <http://www.businesswire.com> Today's News On The Net - Business Wire's full file on the Internet with Hyperlinks to your home page.

*From [Govcon.com](#), 17 January 2002*

## Minnesota has BroadVision for eGovernment Future

XML-based portal to connect citizens over Net, wireless. Minnesota is relying on enterprise self-service applications and a systems integrator to introduce its citizens to e-government. Minnesota officials said today they will use both InfoExchange Portal and One-To-One Content software from BroadVision to give citizens easy access to their state's information and services. Deloitte Consulting is the systems integrator for the project. BroadVision's portal software will sit on Deloitte's technology platform, says Simon King, VP for advance strategy at BroadVision. The launch date for the portal is March 16. The project has been in progress for four months, according to Regina David, assistant commissioner of technology for Minnesota. She says having an active and engaged citizenry is a goal of her state's

electronic-government initiative. Minnesota has had a Web presence since 1998, but its various agency sites are static. The portal will be an interactive tool through which users can access any of about 100 state agencies from one point. Minnesota has been known as a leader in the use of technology to connect citizens with information about their local governments. The state was always in the top 10 as ranked by *Governing Magazine*. Recently, though, the state dropped to 17th. "That's because there was no easy way for citizens to conduct business online," David explains. "We had to change the system to have one point of entry and easy navigation," she says. The state sent out a request for proposals about 14 months ago. Being a government body, it had a set amount of money to work with: \$1 million. David has an in-house staff of four IT people. The state interviewed several vendors, and David says BroadVision was selected based on its open architecture. BroadVision One-To-One personalization technology will be used to deliver targeted information directly to individual portal users. Registered users will have access to state-event calendars and content-change notifications based on their personal preferences. Other personalized features include a "featured links" section that directs users to information related to their searches. Minnesota's government is one of the first organizations to adopt BroadVision's One-To-One Content content-management software. The product will allow Minnesota state agencies to develop, publish and collaborate on content for the new portal. The next step is looking at services users would want to access from the portal. The state has conducted a study group and a survey, and has found citizens are interested in license renewal, communication with public officials, payment of taxes, voter registration and information on road conditions and weather, cultural events, tourism, and public health. King says BroadVision is using XML for its portal content, since the state anticipates users accessing information via wireless devices

*From [The Net Economy](#), by [Christine Zimmerman](#), 16 January 2002*

## Euro Banknotes Welcomed in China

While Europe slept ahead of its landmark day, a Chinese man named Bo Zhengfeng withdrew 10,000 euros in cash from a Bank of China (BOC) branch in Beijing. He may have been the first one to withdraw euros in Beijing and have euro banknotes in his pocket before many Europeans. "I came early because I have to leave Beijing this afternoon and wanted money before leaving," Bo said. He withdrew euro notes in 5 to 500 denominations. "I will keep some as souvenirs and it is just a pity they didn't have any coins," he said. Yesterday was a national public holiday and few financial businesses were open. However, the clerks at this BOC branch worked overtime last night in preparation for the euro issue. "Last night was the first time I had touched euro notes," said one bank clerk. In Shanghai - China's financial centre - some 33 million euros were put into circulation to meet the needs of the 139 BOC branches in Shanghai and other East China cities, as well as seven other Shanghai commercial banks. Euros replaced the currencies of the 12 countries in the euro zone from 8 am yesterday in China. Major Chinese banks have used euros for accounting, and expressed their businesses related to "eurozone" countries both in the old money and the new one for the past three years. They prepared last year for the introduction of the euro by updating computers and giving special training to employees. The big three State-owned commercial banks had exchanged the old money in the accounts for euros by yesterday, and started to provide banking services in the new currency in their branches nationwide. As the old money of the 12 European countries will be abolished, they are proving popular with coin collectors. Coins that had seldom been seen before, such as those of Greece, Portugal and Finland, are in big demand. And the demand for euros in China is expected to rise. Last year, about 300,000 Chinese had visited Europe, and the number will increase as more and more people opt for studying or spending their holidays there.

*From Xinhua News Agency, 2 January 2002*

## China to Join IMF Data Dissemination System

The People's Bank of China (PBOC), China's central bank, announced Monday that the Governor of PBOC Dai Xianglong will inform the Managing Director of the International Monetary Fund (IMF) Horst Koehler on January 1, 2002 of China's decision to join the IMF's General Data Dissemination System (GDDS). The [People's Bank of China \(PBOC\)](#), China's central bank, announced Monday that the Governor of PBOC [Dai Xianglong](#) will inform the Managing Director of the International Monetary Fund ([IMF](#)) Horst Koehler on January 1, 2002 of China's decision to join the IMF's General Data Dissemination System (GDDS). A spokesman for the PBOC said that this is an important move the government has made to increase the transparency of the macro economy, a step which will move China's statistical system closer to international standards. The spokesman also said that the GDDS includes the data of five major departments, and is programmed to maximize the scope, frequency, rapid retrieval, quality, integrity and accessibility of the data. He said that after more than 20 years' practice in reforms and opening to the outside world, China's economy has made strong progress and is integrating further with the global economy. With close attention from the Chinese government and technical support from the IMF, China's economic, financial and vital statistics are approaching international standards at a fast rate. The statistical data from the five major departments of the Chinese government have been adapted to the requirements of the system, he added. He said that China's pledge to join the system is of great significance for the improvement of its statistical system and the level of decision-making for macro economy.

*From [Peoples Daily Online](#), 2 January 2002*

## IMF Wants Conditions Implemented for Funds Flow

Islamabad - The International Monetary Fund (IMF) wants Pakistan to implement a set of conditionalities, including ensuring fiscal transparency and improving governance to keep receiving uninterrupted flow of funds under a three-year \$1.3 billion Poverty Reduction Growth Facility (PRGF) programme. According to a latest IMF document, the key priorities for the PRGF-supported programme should include: an ambitious and credible action plan to reform tax administration and improve tax collection; quantitative and qualitative improvements in public poverty-related spending

and in the delivery and monitoring of basic social services; continued efforts to improve governance and fiscal transparency; a clear and public strategy for any transition to a financial system consistent with Islamic principles; deepening of the foreign exchange inter-bank market to allow phasing out of the State Bank's kerb market purchases; reform and privatisation of major commercial banks and public enterprise; and mobilisation of concessional resources to help Pakistan to get out of the debt trap. Performance under the recently expired Stand-by Arrangement has established a good track record of macro-economic policy and structural reforms implementation. "However, Pakistan has yet to build a viable modern tax system and tackle widespread poverty, and weaknesses in the basic social services," the document added. The reform agenda under the proposed PRGF arrangement and the Interim Poverty Reduction Strategy Paper (I-PRSP) is aimed at raising GDP growth to Pakistan's potential of at least 6 per cent within few years, while ensuring that the benefits are widely shared by the poor. The IMF expects from the country's central bank to maintain prudent monetary policy under the floating exchange rate regime to keep its 5 per cent inflation target and build up international reserves to at least three months of imports at the end of the three-year PRGF programme. The programme envisages further exchange rate liberalization and integration of the inter-bank and kerb markets. The main risk to the programme, the Fund officials believe, would arise from a prolongation of the regional conflict, which could adversely affect growth, trade and investment and intensify budgetary pressures. Other risks include resistance from interest groups affected by the planned reforms, and limited administrative capacity to implement certain aspects of the programme. However, recognizing such uncertainties, the programme includes a number of contingency measures to protect fiscal and external balances. The success of the economic reform programme depends, to a considerable extent, on measures to address the large external debt burden. The IMF believes that the military government that took office in October, 1999, has candidly taken stock of the economic weaknesses besetting Pakistan, including poor governance and weak social indicators. It has also made a strong start in addressing many of the long-standing structural problems facing the economy and bringing the country back on the path of higher growth, sustainable development and reduced poverty. Pakistan's achievements under the more recent 10-month Standby Arrangement, that expired in September, 2001, are encouraging.

*From [DAWN Group](#), 29 December 2001*

### **Peace and Order Problem, Lack of Government Transparency Turning off EU Investors**

The Philippines' peace and order situation and the lack of transparency in government are dampening investor confidence in the country, the European Union (EU) said yesterday. During a press conference, Spanish ambassador to the Philippines Tomas Rodriguez Pantoja explained the twin problems must be given special attention by government as these are the major factors investors consider before sinking in capital in any country. "You have two conditions for capital to come in. First is tranquility and clear regulations on investments. So if life has normality, then that's the first step to attracting foreign investors," Mr. Pantoja said. "The country's peace and order situation causes some (foreign) companies to complain about the investment climate here," he added. Mr. Pantoja also called on the government to provide a mechanism by which investors would have a sense of security. "The key is transparency - a clear and transparent system. Investors want to know how their investment would prosper here," the ambassador said. He warned that complacency on the part of the Philippines could turn off investors in favor of China and other neighboring countries. Given its much cheaper labor and vast market of over one billion people, China is now an emerging investment hub. "You must produce something interesting or else, investors' attention may shift to countries like China," Mr. Pantoja said. Still, Mr. Pantoja vowed that the EU would continue its assistance to the Philippines particularly in combating terrorism. He said the EU is keen on seeing the country, especially war-torn Mindanao, to finally have enduring peace and put it back on the path to development. "We in the EU will help in the peace process in Mindanao. EU is ready to do anything in line with having this part of the country... (steered toward) peace," Mr. Pantoja said. This came as Spain assumed this month the presidency of the council of the European Union. As council president, Spain would primarily serve as the driving force in the legislative agenda and decision-making process of the EU. It succeeded Belgium and will head the EU until July when it will be replaced by Denmark. As EU head and a longtime partner of the Philippines, Spain aims to enhance existing economic cooperation between the country and the EU. "In the economic front, the European Union will continue to support the program of President Gloria Macapagal-Arroyo in its war against poverty. Furthermore, the European Union will support the country's private sector in terms of increased foreign investments," it said in a statement. To date, EU remains as the third largest donor of official development assistance (ODA) to the Philippines next to the US and Japan.

*From [Business World](#), by Mark M. Borlongan, 9 January 2002*

## Megabank Opens in Japan



Analysts have urged banks to shed their bad loans - Japan's UFJ Bank, the country's fourth largest lender, started operations on Tuesday, promising to shed a mountain of bad loans. The bank is planning to write off 2,000bn yen (\$15bn, £11bn) in bad loans in the year to March 2002. The bank's bad loans totalled 2,400bn yen last September. The UFJ's plans are seen as being in line with the Japan's banking reform guidelines promoted by Prime Minister Junichiro Koizumi. Mr. Koizumi has urged banks to reduce the amount of bad loans to levels where they can be covered by operating profit within two or three years. The UFJ Bank is a commercial

unit of UFJ Group, created last April through a merger of Sanwa, Tokai and Toyo Trust and Banking Corporation. Dealing with bad loans - Faced with the high cost of dealing with problem loans and huge losses on its stockholding due to a plunging stock market UFJ is struggling to keep its capital from eroding further. The group announced on Tuesday it would transfer 1,000bn yen from capital reserves into funds. Another 1,000bn yen transfer of UFJ's commercial banking unit would be decided by the end of March. "We will place our top priority on disposing of bad loans to make this bank a youthful and energetic bank," Masahi Teranishi, UFJ Bank president, said. Saving supermarkets - One immediate headache is to help struggling Daiei, Japan's biggest supermarket chain, which owes UFJ more than 800bn yen. The bank is to work with two other creditors, Mitsui Banking Corporation and Fuji Bank, over advising Daiei on its future direction. Mr. Teranishi did not exclude the possibility of a complete writing off Daiei's debt and promised to help the company "not to fail". Move swiftly to survive - Analysts say UFJ and other Japan's banks must process bad loans swiftly to survive the economic slump which has pushed the country into recession for the third time in a decade. "The banks must reduce bad loans or they risk going under," Hironari Hayashi, banking analyst in Shinko Securities, said "They have repeatedly expressed their intention to get rid of bad loans. A question now is how and if they will do it." Shares in UFJ ended the day flat at 269,000 yen.

From [BBC](#), 15 January 2002

## IMF to Set Tough Conditions for Bangladesh Loan

A delegation of the International Monetary Fund was due to leave Bangladesh on Monday, amid mounting concerns about the country's economic health. Lois Valdivieso, head of the delegation, said no decision had yet been taken on a \$750m loan. "Whether or not it goes ahead depends on the strength of the government's economic programme," Mr. Valdivieso said. Representatives from the Fund are due to re-visit Bangladesh soon, and sources said they expected the loan to be finalised then, but with tough conditions. "The Fund is likely to demand more transparency in spending," said one official close to the talks, "including a better accounting system and a more stringent monitoring system to detect corruption." These measures are likely to be in addition to the IMF's traditional demands that the government reform state-owned enterprises and the banking system, in addition to carrying out a privatisation programme. The IMF's visit followed a warning last week by Nicholas Stern, the World Bank's chief economist, that Bangladesh might not be able to sustain its recent annual growth rate of around 5 per cent. Mr. Stern said that the deterioration in law and order over recent months, coupled with a confrontational style of politics (widespread violence was reported in the build-up to national elections last year), meant that growth and foreign direct investment would fall over the next few years. He warned that would have serious implications for the rural and urban poor in a country of 130m people. "Bangladesh is snowballing towards a severe depression," said independent economist Debapriya Bhattacharya. "Foreign exchange reserves are currently at a seven year low of around \$1bn, exports are down and earlier this month the government devalued the Taka. "It's the most serious economic crisis to be faced by the country since the late 1980s," Mr. Bhattacharya said. The pressure on the government has been exacerbated by a balance of payments crisis linked to the decline in export earnings, especially in the textile sector. The government continues to spend more than it receives in taxes and is borrowing heavily from banking and non-banking sources. Saifur Rahman, finance minister, admits the economy is ailing and that bold economic measures are required to restore stability.

"We inherited a mess from the previous government when we assumed power in October," he said, "But I'm confident that we can sort things out with the help of foreign donors, the World Bank and the IMF."

*From [Financial Times](#), by Alastair Lawson-Tancred, 14 January 2002*

## China Bank Chief Investigated

Wang Xuebing, president of the China Construction Bank (CCB), one of the nation's "big four" state banks, has become the object of a high-level investigation into alleged "economic wrongdoings", official sources said. Mr. Wang, one of the mainland's best known and most sophisticated bankers, was a protege of Zhu Rongji, the premier. He was also the chairman of the China International Capital Corp (CICC), China's only joint venture investment bank in which Morgan Stanley, the US bank, has a 35 per cent stake. The investigation being conducted by the Communist party's top anti-corruption agency is thought to involve problems that emerged when Mr. Wang was head of the Bank of China, another of the "big four" state banks. He left the Bank of China in early 2000. Details of the alleged wrongdoings could not be confirmed. Mr. Wang has been removed from his position as president of CCB and is also expected to lose his job as chairman of CICC. Nevertheless, his departure is not expected to derail complex plans to split up CCB and float parts of it on the stock market.

*From [Financial Times](#), by James Kyngge, 14 January 2002*

## Indonesia to Sell Stake in Danareksa to Cover Budget Deficit

Jakarta - The Indonesian government plans to sell a stake in PT Danareksa, a state investment company, as part of its asset sale program to raise funds for the state budget, an official said. The size of the Danareksa stake was not disclosed. Indonesia aims to raise 6.5 trillion rupiah (\$622 million) from asset sales as it faces an estimated budget deficit of 43 trillion rupiah. About 3.9 trillion rupiah of the sale proceeds would be used to finance the budget deficit. International investors, lenders and aid donors have criticized Indonesia for the slow pace of assets sales needed for economic reform. The International Monetary Fund wants such sales to be accelerated as a condition for more loans. "We will proceed with companies that were scheduled for privatization last year," said Aloysius Ro, a director for privatization at the state enterprises ministry. Last year, the government sold 3.5 trillion rupiah of assets, short of the original target of 6.5 trillion rupiah as political opposition hampered its efforts to privatize cement maker PT Semen Gresik. This year, proposed sales include airport operator PT Angkasa Pura I and PT Jakarta International Hotel Development, which manages Hotel Borobudur. Indonesia has 188 state enterprises with combined assets of 861.5 trillion rupiah.

*From [Bloomberg.com](#), by Aloysius Unditu, 29 January 2002*

## Chinese Auditors Deny Bank Fraud



The state sector is struggling to deal with bad loans - Chinese auditors have denied a report that the government is investigating the disappearance of more than \$700m from branches of the Bank of China (BOC). However one branch is under investigation, a bank official said on Monday. The denial followed a report in the 21st Century Business Herald at the weekend, which quoted an unnamed National Audit Office official as saying that several senior officials at BOC branches in Guangdong province were under investigation. Out correspondent in Shanghai says that if the allegations are true, it is the largest case of

fraud in the country's Communist history. But a spokesman for the audit office on Monday said the report was "nonsense". "All of what the report said by quoting the audit official was untrue," the spokesman said. The allegations - But the speculation, which follows the recent sacking of the bank's former head in connection with alleged loan problems, will add to concerns about the health of China's banking system.

China's financial sector was rocked earlier this month when Wang Xuebing, one of the country's most internationally prominent bankers, was put under investigation in connection with credit problems during his tenure as head of the Bank of China. The bank was later fined \$21m by US and Chinese regulators for irregularities at its New York branch. The report in the 21st Century Business Herald said investigations in the US and China had uncovered systematic fraud by officials at two Bank of China branches in Guangdong province. It quoted an unnamed source at China's National Audit Bureau as saying six billion yuan - around \$720m - was transferred into accounts abroad over a 10-year period. The report said the case was uncovered in October and a number of local officials were now under investigation. The Bank of China has generally been seen as the most competitive and efficient of the four state-run commercial banks which dominate China's finance industry. Regulations to be tightened - But the entire state banking sector is still struggling to deal with bad loans, officially estimated at 20% of total loans. There have been rumours of vast amounts of money being loaned without proper records being kept. China's Central Bank on Monday said it would tighten regulation of the country's commercial banks but the recent problems have further damaged the credibility of the banking sector, which will face a sharp increase in competition from foreign-funded banks over the next five years as China lifts restrictions in line with World Trade Organisation rules.



The alleged fraud is the biggest since Mao Zedong founded modern China

From [BBC](#), 28 January 2002

### Europe/CIS

## Focus German Tax Reform Will Give Companies War Chests to Expand Core Ops

Frankfurt - The abolition of German capital gains tax this year is expected to change the ownership structures of some of the country's most venerable institutions, and give companies a substantial war chest to expand their core operations, analysts said. In December 1999 the SPD-led government astonished and delighted markets by announcing that from Jan 1, 2002 all sales of stakes which one company owns in another would be tax free. Up until now only stakes held by German companies in foreign institutions could be sold free of tax. The reform led many analysts to expect a rapid unwinding of the web of cross shareholdings which bind together Germany's leading companies into a cosy network known as 'Germany Inc'. For example insurer Allianz AG owns a host of diverse stakes in a companies ranging from cosmetics producer Beiersdorf AG, to BASF AG, to truck maker MAN AG, as well as other financials. The sharp downturn in world stock markets has since cooled expectations of an explosion of M&A activity early this year, but analysts still expect a more gradual series of moves which will change the corporate landscape for good. "The Japanese economy proves that the cross-shareholding structure does much harm," said Thomas Meier, who manages 5 bln eur of funds at Union Investment. "We prefer companies moving away from the conglomerate, and shifting more towards core competencies," he said. The future of Allianz's stakes will be particularly closely watched, as it has now taken on the industrial holdings of its newly acquired banking subsidiary Dresdner Bank. Above all it is Allianz's 38 pct stake in Beiersdorf AG which is generating plenty of interest among analysts, as it may decide whether the producer of the world-renowned NIVEA brand will join the DAX this year. In June, Deutsche Boerse AG will change its membership criteria to a free-float basis from market capitalisation, thus increasing the importance of the proportion of shares being actively traded. Beiersdorf is currently ranked 24 according to market capitalisation on the DAX 100 but only 34 according to turnover, with 35 pct of shares in free-float, as of Oct 31, 2001. "Although turnover in Beiersdorf has increased in recent months, the major shareholder (Allianz) would have to put a further 15-20 pct of Beiersdorf's shares on the market to open the DAX in the medium-term," said Dresdner Kleinwort Wasserstein analyst Oliver Luckenbach. Even if Allianz initially gave up only a 15-20 pct stake in Beiersdorf, there would be plenty of parties interested in the shareholding, such as Henkel KGaA, Wella AG and Tchibo AG, analysts said. Henkel currently has funds to spend after selling its specialty chemicals unit Cognis and stake in the Ecolab joint venture for a combined total of roughly 3 bln eur. In addition, Allianz's chief financial officer Paul Achleitner joined the advisory board to the Henkel family last year, triggering speculation that the Beiersdorf stake will become a target for the Duesseldorf-based company. "There are a large number of interesting combinations within the German cosmetics industry, which may arise in the next 2-3 years from the tax reform," said Luckenbach. The Herz family-owned Tchibo Holding AG is the second largest shareholder in Beiersdorf, with a stake of roughly 30 pct, and is seen by many analysts as the favourite to take over Allianz's interest through the possible sale of its 75 pct stake in Reemtsma

Cigarettenfabriken GmbH. Tchibo spokesman Joachim Klaehn confirmed that the stake in Beiersdorf has been raised to roughly 30 pct from 27 pct, a move which analysts believe was made last year and not this year. However selling unwanted stakes directly to strategic investors and predators is only one of several options available for the likes of Allianz to reduce their industrial portfolios. They can also sell to financial investors like pension funds and mutuals, as well as using market instruments such as exchangeable bonds, analysts said. In December Allianz issued an 1 bln eur bond exchangeable in RWE shares which it hopes will reduce the stake in the utility to 7.7 pct from 11.7. Arne Jockusch, insurance analyst at Merck Finck, said the type of sales employed by the financials will largely depend on the health of global stock markets. "If the recovery continues and more optimism comes then I think they will look to sell direct." "With an exchangeable bond you do not know in advance how much will be exchanged. I think the exchangeable bond is only a solution to be used for as long as the market remains weak," he said. Proceeds from the sales of Allianz's industrial holdings will help the insurer bolster its core operations, as well as last year's purchase of Dresdner Bank, analysts said. "Where they could be used is in for an acquisition in the US life insurance market," said Carsten Zielke, insurance analyst at WestLB Panmure. "But they are also very active in eastern Europe and this could finance growth there. And there is also Asia," he added. Aside from Allianz, Deutsche Bank AG's 12 pct stake in DaimlerChrysler remains a constant source of speculation, but analysts expect the bank will take time to see the effects of chairman Juergen Schrempp's restructuring measures. Less activity is expected from the other major financials, with Commerzbank AG and HVB Group AG owning comparatively limited industrial portfolios. Munenchener Ruckversicherungs AG's main asset is its cross holding in Allianz, which analysts do not expect will not be reduced beyond 20 pct. However, it is not only Allianz and other financial institutions that have the chance to divest stakes this year in other German companies. Multi-utility RWE AG has 56 pct and 50.1 stakes in construction company Hochtief AG and printing machine manufacturer Heidelberger Druckmaschinen AG respectively. Rival E.ON AG has a 64.6 pct stake in specialty chemicals company Degussa AG, a 65.5 pct stake in logistics company Stinnes AG and owns all of the shares in real estate company Viterra AG. Analysts see Degussa coming under pressure when Deutsche Boerse changes to a free-float basis in June, and feel E.ON must soon give up around 15 pct of its shareholding to secure the chemical company's blue-chip membership. "It is less likely that E.ON will lower its stake in Degussa via the market as prices would fall," said HypoVereinsbank analyst Karin Brinkmann. "However, a capital increase by Degussa would allow the company to pursue its expansion strategy, lower E.ON's stake and increase the free-float," added Brinkmann. But while analysts do not expect everything to happen this year, they note companies are aware the window of opportunity presented by the government may not last for ever. The first signs of backtracking came earlier this year when the government abolished tax pooling arrangements which benefit insurance companies dealing with personal insurance. With the government's budgetary situation becoming ever more constrained, analysts expect nervous companies will be hoping to complete deals within the next half decade. "Allianz has said it must be assumed this window of tax free capital gains sales will not exist for ever," said Merck Finck's Jockusch said. "And this means they will go about it quite quickly and realise as many gains as possible in the time."

*From [AFX Press](#), by Stuart Williams and Daniel Smith, 8 January 2002*

## **Euro Bankers Optimistic**

Bank of Greece Governor Lucas Papademos said yesterday the physical introduction of the euro will help to contain eurozone inflation in the medium term as it will increase price transparency. "The completion of the transition to the euro with the physical introduction of euros and the conversion of prices and services into euros will positively affect prices in the mid-term," Papademos said in an interview with the daily Eleftherotypia, published yesterday. The eurozone inflation rate fell to 2.1 percent year-on-year, a one-and-a-half-year low, in November, down from October's 2.4 percent and May's eight-year high of 3.4 percent. The ECB has a self-imposed 2-percent ceiling for inflation in the mid-term. "More price transparency across the eurozone will boost competitiveness and put pressure on prices. This will result in price conversion... to lower levels," he said. After the ECB's decision to keep steady the minimum refinancing rate at 3.25 percent in November, Papademos said there is room left for further moves if conditions are conducive. The ECB has cut a point off rates since the September attacks in the United States and will meet next on January 3. Also yesterday, European Central Bank President Wim Duisenberg voiced cautious optimism about the eurozone economy, predicting a moderate upturn in the course of next year. In an interview with Dutch television less than two days before the rollout of euro notes and coins, Duisenberg also said he expected the single euro to appreciate against the dollar and denied plans to stand down next year. "I think we may well have reached the trough. I expect a recovery in the course of 2002, though it will be slow. I see no recession," Duisenberg said. The eurozone's economy should be expanding at an annual rate of more than 2 percent at the end of 2002, provided a US recovery materializes as expected, the ECB head said. On average, growth would be almost 1 percent next year, Duisenberg

added. The 66-year-old Dutchman also denied a deal existed between him and France for him to leave office early 2002, saying he did not expect to step down next year. "I won't step down in the near future. I like what I'm doing," he said. Asked whether one could expect him to stand down next year, Duisenberg said: "No, I don't think so."

*From Reuters, 2 January 2002*

## Zurich Logs on to Online Banking

Zurich Financial Services is making its first foray into banking services for the public. The interactive bank, [zurichbank.co.uk](http://zurichbank.co.uk), was launched for Zurich's staff last autumn and already has 1,300 customers. The web-based account can be used as a savings or current account. It guarantees that interest paid on balances in credit will never be less than 0.5% below the Bank of England base rate (currently at 4%). There is a £250 interest and fee-free overdraft facility and authorised overdraft rates are guaranteed to track just 5% above bank base rate. This gives a current authorised rate of 9%. However, this shoots up to 22% if customers exceed their arranged and authorised overdraft limit. 'Customers are often led to believe they have secured a high interest rate only to see it ended over time to become less attractive,' said Chris Gillies, managing director at Zurich Bank. 'By tracking the Bank of England base rate, Zurich offers its customers a permanently competitive interest rate for the life of their account, with no need to keep checking for the effect of changes.' Zurich Bank's interest rate makes it one of the highest on the market – but it is not the best. Abbey National's interactive bank Cahoot is paying 4.55% on its current account with no chequebook. There are no balance restrictions on the Zurich account and no management charges. Though the bank is a web offering it is supported by a direct telephone banking facility – so customers have the choice of how they manage their money. Customers also have a chequebook and transactions can be made in Zurich's partnership banks, Royal Bank of Scotland and HboS, although they may apply discretionary charges. The bank is based in Cheltenham, Glocs, and is licensed by the FSA for pan-European banking. It is a member of the Ombudsman scheme, which means customers have a formal channel for complaints and recompense should anything go wrong. [zurichbank.co.uk](http://zurichbank.co.uk)

*From [Evening Standard](#), by Jo Thornhill, 17 January 2002*

## The Americas

### Accountants Knock Down Global Credential Proposal

New York - The accounting profession may be under siege, but its members are determined to keep outsiders from entering it. The highly paid bookkeepers voted on Thursday to shoot down a controversial credential that would have allowed other professionals, such as lawyers, to represent themselves as providing accounting services. The vote comes as the accounting profession reels from a massive hit to its credibility following the Enron Corp. (ENE) debacle. The energy trader quickly unraveled and filed for bankruptcy last month after it revealed losses from partnerships kept off its balance sheet. The company's auditor, No. 5 accounting firm Andersen, immediately came under fire for failing to clarify those deals to investors and for signing off on Enron's books that were later restated. Soon enough, the entire profession came under attack from irate investors and lawmakers. The global credential, as the proposed license is widely known, sparked a fierce debate within the accounting profession in recent months, regularly occupying several pages in the trade press. The American Institute of Certified Public Accountants, the organization that pushed for the new credential, said the idea came in response to demand for professionals who can provide expertise in a broad range of business disciplines. The proposed credential would have allowed its holders to claim understanding of broad business knowledge, much like an MBA, or a master of business administration, degree. The AICPA said applicants would have to go through a qualification program to prove they could bring together and apply knowledge from different business disciplines to earn the title. But while a prospective employer can turn thumbs up or down on job candidates based where they earned their MBAs, the global credential would have offered its holders a degree of international recognition and consistency, according to the AICPA. The group pumped in nearly \$5 million over three years in researching the proposal and spreading the message, but many were not impressed. Critics, including some regional accounting societies and a few Big Five accounting firms, said the proposal would simply mean more competition for accountants who earn their credentials through the rigorous Certified Public Accountant program in the United States. The AICPA said on Thursday that nearly 63 percent of its members who voted on the proposal were against it. As a result, the accounting body has decided to abandon the project. The accounting world also showed its disdain for the idea in a recent contest organized by The Electronic Accountant magazine, which asked its readers to come up with names for the proposed credential. Several people sent in tongue-in-cheek answers like "Certified to Do Anything" or

"Certified Business Hustler." One Connecticut accountant took home the prize from the magazine for naming it KIA, or the "Know It All" credential.

From [AccountingWEB](#), by Deepa Babington, 3 January 2002

## Argentina Must Try New Fiscal Policy

In serious trouble as it enters the new year, Argentina desperately needs a government willing to institute sweeping economic reforms. U.S. officials ought to monitor the situation to prevent it from worsening. First, President Fernando de la Rúa was ousted from office Dec. 20, amid anti-government protests and looting that have left 26 people dead. Then, only a few days later, his successor, Rodriguez Saa, resigned, after his own party refused to back his reform measures. Maybe now, as the country's dominant Peronist party falls from grace, a new leader will emerge who's willing to take Argentina back in the right direction. The Peronists, including de la Rúa and Saa, have blamed U.S.-style free enterprise for the nation's fiscal disaster. Already some conservative pundits in this country are saying Argentina is an example of the dangers of unfettered foreign trade. They're calling on President Bush to pull the United States out of the North American Free Trade Agreement and, instead, to block imports with high tariffs. But foreign trade isn't the problem in Argentina. Government controls are. About a decade ago, President Carlos Menem promulgated serious and effective reforms: He privatized state-owned businesses, eliminated price controls, deregulated banking and cut restrictions on foreign investment. The result? Strong economic growth that helped trim the number of families living in poverty from 38 percent in 1989 to 13 percent in 1994. Unemployment, poverty are up - But eventually the Peronists got back into power and turned Argentina back toward corruption and financial ruin. Now, unemployment has surged over 18 percent, and almost half the country lives below the poverty line. Ideally, Argentina's next stable leadership will institute Menem-style reforms again. The United States, meanwhile, could do more than provide Argentina with an example of how a market thrives when it's free from government control. The Bush administration ought to offer Argentina its economic expertise - otherwise, the country could slide from financial trouble into repression.

From [Poughkeepsie Journal](#), 2 January 2002

## Brazil Klabin Replaces Stocks in Restructuring

Sao Paulo - One of Brazil's leading pulp and paper makers, Klabin SA, on Wednesday completed a planned internal share swap, replacing its old shares in the domestic market with new shares that now incorporate four Klabin's units each. As a result of restructuring and one-per-one share swap, Klabin removed the stocks of Industrias Klabin de Papel e Celulose (KLAB3) (KLAB4) from the Sao Paulo Stock Exchange, listing instead Klabin SA shares (KLBN3) (KLBN4). The preferred stock (KLBN4) slipped to 1.04 reais in early afternoon trade from 1.05 reais at open. There were no deal in the ordinary issue. Klabin said in a statement the restructuring and swap would allow to save up to 60 million reais per year by reducing administrative, operating, financial and fiscal costs, as well as help the synergy and increase transparency.

From [iWon](#), 2 January 2002

## Accounting Policies: 'Full Transparency' Needed, Says SEC

The Securities and Exchange Commission has issued "cautionary advice" about the need for "full transparency" in accounting policy disclosures. The selection and application of critical accounting policies and their possible or likely effects "must be appropriately reasoned" in the annual reports filed by publicly owned corporations, the SEC said. Accounting policy disclosures may not go far enough without appropriate and clear analytic disclosures to facilitate an investor's understanding of the company's financial, status, and the possibility, likelihood and implication of changes in the financial and operating status," the SEC said. Board audit committees should review selection, application and disclosure of critical accounting policies in advance of an annual report filing, the agency added. "Proactive discussions between the audit committee and the company's senior management about critical accounting policies are appropriate." Management is responsible for keeping audit committees informed of matters such as the methods used to account for significant unusual transactions, the SEC's advisory added.

From [AccountantsWorld](#), 11 January 2002

## **Avoid Enron Repeat, Set Up Fair System**

The Enron issue has scared away potential foreign investors and India needs to establish a fair regulatory process to avoid such problems. This was stated by US Congressman Joseph Crowley, while addressing a session on “Global Finance: Overcoming the Slump”, at the Partnership Summit organised by the Confederation of Indian Industry (CII). Emphasising the importance of transparency and the need for fair regulatory systems in attracting foreign investment, Crowley said greater transparency would have prevented the Enron-India conflict and would make India more hospitable for foreign capital.

*From [The Indian Express](#), 10 January 2002*

#### S. Korea Sets Power Industry IPO in H1 - Five KEPCO Power Generation Units To Be Sold by 2005

Seoul - The long-awaited privatization of South Korea's power industry will begin in the first half of the year with the sale of one of state-run Korea Electric Power Corp.'s six generation units, the government said Tuesday. Ultimately, the government plans to sell KEPCO's five non-nuclear power generation companies to the private sector, while holding on to the sixth, which includes nuclear and hydro-power operations, for security reasons. KEPCO's power generation operations ([KEP: news, chart, profile](#)) were restructured as such last April. The five non-nuclear units to be divested comprise about 60 percent of South Korea's total power generation capacity 64,780 megawatts. Combined assets of the five power units stood at 17 trillion won (\$13.05 billion) as of June 30, 2001, while debts were estimated at 8.7 trillion won, the ministry said. Foreign investors will be allowed to invest in up to 30 percent of South Korea's total power generating capacity, according to the Ministry of Commerce, Industry and Energy (MOCIE). Several foreign energy companies - including Atlanta-based Mirant ([MIR: news, chart, profile](#)), Singapore Power and Tractebel ([BE:0000355866: news, chart, profile](#)), a Belgian utility holding company controlled by French conglomerate Suez ([SZE: news, chart, profile](#)) - have already indicated interest in acquiring stakes in KEPCO assets, according to Dow Jones Newswires. MOCIE said in a statement that a stake with management rights in the first power generation unit would be sold via auction and a listing of shares on the stock exchange. The limit on foreign holdings would not apply in this case, it said. A timetable for the privatization of the second company was not given, but it is expected to follow soon after the first and under a similar process. A public hearing on the process is scheduled Wednesday afternoon in Seoul. In the privatization program's second phase, the government will sell three other KEPCO units in 2005 at the latest. To ensure competition in the industry, a single company or consortium will not be permitted management rights to more than one power generation company. KEPCO will retain its nuclear and hydroelectric plants, which comprise 28 percent of the country's power generating capacity. The utility will also keep its transmission and distribution assets but is selling its telecommunications unit. KEPCO shares fell 2.2 percent, or 500 won, to 22,300 won. The blue-chip Kospi Index dropped 3.4 percent to 718.64, down 25.39 points. Bill Clifford is Asia bureau chief of CBS.MarketWatch.com.

*From [CBS MarketWatch](#), by [Bill Clifford](#), 15 January 2002*

#### Government to Privatize Chohung in March

In line with a government plan to privatize state financial institutions as early as possible, Chohung Bank (CHB) will issue depositary receipts (DRs) worth \$500 million in late March this year, officials said yesterday. Woori Finance Holdings Co. will also float DRs to foreign investors in a bid to lower the government stake in the state-run financial holding company. "After consultation with the government, we will issue the DRs in late March or in mid April at the latest," a CHB official said. "Many foreign investors are responding favorably to a DR issue." The Korea Deposit Insurance Corp. (KDIC) owns an 80.5 percent stake in CHB capitalized at \$3.2 billion. In addition, CHB will sell the remaining government stake and its buyback shares in a step-by-step manner, the official said. Woori Finance said that it will press ahead with a plan to list its shares on the Korea Stock Exchange and overseas bourses as part of its privatization. The state financial holding company plans to list about 100 million out of its 720 million shares outstanding on the domestic bourse in April or May this year, it said. Depending on the conditions of the domestic stock market, Woori will seek a second listing of its shares within this year, while it will push for listing of its shares on the New York Stock Exchange during the second quarter of next year. In April last year, the government set up Woori Finance Holdings to manage banks injected with public funds and other financial institutions. Currently, Woori has three banks - Hanvit, Kwangju and Kyongnam - and an investment bank. The state holding company also plans to set up a credit card subsidiary soon. Deputy Prime Minister and Minister of Finance and Economy Jin Nyum said Monday that the government is considering measures to expedite privatization of state-owned banks. "The government is making various efforts to privatize banks injected with taxpayer money," said the nation's top economic policymaker appearing in a policy debate program on cable channel YTN. "The banks will be placed in private hands at the earliest date possible." Jin also said that the government is considering the possibility of selling Seoul Bank to a financially sound domestic bank. Meanwhile, CHB President Wee Sung-bok said Monday that the bank will draw up a plan to buy

back and cut down its own shares after 2003. "Once CHB's cumulative loss is eliminated this year, we will consult with the government on a stock buyback plan," said Wee during an investor relations session. "The number of shares to be purchased under a buyback scheme will amount to 15 percent to 20 percent of CHB's stock outstanding." Wee further said that CHB will consider merging with Seoul Bank if the government agrees on it and the marriage is considered beneficial to both banks.

From [Korea Herald](#), by Kwak Young ([ykwak@koreaherald.co.kr](mailto:ykwak@koreaherald.co.kr)), 23 January 2002

## Korean Ministry to Firm Up Power Industry Privatization Plan

The Ministry of Commerce, Industry and Energy said it will firm up its plan to privatize the power generation industry within this month now that public hearings on the plan have been concluded. A Ministry official said the Ministry sent letters to experts requesting their views on its power industry privatization plan and many complied. The Ministry should be able to finalize the plan around Wednesday, following consultations with the Ministry of Planning and Budget. Many of the experts solicited concurred with the Ministry's plan to first spin off and then sell two power generating units. The respondents also gave positive feedback to the Ministry's plan to sell management rights piecemeal and set aside around a 30 per cent stake in the power generation units for foreign investors. They also pointed out the government's responsibility to ensure fair power rates and a stable power supply. However, the experts said the government should clarify whether the 30 per cent cap for foreign investor share holdings will continue after privatization. Some also called for regulations to limit the number of foreign investors and require them to form consortiums with domestic partners. The electric industry's labour union did not participate in the public hearing this time.

From [Power Engineering International](#), 29 January 2002

## Pakistani President Approves Privatization of State Distribution Company

Pakistan President Pervez Musharraf Saturday approved the privatization of the country's largest oil distribution company, Pakistan State Oil, said the Pakistan privatization commission. The company has a domestic market share of more than 70%. It has assets worth 30 billion rupees (\$500 million). For the year to June 2001, it booked a profit of 2.2 billion rupees. The government said stakes will be offered to prospective investors after next month in a manner that ensures national interests are protected. Petroleum Minister Usman Aminuddin first will issue a policy statement for the country's downstream oil industry.

From [Oil and Gas Journal](#), 29 January 2002

## Europe/CIS

## U.K. Says It Will Boost Use of Private Companies in Health Care

The U.K. said it will increase the use of private health care companies in the state-owned National Health Service. The policy will increase the size of the private sector and spread it to parts of the country where it currently doesn't have a large presence, Health Secretary Alan Milburn told legislators. The U.K. wants to use the private sector to provide "infrastructure, resources and expertise" to the NHS which ministers recognize is near the top of the political agenda, Milburn told a parliamentary committee. Last month, the government announced it was negotiating with British United Provident Association, Europe's largest private health care provider, to provide up to 5,000 patients a year with operations and reduce waiting times in National Health Service hospitals. The government said in November it would spend "significantly" more on health care to lift standards to French and German levels and hinted higher taxes may be needed to finance the spending. Milburn said the relationship between the public and private health sectors "isn't a one night stand, it's a long term relationship in the interest of NHS patients receiving better NHS services." "Now we want to build a bigger relationship between the NHS and the private sector. NHS patients will be the winners with better, more modern family doctor surgeries in the community and faster, higher quality diagnostic care in hospitals." Milburn said the government's increased use of the private sector means "you'll get new entrants to the market with the regional spread beginning to change as a result of more contracting with the NHS." The U.K.'s budget for state health care for fiscal 2002-03 is 60 billion pounds (\$87 billion).

From [Bloomberg.com](#), by David Healy, 9 January 2002

## Fabius Says France Should Sell Shares in EDF, GDF

Paris - The French government should sell shares in state-owned Electricite de France, Europe's largest power company, and Gaz de France, the country's natural-gas distributor, Socialist Finance Minister Laurent Fabius said. "I think GDF should see its capital opened," Fabius said, speaking at a political debate. "That is also the case for EDF, though the state should keep a majority stake." Fabius's comments, a shift from the Socialist government's earlier plan to keep EDF state owned, suggest the companies will be privatized no matter who wins this year's elections. President Jacques Chirac's center-right party has also said it favors reducing the state's stake in EDF and GDF. "It's astonishing," said Michel Clerc, a spokesman for the mining and energy unit of the CGT, France's largest union. "This is as slippery as a banana peel for Prime Minister Jospin," who is expected to run against Chirac while keeping the support of Communists and Greens in his government. The capital of France Telecom SA also "has ample room" for new investors, Fabius said, suggesting the government may reduce its 55.5 percent stake in France's largest phone operator. Alain Juppe, a member of Chirac's party, a former prime minister and the mayor of Bordeaux, also said he favored trimming the government's stake in France Telecom and EDF. "I don't mean to cut it down to zero, though," Juppe said as he took part in the same debate as Fabius. The Socialist government doesn't have a timetable or precise plans for opening up EDF and GDF's capital, said Finance Ministry spokeswoman Nina Mitz. Funds Needed - "There was a kind of consensus that no one speak about opening the capital before the elections," said CGT's Clerc. The union won the backing of more than half of EDF's employees in elections last fall. EDF declined to comment on Fabius's remarks. The company is making acquisitions abroad to compensate for clients lost in France as the local electricity market opens to competition, and will run out of cash after 2003 unless it slows its expansion or finds new financing. Chairman Francois Roussely hired Rothschild & Cie. to advise on funding options, including a possible share sale, though until today the government had said such a step was not in the cards. The government needs funds. France is on track to overshoot its 2001 deficit target by 14 percent, and the economy probably stalled in the fourth quarter, crimping tax revenue, government estimates show. Unemployment stood at a one-year high last month. 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. Societe Nationale des Chemins de Fer Francais, France's railway, should remain state-controlled, Fabius said.

*From [Bloomberg.com](http://Bloomberg.com), by Nicolas Johnson and Florence Labedays, 15 January 2002*

## The Czech Government Has Abandoned Privatization Plans for Principal Utility CEZ

As Datamonitor expected, the government's insistence on a single buyer for all CEZ's assets scared off nearly all the potential bidders. Those who remained could not meet the government's other conditions. After the forthcoming election, the incoming government would be wise to allow a piecemeal sale. It would attract more interest and more money. The Czech government on Wednesday abandoned privatization plans for CEZ, the country's largest power utility. The original offer, worth at least \$5.5 billion, included conventional and nuclear generation plants, transmission and distribution assets. The Czech government insisted on selling all of the assets as one package, to discourage cherry picking by potential investors. Datamonitor has long believed this to be a foolish plan, since it also limited the number of likely buyers. Out of the five initial bidders for CEZ, only one had enough expertise to efficiently run all of the assets on offer - France's EdF. Three of the original bidders, Belgium's Electrabel, Britain's International Power and Germany's E.ON, were only interested in some of the assets and dropped out when told that bidding for part of the package was not an option. Unsurprisingly, neither of the remaining two bids managed to satisfy the Czech government's conditions. The consortium of Italy's Enel and Spain's Iberdrola would not bid more than \$3.8 billion, falling far short of the government's target. EdF did offer the minimum acceptable bid, but it included conditions that rendered it invalid. As a result, the privatization process has now been abandoned. It is possible that the government will continue exclusive talks with EdF, trying to convince it to drop its additional demands. However, these are unlikely to end before June, when parliamentary elections may return a new government. The best course of action for the Czech government would be to swallow its pride and allow a piecemeal sale of electricity assets, which would attract many more bidders and eventually yield a much higher total price. The current government is unlikely to make this u-turn for fear of losing face. However, a new set of people at the country's helm would have no such obstacle.

*From [Datamonitor](http://Datamonitor), 14 January 2002*

## Alro Privatization Postponed

Long-awaited selection of the future owners of aluminum producer Alro was postponed last week as one of the bidders appealed to the Privatization Authority (APAPS) to re-examine submission documents. Declining to discuss the issues in depth, counselor of Privatization Minister, Victor Ciutacu said, without giving any deadline: "the final result will be made public after the appeal is solved." Peter Braun, general manager of local trade company, Conef, which is owned by Marco International, told BBW that his company had been accepted. Conef now has a 41.77 per cent stake in Alro. "We qualified and will make an offer before April 15, the deadline for submitting bids," Braun said simply. As for Balli, its financial manager Gabriel Seitan was contacted by BBW while he was meeting with APAPS representatives and refused to say if Balli's documentation was accepted by the Privatization Authority, or not. Sources on the market said three companies submitted documents to APAPS: Conef, Glencore and Balli. Glencore is registered in Switzerland. Its owner is believed to be US businessman, Marc Rich.

*From [Bucharest Business Week](#), by Despina Ponomarenco, 23 January 2002*

## Privatization of Bucuresti Hotel Moves into Court

Former privatization minister Radu Sarbu has been placed under investigation for the privatization of Hotel Bucuresti along with other individuals involved in this process, including Eliahu Rasin, the owner of Domino International Hotels, and Alin Giurgiu, former manager of the State Ownership Fund (SOF), for allegedly causing losses of six million USD. "It seems strange to me that the public prosecutor handling the case thinks I am the only defendant why all the members of the board are only charged with the crime," Sarbu said. The other people involved in this investigation are Ionel Ruse, owner of Noni Voiaj, Olimpia Schiopu, former director with SOF, Ion Savu, now a deputy, Mihai David a counselor of the former Prime Minister Mugur Isarescu, former state secretary within the Ministry of Transport Adrian Marinescu, university professor Adrian Popa and Petrom's union leader, Liviu Luca - all members of the board of the hotel.

*From [Bucharest Business Week](#), by Despina Ponomarenco, 23 January 2002*

## Officials Shaping Privatization of Banks

A group of Treasury and Finance Ministry officials are in talks with representatives of the nation's three remaining state-run banks to draw up their privatization plans, government officials said last week. "After it's finished, (our recommendations) should be approved by the cabinet," said Urszula Mitroczuk, director of the Treasury Ministry's financial institutions department. The group first met in December, two months after Treasury Minister Wiesław Kaczmarek said he would scrap the previous government's plans for an initial public offering (IPO) of 30% of Powszechna Kasa Oszczędności Bank Polski (PKO BP), the nation's largest commercial bank. In addition to PKO BP, Bank Gospodarstwa Krajowego (BGK) and Bank Gospodarki Rybniczej (BGR) are also included in the talks, officials said. Both PKO BP and BGK are wholly owned by the Treasury Ministry, which also has a 65% stake in BGR. Representatives of the three banks were tight-lipped about the government's intentions last week, and declined to reveal details of their discussions. "These are matters for the treasury," said Leszek Ziobko, spokesman for PKO BP. The government press office said Ireneusz Robert Sitarski, undersecretary of state at the Treasury Ministry, Jacek Bartkiewicz, Finance Ministry undersecretary of state, and Przemysław Morysiak and Bogusław Grabikowski, directors for financial institutions in the Finance Ministry, are participants in the talks. None were available for comment at press time. A Finance Ministry spokesman said Kaczmarek is not among the officials meeting on the banks' fate. The previous government's plan to float the 30% stake was criticized by many financial analysts, as any potential foreign investor would have no influence on the bank's direction. Bank watchers warn that the state-run financial institutions, particularly PKO BP, need strategic investors for injections of capital, which would allow them to modernize and compete in the European Union after Poland joins the single market around 2004. Ziobko said that PKO BP had already started trimming jobs, though he wouldn't disclose how many of the bank's 38,400 employees had been axed. The cuts are needed if PKO BP is to move forward with plans for a centralized IT system for the bank's 1,200 branches. But after nearly a year of flirting with the idea, plans seem no further along. "The supervisory board hasn't decided on the issue," Ziobko said. "(The IT system) would certainly lower costs and improve communication between the various branches of the banks," said Dariusz Górski, an analyst at ING Securities. Analysts are generally pessimistic about the government's behind-the-scenes retooling, particularly as it relates to PKO BP's situation. "The government does not have a clear strategy," Górski said. "Nobody is going to buy a minority stake of any of the treasury-owned companies after (what happened to) Eureko and Powszechny Zakład Ubezpieczeń (PZU)," he added, referring to protracted

struggle by the Dutch investor to up its stake in the Polish insurance giant. Janusz Jankowiak, head economist at BRE Bank, suggested that the government was positioning itself to affect individual banks' policies. "There are indications it wants more influence on the retail banking market," he said

From [Warsaw Business Journal](#), by Paul Shockley, 28 January 2002

### The Americas

## **GOP Remains Committed to Tax Cuts, Privatization**

In tough economic times, Republicans hope to garner support in the upcoming legislative session with familiar tax cut proposals and privatization of government services to alleviate the state's money woes. The most effective way to help the economy would be to reduce the tax burden, Republican House representatives said yesterday as they unveiled their minority legislative package. Republicans again proposed eliminating the general excise tax on grocery food, medical services and residential rent, which would save a typical family of four about \$400, said Rep. Charles Djou (R, Kaneohe). The proposal would cause an estimated loss in tax revenues of \$120 million to \$175 million, but Republicans say the money will make its way back to state coffers by creating more economic activity, generating more tax revenues. Also being proposed are two tax holiday bills, which would suspend taxes on retail sales and payroll for a short, defined period to boost the economy. Republicans criticized the governor's proposal for an across-the-board budget cut of 1 percent to 2 percent, saying it is not aggressive enough and should be selective. Rep. Joe Gomes (R, Waimanalo) suggested slashing 30 percent from the Department of Business, Economic Development & Tourism's budget. Gov. Ben Cayetano responded by saying his proposal is probably the best plan without hurting the University of Hawaii and public schools. "When they talk about tax cuts, they never seem to explain how they're going to make up the loss in revenues," he said. He said DBEDT's budget is only \$7 million to \$8 million and that many agencies are connected to it, such as the Natural Energy Lab, which develops marine products. Republicans say privatization would also save money because private companies can do the job more cheaply than the state. Cayetano countered by saying the Republicans have fought privatization efforts in the Ala Wai Boat Harbor. "There's a lot of hypocrisy in this whole thing," he said.

From [Honolulu Star Bulletin](#), by Leila Fujimori, [fujimori@starbulletin.com](mailto:fujimori@starbulletin.com), 15 January 2002

## **Preserver Group Sets Privatization Tender Offer**

New Jersey's Preserver Group, Inc. commenced its previously announced cash tender offer to purchase any and all of its shares of common stock at \$7.75 per share, implementing the plan announced last month (See IJ Website Dec.19) to privatize the company. The price will be paid net to the seller in cash, and the plan is conditioned upon the acceptance by a minimum number of 676,140 shares being tendered and certain other conditions. "The Offer and withdrawal rights are scheduled to expire at 5:00 p.m., New York City time, on Thursday, February 14, 2002 unless the Offer is extended," said the company. Approximately 1,101,510 shares of the Company's Common Stock are owned by the public.

From [Insurance Journal](#), 16 January 2002

## **Enron: A Sad Parable of Greed, Sleaze and Political Corruption**

Does the collapse of Enron, the largest bankruptcy ever, signal something new and disturbing about the health of the world of giant corporations? No, it is actually something old and disturbing, for it simply reminds us of the age-old flaws of the least bad system of economic organisation that has ever been devised: market capitalism. This is a rerun, albeit on a much larger scale, of our own scandal of Robert Maxwell, and the US will need to learn the same lessons as we have - sort of - done about that. The core of the story is swiftly told. A medium-sized pipeline company in Texas hit on the clever idea of not just shipping energy about, but trading in it too. The energy market was rapidly being liberalised and this business made the new liberalised energy market work more efficiently. People got cheaper power, and Enron made big profits. That business was and is still profitable and the company became the seventh largest in the US on the back of this success. Unfortunately and foolishly it then thought it could apply these trading techniques to other markets: it expanded in a helter-skelter way, sometimes by setting up associated partnerships to exploit these markets. But all markets are different and many of these businesses lost money. When they started to go wrong the parent company did not report the matter correctly in its accounts. The accountancy firm auditing its accounts, Arthur Andersen, did not pick these errors up for reasons that are not yet clear. When the accounts had to be restated, there

was a black hole in the profits that triggered various repayment clauses on its debts and the whole business went bust. There are several further disturbing wrinkles to the story. One is the destruction of documents that took place at the auditors after it became clear that the company was in trouble. Whatever the legal position, it looks terrible. Another was the puffing of its shares by investment banks, also after it was clear the company was in trouble. The obvious question is whether the fact that the auditors earned large fees from consultancy and the bankers from investment advice, clouded their judgement. There was also the sad fact that many of the company's employees had much of their savings and pensions invested in the firm. While some top executives were selling their shares, worried presumably by the deteriorating performance, these smaller holders were either locked in or encouraged to stay in. As a result many have lost their life savings. And there is a broader political concern. It is not just that Enron was a significant supporter of the Bush presidential campaign - it also gave to the Democrats - but more that the people close to the companies involved are the very core of the US business establishment. The problem is not - necessarily - that people behave badly. It is that the whole financial community has so many cross-relationships that true independence is hard to sustain. For example, the Securities and Exchange Commission chairman, Harvey Pitt, was a partner in a law firm that represented, among other clients, Arthur Andersen. No one is suggesting any improper behaviour on his part but he may have to remove himself from the SEC's investigations of Enron and Arthur Andersen. So what should happen? People who are hostile to the whole market economy will see this as another example of the way in which capitalism can be corrupted. They will argue that when a corporate disaster happens, the people at the top of the tree protect each other and those at the bottom get hurt. The honchos sold their millions of shares in time; the grunts lose their pensions. And of course they are right: this is indefensible. But it is important to read the right lessons, not the wrong ones, from this episode. Here are five suggestions. The first is the need for independent auditing. Whether that also means the separation of auditing from consultancy - banning a firm that does the audit from doing any fee-based work - I am not sure. This may happen as a result of the Enron debacle, but there are practical reasons for allowing accountancy firms that uncover problems in a company to help sort them out. Somehow there has to be clear segregation between the two functions and if that encourages second-tier firms to advance and challenge the big ones then that would be great. Second, the markets must learn to distrust investment banks' share recommendations. When a firm puffs the shares of a big company, as several did of Enron last summer, then the public health warning should be made more explicit. Investment banks need to create a culture of independence among their staff. They tend to do the reverse, pressuring analysts who write critical reports. (When a London analyst of the Maxwell empire headed his comment "Can't Recommend A Purchase", he was sacked by his bosses for rocking the boat.) Third, there have to be new accounting standards in the US for the sort of off-balance sheet transactions that brought down Enron. We brought them in here after the Maxwell scandal, but the US has failed to do so. Fourth, employee pension funds have to be independent of the company, with some sort of limit on the proportion of the fund that can be invested in the firm itself. And fifth - and this is the one that surely matters more than anything else - we have, as societies, to re-cultivate the idea that reputation matters. Every society has its rats, its sleaze-bags, its back-scratchers. Anti-Americans would argue that the States has more than its fair share in US commerce, just as anti-Europeans would point to the corruption in Brussels. But we should not crow about Britain. Our civil service remains remarkably uncorrupted, but this government, like its predecessor, is rapidly accumulating its coterie of "friends" in the business world - offering jobs and titles to people who give it money. Finally, anyone on this side of the Atlantic who believes that separation of business and politics is better managed here, should reflect on this sad fact. The links between the empire of the late Robert Maxwell and this government are much closer than the links between Enron and the Bush administration. Some day we will truly value business people who keep their distance from politicians. But not yet.

*From [AccountantsWorld](#), 2002-01-16*

## Hydro Privatization 'Flawed'- Dofasco CEO Warns that Plan Will Simply Drive Up Prices

John Mayberry, president and chief executive of steelmaker Dofasco Inc., warned yesterday that the Ontario government's "flawed" plan to open up the province's \$10-billion electricity market won't deliver true competition and it will punish individuals and business with higher prices. "Despite all the rhetoric, rates in the new market will be a lot higher," Mr. Mayberry said. "Ten or 15% increases at market opening may not sound like much, but in this economy, it's a hit that goes straight to the bottom line." In a speech to the Canadian Club in Toronto, he outlined possible trouble spots for the Conservatives' privatization blueprint. First, Mr. Mayberry said proceeds from any sale of Hydro One Inc. and Ontario Power Generation Inc. - the province's key power producer -- must be used to pay down \$21-billion in stranded debt accumulated by Ontario Hydro, the province's former power monopoly. Otherwise, consumers will be paying a debt-reduction surcharge on their energy bills for a long time to come, he said. "Instead of using capital for growth, these utilities should be obligated to pay down the stranded debt first," Mr. Mayberry said. In December, Mike Harris, the Ontario premier, said his government would privatize Hydro One, which will happen on May 1. Hydro One, the province's monopoly transmitter of electricity, is expected to fetch as much as \$5.5-billion when it comes to market. He also warned that OPG is at risk of becoming a "private monopoly" unless the government speeds up plans to dismantle the power generator. While there may be a plethora of electricity suppliers in the new market, OPG will maintain control over the base price of electricity because it generates about three-quarters of Ontario's power, Mr. Mayberry said. OPG has 10 years to shed assets and reduce its share of the market to about one-third of the province's production capacity. OPG is trying to sell some fossil-fuel generating assets and a series of hydro-generating plants near Sault Ste. Marie, Ont. But observers have said those assets are weak and may not draw many bidders. So far, OPG has sold off about one-eighth of its capacity. "In the meantime, OPG has market dominance and it has the ability to set rates," Mr. Mayberry said. "Every OPG asset needs to be on the table - not just the marginal stuff...Until we're assured true price competition, the customer is at risk." While Mr. Mayberry supports an open electricity market, he says not enough attention has been paid to the effect short-term price volatility will have on individuals and companies such as Dofasco, which has a \$100-million annual power bill. Price hikes could mean as much as \$40-million in extra costs to keep Dofasco's energy-hungry mills running, he warned. "We will endure a long transition period between market opening and seeing true competition in the marketplace," Mr. Mayberry said. "Unless the electricity market is examined through the eyes of the customer, which has not happened so far, it is very likely to fail."



Peter Redman, National Post  
JOHN MAYBERRY AT THE  
CANADIAN CLUB  
LUNCHEON: "Proceeds must  
be used to pay stranded debt  
first."

From [National Post Online](#), by Peter Brieger, [pbrieger@nationalpost.com](mailto:pbrieger@nationalpost.com), 23 January 2002

## Privatizing Prison Food Services Under Debate

Springfield — Every day he works, John Michels, a food supervisor at the Pinckneyville Correctional Center, counts 310 kitchen tools he looks after. "Spoons, spatulas, knives, can openers, all kinds of things that we have to be accountable for that can be used as weapons," he said. "Paddles for stirring the steam kettles. That's a very dangerous weapon. If an inmate smacks you in the head with it, it would kill you." He does not believe private food service employees would be as responsible about keeping track of the utensils as he and his colleagues are. That is one reason why he said the service should not be privatized. Gov. George Ryan is thinking of privatizing food and commissary services in state prisons to save money. Food is served in kitchens in prisons across the state to inmates and guards alike. And prisoners can buy items such as clothing, radios and televisions from prison commissaries. The Illinois Department of Corrections, or DOC, is beginning the process of choosing private companies to perform each of those tasks. Spokesman Brian Fairchild said the state stands to save about \$2 million for the rest of the current fiscal year, which ends June 30, and between \$12 million and \$20 million in future years.

From [QC Times](#), by Richard Goldstein, 28 January 2002